

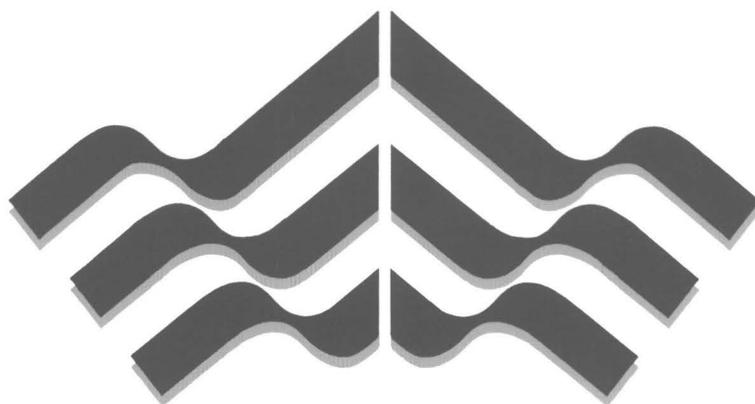
COMMISSION OF THE EUROPEAN COMMUNITIES

# COMMUNITY SUPPORT FRAMEWORK

## 1991-93

for the areas of  
Eastern Berlin, Mecklenburg-Vorpommern,  
Brandenburg, Sachsen-Anhalt,  
Thüringen and Sachsen

### FEDERAL REPUBLIC OF GERMANY



The five new *Länder* and Eastern Berlin  
in the Federal Republic of Germany



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## **FEDERAL REPUBLIC OF GERMANY**

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# Foreword by Henning Christophersen

## Vice-President of the Commission

German unification did not give rise to the need for any protracted new negotiations to allow for structural assistance to be extended to the five new *Länder* and Eastern Berlin.

The Treaty of Rome had already provided for that event, and so it was possible to integrate them immediately into our Community of Twelve.

This Community support framework (CSF) is the Commission's response to the development plan put forward by the Federal authorities in December 1990.

Drawn up after prompt but thorough preparation within the deadlines fixed by regulation, this CSF is the embodiment of active cooperation between the Commission, the Federal authorities and the *Länder*.

Expressing as it does the solidarity of the European Community for its new inhabitants, the CSF is a sound and comprehensive basis for the next three years' work of restructuring the economy of the new *Länder* so as to help them to integrate into the internal market.

Three thousand million ecus at the disposal of the three structural Funds (ERDF, ESF and EAGGF — Guidance Section) have now to be committed during the period 1991-93. They will be used to co-finance operational programmes which will be drawn up, adopted and managed in a coordinated manner, like the other structural Fund operations, under the aegis of my three Commission colleagues — Bruce Millan (regional policies), Ray Mac Sharry (agriculture and rural development) and Vasso Papandreou (social affairs).

It is my firm belief that, at the end of that initial period, our action — intended as an immediate response to events — will turn out to be fruitful, and contribute to our common goal — to strengthen economic and social cohesion.



Henning Christophersen

# 1. Introduction

On 19 december 1990 the Federal Republic of Germany submitted to the Commission its plan for the development of the five new German *Länder* and Eastern Berlin.

Council Regulation No 3575/90<sup>1</sup> allows the Commission three months from this date to approve a Community support framework (CSF) for the area.

This CSF has been adopted by the Commission following discussions with the Federal authorities and the *Länder* concerned and with all Member States through the Advisory Committee on the Development and Reconversion of Regions, the Committee of the European Social Fund and the Committee on Agricultural Structures and Rural Development.

The CSF is divided into a number of parts. Firstly it sets out a brief analysis of the economic situation of the whole area and of the individual *Länder*. Next, it details the considerations that have motivated the Commission in preparing its response to the development plan put forward by the Federal and *Länder* authorities. In the light of these considerations, the CSF sets out the development priorities of the new area as well as the types of action by which these priority objectives will be pursued. The document is completed by financial details and by considerations concerning observance of other Community policies and the way in which this CSF and the resulting programmes are to be implemented.

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<sup>1</sup> OJ L 353, 17. 12. 1990.



## 2. The economy of the new area

### 2.1. General overview

Council Regulation No 3575/90 of 4 December 1990 concerning the structural Funds' intervention in the former German Democratic Republic covers a territory with a total population of about 16.4 million in the five *Länder* of Mecklenburg-Vorpommern, Brandenburg, Sachsen-Anhalt, Thüringen and Sachsen as well as in the eastern part of Berlin.

The five *Länder* together with the *Land* Berlin (of which only the eastern part is included in this CSF, the western part being covered by the current CSF under Objective 2) were newly constituted after German unification and form the main element of the federal structure of the former Ger-

man Democratic Republic, which was centrally organized with central institutions making nearly all important decisions. The new *Länder* are now responsible for regional policy in their territories.

The socio-economic structure of the regions varies from one *Land* to another depending on population distribution, dominant sectors of economic activity, prevailing industries and income (see below) as well as on a range of historical, geographical and other natural factors relevant to each *Land*. Principal indicators (see Table 1) provide an overview of the underlying socio-economic structure for the area. Although economic analysis is inevitably limited by the lack of reliable statistics, these data reveal the general weakness of the area's economy.

Table 1

Principal economic indicators for the five new *Länder* and Eastern Berlin

	ex-GDR	former FRG
Population 1989 (in 1000)	16 400	61 700
Population change 1989/1970	-3.5%	+1.1%
Territory (km <sup>2</sup> )	108 300	248 700
Density (inhabitants/km <sup>2</sup> )	152	248
Total employment (in 1000) 1990	8 700	29 680
• changes 1990/1989	-9.5%	+1.8%
Employment by sector (%)		
• agriculture	10.8%	4.9%
• industry	47.1%	40.1%
• services	42.1%	55.0%
Unemployed		
July 1990	272 000	1 864 000
Percentage rate	3.1%	6.4%
December 1990	642 000	1 748 000
Percentage rate	7.3%	6.1%
Estimated average for 1991	1 400 000	1 800 000
Short-time workers		
July 1990	656 000	30 200
December 1990	1 794 000	50 000
Estimated average for 1991	1 750 000	
Productivity in industry (index) (estimated by DIW, Deutsches Institut für Wirtschaft)	52	100

## Population

The number of inhabitants in the area has been declining for some years partly due to natural factors (birth/death rate), but also because of a highly negative migration balance in particular with the rest of the Federal Republic. Although the rate of out-migration has considerably slowed down since unification, it is estimated that it will remain an important factor due to better living and working conditions in the rest of Germany. Characteristics of the population of the new *Länder* and Eastern Berlin are its relative youth (20% under 15 years of age against 15% in the rest of Germany) and a high participation rate of the working population (52% against 48%), in particular of women (48% against 37%).

## Employment

The opening-up of the economy in the area to an unprecedented level of external competition has already led to a substantial fall in employment: during 1990 there were on average some 9.5% fewer employed than in 1989. Over 1991 another decrease in employment is expected of about 19.5% compared with the level of 1990, with the result that at the end of 1991 only about six million people may be in employment compared with about 9.5 million at the end of 1989. Employment will mainly diminish in industry, which in 1989 with about 47% represented the biggest economic sector, exceeding the service sector where 42% of the workforce were employed. Unemployment and short-time work have risen constantly in the course of 1990. The unemployment rate increased especially in the second half of 1990 from 1.6% in June to 7.3% in December 1990 and is expected to increase to 17.5% (1.4 million) on average in 1991. The number of short-time workers which increased dramatically in the course of 1990, reaching nearly 1.8 million in December, is expected to remain at about the same level on average in 1991.

## The industrial sector

The dominant branches are mechanical engineering and construction of vehicles, followed by electrical engineering, electronics and the chemical industry. Branches such as textiles and clothing, which are declining industries in Western economies, still have an important position in the former GDR (7% of employment in 1988). Some branches show a high regional concentration, such as shipbuilding on the Baltic coast, the steel industry in Brandenburg and Frankfurt an der Oder, the chemical industry in the area of Halle, textile and clothing industry near the Czechoslovakian border and brown-coal mining and energy production around Halle, Chemnitz and in the Niederlausitz, south-east of Berlin. The concentration of industry in these areas has led to enormous environmental problems exceeding by far the generally bad environmental conditions in the overall area.

The current problems of the industrial sector can be summarized as follows:

- (i) capital equipment in industry is to a large extent out of date;
- (ii) the high proportion of obsolete equipment demands a relatively large workforce for handling and repairs;
- (iii) the central planning system with its primary aim of self-sufficiency has led to the organization of big industrial combinations resulting in the present inflexible production structure, the lack of an independent supply industry and a shortage of SMEs, particularly in the field of production-related services;
- (iv) research and development in the former German Democratic Republic had been concentrated on a few show-piece industries (such as the electronics industry and the optical industry) neglecting at the same time technological evolution in large parts of the industrial sector;
- (v) as a general result of these deficiencies, productivity in the new *Länder* is only about half of that of the rest of the Federal Republic;
- (vi) the fall in industrial activity contributed in large measure to a drop in GDP of the area of the order of 25% between 1989 and the end of 1990.

## The services sector

Owing to the inflexibility of the central planning system and the horizontal and vertical concentration in production, the services sector is comparatively underdeveloped.

There is a general insufficiency, or sometimes complete lack, of services which are indispensable in a free market system, such as a banking and financing system or an efficient network of trade organizations. In particular, production-related services and industrial crafts are inadequate for the needs of a diversified economic structure.

There is also a shortfall in the supply of tourist services. Many regions in the new *Länder* offer valuable potential for tourist activities (e.g. the Mecklenburg lake district, the river areas of the Spree and the Havel in Brandenburg, the Saxonian sandstone cliffs and the Thuringian forests). But their equipment in terms of tourist services and infrastructure is insufficient.

## Infrastructure

General transport infrastructure, although in some respects comparable to the rest of the German *Länder* in quantitative terms, is in large parts run down and insufficient in quality. Thus, only a quarter of the rail network is electrified and only one third is multi-track. The road network needs to be repaired and modernized in many parts.

Particularly important for the economic restructuring of the area are infrastructure facilities directly linked to production such as industrial estates, communication and technological infrastructure, provision of energy, water supply and facilities for waste and sewage disposal. As these facilities have largely been neglected, there is an enormous need for their renewal and extension. Regarding the availability of industrial sites, the problem is twofold: many of the old industrial sites must be completely restructured to attract new enterprises (including repair of environmental damage — and the linking up to local infrastructure and communication); in many cases the question of ownership of the ground and factory premises must be clarified before any restructuring can be undertaken.

## Environment

Environmental protection was not a priority in the past, being subordinated to the needs of production. As a consequence the quality of life today is in large areas very badly affected. Air, soil and water are heavily polluted — something which constitutes a heavy burden ('Altlasten') on new economic activities. Air pollution by sulphur dioxide is particularly serious. Per capita emission is estimated to be five times higher than in the rest of the Federal Republic. About 50% of the SO<sub>2</sub> emission originates from the Halle (Sachsen-Anhalt), Leipzig and Dresden (Sachsen) conurbations, and a further 25% emanates from the brown-coal mining region around Cottbus in the *Land* Brandenburg. Energy production in the area is largely based on high sulphur brown coal and the power stations fuelled by it have low efficiency, high internal energy consumption and inadequate filtering equipment.

Brown-coal burning and obsolete industrial production methods also cause a high dust level in the air. Antiquated production methods, particularly in the chemical industry, and intensive agricultural methods have caused high direct contamination of water-courses. The situation is exacerbated by an inadequate supply of sewage treatment plants both for industry and for private homes.

## The agricultural sector

Agricultural structures in the Community are quite different from those in the new *Länder*. In the planned economy of the former GDR normal market forces were largely replaced by production targets. Self-sufficiency was the primary political goal and the artificial stimulation of production resulted in surpluses of farm products of a quality far below the standards required by the Community (e.g. potatoes, milk, beef, pigmeat, eggs and poultry).

Agriculture in the former GDR was, therefore, characterized by attractive producer prices highly subsidized for the consumers. This has given rise to a number of characteristics:

- (i) high applications of fertilizer and pesticides;
- (ii) cultivation of marginal land;
- (iii) high labour input;
- (iv) efforts to realize economies of scale which failed and had instead created disastrous effects on the environment, animal health and the traditional life and historical heritage of rural villages;
- (v) microeconomic viability of the agricultural sector with a relatively high standard of living for the agricultural labour force;
- (vi) a high level of agricultural activity in rural areas, with 23% of the total population being involved in agricultural production (villages with fewer than 2 000 inhabitants).

The landscape, the character of the countryside and the economic importance of agriculture in the northern part of the territory (including Mecklenburg-Vorpommern and Sachsen-Anhalt) is substantially different from the southern part (Thüringen and Sachsen). In the last few decades bad farming practices, such as inadequate humus incorporation and poor tillage resulting in soil compaction and erosion, have caused degradation in the productive capacity of the land. An initial examination of the state of rural housing indicates that the centres of many rural communities need to be rebuilt or renovated. Many such centres are without adequate sanitary installations and sewage treatment facilities. Agriculture shares some of the responsibility with industry for pollution in all parts of the countryside. Acid rainfall is also degrading agricultural land, endangering sub-soil water quality and destroying extensive areas of forest.

The 1 159 cooperative farms specialize in arable production and cultivate 5 260 million hectares (average per holding 4 540 hectares) or 85.1% of the total agricultural land. Five per cent of agricultural land is in private use (either by the Church or by members of cooperatives who are allowed to farm small areas for their own use). Remaining land belongs to State farms or to livestock cooperatives. These livestock cooperatives, which do not have adequate land, cause many problems, including widespread pollution from slurry disposal. High levels of livestock concentration on holdings (average 1 800 livestock units (LU) per holding) cause problems of animal health and animal welfare. Moreover, in order to ensure environmentally friendly slurry disposal, these holdings will have to be combined with at least 1 200 hectares of agricultural land on average. Despite the large area per holding, the labour input of 16.6 labour units/100 hectares is unacceptably high. Under these conditions economies of scale are not possible.

Forests cover 27% of the area. About 54% of forests are damaged by acid rainfall. The existing saw mills and pulp plants are old, inefficient and highly polluting. An ambitious policy to save forest land and to increase forested areas will be necessary.

## Fisheries

The fisheries policy of the former GDR consisted mostly in producing and supplying species of low value (pelagic species such as herring, mackerel, etc.). A market for fresh demersal species did not exist. Moreover, a tightly protectionist import scheme and heavily subsidized fish prices contributed to the creation of artificial structures which implied limited supply of products with low quality and presentation, far below Community standards.

The processing sector focused mainly on the canning industry and other forms of processing were rather basic. Most of the processing industries did not possess adequate installations and existing facilities lack the necessary hygienic-sanitary conditions. Appropriate storage capacities and distribution channels are also lacking.

As a consequence of the centralized distribution of fish products by a State-owned 'Fishkombinat' in Rostock, fish auctions and private fish trade could not be set up. The fish consumption per head is far below the Community average.

The fishery industry, mainly concentrated in Mecklenburg-Vorpommern, has a particular importance for the further development of this *Land*. In many areas of this region the fish sector is an important branch of industry in view of its numerous links with other sectors (shipbuilding, commerce, tourism, etc.). Processing and marketing structures of aquaculture in the five new *Länder* are not in line with Community requirements.

## 2.2. Regional analysis

### Mecklenburg-Vorpommern

This most northern *Land* borders the Baltic Sea, Poland in the East, Schleswig-Holstein in the West and Brandenburg in the South. A lowland plain, it has an agricultural and fishery structure with picturesque areas on the Baltic Sea-coast and in the Mecklenburgian lakeland district.

#### Area and population

Mecklenburg-Vorpommern covers 24 000 km<sup>2</sup>, 22% of the area of the former GDR and 6.7% of the Federal Republic. Its population is about 2 million, equivalent to 12.8% of the former GDR and 2.5% of the Federal Republic. The population density of 82 inhabitants per km<sup>2</sup> is extremely low and is below the EC average (before unification) of 144.

The biggest towns are:

Rostock	253 000 inhabitants
Schwerin (capital of the <i>Land</i> )	130 000 inhabitants
Neubrandenburg	91 000 inhabitants

The towns located on the Baltic Sea-coast are highly dependent on marine and fisheries activities (Wismar, Rostock, Stralsund, Greifswald, Sassnitz). More than 37% of the population lives in towns with between 2 000 and 50 000 inhabitants and roughly 30% live in small villages of less than 2 000 inhabitants.

#### Sectoral structure

The economy is dominated by agriculture, fisheries, machinery manufacture and shipbuilding, with 20% of the labour force employed in agriculture, mostly in collective farms.

The industrial sector is concentrated primarily on the coastal area and occupies 23% of the labour force in this *Land* or only 7.3% of total industrial labour force in the five new *Länder* and Eastern Berlin. The services sector absorbs 35% of all employees, 11% of which work in trade. This is the highest rate in all of the five *Länder* and reflects the tourist and trade activities in the coastal zone. The harbours of Rostock, Wismar, Stralsund, Sassnitz and Mukran together accounted for roughly 25% of the foreign trade of the former GDR.

Near Greifswald, several nuclear reactors have already been closed due to insufficient security standards.

#### Labour market

In December 1990 nearly 90 000 persons were unemployed. This is 8.7% of the labour force in Mecklenburg-Vorpommern. Roughly 177 000 people (17% of the workforce) were working short-time.

#### Prospects

Employment in agriculture and shipbuilding will obviously be reduced over the next few years. An active rural development policy can reduce the risk of further depopulation of rural areas. In addition, tourism and food processing may grow and absorb a part of job losses in the other sectors.

### Brandenburg

Brandenburg has a long border with Poland in the east and borders on Sachsen in the south and on Sachsen-Anhalt in its western parts. The landscape is characterized by heathlands and pine woods with lakes, moors and sandy soils. This *Land* is an industrial and agricultural region with its main activities in the area around Berlin and in its eastern industrial centres of Frankfurt (an der Oder) and Cottbus.

## Area and population

The area of the *Land* is 29 000 km<sup>2</sup> or 27% of the former GDR (8% of the Federal Republic). Although the biggest of the five *Länder*, it has only 2.6 million inhabitants (16% of the former GDR; 3.4% of the FRG). The average population density is very low (91 persons/km<sup>2</sup>).

Brandenburg is the second most rural *Land* of the former GDR. Its most important towns are:

Potsdam (capital of the <i>Land</i> )	141 000 inhabitants
Cottbus	129 000 inhabitants
Brandenburg	93 000 inhabitants

Four other towns have a population of between 50 000 and 100 000 inhabitants; 27% of the population lives in villages with fewer than 2 000 inhabitants. Nearly one third of the population lives in the area around Berlin.

## Sectoral structure

In some parts agriculture utilizes marginal land which cannot compete in the long term.

Agriculture employs 15% of the labour force. After 1945, strong industrialization of the *Land* was promoted, such that more than 33% of the total labour force now works in the industrial sector. But this sector is highly dependent on a few industries which are mainly concentrated in the Polish border region: lignite extraction in the south-east (Cottbus); iron and steel production (Eisenhüttenstadt and town of Brandenburg); refining and petrochemicals in Schwedt on the Polish border; metals, machinery and vehicle production on the periphery of Berlin.

The concentration of lignite, energy production and chemical industries creates serious air pollution in the south-eastern part of Brandenburg (region Niederlausitz).

The periphery of Berlin has a balanced structure of industry with electrotechnical and electronic firms, machinery and metallurgy. Several research institutes with an important research potential are located in the Potsdam area.

## Labour market

More than 101 000 people (7.4% of the labour force) were without work in December 1990 and more than 298 000 persons (21%) worked short-time.

## Prospects

The monostructured centres in the border area may experience several problems: lignite is a major source of pollu-

tion and this may lead to production cuts and unemployment; refining and petrochemical industry is dependent on oil imports from the USSR (pipeline) or other countries and there are uncertainties about future supplies and prices; the border situation of eastern Brandenburg may pose difficulties in attracting outside investment if new trade relations cannot be built up with Poland, the Soviet Union or other Eastern countries. Positive benefits will result from the spillover effects of development in Berlin.

Agricultural activity needs to be adapted to the new market conditions pertaining to these areas. Vast areas surrounding Berlin can be developed to offer recreation facilities to the citizens of Berlin. The Western part (closed off by the Wall in the past) already has a very high income level and offers real potential in this area. A joint approach by the three Funds can stimulate these market opportunities using an appropriate development strategy.

## Eastern Berlin

The division of Berlin led to the expansion of the Eastern part which was the capital of the former GDR. After unification, Berlin was declared the capital of the Federal Republic, but it has not yet been decided whether in fact the Parliament and Government institutions will move there from Bonn. Nevertheless, Berlin will regain many of its old functions and strengthen its economic, political and cultural position.

## Area and population

The city region covers some 880 km<sup>2</sup> (403 km<sup>2</sup> in Eastern Berlin). It has a population of 3.3 million inhabitants, of which 1.3 million live in the Eastern part and another 0.9 million persons in the broader agglomeration of Berlin. The density is 3 800 persons per km<sup>2</sup> (Western Berlin 4 200; Eastern Berlin 3 200).

## Sectoral structure

The services sector occupies nearly two-thirds of the labour force in both parts of the town. But beside this, Berlin has — compared with other capitals — a relatively high level of industry. Eastern Berlin has a labour force of roughly 700 000 persons, most of which work in the services sector. Within the industrial sector (more than 175 000 persons) roughly 30% work in the electrotechnical sector and 24% in machinery and transport equipment. The food industry employs 11%. Industrial employment is characterized by a strong concentration in a few big enterprises on the outskirts of the city and in small and medium-sized enterprises (SMEs) in the inner parts. Only 75 industrial enterprises have fewer than 1 000 employees. The city houses more than 20% of the scientific potential of the new *Länder*.

## Labour market

In Eastern Berlin, more than 66 000 people were unemployed in December 1990 (being 9.3% of the labour force) and 77 000 (10%) were on short-time working. The central administration and services sector in Eastern Berlin is very important.

## Prospects

The labour force in the industrial sector and the old central government administration will decrease. On the other hand, the rapid linking of the two parts of the city and their administrations will create development. It can be expected that Berlin will take over its old role as a business and administration centre, especially if the Eastern countries orient themselves more to Western Europe.

## Sachsen-Anhalt

Sachsen-Anhalt is in the western part of the former GDR. It borders Niedersachsen in the west, Brandenburg in the east and Sachsen and Thüringen in the south. Its northern and western parts are rural and less densely populated, the southern parts on the border with Sachsen are densely populated and highly industrialized.

### Area and population

With an area of more than 20 000 km<sup>2</sup>, the *Land* is the third largest region (after Brandenburg). It covers roughly 19% of the area of the former GDR and 6% of the FRG. Nearly 3 million people or 18% of the population of the former GDR live in Sachsen-Anhalt. Its population density corresponds to the Community average (145 persons/km<sup>2</sup>). The biggest towns are:

Magdeburg (capital of the <i>Land</i> )	288 000 inhabitants
Halle	231 000 inhabitants
Dessau	101 000 inhabitants

Twenty-seven per cent of its population lives in towns with more than 50 000 inhabitants; 47% in towns between 2 000 and 50 000, and 26% in communes with less than 2 000 inhabitants.

### Sectoral structure

Sachsen-Anhalt has a mixed and relatively balanced economic structure. The agricultural sector, mainly concentrated in the northern and western parts, employs 12% of the total labour force. The industrial sector with nearly 40% of the total labour force is concentrated in the area of Halle/Dessau, the Harz region and Magdeburg. The chemical

industry, which produces nearly 47% of the total chemical production of the former GDR, is the most important industrial sector.

The resultant environmental effects in the region Halle/Dessau/Bitterfeld constitute a serious problem for future development. Machinery and vehicle-related industries are concentrated in Dessau, Halle and Magdeburg. The mountain region of the Harz is a traditional tourist area in the summer and winter seasons. Agriculture is characterized by high level of plant production (cereals, sugar, fodder).

## Labour market

Sachsen-Anhalt had, in December 1990, 113 000 unemployed persons (7.0% of the total labour force) and 369 000 people working short-time (23%).

## Prospects

Important sectors like the chemical industry and lignite production will have to modernize their production processes and reduce pollution. The reconversion of whole areas in the south of Sachsen-Anhalt can be expected. Positive effects could come from the development of agricultural production and related food industries. Other sectors such as machinery have good prospects if they are modernized, rationalized and adjusted to western economic and environmental standards.

## Sachsen

Sachsen has a common border with Poland and Czechoslovakia in the south-east and borders Brandenburg and Sachsen-Anhalt in the north-west, as well as Thüringen and Bavaria in the south-west. The landscape rises from the flat area in the north to the southern mountain ridge Erzgebirge in the south with mountains of more than 1 000 metres.

### Area and population

Sachsen is the most urbanized and industrialized region of the five new *Länder*; 4.9 million people (29% of the former GDR) live on 18 000 km<sup>2</sup> (17% of the total area of the former GDR). Its population density is therefore relatively high (267 persons/km<sup>2</sup>).

In Sachsen, nearly 30% of the population lives in four towns with more than 100 000 inhabitants.

Leipzig	530 000 inhabitants
Dresden (capital of Sachsen)	501 000 inhabitants
Chemnitz	302 000 inhabitants
Zwickau	119 000 inhabitants

Only 20% lives in villages with fewer than 2 000 inhabitants, while the rest (50%) live in small and medium-sized towns.

### Sectoral structure

The economy is diversified. Only 7% of the total labour force (2.5 million persons) works in agriculture, while industry employs nearly 44%. The industrial sector has a versatile structure, but will have to undertake adjustment in sectors like lignite and uranium mining, photo and optical industry and textile and clothing industry. Sachsen's industry is not as concentrated as the industry in other parts of the area.

The dominant industrial centre Leipzig (machinery, machine tool construction, printing and electrotechnical industry) is also famous for its trade fair. The regions of Halle and Leipzig are badly damaged environmentally.

Sachsen's agriculture is very intensive and concentrates on livestock production. In the southern part, tourism plays an important role, especially in the Erzgebirge, the region bordering on Czechoslovakia.

### Labour market

In December 1990, 164 000 people (6.2% of the labour force in total) were unemployed. More than 565 000 person (21%) were working short-time.

### Prospects

Certain sectors with serious structural problems will have to reduce production and close down factories (for instance uranium mines, lignite extraction or textile production). In consequence it is necessary to recultivate and redevelop areas of lignite extraction and uranium mines. It is estimated that 500 000 jobs will be lost in machinery and vehicle construction, light and textile industry and agriculture. The mixed economic base and the remaining base of SMEs provide good prospects for new investments and promise a rapid adjustment to new markets.

## Thüringen

Thüringen is situated in the south-west corner of the former GDR. It has common borders with Niedersachsen, Hessen and Bavaria in the west and with Sachsen-Anhalt and Sachsen in the east. Due to its large forests in a low mountain landscape it is often called the 'green heart of Germany'. Its central position in the Federal Republic may help restore its former transit function as an industrialized region between East and West.

### Area and population

Thüringen has the smallest area of the five new *Länder* (16 000 km<sup>2</sup>). It represents 15% of the former GDR and its

population (2.7 million persons) is 16% of the new *Länder*. The population density (165 inhabitants/km<sup>2</sup>) exceeds the EC average.

Seventeen per cent of its population lives in three large cities, with each more than 100 000 inhabitants.

Erfurt (capital of the <i>Land</i> )	217 000 inhabitants
Gera	132 000 inhabitants
Jena	106 000 inhabitants

Roughly 32% live in small villages with fewer than 2 000 inhabitants. The remaining 50% is distributed over 170 small and medium-sized towns of between 2 000 and 100 000 inhabitants.

### Sectoral structure

Thüringen's economy is characterized by a distribution of activities between different sectors; 10% of the labour force (1.4 million people) work in agriculture, while 43% work in industry, the highest share after Sachsen. The industry is diverse with modern sectors (microelectronics, vehicle construction and machinery in Jena, Erfurt and Eisenach) and more traditional sectors like potash mining and textile manufacturing in the western part of the *Land*, or glass and porcelain production in the south-western Thüringer Wald region. Tourist activities are mainly concentrated in the health resorts of the Thüringer Wald and in the old towns Eisenach, Erfurt and Weimar. Like Sachsen, Thüringen has also a significant number of SMEs in the repair and maintenance sector.

### Labour market

Of the total labour force (1.4 million), 7.3% (107 000 persons) was unemployed and 22% (316 000) was working short-time in December 1990.

### Prospects

Despite its relatively balanced structure and suitable size of firms, there exist specific regional difficulties. More serious problems may arise near Gera, where roughly 20 000 persons could lose their jobs if the uranium mines are closed. The central position in the heart of Germany and its long border with the rest of the Federal Republic are positive location factors for the future.

Part-time farming in this region has a long tradition. Poor soil quality in certain parts of the *Land* make additional off-farm employment essential. There is a well-renowned tradition of woodcarving. Certain areas have a very attractive landscape offering clear opportunities for agro-tourism. Special effort is necessary in the forest sector which is suffering from the effects of acid rainfall. Marginal land should be afforested. However, this has to be carefully guided in order to complement the recreation potential and the beauty of the landscape.



### 3. The overall objectives of development

In determining the development priorities for Eastern Berlin and the new *Länder*, a number of factors have guided the Commission and the Federal and *Länder* authorities concerned. These relate to the overall objectives of development in the region and to the ways in which the actions to be financed are in harmony with Community structural policies.

This section details these factors.

#### Modernizing industries and services

Community structural Fund assistance should contribute to the smooth integration of the territory of the former GDR into the Community. To this end, Community aid should be given especially to complement national efforts in bringing about a rapid transition from a centrally planned to a free market economy in the new *Länder*. The attainment of a free market economy is necessary if the new *Länder* are to cope with the challenge posed by the enlarged market.

The development strategy must respond to the immediate needs of renovating the economic, social and agricultural structure in the new *Länder*, so reducing migration from eastern to western Germany.

It is of the utmost importance that the privatization process now under way results in industrial structures which are balanced in respect of sectors and size of enterprise capable of providing competitive products so as to create a basis for growth and sustained employment. In this context the promotion of small and medium-sized enterprises will need to have a high priority for ERDF assistance.

The enterprises of the new *Länder* must recover domestic markets lost in 1990 and produce products which are competitive on external markets, if they are to be integrated into intra-Community and international trade and become independent of financial transfers. The formation of an effective export basis would facilitate the development of related complementary production and services which are at present largely underdeveloped.

#### Modernizing agriculture

The agrarian sector of the former GDR was part of a planned economic system. It had an industrial structure with a system of price and quantity planning that was geared to

self-sufficiency. Holdings are oversized, have an excessive workforce and give rise to heavy environmental pollution. They are unable to compete with the efficiency and quality standards that are found on family farms.

The goal of agrarian policy of the new *Länder* must therefore be the promotion of a diversified agricultural structure, as well as the establishment of forest and food industries which are competitive in the European internal market. This will require extensive reorganization of operating and production structures, something which cannot be accomplished in the short and medium term, and which will require adjustment measures and transitional regulations (as laid down *inter alia* in the Unification Treaty, in the Commission proposals for measures in the structural field and in the development plan submitted by the Federal Government). Production volume, hygiene and sanitary conditions, quality level and harmony with the environment must be compatible with the overall direction of the common agricultural policy.

The principal objectives and strategies are:

- (i) reorientation and improvement of the efficiency of agricultural production as a means of increasing competitiveness;
- (ii) improvement of the quality, labelling and marketing of agricultural produce;
- (iii) stimulation of rural development, including alternative land use and non-traditional enterprises in order to improve the global economy in rural areas by means of investment aids;
- (iv) encouragement to farm in a more environmentally friendly way; this will include woodland improvement and extensification of agricultural production.

#### Developing human resources

The development of appropriate industrial and agricultural structures will need to be accompanied by measures in the field of vocational training and labour market policies. The measures have to be geared towards equipping the labour force with new skills suited to the qualification profiles required by the overall economy. This will contribute to an increase in both the rate of productivity of the overall economy and in employment. Aid for those wishing to set up in business on their own will also contribute to the renovation of the industrial structure.

In this context the entire working population at virtually all levels requires, in different degrees, training which will give the necessary knowledge on functioning of the market economy as well as on new technologies related to production, organization, office automatization and telecommunication. The acquisition of management methods and skills by entrepreneurs and managers will also be particularly important. The re-establishment of independent, economically sound family farms can only be successful if farmers are well trained in preparation for their new tasks.

In a wider sense, the acquisition of new skills is not only indispensable for the more efficient fulfilment of existing tasks and for tasks directly related to productive investment. It is also necessary for the smooth transition of employed persons into other sectors, occupations and activities as well as the integration of young persons and unemployed into the labour market. These adaptations are both preconditions for and consequences of a successful structural economic transformation. This process demands the improvement of training structures at all levels both inside and outside firms, in order to strengthen educational and training facilities and assure the efficient organization of apprenticeship measures.

The alarming rise in unemployment resulting from changes in agriculture, the replacement of worn-out plant and equipment as well as outdated production processes and products requires that training measures go hand in hand with the encouragement of productive investment. This is also the case for infrastructure investment, where support should be focused on those categories of investment and training requirements which have the greatest possible impact on economic development.

The development of appropriate production-linked training infrastructure would contribute to the improvement of the business environment. This, in turn, would stimulate new initiatives by investors from the western part of Germany, the rest of the Community and foreign countries as well as by people from the new *Länder* who want to set up a business on their own.

## Environment

Given the immense scale of the environmental problems facing the new *Länder*, it is necessary to ensure that the objectives of protecting the environment and establishing a sustainable development pattern are fully integrated into the overall development strategy. This is not only a condition for the integration of the former East Germany into the Community, in the sense of closing the gap between the virtual non-observance by the former GDR of any meaningful standards of environmental protection and the high (and rising) standards established by Community norms. This is a massive task, to which the Community's structural Funds will contribute by ensuring that funded actions observe the best possible environmental standards.

In addition, the structural Funds must undertake the specific task, in support of the efforts of the Federal and *Länder* authorities, of responding to the economic demands arising from past environmental damage and future environmental constraints. This means in particular helping to repair the damage done to the economic potential of both industrial and agricultural areas by past neglect of environmental considerations; and supporting a restructuring of production — again in both the urban and the rural context — which respects resource limitations and takes full account of the costs of pressures on the environment. Such a task requires a concerted effort by all three Funds.

## Technical assistance for restructuring

At present the Eastern German *Länder* experience major changes in nearly every domain of their social, political and economic life. In these circumstances a particular effort is demanded from the Commission in order to assist in the restructuring process in the five new *Länder* and Eastern Berlin. A wide range of technical assistance measures seems to be an appropriate instrument to overcome difficulties which may arise in preparing and implementing Community aid.

## 4. Development priorities

On the basis of the proposals in the development plan for the new *Länder* and the eastern part of Berlin and in view of the overall objectives, the Commission, in agreement with the Federal and *Länder* authorities concerned, has defined priorities for intervention which are set out below. These priorities intend to maximize the links between the measures to be part-financed by the Community and other measures that will be financed either by Federal authorities, the *Länder* authorities or both.

The Community's horizontal policy objectives are pursued through the priority objectives and not separately identified. Thus (with the exception of Priority 8 which covers measures to advance the use of environmentally friendly agricultural techniques) there is no grouping of measures for the protection of the environment. However, as indicated in the section on the environment in Chapter 3, particular importance will be attached to actions to promote improvement of the environment. In particular, measures to clean up existing pollution and to introduce more environmentally friendly production techniques will figure prominently under Priorities 1 (infrastructure), 2 (productive investment) and 7 (rural development).

Similarly, other policy objectives of major concern to the Community will be pursued through the relevant priority axes. These include the development of SMEs, research and development, tourism, transport links related to economic activity, etc.

In a number of cases the major part of investment in line with other Community priorities is being carried out by the Federal authorities, or the *Länder*, or both. This includes investment in infrastructure networks (telecommunications, transport, energy). The new *Länder* areas will at the same time be integrated into continuing Commission work on trans-European networks and the use of the Community territory.

The policy objectives pursued under Community initiatives (see p. 24) are also integrated into the relevant priorities of this Community support framework.

### Priority 1 — Promotion of infrastructure closely related to economic activities

A prerequisite for private investment is the provision of appropriate infrastructure geared to the needs of industry. The economic system of the former German Democratic Republic did not adequately allow for the setting-up of this type of infrastructure. In the future, therefore, it will be

necessary to support investment in this field if the renovation of the industrial sector is to succeed.

Support can essentially be given to the establishment, modernization and extension of the following industry-related infrastructure investments:

- (i) Industrial sites: development of new sites and re-development of run-down sites. The physical improvement of the surroundings of the sites will equally be of importance;
- (ii) Local transport links, especially access to industrial areas;
- (iii) Energy and water supply as well as waste and sewage disposal/purification for industrial purposes;
- (iv) Development of sites for tourism as well as public tourism facilities;
- (v) Small-scale infrastructure including business, technology and incubator centres, common services and research for SMEs to promote and facilitate the creation of SMEs, the development, dissemination and application of technical know-how and the development of new products and processes;
- (vi) Training activities, assistance for recruitment and creation of self-employed activities, in line with the promotion of infrastructure closely related to economic activities.

### Priority 2 — Support for productive investment

This priority aims to renovate industrial production and stimulate the development of services, in particular those related to the productive sector. Aid will also be available to private investment in the tourist sector, where appropriate.

These measures will contribute, in a large measure, to new and sustained employment. They should help to increase productivity and accelerate diversification of the industrial sector and in particular encourage the setting-up and development of SMEs. Improvement of the environment and strengthening of the technological base will be important aims in this priority area.

Aid will be granted to the following categories and measures:

- (i) setting-up, extension, modernization and rationalization of undertakings;
- (ii) acquisition of intangible assets;

- (iii) creation of high-quality jobs with particular importance for the innovative capacity of companies, technology transfer as well as the dissemination and application of new research;
- (iv) creation of tourist accommodation;
- (v) skills for setting up businesses, especially SMEs and family farms;
- (vi) training measures to introduce and disseminate new technologies and to overcome skill scarcities;
- (vii) assistance for recruitment and the creation of self-employed activities.

### **Priority 3 – Measures with regard to the development of human resources**

The development of human resources and employment promotion is a decisive factor in improving the productivity of the economy and in increasing real income. The updating of industrial production and the stimulation of the development of services can yield economically viable results only if they are accompanied by measures in the field of corresponding manpower development and motivation. These measures, which relate to the process of economic restructuring in its totality, go beyond training which can be directly related to individual investment projects of modernization and extension of economic activity.

A series of improvements at the level of the workforce are required if the transformation to a market economy is to be effected. The working population must adapt to changing economic circumstances. Vocational and occupational mobility must be increased and a certain level of multi-skill professional knowledge must be acquired. Measures analogous to those covered by Community programmes of R&D and human resources (Euroform, NOW, etc.) should help to promote vocational training in this field.

These measures are especially targeted on persons who are unemployed or who are threatened by unemployment in areas where restructuring requires technological modernization or substantial changes in the production and management system.

On the basis of these overall criteria support should especially be given to:

- (i) vocational training to be organized in centres ('off-firm-training');
- (ii) education, training and re-training facilities to meet the requirements of industries, services and agriculture in the process of adapting to a free market system;
- (iii) apprenticeship (theoretical part);
- (iv) multisectoral and multipriority training measures;
- (v) assistance for recruitment;

- (vi) training of trainers;
- (vii) assistance for creation of self-employed activities.

### **Priority 4 – Combating long-term unemployment<sup>1</sup>**

Within the next few years, the number of long-term unemployed will increase.

In addition to the financial and social costs for those directly affected (the fall in living standards, the strain on family and other personal relationships, depression, loss of motivation and feelings of inadequacy and powerlessness) there are costs for government budgets (unemployment payments and other forms of income support, social services provision and forgone tax revenue) as well as costs for the economy as a whole in terms of lost output and income.

Special efforts are to be undertaken to give the long-term unemployed training opportunities which will enable them to acquire a higher level of skills appropriate to their needs. These efforts should aim at giving possibilities for work experience, and increase motivation by providing information and counselling. In this context the weaker position of women in the labour market deserves particular attention. Measures should contribute to ensuring their high participation rates and enable them to continue qualified employment.

Long-term unemployment has been a major policy concern of the Commission since 1983/84.

Aid will be given to finance the following actions:

- (i) the development of operations combining several types of intervention in order that training should be a factor in promoting occupational and social integration for long-term unemployed with out-of-date skills;
- (ii) training for and promotion of self-employed activities in regions with an economic monostructure;
- (iii) recruitment subsidies into newly created stable jobs;
- (iv) operations for categories of persons encountering special difficulties on the labour market.

### **Priority 5 – Facilitating the occupational integration of young people<sup>1</sup>**

In the former Federal Republic, where the dual system of vocational training as part of basic education ensured that school leavers were, for the most part, integrated into the

<sup>1</sup> Given the uncertainty in the evolution of long-term unemployment due to the present large number of short-time workers, as well as the difficulty of identifying the number of young unemployed who cannot find a first occupation in view of company failures, there should be flexibility between Priorities 4 and 5. This flexibility can be exercised in function of needs and independent of the provisions on flexibility drawn up in the implementation provisions.

labour market, it was possible to a large extent to avoid youth unemployment. This system will now be implemented in the new *Länder*. Here, young people may become unemployed as firms close down with the result that they are unable to finish their apprenticeship. Some of them could continue their training if there were financial assistance for SMEs to create training places or vocational training centres.

The object is to develop programmes of measures which will provide improved and more effective vocational training comprising training systems and structures.

These systems and structures include:

- (i) training for the acquisition of basic qualifications in professional skills required in different sectors, in view of employment in SMEs, in the services, crafts and agricultural sector. Measures should include the training of trainers;
- (ii) medium and high-level qualifications in vocational training including training in advanced technologies;
- (iii) measures to assist disadvantaged groups;
- (iv) organization of transnational and innovatory operations;
- (v) assistance for recruitment and the creation of self-employed activities.

#### **Priority 6 – Measures for the development of agriculture, forestry and fisheries (Objective 5a) and restructuring of the food industry**

The task of agrarian structural policy is to create conditions for developing competitive agrarian enterprises, especially family farms. This must contribute to a social and environmentally friendly development in the rural areas. This will require extensive reorganization of operating and production structures (something which cannot be accomplished in the short and medium term) based on adjustment measures and transitional regulations. Production volume, hygiene and sanitary conditions, quality level, the harmony with the environment will have to be in line with the common agricultural policy.

EC assistance will be built around four objectives.

- (i) Reinstallation of family farms and reorientation of agricultural production will be based primarily on Regulation (EEC) No 797/85, as modified by Regulation (EEC) No 3808/90. It is uncertain whether the proposed amount can be used in the initial period of adjustment. Even if special support principles are decided for the new *Länder* on the basis of the EEC structural policies and come into force immediately, the speed of privatizing the collective agriculture system is difficult to forecast. The task is unique and legal difficulties regarding land ownership, as well as the reprivatization procedures, create considerable uncertainty. As long as owner-

ship is not legally clear, family farms and cooperatives will have problems in securing loans. More clarification on this subject is urgently required from the German authorities.

As for the reorientation of agricultural production, some elements can be handled within the framework of regional measures. Such a regional approach provides greater flexibility for solving subregional and local problems.

- (ii) Compensatory allowances: Due to non-inclusion of these *Länder* in Community measures regarding less-favoured areas (Council Directive), payments are currently made nationally and are not co-financed by the EAGGF.

According to a preliminary study, at least one third of agricultural land in these *Länder* could meet the current criteria for classification. Payment of compensatory allowances is essential to maintain extensive farming under difficult natural conditions and for exploiting the recreation potential of the countryside. However, the financial impact of this expenditure in the financial sheet is relatively modest since EAGGF co-financing will start only in 1992.

- (iii) Processing and marketing investment will be necessary because of the underdevelopment of the food industry in the new areas.

Most processing and marketing plants for agricultural products are completely outdated and cannot meet current EC sanitary and hygiene conditions. They are completely inadequate for more sophisticated processing. Packaging, storage and handling facilities are obsolete. Substantial restructuring and modernization of this industry is a prerequisite for successful marketing within the five new *Länder* and for their competitiveness on the Community and world markets. This industry is located mainly in rural areas and forms a key element for alternative income possibilities and rural development. Efficient investment in the food industry will contribute towards the economic stabilization of family farms. In addition, investment aided by the EAGGF Guidance Section may contribute towards the reduction in expenditure by the EAGGF Guarantee Section on intervention. The following have been identified as priority sectors: meat and meat processing, milk and milk products, fruits, vegetables, potatoes and cereals.

The impact of this productive investment will prove positive in the long term even if the economic parameters of the five new *Länder* change quickly and substantially. A large number of entrepreneurs are ready to invest immediately. This will have positive consequences in the rural economy in the short term.

- (iv) Fisheries: The processing and marketing sector of the fish and aquaculture industry has to be renovated. The main targets for the forthcoming years are reorientation towards species of a higher value corresponding to consumer demand in this part of the Community and the development of a modern competitive processing industry enabling the production of a greater variety of fish products of high quality and improved presentation. The privatization of the collective fisheries industry is an important precondition for the achievement of this aim. The adaptation is in particular necessary due to the fact that the fisheries sector of the former GDR has been formally integrated into the liberal import scheme of the common organization of the market for fishery products and thereby into the competitive Community market without any transitional period. The modernization of the processing industry is to be seen as a complement to the envisaged restructuring of the fleet of the former GDR for which the Council has already foreseen a special support scheme (Regulation (EEC) No 3571/90).

#### **Priority 7 – Improvement of the living and working conditions in rural areas (including renovation of villages and rural infrastructure)**

The improvement of working and living conditions in rural areas, especially in the villages, is necessary to overcome the current economic difficulties of agricultural and forestry holdings. The following improvements are envisaged in which the ERDF grants aid only for production-related infrastructure investment, and for productive investment outside the agricultural sector:

- (i) the construction of roads, farm tracks and sewers, etc.;
- (ii) the installation of water supply and drainage pipelines including separation plants and sewage processing;
- (iii) the provision of water supplies to houses and the installation of septic tanks;
- (iv) improvements to the local traffic situation;
- (v) training activities in line with the improvements of living and working conditions in rural areas;
- (vi) improvement of farm houses and investment in farm tourism;
- (vii) assistance for recruitment and the creation of self-employed activities.

These measures represent, *inter alia*, an indispensable complement to the Objective 5a measures for the reinstallation of family farms and are necessary for diversification (e.g. farm tourism).

At present, agricultural production does not meet sophisticated market demands. New products with promising market outlets have to be found. Activities complementary to farm activity will be encouraged. In order to make speedy progress, investment aids and launching premiums will be covered by operational programmes to create the necessary incentives. Other measures utilizing the indigenous potential of rural areas will also benefit from the EAGGF. Serious structural problems in specified rural areas may be addressed by integrated rural development programmes involving the three Funds and the special budget line B 2410.

Possible ERDF interventions are related to those measures described in Priorities 1 and 2. Such programmes, which will release synergetic benefits, will have as a by-product the development of the administrative procedures to be applied later on a wider scale. In addition, these integrated approaches will be inspired by the Community initiative Leader.

#### **Priority 8 – Agriculture, forestry and rural environment**

Given the enormous problems of pollution in the countryside, the indicative amount in the financial table cannot fully reflect the need of improving the environmental situation in the agricultural sector. The urban population expects that farm management techniques will be changed rapidly to protect the environment, improve nature conservation and the recreation potential of the countryside and to produce food products without harmful residues. In addition, drinking water quality is in some areas very poor. Extensive farm management will protect drinking water resources and contribute towards the improvement of water quality. The ERDF can complement these measures by grants for interventions as described in Priorities 1 and 2. All these actions will have to be backed up by appropriate training activities.

Improvement of existing forests and new afforestation measures should ensure a better protection of the environment and improve the landscape. As regards new plantations, broad-leaved trees should be preferred. Inefficient saw-mills as part of the production chain need to be modernized.

## 5. Forms of assistance

### Integration of the development effort

One of the principal means by which the Community seeks to maximize the economic development benefit of its structural Fund actions is through the synergetic effect of integrating regional, social and agricultural Fund actions. In some cases this may be assured by the operation of fully integrated development programmes.

In the case of the new *Länder* and Eastern Berlin two other considerations have to be borne in mind.

- (1) The Community's structural Fund effort, though large in Community terms, is part of a much wider programme being financed by the Federal Republic. Priority has to be given to harnessing the Community's part into this wider effort.
- (2) The Commission has set itself the task of rapidly implementing its operational programmes so that the effects on the ground will be felt as soon as possible, something made absolutely vital by the rapid Community moves towards a full single market. Indeed, the first operational programmes will be approved immediately following the adoption of this Community support framework.

This will lead the Commission to seek the synergetic effects of integration at the stage of conception, of monitoring and evaluation and not through a wide range of operational programmes integrating the three Community structural Funds. The development priorities in the Community support framework have been conceived on an integrated basis. The carrying-out, monitoring and evaluation of the different programmes lies within the competence of the *Länder*, which are to set up committees in which all parties involved in the development exercise are represented. The work of these *Länder* committees will be further coordinated by a CSF committee covering the whole of the new area. The CSF committee will also monitor the programmes which cannot be regionalized. These monitoring and evaluation committees will help to assure full integration in the promotion of investment projects and other actions.

Further progress towards an integration of the development effort will be sought by the establishment, as far as appropriate, of integrated programmes involving all three Community Funds. These programmes will be geared to the specific needs and characteristics of the region concerned. They will be pilot operations which will aim to establish the administrative practices and procedures necessary to apply the integrated approach on a wider scale (see Priority 7).

### ERDF

The socio-economic analysis described in Chapter 2 reveals the generally weak economic structure of the Eastern German *Länder* with widely similar problems in the fields of industry, services, infrastructure facilities and of the environment.

Notwithstanding regional particularities within the Eastern German *Länder*, it is evident from this analysis that the economic restructuring measures set out under the priorities above will have to be put into action in all five *Länder* and Eastern Berlin. It is for this reason that complete regionalization has been possible for ERDF measures. There will therefore be six ERDF programmes regrouping, for each *Land* and Eastern Berlin, the measures envisaged for promotion of productive investment and production-linked infrastructure under Priorities 1, 2, 3, 7 and 8.

Promotion of infrastructure and productive investment are considered to be of equal importance for the restructuring process in the Eastern German industry and has therefore been given equal weight under the priorities. However, adaptations to the weights should be possible in the course of implementation of the CSF, depending on specific circumstances in each *Land*. It should be borne in mind that local and regional administrations are being set up virtually from scratch and that besides the lead in time inherent in infrastructure projects, additional delays may occur in some cases. In other cases it may be difficult to stimulate private investment at an early stage.

### ESF

In order to implement actions under Priorities 3, 4 and 5 and the ESF flanking measures integrated into the other priorities, non-regionalized and regionalized measures will be geared to the development of human resources, employment promotion and the improvement of the vocational training structure according to the most urgent needs.

There will be one operational programme per *Land* including Eastern Berlin and two operational programmes at the federal level to carry out the actions envisaged. Compared with the proposals included in the development plan a greater emphasis will be placed on measures under Priority 3 (development of human resources) and ESF flanking measures integrated into other priorities, than on measures under Priorities 4 and 5 (combating long-term unemployment and the occupational integration of young people).

This shift seems justified by the urgent needs of those threatened by unemployment, apprentices, etc. and by the fact that long-term unemployment will only develop in the future. Since about one third of the resources are not regionalized, much flexibility is guaranteed in adjusting measures to changed circumstances in the course of implementing the CSF.

## EAGGF

The whole of the EAGGF-Guidance resources for the modernization of agriculture will be allocated to the individual *Länder*. Some of the measures, however, will be organized under Objective 5a and will not depend on the approval of a special regional operational programme in the sense of Article 12 of Commission Regulation (EEC) No 4253/88.

The regional operational programmes will complement Objective 5a measures and will be directed towards integrated rural development with a view to developing better harmony between agriculture and the environment.

As regards Priority 6 and the small EAGGF contribution to Priority 2 (both consisting of measures covered by Objective 5a of the reform), the actions will be launched according to the procedures laid down in the relevant Council Regulations for the agriculture and fisheries sector.

In regard to Priorities 7 and 8, the EAGGF contribution will be carried out as one operational programme per *Land* for each of the priorities. However, for selected areas and according to the regional characteristics of each *Land*, Priority 7 may be carried out, totally or in part, in the form of integrated operational programmes on *Länder* level, drawing on resources from all three Funds and reinforced by budget line 2410.

The *Länder* have the possibility of including Priorities 7 and 8 in one operational programme, the integrated part being covered by a sub-programme. In this case, each priority including the integrated approach should be presented in the form of a sub-programme.

## Community initiatives

As part of its structural policy effort to achieve economic and social cohesion in the Community, the Commission has introduced a range of Community initiatives in the industrial, agricultural and human resources sectors.

According to Regulation (EEC) No 3575/90 and within the allocation of MECU 3 000 (in 1991 prices), the German development plan may also include measures to be taken in pursuit of the objectives envisaged by the Community initiatives provided for in Article 11 of Regulation (EEC) No 4253/88. Although no specific reference is made in the development plan to Community initiatives, the Commission, in accordance with the German partners, is seeking to

pursue the objectives of these initiatives in the new *Länder* through the choice of development priorities.

Thus, measures to assist the conversion of coal-mining areas (Rechar initiative) will be covered in the context of Priorities 1 and 2, according to the specific regional requirements; measures to support the creation and development of R&D infrastructure and the granting of investment aids in order to improve the technological base of enterprises (Stride initiative) will equally be subsumed under these priorities, but also be taken into account in the area of training and requalification (Priorities 3, 4 and 5). The integrated approaches envisaged in Priority 7 to promote the development of rural areas will largely be inspired by the Leader initiative. Measures to further quality control and standardization in view of a better integration of the economy of the new *Länder* into the internal market (Prisma) can equally be included in Priority 1. A great emphasis is laid in this CSF on the improvement of the environment in the new *Länder* (Envireg initiative). Priorities 1, 2, 7 and 8, assisted by vocational training under Priorities 3, 4 and 5, will cover this important issue. In a similar way, actions geared to the specific needs of the border areas in the new *Länder* concerned (Interreg) will be dealt with under nearly all priorities. Measures inspired by the human resources initiatives (Euroform, Horizon, NOW) will be taken into account.

## Community loan instruments

In addition to structural Fund assistance to the new *Länder* and Eastern Berlin, access to the full range of Community loans (EIB, ECSC, Euratom) is offered as a complement to loans from national and international resources.

The financial contributions of the EIB and the other Community lending instruments are estimates, the actual amount of loans being dependent on the projects to be submitted by the promoters in agreement with the competent national authorities and to be approved by the EIB and Commission authorities.

The EIB and the Commission are also prepared to examine, on the basis of the customary procedures, applications for loans for eligible projects not provided for in this Community support framework.

The EIB estimates that a total amount of ECU 1.5 billion, over the period 1991-93, could be envisaged, essentially for infrastructural and industrial projects in the regions covered by this CSF.

Efforts will be made by the EIB together with Commission authorities to pursue the optimal financing combination of loans and subsidies, provided that the structural Funds' participation rates are observed and account is taken of the specific socio-economic conditions of the regions concerned and the different financing partners for private and public investments involved.

Other things being equal, the higher the revenue generated by an investment, the lower the need for grant aid and the greater the potential for recourse to loan finance.

The ECSC will, for its part, also examine all applications for loans for coal and steel industry investment projects and for industrial or energy investment projects which promote the marketing of ECSC products in the Community.

As an indication the ECSC loans envisaged for the period 1991-93 in the ECSC employment zone could possibly amount to ECU 1 100 million.

If appropriate and where requested by the private and public investors involved, ECSC loans may be combined with ERDF aid in the form of interest rate subsidies for certain projects.

### ECSC readaptation aid

The ECSC may equally provide financial assistance by means of its readaptation aids, which support social accompanying measures aimed at restructuring in the steel and lignite sectors (coke and briquette production). Readaptation aid is intended to cover part of the costs of loss of revenue (in the case of early retirement, unemployment, transfer) and the costs of re-employment (vocational training, re-employment grants).

The terms of intervention will be those established in the current bilateral convention (with possible amendments).

In the case where the number of workers within these two sectors is calculated at 50 000 during the period of the Community support framework, and an average ECSC cost per worker of ECU 2 200 is estimated, the total credit to be given will amount to MECU 110.

### Phare programme

Under the Phare programme, specific restructuring measures were launched for East Germany before unification. These measures will become effective during the next two years and complement the Community interventions under the structural Funds. The main objective of the Phare programme is to assist the Eastern German economy in its efforts to adapt to the needs of a free market system. For this purpose, a total amount of ECU 35 million has been allocated to the following actions:

- (i) measures to improve the environment;
- (ii) reconversion of industrial sites;
- (iii) adaptation of the East German statistics to the requirements of a free market system;
- (iv) dissemination of information on the European Community; setting up of EC information centres;

- (v) measures under the Tempus programme for joint European projects between universities and/or enterprises, including the promotion of mobility of teachers, students and administrators.

All measures will be closely coordinated with those to be put into action under the structural Funds.

### Technical assistance

Technical assistance is of particular importance for the new *Länder* and Eastern Berlin having in mind the fundamental reorientation of the East German economy. Structural Funds' interventions are being implemented at a moment when not only the former central planning system is replaced by decentralized and market-oriented structures but coincides also with the setting up of new political and administrative structures at all levels.

Under these conditions, a particular effort has to be undertaken in order to execute the structural Funds' interventions. A wide range of technical assistance measures needs to be envisaged covering the preparation, carrying through and evaluation of interventions. Measures may in particular refer to preparatory studies, advice and consultancy on the identification of appropriate projects and their implementation, to monitoring, evaluation and exchange of experience and to publication and information on Community interventions. They may also include communication and data processing equipment required by implementing bodies for the carrying out of the aforementioned measures.

In this context, technical assistance will also be provided in a number of specific fields:

- (i) Support to the national consultancy programme. The measure involves advice on the elaboration of regional and local development concepts and on the setting-up of production-related infrastructure. Beneficiaries are communes and districts in the new *Länder*. The consultants will cooperate with experts from the respective regions and from so-called 'project-teams'. The programme is to be funded from federal resources and will be centrally administered. For 1991 an amount of DM 20 million in federal resources has been set aside which will be matched by ERDF funds. The continuation of the scheme in 1992 and 1993 has not yet been decided.
- (ii) Support to facilitate access to Community actions in particular in the field of R&D, human resources and business cooperation.

With a view to facilitating the economic linkage of the new *Länder* with the Community, measures should be taken which allow the *Länder* to benefit also from Community actions including those programmes outside the structural Funds in the field of R&D, human resources and business cooperation. To this end it will be appropriate to promote information on current and forthcoming actions and to disseminate the results rele-

vant to the region and to prepare for participation in actions. This may include advice on possible areas of participation, the technical preparation and equipment for participation and pilot projects.

- (iii) In the former GDR a large number of statistical data and economic trends will have to be gathered systematically in order to help to draw up meaningful and effective actions. This is most important in this historically unique experiment of the transformation of a centrally planned economy into a market economy. An optimal intervention of all Funds and the reaping of synergy effects can only be successful in circumstances where the actions for all objectives are considered comprehensively and based on sound economic and social information.
- (iv) In view of the overriding need to concentrate the means of the ESF resources confronted with a practically unlimited demand, the role of technical assistance is of utmost importance. In particular, such assistance should be utilized to involve both sides of industry and other relevant organizations to participate in the development effort. For this purpose, training and information has to be provided, and the comparative evalua-

tion of specific measures will help to streamline the process of interaction of all social actors.

- (v) In the field of vocational training, technical assistance should be particularly provided for preparatory, accompanying and management measures; such measures shall include studies, technical assistance and the exchange of experience and detailed evaluation of measures financed by the ESF. The following measures (Article 1(2) of Regulation (EEC) No 4255/88) shall be taken into consideration:

operations of an innovatory nature which are intended to test new approaches to the contents, methods and organization of vocational training;

measures within the framework of social dialogue;

guidance and advice for the reintegration of the long-term unemployed.

Given the particular importance of technical assistance in the five new *Länder* and Eastern Berlin, the Funds envisage allocating substantial resources to this field: up to 3% of the amount to be allocated by the ERDF, 5% for the ESF and up to 2.5% of the amount to be allocated by the EAGGF.

## 6. Indicative financing plan

The tables below represent the indicative financing plans of the Community support framework. The first table presents overall figures by priorities and by instruments and the second group of tables presents a regional breakdown of the same figure. Table 3 shows the distribution by year.

### Allocation of Community financial resources

Council Regulation No 3575/90 allocates ECU 3 000 million (in 1991 prices) of aid from the Community structural Funds to the new regions of the Federal Republic. After consultation between the Commission's services and the Federal and *Länder* authorities, resources in the CSF have been allocated between the different development priorities, between *Länder*, and between the different Community structural Funds. The CSF also breaks down the Community funding between the three years covered by this development effort.

The plan submitted by the Federal authorities allocated the larger part of the Funds between *Länder* by using population as the only indicator. Having in mind the paucity of statistical data for the new areas, the Commission was prevented from allocating Community funds according to complex indicators as in the case of the Community's other geographically determined objectives. It did, however, vary the approach advanced initially by the Federal authorities and used as far as possible statistical indicators of different levels of need. Thus, allocations between *Länder* were determined by a range of factors including population, and where appropriate, employment in the industrial, service, agricultural and fisheries sectors, as well as by agricultural acreage.

### Participation rates

The participation rates will be modulated according to the development priorities and types of intervention in the programmes. During the Council negotiations an agreement was made that the rates of Community assistance should comply with Article 13(3), second indent, of Council Regulation (EEC) No 2052/88.

In view of this, the maximum intervention rates of the three Funds have been fixed as follows:

### ERDF intervention

The national co-finance for ERDF support to investment in infrastructures and to productive investment will be pro-

vided by the 'Joint Task' (improvement of regional economic structures).

For infrastructural investments (ERDF contribution to Priorities 1, 3, 7 and 8), e.g. training institutions, environmental infrastructure: up to 50% of public expenditure (EC, Federal and *Länder* authorities).

For industrial investments (ERDF contribution to Priorities 2, 3, 7 and 8): up to 50% of total public expenditure. The resources of the Funds cannot be granted to private buyers to subsidize the buying costs incurred in cases of privatization of enterprises owned by the *Treuhandanstalt*. New investments by enterprises owned by the *Treuhandanstalt* can, however, be grant-aided by Fund resources for rationalization and substantial restructuring purposes, in the immediate context of privatization. This context will be examined on a case-by-case basis.

### ESF intervention

For vocational training measures (ESF contribution to Priorities 1, 2, 3, 4, 5, 7 and 8): 50% of total public expenditure.

### EAGGF Guidance intervention

For horizontal measures (EAGGF contribution to Priorities 2 and 6), co-financing rates according to the relevant Regulations ((EEC) Nos 797/85 and 886/90);

for rural development measures (EAGGF contribution to Priorities 7 and 8): 50% of total public expenditure.

Grant rates in the fisheries sector are governed by the relevant Regulation ((EEC) No 4042/89).

### Technical assistance

As a general rule, measures under technical assistance to be provided by the three Funds will be supported with 75% of total costs. Under certain circumstances and depending on specific needs in the new *Länder* and Eastern Berlin, this rate can be increased up to 100%. As concerns the national consultancy programme, co-financed by the ERDF, the intervention rate will be 50% of total public expenditure.

Table 1

**Financial plan by priority and *Länder*  
Summary by priorities**

Five new *Bundesländer* and Eastern Berlin

(million ECU)

Priority	Total cost	Public expenditure										Private funds	Loans	
		Total	Community grants					National administrations					EIB <sup>5</sup>	ECSC <sup>6</sup>
			Total	ERDF	ESF	EAGGF	Other	Total	Federal <i>Länder</i>	Local authorities	Other			
			1 = 2 + 12	2 = 3 + 8	3 = 4 + 5 + 6 + 7	4	5	6	7	8 = 9 + 10 + 11	9			
1. Infrastructure	1 877	1 877	685	590	95	—	—	1 192	685	507	—	—	p.m.	p.m.
2. Productive investments	6 575	1 400	690	640	35	15	—	710	710	—	—	5 175	p.m.	p.m.
3. Human resources	1 072	1 072	470	110	360	—	—	602	507	95	—	—	—	—
4. Long-term unemployment	180 <sup>1</sup>	180	90	—	90	—	—	90	90	—	—	—	—	—
5. Young people unemployment	450 <sup>1</sup>	450	225	—	225	—	—	225	225	—	—	—	—	—
6. Agriculture & fisheries	2 407	1 157	354	—	—	354	—	803	803	—	—	1 250	—	—
7. Improvement of rural areas	—	—	—	—	—	—	—	—	—	—	—	—	—	—
8. Agriculture, forestry, environment	1 255	1 125	396	115	50	231	—	729	630	99	—	130	—	—
9. Technical assistance	119	119	90	45 <sup>2</sup>	45	— <sup>3</sup>	—	29	29	—	—	—	—	—
<b>Total</b>	<b>13 935</b>	<b>7 380</b>	<b>3 000</b>	<b>1 500</b>	<b>900<sup>4</sup></b>	<b>600</b>	<b>—</b>	<b>4 380</b>	<b>3 679</b>	<b>701</b>	<b>—</b>	<b>6 555</b>	<b>p.m.</b>	<b>p.m.</b>

<sup>1</sup> According to need, the amounts indicated under Priorities 4 and 5 may be adjusted in a flexible way.<sup>2</sup> Of which MECU 10 not yet distributed.<sup>3</sup> Up to 2.5% under Priorities 2, 6, 7 and 8.<sup>4</sup> MECU 225 to be administered horizontally.<sup>5</sup> EIB-loan commitments in the five new *Länder* and Eastern Berlin are estimated to be MECU 500 per year, essentially for large industrial and infrastructural projects.<sup>6</sup> The volume of loans in the ECSC employment zones under Articles 54 and 56 of the ECSC Treaty is estimated to be MECU 1 100 for the three-year implementation period.

Table 2

**Financial plan by priority and Länder**  
**Summary by Länder**

Five new *Bundesländer* and Eastern Berlin

(million ECU)

Priority	Total cost	Public expenditure										Private funds	Loans	
		Total	Community grants					National administrations					EIB <sup>2</sup>	ECSC <sup>3</sup>
			Total	ERDF	ESF	EAGGF	Other	Total	Federal Länder	Local authorities	Other			
			1 = 2+12	2 = 3+8	3 = 4+5+6+7	4	5	6	7	8 = 9+10+11	9			
<b>Total</b>	13 935	7 380	3 000	1 500	900	600	—	4 380	3 679	701	—	6 555	p.m.	p.m.
Mecklenburg-Vorpommern	2 015.2	1 085.2	409.2	177.3	80.1	151.8	—	676.0	586.5	89.5	—	930.0	p.m.	p.m.
Brandenburg	2 321.1	1 217.9	475.8	239.9	103.7	132.2	—	742.1	625.8	116.3	—	1 103.2	—	—
Sachsen-Anhalt	2 473.7	1 277.7	505.4	268.2	114.9	122.3	—	772.3	644.8	127.5	—	1 196.0	—	—
Sachsen	3 618.0	1 784.0	732.7	444.0	182.8	105.9	—	1 051.3	848.8	202.5	—	1 834.0	—	—
Thüringen	2 127.9	1 076.9	432.7	244.4	102.3	86.0	—	644.2	529.6	114.6	—	1 051.0	—	—
Eastern Berlin	819.1	378.3	164.2	116.2	46.2	1.8	—	214.1	163.5	50.6	—	440.8	—	—
Not regional	450.0	450.0	225.0	—	225.0	—	—	225.0	225.0	—	—	—	—	—
Technical assistance	110.0	110.0	55.0	10.0	45.0	— <sup>1</sup>	55.0	55.0	55.0	—	—	—	p.m.	p.m.

<sup>1</sup> Up to 2.5% under Priorities 2, 6, 7 and 8.<sup>2</sup> EIB-loan commitments in the five new *Länder* and Eastern Berlin are estimated to be MECU 500 per year, essentially for large industrial and infrastructural projects.<sup>3</sup> The volume of loans in the ECSC employment zones under Articles 54 and 56 of the ECSC Treaty is estimated to be MECU 1 100 for the three-year implementation period.

Table 2a

**Financial plan by priority and *Länder*  
Summary by priorities**

Mecklenburg-Vorpommern

*(million ECU)*

Priority	Total cost	Public expenditure										Private funds	Loans	
		Total	Community grants					National administrations					EIB	ECSC
			Total	ERDF	ESF	EAGGF	Other	Total	Federal <i>Länder</i>	Local authorities	Other			
		1 = 2 + 12	2 = 3 + 8	3 = 4 + 5 + 6 + 7	4	5	6	7	8 = 9 + 10 + 11	9	10		11	12
1. Infrastructure	204.0	204.0	74.5	63.9	10.6	—	—	129.5	74.5	55.0	—	—	p.m.	p.m.
2. Productive investments	802.8	195.8	87.9	69.0	3.9	15.0	—	107.9	107.9	—	—	607.0	p.m.	p.m.
3. Human resources	95.3	95.3	42.0	13.2	28.8	—	—	53.3	42.0	11.3	—	—	—	—
4. Long-term unemployment	14.4 <sup>1</sup>	14.4	7.2	—	7.2	—	—	7.2	7.2	—	—	—	—	—
5. Young people unemployment	35.8 <sup>1</sup>	35.8	17.9	—	17.9	—	—	17.9	17.9	—	—	—	—	—
6. Agriculture & fisheries	563.8	270.8	82.8	—	—	82.8	—	188.0	188.0	—	—	293.0	—	—
7. Improvement of rural areas	—	—	—	—	—	—	—	—	—	—	—	—	—	—
8. Environment & forestry	293.6	263.6	92.7	27.0	11.7	54.0	—	170.9	147.7	23.2	—	30.0	—	—
9. Technical assistance	5.5	5.5	4.2	4.2	—	— <sup>2</sup>	—	1.3	1.3	—	—	—	—	—
<b>Total</b>	<b>2015.2</b>	<b>1085.2</b>	<b>409.2</b>	<b>177.3<sup>3</sup></b>	<b>80.1<sup>4</sup></b>	<b>151.8</b>	<b>—</b>	<b>676.0</b>	<b>586.5</b>	<b>89.5</b>	<b>—</b>	<b>930.0</b>	<b>p.m.</b>	<b>p.m.</b>

<sup>1</sup> According to need, the amounts indicated under Priorities 4 and 5 may be adjusted in a flexible way.<sup>2</sup> Up to 2.5% under Priorities 2, 6, 7, and 8.<sup>3</sup> Plus an amount arising from technical assistance (up to MECU 10) not yet distributed.<sup>4</sup> Plus an amount arising from technical assistance (up to MECU 45) not yet distributed and horizontal ESF measures (MECU 225) not yet distributed.

**Table 2b**  
**Financial plan by priority and Länder**  
**Summary by priorities**

Brandenburg

(million ECU)

Priority	Total cost	Public expenditure										Private funds	Loans	
		Total	Community grants					National administrations					EIB	ECSC
			Total	ERDF	ESF	EAGGF	Other	Total	Federal Länder	Local authorities	Other			
		1 = 2 + 12	2 = 3 + 8	3 = 4 + 5 + 6 + 7	4	5	6	7	8 = 9 + 10 + 11	9	10		11	12
1. Infrastructure	291.4	291.4	106.3	91.7	14.6	—	—	185.1	106.3	78.8	—	—	p.m.	p.m.
2. Productive investments	999.8	208.6	104.3	98.9	5.4	—	—	104.3	104.3	—	—	791.2	p.m.	p.m.
3. Human resources	128.0	128.0	56.4	17.7	38.7	—	—	71.6	56.4	15.2	—	—	—	—
4. Long-term unemployment	19.2 <sup>1</sup>	19.2	9.6	—	9.6	—	—	9.6	9.6	—	—	—	—	—
5. Young people unemployment	48.2 <sup>1</sup>	48.2	24.1	—	24.1	—	—	24.1	24.1	—	—	—	—	—
6. Agriculture & fisheries	544.0	261.0	80.0	—	—	80.0	—	181.0	181.0	—	—	283.0	—	—
7. Improvement of rural areas	—	—	—	—	—	—	—	—	—	—	—	—	—	—
8. Environment & forestry	283.1	254.1	89.5	26.0	11.3	52.2	—	164.6	142.3	22.3	—	29.0	—	—
9. Technical assistance	7.4	7.4	5.6	5.6	—	—	—	1.8	1.8	—	—	—	—	—
<b>Total</b>	<b>2 321.1</b>	<b>1 217.9</b>	<b>475.8</b>	<b>239.9<sup>3</sup></b>	<b>103.7<sup>4</sup></b>	<b>132.2</b>	<b>—</b>	<b>742.1</b>	<b>625.8</b>	<b>116.3</b>	<b>—</b>	<b>1 103.2</b>	<b>p.m.</b>	<b>p.m.</b>

<sup>1</sup> According to need, the amounts indicated under Priorities 4 and 5 may be adjusted in a flexible way.

<sup>2</sup> Up to 2.5% under Priorities 6, 7, and 8.

<sup>3</sup> Plus an amount arising from technical assistance (up to MECU 10) not yet distributed.

<sup>4</sup> Plus an amount arising from technical assistance (up to MECU 45) not yet distributed and horizontal ESF measures (MECU 225) not yet distributed.

**Table 2 c**  
**Financial plan by priority and Länder**  
**Summary by priorities**

Sachsen-Anhalt

(million ECU)

Priority	Total cost	Public expenditure										Private funds	Loans	
		Total	Community grants					National administrations					EIB	ECSC
			Total	ERDF	ESF	EAGGF	Other	Total	Federal Länder	Local authorities	Other			
			1 = 2+12	2 = 3+8	3 = 4+5+6+7	4	5	6	7	8 = 9+10+11	9			
1. Infrastructure	333.3	333.3	121.7	104.6	17.1	—	—	211.6	121.7	89.9	—	—	p.m.	p.m.
2. Productive investments	1 147.6	239.6	119.8	113.5	6.3	—	—	119.8	119.8	—	—	908.0	p.m.	p.m.
3. Human resources	143.0	143.0	63.0	19.8	43.2	—	—	80.0	63.0	17.0	—	—	—	—
4. Long-term unemployment	21.6 <sup>1</sup>	21.6	10.8	—	10.8	—	—	10.8	10.8	—	—	—	—	—
5. Young people unemployment	54.2 <sup>1</sup>	54.2	27.1	—	27.1	—	—	27.1	27.1	—	—	—	—	—
6. Agriculture & fisheries	504.0	243.0	74.0	—	—	74.0	—	169.0	169.0	—	—	261.0	—	—
7. Improvement of rural areas	—	—	—	—	—	—	—	—	—	—	—	—	—	—
8. Environment & forestry	261.7	234.7	82.7	24.0	10.4	48.3	—	152.0	131.4	20.6	—	27.0	—	—
9. Technical assistance	8.3	8.3	6.3	6.3	—	— <sup>2</sup>	—	2.0	2.0	—	—	—	—	—
<b>Total</b>	<b>2 473.7</b>	<b>1 277.7</b>	<b>505.4</b>	<b>268.2<sup>3</sup></b>	<b>114.9<sup>4</sup></b>	<b>122.3</b>	<b>—</b>	<b>772.3</b>	<b>644.8</b>	<b>127.5</b>	<b>—</b>	<b>1 196.0</b>	<b>p.m.</b>	<b>p.m.</b>

<sup>1</sup> According to need, the amounts indicated under Priorities 4 and 5 may be adjusted in a flexible way.

<sup>2</sup> Up to 2.5% under Priorities 6, 7, and 8.

<sup>3</sup> Plus an amount arising from technical assistance (up to MECU 10) not yet distributed.

<sup>4</sup> Plus an amount arising from technical assistance (up to MECU 45) not yet distributed and horizontal ESF measures (MECU 225) not yet distributed.

Table 2 d

**Financial plan by priority and Länder**  
**Summary by priorities**

Sachsen

(million ECU)

Priority	Total cost	Public expenditure										Private funds	Loans	
		Total	Community grants					National administrations					EIB	ECSC
			Total	ERDF	ESF	EAGGF	Other	Total	Federal Länder	Local authorities	Other			
			1 = 2+12	2 = 3+8	3 = 4+5+6+7	4	5	6	7	8 = 9+10+11	9			
1. Infrastructure	578.5	578.5	211.0	182.0	29.0	—	—	367.5	211.0	156.5	—	—	p.m.	p.m.
2. Productive investments	2001.4	417.4	208.7	198.0	10.7	—	—	208.7	208.7	—	—	1584.0	p.m.	p.m.
3. Human resources	236.8	236.8	104.3	32.8	71.5	—	—	132.5	104.3	28.2	—	—	—	—
4. Long-term unemployment	35.8 <sup>1</sup>	35.8	17.9	—	17.9	—	—	17.9	17.9	—	—	—	—	—
5. Young people unemployment	89.4 <sup>1</sup>	89.4	44.7	—	44.7	—	—	44.7	44.7	—	—	—	—	—
6. Agriculture & fisheries	435.1	209.1	64.1	—	—	64.1	—	145.0	145.0	—	—	226.0	—	—
7. Improvement of rural areas	—	—	—	—	—	—	—	—	—	—	—	—	—	—
8. Environment & forestry	227.2	203.2	71.6	20.8	9.0	41.8	—	131.6	113.8	17.8	—	24.0	—	—
9. Technical assistance	13.8	13.8	10.4	10.4	—	— <sup>2</sup>	—	3.4	3.4	—	—	—	—	—
<b>Total</b>	<b>3 618.0</b>	<b>1 784.0</b>	<b>732.7</b>	<b>444.0<sup>3</sup></b>	<b>182.8<sup>4</sup></b>	<b>105.9</b>	<b>—</b>	<b>1 051.3</b>	<b>848.8</b>	<b>202.5</b>	<b>—</b>	<b>1 834.0</b>	<b>p.m.</b>	<b>p.m.</b>

<sup>1</sup> According to need, the amounts indicated under Priorities 4 and 5 may be adjusted in a flexible way.

<sup>2</sup> Up to 2.5% under Priorities 6, 7, and 8.

<sup>3</sup> Plus an amount arising from technical assistance (up to MECU 10) not yet distributed.

<sup>4</sup> Plus an amount arising from technical assistance (up to MECU 45) not yet distributed and horizontal ESF measures (MECU 225) not yet distributed.

Table 2 e

Financial plan by priority and *Länder*  
Summary by priorities

Thüringen

(million ECU)

Priority	Total cost	Public expenditure										Private funds	Loans	
		Total	Community grants					National administrations					EIB	ECSC
			Total	ERDF	ESF	EAGGF	Other	Total	Federal <i>Länder</i>	Local authorities	Other			
		1 = 2+12	2 = 3+8	3 = 4+5+6+7	4	5	6	7	8 = 9+10+11	9	10		11	12
1. Infrastructure	311.1	311.1	113.5	97.8	15.7	—	—	197.6	113.5	84.1	—	—	p.m.	p.m.
2. Productive investments	1071.6	223.6	111.8	106.0	5.8	—	—	111.8	111.8	—	—	848.0	p.m.	p.m.
3. Human resources	129.7	129.7	57.0	17.9	39.1	—	—	72.7	57.0	15.7	—	—	—	—
4. Long-term unemployment	19.6 <sup>1</sup>	19.6	9.8	—	9.8	—	—	9.8	9.8	—	—	—	—	—
5. Young people unemployment	49.0 <sup>1</sup>	49.0	24.5	—	24.5	—	—	24.5	24.5	—	—	—	—	—
6. Agriculture & fisheries	354.0	170.0	52.0	—	—	52.0	—	118.0	118.0	—	—	184.0	—	—
7. Improvement of rural areas	—	—	—	—	—	—	—	—	—	—	—	—	—	—
8. Environment & forestry	185.2	166.2	58.3	16.9	7.4	34.0	—	107.9	93.1	14.8	—	19.0	—	—
9. Technical assistance	7.7	7.7	5.8	5.8	—	— <sup>2</sup>	—	1.9	1.9	—	—	—	—	—
<b>Total</b>	<b>2 127.9</b>	<b>1 076.9</b>	<b>432.7</b>	<b>244.4<sup>3</sup></b>	<b>102.3<sup>4</sup></b>	<b>86.0</b>	<b>—</b>	<b>644.2</b>	<b>529.6</b>	<b>114.6</b>	<b>—</b>	<b>1 051.0</b>	<b>p.m.</b>	<b>p.m.</b>

<sup>1</sup> According to need, the amounts indicated under Priorities 4 and 5 may be adjusted in a flexible way.

<sup>2</sup> Up to 2.5% under Priorities 6, 7, and 8.

<sup>3</sup> Plus an amount arising from technical assistance (up to MECU 10) not yet distributed.

<sup>4</sup> Plus an amount arising from technical assistance (up to MECU 45) not yet distributed and horizontal ESF measures (MECU 225) not yet distributed.

Table 2f

**Financial plan by priority and *Länder***  
**Summary by priorities**

Eastern Berlin

*(million ECU)*

Priority	Total cost	Public expenditure										Private funds	Loans	
		Total	Community grants					National administrations					EIB	ECSC
			Total	ERDF	ESF	EAGGF	Other	Total	Federal <i>Länder</i>	Local authorities	Other			
1. Infrastructure	159.0	159.0	58.0	50.0	8.0	—	—	101.0	58.0	43.0	—	—	p.m.	p.m.
2. Productive investments	551.8	115.0	57.5	54.6	2.9	—	—	57.5	57.5	—	—	436.8	p.m.	p.m.
3. Human resources	62.0	62.0	27.3	8.6	18.7	—	—	34.7	27.3	7.4	—	—	—	—
4. Long-term unemployment	9.4 <sup>1</sup>	9.4	4.7	—	4.7	—	—	4.7	4.7	—	—	—	—	—
5. Young people unemployment	23.4 <sup>1</sup>	23.4	11.7	—	11.7	—	—	11.7	11.7	—	—	—	—	—
6. Agriculture & fisheries	6.1	3.1	1.1	—	—	1.1	—	2.0	2.0	—	—	3.0	—	—
7. Improvement of rural areas	—	—	—	—	—	—	—	—	—	—	—	—	—	—
8. Environment & forestry	3.9	2.9	1.2	0.3	0.2	0.7	—	1.7	1.5	0.2	—	1.0	—	—
9. Technical assistance	3.5	3.5	2.7	2.7	—	— <sup>2</sup>	—	0.8	0.8	—	—	—	—	—
<b>Total</b>	<b>819.1</b>	<b>378.3</b>	<b>164.2</b>	<b>116.2<sup>3</sup></b>	<b>46.2<sup>4</sup></b>	<b>1.8</b>	<b>—</b>	<b>214.1</b>	<b>163.5</b>	<b>50.6</b>	<b>—</b>	<b>440.8</b>	<b>p.m.</b>	<b>p.m.</b>

<sup>1</sup> According to need, the amounts indicated under Priorities 4 and 5 may be adjusted in a flexible way.<sup>2</sup> Up to 2.5% under Priorities 6, 7, and 8.<sup>3</sup> Plus an amount arising from technical assistance (up to MECU 10) not yet distributed.<sup>4</sup> Plus an amount arising from technical assistance (up to MECU 45) not yet distributed and horizontal ESF measures (MECU 225) not yet distributed.

**Table 3**  
**Financial allocations by year 1991-93**  
**Summary**

Five new *Bundesländer* and Eastern Berlin

	Total cost (TC)	Public expenditure														Private expenditure		Loans	
		Total public expenditure (TPE)			Community							National							
					Total			ERDF	ESF	EAGGF	Other	Total		Federal <i>Länder</i>	Local authorities	Other	EIB <sup>1</sup>	ECSC <sup>2</sup>	
MECU	MECU	% TC	MECU	% TC	% TPE	MECU	MECU	MECU	MECU	MECU	% TC	MECU	MECU	MECU	MECU	% TC	MECU	MECU	
Total 1991	4 238	2 272	53.6	900	21.2	39.6	500	270	130	—	1 372	32.4	1 162	210	—	1 966	46.4	p.m.	p.m.
Total 1992	4 709	2 524	53.6	1 000	21.2	39.6	500	300	200	—	1 524	32.4	1 290	234	—	2 185	46.4	p.m.	p.m.
Total 1993	4 988	2 584	51.8	1 100	22.0	42.5	500	330	270	—	1 484	29.8	1 227	257	—	2 404	48.2	p.m.	p.m.
<b>Total 1991-93</b>	<b>13 935</b>	<b>7 380</b>	<b>53.0</b>	<b>3 000</b>	<b>21.5</b>	<b>40.6</b>	<b>1 500</b>	<b>900</b>	<b>600</b>	<b>—</b>	<b>4 380</b>	<b>31.5</b>	<b>3 679</b>	<b>701</b>	<b>—</b>	<b>6 555</b>	<b>47.0</b>	<b>p.m.</b>	<b>p.m.</b>

<sup>1</sup> EIB-Loan commitments in the five new Länder and Eastern Berlin are estimated to be MECU 500 per year, essentially for large industrial and infrastructural projects.

<sup>2</sup> The volume of loans in the ECSC employment zones under Articles 54 and 56 of the ECSC Treaty is estimated to be MECU 1 100 for the three-year implementation period.

Table 3a

## Financial allocations by year 1991-93

Mecklenburg-Vorpommern

	Total cost (TC)	Public expenditure														Private expenditure		Loans	
		Total public expenditure (TPE)			Community							National						EIB	ECSC
					Total			ERDF	ESF	EAGGF	Other	Total		Federal Länder	Local authorities	Other			
MECU	MECU	% TC	MECU	% TC	% TPE	MECU	MECU	MECU	MECU	MECU	% TC	MECU	MECU	MECU	MECU	% TC	MECU	MECU	
Total 1991	618.1	339.1	54.9	122.8	19.9	36.2	59.1	24.0	39.7	—	216.3	35.0	189.5	26.8	—	279.0	45.1	p.m.	p.m.
Total 1992	686.9	376.8	54.9	136.4	19.9	36.2	59.1	26.7	50.6	—	240.4	35.0	210.5	29.9	—	310.1	45.1	p.m.	p.m.
Total 1993	710.2	369.3	52.0	150.0	21.2	40.6	59.1	29.4	61.5	—	219.3	30.8	186.5	32.8	—	340.9	48.0	p.m.	p.m.
<b>Total 1991-93</b>	<b>2015.2</b>	<b>1085.2</b>	<b>53.8</b>	<b>409.2</b>	<b>20.3</b>	<b>37.7</b>	<b>177.3</b>	<b>80.1</b>	<b>151.8</b>	<b>—</b>	<b>676.0</b>	<b>33.5</b>	<b>586.5</b>	<b>89.5</b>	<b>—</b>	<b>930.0</b>	<b>46.2</b>	<b>p.m.</b>	<b>p.m.</b>

Table 3b

## Financial allocations by year 1991-93

Brandenburg

	Total cost (TC)	Public expenditure														Private expenditure		Loans	
		Total public expenditure (TPE)			Community							National							
					Total			ERDF	ESF	EAGGF	Other	Total		Federal <i>Länder</i>	Local authorities			Other	EIB
MECU	MECU	% TC	MECU	% TC	% TPE	MECU	MECU	MECU	MECU	MECU	% TC	MECU	MECU	MECU	MECU	% TC	MECU	MECU	
Total 1991	709.2	378.2	53.3	142.7	20.1	37.7	80.0	31.1	31.6	—	235.5	33.2	200.6	34.9	—	331.0	46.7	p.m.	p.m.
Total 1992	788.2	420.2	53.3	158.6	20.1	37.7	80.0	34.6	44.0	—	261.8	33.2	223.0	38.8	—	367.8	46.7	p.m.	p.m.
Total 1993	823.7	419.3	51.0	174.5	21.3	41.6	79.9	38.0	56.6	—	244.8	29.7	202.2	42.6	—	404.4	49.0	p.m.	p.m.
<b>Total 1991-93</b>	<b>2321.1</b>	<b>1217.9</b>	<b>52.4</b>	<b>475.8</b>	<b>20.4</b>	<b>39.6</b>	<b>239.9</b>	<b>103.7</b>	<b>132.2</b>	<b>—</b>	<b>742.1</b>	<b>32.0</b>	<b>625.8</b>	<b>116.3</b>	<b>—</b>	<b>1103.2</b>	<b>47.6</b>	<b>p.m.</b>	<b>p.m.</b>

Table 3c

## Financial allocations by year 1991-93

Sachsen-Anhalt

	Total cost (TC)	Public expenditure														Private expenditure		Loans	
		Total public expenditure (TPE)			Community							National						EIB	ECSC
					Total			ERDF	ESF	EAGGF	Other	Total		Federal Länder	Local authorities	Other			
MECU	MECU	% TC	MECU	% TC	% TPE	MECU	MECU	MECU	MECU	MECU	% TC	MECU	MECU	MECU	MECU	% TC	MECU	MECU	
Total 1991	754.1	395.3	52.4	151.6	20.1	38.4	89.4	34.5	27.7	—	243.7	32.3	205.4	38.3	—	358.8	47.6	p.m.	p.m.
Total 1992	838.0	439.3	52.4	168.5	20.1	38.4	89.4	38.3	40.8	—	270.8	32.3	228.3	42.5	—	398.7	47.6	p.m.	p.m.
Total 1993	881.6	443.1	50.2	185.3	21.0	41.8	89.4	42.1	53.8	—	257.8	29.2	211.1	46.7	—	438.5	49.8	p.m.	p.m.
<b>Total 1991-93</b>	<b>2473.7</b>	<b>1277.7</b>	<b>51.6</b>	<b>505.4</b>	<b>20.4</b>	<b>39.5</b>	<b>268.2</b>	<b>114.9</b>	<b>122.3</b>	<b>—</b>	<b>772.3</b>	<b>31.2</b>	<b>644.8</b>	<b>127.5</b>	<b>—</b>	<b>1196.0</b>	<b>48.4</b>	<b>p.m.</b>	<b>p.m.</b>

Table 3d

## Financial allocations by year 1991-93

Sachsen

	Total cost (TC)	Public expenditure															Private expenditure		Loans	
		Total public expenditure (TPE)			Community								National							
					Total			ERDF	ESF	EAGGF	Other	Total		Federal Länder	Local authorities	Other			EIB	ECSC
MECU	MECU	% TC	MECU	% TC	% TPE	MECU	MECU	MECU	MECU	MECU	% TC	MECU	MECU	MECU	MECU	% TC	MECU	MECU		
Total 1991	1 095.9	545.7	49.8	219.8	20.1	40.3	148.0	54.8	17.0	—	325.9	29.7	265.1	60.8	—	550.2	50.2	p.m.	p.m.	
Total 1992	1 217.9	606.4	49.8	244.2	20.1	40.3	148.0	60.9	35.3	—	362.2	29.7	294.7	67.5	—	611.5	50.2	p.m.	p.m.	
Total 1993	1 304.2	631.9	48.4	268.7	20.6	42.5	148.0	67.1	53.6	—	363.2	27.8	289.0	74.2	—	672.3	51.6	p.m.	p.m.	
<b>Total 1991-93</b>	<b>3 618.0</b>	<b>1 784.0</b>	<b>49.3</b>	<b>732.7</b>	<b>20.2</b>	<b>41.0</b>	<b>444.0</b>	<b>182.8</b>	<b>105.9</b>	<b>—</b>	<b>1 051.3</b>	<b>29.1</b>	<b>848.8</b>	<b>202.5</b>	<b>—</b>	<b>1 834.0</b>	<b>50.7</b>	<b>p.m.</b>	<b>p.m.</b>	

Table 3e

## Financial allocations by year 1991-93

Thüringen

	Total cost (TC)	Public expenditure															Private expenditure		Loans	
		Total public expenditure (TPE)			Community							National								
					Total			ERDF	ESF	EAGGF	Other	Total		Federal Länder	Local authorities	Other	EIB	ECSC		
MECU	MECU	% TC	MECU	% TC	% TPE	MECU	MECU	MECU	MECU	MECU	% TC	MECU	MECU	MECU	MECU	% TC	MECU	MECU		
Total 1991	646.8	331.5	51.2	129.8	20.0	39.2	81.5	30.7	17.6	—	201.7	31.2	167.3	34.4	—	315.3	48.8	p.m.	p.m.	
Total 1992	718.7	368.3	51.2	144.2	20.0	39.2	81.5	34.1	28.6	—	224.1	31.2	185.9	38.2	—	350.4	48.8	p.m.	p.m.	
Total 1993	762.4	377.1	49.5	158.7	20.8	42.1	81.4	37.5	39.8	—	218.4	28.7	176.4	42.0	—	385.3	50.5	p.m.	p.m.	
<b>Total 1991-93</b>	<b>2127.9</b>	<b>1076.9</b>	<b>50.6</b>	<b>432.7</b>	<b>20.3</b>	<b>40.2</b>	<b>244.4</b>	<b>102.3</b>	<b>86.0</b>	<b>—</b>	<b>644.2</b>	<b>30.3</b>	<b>529.6</b>	<b>114.6</b>	<b>—</b>	<b>1051.0</b>	<b>49.4</b>	<b>p.m.</b>	<b>p.m.</b>	

**Table 3f**  
**Financial allocations by year 1991-93**

Eastern Berlin

	Total cost (TC)	Public expenditure															Private expenditure		Loans	
		Total public expenditure (TPE)			Community							National								
					Total			ERDF	ESF	EAGGF	Other	Total		Federal Länder	Local authorities	Other	EIB	ECSC		
MECU	MECU	% TC	MECU	% TC	% TPE	MECU	MECU	MECU	MECU	MECU	% TC	MECU	MECU	MECU	MECU	% TC	MECU	MECU		
Total 1991	246.0	113.8	46.3	49.3	20.1	43.3	38.7	10.6	—	—	64.5	26.2	49.4	15.1	—	132.2	53.7	p.m.	p.m.	
Total 1992	273.4	126.4	46.3	54.7	20.1	43.3	38.7	15.1	0.9	—	71.7	26.2	54.8	16.9	—	147.0	53.7	p.m.	p.m.	
Total 1993	299.7	138.1	46.0	60.2	20.0	43.5	38.8	20.5	0.9	—	77.9	26.0	59.3	18.6	—	161.6	54.0	p.m.	p.m.	
<b>Total 1991-93</b>	<b>819.1</b>	<b>378.3</b>	<b>46.2</b>	<b>164.2</b>	<b>20.1</b>	<b>43.4</b>	<b>116.2</b>	<b>46.2</b>	<b>1.8</b>	<b>—</b>	<b>214.1</b>	<b>26.1</b>	<b>163.5</b>	<b>50.6</b>	<b>—</b>	<b>440.8</b>	<b>53.8</b>	<b>p.m.</b>	<b>p.m.</b>	

# 7. Community policies

## 7.1.

The measures taken to implement the Community support framework (CSF) shall be carried out in compliance with the Community provisions as adjusted to the special situation in the territory of the former GDR for a transitional period by the Acts adopted by the Council on 4 December 1990 (OJ L 353, 17. 12. 1990).

## 7.2. Rules on competition

For the Community to part-finance State aid schemes, the Commission must have approved such aid in accordance with Articles 92 and 93 of the EEC Treaty.

When Member States send their applications for assistance (operational programmes, aid schemes or global grants, as the case may be) to the Commission, they must identify in those applications the measures which constitute aid. At the same time, they must notify the Commission (Secretariat-General), in accordance with Article 93(3) of the EEC Treaty of any aid not yet notified and not yet approved by the Commission or any modification to existing aids.

As these aids are to be examined simultaneously with the grant applications, the Commission intends to adopt a position on them, and on any amendments made to them by the Member State, when it decides on the grant application.

## 7.3. Investment in sensitive or crisis sectors

Applications for assistance relating to measures which may involve investment in sensitive or crisis sectors must, because of the Community dimension of the problems posed by such investment, be scrutinized to assess its impact.

For its own part, the Commission will take account, when examining applications, of the industrial situation of certain products and sectors in the light of the abolition of intra-Community frontier controls linked to the application of Article 115 of the EEC Treaty by taking account of the recommendations made by the Directors-General for Industry of the Member States in February 1989.

Finally it should be recalled that special Community State aid codes must be observed in the case of certain sectors.

## 7.4. Award of public contracts

Invitations to tender for the award of public contracts must be issued in compliance with the Directives governing public procurement of supplies, works and, once similar Directives are required to be implemented, of services and sectors currently excluded (water, energy, transport and telecommunication).

The criteria governing the monitoring of compliance with public procurement rules in the case of projects and programmes financed by the structural Funds and financial instruments are set out in Commission Notice C(88) 2510 of 4 May 1988 to the Member State (OJ C 22, 28. 1. 1989).

## 7.5. Protection of the environment

### 7.5.1.

The measures taken in the course of implementing the CSF must satisfy the conditions laid down by European Community legislation on the environment. Where gaps are found to exist in its implementation, priority must be given to the attainment of the objectives of the legislation in question during the period covered by the CSF in so far as it is connected with the regional development envisaged.

For projects or measures likely to have a significant impact on the environment, the Member States will supply to the Commission in accordance with Article 14 of Regulation No 4253/88, the appropriate information so as to allow the Commission to evaluate the impact on the environment of the projects or measures concerned.

### 7.5.2.

The CSF provides for assistance directly linked to the protection and development of the environmental resources of the regions concerned and therefore contributes to the implementation of Community policy in this field.

## 7.6. Completion of the single market

The activities of the Funds, the EIB and the other Community financial instruments should, in accordance with their priority objectives, help to strengthen the local economic

base by ensuring that firms, in particular small and medium-sized firms, have at their disposal a range of financial and other services to enable them to prepare for the challenge of the single market (e.g. awareness of the opening-up of the public procurement markets, product testing and certification infrastructures) and, in that context, for the abolition of intra-Community frontiers in accordance with the provisions of the Treaty.

Community financial support cannot be granted to airport and port infrastructure projects which are not consistent with the provisions of Article 8a of the Treaty.

## **7.7. Fisheries**

The actions and measures implemented under this CSF must be in conformity with the common fisheries policy. As such, they will be coordinated with Community financial assistance to restructuring fisheries in order to facilitate economic activity in this field.

The specific financial instruments for fisheries policy are:

Regulation (EEC) No 4028/86 (restructuring and renewal of the fishing fleet, modernization of the fishing fleet, development of aquaculture, facilities at fishing ports);

Regulation (EEC) No 4042/89 (improvement of the conditions under which fishery and aquaculture products are processed and marketed).

## **7.8. Energy**

The actions undertaken in the framework of this CSF must be consistent with, and should, where appropriate, contribute to the Community policy in the energy sector.

Significant among the programmes in place at present is the Thermie programme (1990-94) providing activities in the following areas:

energy efficiency;

renewable energy sources;

clean use of coal;

oil and gas exploration and development.

## **7.9. Research and development**

The measures taken under this CSF contribute to the improvement of the scientific and technological potential of the five *Länder* and Eastern Berlin and to reinforce the scientific and technological base of European industry and so contribute to the strengthening of its international competitiveness.

## **7.10. Telecommunications and information technology**

The framework programmes for research and technological development provide for specific programmes in these fields. The structural assistance provided under the CSF may encourage firms and organizations in the regions concerned to participate more widely in these programmes.

## **7.11. Agriculture**

The agricultural measures foreseen in the CSF must be compatible with objectives of the common agricultural policy. This compatibility will be the subject of verification on the basis of the different applications for funding as well as during the implementation of the agricultural measures.

## **7.12. Social policy**

The actions and measures undertaken under this CSF should promote the objectives of Community social policy, particularly concerning the strengthening of the social dimension of the internal market.

## **7.13. Equality of opportunities for men and women**

The actions and measures undertaken in the framework of this CSF must conform with, and where appropriate contribute to, the implementation of Community policy and legislation relating to equality of opportunity for women and men. In particular, consideration must be given to training and infrastructure requirements which facilitate labour force participation by women with children.

## 8. Implementation provisions

### 8.1. Monitoring and control

#### 8.1.1. Implementation

In the framework of their partnership, the Member State, the implementing authorities designated by the Member State and the Commission (hereinafter 'the partners') shall strive to obtain the desired economic impact by a full and proper use of the financial resources provided for in this CSF.

To this end, the partners:

- (i) shall define precisely the respective responsibilities at Community, national, regional and local level;
- (ii) shall with the aid of a jointly agreed monitoring and evaluation system, ensure:
  - the transparency of management, and its strengthening where necessary;
  - good management information, facilitating decisions required to implement the CSF as approved, or to amend it where necessary;
  - an effective use of technical assistance.

#### The definition of responsibilities

Within 60 days of the adoption of this CSF, the Member State shall designate or confirm the designation of the authority which is to have overall responsibility of the effective management of the implementation of this CSF. The designated authority shall ensure that specific responsibilities for each implementing, coordinating and control activity are clearly defined, and that instructions are given to discharge these responsibilities correctly.

The efficient management of Community resources shall concern in particular:

- (i) the proposals of methods of *ex ante* evaluation used by the Member State in drawing up proposals for Community intervention;
- (ii) the proposal of methods and procedures for defining, selecting and implementing individual actions or projects to be financed in the framework of operational programmes, aid systems or global grants or loans after approval by the European Community;
- (iii) ensuring the compliance with Community policies;

- (iv) the follow-up of financial flows to implementing agencies to ensure the timely availability of Community and national resources;
- (v) the designation of mechanisms to prevent and detect any irregularities in the use of public finance;
- (vi) ensuring that the final beneficiaries of development programmes are fully aware of the opportunities available to them and of the contribution of the European Community to the development effort.

The Commission shall include a commentary on these matters in the reports foreseen under Article 6 of Regulation (EEC) No 2052/88.

Within 60 days of the adoption of this CSF, the Member State shall designate or confirm the designation of the authority responsible for meeting its obligations as regards financial control under Article 23 of Regulation (EEC) No 4253/88.

The Member State shall submit to the Commission with the application for an operational programme a description of the management and control system of the programme as well as the necessary information and judicial arrangements set in place to ensure the respect of its obligations regarding financial control.

#### 8.1.2. Monitoring indicators and evaluation systems

##### 8.1.2.1. Monitoring Committees

In the context of the partnership there will be a Monitoring Committee at interregional level and six subcommittees at regional level. These Committees shall monitor the CSF as a whole or the subcommittees their respective part of it (as well as the forms of assistance outlined in the CSF).

- A. The tasks of the Monitoring Committee at interregional level shall be among others:
  - (i) to coordinate all structural operations implemented within this CSF by the regional and central authorities of the Member State as well as the grant and loan instruments of the Communities, and to harmonize them with other Community policies, with a view to achieving the strategic objectives of the CSF;
  - (ii) to evaluate regularly the progress made with the implementation of the CSF;
  - (iii) to analyse and to coordinate proposals for possible modification of the CSF.

The Monitoring Committee shall also adopt, on proposal of the authority responsible for the overall implementation of the CSF:

- (i) the methods of *ex ante* evaluation of proposals for Community intervention;
- (ii) the methods and procedures for defining, selecting and implementing interregional individual actions or projects to be financed under the different forms of assistance.

In the framework of partnership, the Monitoring Committee will be composed of the Commission, the EIB and Member State representatives including representatives of the competent authorities designated by the Member State at local, regional, national or any other level. The Monitoring Committee shall establish its own rules of procedure, including any appropriate organizational arrangements.

The Committee may meet at the initiative of either the Commission or the Member State concerned. The frequency of the meetings of the Monitoring Committee shall, as a general rule, be once or twice every year or more often if necessary.

The Member State, the Commission and the EIB shall designate their representatives in the Monitoring Committee 60 days (at the latest) after notification to the Member State of the Commission Decision approving the CSF.

The chairman of the Monitoring Committee will be designated by the Member State. The implementing authority shall provide the secretariat to the Monitoring Committee.

- B. The subcommittees at the regional level can be organized following the same principles as the interregional Monitoring Committee, and may include representatives of the social partners; if this is not the case, the representatives of the social partners should be consulted in an appropriate manner. The tasks of the subcommittees will concern the part of the CSF relating to the *Land* in question; this involves the monitoring of the implementation of the regionalized operational programmes in particular and in accordance with the procedure mentioned under 4. to analyse and to decide on possible modifications between the priorities for the respective *Land* or for Eastern Berlin.

#### 8.1.2.2. Indicators

In order to make possible the monitoring and evaluation of operations, the Monitoring Committee is responsible for the compilation of data on financial, physical implementation and performance indicators. The partnership will jointly agree the detailed specification of the reporting system.

#### (a) *Financial indicators*

The financial indicators for each year of execution (1991-1993) shall relate to commitments, payments, indicatively planned expenditure for multiannual operations (budget) as well as changes in the financial envelope and the latest forecast for the financial execution of operations, all broken down by:

- (i) Fund (ERDF, ESF, EAGGF and special budgetary lines) or loan instrument (EIB, NCI or ECSC loans) for the Community sources and for each form of assistance within each priority;
- (ii) public contribution (from central, regional or local authorities), as well as private expenditure for each form of intervention within each priority.

#### (b) *Physical implementation and performance indicators*

The following will be established:

- (i) physical implementation indicators (where relevant) to allow assessment of the degree of implementation of planned operations;
- (ii) performance indicators, which aim to measure the degree of achievement of the objectives of structural operations as well as their indirect socio-economic effects.

The definition and the collection of all types of indicators shall be the object of a joint effort by the partnership. The same indicators will also be used, in so far as possible, for monitoring the progress made with the different forms of assistance planned under the CSF.

#### 8.1.2.3. Evaluation

##### (a) *Ex ante assessment*

The presentation of the various forms of assistance shall be accompanied by an *ex ante* assessment, which shall be undertaken by the Member State, with a view to:

- (i) assessing the compatibility of operations with the CSF;
- (ii) assessing the existence of adequate implementation and management structures;
- (iii) assessing the articulation of structural operations with other Community policies, the combination of grants and loans, as well as the economic soundness and viability of the operations.

For its part the Commission reserves the right to make its own assessment of these issues.

(b) *Ex post evaluation*

*Ex post* evaluation shall be undertaken in respect of the CSF as well as the individual operations. A method for carrying out this task will be established by the partnership and will take account of the results of the constant monitoring of operations by the Monitoring Committee and the subcommittees.

### 8.1.3. Progress reports on the implementation of operations

The reports which the authority designated by the Member State shall send to the Commission shall be established in a standardized form to be jointly defined (for multiannual operations a progress report is to be transmitted within six months of the end of each full year of implementation, plus a final report. A single report is required for operations lasting less than two years).

The final reports shall include a first provisional evaluation of the operations concerned, according to guidelines which will have been agreed upon by the Commission and the Member State concerned.

### 8.1.4. Procedures for the modification of the CSF

According to the provisions of Council Regulation (EEC) No 2052/88, the CSF may, if necessary, be revised and adjusted, on the initiative of the Member State or of the Commission in agreement with the Member State, in the light of relevant information and of the results obtained during implementation of the operations concerned.

The principles concerning the modifications of the CSF, established through agreement between the Member State and the Commission with a view to allowing their flexible implementation, are as listed below.

- (a) The following modifications of each regional part of the CSF can be decided by each subcommittee in agreement with the Monitoring Committee:
- (i) Variations between priorities compared to the initial estimates of not more than 15% of each separate priority for the whole of the period, or 20% for one financial year. These figures are calculated on the basis of the total allocation for the respective priority for the whole of the five *Länder* and Eastern Berlin. The variations must remain compatible with the Commission's budgetary rules and procedures and must not affect the total amount of assistance by each of the Funds of the Community by *Land*;
  - (ii) Other minor modifications concerning the implementation of actions, with the exception of the provisions concerning aid schemes.

- (b) The following modification can be adopted by the Monitoring Committee:

Variations between priorities compared to the initial estimates included in the indicative financing plan of not more than 15% of each separate priority for the whole of the period, or 20% for one financial year. The variations must remain compatible with the Commission's budgetary rules and procedures and must not affect the total amount of assistance by each of the Funds of the Community.

The Commission and the Member State shall be informed of the decisions to adopt these modifications (a) and (b). They shall be valid unless, within a period of 20 working days following the date of receipt by the Commission or by the Member State of the information, the Commission or the Member State has requested the suspension of that modification.

If necessary, the Commission and the Member State shall adapt their previous decisions relating to the operations concerned.

- (c) The following modifications can be adopted by the Commission, in agreement with the Member State:
- (i) modifications going beyond the thresholds defined in (b) but not beyond 25%;
  - (ii) transfer of Community structural Fund resources between the new *Länder* and Eastern Berlin or between forms of assistance within the CSF up to 25% of the total Community structural Fund allocation anticipated.
- (d) Other modifications require a revision of the CSF following the same procedures applied for its adoption.

Provisions relating to the modification of individual operations during implementation are included in decisions approving such operations.

### 8.1.5. Structure of ESF operational programme

#### 8.1.5.1.

The operational programmes per *Land* as well as those on the federal level should reflect the priorities set out in the CSF and at the same time group all measures of an equal nature — either vocational training operations or subsidies towards recruitment into newly created jobs and towards the creation of self-employed activities, or measures according to Article 1, paragraph 2, of Council Regulation (EEC) No 4255/88 — which are related to these priorities and group them together as well in the financial tables.

This can be realized respecting the following two conditions:

- (a) The description of the measures has to indicate the different types of eligible measures to be undertaken in view of implementing the different priority axes of the CSF.
- (b) The statistics should contain the following data:
  - (i) the assumed level of employment in different economic sectors after execution of the measures;
  - (ii) the different priorities;
  - (iii) the different categories of eligible persons.

#### 8.1.5.2.

The coherence between the CSF and the operational programmes is therefore ensured in the following ways:

- (i) linkage between measures and priorities in the descriptive and statistical part;
- (ii) linkage between the overall figures per *Land* in the CSF and the overall figures per *Land* included in the operational programme.

This also applies by analogy to operational programmes on the federal level.

## 8.2. Information and publicity

The Member State, the entities responsible for the implementation of the CSF and the Commission will decide on the information and publicity measures to be undertaken for actions benefiting from Community financial support. On the basis of the principles set out in Article 32 of Regulation (EEC) No 4253/88 these measures will chiefly comprise the following elements:

- (a) In regard to infrastructure:
  - (i) signs erected on the sites of infrastructure which cost more than ECU 1 million, carrying the European emblem and notice of the co-financing of the project by the European Fund concerned (name in full);
  - (ii) permanent commemorative plaques for infrastructures used by the public (congress centres, airports, railways, etc.) likewise carrying the European emblem.
- (b) In regard to productive investment and measures developing endogenous potential:
  - (i) actions increasing awareness among potential beneficiaries and public opinion, using the most appropriate media and taking the form of meetings, brochures, audiovisual material, etc.;
  - (ii) actions aimed at those seeking public support co-financed by the Community, in the form of an indication of the Community contribution of a part of this support on the forms completed by businesses or others seeking such support.

## 8.3. Technical assistance

A programme of work for technical assistance for the strengthening of management, coordination and control systems, as well as the establishment and subsequent operation of monitoring and evaluation systems, shall be agreed between the Commission and the responsible national authorities, as soon as possible.

# Commission Decision

of 13 March 1991

On the establishment of the Community support framework for Community structural assistance in the five new *Länder* and Eastern Berlin in the Federal Republic of Germany.

THE COMMISSION OF THE EUROPEAN COMMUNITIES,

Having regard to the Treaty establishing the European Economic Community,

Having regard to Council Regulation (EEC) No 3575/90 concerning the activities of the structural Funds in the territory of the former German Democratic Republic,<sup>1</sup> and in particular Article 2(4) thereof,

Whereas, in accordance with Article 2(4) of Regulation (EEC) No 3575/90, the Commission shall establish a Community support framework as provided for in Article 8(5) of Council Regulation (EEC) No 2052/88 of 24 June 1988 on the tasks of the structural Funds and their effectiveness and on coordination of their activities between themselves and with the operations of the European Investment Bank and the other financial instruments<sup>2</sup> and in Articles 8(3) and 11 of Regulation (EEC) No 4253/88 laying down provisions for implementing Regulation (EEC) No 2052/88 as regards coordination of the activities of the different structural Funds between themselves and with the operations of the European Investment Bank and the other existing financial instruments;<sup>3</sup>

Whereas, in accordance with those provisions, the Community support framework shall cover in particular the priorities, the forms of assistance, the indicative financing plan, with details of the amount of assistance and its source, and the duration of the assistance;

Whereas the German Government submitted to the Commission on 19 December 1990 the development plan referred to in Article 2(1) of Regulation (EEC) No 3575/90 in respect of the five *Länder* and Eastern Berlin belonging to the territory of the former German Democratic Republic and eligible for Community structural assistance in accordance with the said Regulation;

Whereas the plan submitted by the Member State includes a description of the main priorities selected and an indication of the use to be made of assistance under the European Regional Development Fund (ERDF), the European Social Fund (ESF), the European Agricultural Guidance and Guarantee Fund (EAGGF), the European Investment Bank (EIB) and the other financial instruments in implementing the plan;

Whereas this Community support framework has been established in agreement with the Member State concerned through the partnership defined in Article 4 of Regulation (EEC) No 2052/88;

Whereas the EIB has also been involved in the preparation of the Community support framework in accordance with Article 8 of Regulation (EEC) No 4253/88; whereas it has declared its readiness to help implement this framework on the basis of the estimated loan arrangements indicated in this decision and in accordance with the provisions of its Statute;

Whereas the Commission is prepared to examine the possibility of the other Community lending instruments contributing to the financing of this framework in accordance with the specific provisions governing them;

Whereas this decision is consistent with the opinion of the Advisory Committee on the Development and Conversion of Regions and of the European Social Fund Committee and in accordance with the opinion of the Committee on Agricultural Structures and Rural Development;

Whereas, in accordance with Article 10(2) of Regulation (EEC) No 4253/88, this decision is to be sent as a declaration of intent to the Member State;

Whereas, in accordance with Article 20(1) and (2) of Regulation No 4253/88, the budgetary commitments relating to the contribution from the structural Funds to the financing of the operations covered by the Community support framework will be made on the basis of subsequent Commission decisions approving the operations concerned,

1 OJ L 353, 17.12.1990, p. 19.

2 OJ L 185, 15.7.1988, p. 9.

3 OJ L 374, 31.12.1988, p. 1.

HAS ADOPTED THIS DECISION:

*Article 1*

The Community support framework for Community structural assistance for Mecklenburg-Vorpommern, Brandenburg, Eastern Berlin, Sachsen-Anhalt, Thüringen and Sachsen in the Federal Republic of Germany covering the period from 1 January 1991 to 31 December 1993 is hereby approved.

The Commission declares that it intends to contribute to the implementation of this Community support framework in accordance with the detailed provisions thereof and in compliance with the rules and guidelines of the structural Funds and the other existing financial instruments.

*Article 2*

The Community support framework shall include the following essential information:

- (a) A statement of the main priorities for joint action:
- Infrastructure.
  - Productive investments.
  - Human resources.
  - Long-term unemployment.
  - Young people unemployment.
  - Agriculture and fisheries.
  - Improvement of rural areas.
  - Agriculture, forestry and rural environment.
- (b) An outline of the forms of assistance to be provided, primarily in the form of operational programmes.

- (c) An indicative financing plan specifying, at constant 1991 prices, the total cost of the priorities adopted for joint action by the Community and the Member State concerned and, in addition, of existing multiannual national initiatives, that is ECU 13 935 million for the whole period, together with the financial arrangements envisaged for budgetary assistance from the Community, broken down as follows:

ERDF	ECU 1 500 million
ESF	ECU 900 million
EAGGF (Guidance Section)	ECU 600 million
<hr/>	
Total for structural Funds	ECU 3 000 million

The resultant national financing requirement, that is approximately ECU 4 380 million for the public sector and ECU 6 555 million for the private sector, may be partially covered by Community loans from the European Investment Bank and the other lending instruments.

The estimated financial assistance throughout the territory of the former GDR in the form of loans from the EIB and the ECSC is ECU 1 500 million and ECU 1 100 million respectively.

*Article 3*

This declaration of intent is addressed to the Federal Republic of Germany

Done at Brussels, 13 March 1991

*For the Commission*

Henning CHRISTOPHERSEN

*Vice-President of the Commission*

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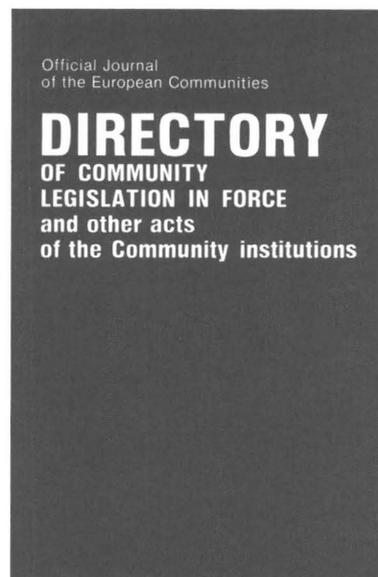
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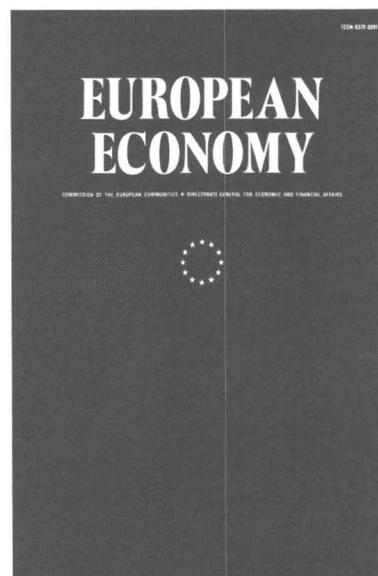
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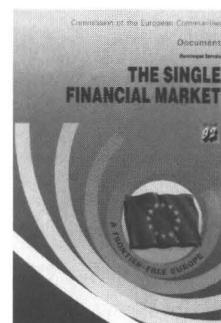
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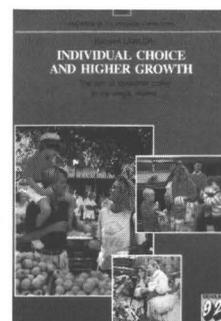
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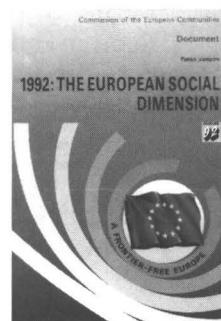
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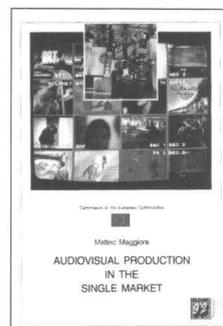
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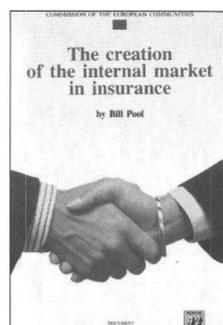
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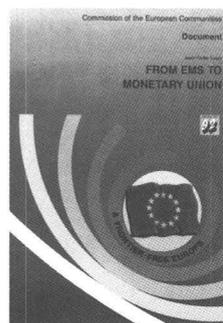
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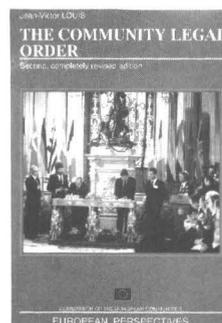
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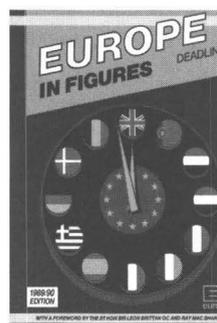
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