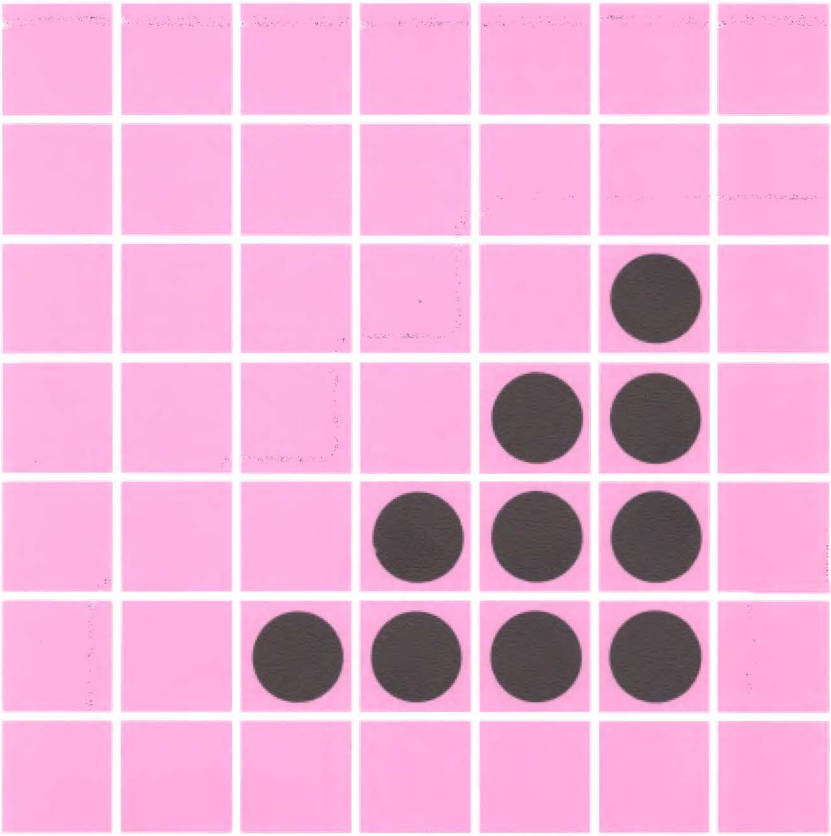
Periodical 7-8/1981

GRANTS AND LOANS FROM THE EUROPEAN COMMUNITY



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Originating department:
Division IX/C/11 — Coordination and preparation of publications

Grants and loans from the European Community

Manuscript completed in August 1981

This publication is also available in the following languages:

DA	ISBN 92-825-2630-5	Sådan kan EF støtte dansk erhvervsliv
DE	ISBN 92-825-2631-3	Darlehen und Beihilfen der Europäischen Gemeinschaft
GR	ISBN 92-825-2632-1	'Ενισχύσεις καί δάνεια τῆς Εὐρωπαϊκῆς Κοινότητος
FR	ISBN 92-825-2634-8	Aides et prêts de la Communauté européenne
IT	ISBN 92-825-2635-6	Aiuti e prestiti della Comunità europea
NL	ISBN 92-825-2636-4	Financiële hulpverlening door de Europese Gemeenschap

Cataloguing data can be found at the end of this publication

Luxembourg: Office for Official Publications of the European Communities, 1981

ISBN 92-825-2633-X

Catalogue number: CB-NC-81-008-EN-C

Reproduction in whole or in part of the contents of this publication is free, provided the source is acknowledged

Printed in Belgium

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Introduction

The purpose of this new booklet is to provide information on the aids (grants and loans) administered by the Community to improve socio-economic structures. It is also intended as a pratical guide for potential recipients, as it explains how to identify the grants and loans for which they could apply, and how to obtain more detailed information.

Because of this twofold purpose of providing general information and serving as a practical guide, the booklet begins by giving a general survey of the Community's financial instruments for structural purposes, placing them in the context of the various Community policies. This description, which indicates the links between the Community's financial instruments and its policies, is not a full, detailed analysis, which would be beyond the scope of an information booklet.

Because the information given is in summary form and occasionally simplified, the reader is warned not to jump to conclusions: before the reader is guided through the labyrinth of the Community's financial instruments for structural purposes, a word should be said about certain simplifications.

It is customary and convenient to judge a policy solely from the viewpoint of budgetary or financial considerations. Thus, a country's defence policy is said to be important because military expenditure accounts for x% of the national budget or y% of GDP; or appraisals may be based only on percentage changes over time; or such figures may be used to make comparisons between countries.

This is also true of Community policies. It is often said that the common agricultural policy (CAP) swallows up almost two thirds of the Community budget, while the share given to some other policy in the budget is derisory in comparison.

Things may be simplified even further. A given policy is regarded as being equivalent to the financial instrument which, from this simplified viewpoint, best represents it. For example, in order to compare the CAP with regional policy, the European Agricultural Guidance and Guarantee Fund (EAGGF) is compared with the European Regional Development Fund (ERDF). It is thus hardly surprising that, in the minds of many, regional policy and the ERDF are, if not identical, at least largely the same.

Such simplifications are not only false, they are also dangerous since they lead to judgments that are entirely mistaken. In the first place, it is a mistake to think that all measures under a Community or national policy are necessarily reflected in the budget or in a financial instrument. It would be equally erroneous to suppose that those measures which dò not incorporate outright expenditure or loans are less important. It is also incorrect to suppose that a certain financial instrument, by virtue of its name or specific objectives, is the only one serving those objectives. For example, in a given region, expenditure under the EAGGF Guidance Section for improvements to agricultural structures, Social Fund expenditure to upgrade labour skills and increase labour mobility and Community loans to finance infrastructure projects and investments to produce goods and services may contribute just as much to the development of that region as the aids granted under the ERDF, sometimes even more. Conversely, financial aid operations whose specific objective is the development of a region may play a vital part in the development, modernization or restructuring of an economic sector or industry.

These articulations between the different categories of Community aids and loans and between the financial instruments under which they are granted are only one of the many aspects of the links between the various Community policies. The connections show that the financial side is not always the most important aspect of the Community's intervention. For example, the Community rules governing State aids and the conduct of firms on the market may, and frequently do, have far more significant effects on structural trends and the development of certain sectors or regions than the Community's grants and loans. In addition, it would be impossible to grant such aids if there were no competition rules imposing discipline on intervention by the Member States.

In those areas where the Community is empowered to regulate the organization of markets, prices, and policy for and even the volume of certain types of production, its measures have decisive consequences for structures, incomes and the level of employment, quite independently of any budgetary implications: and these consequences far outweigh the possible effects of Community grants and loans.

Lastly, in order to understand the importance of Community policies and the impact those policies have through their financial instruments, it must always be remembered that the Community's aids are tied in with the Member State's own financial aid operations, and thus with national policies. Community measures may support, amplify or modify national policies, or have only a marginal impact on them, but the effects of Community policies can never be isolated from those of national policies.

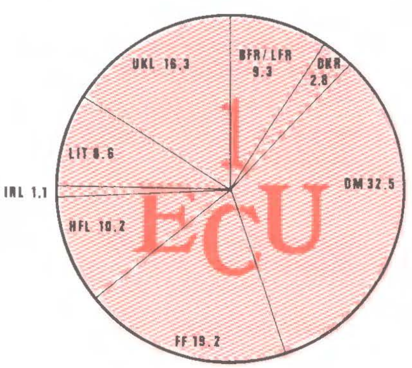
The booklet is divided into three parts. Part 1 is the general survey of financial instruments in the context of Community policies. Since the aim is to inform potential recipients of Community grants and loans, only the structural instruments are discussed. The largest share of budgetary expenditure, relating to agricultural prices and markets, is therefore not dealt with. For reasons of space, the indirect measures under the EAGGF Guidance Section, known as the socio-structural directives, have also been left aside, although they are very important for agricultural social and structural policy. These directives do not establish any direct financial link between the recipients and the Community, since the Community aids are reimbursements to the Member States of national aids granted pursuant to the directives.

Following the survey of the financial instruments, their objectives and their development in Part 1, Part 2 gives a summary in tabular form of certain aspects of general interest, designed to serve as an introduction for interested persons to the whole range of Community aid schemes. The following aspects are described: scope of the instruments (operations eligible, sectors covered and geographical scope); procedures for submitting applications; and, briefly, payment procedures.

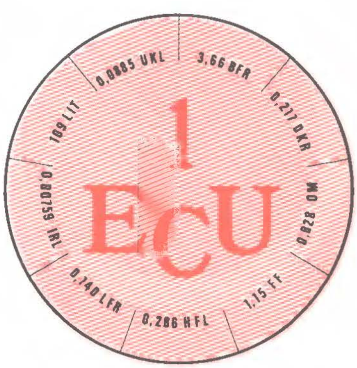
After this introduction, potential recipients will find in Part 3 a detailed description of how the aid facilities which are of most interest to them operate (criteria for eligibility and the granting of applications, rates of aid, etc.).

This booklet does not claim to provide exhaustive information on all the technical aspects of Community legislation: it simply gives the references, and the addresses from which further information can be obtained.

The ECU is the sum of the following amounts of the national currencies:



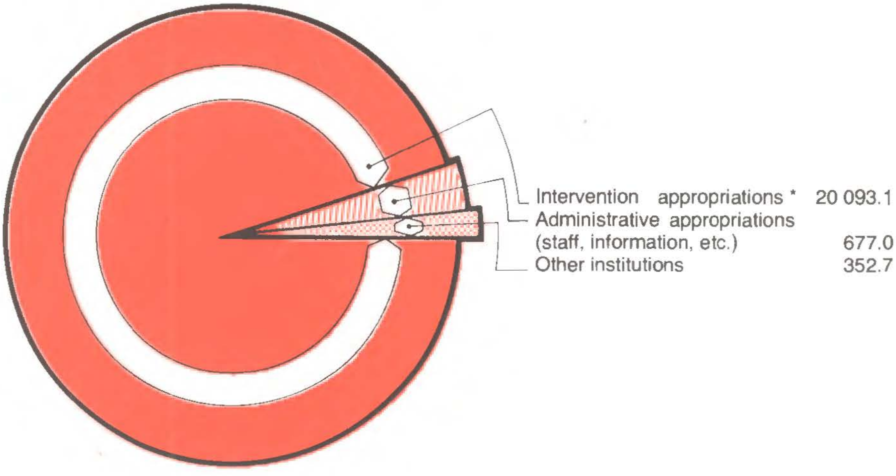
Percentage composition on 23 March 1981



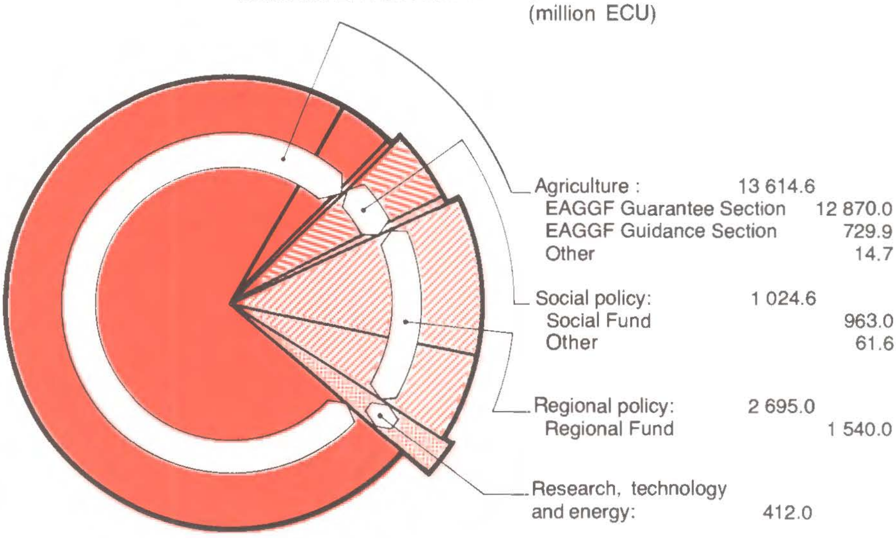
The rates for converting the ECU into Member State currencies are calculated and published daily.

Ecu (1.8.81) = BFR/LFR 41,29 / DKR 7,93 / DM 2,52 / ΔPX/DR 61,60 / FF 5,98 / HFL 2,80 / IRL 0,69 / LIT 1250,39 / UKL 0,55 / USD 1,00

1981 BUDGET OF THE EUROPEAN COMMUNITY
(million ECU)



* MAIN INTERVENTION APPROPRIATIONS
(million ECU)



Part 1: General survey of aid and loan instruments in the context of Community policies

It is not possible in this booklet to analyse the Community policies which underlie the Community's many financial aid schemes, especially as all the policies are involved, since they all have repercussions on social and economic structures. Each of the policies which uses financial instruments pursues specific objectives. These are set out in Chapter II, the introduction to the various instruments. In addition to these specific objectives, there are general objectives common to all policies which explain why the Community now uses an increasingly broad range of intervention measures. These general objectives and their links with the structural grants and loans are described in Chapter I.

Chapter I — General objectives and financial aid operations

The essential objective of the Community is the constant improvement of the living and working conditions of the peoples of Europe, founded on the solidarity and integration of their economies. The two principal means to this end have been the establishment of a single market (the common market) and the development of a common agricultural policy (the CAP).

The purpose of the single market, which is governed by competition rules established by common agreement and is surrounded by a common external tariff, is to ensure the free movement of goods, services and persons and thereby secure for productive activities and workers the benefits of a vast market on a continental scale, with a dynamic momentum in trade, growth and development.

Similarly, the free movement of farm products under the CAP — based on the three inseparable principles of market unity, Community preference and financial solidarity — should make it possible to attain at the same time the many objectives of agricultural policy, including better distribution of production in order to achieve balanced development of agricultural structures in all parts and regions of the Community.

Despite the general level of prosperity reached at the beginning of the 1970s, it has become apparent that these means have not enabled all the regions and sectors of the Community to benefit to the same extent from the process of economic integration and the setting-up of this vast market, even though the Member States have made considerable efforts to modify their own regional and sectoral structures.

It has also been realized that national efforts to effect structural changes frequently cancel each other out or pull in opposite directions, because they are planned and carried out in a national context and are therefore on too small a scale. This further accentuates the imbalances within the Community, making certain problems even more difficult to solve and jeopardizing the functioning of the common market.

Apart from the Community dimension to the problem and the need to take action in a Community-wide context in order to obtain more balanced structural development and economies of scale, there is the fact that certain structural imbalances are brought about by Community policies. Faced with such problems — the worsening of existing imbalances or the emergence of new imbalances — the Community must shoulder its own political responsibilities and take steps to remedy them. Its responsibilities are all the greater in that failure to act by the Community could bring to a standstill the policies which gave rise to the difficulties. It would, for example, be difficult to pursue the common commercial policy or the policy of aid to developing countries at the expense of the most vulnerable industries and the least-favoured regions of the Community itself in the absence of countervailing Community measures.

The part played by the Community in international affairs and world trade as a factor for peace and stability, through its action in favour of the less advanced countries and the immense market it affords them, is now of paramount importance not only for those countries but for the Community itself. The Community countries do not have vast reserves of raw materials. Our economy functions as a huge processing workshop. We import raw materials and we export goods and services with added value. Our standard of living, our very survival, depend on that added value. A quarter of the Community's gross domestic product (GDP) derives from its external trade. It is a matter of vital necessity to the Community to secure stable sources of supply and keep its external markets open, while at the same time contributing to the development of needy non-member countries and maintaining the freedom of world trade. The negotiating power of the Community authorities, while greater than that of each individual Member State, nevertheless depends on the Community's internal cohesion and hence on its ability to overcome its own structural problems.

Economic integration is a dynamic process. Not only can it not be halted — or its achievements would be lost — but it must be constantly reinforced and must go beyond the stage of a single market and a few common policies. In 1972, the Heads of State or Government of the Community decided to step up the process of integration: they set their sights on economic and monetary union (EMU). And they had in mind all the progress that still had to be achieved in this direction when they laid the foundations for the Community's regional policy by setting up the European Regional Development Fund (ERDF) a few years later.

For progress towards EMU imposes additional constraints on the Member States in the conduct of their economic and monetary policies and at the same time requires a greater effort to reduce the most serious structural imbalances. When the European Monetary System (EMS) was set up to achieve greater stability in exchange rates, the Community recognized that the burden was particularly heavy for the less prosperous countries and that this called for an even greater effort of Community solidarity on their behalf. For these reasons, a new financial instrument, the EMS interest-rate subsidies on Community loans, came into being.

Some of the aid and loan instruments date back to the drafting of the Treaties — the ECSC facilities, the European Investment Bank (EIB) and the European Social Fund (ESF). But it was not until the 1970s, and more especially from 1975 onwards, that these were expanded and diversified, and — the ERDF, the New Community borrowing and lending Instrument (NCI) and the EMS interest-rate subsidies — were established. This means that most structural measures are still in the early stages, in terms of the often considerable length of time it takes to bring about any change in social and economic structures. What is more, the beginnings of very many of these measures coincided with the start of the present economic crisis.

The economic crisis — with its effects on balance-of-payments deficits and attendant high rates of inflation, slowdown of investment, high interest rates, lower levels of employment, unemployment, our economy's loss of competitiveness in many important sectors and rising energy costs — has confronted the Community with new constraints and new challenges. The fact that these constraints are of external origin, the global scale of the changes in progress and the technological revolution, particularly in information and communications, mean that no Member State can confront the situation and take the necessary action on its own. If we pool and coordinate our efforts, on the other hand, expand the Community's resources and make more efficient use of them and establish new Community policies, we would have the opportunity of reinforcing the integration and development of the Community.

The Community's responsibility in the face of mounting unemployment and the enlargement of the Community to 12 Member States will occasion further new departures for its financial instruments for structural purposes.

It would, however, be a mistake to assume that new Community policies will necessarily entail, in each case, intervention in the form of Community aids and loans. In many cases, it is enough that the Community, through the processes of coordination, consultation, legislation, overall supervision and information, should create the necessary conditions for firms or public authorities to take the appropriate measures and assume their full responsibilities. Since budgetary resources are limited, financial intervention by the Community for structural purposes can be justified only where at least one of the following criteria is fulfilled: the action proposed is the Community's responsibility and therefore cannot be undertaken by the Member States; it is necessary in order to ensure the proper functioning of the single market; it is necessary for the Community's internal cohesion and in order to secure its power of negotiation with other countries; it is a response to a problem which is so widespread or serious as to have an impact on the whole Community and which can be resolved more effectively at Community level; or the action will make a significant contribution to the process of integration, over and above its specific objectives.

Chapter II — The financial instruments for structural purposes

These are: the Guidance Section of the European Agricultural Guidance and Guarantee Fund (EAGGF Guidance), the European Social Fund (ESF), the European Regional Development Fund (ERDF), the European Coal and Steel Community (ECSC) grants and loans, the European Investment Bank (EIB), the New Community borrowing and lending Instrument (NCI), the Euratom loans, the European Monetary System (EMS) interest-rate subsidies, and the specific measures for the energy sector.

These instruments are complex: most of them cover a range of measures or of aid and loan schemes, each of which has its own particular characteristics and specific purposes. In principle, the three major Funds (EAGGF Guidance, ESF and ERDF) are the main instruments for different structural policies (policy for agricultural structures, social and employment policy and regional policy), but in fact they may serve a number of policies at once, without departing from their own specific objectives. This is true of most of the other instruments, and it explains why it was possible to demonstrate in the preceding chapter how they dovetail with the broad objectives of all the Community policies.

The following tables show at a glance how each instrument may be used in connection with a number of policies, and how each policy may call on several instruments. The pluralist nature of the financial instruments shows how Community measures may complement each other and how they may overlap. This makes it easier to understand how, by coordinating their application, the combined impact of the financial instruments can be enhanced. It must not be forgotten, however, that the various instruments came into being at different times, as the policies for which they were specifically designed were developed, and have different procedures and in some cases different institutional aspects. They therefore have certain inflexible and specific characteristics which limit — to a great extent in some cases — the scope for coordinating them in the field.

After the tables, the next section in this chapter is devoted to the origins, salient features and most significant developments of each instrument. This is a general introduction as part of the general survey of the financial instruments and does not go into details. The detailed descriptions are given in Parts 2 and 3.

Financial instruments applied under...	**Structural policies**
1. *European Agricultural Guidance and Guarantee Fund — Guidance Section (EAGGF Guidance)* (grants)	Policy on agricultural structures and fisheries policy applied to a large extent in conjunction with regional policy
2. *European Social Fund (ESF)* (grants)	Social and employment policies applied in conjunction with regional policy, industrial restructuring and conversion policy and the policy on agricultural structures
3. *European Regional Development Fund (ERDF)* (grants)	Regional policy applied in conjunction with all Community policies operating in the development regions
4. *ECSC instruments* (loans and grants)	Coal policy applied within the framework of energy policy Steel policy ECSC social and employment policies Industrial conversion policy Creation of alternative employment in conjunction with regional policy
5. *Euratom loans* (loans)	Nuclear energy policy applied in close conjunction with EIB loans

6. *European Investment Bank (EIB)* (loans and guarantees)	Regional policy Sectoral restructuring policies including restructuring in the steel industry Industrial conversion policy applied in conjunction with regional policy and sectoral restructuring Energy policy Policy on major transport infrastructures applied in conjunction with regional policy Policy on agricultural structures, farming infrastructure and investment in the agri-food industry in conjunction with regional policy
7. *New Community Instrument (NCI)* (loans)	Policy for restoring economic growth and employment policy applied in close conjunction with EIB loans Points of emphasis: Energy policy Regional policy Industrial restructuring and conversion policy
8. *EMS interest-rate subsidies* (interest relief grants on EIB and NCI loans)	Strengthening the economies of the less prosperous countries Essentially infrastructure projects and applied in conjunction with regional policy

Structural policies and...	**Possible combinations[1] of financial instruments**
1. *Social and employment policies*	ECSC instruments for ECSC workers, EAGGF Guidance for farmers and farm workers, and ESF for all sectors
2. *Policy for restoring economic growth and employment*	NCI, EIB, EAGGF Guidance, ESF, interest-rate subsidies and ECSC instruments
3. *Energy policy*	EIB, NCI, Euratom loans, ERDF, EMS interest-rate subsidies, specific measures
3.1. *Nuclear energy policy*	idem
3.2. *Coal policy*	ECSC loans and grants, EIB, NCI, ERDF, EMS interest-rate subsidies
4. *Policy on agricultural structures*	EAGGF Guidance, EIB, NCI, ERDF, EMS interest-rate subsidies
5. *Regional policy*	ERDF, EIB, NCI, EMS interest-rate subsidies, EAGGF Guidance for agricultural structures, and ESF for workers
6. *Policy on major transport infrastructures*	EIB, NCI, ERDF, EMS interest-rate subsidies

[1] The possible combinations do, of course, depend on the characteristics of each operation and on project location, since each instrument has its own specific features, scope and operational rules. In addition, the procedures vary widely. Such combinations do not necessarily mean that two or more instruments are used for the same investment project, although cumulative aid and co-financing are often possible, but rather that they are used to finance separate but complementary ventures and projects in one and the same region, whether or not under different Community policies. Allowing for national aid measures and the resources available to investors, there is no Community region in need of assistance where two or three financial instruments could not be deployed in combination.

7. *Industrial restructuring and conversion policy*	EIB, NCI, ERDF, EMS interest-rate subsidies, and ESF for social aspects
7.1 *in the coal industry and in coal-mining areas*	ECSC instruments, EIB, NCI, ERDF, EMS interest-rate subsidies
7.2 *in the steel industry and in steel-producing areas*	idem
8. *Strengthening the economies of the less prosperous countries participating in the EMS*	Interest-rate subsidies on EIB and NCI loans, and all other instruments

General presentation of financial instruments

A. *EAGGF Guidance Section*

The common agricultural policy (CAP) is based on three inseparable principles (Community preference, market organization with common prices, solidarity in bearing the financial cost of the policy) which make possible the free trading of agricultural products.

Financial solidarity amongst the Member States takes the form of the European Agricultural Guidance and Guarantee Fund (EAGGF), which was set up in 1962 and consists of two sections:

(1) the Guarantee Section, which deals with the expenditure required for the operation of markets and the guaranteeing of prices;

(2) the Guidance Section, which came into being in 1964 and deals mainly with socio-structural measures in the agricultural sector.

The Guarantee Section developed apace and eventually accounted for 75% of the Community budget. In recent years, steps have been taken to reduce this percentage, with the introduction of a more cautious price policy, the adoption of economy measures and greater emphasis on structural improvements. Guarantee Section expenditure is now growing at a slower rate than budget expenditure as a whole. Expenditure on markets still represents, however, about two-thirds of the entire budget.

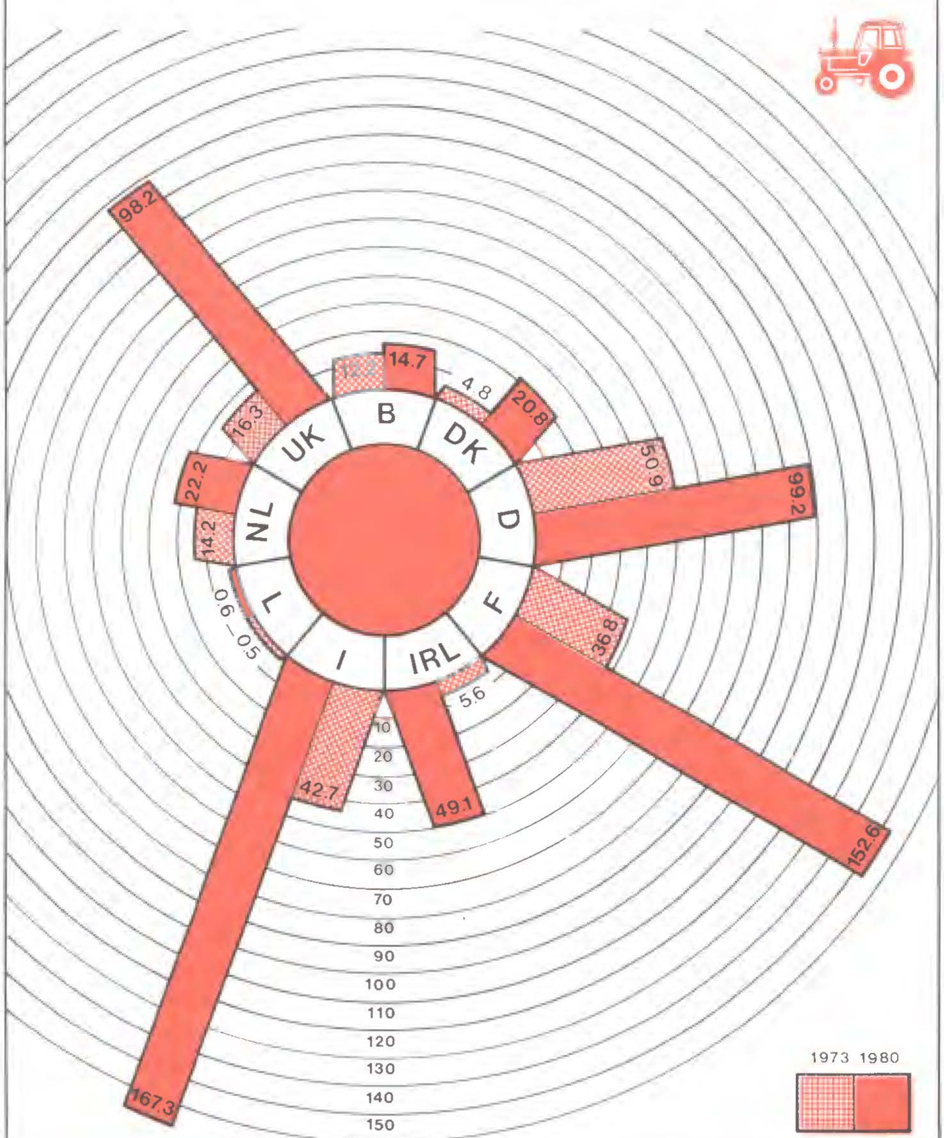
Although the Guarantee Section is so important and although agricultural incomes and structures are undeniably affected by the fixing of prices and the resulting expenditure, we shall not discuss this Section here since the expenditure goes directly on markets.

By comparison, the Guidance Section was slow to start and to develop, although it has expanded more rapidly in recent years. From initial appropriations of 50 million u.a. in 1964, the Section's budget has grown to some 628 million ECU in 1980. This represents slightly more than 50% of the ERDF budget but only about 10% of Guarantee Section expenditure. Any increases in the appropriations made available to the Guidance Section are now subject to the overall financial limit set for a five-year period. For 1980-84, this limit stands at 3 755 million ECU.

Although the Guidance Section commands only modest resources, it covers a considerable range of activities and types of aid.[1] Without going into a detailed analysis of all the various types of Community aid, one could place them in five main categories to illustrate the main features of the policy on agricultural structures.

[1] There are more than 30 types of aid (cf. Table I in Part 3).

GRANTS FROM EAGGF GUIDANCE SECTION 1973-80
(million ECU)



These categories are as follows:[1] individual projects or direct measures (aid granted to individual investors); socio-structural directives; special programmes for certain less-favoured regions; special sectoral measures (mostly connected with the organization of the market); integrated development programmes. The last four categories may also be described as 'indirect measures'[2] since Community assistance takes the form of the reimbursement of national aid or expenditure.

In all these categories, without exception, Community aid is linked with national aid. From the legal and financial point of view, moreover, such aid is a 'common measure' (Community/Member State) within the meaning of the Community rules. From one category to another, however, the link between the Community and the national aid varies greatly, so that the financial instrument may play a very different role in each case.

In the 'individual projects' category, the contribution required from the Member State is minimal (although it varies according to the type of measure concerned). Under the Community rules, however, the Member States have considerable freedom in the organization of national aid. The Community aid is intended to provide an incentive to individual investors. This is why, in Parts 2 and 3, only this category of Community investment aid receives detailed treatment.

One important development should be mentioned in connection with 'individual projects'. Under the original system (Regulation No 17/64, which for many years was the sole legislative text governing aid from the EAGGF Guidance Section, is no longer in force), Community aid was granted on a project-by-project basis, but under subsequent schemes, particularly that established by Regulation No 355/77 (processing and marketing of agricultural products), the Member States are obliged to draw up national or regional programmes for the sector concerned, as a framework for the individual projects to be jointly financed by the Community and the Member State. Another significant development took place in 1977 when, to take account of particular regional circumstances, higher rates of aid and more favourable terms were introduced for certain agricultural regions.

The main feature of the special sectoral measures is that national aid schemes must (or in some cases, may) be introduced in respect of certain well-defined sectoral activities (e.g. organization of the marketing of agricultural products). The rate of reimbursement from the Community is appreciably higher than usual (as a rule, 50% instead of 25%). Thus, a Community financial instrument is used to constrain, or at least encourage, the Member States to take certain measures, and in return the Community bears a very substantial share of the expenditure. One exception should be mentioned, however. The Community bears the entire cost (60% through the Guarantee Section and 40% through the Guidance Section of the EAGGF) of measures for the conversion of small dairy farms (premiums for the non-marketing of milk or milk products) and for the conversion of dairy herds to beef production.

The 1972 socio-structural directives form the backbone of the policy on farm structures and should constitute the basis for any measures taken under this policy. The sectoral measures mentioned above, and in particular those designed to rationalize the initial marketing of agricultural products (through producer groups and associations thereof), are

[1] Certain types fall into several categories, since they combine various kinds of measure.

[2] Certain indirect measures also include direct aid. This fact has not been taken into account, to keep the classification as simple as possible.

concerned with the links between the farm and the market, whereas Regulation No 355/77 on the processing and marketing of agricultural products (alredy mentioned in connection with 'individual projects') is concerned with the links between the market and the processors and wholesalers, and further down the line, the retailers and consumers. Thus, although the aid granted through the EAGGF Guidance Section seems like a jigsaw puzzle of different measures adopted in no particular order and at various dates, there is nevertheless a general theme, the continuity of which derives from an overall concept of how the agricultural sector should develop.

The structural policy is based on three directives: Directive 72/159 on the modernization of farms; Directive 72/160 on the cessation of farming and the reallocation of the farmland thus released; Directive 72/161 on the provision of socio-economic guidance and occupational training for persons engaged in agriculture.

The most important aspect of these directives is legislative rather than financial. The directives introduce aid schemes which the Member States are obliged to incorporate into their national legislation. At the same time, the directives regulate the other forms of national investment aid for farming, particularly aid for farms which do not fulfil the conditions to qualify for the selective aid schemes introduced by the directives.

The farmers themselves, who are the actual recipients of the aid, are less interested in the Community legislation than in the national laws adopted to implement the directives. These laws are much more complicated and elaborate. That is why the directives are not dealt with in Parts 2 and 3.

A fourth directive, Directive 75/268 on hill farming in certain less-favoured areas, was adopted in 1975. This directive introduced a system of aid for agricultural incomes and made more flexible the conditions of which farmers could qualify for aid to modernize their holdings. The aid to incomes is intended to offset the natural handicaps which beset a large number of agricultural areas. The aim is also to ensure that farming activities are continued in areas where there is little or no alternative employment outside the agricultural sector, with a view to protecting the environment and keeping the countryside in good heart. The introduction of aid schemes is not obligatory, however, and the Member States have been given wide latitude as to the level of the aid to incomes, although the less prosperous Member States will have a higher proportion of their expenditure reimbursed by the Community. The adoption of legislative measures at national and regional levels took longer than expected, so that the directives were implemented at a time of economic crisis. It was therefore much more difficult to create, in the regions concerned, a sufficient number of non-agricultural jobs for the labour force which became available as a result of the measures to increase farm productivity.

The provisions of the directives were made more flexible and adjusted so that it became easier for a large number of farms to qualify for aid and so that account could be taken of the particularly difficult circumstances obtaining in some countries and regions.

Experience has shown, however, that this policy cannot be implemented in all regions.

The special programmes for certain less-favoured regions represent a first attempt to overcome this problem. One feature common to all these special programmes is that they are largely concerned with creating the basic infrastructure without which the modernization of farms would be difficult or impossible. The Member States are obliged to submit such programmes. The Community reimburses a substantial part of the investment costs (50% in most cases). These measures, which were introduced in 1978, fill a real gap, for when Regulation No 17/64 ceased to apply, there were no longer any arrangements whereby the EAGGF Guidance Section could grant assistance towards the provision of the basic infrastructures for agricultural development. The regional nature of these programmes and the involvement of other regional development instruments (ERDF, EIB and NCI) in the financing of certain infrastructure projects provide a perfect illustration of the links between different policies and different financing instruments.

This also shows how advantageous it can be to adopt an integrated approach to regional development problems, taking action under several policies at the same time and coordinating more closely (indeed combining) the use of several financial instruments.

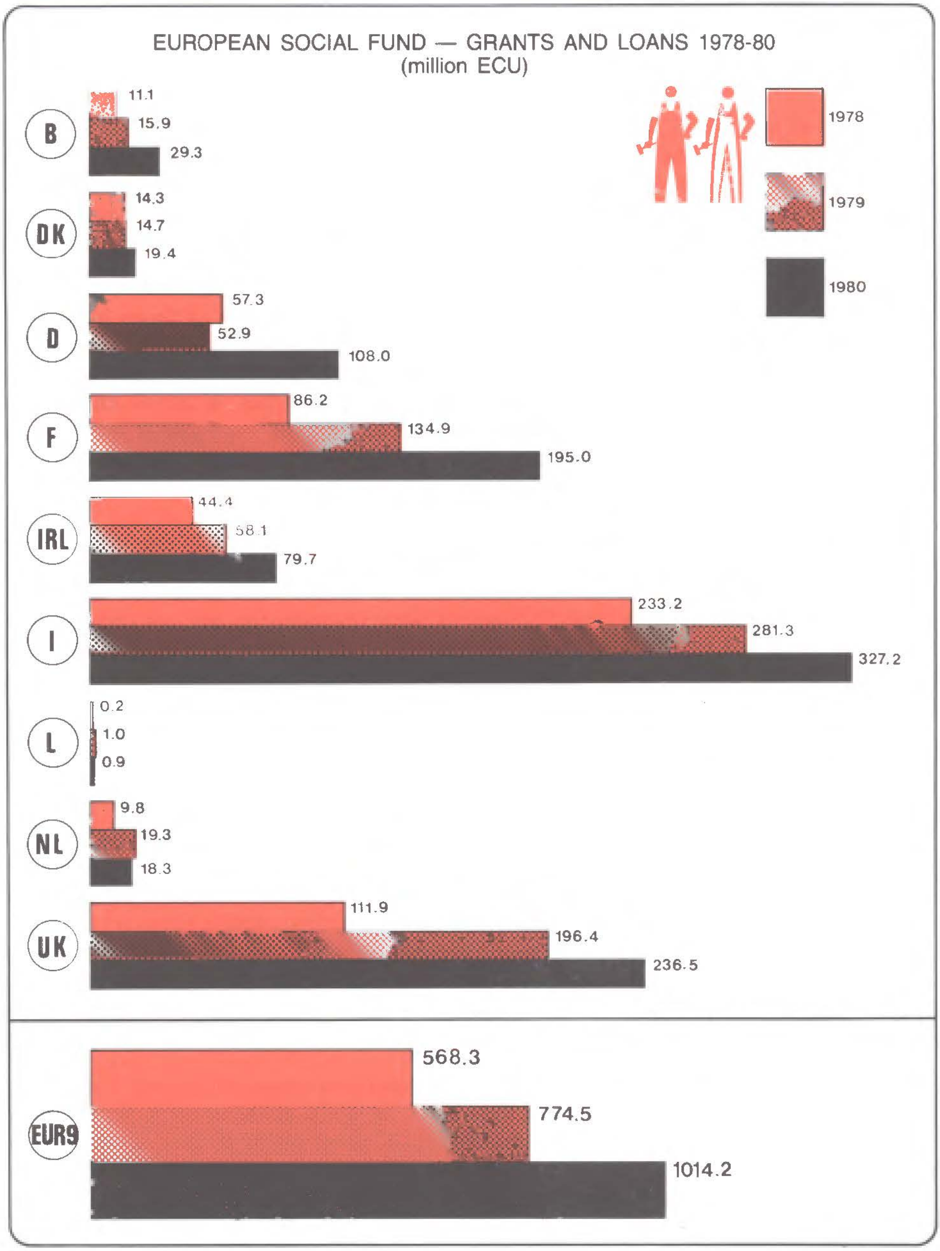
The integrated development programmes also stem from the idea that an integrated approach to the development of certain areas and regions is needed. In some places, for a variety of reasons, it is difficult to improve or to modernize agriculture, or to develop any other economic activity, with the result that no progress whatever can be made. In such cases, an attempt is made to mount an integrated and simultaneous attack on all the area's problems, agricultural and non-agricultural, so as to mobilize and make combined use of all local resources. The EAGGF Guidance Section provides assistance for the agricultural parts of the integrated development programme, but the conditions are easier to satisfy and the rates of reimbursement are higher than they would be otherwise. The Member State may also call on other Community financial instruments for the non-agricultural parts of the programme.

Three integrated development programmes are shortly to be implemented on an experimental basis, the Council having decided in 1981 to put the Commission proposal to the test. The integrated approach to the development of certain regions could be extended, since the Commission stated in its Report on the Mandate of 30 May 1980 that it planned to use such an approach for the development of the Mediterranean regions of the Community.

B. *European Social Fund* (ESF)

The Social Fund is one of the financial instruments set up by the EEC Treaty, which defines its task, the type of aid to be granted and the Fund's contribution (Articles 123 to 125). It was established to improve employment opportunities for workers in the common market and to contribute thereby to raising the standard of living; and its specific task was defined as rendering the employment of workers easier and increasing their geographical and occupational mobility. This was a logical corollary to the creation of a vast single market, which would necessarily involve adjustments following a reallocation of the factors of production.

The Fund started off under a series of constraints. The rules were that the Fund was to reimburse 50% of the expenditure incurred by a Member State or body governed by public law in providing vocational retraining and resettlement allowances for workers who were obliged to change jobs following the conversion of undertakings; only expenditure incurred in respect of unemployed workers was eligible; and reimbursement could not take place until the workers had been back in employment for at least six months. Consequently, the Fund had no impact on national employment policies. At its inception in 1962, it had been decided to administer the ESF as an equalization fund with quotas providing redistribution limited to two countries—Italy and the Netherlands—selected on the basis of the situation on the labour market at a given moment; and its endowment was very modest.



EUROPEAN SOCIAL FUND — GRANTS AND LOANS 1978-80
(million ECU)
1978
1979
1980
B
11.1
15.9
29.3
DK
14.3
14.7
19.4
D
57.3
52.9
108.0
F
86.2
134.9
195.0
IRL
44.4
58.1
79.7
I
233.2
281.3
327.2
L
0.2
1.0
0.9
NL
9.8
19.3
18.3
UK
111.9
196.4
236.5
EUR9
568.3
774.5
1014.2

Between 1962 and 1971, approximately 260 million units of account were granted in aid; after it was reformed in 1971, the new Fund disbursed more than 440 million units of account in its first two years of operation.

With the reform of 1971, all of these provisions were substantially amended: the Social Fund was given its present structure and entirely new tasks. It was divided into two sections: one section operates in response to developments in the employment situation in the Community, and the other section is used as an arm against long-term structural unemployment and underemployment. These two areas of intervention are defined in Articles 4 and 5 of Council Decision 71/66/EEC of 1971.

The Social Fund can take action when the employment situation is or looks likely to be affected by Community policies and measures, or when it calls for specific joint action by the Member States and the Community to improve the balance of supply and demand on the labour market. The purpose is to evolve joint approaches to attack employment imbalances affecting the entire Community. The function of the Fund is to guide and even coordinate national employment policies and it may even stimulate new national measures.

This section of the Social Fund, then, covers measures for the benefit of workers in certain branches—farm workers who wish to leave agriculture or to learn another trade while remaining on the land (the Fund operates here in liaison with policy on agricultural structures) or textile workers (the link here is with restructuring and conversion in the textile industry)—or for the benefit of categories of workers facing specific difficulties or problems on the employment market, at present young people, women and migrant workers. The measures may apply for a stated period, perhaps two or three years, or for an indefinite period. Each measure is introduced in response to changes in the employment situation, and is aimed at a specific problem; the arrangements are tailored accordingly. Pride of place is given to young people.

The measures to combat structural unemployment and underemployment, on the other hand, are explicitly for the longer term. They are deployed in areas covered by permanent policies of the Member States: the attack on the serious and prolonged imbalance of employment in underdeveloped regions and those whose mainstay industry is in decline; upgrading labour skills to keep pace with technical advances; the restructuring or conversion of groups of undertakings; and the integration or reintegration of disabled people in paid employment. Of these four areas of operation, the problem of the regions is the prime target.

The principal role of this section of the Social Fund is to support national employment policies, but it can do more: sometimes the Fund makes it possible to carry out operations which would not otherwise get off the ground at all, either owing to lack of resources (in some countries or regions) or because certain initiatives in favour of certain types of operation would not come to fruition.

Social Fund aid consists of a contribution, generally of 50%, towards expenditure incurred by Member States in providing vocational training for workers. Now, the promoter or person responsible for the operation may be a body governed by private law (e.g. an association or an undertaking), and in this case the Fund's contribution matches that of the Member State.

The aids cover a very wide variety of expenditure that can include the cost of preparing, operating and administering training courses, including instructor training; the cost of attending training courses, including allowances for trainees; assistance towards the removal expenses of workers and their families; aid to help workers and their families to settle into a new environment and a new job; aid to adapt work areas for disabled people and for the training or retraining of the disabled.

In addition to the aids provided for in Articles 4 and 5 of the 1971 Decision, the Fund may also use its resources to finance preparatory studies and pilot schemes. The aim of the studies and pilot schemes must be to arrive at an informed choice of new areas of Fund intervention and to enable Member States and those responsible for operations to select the most effective types of aid and to arrange for its optimum use. Pilot schemes have given rise, for instance, to integrated operations at a subregional level for stimulating indigenous development potential.

Compared with the inadequacies of the original Social Fund, all these provisions of the 1971 reform opened up the Fund in ways that subsequently proved their worth. First, there was now wider scope for using the Fund in new areas of intervention in response to Community policies (see Article 4 of the Decision). Secondly, the Fund now had a much larger regional policy dimension, in its measures to combat structural employment imbalances in underdeveloped regions. And it is striking how relevant the 1971 reform is to the specific problems of the employment market today, with its explicit references to youth and female unemployment and the need to adapt labour skills to technical progress.

Nevertheless, despite the reforms of 1971, the scope for coordinating national policies was still too limited. The Social Fund was again recast in 1977, in response to the serious deterioration in the employment situation, especially for young people and women, and in recognition of the fact that Fund assistance was too thinly spread.

The 1977 reform allows Social Fund aid to be concentrated in regions and countries where employment problems are the most pressing and the economic resources to contend with them are the most limited; new types of aid were brought in that allow the Social Fund to contribute to job creation measures; and guidelines for administering the Fund were introduced that spell out the priorities in each area of intervention.

There is a range of provisions for focusing financial aid on the regions where employment problems are the most serious. Of the Fund's resources, 50% is now set aside for projects financed under Article 5 to alleviate employment problems in less favoured Community regions. Generally speaking, those regions already receive Regional Fund aid. The rate of contribution is increased by 10% in the priority regions — Greenland, the French overseas departments, Ireland, Northern Ireland, the Mezzogiorno and Greece.

The new types of aid from the Social Fund are assistance for the recruitment of young people under 25 years of age and for the creation of additional jobs which fulfil a public need.

The Commission now draws up guidelines for the administration of the Fund for the following three years. These guidelines are revised every year in the light of the economic and social situation in the Community, and are used to assign an order of priority to the grant applications. If the appropriations available do not cover all the applications received, weighted reductions can be made on the basis of selection criteria and per capita

GDP. This method takes account of the unemployment situation and of the economic resources available to Member States for correcting it.

It should be noted also that in recent years the Fund's endowment has been considerably increased. In 1973 approximately 170 million ECU were committed ; the 1980 figure will be more than 1 000 million ECU. What is more, as demonstrated in Chapter I, the Social Fund is not the only Community instrument that can be used for employment policy measures.

But the provisions still leave the main responsibility for employment policy in the hands of the Member States. As the employment situation grows steadily worse, so Community solidarity must be stronger than ever.

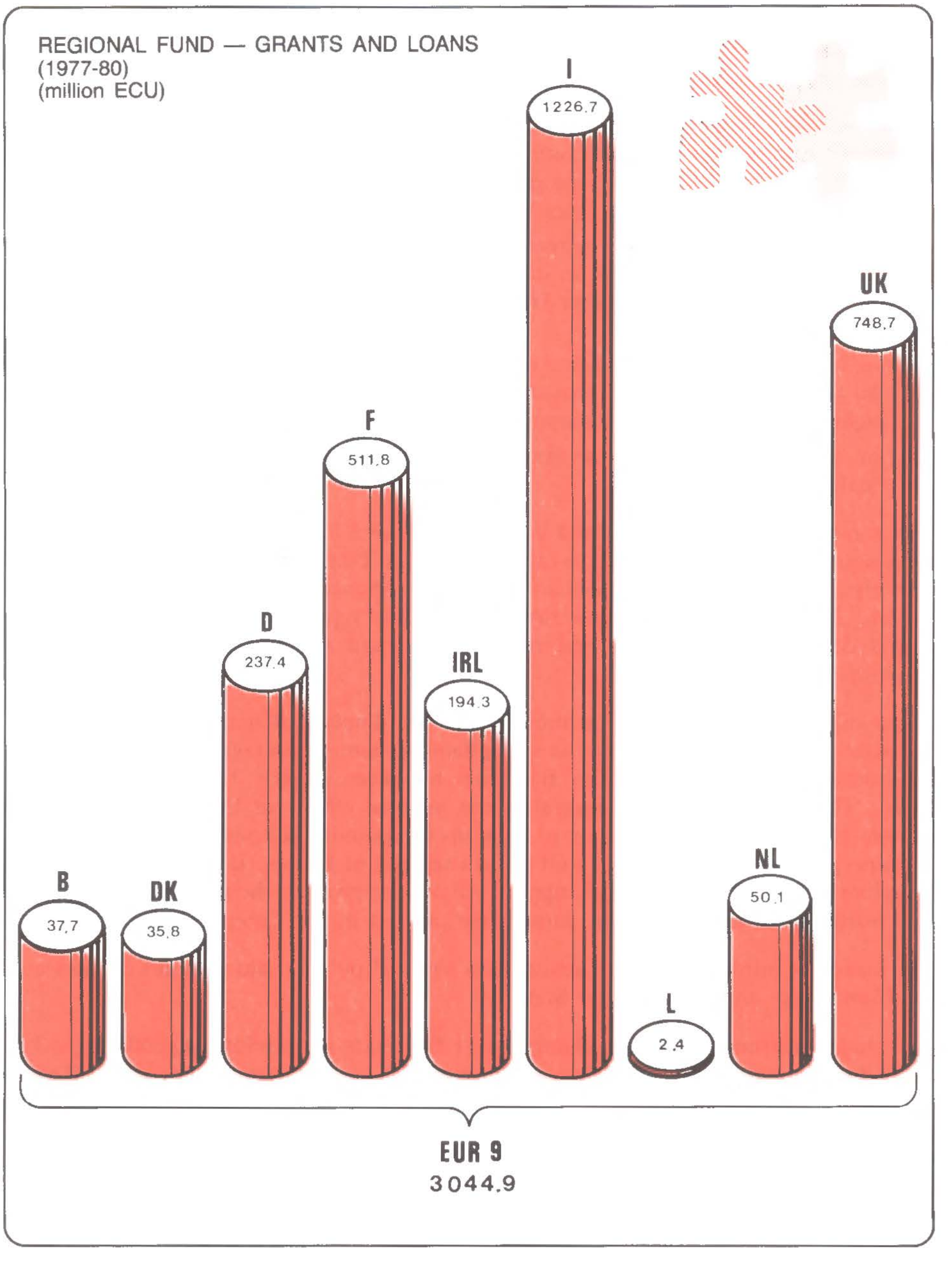
The Commission's views, as expressed in the May Mandate Report, on a change of course for the Social Fund are founded on this need: the Fund, operating in conjunction with the other Community financial instruments, must henceforth give priority to job creation. A special effort will have to be made in those regions with more than their share of declining traditional industry. The Social Fund must be endowed with the necessary resources to ensure that adequate training is available when it is needed to provide workers with the skills for the jobs that will be created by developing new growth areas and harnessing local economic potential.

C. *The European Regional Development Fund* (ERDF)

Dating from 1975, the Regional Fund is of more recent foundation than the two instruments we have just described, but it has already grown apace. The Fund was set up to help reduce regional disparities in the Community by subsidizing investments in infrastructures and production (goods and services). Projects must be located in the areas and regions eligible for regional aid under the Member States' national schemes; the investments must be wholly or partly financed by the State; each Member State can apply for grants up to a given percentage (its quota) of the Fund's resources; and the amount obtained can either be passed direct to the investor as a supplement to national aid or, at the Member State's discretion, be applied to other investments. All these limitations and close links between Fund aid and national regional policies might suggest that the Fund's role is simply to support these policies.

Although this would not be entirely wrong, it is not the whole story. One of the most important rules in the Regulation governing the Fund is that Community aid can be granted only for projects covered by a regional development programme. This has spurred the Member States to draw up programmes according to the pattern prescribed by the Regional Policy Committee. [1] Like the Community's policy on agricultural structures, the Fund thus seeks to do more than merely support national policies: it influences these policies directly by bringing them within a coherent framework. Gradually, as the regional development programmes are refined and particularized through the compulsory annual updating, the foundations will be laid for coordinating regional policies within the Community. Coordination is still in the very early stages, for it has taken several years to

[1] A committee of senior civil servants responsible for regional policies in the Member States and at the Commission. It advises the Commission and the Council as a coordinating body.


REGIONAL FUND — GRANTS AND LOANS
(1977-80)
(million ECU)
B
37,7
DK
35,8
D
237,4
F
511,8
IRL
194,3
I
1226,7
L
2,4
NL
50,1
UK
748,7
EUR 9
3044,9

draft the first set of programmes; the concern at present is to make them easier to compare and to incorporate the consideration of the regional effects of other structural policies, both national and Community.

The rules of the Fund were substantially amended in 1979 in the light of experience, and the Fund's endowment was substantially increased: financial commitments amounted to over 1 100 million ECU in 1980 compared with 250 million ECU in 1975. Three of the most important changes to the rules were:

(i) the rates of aid [1] were increased, in certain circumstances, for infrastructure investment projects : this is an important change, because these are the investments for which some of the Member States allow the Community grant to be passed direct to the investor;

(ii) the Commission was empowered to determine regional policy priorities on the basis of the regional development programmes : this is the first step towards coordinating regional policies in the Community;

(iii) the non-quota section of the Regional Fund, distinct from the quota section, was established.

The non-quota section of the Fund is not apportioned in advance and is not contingent upon national policy. It is used to carry out specific Community measures in conjunction with the Community's other policies, either to enhance the latter's impact in certain regions, or so as to forestall their side-effects. The type of aid, the arrangements, the period covered and the areas and regions concerned are defined separately for each measure.

These specific measures also contribute to the coordination of national regional policies, but with a more marked emphasis on strengthening them, encouraging new departures and influencing their direction. The first five measures of this type were adopted in 1980. They are intended to neutralize the adverse effects of the enlargement of the Community on certain regions, or to back up Community policies on steel, shipbuilding and energy. The south of Italy and certain regions of France, Belgium and the United Kingdom are to benefit. Special support will also be given to the border areas of Ireland and Northern Ireland, which are among the poorest in the Community.

The measures introduce a new element into national policies: aid schemes cofinanced by the Community and the Member State.

A financial instrument with its changes over the years is therefore engendering a fully-fledged Community regional policy. But it would be incorrect to regard the Regional Fund as the only financial instrument serving this policy. As well as the instruments with a very strong regional impact described in the previous chapters, there are also the Community loans granted by the EIB and the integrated operations — experiments in coordinating action under more than one instrument.

Integrated operations consist of a coherent set of measures and public and private investment projects in a limited geographical area, carried out by collaboration between

[1] The usual rate of aid for infrastructure projects varies from 10% to 30% of the cost of the investment, although in certain circumstances a rate of up to 40% may be applied.

the national and local authorities in the Member States and the Community, using its financial instruments. The idea is to make Community intervention more decisive and more efficient by coordinating the deployment of expanded financial resources in the interests of one locality. This concentration of financial resources should make possible some projects that would not otherwise have been carried out, and expedite others that would have taken much longer to get started. It is hoped that the economic value of applying funds from several sources in combination will be greater than the sum of the results of applying them separately. The first two integrated operations are now under way in Naples and Belfast.

The guidelines in the Commission's Report on the Mandate of 30 May 1980 include a general overhaul of the Regional Fund, to make it even more efficient and effective. It is expected that the present quota section of the Fund will be adapted to concentrate its resources on even narrower targets. A much larger share of resources would be devoted to the non-quota section, and channelled increasingly to the Community regions hardest hit by urgent and serious problems of industrial decline.

D. *Financial aid measures by the European Coal and Steel Community* (ECSC)

The ECSC was set up in 1951 by the Treaty of Paris. The driving purpose at the time was to preserve peace in post-war Europe, but in fact the event marked the founding of a common market in coal and steel, and the new Community was accordingly given substantial powers of market control, in particular as regards rationalization and redeployment in the coal and steel industries. Article 2 of the Treaty of Paris states that the ECSC 'shall progressively bring about conditions which will of themselves ensure the most rational distribution of production at the highest possible level of productivity, while safeguarding continuity of employment and taking care not to provoke fundamental and persistent disturbances in the economies of Member States'.

The financial instruments of the ECSC make up a coherent system of loans and grants to facilitate and support development, modernization and the harmonious and continuous adaptation of the production apparatus in a sector where investment is costly and where decisions by producers in a market economy have considerable social and job consequences for workers. The system of loans and grants is as follows:

(i) Loans are granted under Article 54 of the ECSC Treaty towards investment programmes in the coal and steel sector and also in sectors upstream (the supply of raw materials) and downstream (marketing of products). These supplementary financing facilities are usually granted out of funds borrowed, which are then onlent at the same rate; [1] their role was very important during the period of expansion of the coal and steel sector.

(ii) Social aid under Article 56 (2) (b) of the ECSC Treaty consists of non-repayable aid to workers (granted on the condition that the Member States contribute at least as much as the Community) in the form of tideover allowances and the financing of retraining for workers seeking alternative employment; wage supplements for workers earning

[1] The Commission also, under certain conditions, grants aid in the form of interest-rate subsidies on loans under Article 54 of the ECSC Treaty for certain investments (environmental and health protection, research centres and vocational training centres). The totals have not been large.

less after a change of job; and allowances to enable firms to continue paying workers temporarily laid off as a result of a change in the firm's activity.

These Community aids for workers are an incentive to Member States to introduce similar aids; the aids are combined and are additional to national social security schemes.

(iii) Loans at subsidized rates of interest are granted for investment in conversion projects that will create new jobs for ECSC workers made redundant because of restructuring in coal or steel firms (Article 56 (2) (a) ECSC). The new jobs may be either in ECSC firms or in another sector.

These subsidized conversion loans encourage job-creating investments in other sectors, and help to ensure that former coal and steel workers are given priority when the new jobs are filled.

(iv) Loans at a symbolic interest rate of 1% are granted for public-sector housing for coal and steel workers. These loans are intended to be combined with other sources of financing to reduce interest costs and thus the cost of providing housing, and so to encourage a skilled labour-force to settle.

All these loans and grants—which are additional to national schemes—worked very satisfactorily for more than 20 years while the coal and steel sector had a healthy momentum and the rate of economic growth made it fairly easy to create new or alternative jobs.

But things are now very different. In a world of far-reaching economic change, the need now is to restore the coal and steel industries to competitiveness and profitability, not only so that the Community can be sure of having a modern production too that endures, but also so that as many jobs as possible can be maintained.

Community policy has swung to meet the new situation, and the changes affect the ECSC financial instruments in three main ways: conversion measures have been stepped up; social aid has been expanded and diversified; and specific measures have been taken to restructure the steel industry.

(i) Conversion measures have been stepped up as follows:
- conversion investments are now given priority over restructuring investments when budget resources for interest subsidies on ECSC loans are allocated;
- the criteria for granting subsidized loans for conversion investments have been revised, with more generous financing and more flexible arrangements to enable smaller firms to obtain subsidized loans under the global loans granted through local financial agencies.

(ii) The social aid provided for in Article 56 of the ECSC Treaty has been expanded in the past few years: expenditure on this form of aid is now several times as large as that on interest-rate subsidies on ECSC industrial investments. And it has been diversified: for example, the Commission now contributes, under the arrangements for the tideover allowances, to financing early retirement for older workers, and pays compensation for workers on short time as a means of spreading restructuring operations over a longer period.

(iii) The specific measures to restructure the steel industry are not primarily a matter of Community financial assistance. They are a complex set of measures covering: internal Community aspects (minimum prices and guidance prices, production schedules based on quarterly forward programmes); external trade policy aspects (agreements for the voluntary limitation of sales in the Community by non-member countries and price levels); general medium-term objectives to balance steel supply and demand; and controls over State aids so that steel firms use them for restructuring operations that do not erase the effects of all the other measures.

Restructuring is planned and carried out by the firms, sometimes in conjunction with the authorities. The Commission's role is to see that these plans are consistent with the general objectives, and to ensure overall coherence.

With this approach to restructuring, Article 54 ECSC loans could no longer be used simply as financing facilities for steel firms. First, the loans must not be used for investments that could compromise restructuring — in other words, loans are no longer granted for projects that would increase the Community's total steel production capacity. Secondly, the investments that contribute most to restructuring must be encouraged. That is why the Commission has decided to grant interest-rate subsidies on certain Article 54 loans, selected on the basis of its own published criteria. The interest-rate subsidies, in combination with the opinions the Commission delivers on all important investments in the steel industry, are therefore now used to guide and even encourage restructuring.

This new function of a financial instrument as exercised in the steel industry has a meaning only in the context of the three inseparable components of Community action—conversion, social aid and restructuring; it must be dovetailed with the entire range of national and Community measures; and the possibility of applying the resources of other Community financial instruments in the same regions must be explored.

E. *Specific measures for the energy sector*

The Community countries are trying to meet the energy crisis with a coordinated policy to conserve energy and diversify sources of supply.

In 1980, the Community set itself precise energy targets for 1990: to reduce the share of oil in its total consumption of energy from 52% in 1980 to 40% in 1990; to increase the share of coal and nuclear energy in electricity generation from 60% to 75%; to increase the rate of economic growth without a corresponding rise in the rate of expansion of energy consumption; to increase the share of renewable energy sources in the Community's total consumption; and to gear pricing policies to these aims.

Laws and regulations are not the only means to these ends: major financial support to research and investment has also been launched. The Community has assessed the overall investment expenditure required in the energy sector during the 1980s at about 500 000 million ECU, or some 10% of total investment, representing 2.2% of GDP by 1990 (compared with only 1.6% of GDP from 1975 to 1980); and the Community is contributing to this financial effort in a number of ways.

The Community is devoting a large share of the resources available under its financial instruments to investment in the energy sector: investment grants and loans under the ECSC (e.g. over 320 million ECU lent in 1980 to the coal sector); a large proportion of loans from the European Investment Bank (40% of loans within the Community in 1980) and the New Community Instrument (55% of loans in 1980); some important projects assisted by the Regional Fund (9% of the aid granted in 1980); and the Euratom loans.

The Community is involved in joint research programmes on coal and nuclear energy as well as on new energy sources. At the stage between scientific research and the application of tried and tested techniques, the Community contributes to specific technological development projects and demonstration projects.

As well as using the broad-spectrum financial instruments, the Community provides a number of specific aids to the energy sector.

(i) Euratom loans (180 million ECU in 1980) are granted to amplify the use of nuclear energy and thus reduce the Community's excessive dependence on imported supply. To qualify for a loan, investment must be for projects for industrial-scale nuclear-based generation of electricity or fuel cycle installations. The Commission takes the grant decision for each loan, whose terms depend on the terms the Community can obtain on the capital markets, where it raises the required resources.

(ii) Community aids to technological development and demonstration and application projects (125 million ECU granted in 1980) are governed by Regulations dating from 1973 for hydrocarbons, 1976 for uranium prospection, and 1978 and 1979 for coal gasification and liquefaction, geothermal and solar energy and energy conservation. Most of these projects are intended to demonstrate in a practical way the reliability of new techniques and technologies that have got beyond the research stage and whose viability has been proved by earlier studies, but whose application is hampered by the technical and financial risks inherent in innovation.

Because they are examined and administered in a Community-wide context, these projects can be selected over a wide range (calls for submissions to tender are published in the *Official Journal of the European Communities),* duplication of effort can be avoided and the pooling of efforts and resources encouraged, adequate financial support can be granted on common principles to projects that attack problems arising in all the Member States, and the opportunities for disseminating and marketing new technologies over the entire European market are increased.

In its Report on the Mandate of 30 May 1980, the Commission announced that it would propose for adoption specific energy policy targets, both to achieve necessary energy savings and to increase capacity for energy production, install the necessary infrastructures, diversify sources of supply and encourage the use of new forms of energy. The Commission helps in the financing of the measures needed by coordinating national resources and making greater use of Community instruments. Small business will also be involved in this effort.

F. *The European Investment Bank* (EIB)

The EIB is an independent non-profit-making Community institution; its task as defined in Article 130 of the EEC Treaty is to contribute to the balanced development of the Community.

The Bank raises most of its resources on capital markets within and outside the Community, and on the international markets, and uses them to finance investment by granting long-term loans or guaranteeing loans granted by undertakings, public authorities and financial institutions, as follows:

(i) In first place, loans to finance investments that contribute to the economic development of the less-developed regions; in 1980, approximately two thirds of Bank lending was for investments contributing directly to regional development. This amount was divided among projects in Italy (almost half), the United Kingdom (25%), Ireland (almost 20%), France (just over 7%), Denmark and Belgium. Nearly two thirds of the total was for projects in priority regions—Ireland, the Mezzogiorno, Northern Ireland and Greenland. Over four fifths of the loans were for projects in regions where the rate of unemployment exceeds the Community average by more than a quarter.

(ii) Projects of common interest to several Member States or to the Community as a whole, known as investment projects of common European interest: such projects may contribute to European economic integration (e.g. communications infrastructure projects involving close technical and economic cooperation between firms in different Member States), or they may serve Community aims such as environmental protection, the application of advanced technologies and especially a secure and diversified energy supply.

(iii) Investment projects for modernizing or converting undertakings or for developing fresh activities as a response to structural problems.

Thus the EIB is active in all sectors of the economy. It finances public infrastructures and investments in such branches as energy and communications, and is involved in the industrial, agricultural and services sectors. In 1980, for example, EIB financing in the Community was allocated as follows: 39% of loans for energy projects, 19% of loans for communications projects, 19% for infrastructure projects, 16% for industrial projects and 7% for other projects, including global loans.

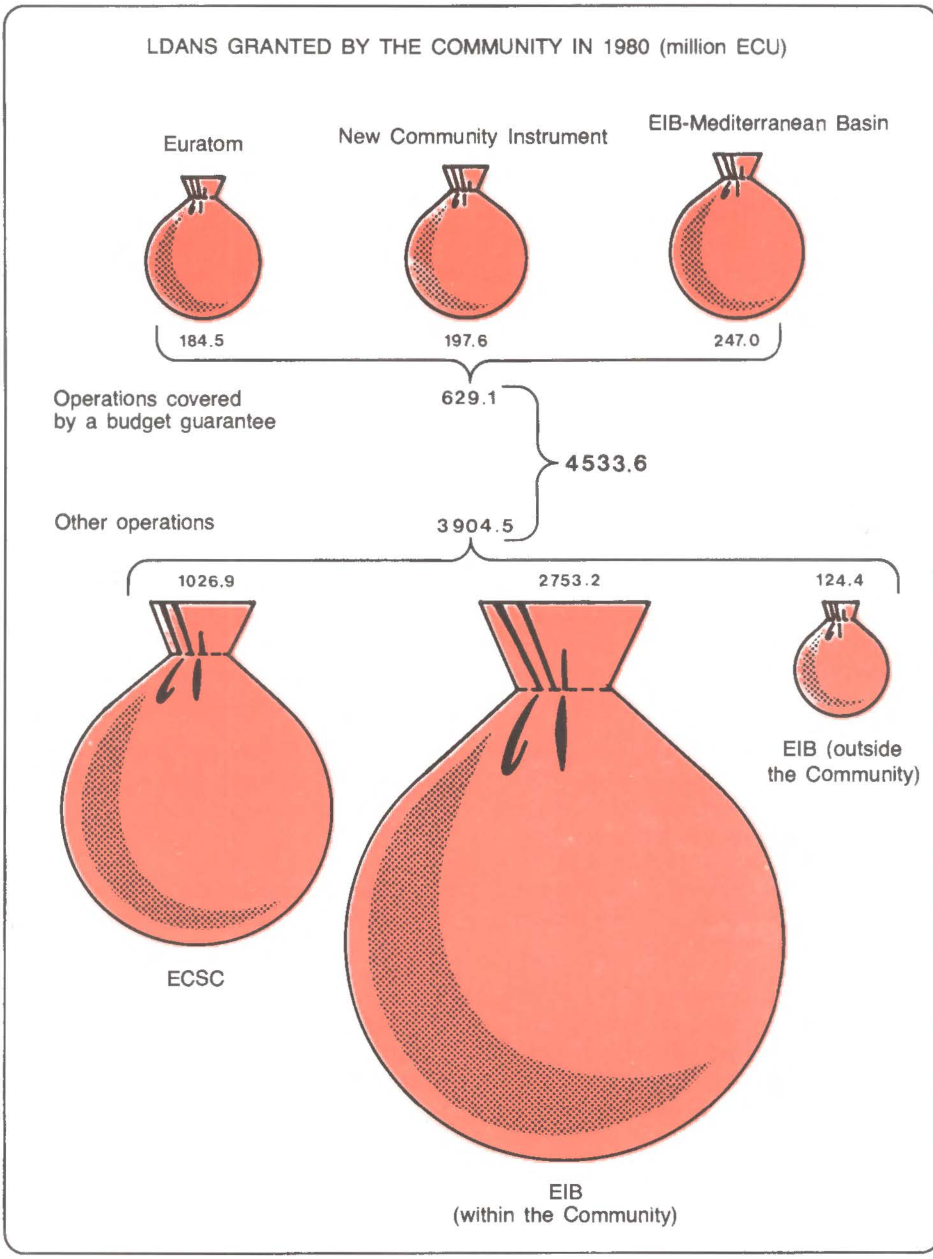
While the Bank's activity covers a wide range of sectors, loans are granted only for investment projects that contribute directly or indirectly to increasing economic productivity in general. This means that the economic grounds for projects and their effects on employment are examined closely.

EIB loans are not in any way conditional on the nationality or legal status of the borrower, although projects eligible for EIB financing must normally be carried out in the European territories of Member States.

The Bank Statute does, however, provide that loans may be granted for projects outside the European territories, with the special permission of the Board of Governors. Permission is given on an *ad hoc* basis for individual loans for investment projects outside the European territories of the Member States that are of particular interest to the Community, e.g. for its energy supply.

Permission is given on a comprehensive basis for a stated amount of lending in respect of a given country or group of countries, under association or cooperation agreements between the Community and certain non-member countries such as the ACP countries and the Mediterranean countries.

Another of the Bank's tasks is to investigate and manage Euratom loans on the Commission's behalf; and since 1979 the Bank has managed loans from the resources of the New Community Instrument (NCI) as the Community's agent.


LDANS GRANTED BY THE COMMUNITY IN 1980 (million ECU)
Euratom
New Community Instrument
EIB-Mediterranean Basin
184.5
197.6
247.0
Operations covered
by a budget guarantee
629.1
4533.6
Other operations
3904.5
1026.9
2753.2
124.4
EIB (outside
the Community)
ECSC
EIB
(within the Community)

G. *The New Community Instrument for borrowing and lending* (NCI)

The New Community Instrument for borrowing and lending (NCI) was set up in October 1978 by Council Decision 78/870/EEC, for the broad purpose of providing loans to finance investment projects

(i) that contribute to greater convergence and integration of the economic policies of the Member States, and
(ii) that serve priority Community objectives in the energy, industry and infrastructure sectors.

The NCI is thus an instrument of a broad scope for reviving investment; used for regional development, energy development, energy conservation and industrial conversion and redeployment, it has a wider spectrum of activity than most of the Community's other financial instruments.

With the introduction of the NCI, the Community increased its opportunities for borrowing, by widening its scope for raising resources on advantageous financial terms; the NCI provides broader and more diversified guarantees for Community loans.

The Commission obtains the resources required by borrowing on the capital markets in the name of the European Economic Community; the funds raised are guaranteed by the Community budget.

The NCI began operations on an experimental basis. In the first stages, a ceiling of 1 000 million ECU, to be activated by instalments, known as 'tranches', was imposed on borrowings.

Under the Council Decisions empowering the Commission to contract the first two tranches of 500 million ECU each, investments financed from NCI resources must fall within one of two broad categories:

(i) infrastructure and energy investment which reduces regional imbalances and improves the employment situation, i.e. essentially regional operations;
(ii) energy investment which contributes to greater self-sufficiency, security and diversification of Community energy supplies by ensuring the development, exploitation, transport and storage of energy resources or by conserving energy or developing alternative energy sources, i.e. investment of advantage to the entire Community.

As an exceptional measure, 100 million ECU from the second tranche may be used to finance, besides investments of the two types described above, advance factories and housing also, provided that they form part of a larger project for the economic and industrial development of a Community region.

With the go-ahead for the two tranches, the original endowment of 1 000 million ECU was used up. In the light of experience, the Commission has proposed that further use should be made of the NCI.

Loans under the NCI are granted by the EIB on the Community's behalf (i.e. in the name, for the account and at the risk of the Community). The Bank receives the loan applications; the Commission decides whether the projects proposed are eligible; the Bank examines the applications, takes the grant decisions and manages the loans in accordance with the procedures of its statute and its usual criteria. The Commission negotiates borrowings, and transfers the funds raised to the Bank.

H. *Interest-rate subsidies on Community loans under the European Monetary System*

The European Monetary System (EMS) was set up early in 1979 to establish monetary stability in Europe through closer monetary policy cooperation.

The less prosperous countries effectively and fully participating in the EMS (at present, Ireland and Italy) are eligible for aid under the supporting measures brought in when the system was set up. The aid consists of a subsidy of three percentage points on the interest payable on certain loans granted by the EIB and the NCI; the subsidized loans must be used to finance infrastructures. The purpose of EMS interest subsidies is to help the less prosperous EMS countries to reduce their main structural imbalances.

The growth of the Community's financial instruments for structural purposes (1973-80)

1. Table 1 shows how the financial commitments of the Community instruments with a structural purpose have grown between 1973 and 1980.

   Sectoral aids (EAGGF Guidance Section, ECSC, Euratom) expanded at the end of the period, after remaining at much the same level from 1973 to 1978. Aid from the EAGGF Guarantee Section increased over those five years by less than 50% — a decline in real terms, as consumer prices rose by over 80% during the same period. With the large increases of 1979 and 1980, EAGGF aid in real terms was about 65% higher in 1980 than in 1973. ECSC grants from its budget contracted in real terms between 1973 and 1977, and then expanded considerably until 1980. After increasing rapidly in 1974 and 1975, ECSC loans contracted steadily, even in nominal value, until 1979, but jumped by 50% in 1980. Euratom loans were introduced in 1977, and have totalled about 490 million ECU to date.

   Horizontal measures, in particular regional and social measures, have expanded very rapidly. The Regional Fund has grown the fastest, with a more than fourfold increase since it was introduced in 1975. Over the same period (1975-80), the Social Fund expanded by 207%; the total increase since 1973 amounts to 504%. EIB operations expanded steadily throughout the period 1973-80, with a total increase of 315%.

2. Table 2 shows all Community grants and loans for structural purposes in absolute figures, as a percentage of GDP, as a percentage of the Community budget (for grants) and as a percentage of the net public sector borrowing requirement in the Community of Nine (for loans).

   Grants for structural purposes totalled 404.3 million ECU in 1973 and 3 094.4 million ECU in 1980 — a striking increase of 665%. The growth rate was particularly high in two years of the period: 60% from 1974 to 1975 (mainly owing to the inception of the Regional Fund), and 72% from 1978 to 1979 (increased endowments for the Regional and Social Funds and the introduction of EMS interest-rate subsidies).

   Expenditure on these grants came to almost 12 ECU per head of population in the Community of Nine in 1980, compared with 1.6 ECU in 1973. They absorbed 9% of the Community budget in 1973, and 17% in 1980, having represented a fairly stable share of just under 15% from 1974 to 1978. The grants represented only 0.047% of Community GDP in 1973; their share had doubled to 0.094% by 1978, and it reached 0.154% in 1980.

TABLE 1

Community grants and loans for structural purposes [1] by instrument, 1973-80

(million ECU)

	EAGGF Guidance Section	Social Fund	Regional Fund	EMS interest-rate subsidies	Total	ECSC budget	Total grants	EIB	ECSC	Euratom	NCI	Total loans
1973	183.6	167.7	—	—	351.8	52.5	404.3	652.5	292.2	—	—	944.7
1974	254.8	234.7	—	—	489.5	52.0	541.5	846.4	410.2	—	—	1 256.6
1975	247.2	330.4	249.9	—	827.5	40.9	868.4	971.6	1 098.1	—	—	2 015.7
1976	310.4	364.4	387.9	—	1 062.7	36.9	1 099.6	1 086.0	1 081.0	—	—	2 167.0
1977	312.7	499.0	385.8	—	1 197.5	50.8	1 248.3	1 352.6	989.6	96.9	—	2 439.1
1978	269.2	568.3	561.4	—	1 398.9	96.9	1 495.8	1 966.5	797.7	70.3	—	2 834.5
1979	507.3	774.5	970.4	200.0	2 452.2	120.2	2 572.4	2 141.8	675.8	152.5	277.0	3 347.1
1980	627.7	1 014.2	1 126.4	197.0	2 962.3	132.1	3 094.4	2 702.3	1 020.3	171.5	197.6	4 091.7

[1] Not including supplementary measures in favour of the United Kingdom (193.5 million ECU in 1980) or R&D expenditure (ECSC research, specific measures in the energy sector).

TABLE 2

Total Community grants and loans for structural purposes [1] in absolute figures, as a percentage of the Community budget or of the net public sector borrowing requirement (PSBR) of the Community of Nine and as a percentage of Community GDP, 1973-80

	Grants				Loans			
	Million ECU	ECU per capita	As % of Community budget	As % of GDP (EUR 9)	Million ECU	ECU per capita	As % of net PSBR (EUR 9)	As % of GDP (EUR 9)
1973	404.3	1.6	9	0.047	944.7	3.7	16	0.110
1974	541.5	2.1	11	0.055	1 256.6	4.9	8	0.129
1975	868.4	3.3	14	0.078	2 015.7	7.8	3	0.182
1976	1 099.6	4.2	14	0.087	2 167.0	8.4	5	0.172
1977	1 248.3	4.7	14	0.087	2 439.1	9.0	5	0.174
1978	1 495.8	5.7	12	0.094	2 834.5	10.9	5	0.182
1979	2 572.4	9.7	17	0.146	3 347.1	12.8	5	0.193
1980	3 094.4	11.6	17	0.154	4 091.7	15.7	6	0.208

[1] Not including supplementary measures in favour of the United Kingdom (193.5 million ECU in 1980) or R&D expenditure (ECSC research, specific measures in the energy sector).

Total loans for structural purposes increased from 94.7 million ECU in 1973 to 4 091.7 million ECU in 1978, an aggregate increase of about 330%. These loans represented 3.7 ECU per head of population in 1973, and 15.7 ECU in 1980. As a percentage of GDP, the loans increased from 0.110% in 1973 to 0.182% in 1975, and then held much the same position, reaching 0.2% of GDP in 1980.

As the net public sector borrowing requirement of the Community of Nine increased faster than Community lending between 1973 and 1975, the percentage share of these loans in the borrowing requirement fell from 16% in 1973 to 3% in 1975; since 1976, it has been stable at about 5%.

As the figures show, most of the Community's financial instruments have developed rapidly in recent years. The amounts involved are still small in relation to national aggregates, so that there is a permanent need to make them ever more effective.

As the Commission urges in its Report on the Mandate of 30 May 1980, this could be achieved by focusing the effort on the most serious problems, by dovetailing the aims and operations of the various Community instruments, and by coordinating Community and national measures, so that Community action genuinely augments the national effort.

Part 2: Financial aid operations from the viewpoint of the recipients

This part of the booklet is essentially a summary of the third part, in which the working of the financial instruments is described in greater detail under the headings 'Eligibility and selection criteria', 'Financial provisions' and 'Procedural questions'. Since it is rather difficult for a potential beneficiary to go through all the different schemes, it is attempted in this part to indicate to him which instruments could be of interest to him, that is to say, that this second part is intended as a quick reference guide for questions which are most important from the point of view of potential beneficiaries of Community assistance. These questions are:

(i) whether they are likely to qualify for assistance,

(ii) how they have to submit an application for assistance,

(iii) when they will be paid (if assistance has been agreed upon).

Chapter I in this part deals with the question of types of economic activities qualifying for financial assistance. Chapter II answers questions about the procedures of application and the timing for the submission of applications. Chapter III of this part is concerned with the timing and with the recipients of payments.

Chapter I — Categories of economic activity eligible for Community aid

The economic activities covered by the Community's financial instruments are quite diversified but on the other hand assistance is concentrated in the following two main categories:

(1) assistance for investment covering productive investment, infrastructural investment and energy,[1]

(2) assistance facilitating occupational and geographical mobility, and employment subsidies.

Besides these main categories of assistance, there are a number of other schemes of which the new specific regional development aids (other than for investment) are of particular importance.

[1] For energy, the distinction between productive and infrastructural schemes is particularly difficult and definitions vary according to Member States. For this reason energy is taken as a separate category.

Assistance for investment

Schemes covering assistance for investment are shown in Table 1. In the table the first column indicates the coverage of the different schemes, i.e. the sector of activity for productive investment, the type of infrastructural investment and the type of energy measure. The second column shows which instrument relates to a particular activity, e.g. the Regional Fund, the EIB and the ECSC relate to all sectors except agriculture, forestry and fishing. The figures in brackets following the instruments in question indicate the reference table in Part 3 in which the instrument is described in greater detail, e.g. EIB (VI.1) shows that the scheme is listed as the first in Table VI. Finally, the last column shows the geographical scope of the measure in question and mentions additional sectoral restrictions if they are of importance.

For productive investment, there are a number of schemes which are specific to particular economic activities: agriculture, agricultural products, fishing, forestry, rural tourism, and coal and steel industries. Only the EIB, the Regional Fund and the reconversion aids of the ECSC have a broad sectoral scope including all sectors in the case of the EIB and all sectors except agriculture, forestry and fishing for the other instruments.

TABLE 1

Community financial assistance schemes covering productive investment, infrastructural investment and energy[1]

A. *Schemes covering productive investment (excluding energy)*

Coverage of scheme	Scheme[2]	Geographical scope and additional sectoral restrictions (if applicable)
1. All sectors[3]	EIB (VI.1)	Less developed regions; also other regions for modernizing and converting undertakings
2. All sectors except agriculture, forestry, fishing	Regional Fund (III.1)	ERDF regions
	Regional Fund (III.5)	Aquitaine, Languedoc-Roussillon et Midi-Pyrénées in France and Mezzogiorno in Italy; small and medium-sized enterprises, handicraft and rural tourism only
	EIB (VI.2)	In response to structural difficulties in certain sectors
	ECSC (IV.3+6)	Areas affected by the decline in coal and steel industry employment
3. Agriculture	EAGGF Guidance (a number of indirect measures)[4]	cf. Table I in Part 3
4. Agricultural and fishery products (processing and marketing)	EAGGF Guidance (I.1)	All regions; investment at retail level are excluded
5. Fishing	EAGGF Guidance (I.4)	All fishing areas; inshore fishing and aquaculture only (interim measure)
6. Forestry	EAGGF Guidance (I.5)	Italian and French Mediterranean regions

Coverage of scheme	Scheme[2]	Geographical scope and additional sectoral restrictions (if applicable)
7. Handicraft and rural tourism	Regional Fund (III.9)	Border areas of Ireland and Northern Ireland[6]
8. Coal and steel industry	ECSC (IV.1+6)	All regions

B. *Schemes concerning infrastructural investment (excluding energy)*

Coverage of scheme[5]	Scheme[2]	Geographical scope and eligibility restrictions (if applicable)
9. All eligible infrastructure, in particular transport, telecommunications, water treatment and supply, housing schemes, environmental protection and the specific categories 10 to 16 below	Regional Fund (III.2)	ERDF regions; agricultural improvements excluded
	EIB (VI.1)	Less developed regions; also other regions for modernizing and converting undertakings
	EIB (VI.3)	All regions; common interest
	NCI (VII)	All regions
	EMS interest rebates (VIII)	Ireland and Italy
10. Rural infrastructure, in particular access routes to farms, electricity, drinking water, purification of water	EAGGF Guidance (I.2)	Mezzogiorno and least favoured areas of Directive 75/268, in Italy and the south of France
	Regional Fund (III.3)	Less favoured regions of Directive 75/268, to the extent that they are also ERDF regions
11. Hydraulic schemes linked to agriculture	EAGGF Guidance (I.3, 11, 12, 13, 14)	cf. Table I in Part 3
12. Forestry	EAGGF Guidance (I.5)	Italian and French Mediterranean regions
13. Vocational training centres	Social Fund (II.1-9)	All regions; depreciation cost only
	ECSC (IV.1)	All regions
14. Industrial and/or urban sites	ECSC (IV.3+6)	Areas affected by the decline in coal and steel industry employment
	Regional Fund (III.6)	Specific zones in Belgium, Italy and the United Kingdom[6]
	Regional Fund (III.7)	Specific zones in the United Kingdom[6]
15. Housing	ECSC (IV.2)	All regions with coal and steel enterprises
	Regional Fund (III.6)	Specific zones in Belgium, Italy and the United Kingdom[6]
	Regional Fund (III.7)	Specific zones in the United Kingdom[6]
16. Infrastructure linked to rural tourism	Regional Fund (III.5)	Same as No 2[6]
	Regional Fund (III.9)	Border areas of Ireland and Northern Ireland[6]

C. *Schemes covering energy*

Coverage of scheme	Scheme[2]	Geographical scope and eligibility restrictions (if applicable)
17. General schemes covering also energy	Regional Fund (II.1 or 2) EIB (VI.3) NCI (VII) EMS interest rebates (VIII)	ERDF regions Less developed regions; also other regions if common interest All regions Italy and Ireland
18. Specific regional development measure covering energy	Regional Fund (III.8)	Mountain areas of the Mezzogiorno; hydroelectrical installations, wind-power generators and solar-energy equipment[6]
19. Specific energy schemes	Euratom loans (V.1) Technological development in the hydrocarbons sector (V.2) Prospecting for uranium in Community territory (V.3) Demonstration projects for energy saving (V.4) Development programme for new sources of energy (V.5)	cf. Table V in Part 3

[1] For energy, the distinction between productive and infrastructural schemes is particularly difficult and definitions vary according to Member States. For this reason, energy is taken as a separate category.
[2] The numbers following the scheme indicate the reference table in Part 3 and the number of the scheme in that table, e.g. EIB (VI.1) shows that the scheme is listed as the first in Table VI.
[3] Including agriculture, forestry, fishing, industry, services, tourism and handicraft.
[4] The different indirect measures of the EAGGF Guidance are not dealt with in detail in this booklet, cf. Part 3, Chapter I B.
[5] For no Community scheme exists an exhaustive list of eligible infrastructure categories. The range listed below covers the infrastructural categories for which eligibility is well established. Other types of infrastructure might be considered in particular circumstances and according to criteria specific to each scheme.
[6] As in the first set of specific regional development measures.

NB : Because of their *ad hoc* character, the supplementary measures for the United Kingdom and the special earthquake loans in favour of the south of Italy are not integrated into this table; they are described in some detail in Chapter IX of Part 3 of the brochure.

For infrastructural investment, the situation is similar. Some measures apply to specific types of infrastructure only; these are rural infrastructure, hydraulic schemes linked to agriculture, forestry, vocational training centres, industrial and urban sites, housing, and infrastructure linked to rural tourism. On the other hand, the EIB, the Regional Fund, the NCI and EMS interest rebates cover a broad range of infrastructural investments including the specific categories mentioned above except that agricultural improvements are excluded from Regional Fund aid.

Similarly, there are specific energy schemes for industrial production of electricity in nuclear power stations and industrial fuel cycle installations, in the hydrocarbons sector, for prospecting for uranium in Community territory, for energy saving, and for new sources of energy. Moreover one of the first specific regional development measures is directly linked to energy. It covers hydroelectrical installations, wind-powered generators and solar energy equipments in the mountain areas of the Mezzogiorno. As in the case of infrastructural investments, general schemes exist in the Regional Fund, the EIB, the NCI and the EMS interest rebates covering all energy projects, designed to develop Community resources in the fields of hydroelectricity, geothermal and nuclear energy, oil and natural gas deposits, solid fuels, alternative energy sources, energy saving and import diversification projects, e.g. for gaslines or power stations to run on imported coal.

Aids facilitating occupational and geographical mobility and employment subsidies

These types of aid cover all Social Fund operations and the readaptation aids of the ECSC. The different eligible types of aid are shown in Table 2.

TABLE 2

Aids facilitating occupational and geographical mobility and employment subsidies

A. *Aids facilitating occupational and geographical mobility*

Coverage of scheme	Scheme
1. Vocational training in off-the-job public or private training centres and workshops, and in the undertaking; instructors' training	Social Fund (II.1-9 ECSC (IV.4)
2. Resettlement and integration into new social and working environment	Social Fund (II.1-9) ECSC (IV.4)
3. Job adjustment and functional rehabilitation of handicapped persons	Social Fund (II.1-9)
4. Income maintenance — workers aged over 50 years — ECSC workers	Social Fund (II.1-9) ECSC (IV.4)

B. *Employment subsidies*

Coverage of scheme	Scheme
5. For additional jobs in productive industries	Social Fund (II.4, young people under 25)
6. For additional jobs which fulfil a public need and are created by public authorities other than the State	Social Fund (II.4, young people under 25)
7. For workers with lack of practical experience in development regions	Social Fund (II.1-9)

With regard to aids facilitating occupational and geographical mobility, vocational training is the most important type of aided activity; but the resettlement and integration into a new social and working environment, job adjustment and functional rehabilitation of handicapped persons, and income maintenance for specific groups of workers can also receive Community assistance.

Three specific types of employment subsidies exist; two of them are restricted to young people under 25; these are for additional jobs in productive industries and for additional jobs which fulfil a public need and are created by authorities other than the State. The third type of employment subsidy is restricted to development regions and is only intended for workers with a lack of practical experience at the time of their engagement.

Specific regional development aids (other than for investment)

Specific regional development measures until now have not been of particular importance in terms of volume, but provide for a new method of Community intervention and for original types of aid differing from the traditional investment incentives. The Community cofinances with Member States, for the first time, a specific programme for the development of regions in which the national aid and the Community aid are put together in order to increase the impact of the finances. The Community element often goes beyond what would otherwise be provided by national authorities and sometimes even provides completely new incentives.

Concerning the new types of aid which have been adopted in the first set of specific measures, these aids include, beside investments, the promotion of industry, innovation, the enlargement of potential activities of small and medium-sized enterprises, the promotion of artisan enterprises and the promotion of rural tourism (cf. Table 3). These types of aid correspond to particular regional needs, and their application is in principle restricted to ERDF regions, but where appropriate assistance can be given in other regions or areas, if the Member State intervenes in the same intervention field; however, the Member State does not need to intervene for all actions within such intervention fields.

TABLE 3

New specific regional development aid (other than for investment)[1]

Coverage of scheme	Scheme and geographical scope
1. Promotion of industrial innovation: dissemination of information on innovation and feasibility studies concerning the implementation of product and process innovation in EMS	Regional Fund (III.5, 6, 7, 8); Midi-Pyrénées, Aquitaine, Languedoc-Roussillon in France Mezzogiorno in Italy Provinces of Luxembourg, Liège and Hainaut (with the exception of the *arrondissements* of Ath and Tournai) in Belgium Counties of Strathclyde, Cleveland, Tyne and Wear, Merseyside, Clwyd, South Glamorgan, West Glamorgan, Gwent. The employment office area of Corby and the City Council area of Belfast in the United Kingdom

Coverage of scheme	Scheme and geographical scope
2. Enlargement of potential activities of small and medium-sized enterprises: sectoral market studies; establishment and development of consultant firms for management and organization matters and of joint services in common for several enterprises; information meeting on production methods; risk evaluation studies	Regional Fund (III.5, 6, 7); Same regions as under 1, some of the activities are restricted to particular areas
3. Promotion of artisan enterprises: improvement of information and traditional techniques	Regional Fund (III.5 and 9); French and Italian regions referred to above and border regions of Ireland and Northern Ireland
4. Promotion of rural tourism: publicity compaigns and development of transport services	Regional Fund (III.5 and 9); Same regions as under 3

[1] As in the first set of specific measures.

Chapter II — Procedures and timetable for submission of applications

Procedures for submission

There are four different ways in which investors or responsible bodies can apply for financial assistance:

(1) They can apply directly to the Commission or the EIB.

(2) They can apply to the Commission only through the Member State concerned and with its approval.

(3) Only Member States concerned can submit applications for assistance; these are drawn up by the investors or responsible bodies.

(4) Applications are sent to Member States concerned who take all necessary decisions and are reimbursed by the Community, thus investors or responsible bodies only benefit indirectly from the Community measure.

The first most direct way of submission of an application is possible for ECSC industrial loans (IV.1), EIB loans (VI.1-3),[1] NCI loans (VII),[1] EMS interest rebates (VIII) (applications have to be submitted for the opinion of the Member State concerned), and for specific energy measures (V.1-5).

The submission through Member States and with their approval applies to the direct measures of EAGGF Guidance (I.1-5) and ECSC reconversion loans (IV.3). All applications for the Social Fund (II.1-9) and Regional Fund (quota section, III.1-4) have to be submitted by the Member State concerned.

The indirect measures of the EAGGF Guidance (I.6-30) and the specific measures of the Regional Fund (non-quota section, III.5-9) are administered by Member States who can receive advances on annual expenditures and/or are reimbursed by the Commission on evidence of effected payments.

[1] For EIB and NCI loans, the request may be forwarded to the Bank either directly or through the Commission or a Member State.

For the specific measures of the Regional Fund, the Commission's payment is not necessarily a reimbursement of Member State expenditure but is very often of additional benefit to the investor and sometimes the national authorities do not intervene in a specific type of aid at all.

Timing of submission

For some measures, there is no fixed date before which a submission has to be introduced, but for others there exists a closing date for submission. The closing date may be fixed for each year or variable depending on specific Commission communications.

A fixed closing date is given for the EAGGF Guidance in the case of Regulations Nos 355/77 and 1852/78, and for the Social Fund. For Regulation No 355/77, the closing date is 1 May of the year of the commitment. For Regulation No 1852/78 (which is an interim measure), the closing date for 1980 commitment decisions is 1 October 1980. For the Social Fund, the closing date is 21 October of year n-1 for operations to begin in the first half of year n and 1 April of year n for operations to begin in the second half of year n; the year n is the year of the commitment decisions.

For the direct measures of the EAGGF Guidance (except for the irrigation works in the Mezzogiorno) and the Social Fund, the submission of applications must be prior to, respectively, the start of the projects or the carrying-out of an operation.

The Commission fixes specific closing dates in communications for ECSC interest rebates on industrial loans (IV.1+6), for ECSC research aids (IV.5), and for specific energy measures other than Euratom loans (V.2-5).

Chapter III — Timetable of aids and recipients

For loans and interest rebates normal banking practice is followed and the payments are effected directly to the investor. In the case of global loans, the EIB/Commission give a loan to financial intermediaries which distribute the sums to the final beneficiary, e.g. a small or medium-sized enterprise.

For direct measures of EAGGF Guidance, payments are made through agencies appointed by the Member State concerned. In the case of measures under Regulations Nos 355/77 and 1852/78, assistance is paid in several instalments as the work progresses on submission of documentary evidence to the Commission. For the other direct measures, advances may be granted of up to 80% of the Community contribution to annual expenditures for the measure in question.

For the Social Fund and the Regional Fund, payments are effected through Member States concerned. The distribution of amounts within the Member State follows internal rules which can differ from one Member State to another. The Commission pays the grants to Member States according to uniform rules which differ, however, in the two Funds.

For the Social Fund, an amount equal to 30% of the assistance can be paid as soon as the Member State concerned has certified that the operation has begun. A second advance up to an equal amount may be paid as soon as the Member State has certified that half the operation has been carried out. The balance is paid as soon as the Commission has received a claim for payment accompanied by a report on the completion of the operation. For the Regional Fund, payments are to be effected *pari passu* with expenditure; upon presentation of statements certifying expenditures, intermediate payments may be effected and accelerated payments may be effected not exceeding 75% of the total amount of the aid from the Fund subject to the condition that at least 30% of the payment constituting the basis for aid from the Fund has been made. For final payment requests the investment has to be completed.

For the specific energy measures other than Euratom loans, payments are made in accordance with the contracts agreed upon by the Commission and the applicant.

Part 3 : The financial instruments and how they operate

This part of the brochure provides basic technical information on Community structural financial instruments in their present situation. The information is grouped into nine chapters covering:

I — EAGGF Guidance
II — European Social Fund
III — European Regional Development Fund
IV — ECSC financial activities
V — Specific energy measures
VI — EIB loans
VII — NCI loans
VIII — EMS interest rebates
IX — *Ad hoc* financial measures.

Each chapter contains a summary table showing the different measures covered by the instruments. After outlining the general objective and if applicable the basic distinctions within the instruments, information is provided on eligibility and selection criteria, financial provisions (in particular the rate of Community participation), and procedural questions (in particular for the submission of applications).

Chapter I — EAGGF Guidance Section

(measures are surveyed in Table I)

Aim

The EAGGF Guidance Section represents the structural part of the common agricultural policy and follows its general objectives as laid down in Article 39 of the EEC Treaty. Further to these general objectives, the different measures of the EAGGF Guidance have a specific purpose of their own which, in most cases, is indicated in the title of the measure.

Basic distinctions of measures within EAGGF Guidance

The activities of the EAGGF Guidance are divided into direct measures and indirect measures. For direct measures, the EAGGF Guidance aids directly investment projects of private or public investors. For indirect measures, the Fund reimburses Member States for expenditure which they have incurred for a variety of different activities.

The other important distinction concerns the intervention fields. Since its creation, the activity of the EAGGF Guidance has been concentrated in:

(i) the structural improvement of farms,
(ii) the improvement of rural infrastructure,
(iii) the improvement of marketing and processing of agricultural and fishery products.

However, besides these main intervention fields, a number of measures exist which do not fall or only partly fall under these three headings.

A. *Direct measures*

As shown in Table I, five measures exist aiding directly private or public investors by capital grants in investment projects or programmes. The most important of these in terms of its volume is Regulation No 355/77 as amended by Regulations Nos 1361/78, 1820/80 and 3509/80.

TABLE I

EAGGF Guidance: Direct and indirect measures

Direct measures

Legal basis	Description
1. Reg. No 355/77[1]	Improving processing and marketing conditions of agricultural and fishery products
2. Reg. No 1760/78	Improving public amenities in certain rural areas of France and Italy
3. Reg. No 1362/78	Irrigations works in the Mezzogiorno
4. Reg. No 1852/78[2]	Interim measure for restructuring the inshore fishing industry
5. Reg. No 269/79	Forestry measures in certain Mediterranean zones of the Community

Indirect measures

Legal basis	Description
(a) Socio-structural measures	
6. Dir. 72/159[3]	Modernization of farms
7. Dir. 72/160	Cessation of farming and the reallocation of utilized agricultural area purposes of structural improvement
8. Dir. 72/161[4]	Socio-economic guidance for and the acquisition of occupational skills by persons engaged in agriculture
9. Dir. 75/268[5]	Mountain and hill farming in certain less-favoured areas
(b) Indirect measures in favour of less-favoured regions	
10. Dir. 78/627	Accelerated restructuring and conversion of vineyards in Languedoc-Roussillon and certain other French regions
11. Dir. 78/628	Accelerated drainage in the less-favoured areas of the west of Ireland
12. Dir. 78/173	Acceleration and guidance of collective irrigation in Corsica
13. Dir. 78/174	Flood protection in the Hérault Valley
14. Dir. 78/197	Drainage in catchment areas jointly for Ireland and Northern Ireland
15. Reg. No 270/79	Development of agricultural advisory services in Italy
16. Reg. No 1820/80	Stimulation of agricultural development in the less-favoured areas of the west of Ireland
17. Reg. No 1821/80	Development of sheep farming in Greenland
18. Dec. 80/1097	Eradication of African swine fever in Sardinia
19. Reg. No 1054/81	Common measure for the development of beef cattle production in Ireland and Northern Ireland
20. Reg. No 1055/81	Temporary financial aid to Ireland (veterinary measures)
21. Reg. No 1938/81	Improvement of public amenities in certain less-favoured agricultural areas of the Federal Republic of Germany
22. Reg. No 1939/81	Integrated development programme for the Western Isles of Scotland
23. Reg. No 1940/81	Integrated development programme for the Department of Lozère (France)
24. Reg. No 1941/81	Integrated development programme for the less-favoured areas in Belgium
25. Reg. No 1942/81	Stimulation of agricultural development in Northern Ireland
26. Reg. No 1943/81	Improvement of the processing and marketing conditions in the cattle-food sector in Northern Ireland
27. Reg. No 1944/81	Adaptation and modernization of the structure of production of beef and veal, sheepmeat and goatmeat in Italy
28. Dir. 81/527	Development of agriculture in the French overseas departments
(c) Others measures (most of them in close relation to market organization)	
29. Reg. No 2511/69[6]	Improving production and marketing of Community citrus fruits
30. Reg. No 1696/71	Common organization of the market in hops
31. Reg. No 1035/72	Improving supply structures in fruit and vegetable markets
32. Reg. No 794/76	Reorganizing fruit production
33. Reg. No 1078/77[7]	Non-marketing of milk and milk products and conversion of dairy herds
34. Dir. 391/77	Eradication of brucellosis, tuberculosis and leucosis in cattle
35. Reg. No 1360/78	Producer groups and associations thereof
36. Reg. No 1163/76	Conversion premiums in the wine sector
37. Dir. 359/79	Accelerating conversion of vineyards in Charentes

Legal basis	Description
38. Reg. 456/80[8]	Temporary and permanent abandonment premiums in respect of certain areas under vines
39. Reg. 457/80	Cessation of wine-growing in France and Italy
40. Reg. 458/80	Collective projects for the restructuring of vineyards
41. Reg. No 100/76	Producer groups in fisheries
42. Dec. 1096/80	Eradication of classical swine fever

1 As amended by Regulation No 3509/80.
2 As amended by Regulation No 1713/80.
3 As amended by Directive 81/528.
4 As amended by Directive 81/529.
5 As amended by Directive 80/666.
6 As amended by Regulation No 1122/78.
7 As amended by Regulation No 1270/79.
As amended by Regulation No 1365/80.
8 As amended by Regulation No 1993/80.

Improving processing and marketing conditions of agricultural and fishery products (Council Regulation No 355/77)

— Eligibility and selection criteria

According to Regulation No 355/77, public, semi-public or private material investment projects are eligible relating wholly or in part to building and/or equipment for:

(a) rationalizing or developing storage, market preparation, preservation, treatment or processing of agricultural and fishery products;
(b) improving marketing channels;
(c) better knowledge of the facts relating to prices and to their formation on the markets for agricultural and fishery products.

Articles 7 to 12 of Regulation No 355/77 specify further conditions of eligibility and provide some general appreciation criteria; important aspects are that projects must form part of specific programmes to be drawn up by Member States and that they must contribute to improving the situation of the basic agricultural sector in question.

Since the volume of applications for aid is in general much higher than the available means, the Commission has defined selection criteria according to which it chooses among the eligible projects. These criteria give, for each agricultural product group, priorities for some types of investments and/or restrictions on other types of investments. The criteria are published each year in the *Official Journal of the European Communities*.

— Financial provisions

The rate of participation from the Fund is in general 25% of the eligible investment but may be increased to 30% in regions in difficulty, 35% for some sectors and regions in the south of France and 50% in Italy's Mezzogiorno and the west of Ireland. The recipient must provide at least 50% (or 35% and 25% respectively in the above cases) of the investment, and the Member State concerned at least 5%.

— Procedures

Aid can be granted to the natural or legal persons, or groups thereof, who are ultimately responsible for the cost of carrying out the project. Applications for aid from the Fund must be submitted through the Member State concerned before 1 May according to the detailed submission rules laid down in Commission Regulation No 219/78. They must have been approved by the Member State's government.

Fund aid may be paid in several instalments as the work progresses on submission of documentary evidence to the Commission. These payments will be made through agencies appointed by the Member State concerned. Detailed rules for the payment procedure are laid down in Commission Regulation No 1685/78.

Improvement of public amenities in certain rural areas of France and Italy (Council Regulation No 1760/78)

— Eligibility and selection criteria

According to Regulation No 1760/78, public, semi-public or private material investment projects are eligible relating wholly or in part to:

(i) the provision of electricity and potable water to villages or parts of villages whose inhabitants are dependent principally on agriculture and to isolated farmsteads;

(ii) the construction and improvement of farm roads and local roads which are mainly used for agriculture and forestry.

These projects must be included in an outline programme and must be located in less-favoured areas in Italy and the south of France as specified in Article 1.2. of Regulation No 1760/78.

— Financial provisions

The participation rate from the Fund is 40% of the eligible investment. The recipient must provide at least 10% and the Member State concerned at least 20%.

— Procedures

Aid can be granted to the natural or legal persons, or groups thereof, who would in the last resort bear the cost of carrying out the project. Applications for aid from the Fund must be submitted through the Member State concerned according to the detailed submission rules laid down in Commission Regulation No 2467/79. They must have been approved by the Member State concerned.

Payments will be made through agencies appointed by the Member State concerned. Advances may be granted, not exceeding 80% of the Community contribution. Detailed rules for the payment procedure are laid down in Commission Regulation No 2650/80.

Irrigation works in the Mezzogiorno (Regulation No 1362/78)

— Eligibility and selection criteria

The Fund may grant aid to finance special programmes which form part of a framework programme covering collective irrigation in the Mezzogiorno. The aid is provided for public hydraulic works and for the remuneration of newly appointed advisory officers. Information to be contained in the framework and in the special programme are specified in Articles 2 to 5 and Articles 6 and 7 respectively of Regulation No 1362/78.

— Financial provisions

The rate of participation from the Fund is 50% of the cost of implementing public hydraulic works which have not started in respect of a maximum of 200 000 irrigable hectares up to a maximum of 3 000 ECU per hectare irrigated and 50% of the remuneration of the newly appointed advisory officers up to a maximum of 12 000 ECU per advisory officer.

— Procedures

The framework programme has to be submitted by the Italian Government. The public body responsible for the implementation of the special programme has to submit its application for aid through the Italian Government according to Commission Regulation No 692/80. The special programme must have been approved by the Italian Government.

Payments will be made through agencies appointed by the Italian Government. Advances may be granted, not exceeding 80% of the Community contribution. Detailed rules for the payment procedure are laid down in Commission Regulation No 3135/80.

Interim measure for restructuring the inshore fishing industry (Regulation No 1852/78)

Eligibility and selection criteria

According to this question, investment projects are eligible for:

(i) the construction, purchase, modernization or conversion of fishing vessels;

(ii) the construction, equipping or modernization of aquaculture establishments for rearing fish, crustaceans and molluscs in salt or brackish water.

The equipment covered by the projects must meet the following conditions:

(a) fishing vessels:

— vessels must have a length of between 12 and 24 metres (40 and 80 feet), measured between perpendiculars or a tonnage of between 25 and 130 gross registered tonnes,

— the project must concern substantial modernization or conversion work on one or more existing vessels with the aim of rationalizing fishing operations, better preserving catches or saving energy, such work costing at least 65 000 ECU per project;

(b) breeding establishments:

— breeding establishments must be concerned with the breeding or rearing of fish, crustaceans and molluscs for commercial purposes.

The lower limits referred to in paragraph 1(a) may be reduced to six metres (20 feet) in length or 10 gross registered tonnes for vessels fishing otherwise than by trawl or purse-seine and operated by persons whose principal activity is fishing.

Article 4 of Regulation No 1852/78 specifies selection criteria in the case where the demands for aid are greater than the available Community means.

— Financial provisions

The rate of participation from the Fund is in general 25% but may be increased to up to 50% in Greenland, Ireland, Northern Ireland, the Mezzogiorno, the French overseas departments and Greece. The recipient must provide at least 50% (or 25% in the case of the higher Community participation rate) and the Member State concerned at least 5%.

— Procedures

Aid can be granted to the natural or legal persons, or groups thereof, who bear the ultimate financial responsibility for the project. Applications for aid from the Fund must be submitted through the Member State concerned according to the detailed submission rules laid down in Commission Regulation No 1898/80. They must have been approved by the Member State concerned.

Fund aid may be paid in several instalments as the work progresses on submission of documentary evidence to the Commission. These payments will be made through agencies appointed by the Member State concerned.

Forestry measures in certain Mediterranean zones of the Community (Regulation No 269/79)

— Eligibility and selection criteria

The Fund may grant aid to finance special programmes which form part of an outline programme relating to forestry measures and consisting of one or more capital investment projects to be implemented on public, semi-public or private land. Aid is provided for afforestation, improvement of deteriorated forest, associated work such as terracing and other minor soil stabilization, fire protection, construction of forest roads, and preparatory work for establishing the outline programme. The regions in Italy and France eligible for Community aid are specified in Article 2 of Regulation No 269/79. Information to be contained in the outline and in the special programme is specified in Articles 2 to 5 and Articles 6 and 7 respectively of Regulation No 269/79.

— Financial provisions

The participation rate from the Fund is 50% of the cost of executing the work of eligible measures with a minimum national contribution of 40% and a contribution of the owner of the land of at least 5% (except in some exceptional cases).

— Procedures

The outline programme has to be forwarded to the Commission by the Member State concerned. The agency responsible for the implementation of the special programme has to submit its application for aid through the Member State concerned according to Commission Regulation No 2468/78. The special programme must have been approved by the Member State concerned.

Payments will be made through agencies appointed by the Member State concerned. Advances may be granted, not exceeding 80% of the Community contribution to the cost of one year's work on forestry operations. Detailed rules for the payment procedure are laid down in Commission Regulation No 2416/80.

B. *Indirect measures*

Indirect measures are carried out on the initiative of the Community and with its financial participation (varying between 25% and 65%), but they are executed by the Member States. For application modalities, the interested public or private bodies are advised to address themselves to the Ministry of Agriculture in their own Member State.

Chapter II — European Social Fund

(intervention areas and types of aid are surveyed in Table II)

Aim

The Social Fund was set up under Article 123 of the EEC Treaty with the objective of improving employment opportunities for workers in the common market and thereby contributing to raise the standards of living; its task was to render the employment of workers easier and increase their geographical and occupational mobility within the Community.

Basic distinctions of intervention areas in the Social Fund

There are two main areas of Social Fund interventions created by Article 4 and 5 of Council Decision 71/66 amended by Decision 77/801. Under Article 4, the Social Fund can intervene when Community policies affect or threaten to affect the employment situation. Aid from the Fund can also be provided where there is an imbalance between supply and demand on the Community labour market.

Under Article 5, the Social Fund can assist operations carried out in the Member States aimed at solving the problems which arise in those regions which, because they are less developed or there is a decline in their main activities, suffer from serious and prolonged structural unemployment; industries affected by technological progress; groups of undertakings forced to cease, reduce, or transform their activities; and handicapped persons being rehabilitated or retrained for open employment.

Moreover, the Fund may assist preparatory studies and pilot schemes, designed to give guidance to the Council and the Commission in the choice of new areas of intervention of the Fund or to enable the Member States and those responsible for operations to use existing aids more efficiently.

TABLE II

European Social Fund: intervention areas and types of aid

A. *Intervention areas according to Articles 4 and 5 of Council Decision 71/66 as amended by Council Decision 77/801*

Legal basis	Description
— According to *Article 4*	
1. Dec. 72/428[1]	Assistance for persons leaving agriculture
2. Dec. 76/206[1]	Intervention in favour of persons occupied in the textile and clothing industries
3. Dec. 77/803	Migrant workers and members of their families

Legal basis	Description
4. Dec. 75/459[2]	Young people under 25 years of age
5. Dec. 77/804	Women (aged 25 years or over)
— According to *Article 5*	
6. Art. 5 (a)	Regions which suffer a serious and prolonged imbalance in employment
7. Art. 5 (b)	Technical progress
8. Art. 5 (c)	Groups of undertakings
9. Art. 5 (d)	Re-entry of the handicapped into economic activity

B. *Pilot schemes and preparatory studies*

Legal basis	Description
10. Reg. No 2396/71[3] Art. 7	Schemes and studies in order to give guidance in the choice of intervention areas of the Fund and the most effective use of aid

C. *Types of aid*

Legal basis	Description
(a) *Article 3 of Council Regulation (EEC) No 2396/71*[3]	
Art. 3 (a)	Facilitate the training of persons
Art. 3 (b)	Facilitate the geographical transfer of persons including members of their families
Art. 3 (c)	Facilitate the integration into a new social and working environment
Art. 3 (d)	Eliminate obstacles which make access to available employment difficult for handicapped persons and for workers more than 50 years old
Art. 3 (e)	Promote better conditions of employment in development regions with a view to covering expenses incurred in the payment by undertakings of an allowance to newly recruited workers
(b) *Article 1 of Council Regulation (EEC) No 3039/78*	
	Promote the recruitment of young people under 25 years of age who are unemployed or seeking employment
— (a)	— by means of additional jobs in the private sector
— (b)	— by means of projects for the creation of additional jobs in the public sector

[1] As amended by Decision 77/802.
[2] As amended by Decisions 77/802 and 78/1036.
[3] As amended by Regulation No 2893/77.

Eligibility and selection criteria

Eligibility concerns groups of persons and categories of aid. Eligible groups of persons are, under Article 4:

persons leaving agriculture to take up non-agricultural activities,

persons working in the textile or clothing sector or leaving it, young people under 25 years of age, seeking employment,

migrant workers,

women aged 25 or over,

and, under Article 5:

persons who are unemployed, threatened with unemployment, underemployed, or forced to give up a self-employed job,

workers whose qualifications must be adapted to enable them to engage in higher-skilled occupations,

handicapped persons.

The categories of expenditure eligible for Fund aid in the case of programmes carried out under Articles 4 and 5 of Decision 71/66 are as follows:

(i) aid to facilitate the training of persons who need to acquire, widen, adapt or improve occupational knowledge or ability;

(ii) aid to facilitate the transfer and integration into a new social and working environment of persons and members of their families who are obliged to change their place of residence in order to pursue an occupation;

(iii) aid to eliminate obstacles which make it difficult for handicapped persons or workers over 50 years of age to take up available employment. In the case of handicapped persons, the assistance covers the cost of adapting jobs to their requirements or to facilitate their vocational adaptation or readaptation, whilst for workers over 50 years of age its purpose is to maintain their level of earning over the first six months of their retraining, including training of trainees, cost attendance at courses, allowances, etc. (see Article 3 of Council Regulation No 2396/71);

(iv) aid to promote better conditions of employment in the less-developed regions. Assistance here is given to help provide allowances paid by firms to newly engaged workers to enable them to remain on full pay during a maximum period of six months.

(v) aid to promote the recruitment of young people under 25 years of age who are unemployed or seeking employment by means of additional jobs likely to give young people experience with a vocational content or making it easier for them to find a stable job;

(vi) aid to promote the employment of young people under 25 years of age who are unemployed or seeking employment through projects for the creation of additional jobs which fulfil a public need which would not be met if additional jobs were not created and which are stable or likely to give young people experience with a vocational content which will allow them access to the labour market and make it easier for them to find a stable job.

For the nine different intervention areas in Table II.A, separate budgetary appropriations exist. For all of them, the volume of applications for assistance exceeds by far available budgetary appropriations such that a selection of operations has to be undertaken. In order to provide an objective basis for the choice of applications, the Commission establishes selection criteria which are published in the guidelines for the management of the Fund. These guidelines are published before 1 May each year in the *Official Journal of the European Communities* and cover the succeeding three years; the 1982-84 guidelines have been published in *Official Journal* C 110 of 13 May 1981. The principle of the guidelines is to indicate for each intervention area the specific types of operations which the Commission considers to be of priority importance. For most interventions areas, several levels of priority are fixed. The Commission tries to establish these levels so that at least all first priority operations can be financed. If in a particular area of intervention the volume of applications exceeds the available appropriations, a reduction is applied to the applications which are in the last priority level for which appropriations remain after all operations of higher priority have been approved. The reduction method takes account of the relative extent of imbalances in the labour market and the economic capacity available for correcting them in the Member States.

Financial provisions

For operations undertaken by the public sector (public authorities, bodies governed by public law, etc.), assistance from the Fund covers 50% of eligible expenditure. In the case of operations undertaken by the private sector, the Fund contributes an amount equal to the expenditure borne by the public authorities, on condition that they or the Member States concerned guarantee the completion of such operations. The Fund's contribution is stepped up by 10% in the case of operations undertaken in regions with particularly serious and prolonged employment problems — at present in Greenland, the French overseas departments, Ireland, Northern Ireland, the Mezzogiorno and Greece.

For pilot schemes, the Fund may not contribute more than 50% of the actual cost. For studies, the contribution is generally 50% of the cost but may be higher. A contribution from a national public authority is not necessary in the case of pilot projects and studies.

Procedures

Assistance from the Fund can be granted to public authorities, bodies governed by public law, joint social institutions entrusted with tasks in the public interest, and bodies or other entities governed by private law on condition that the public authorities guarantee the completion of such operations. Applications for assistance from the Fund can only be forwarded by the Member State concerned; they have to be submitted prior to the carriyng-out of the operation. The Member States have to submit their applications, grouped together by areas of intervention, before 21 October of each year in the case of operations due to begin in the first half of the succeeding year and before 1 April in the case of operations due to begin in the second half of the same year.

When an application for a grant has been approved, an advance payment equal to 30% of the total assistance approved can be paid as soon as the Member State concerned has certified that the operation has begun. A second 30% may be paid as soon as the Member State concerned has certified that half of the operation has been carried out in compliance with the conditions laid down in the decision granting approval. Complementary and final payments are made on receipt of an application giving details of expenditure. The administrative provisions for submission of claims for payment are laid down in Commission Decision 78/742.

Chapter III — European Regional Development Fund

(intervention fields of quota section and specific measures of non-quota section are surveyed in Table III)

Aim

The European Regional Development Fund is intended to correct the principal regional imbalances within the Community resulting in particular from agricultural preponderance, industrial change and structural underemployment.

Basic distinction of ERDF interventions

The European Regional Development Fund is divided into two parts: the first section, 95% of the financial provisions, is divided according to a quota system as to reflect the relative gravity of regional problems in the different Member States. At present, these quotas are fixed as follows: Italy 35.49%, United Kingdom 23.80%, France 13.64%, Greece 13.00%, Ireland 5.94%, FR of Germany 4.65%, Netherlands 1.24%, Belgium 1.11%, Denmark 1.06% and Luxembourg 0.07%.

The second section of the Regional Fund, with 5% of the financial provisions, cofinances Community-specific programmes without any quota system covering operations that correspond to particular regional needs.

A. *The quota section of the Regional Development Fund*

Eligibility and selection criteria

The Fund may contribute to the financing of investments which individually exceed 50 000 ECU and come under any of the following categories:

(i) Investments in industrial, handicraft or service activities which are economically sound and which benefit from State regional aids, provided that at least 10 new jobs are created or that 10 existing jobs are maintained. In the latter case, the investments should fall within the framework of a conversion or restructuring plan to ensure that the undertaking concerned is competitive. Preference shall, however, be given to operations which both maintain existing jobs and create new jobs.

TABLE III

European Regional Development Fund: intervention fields of quota section and specific measures of non-quota section

A. *Quota section: intervention fields*

Legal basis	Description
Reg. No 724/75 [1]	
1. Art. 4.1. (a)	Investment in industrial, handicraft or service activities
2. Art. 4.1. (b)	Investment for the creation of infrastructure
3. Art. 4.1. (c)	Investment in rural infrastructure
4. Art. 12	Financing of studies which are closely related to fund operations and are undertaken at the request of a Member State

B. *Non-quota section: first set of specific measures*

Legal basis	Description
Reg. No 724/75, Articles 13 and 14	
5. Reg. No 2615/80	Development of certain French and Italian regions in the context of Community enlargement
6. Reg. No 2616/80	Development of new economic activities in certain zones adversely affected by restructuring of the steel industry
7. Reg. No 2617/80	Development of new economic activities in certain zones adversely affected by restructuring of the shipbuiliding industry
8. Reg. No 2618/80	Improving security of energy supply in certain regions by way of improved use of new techniques for hydro-electrical power and alternative energy sources
9. Reg. No 2619/80	Improvement of the economic and social situation of the border areas of Ireland and Northern Ireland

[1] As amended by Decision 75/186, Regulations Nos 214/79 and 3325/80.

Service activities qualifying for assistance shall be those concerned with tourism and those which have a choice of location. Such activities should have a direct impact on the development of the region and on the level of employment. A group of investments which are related geographically and financially may be considered as a single investment in the field of handicrafts or tourism.

(ii) Investments financed wholly or in part by public authorities or by any other agency responsible, on a similar basis to a public authority, for the creation of infrastructures, and covering, provided that this is justified by regional development programmes, infrastructures which contribute to the development of the region or area in which they are situated, provided that the total share of the overall assistance granted by the Fund for financing the investment referred to in this point does not exceed 70% of the Fund's assistance.

(iii) Investment in infrastructures covered by Article 3(2) of the Council Directive on mountain and hill farming and farming in certain less-favoured areas, provided that the less-favoured area in question corresponds to or is located within one of the regions or areas eligible for assistance from the Fund.

Moreover, the Fund may contribute to the financing of studies which are closely related to Fund operations and are undertaken at the request of a Member State.

In selecting the projects to receive financial assistance, the Commission takes account of the relative severity of the economic imbalance of the region and the direct or indirect effect of the investment on employment. More detailed criteria are laid down in Article 5 of Regulation No 724/75 as amended by Regulations Nos 214/79 and 3325/80.

Financial provisions

The Fund may intervene in regions and areas covered by the national aid systems for regional development and included in the regional development programmes presented by the Member States to the Commission. Therefore the Member States propose the regions eligible for assistance from the Fund.

The Community's rate of participation is:

(i) 20% of the cost of investment in industrial, artisan or service activities; for service and artisan activities it may exceptionally exceed 20%; it may not, however, exceed 50% of the total amount of regional aid granted by the public authorities for the investment. The amount of the Fund's contribution is also subject to upper limits depending on the number of jobs created or maintained.

(ii) 30% of the expenditure incurred by the public authorities for infrastructure investments involving less than 10 million ECU and between 10% and maximum 30% of the expenditure for investments of 10 million ECU or more. This level may exceptionally be as high as 40% for projects of special value to the development of the region where they are situated. Aid from the Fund may, in whole or in part, take the form of a three-percentage-point interest rebate on loans granted by the EIB.

The assistance for a study may not exceed 50% of its cost.

Procedures

Only the appropriate authorities of the Member States are authorized to submit applications to the Commission. The elements to be included in such requests are indicated in Article 7 of Regulation No 724/75 as amended by Regulations Nos 214/79 and 3325/80.

Concernig the payment of assistance, there are three forms according to which the payment can be requested: an intermediate payment request, the final payment request and a request for accelerated payments. The accelerated payments can go up to 75% of the total amount of aid from the Fund subject to the condition that at least 30% of the payments constituting the basis for aid from the Fund have been made. Further details are given in Article 8 of the ERDF Regulation.

For projects relating to industrial and service activities, Fund assistance may be added to the aid granted by the public authorities or held by the authorities as partial reimbursement of that aid. In practice, all governments generally take the second option. For infrastructural investments, procedures vary from one Member State to another, but in most cases aid from the Fund is paid over in whole or in part to the local or regional authorities concerned.

B. *The non-quota section of the European Regional Development Fund*

The intervention modalities within the non-quota section of the Fund differ considerably from those of the quota section. In the quota section, productive and infrastructural investment projects are submitted whereas in the non-quota section the Community cofinances specific programmes covering a whole range of operations that correspond to particular regional needs: not only investments and not only in regions eligible for assistance of the quota section.

In 1980, the Council approved the first set of five specific Community regional development measures:

(i) Development of certain French and Italian regions in the context of Community enlargement; it applies to the regions of Aquitaine, Languedoc-Roussillon and Midi-Pyrénées in France and to the regions of the Mezzogiorno in Italy.

(ii) Development of new activities in certain zones adversely affected by restructuring of the steel industry; this applies to the following zones, Provinces of Luxembourg, Liège and Hainaut with the exception of the *arrondissements* of Ath and Tournai in

Belgium, Province of Naples in Italy, and Counties of Strathclyde, Cleveland, Clwyd, South Glamorgan, West Glamorgan, Gwent, and the employment office area of Corby in the United Kingdom.

(iii) Development of new activities in certain zones adversely affected by restructuring of the shipbuilding industry; this applies to the Counties of Strathclyde, Tyne and Wear, Cleveland, Merseyside, and Belfast urban area in the United Kingdom.

(iv) Improving security of energy supply in certain Community regions by way of improved use of new technologies for hydro-electrical power and alternative energy sources; this applies to the mountain areas *(zone interne)* of the regions of the Mezzogiorno in the sense of Article 3, paragraph 3, of Council Directive 75/268/EEC.

(v) Improvement of the economic and social situation of the border areas of Ireland and Northern Ireland; this applies to the following border areas, Donegal, Leitrim, Cavan, Monaghan and Louth in Ireland and Londonderry, Strabane, Omagh, Fermanagh, Dungannon, Armagh, Newry and Mourne in Northern Ireland.

Eligibility criteria, financial provisions and procedures

These are laid down in Articles 4, 5 and 6 respectively of the regulation constituting the specific measures. Because of the lack of space and because of their detailed character, it is not possible to reprint them in full but they are available on request.

On the other hand, the specific measures are of an innovative character concerning the types of operations for which financial assistance can be granted so that it is considered useful to indicate the six main groups of operation. These are:

(i) *Improvement of the environment:* this involves reclaiming certain industrial or urban sites that have become derelict or abandoned and contributing to the construction and modernization of housing whose lack or decay hinders the development of employment.

(ii) *Promotion of industrial innovation:* since inadequate circulation of information has often been observed, it is necessary to develop the collection and diffusion of such information on both products and technology. Moreover, to allow effective innovation by small and medium-sized enterprises (SME), it is necessary to contribute financially to the cost of feasibility studies, often a major constraint on firms' decision-making.

(iii) *Improvement of the security of energy supply:* this involves encouraging the use of a new technology (mini-turbines) in the mountain areas of the Mezzogiorno.

(iv) *Making available to SME means and services allowing them to enlarge their potential activities:* for SME a better position on the market implies knowledge of it, therefore sectoral market studies are assisted. Moreover, the Community assists companies of consultants specialized in the field of management and organization of SME and assists the creation of common services for several SME. Finally risk evaluation studies are aided in order to facilitate access for SME to risk capital.

(v) *Promotion of artisan enterprises:* the purpose is to improve the information available to craftsmen, to improve traditional techniques, to encourage better organized marketing and to help investment in craft firms.

(vi) *Promotion of tourism in rural areas:* investment in hotels or in accommodation on farms is assisted on condition that common bodies or services are established with the task of promoting this form of tourism and the coordinated management of accommodation.

The specific measures are carried out on the initiative of the Community and with its financial participation (varying between 30% and 70%), but they are executed by the Member States.

Chapter IV — Financial activities of the ECSC (loans and non-repayable aids are surveyed in Table IV)

Aim

The European Coal and Steel Community (ECSC) shall progressively bring about conditions which will of themselves ensure the most rational distribution of production at the highest possible level of productivity, while safeguarding continuity of employment and taking care not to provoke fundamental and persistent disturbances in the economies of Member States (Article 2, second paragraph, of the ECSC Treaty).

Basic distinction of ECSC financial activities

The financial activities of the ECSC form a coherent ensemble of intervention in favour of the coal and steel sectors. The activities concern loans or guarantees and non-repayable aids. The loans fall into three categories: industrial loans or loans for workers' housing under Article 54, and reconversion loans under Article 56.

Non-repayable aids are provided for the readaptation of workers (Article 56 (2) (b)), for research (Article 55), for interest rebates on industrial and reconversion loans, and for coking coal and coke for the iron and steel industry.

Industrial loans and interest rebates (Article 54)

Eligibility and selection criteria

Under Article 54 of the ECSC Treaty, the following are eligible:

(a) Investments in the coal and steel industries in line with Community policy for those industries.

(b) Works and installations which contribute to increasing the production, reducing the production cost or facilitating the marketing of coal and steel products.

TABLE IV

European Coal and Steel Community: loans and non-repayable aids

A. *Loans*

Legal basis	Description
1. Art. 54	Industrial loans
— paragraph 1	— facilitate the carrying-out of investment programmes
— paragraph 2	— assist the financing of works and installations which contribute directly and primarily to increasing the production, reducing the production costs or facilitating the marketing of products
2. Art. 54	Loans for workers' housing
3. Art. 56	Reconversion loans

B. *Non-repayable aids*

Legal basis	Description
4. Art. 56	Readaptation aid towards: — the payment of tideover allowances to workers — the payment of allowances to undertakings to enable them to continue paying such of their workers as may have to be temporarily laid off as a result of the undertakings' change of activity — the payment of resettlement allowances to workers — the financing of vocational training for workers having to change their employment
5. Art. 55	Promote technical and economic research relating to the production and increased use of coal and steel and to occupational safety in the coal and steel industries
6. Art. 54 (industrial loans) and Art. 56 (reconversion loans)	Interest rebates for:
— Commission Communications: OJ C 73 of 18.6.70 OJ C 146 of 25.11.74	— ECSC industrial loans (security, hygiene, anti-pollution measures, multinational investments, bottlenecks at Community level, research or training centres)
— Commission Communication: OJ C 79 of 29.3.80	— industrial loans for investment projects concerning coal production
— Commission Communications: OJ C 178 of 27.7.77 OJ C 82 of 29.3.79 OJ C 276 of 24.10.80 OJ C 54 of 13.3.81	— reconversion loans (direct loans, global loans and non-industrial loans)
7. Art. 95 and Dec. 73/287/ECSC[1]	Coking coal and coke for the iron and steel industry

[1] As amended by Decisions 76/2963/ECSC, 77/751/ECSC, 77/1613/ECSC, and 79/3058/ECSC.

Financial provisions

Normal loans are usually granted by the Commission at the cost price of borrowed funds without the addition of any further charge (normal interest rate). Thus the interest rate reflects the rate paid by the ECSC itself on the capital market in the various places where it contracts loans. The maximum amount of the loan shall be 50% of the agreed project cost.

Some categories of investment can receive loans at a reduce rate of interest (see Table IV). Such assisted loans then are given at the normal interest rate, and the Commission grants an additional interest rebate which is paid directly to the beneficiaries at the due dates out of the operational budget of the ECSC. The amount of the rebate is three percentage points per year for the first five years of the loan. The Commission determines the portion of the investment (and of the loan) which is eligible for an interest rebate on a case-by-case basis.

Procedures

Applications for industrial loans are made directly to the Commission by the companies concerned. They are to be sent in triplicate to the Commission of the European Communities, Director-General for Credit and Investments, Jean Monnet Building, Luxembourg. The services of this Directorate-General can be contacted for more detailed information on industrial loans.

Workers' housing (Article 54)

Eligibility and selection criteria

The construction, purchase and modernization of housing for the personnel of the ECSC industries are eligible; the housing may be for rent or owner-occupied. In its guidelines of 30 November 1979 for the execution of the ninth workers' housing programme 1979-83, the Commission has decided to accord priority to operations which help to attain the sectoral objectives of the Community and which improve the living conditions of the workers.

Financial provisions

The distribution of the 30 million ECU available for the first instalment in the ninth programme, by industry and region, has been published. The loans will be granted through financial institutions or housing authorities acting as intermediaries at an interest rate of usually 1% plus administration costs of the intermediaries.

The loans are always paid in the national currency. Complementary loans, if requested, may be granted at current market rates in any available currency.

Procedures

Generally, applications have to be submitted by the persons concerned to their employers. Applications are then centralized by regional committees on which representatives of both sides of industry sit in equal numbers. The committees make financing proposals and the Commission takes the final decision.

Reconversion loans and interest rebates (Article 56)

Eligibility and selection criteria

Investments are eligible which facilitate the creation of new and economically-sound activities or the transformation of undertakings capable of reabsorbing into productive employment redundant ECSC workers.

The investments might concern industry, services and industrial estates and advanced factories. Detailed rules for granting reconversion loans have been published by the Commission on 27 July 1977 and 29 March 1979.

Financial provisions

The maximum amount of the loans is 50% of the agreed project cost. The loan is granted at the normal interest rate, but an interest rebate of three percentage points for five years covering a maximum amount of 20 000 ECU per job created is available.

Procedures

Reconversion loans may be granted to private companies as well as to public bodies directly, in the form of individual loans, or indirectly, in the form of subsidiary loans, through the intermediary of financial institutions to whom the ECSC has granted a global loan. The application for a direct loan has to be sent to the Commission of the European Communities through the intermediary and with the agreement of the responsible department of the government concerned.

Small and medium-sized firms and craft industries may apply for a subsidiary loan up to a ceiling of 2 million ECU with intermediary financial institutions to which a global loan has been granted. The cost of the investment project may not exceed 10 million ECU. For example, at the present time, global loan funds are available from the following financial institutions:

— Belgium

  Société régionale d'investissement de Wallonie, 33, avenue de la Pairelle, B-5000 Namur, Tel. (081) 23 06 58.

— Information is available from:

  Société de Développement belgo-luxembourgeoise, 61, rue des Usines, B-6490 Athus, Tel. (063) 37 73 04.

— Federal Republic of Germany

  Saarländische Investitionskreditbank, Johannesstraße 2, Postfach 883, D-6600 Saarbrücken, Tel. (06 81) 3 60 61.

Westfalenbank, Huestraße 21-25, Postfach 10 27 10, D-4630 Bochum 1, Tel. (02 34) 61 61.

Industriekreditbank, Karl-Theodor-Straße 6, Postfach 11 18, D-4000 Düsseldorf 1, Tel. (02 11) 8 22 11.

— France

Banque populaire de Lorraine, 3, rue François de Curel, Boîte postale 124, F-57021 Metz, Tel. (87) 69 24 12.

Banque populaire de la Loire, 1, place de l'Hôtel de Ville, F-42007 Saint-Etienne Cedex, Tel. (77) 33 39 61.

Lordex, 109, bd. d'Haussonville, F-54041 Nancy Cedex, Tel. (28) 27 05 22.

Banque populaire du Nord, 66, bd. de la Liberté, F-59000 Lille, Tel. (20) 52 82 40.

Société de Développement régional du Nord et du Pas-de-Calais, 108, rue de Jemmapes, F-59000 Lille, Tel. (20) 55 62 80.

Société de Développement régional du Sud-Est Le Britannia, 20 boulevard Eugène Deruelle, F-69432 Lyon Cedex 3, Tel. (78) 60 41 20.

Crédit National, 45, rue Saint-Dominique, F-75700 Paris, Tel. 5 55 91 10.

— Ireland

Industrial Credit Company, 32-34 Harcourt Street, IRL-Dublin 2, Tel. (01) 72 00 55.

— Grand Duchy of Luxembourg

Société nationale de crédit et d'investissement, 3, rue de la Congrégation, L-1352 Luxembourg, Tel. 47 83 15.

— The Netherlands

De Nationale Investeringsbank, Carnegieplein 4, NL-Den Haag, Tel. (70) 46 94 64.

— United Kingdom

Finance for Industry, 91 Waterloo Road, UK-London SE1 8XP, Tel. (01) 928-7822.

Scottish Development Agency, 120 Bothwell Street, Glasgow G2 7JP, Scotland, Tel. (041) 248-2700.

Industrial and Commercial Finance Corporation, 91 Waterloo Road, UK-London SE1 8XP, Tel. (01) 928-7822.

More detailed information on reconversion loans may be obtained from the following departments of the Commission of the European Communities :

DG XVI, Division B3, 200, rue de la Loi, B-1049 Brussels, Tel. 735 80 40, ext. 3420.

DG XVIII, Division B2, Bâtiment Jean Monnet, L-2719 Luxembourg, Tel. 340 11.

Technical and economic research (Article 55)

Eligibility and selection criteria

For technical research in the coal and steel industries, financial assistance is provided to cover expenditure directly incurred for research purposes, including staffing, equipment and operating expenses. A programme of research in the steel industry between 1980 and

1985 was drawn up and published in October 1976 in *Official Journal of the European Communities* C 232. New guidelines for medium-term coal research have been drawn up for 1981-85 and published in 1980 in *Official Journal* C 94 of 17 April 1980.

For social and medical research, a contribution may be made towards the cost of carrying out research work for items such as equipment and staff.

Financial provisions

The grant for technical research in the coal and steel industries usually covers 60% of expenditures; the grant for social and medical research is determined on a case-by-case basis.

Procedures

For technical research on coal and steel, any undertaking, institution, research centre, or individual qualifies for assistance. The applicant need not necessarily be concerned with the coal and steel industries. Applications for financial aid are to be sent to the Commission of the European Communities. Further details about applications may be found in *Official Journal* C 139 of 12 November 1974.

For social and medical research, recipients of aid are selected by one of the following methods, according to the type of project:

(i) the Commission makes direct contact with the firms or research institutions and centres whose participation it seeks, or

(ii) the Commission publishes an invitation to submit research proposals to which any interested institute may reply.

Applications should be sent directly to the Commission of the European Communities. The applicant must make specific reference to a programme and provide the following details:

(a) aim of the research and results expected;

(b) financing: funds available, the amount of assistance requested;

(c) the legal status of the applicant;

(d) the research programme: means of implementation and estimated cost.

Readaptation of workers (Article 56 (2) (b))

Eligibility and selection criteria

The ECSC provides assistance for workers affected by changes in market conditions in the coal and steel industries; aids may be granted towards:

(i) the payment of tideover allowances to workers;

(ii) the payment of resettlement allowances to workers;

(iii) the financing of vocational training for workers having to change their employment.

A grant is conditional upon payment by the Member State concerned of an amount at least equal (except in certain cases) to the ECSC contribution.

Financial provisions

Aid is made available following negotiations between the Commission and the Member State concerned; the size of the credits depends upon the needs and problems of each Member State.

Procedures

Applications are to be submitted to the Commission by the Ministry of Labour and Employment.

Coking coal and coke for the iron and steel industry (Article 95 and Decision 73/287/ECSC)

The ECSC provides a fixed contribution to a special fund administered by the Commission and devoted to aid the use of internal coking coal.

Chapter V — Specific measures for the energy sector

(Euratom loans and other measures are surveyed in Table V)

Euratom loans

Aim

The purpose of Euratom loans is to promote the use of nuclear energy in order to reduce the Community's overdependence on external energy supplies.

Eligibility and selection criteria

Investment projects are eligible relating to the industrial production of electricity in nuclear power stations and to industrial fuel cycle installations. Preference will be given to the use of resources under the most profitable conditions in installations of optimum size.

Financial provisions

Loans normally cover not more than 20% of the overall cost of the project. Their terms and interest rates reflect conditions prevailing on the capital markets.

Procedures

Firms interested should send applications to the following address:
Commission of the European Communities
Directorate-General for Credit and Investments
Jean Monnet Building
L-2719 Luxembourg
Tel. 43011 — Telex: 2331 L.

Technological development in the hydrocarbons sector

Aim

The scheme has the aim to stimulate the technological development directly connected with oil and gas prospecting, extracting, storage and transport that will improve the Community's hydrocarbon supply.

TABLE V

Specific energy measures: Euratom loans and other measures

A. *Euratom loans*

Legal basis	Description
1. Dec. 77/270, 77/271 and 80/29/Euratom	Financing investment projects relating to the industrial production of electricity in nuclear power stations and to industrial fuel cycle installations

B. *Other measures*

Legal basis	Description
2. Reg. No 3056/73	Technological development in the hydrocarbons sector
3. Reg. (Euratom) No 2014/76	Prospecting for uranium in Community territory
4. Reg. Nos 1303/78 and 725/79	Demonstration projects for energy saving
5. Reg. Nos 1302/78 and 726/79	Development programme for new sources of energy in the sectors
— 729/79	— exploitation of geothermal resources
— 728/79	— liquefaction and gasification of solid fuels
— 727/79	— solar energy

Eligibility and selection criteria

Community projects considered of prime importance in securing supplies of oil and natural gas may qualify for financial aid.

Financial provisions

The main forms of aid are:

(i) grants which are repayable under certain conditions. Community aid has been given mainly in the form of grants, amounting to 25-40% of total costs;

(ii) loans or loan guarantees for projects.

The type and volume of aid is fixed with regard to its effect in improving the hydrocarbon supply conditions.

Procedures

Any natural or legal person (firm or group of firms) may be granted aid. The Commission publishes each year an invitation for the submission of projects; the last invitation for tenders was published in *Official Journal of the European Communities* C 254 of 2 October 1980. The next invitation will probably be published in the second half of 1981. Applications should be sent directly to the Commission of the European Communities, Directorate-General for Energy, Rue de la Loi 200, 1049 Brussels, Belgium.

Aid for uranium prospection projects

Aim

The purpose is to promote the evaluation of the uranium potential of the Community territory, thereby helping to ensure adequate supplies for Community users. The action is carried out under Article 70 of the Euratom Treaty.

Eligibility and selection criteria

Community support for uranium exploration is restricted to projects in the Community territory.

Financial provisions

The financial support by the Commission is in the form of a grant. The Commission's contribution will in no case cover the entire cost of the project. The support is between 30% and 70% of the total cost of the project with a higher percentage given to programmes in their initial phase.

Procedures

All projects submitted for consideration must be accompanied by a detailed description of the proposed work schedule: this includes the nature and extent of the risks of the project, the cost of the project, etc. Applications must also indicate the natural or legal person responsible for implementing the project and any financial support provided by or expected from Member States.

All projects submitted by interested organizations must reach the Commission before the closing date given in the Commission notice published in the *Official Journal* (last publication in *Official Journal* C 61 of 11 March 1980). Applications should be sent to the Commission of the European Communities, Directorate-General for Energy, Rue de la Loi 200, 1049 Brussels, Belgium.

Demonstration projects for energy saving

Aim

The Community may grant financial support for Community demonstration projects which involve a significant improvement in the efficiency with which energy is used.

Eligibility and selection criteria

Demonstration projects are to be related to the creation of installations making full-scale use of new equipment, processes or products enabling significant quantities of energy to be saved. Such projects must apply a new technique or new process or new product, or make use of a new application of techniques, processes or products already known. Projects must satisfy the following conditions:

(i) they must have been preceded by feasibility studies or research and development work;

(ii) they must be capable of encouraging other installations of the same type in the Community and have real prospects of commercial use;

(iii) they must involve such risks or large investments that finance for the demonstration of potentially viable projects is not readily available.

Financial provisions

Support takes the form of a financial contribution repayable under certain conditions. Such support may be no less than 25% and no more than 49% of the total cost of the project.

Procedures

Beneficiaries can be any natural or legal person, any institution or any group established in the territory of the Member States. Applications should be sent to the Commission of the

European Communities, Directorate-General for Energy, Energy Conservation Demonstration Projects, Rué de la Loi 200, 1049 Brussels, Belgium.

A call for tenders was published in *Official Journal* C 10 of 15 January 1981.

Exploitation of alternative energy sources

Aim

The Community may grant financial support for demonstration projects to exploit alternative energy sources in the Community which by their nature may serve as examples and which prior studies and research have shown to offer prospects of industrial and commercial viability. For this purpose alternative energy sources means any potential source of energy, with the exception of nuclear and fossil fuels exploited by conventional means. Projects may relate to the following areas:

(i) exploitation of geothermal fields;

(ii) liquefaction and gasification of solid fuels;

(iii) exploitation of solar energy;

(iv) exploitation of wave, tidal and wind energy.

At present only the first three areas receive Community support. This list is not exhaustive nor does it reflect priorities.

Exploitation of geothermal energy

Eligibility and selection criteria

Demonstration projects may be related to the building of installations concerned with geothermal energy and using new techniques or technologies which may serve to encourage the building of other installations of the same type.

Financial provisions

The financial contribution of the Community, repayable under certain conditions, may not exceed 40% of the actual cost, whether granted for the exploration stage or for the utilization stage. Half of this aid will be repayable in cases of commercial utilization.

Procedures

Beneficiaries can be any natural or legal person, any institution or any group established in the territory of the Member States. Applications should be sent to the Commission of the European Communities, Directorate-General for Energy, Geothermal Energy Demonstration Projects, Rue de la Loi 200, 1049 Brussels, Belgium. The last call for tenders was published in *Official Journal* C 339 of 30 December 1980. A new call will be published during 1982.

Liquefaction and gasification of solid fuels

Eligibility and selection criteria

Demonstration projects must be related to the building of installations for the liquefaction and gasification of solid fuels using new techniques or technologies which may serve to encourage the building of other installations of the same type.

Financial provisions

The support granted will take the form of a financial contribution by the Community. It may not, in general, exceed 40% of the actual cost of the project. Half of this aid will be repayable in cases where the installation is subsequently used for commercial or industrial purposes.

Procedures

Beneficiaries can be any natural or legal person, any institution or any group established in the territory of the Member States. Applications should be sent to the Commission of the European Communities, Directorate-General for Energy, Demonstration Projects for the Liquefaction and Gasification of Solid Fuels, Rue de la Loi 200, 1049 Brussels, Belgium. A call for tenders was published in *Official Journal* C 91 of 12 April 1980. A new call will not be published before 1982/83.

Solar energy

Eligibility and selection criteria

Demonstration projects must be related to the building of installations to make use of solar energy using new techniques or technologies which may serve to encourage the building of other installations of the same type.

Financial provisions

The support granted will take the form of a financial contribution repayable under certain conditions. In general, it may not exceed 40% of the actual cost of the project. Half of this aid will be repayable in cases where the installation is subsequently used for commercial or industrial purposes.

Procedures

Beneficiaries can be any natural or legal person, any institution or any group established in the territory of the Member States. Applications should be sent to the Commission of the European Communities, Directorate-General for Energy, Demonstration Projects for Solar Energy, Rue de la Loi 200, 1049 Brussels, Belgium. The last calls for tenders were published in *Official Journals* C 23 of 30 January 1980 and C 24 of 31 January 1980. A new call will probably be published during 1981.

Chapter VI — European Investment Bank loans
(surveyed in Table VI)

Aim

The task of the European Investment Bank shall be to contribute to the balanced and steady development of the common market in the interest of the Community.

Basic distinctions

The European Investment Bank finances public infrastructure and investment in all the sectors of the economy; while energy and the manufacturing industry are prime beneficiaries, agricultural improvement projects and services are not ignored.

Loans can be divided into three categories: direct individual loans, indirect individual loans, and global loans. Direct individual loans are granted directly to the firm or public authority which has submitted the project to be financed. Indirect individual loans are granted to a specialized financial institution which is responsible for forwarding the funds in order to finance a specific project submitted by a firm or public authority. Global loans are granted to financial intermediaries which allocate these sums, after approval of the Bank, to a number of small and medium-sized industrial investments.

Eligibility and selection criteria

The Bank facilitates the financing of the following projects in all sectors of the economy:

(i) projects for developing less-developed regions;

(ii) projects for modernizing or converting undertakings or for developing fresh activities called for by the progressive establishment of the common market;

(iii) projects of common interest to several Member States or benefiting the Community as a whole (projects of common European interest).

TABLE VI

EIB loans

Legal basis	Description
1. Art. 130(a) EEC	Financing of projects for developing less-developed regions
2. Art. 130(b) EEC	Financing of projects for modernizing or converting undertakings or for developing fresh activities called for by the progressive establishment of the common market
3. Art. 130(c) EEC	Financing of projects of common interest to several Member States or benefiting the Community as a whole

The Bank may grant loans only for investments which contribute to an increase in economic productivity in general and promotes the attainment of the common market. It attaches great importance to the economic merits of the projects and to the likely effect on employment.

Financial provisions

The Bank normally finances no more than half the cost of a project. In general, it prefers not to lend less than 1 million ECU per project but it does finance smaller-scale projects by means of global loans to promote investments by small business.

The system is as follows: the EIB grants a global loan to a bank or financial institution. On a proposal from this bank or institution and with the agreement of the EIB, the amount is then on-lent to assist schemes of economic benefit which, although they satisfy the EIB's criteria, may be too small to qualify for a direct individual loan.

Individual loans under the global loan system range between 50 000 (in some cases 25 000) and 4 million ECU. They go towards financing investments of a total unit cost that may not exceed 12 million ECU.

Loans are granted for terms set in accordance with the nature of the project and with the normal depreciation period for the investment to be financed. The maximum term depends also on the conditions prevailing on the capital markets on which the Bank raises its funds; it is generally between 7 and 12 years. But in some cases it may be as much as 20 years for infrastructure projects, market conditions permitting.

EIB loans can be made in several currencies. The currencies used are those of the Member States and also certain others, particularly the US dollar and the yen.

Loans are generally repaid in fixed half-yearly instalments of both principal and interest, in the currencies which the borrower actually received.

As the EIB finances most of its loans by means of borrowings on the capital market in the Community and elsewhere, and as it is not engaged in profit-making business, its loans are generally at interest rates close to those prevailing on the capital markets.

The EIB can also take action to assist the financing of investments meeting its own criteria. In these cases it provides guarantees for loans raised directly by firms or authorities from commercial credit institutions.

Procedures

Companies, authorities and institutions wishing to contact the European Investment Bank should contact its head office directly:

EIB 100, boulevard Konrad Adenauer — Boîte postale 2005, Luxembourg, Tel. 43 791 — Telex 3530 bankeu lu

or the

Italy Department, Via Sardegna, 38, I-00187 Rome, Tel. 48 36 51 — Telex 62 130 bankeuro

Liaison Office for the United Kingdom, 23 Queen Anne's Gate, Westminster — London SW1H 9BU
Representative Office in Brussels: Rue de la Loi 227, — B-1040 Brussels

The promoter of the investment can also approach the EIB through his usual bankers.

Promoters of small or medium-sized investment projects which could qualify for finance from EIB global loans should submit their application to the financial institution acting as intermediary.

Chapter VII — New Community Instrument (NCI) loans

Aim

The NCI has the objective to finance investment projects which contribute to greater convergence and integration of the economic policies of the Member States, and are in line with priority Community objectives in the energy, industry and infrastructure sectors, taking account of the regional impact of the project and the need to combat unemployment. (Council Decision 78/870/EEC). This decision limits borrowing to 1 000 million European currency units (ECU). In addition, a total of another 1 000 million ECU EIB and NCI loans are authorized for special earthquake assistance to Italy.

Eligibility and selection criteria

These are decided upon in the authorization on tranches of borrowings. In the first tranche of 500 million ECU decided upon in Council Decision 79/486/EEC, investment projects are eligible which are realized in the Community and which are consistent with priority Community objectives in only two of the three sectors indicated, namely infrastructure and energy.

In deciding whether or not projects are eligible the Commission applies the following guidelines:

(i) the investment shall be consistent with the Community rules applicable in the relevant sectors;

(ii) the investment shall contribute to resolving the Community's main structural problems and in particular to reducing the regional imbalances in the Community and to improving the employment situation.

A second tranche of 500 million ECU, decided upon in Council Decision 80/739/EEC, is available for loans to the same two sectors mentioned above, although within this total up to 100 million ECU (Council Decision 80/1103/EEC) may be applied to loans for factories constructed with a view to future requirements and housing, provided that they form part of a total project of economic and industrial development presenting a regional interest.

Financial provisions

The European Investment Bank decides whether and on what terms to grant the loans; in general the interest rates are determined by the market rates for the currency in which the borrowing is raised. A cumulation of NCI loans with EIB loans is possible.

Procedures

Loan contracts are signed on behalf of the Community by both the Commission and the EIB; the Commission decides on the eligibility of the projects whereas the Bank decides and administers the loans.

TABLE VII

New Community Instrument

Legal basis	Description
Dec. 78/870	Financing of investment projects which are consistent with priority Community objectives in the infrastructure, industry, and energy sectors
Dec. 79/486 and 80/739	First decision (79/486) financing of investment projects in the infrastructure and energy sectors

Chapter VIII — Interest subsidies for certain European Monetary System (EMS) loans

Aim

This measure is destined to strengthen the economies of the less prosperous Member States which effectively and fully participate in the mechanisms of the European Monetary System (Council Regulation No 1736/79/EEC), i.e. Italy and Ireland (Council Decision 79/691/EEC).

Eligibility and selection criteria

Loans granted from the Bank and NCI resources to Italy and Ireland may carry an interest subsidy up to the year 1983.

The Commission shall decide whether or not projects are eligible in accordance with the following guidelines:

(i) the investment shall be consistent with the Community rules applicable in the relevant sectors;

(ii) the loans shall be concentrated on the financing of infrastructure projects and programmes;

(iii) the investment shall contribute to resolving the main structural problems affecting the Member State concerned and in particular to reducing regional imbalances and to improving the employment situation;

(iv) the investment shall be compatible with the provisions of the Treaty governing competition.

Financial provisions

The interest subsidy shall be 3% per year. The amount of the loans to be subsidized shall be 5 000 million ECU for a period of five years (1979-83), divided into annual instalments of 1 000 million ECU. For the same period, the amount to cover the discounted value of these subsidies shall be 1 000 million ECU divided into annual instalments of 200 million ECU.

Procedures

Applications for the interest subsidies shall be submitted for the opinion of the Member State. The Member State concerned has to give a favourable opinion and the project must be approved for a loan of the EIB or the NCI. The Commission decided on the eligibility of projects for subsidy; the Bank administers the subsidized loans.

TABLE VIII

EMS interest rebates

Legal basis	Description
Reg. No 1736/79 and Dec. 79/691	Interest rebates on EIB and NCI loans for Ireland and Italy concentrated essentially on the financing of infrastructure projects and programmes

Chapter IX — Ad hoc *financial measures* (Table IX)

A. **Supplementary measures for the United Kingdom**

Aim

The supplementary measures form part of the agreement of 30 May 1980 on the United Kingdom contribution to the financing of the Community budget. The agreement provides for estimated net payments in favour of the United Kingdom of 2 585 million ECU to be made over the period 1980 to 1982 by means of the adapted financial mechanism and the supplementary measures. These latter must aim at the realization of certain categories of investments in the framework of special programmes lasting several years, drawn up by the United Kingdom.

Eligibility and selection criteria

Investments are eligible for Community financial participation that are undertaken by public authorities in the form of capital expenditures. They must fall in the framework of special programmes lasting several years, drawn up by the United Kingdom. As a general rule, these programmes shall relate to regions covered, on 1 January 1980, wholly or in part, by areas eligible for State regional aid. The categories of investment which can be assisted are: supply of energy, transport and communications, telecommunications, water supply and waste, industrial sites, advanced factories, and social housing and programmes of urban renewal in so far as these two categories of investment are an integral part of a programme of economic development without, however, being the dominant element.

Eligible investments have to fulfil the following criteria:

(i) they must contribute to the economic and social development of the United Kingdom;

(ii) they must contribute to Community integration;

(iii) they must ensure in a diversified manner the development of economic and social infrastructures;

(iv) they must not be incompatible with a Community policy;

(v) they must not give rise to distortions of competition.

TABLE IX

***Ad hoc* financial measures**

Supplementary measures for the United Kingdom and special earthquake measure for the south of Italy

Legal basis	Description
Reg. No 2744/80	Supplementary measures in favour of the United Kingdom
Dec. 81/19	Special earthquake measure in favour of the south of Italy (earthquake of November 1980)

Financial provisions

The Commission decides on the amount of the Community's financial contribution, for the financial year in question, to the annual tranche of expenditure on each sub-programme adopted, within the limits of the appropriations available. The amount of the Community's financial contribution to a sub-programme corresponding to a category of investments may not exceed 70% of the annual expenditure estimated for its execution.

Procedures

Programmes are drawn up and submitted to the Commission by the United Kingdom. Payments are made to the United Kingdom.

B. Special earthquake measure for the south of Italy

Aim

This Community aid, granted by way of exception, is intended to mitigate the effects of the disaster of the earthquake in November 1980 on the economic and social situation in the regions of Campania and Basilicata.

Eligibility and selection criteria

The loans are provided by the EIB or the NCI, up to a total of 1 000 million ECU, and are for the purpose of financing investments for the reconstruction of the means of production and the economic and social infrastructure in the regions affected by the earthquake.

Financial provision

The rebate rate is fixed at 3% per year for a maximum period of 12 years.

Procedures

The Commission shall grant interest rebates on projects submitted by the Italian authorities for Bank or NCI loans. When the loans are, expressed, payable or repayable in the currency of a Member State, they may be concluded only with the agreement of the competent authorities of the State.

List of addresses of national government departments dealing with the EAGGF Guidance Section

BELGIQUE/BELGIE
Ministère de l'Agriculture
Ministerie van Landbouw
rue de Stassart 36
de Stassartstraat 36
B-1040 Bruxelles
B-1040 Brussel

DANMARK
Landbrugsministeriet
Slotholmsgade 10
DK-1216 København

BR DEUTSCHLAND
Bundesministerium für Ernährung, Landwirtschaft und Forsten
Bonner Strasse 85
D-53 Bonn-Duisdorf

ΕΛΛΑΣ/ELLAS
Ὑπουργεῖο Γεωργίας
Ypourgeio Georgias
Ἀχαρνῶν 2
Aharnon 2
ΑΘΗΝΑΙ 102
Athina 102

FRANCE
Ministère de l'Agriculture
30, rue Las-Cases
F-75340 Paris

IRELAND
Department of Agriculture
IRL-Dublin 2

ITALIA
Ministero dell'agricoltura e delle foreste
Via XX Settembre 20
I-Roma

LUXEMBOURG
Directeur de l'administration des services techniques de l'agriculture
Ministère de l'Agriculture
16, route d'Esch
L-Luxembourg

NEDERLAND
Cultuurtechnische Dienst
Maliebaan 21
NL-Utrecht

UNITED KINGDOM
Ministry of Agriculture, Fisheries and Food
Great Westminster House
Horseferry Road
UK-London SW1 P2A

List of addresses of national government departments dealing with the European Social Fund

BELGIQUE/BELGIE
Ministère de l'Emploi et du Travail
Ministerie van Tewerkstelling en Arbeid
Administration de l'Emploi
Administratie van de Werkgelegenheid
Rue Belliard, 53
Belliardstraat 53
B-1040 Bruxelles
B-1040 Brussel

DANMARK
Arbejdsministeriet
Laksegade 19
DK-1063 København K.

BR DEUTSCHLAND
Bundesministerium für Arbeit und Sozialordn.
Rochusstrasse 1
D-5300 Bonn-Duisdorf

ΕΛΛΑΣ/ELLAS
Ὑπουργεῖο Ἐργασίας
Ypourgeio Ergasias
Ὑπηρεσία Σχέσεων μέ τίς Εὐρωπαϊκές Κοινότητες (ΥΣΕΚ)
Ypiresia Sheseon me tis Evropaîkes Koinotites (YSEK)
Πειραιῶς 40
Peireos 40
ΑΘΗΝΑΙ
Athina

FRANCE
Ministère du Travail
Service des affaires relatives au Fonds social européen
14, avenue Duquesne
F-75008 Paris

IRELAND
Department of Labour
IRL-Dublin 4

ITALIA
Ministero del Lavoro
Via Flavia, 6
I-Roma

LUXEMBOURG
Ministère du Travail et de la Sécurité sociale
57, boulevard de la Pétrusse
L-Luxembourg

NEDERLAND
Ministerie van Sociale Zaken
Volmerlaan 1
NL-Rijswijk (Z.-H.)

UNITED KINGDOM
Department of Employment
8, St James Square
UK-London SW1

List of addresses of national government departments dealing with the European Regional Development Fund

BELGIQUE/BELGIE
Ministère des Affaires économiques,
Expansion économique
Ministerie van Economische Zaken,
Economische Expansie
Rue de l'Industrie, 10
Nijverheidsstraat 10
B-1040 Bruxelles
B-1040 Brussel

DANMARK
Direktoratet for Egnsudvikling
Søndergade 25
DK-8600 Silkeborg

Handelsministeriet
2, afdeling 6, kontor
Slotsholmsgade 12
DK-1216 København K.

BR DEUTSCHLAND
Bundesministerium für Wirtschaft
Villemonbler Strasse 76
D-5300 Bonn-Duisdorf

ΕΛΛΑΣ/ELLAS
Ὑπουργεῖο Συντονισμοῦ
Ypourgeio Syntonismou
Πλατεῖα Συντάγματος
Platia Syntagmatos
ΑΘΗΝΑΙ
ATHINA

FRANCE
Préfecture du Département

IRELAND
Department of Finance
Government Buildings
Upper Merrion Street
IRL-Dublin 2

ITALIA
Ministerio per gli interventi straordinari nel Mezzogiorno
Via Boncompagni 30
I-Roma

LUXEMBOURG
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Luxembourg: Office for Official Publications of the European Communities

1981 — 83 pp., 14 tab., 6 ill. — 16.2 × 22.9 cm

European Documentation Series — 7-8/1981

DA, DE, GR, EN, FR, IT, NL

ISBN 92-825-2633-X

Catalogue number: CB-NC-81-008-EN-C

Price (excluding VAT) in Luxembourg
ECU 0.98 BFR 40 IRL/UKL 0.65 USD 1.30

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OF THE EUROPEAN COMMUNITIES

L-2985 Luxembourg

ISBN 92-825-2633-X

Catalogue number: CB-NC-81-008-EN-C