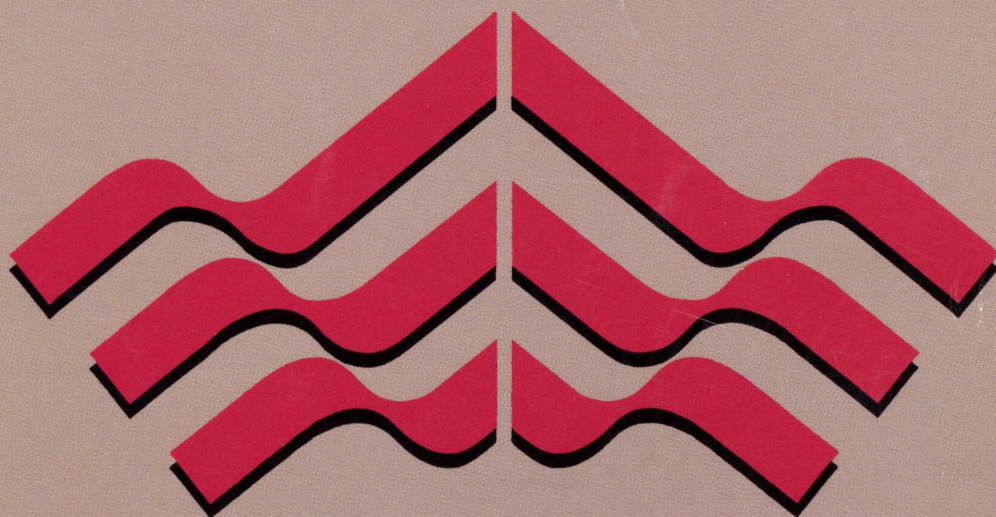


COMMISSION OF THE EUROPEAN COMMUNITIES

# GUIDE

## TO THE REFORM OF THE COMMUNITY'S STRUCTURAL FUNDS



DOCUMENT



COMMISSION OF THE EUROPEAN COMMUNITIES

# **GUIDE**

**to the reform of the  
Community's structural Funds**

DOCUMENT

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# **Foreword**

## **by Mr Christophersen**

### **Vice-President of the Commission**

This *Guide to the reform of the Community's structural Funds* is designed to help all those who, in their occupation, require access to concise and clear information on the matter.

The reform of the structural Funds must be viewed against the background of the Single European Act. It provides one of the key components of the Community's economic and social cohesion so rightly advocated by the Single Act. Attainment of this objective necessitates the mobilization of human resources, from now on facilitated by partnership, and of financial resources, now to be put to better use.

It also means that greater account will need to be taken of macroeconomic constraints when the policies underpinning the large internal market are implemented. Finally, it calls for flexibility and a capacity to adjust to the diversity of situations and changes in them. Community assistance must not be monolithic or technocratic but must, in the interests of the recipients, be tailored very closely to realities on the ground.

After giving a general account of the reform of the structural Funds, the guide sets out the main principles underlying it and then goes on to describe the specific operational arrangements.

The extent to which these indissociable principles are observed will very largely determine the success or otherwise of this long-term effort, which should also contribute to the convergence of the Member States' economic performances.



Henning Christophersen





# Introduction

This *Guide to the reform of the Community's structural Funds* is divided into three parts:

- (i) Part I provides a general account of the reform;
- (ii) Part II concentrates on the main principles underlying the reform and is thus intended to facilitate a proper understanding of the legislation and consistent application of the operational arrangements;
- (iii) Part III deals with the operational arrangements; the four different stages of Community involvement are set out:
  - (1) preparation of plans;
  - (2) Community support frameworks;
  - (3) the operational stage proper;
  - (4) monitoring and assessment.

The basic regulations governing the reform of the structural Funds are annexed to the guide, together with a number of maps showing the eligible areas.



## General

### A. The background to reform of the structural Funds

The reform of the structural Funds is not fortuitous. It has been undertaken in response to a series of events which have changed the Community while at the same time opening up new prospects. Firstly, the enlargement of the Community to include Spain and Portugal has prompted a radical revision of the way in which the Community operates; secondly, the Single European Act has made promotion of the Community's economic and social cohesion a key requirement.

But the reform of the structural Funds is also part of the continuous efforts made in recent years to make the Community's structural action more effective. For some time now, the Community has been attempting, in a particularly tight budgetary situation, to improve its administration of a volume of assistance which now totals ECU 21 billion a year and which is divided roughly equally between loans and grants (see box).

Thus, for example:

- (i) the Community has tried to concentrate its assistance in those regions and sectors experiencing the greatest difficulties, in some cases channelling substantial flows of resources to the least prosperous Member States;
- (ii) an overall view of assistance has been obtained thanks to improved coordination of the structural instruments;
- (iii) a programme-based approach has also been adopted by some instruments, in particular the ERDF;
- (iv) the integrated approach has been used widely to enhance the impact of the structural instruments: the aim here is to target certain Community instruments (for example, the ERDF, the ESF, the EIB and the ECSC) together with national instruments on areas experiencing serious difficulties; the IMPs (integrated Mediterranean programmes) and the IDOs (integrated development operations) are the best-known examples of an integrated approach.

Yet the accession of Spain and Portugal has brought a further substantial widening of regional disparities, which were already considerable in the Community of Ten. This most recent enlargement has in particular led to a doubling of the population of the least-favoured regions (those with a per capita GDP of less than 50 % of the Community average) and to an increased need for Member States to adjust: levels of development and unemployment, importance of declining industries, relative share of the agricultural sector, peripheral situation, single market, etc.

Furthermore, despite the efforts described, the differences in procedures between the various mechanisms for providing assistance have been increasingly seen by users as a source of complexity and unwieldiness.

## THE STRUCTURAL INSTRUMENTS

These are the financial mechanisms administered by the European Commission and the European Investment Bank, which can help to fund measures or projects carried out within the Community and meeting common objectives: economic development of the regions, promotion of employment, environmental protection, energy conservation and new sources of energy, provision of linking infrastructures, adaptation of activity sectors (agriculture, fisheries, steel, etc.).

They break down into instruments making grants and instruments making loans:

(a) *Grants* are made mainly by the three structural Funds:

- (i) the European Regional Development Fund (ERDF), which was set up in 1975 to help reduce regional imbalances in the Community (1989 commitments: ECU 4.5 billion);
- (ii) the European Social Fund (ESF), which has the task of promoting job opportunities for workers (1989 commitments: ECU 3.5 billion);
- (iii) the European Agricultural Guidance and Guarantee Fund (EAGGF), Guidance Section, which, as part of the reform of the common agricultural policy, aims to speed up the adaptation of agricultural structures and to contribute to the development of rural areas (1989 commitments: ECU 1.5 billion).

Grants are also provided to promote structural policies in the following areas: fisheries, environment, transport infrastructure, energy, etc.

(b) The Community can place its borrowing capacity at the disposal of economic operators by granting Community *loans* through:

- (i) the European Investment Bank (EIB);
- (ii) the New Community Instrument (NCI);
- (iii) the European Coal and Steel Community (ECSC), some of whose loans may carry interest subsidies;
- (iv) the European Atomic Energy Community (Euratom).

These loans are granted at market rates and provide an important additional source of funding for investors.

The total volume of this financial assistance is appreciable; it amounted to approximately *ECU 20 billion in 1988* (grants from the three structural Funds accounting for ECU 7.7 billion). These figures compare with a Community budget total of ECU 45 billion for the 1988 financial year and agricultural market support of ECU 27 billion in the same year.

## B. The reform

With the internal market to be completed by 31 December 1992, a comprehensive reform was made necessary by three imperatives:

### 1. A political imperative

The Single Act clearly establishes the principle, hitherto implicit in the EEC Treaty, of solidarity between Member States. The emphasis placed on economic and social cohesion is further reinforced by the problems of adapting to the large inter-

nal market by 1993. As an essential corollary of the completion of the frontier-free market, economic and social cohesion forms part of an overall strategy designed to promote the harmonious development of the Community as a whole.

It requires not only increasing convergence of Member States' economic policies but also a reduction in regional disparities. This made reform of the Funds essential if they were to become true instruments for promoting economic and social development.

## **2. An economic imperative**

- (i) Regional disparities had to be reduced (an objective supported both by regions lagging behind in their development and by the most prosperous regions, which see it as holding out the prospect of further growth).
- (ii) Steps had to be taken to improve the administration of Community public funds, which in effect constitute a levy on the people of Europe.

## **3. A legal imperative**

Pursuant to Article 130d of the EEC Treaty as amended by the Single European Act, a reform of the structural Funds had to be undertaken to increase their efficiency with a view to promoting the Community's economic and social cohesion (see box).

### **THE SINGLE EUROPEAN ACT AND THE REFORM OF THE STRUCTURAL FUNDS (New Title V of the EEC Treaty)**

*Article 130a* defines the objectives of economic and social cohesion: the harmonious development of the Community and a reduction in disparities between the various regions and the backwardness of the least-favoured regions.

*Article 130b* specifies the means of achieving these objectives: coordination of Member States' economic policies, common policies and the internal market, structural instruments.

*Article 130c* incorporates the ERDF into the EEC Treaty and defines its tasks: helping to redress the principal regional imbalances through participating in the development of regions whose development is lagging behind and in the conversion of declining industrial regions.

*Article 130d* calls for reform of the structural Funds, particularly through a framework regulation on the tasks of the structural Funds and their effectiveness and on coordination of their activities between themselves and with the operations of the EIB and the other existing financial instruments.

*Article 130e* requires legislation to be adopted to implement the above framework regulation.

**NB:**

The reform, which came into force on 1 January 1989, mainly focuses on the three structural Funds (ERDF, ESF and EAGGF), whose operational rules have been amended (see boxes). However, it is in fact a reform of the Community's structural action (grants and loans) that has to be taken to promote economic and social cohesion (see annexed legislation relating to the reform of the structural Funds).

But the reform of the structural Funds is not the only means of reinforcing the Community's economic and social cohesion: Member States must themselves contribute to the achievement of this objective by bringing their economic policies closer together, and the Community must take account of this necessary cohesion in formulating its common policies.

# **Broad principles underlying the reform of the Community's structural Funds**

## **A. The main focus**

This is set out in the communication entitled 'Making a success of the Single Act — a new frontier for Europe', which has been dubbed the 'Delors plan' after the current President of the European Commission.

Adopted in February 1987, this communication describes the Commission's new thinking in response to the prospects opened up by the Single European Act.

On the question of the reform of the structural Funds, the communication stresses that these must be made 'instruments of economic development'. The structural policies should enable all the Community's regions to share increasingly in the major economic benefits derived from the frontier-free market. To that end, Community instruments should play, alongside national and regional policies and in harmony with them, an important role in promoting the convergence of economies.

The thrust of the back-up policies is a pragmatic one, the aim being to develop policies which have a real economic impact.

Experience also demonstrates the importance of regional and local initiatives, since no centralized or systematic organization of development action can take full account of the diversity of local situations. It further shows that the virtuous circle of development is facilitated by the implementation of medium-term programmes providing a coherent framework.

The crucial principles which should in future govern the Community's structural action are greater economic realism in what the Community does and improved coordination with national policies, leaving maximum scope for decentralized measures.

## **B. The five principles**

Even though some principles are more important than others, their impact depends very much on their indissociable nature, since they complement each other and form a whole.

### **1. Assistance concentrated on five priority objectives**

The aim is to focus Community structural action both on those regions and areas experiencing the greatest difficulties (Objectives 1, 2 and 5(b)) and on priority fields (Objectives 3, 4 and 5(a)).

## **In broad outline:**

### *Objective 1:*

Promoting the development and adjustment of the regions whose development is lagging behind (i.e. where per capita GDP is less than, or close to, 75% of the Community average)  
(list revised every five years — see annexed map)

### *Main instruments which may be used:*

ERDF, ESF, EAGGF, Guidance Section, and EIB principally, ECSC (80% of ERDF resources are devoted to these regions)

### *Objective 2:*

Converting the regions, frontier regions or parts of regions (including employment areas and urban communities) seriously affected by industrial decline (criteria: average unemployment rate above the Community average, industrial employment rate above the Community average, decline in industrial employment)  
(list revised every three years — see annexed map)

ERDF, ESF, EIB, ECSC

### *Objective 3:*

Combating long-term unemployment (above the age of 25, unemployed for more than 12 months)

ESF, EIB, ECSC

### *Objective 4:*

Facilitating the occupational integration of young people (job-seekers below the age of 25)

ESF, EIB, ECSC

### *Objective 5:*

With a view to the reform of the common agricultural policy:

5 (a): adapting production, processing and marketing structures in agriculture and forestry;

EAGGF, Guidance Section, only

5 (b): promoting the development of rural areas.  
Criteria: agricultural employment accounting for a high proportion of total employment; low level of agricultural income; low level of socio-economic development in terms of per capita GDP

EAGGF, Guidance Section, ERDF, ESF, EIB

(see annexed map)

Concentration on these priority objectives requires a continuing effort to coordinate not only the financial instruments but also the back-up policies they serve.

With the exception of integrated approach financing, the financial instruments have hitherto operated separately. The reform of the Funds opens the way to a global approach which should make it easier to achieve the priority objectives and to administer more effectively the substantial growth in the financial resources to be allocated to the Community's structural action from now on.

## **2. Partnership**

Partnership is the key principle underlying the reform of the Funds in that it determines the implementation of the other principles. The framework Regulation defines it as 'close consultation between the Commission, the Member States concerned and the competent authorities designated by the latter at national, regional, local or other level, with each party acting as a partner in pursuit of a



common goal'. According to the same Regulation, partnership also covers 'the preparation, financing, monitoring and assessment of operations'.

Partnership reflects the principle of subsidiarity. In accordance with that principle, the Commission believes that its structural action should seek to *complement* measures in the field. There needs to be permanent dialogue between the Commission and the Member State concerned to increase efficiency through the sharing of tasks and a pooling of the human resources involved in the Community's structural action (official partnership). But Community structural action depends, for its implementation, not only on the national and regional authorities but also on the various economic and social partners (chambers of commerce, industry and agriculture, trade unions, employers, etc.). This is a further aspect of partnership which can be fruitful and which should not be neglected. Thus, mobilization of the lending instruments is generally prompted by investors and financial intermediaries, whether public or private. The advantage of broadly based partnership is that it will enable these economic operators to have their operations fitted into the strategies and programmes formulated by the competent authorities.

Practical applications of partnership are:

- (i) preparation of the plans for which maximum consultation is required;
- (ii) negotiation of the Community support frameworks;
- (iii) implementation of the operational programmes at a highly decentralized level and the award of global grants;
- (iv) monitoring and assessment of measures taken.

The nature of partnership will depend on the institutional structures and traditions of each Member State. It will therefore necessarily take many forms.

Its quality, however, will be crucial to the success or failure of the reform, since, without a dialogue with the institutional authorities and the economic operators concerned, it would seem to be impossible to achieve the ambitious objectives the Community has set for itself.

The partnership arrangements should also lead to some decentralization of the Community's structural action, enabling it to be geared more closely to realities in the field, both in assessing needs and in implementing measures.

### **3. Consistency, particularly with the Member States' economic policies**

In fitting its structural action into the overall operation of the Community, the Commission also seeks to ensure that it is consistent with the strategies adopted at local, regional and national levels.

The Single Act itself calls for a comprehensive approach to achieving economic and social cohesion in the Community. Article 130b (see box on the Single Act) sets out the means of achieving this: reform of the structural Funds but also coordination of Member States' economic policies and concern for cohesion in the implementation of common policies and the internal market.

Coordination of economic policies is clearly designed to promote the convergence of Member States' economic performances, a precondition of economic and monetary union. It is equally clear that the assistance operations of the structural Funds will be all the more effective if they are carried out in a favourable economic context. The decisions taken by all economic agents, particularly decisions on in-

vestment, are frequently influenced by the general economic situation: growth, return on capital, inflation and interest rates, level of public investment, etc.

It is for this reason that the Commission will attach special importance to the dialogue it conducts with Member States on economic policy issues within the framework of its responsibilities in this field. Moreover, the coordinating Regulation stipulates that the plans and Community support frameworks must provide information for assessing the extent to which structural measures are linked to, and consistent with, the economic and social policies of the Member State concerned.

The plans and Community support will accordingly supply the information needed to establish the link between the assistance priorities of the structural Funds and the Member States' economic policy choices. In this way, maximum synergy will be achieved between Community structural action and national measures.

#### **4. Improved administration of the Funds**

Following the agreement reached on the reform of the Funds at the European Council meeting in Brussels on 13 and 14 February 1988, the commitment appropriations of the three structural Funds are to be doubled, in real terms, between 1987 and 1993. In ecu terms (base 1988), they will therefore rise from ECU 7 billion to ECU 14 billion (see box on financial resources).

## FINANCIAL RESOURCES

### **1. The reform of the Funds substantially increases the financial resources available for structural action by the Community.**

Firstly, the commitment appropriations of the three structural Funds are to be doubled, in real terms, between 1987 and 1993. They will therefore increase from approximately ECU 7 billion to ECU 14 billion (at 1988 prices).

Secondly:

- pursuit of the objective of economic and social cohesion should mobilize Community budgetary resources other than those provided by the structural Funds alone;
- the substantial increase in budgetary resources should also have a leverage effect on the Community loans granted by the EIB and the ECSC, particularly through the arrangements to combine grants and loans (see separate box).

### **2. The regions covered by Objective 1 should benefit significantly from this increase in resources, particularly from those coming from the three structural Funds.**

By 1992, the assistance provided by the structural Funds for the countries and regions covered by Objective 1 is to be doubled in real terms compared with 1987.

On that basis, an indicative breakdown can be made of the commitment appropriations for financing flows from the three structural Funds (see annexed table) to those regions in 1993: they are to receive more than ECU 9 billion of the ECU 14 billion (1988 prices) to be made available.

Finally, the ERDF may devote approximately 80% of its appropriations to Objective 1.

However, the assistance which Objective 1 countries and regions are to receive from the Funds in connection with Objectives 2, 3, 4 and 5(a) will be charged against the ECU 9 billion or so earmarked for them in the budget by 1993.

### **3. Some degree of planning of the flow of appropriations from the three structural Funds should facilitate assistance operations in the regions concerned.**

The plans will be subject to review. Intended as a guide and covering a period of five years, they involve:

- (i) a projection of the appropriations needed for the three structural Funds taken together, making it possible to break down the flows by objective (see annexed table);
- (ii) the allocation among the Member States, based on the three priority objectives for which the ERDF is to provide assistance, of 85% of the commitment appropriations of that structural Fund; the remainder (15%) may, at the Commission's discretion, be made available to the Member States to help finance measures which are of particular benefit to the Community and which are not covered in the plans submitted.

**INDICATIVE BREAKDOWN BY PRIORITY OBJECTIVE<sup>1</sup>**  
(covers all the Funds)

*(ECU billion, 1988 prices)*

Regions	1987	1988	1989	1990	1991	1992	1993
Objective 1	—	—	5.6	6.6	7.4	8.2	9.2
Objective 2	—	—	1.0	1.2	1.3	1.4	1.5
Objectives 3 and 4	—	—	1.2	1.2	1.4	1.6	1.8
Objective 5(a)	—	—	0.6	0.6	0.7	0.7	0.7
Objective 5(b)	—	—	0.3	0.3	0.5	0.7	0.9
Total for all objectives	—	—	8.7	9.9	11.3	12.6	14.1
Transitional and innovative measures (1989 to 1993)	—	—	0.3	0.4	0.3	0.3	0.4
Total for all Funds	7.2	7.7	9.0	10.3	11.6	12.9	14.5

<sup>1</sup> Breakdown from the 1989 preliminary draft budget.

**BREAKDOWN BY MEMBER STATE OF 85% OF THE ERDF'S  
COMMITMENT APPROPRIATIONS**  
(Indicative breakdown for a period of five years)

(i) ERDF assistance under *Objective 1*

Belgium	—
Denmark	—
Germany	—
Greece	16.2
Spain	32.6
France	2.1
Ireland	5.4
Italy	24.5
Luxembourg	—
Netherlands	—
Portugal	17.5
United Kingdom	1.7
Total	100.0

(ii) ERDF assistance under *Objective 2*

Belgium	4.3
Denmark	0.4
Germany	8.9
Greece	—
Spain	20.7
France	18.3
Ireland	—
Italy	6.3
Luxembourg	0.2
Netherlands	2.6
Portugal	—
United Kingdom	38.3
Total	100.0

(iii) ERDF assistance under *Objective 5(b)*

Belgium	1.2
Denmark	0.7
Germany	27.5
Greece	—
Spain	7.2
France	37.2
Ireland	—
Italy	16.4
Luxembourg	0.1
Netherlands	2.2
Portugal	—
United Kingdom	7.5
Total	100.0

This breakdown is purely indicative and is therefore without prejudice to the actual amounts subsequently agreed in the Community support frameworks. It is intended simply to facilitate the planning of assistance operations in the regions concerned.

*NB:* This breakdown relates only to the ERDF. In the case of the other Funds, there is no indicative breakdown by country.

Within this overall objective, the structural Funds' contributions to the Member States and regions covered by Objective 1 are to be doubled, also in real terms, between 1987 and 1992.

In order to reinforce its impact still further, this doubling of resources is to be accompanied by a more rigorous approach to their administration. This is essential if further adequate financial resources are to be obtained from the budgetary authority in 1993.

The reform therefore sets out to achieve a better combination of Community loans and grants so as to secure maximum value for money from each ecu invested. Undertaken in the context of the Community support frameworks, the search for

**MIX OF GRANTS AND LOANS**  
(and ceilings on assistance)

**A. Principles**

In the interests of efficiency, the various Community instruments must be combined in such a way as to provide the method of funding best suited to the type of measure in question. In practice, this means attempting to achieve a mix of loans and grants which is both judicious and economical in terms of budgetary resources.

One main yardstick must be the financial return on the industrial or infrastructure investment projects eligible for Community assistance in the form of a loan and/or a grant.

The grant/loan mix is determined in conjunction with the EIB when the Community support framework is being established. It also involves the other Community lending instruments, including the ECSC.

The rates of assistance from the Funds to be applied to the individual measures within operational programmes may also be varied under the partnership arrangements.

EIB financing supplied directly for a major project or through a financial institution (global loan) for small or medium-sized projects may provide the promoter with the additional funding he needs.

## **B. Implementation**

1. In the regions covered by Objective 1, grants from the Funds for investments in firms may not exceed 50% of the total cost, or less in those Member States subject to stricter aid arrangements under the Community rules on competition.

In the other regions, this ceiling is reduced to 30% and is well below that level in those Member States required to apply stricter public aid arrangements by the Community rules on competition.

2. In the case of infrastructure projects, the grant/loan mix is varied in line with their capacity to generate revenue.

Projects producing substantial revenue, such as those relating to telecommunications, energy and inter-urban transport of Community or national interest, are subject to a ceiling on the level of the Community grant. This ceiling of course varies according to the situations of the areas eligible for assistance under Objectives 1, 2 and 5(b).

Investment projects yielding limited revenue (such as water engineering and urban transport infrastructures) and those yielding no revenue (such as toll-free roads or medical, cultural or educational infrastructures) are not subject to any specific ceilings other than those which apply to all Community assistance from the structural Funds. However, the principle that budgetary assistance must be lower the higher the financial return on the project also applies to this type of investment.

## **C. Aggregate level of grants and loans**

The aggregate level of grants and loans must also be compatible with the rules governing simultaneous application of different types of assistance. In the case of projects in which the EIB and the other Community financial instruments are involved, the ceilings on Community assistance are generally fixed as a proportion of the total cost as follows:

- (i) 50% for loans, whether these are loans granted by a single Community financial instrument or the sum of the loans provided by a number of those instruments;
- (ii) 70% in the case of the combination of Community loans and grants for the financing of a single project; this ceiling may be exceeded in duly justified cases, although the level of 90% must not be exceeded.

this optimum combination must make use of financial engineering techniques and take due account of the financial profitability of the projects eligible for Community assistance in the form of a loan and/or a grant. This approach should lead, among other things, to differentiation of the rates of Community assistance from the Funds. It should also make it possible to bring in other financial institutions wherever possible. Besides the additional resources they would contribute, these financial 'partners' could provide expertise, particularly in the fields of regional development and financial engineering (e.g. provision of equity and venture capital).

Better use of budgetary resources will also be achieved through the implementation of certain other measures proposed as part of the reform of the Funds:

- (i) multiannual budgetary planning (see box);

## PROGRAMMING

The reform of the structural Funds involves a switch from a project-based to a programme-based approach.

This new approach should make it possible to give Community action the necessary depth and width, while at the same time allowing greater flexibility. Community operations that are spread over a number of years, with joint action by the Funds, the EIB and the other financial instruments, will be better able to respond to changing economic and social realities. Programming should thus facilitate:

- (i) some degree of decentralization of the management of Community assistance, itself encouraged by the partnership arrangements;
- (ii) predictability of Community assistance, which will stimulate investment;
- (iii) improved assessment of Community assistance;
- (iv) better administration of applications for assistance.

Programming will also make it possible to take a coherent overall medium-term view of the operations to be mounted in pursuit of each priority objective and to establish a framework for the coordination of these operations.

- (ii) increased transparency;
- (iii) additionality of Community resources in relation to the other public sector contributions;

## ADDITIONALITY

As a result of the doubling of the structural Funds' endowment, a large volume of budgetary resources will be channelled to a limited number of regions.

In establishing and implementing the Community support frameworks, the Commission and the Member States will have to ensure that the annual increase in the appropriations for the Funds results in at least an equivalent increase in the total volume of official or similar (Community and national) structural aid in the Member State concerned, taking into account the macroeconomic circumstances in which the funding takes place.

While the additionality arrangements will be appraised on a case-by-case basis when the Community support frameworks are drawn up, a monitoring system needs to be set up as of now to assess the extent to which the Community effort is matched at national level.

- (iv) provisions designed to prevent duplication and overlapping of assistance from the different Funds;
- (v) budgetary discipline rules in the broad sense;
- (vi) systematic *ex ante* and *ex post* assessment of the Community's structural action at macro-, meso- and microeconomic levels.

## 5. Simplification, monitoring and flexibility

The new Regulations should help simplify the Community's structural action. In implementing them, it is necessary to go still further and to simplify procedures, since too much red tape can impair the effectiveness of the system as a whole and complexity sometimes provides opportunities for fraud.

Simplification has been assured in the first place through uniformity of the procedures under which assistance is provided by the three structural Funds, although each of these retains certain features specific to it.

It is also important to know how Community money is spent and whether it has been spent correctly. The machinery for monitoring and assessing Community structural action will be effective only if the partnership arrangements function satisfactorily.

The Community's structural action should be a virtually permanent exercise in balancing needs expressed, existing financial instruments and available resources.

This monitoring may also give rise to adaptations to cyclical and structural change at all levels:

- (i) the Community support framework may have to be amended each year;
- (ii) the operational programmes will permit promoters to take account of changes which have occurred;
- (iii) the organizations receiving global loans will be able to adapt assistance flows regularly.

The many different sources of technical assistance provided by the reform of the Funds should facilitate this process, provided that their use is itself consistent with these broad principles.

**THE NEW REGULATION CONCERNING THE EUROPEAN REGIONAL  
DEVELOPMENT FUND  
(EEC) No 4254/88 of 19 December 1988**

According to the Single Act, the ERDF is intended to help redress the principal regional imbalances in the Community through participating in the development and structural adjustment of regions whose development is lagging behind and in the conversion of declining industrial regions. ERDF assistance is thus directed towards Objectives 1, 2 and 5(b).

In this context the ERDF will help to strengthen the economic potential of the regions, support structural adjustment and growth and create permanent jobs. In order to achieve these objectives, it will contribute to the financing of productive investment, infrastructure investment and measures designed to develop the indigenous potential of the regions (business environment and exploitation of local resources).

In addition, the ERDF will help to promote regional development at Community level by means of studies and pilot schemes, involving in particular the use of the Community territory and the problems of frontier regions.

The Commission will continue to prepare periodic reports on the social and economic situation and development of the regions with a view to assessing the impact of regional policy and identifying guidelines for future policy.



**THE NEW REGULATION CONCERNING  
THE EUROPEAN SOCIAL FUND  
(EEC) No 4255/88 of 19 December 1988**

The ESF contributes to the financing of two types of measure:

- (a) vocational training operations, accompanied where necessary by vocational guidance;
- (b) subsidies towards recruitment into newly created stable jobs and toward the creation of self-employed activities.

These measures can be fitted into the various objectives of the reform of the Funds as follows:

**Objectives according to categories of person**

- (a) combating long-term unemployment by means of the occupational integration of persons aged over 25 who have been unemployed for more than 12 months (Objective 3);
- (b) facilitating the occupational integration of persons under 25 from the age at which compulsory full-time schooling ends, however long or short the period during which they have been seeking employment (Objective 4).

For these two objectives, the Commission adopts guidelines which establish the training and employment policies covering measures that may be eligible for ESF assistance. The current guidelines give priority to transnational operations, to training in advanced technologies and to innovative measures to assist those categories of person who have special difficulty in finding employment (women, migrant workers, handicapped persons).

**Measures according to regions**

These are measures which come under the 'regional' priorities (Objectives 1, 2 and 5(b)), which are incorporated in the plans or operations of the other Funds and which are designed to promote stable employment and to develop new employment opportunities for the unemployed, persons threatened with unemployment and persons employed in small and medium-sized enterprises.

**THE NEW REGULATION CONCERNING THE EUROPEAN  
AGRICULTURAL GUIDANCE AND GUARANTEE FUND (EAGGF)  
GUIDANCE SECTION  
(EEC) No 4256/88 of 19 December 1988**

This Fund provides financing under Objectives 1, 5(a) and 5(b). It is concerned with the adjustment, reorganization and strengthening of agricultural structures and with their continued development.

The main categories of assistance provided are as follows:

**Objective 5(a):**

- (i) measures accompanying the market policy that help re-establish a balance between production and market capacity (set-aside schemes, afforestation, abandonment of certain types of production, etc.);
- (ii) measures to assist the modernization and adjustment of production structures (reorganization of holdings, installation of young farmers, early retirement, etc.);
- (iii) measures to promote the improvement of the structures for processing and marketing agricultural and fishery<sup>1</sup> products (investment projects, producers' associations, etc.);
- (iv) protection and preservation of the environment;
- (v) measures to support farm incomes (income aid, compensatory allowances in less-favoured and mountain areas).

**Objectives 5(b) and 1:**

the development of rural areas (preservation of the countryside and the environment, rural and tourist infrastructures, development of forestry activities, etc.)

In the case of surplus production sectors, provision is made for restrictions or even exclusions.

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<sup>1</sup> See box on fisheries and aquaculture.

## STRUCTURAL MEASURES RELATING TO FISHERIES AND AQUACULTURE

**Two separate regulations are involved here:**

1. Regulation (EEC) No 4028/86: a financial instrument separate from the structural Funds:

It is concerned with multinational assistance (individual projects) for the building or modernization of fishing vessels and the development of aquaculture; it is also concerned with port installation projects which are not covered by the ERDF (infrastructure) or by the processing and marketing measures.

2. A new Regulation on the processing and marketing of fishery and aquaculture products, which is to be incorporated into the reform of the structural Funds (particularly as regards the operational arrangements).

*NB:* These new arrangements will not come into force until 1990 (projects submitted in accordance with the previous rules — i.e. under the EAGGF Regulation — may still be appraised in 1990 pending the preparation of the Community support frameworks).

As from 1990, the EAGGF will no longer provide assistance in the fishery sector.

## EUROPEAN INVESTMENT BANK (EIB)

In terms of the volume of funding provided, the EIB is the Community's main structural instrument. It raises the bulk of its resources on the capital markets and grants loans, at market rates, for:

- (a) productive investment and infrastructure investment contributing to the economic development of the less-privileged regions; the Bank's lending to areas whose development is lagging behind or whose industries are in decline accounts for some 60% of its total funding (i.e. approximately ECU 5 billion). Two thirds of this funding goes to regions covered by Objective 1 (see p. 17);
- (b) investment projects of common interest to a number of Member States or to the Community as a whole; also projects concerned with the modernization or conversion of firms or with the creation of new activities; in these areas, the Bank contributes to the attainment of the Community's energy policy objectives and the financing of large-scale infrastructure projects of common interest and environmental measures.

The EIB makes direct loans but also finances smaller projects through the use of global loans designed to encourage investment by small and medium-sized enterprises or to promote the development of small-scale infrastructures. In this latter case, the EIB makes a global loan to a financial institution, which then sub-allocates loans.

Its operations under the New Community Instrument (NCI), which has a sectoral focus, virtually all take the form of global loans.

Though an autonomous institution, the EIB naturally helps in achieving economic and social cohesion as it plays an active role in the operational procedures introduced by the reform of the structural Funds. It is particularly involved in determining the loan/grant mix as part of the preparation of the Community support frameworks (see box).

### ECSC LOANS

The European Coal and Steel Community grants loans:

- (a) either to coal and steel industries to facilitate their modernization and the marketing and consumption of coal and steel products (Article 54 of the ECSC Treaty); some of these loans help to finance large-scale infrastructure projects of European interest which use Community steel;
- (b) or to investors who, by creating new and economically sound activities, are capable of reabsorbing redundant ECSC workers into productive employment (Article 56).

These loans are granted, either directly or in the form of global loans, to firms (especially small and medium-sized ones) or to public organizations. Loans granted under Article 56 (conversion) and some granted under Article 54 (industry) may, subject to certain conditions, be eligible for interest subsidies. (In the case of conversion loans, the interest subsidy is linked to the creation of permanent jobs.)

The ECSC also contributes to the attainment of economic and social cohesion through its role in the operational procedures introduced by the reform of the Funds. It is particularly involved in determining the grant/loan mix (see box).

## Operational arrangements

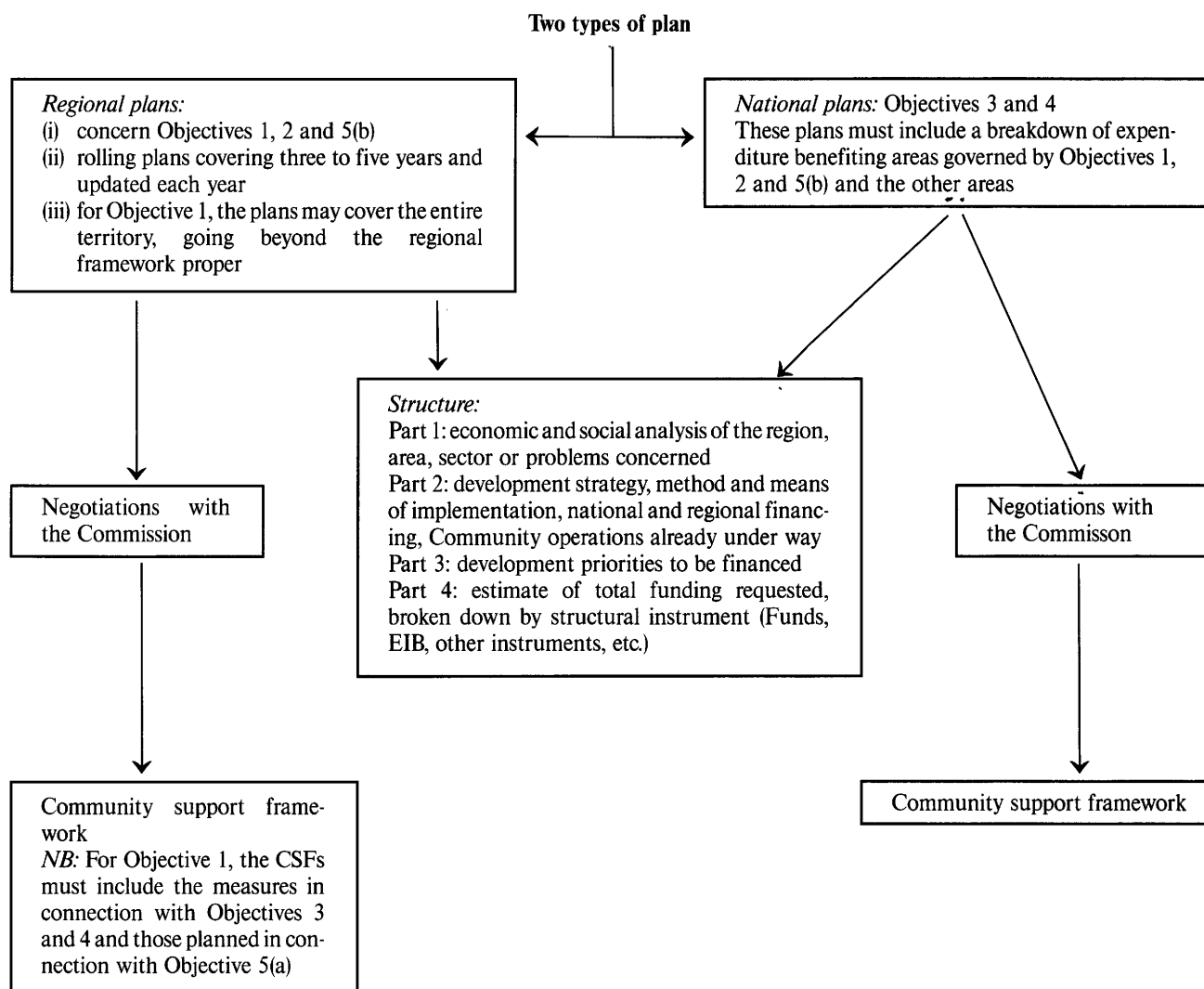
The new procedure is in four stages, and these, while being easily distinguishable, overlap in some respects:

- (i) requirements are spelt out in multiannual plans (covering three to five years depending on the objective) by Member States or by the competent national, regional or other authorities designated by them;
- (ii) priorities are determined in the Community support frameworks (CSFs) by the Commission, working in close association with Member States and with the competent national, regional, local or other authorities designated by them;
- (iii) the operational stage proper is again based on partnership between the Commission and the Member State concerned and/or the competent authorities designated by the latter; it involves implementation of the CSFs through the use of the appropriate forms of assistance;
- (iv) the CSFs and the assistance granted are monitored and assessed jointly by the Commission and the Member States, and operations are then adjusted if necessary.

The shape of the different stages and their smooth implementation depend in large measure on the quality of the official and unofficial dialogue established between the various parties concerned.

## Stage 1

### Preparation of development plans by the national authorities, in partnership with the regional and local authorities concerned



#### TIMETABLE FOR SUBMISSION OF PLANS

The plans in connection with Objective 1 were submitted to the Commission for the first time on 31 March 1989.

The plans in connection with Objectives 2 and 5(b) would also have been due on that date if it had been possible to establish in January 1989 the list of eligible areas. It has taken longer than anticipated for the Commission to consult the Member States concerned.

In view of the parallelism of the procedures, the plans in connection with Objective 2 are now to be submitted at the latest some two months after the list of eligible areas has been officially established, that is to say, towards the middle of May.

For the plans in connection with Objective 5(b), a four-month extension to around the middle of September has been granted.

The plans in connection with Objectives 3 and 4 are to be submitted at the latest towards the middle of June, i.e. four months after adoption of the ESF guidelines.

*NB:*

The information relating to the economic and social analysis will have to be provided especially for the countries and regions eligible for assistance under Objective 1 as this objective receives the largest financial allocation (see box on financial resources).

The plans are drawn up at the appropriate geographical level:

- (i) Regional development plans (Objective 1) are normally to cover one region ('NUTS level II'). However, the Member States that will be the main beneficiaries of assistance under Objective 1 (Ireland, Greece, Portugal) may submit plans drawn up at national level with a view to achieving the best possible synergy; Spain and Italy will have to provide a regional breakdown of the information supplied;
- (ii) Regional and social conversion plans (Objective 2) and rural development plans (Objective 5(b)) may cover areas at a level below that of a region ('NUTS III' employment areas, urban communities, municipalities, etc.) in order to concentrate Community assistance on the hardest-hit areas. Plans in connection with Objective 5(b) may even be submitted for homogeneous areas not constituting a 'NUTS' administrative area.

The plans in connection with long-term unemployment and the occupational integration of young people (Objectives 3 and 4) will be drawn up at national level; however, in the interests of clarity, they will distinguish between expenditure in respect of regions and areas covered by Objectives 1, 2 and 5(b) and expenditure in respect of other regions.

### **Deadline**

The plans for Community assistance in the periods 1989-91 and 1989-93 were mostly submitted to the Commission during the first half of 1989 (see box).

#### **'NUTS'**

Analysis of socio-economic problems at regional level requires a definition of 'region' which helps to capture as clearly as possible the issues under examination at Community level.

The Nomenclature of statistical territorial units ('NUTS') provides a uniform frame of reference for regional statistics. It distinguishes between three levels of regional disaggregation:

- NUTS I: 64 regions in the Community;
- NUTS II: 167 basic administrative regions;
- NUTS III: 824 subdivisions of level II regions.

There is no 'ideal' size for the regions: some of them may be large, with a small population and others small, with a large population.

## Stage 2

### **Priorities are determined in the Community support frameworks (CSFs)**

#### *A. Nature of CSFs*

The CSFs are the Commission's response to the needs spelt out in the plans. They map out the broad lines of the measures to be taken jointly by the Member States and the Community and provide the reference framework for the applications for assistance submitted to the Commission by the Member States.

Each CSF is adopted by a formal Commission decision in agreement with the Member State concerned and after consulting the appropriate committee (see box). It is the most tangible expression of partnership in that it represents a joint decision and reciprocal commitment:

- (i) a political commitment on the part of the Commission since its decision is a declaration of intent addressed to the Member State concerned and published in the *Official Journal of the European Communities*;
- (ii) a commitment on the part of the Member States to abide by a consistent framework for all their individual applications for assistance.

The geographical level for CSFs is normally that proposed by the Member State in its plans although the Commission may, in agreement with that Member State, establish the framework at a more aggregated or less aggregated level.

#### *B. Content of CSFs*

In accordance with the spirit of the reform, each CSF must include:

- (i) a statement of the priorities for action in relation to:
  - (a) the principle of consistency with the economic and social policies of the Member State and region concerned;
  - (b) the economic prospects of the region concerned;
  - (c) the expected knock-on effects and synergies;
  - (d) consistency with other Community policies (internal market, environment, competition, research, regional policy, agricultural policy, social policy, etc.);
- (ii) an outline of the forms of assistance (possibly proposed by the Commission on its own initiative for operational programmes and, where deemed appropriate, for integrated operational programmes) and, in the event of approval in principle of multiregional forms of assistance, a regional breakdown of the latter for each CSF at the appropriate geographical level, namely national level for Objectives 3 and 4, 'NUTS II' for Objective 1, and 'NUTS III' for Objectives 2 and 5(b) (the 'NUTS' area is not necessarily the reference area for Objective 5(b));
- (iii) an indicative financing plan specifying the financial allocations envisaged for the various forms of assistance and their duration, including those of the Funds, the EIB and the other financial instruments participating.

This plan, denominated in ecus, may mention the sources of financing for each form of assistance envisaged. It will take account of expected available



resources, the 'additionality' requirement and the need to combine grants and loans in the most effective manner possible, due regard being had in particular to the capacity of the investment to generate revenue (especially for certain types of infrastructure, see box);

- (iv) information on the means available for any studies or technical assistance operations necessary for the preparation, implementation or adaptation of the measures concerned;
- (v) indication of the procedures for implementing the CSF, and especially monitoring and assessment procedures, together with any more general particulars relating to organization of the partnership.

#### *C. Timetable*

The Commission is required to approve a CSF not later than six months after receiving the corresponding plan or plans.

#### *D. Flexibility*

Any CSF may be revised in agreement with all the parties concerned (Commission and Member State and/or authority designated by the latter) to take account of results achieved and the conditions under which it is being implemented.

*E. The duration of CSFs*, which will be determined within the framework of the partnership, will also depend on the duration of the plans submitted and, where regionalized objectives are concerned, on the validity of the corresponding list, i.e. between three and five years.

## COMMITTEES FOR THE REFORMED FUNDS

Three advisory committees are to assist the Commission in implementing the reform of the Funds:

- (i) the Advisory Committee on the Development and Conversion of Regions;
- (ii) the Committee referred to in Article 124 of the EEC Treaty;
- (iii) the Committee on Agricultural Structures and Rural Development.

The Committee referred to in Article 124 of the EEC Treaty, otherwise known as the 'ESF Committee', comprises two government representatives, two representatives of the workers' organizations and two representatives of the employers' organizations from each Member State. It is chaired by a Commission representative.

The other two committees, each likewise chaired by a Commission representative, are made up of Member States' representatives.

**The Advisory Committee on the Development and Conversion of Regions** delivers opinions on matters referred to it by the Commission. These comprise:

- (i) draft Commission decisions concerning the CSFs drawn up in connection with Objectives 1 and 2;
- (ii) the periodic report on the social and economic situation and development of the regions of the Community, and the guidelines for Community regional policy;
- (iii) the drawing-up and revision of the list of areas eligible in connection with Objective 2;
- (iv) any matter relating to regional development at Community level.

**The Committee referred to in Article 124 of the EEC Treaty** delivers opinions on draft Commission decisions relating to:

- (i) the guidelines for action in connection with Objectives 3 and 4;
- (ii) CSFs for those objectives;
- (iii) CSFs for Objectives 1, 2 and 5(b) in the case of support from the ESF.

**The Committee on Agricultural Structures and Rural Development** delivers opinions on draft Commission decisions:

- (i) relating to the lists of areas covered by Objective 5(b);
- (ii) relating to common measures in connection with Objective 5(a);
- (iii) relating to CSFs in connection with Objective 5(b);
- (iv) submitted to the Standing Committee on Agricultural Structures, which it has replaced.

In the interests of harmonization and consistency, opinions delivered by each Committee are notified to the other two.

## Stage 3

### Operational stage (implementation)

#### Important

To be eligible, measures must be consistent and must relate to the priorities laid down in the Community support frameworks (CSFs).

#### A. Implementation

##### Community responses (CSFs) to regional plans (Objectives 1, 2 and 5(b))

###### Implementation through:

- (a) Operational programmes (OPs)  
Series of consistent multiannual measures covering 2, 3, 4 or 5 years.

###### *NB:*

There may be several types of OP in a particular region (e.g. infrastructure OP, sectoral OP, OP for each category of operator).

For regions covered by Objective 1, an OP may not cost less than ECU 15 million.

OPs may receive assistance from one or more structural Funds and may be implemented in the form of an integrated approach.

The financial commitments under the Funds are made each year with the payment of advances and balances.

- (b) Individual applications for large-scale projects

###### *NB:*

This concerns the ERDF only. Minimum thresholds: productive investment: ECU 10 million; infrastructure: ECU 15 million.

- (c) Global grants  
ERDF: the Commission may entrust to regional intermediaries, alongside the administration of a budget heading, the task of encouraging local business initiatives that fit into a coherent strategy on which a consensus has been reached.  
ESF, EAGGF: procedures still to be laid down.

- (d) Part-financing of national aid schemes provided they comply with the rules of competition.

###### Eligibility criterion:

Measures identifiable in the CSFs.

##### Community responses (CSFs) to national sectoral plans (Objectives 3 and 4)

###### Implementation through:

- (a) Operational programmes (Horizontal national arrangements) (Objectives 3 and 4)  
(b) Global grant  
(c) Innovative measure (Objectives 3 and 4)

###### Eligibility criteria:

Measures identifiable in the CSFs.

ESF criteria and priorities (at present spelt out in the guidelines).

###### *NB:*

The geographical criteria are not applicable; in the case of Objective 5(a), the forms of assistance have not yet been decided by the Council. However, it is planned to have recourse to:

- part-financing of aids consistent with the rules adopted by the Council for improving production structures;
- operational programmes and global grants for improving processing structures.

Support for technical assistance and studies

**CLASSIFICATION OF ELIGIBLE MEASURES AND MEANS OF ASSISTANCE (ERDF, ESF, EAGGF, EIB, ECSC)**  
**This non-exhaustive classification is only indicative**

Measures	Instruments
1. Investment in public infrastructures of economic importance: roads, telecommunications, airports, ports, inland waterways, navigation, dams, vocational training centres, facilities for transport operators, tourist facilities, advisory and support services for businesses.	1. ERDF (operational programmes, global grants, large-scale projects), EIB (loans), ECSC (loans).
2. Investment in industry and in market and non-market services.	2. Part-financing of aid schemes by the ERDF; direct and global loans from EIB and ECSC; global grants: direct aids for SMEs where no aid scheme in operation (indigenous development), innovation, tourism, etc.
3. Investment in the agri-food industry and in fisheries (processing and marketing), including the construction and acquisition of immovable property but excluding the purchase of land; plant and machinery; computer software and programmes; the cost of studies and expert reports, etc.	3. Direct and global loans from EIB and ECSC-EAGGF Guidance: operational programmes and global grants.
4. Investment in fisheries and aquaculture (construction of vessels, processing, storage, marketing).	4. Not covered by the three Funds; two specific regulations applicable (see boxes).
5. Recruitment aids and aids for setting up in business.	5. European Social Fund (ESF): operational programmes or global grants.
6. Vocational training programmes.	6. European Social Fund (ESF): operational programmes or global grants
7. Aid for structures and services tailored to SMEs: groupings of SMEs, market surveys, technology transfer projects, start-up aid, innovation.	7. ERDF 'indigenous development' operations and ESF 'local development' measures; for the training aspects, only the ECSC.
8. Adaptation of production structures in agriculture and forestry: setting-up or retirement aids, producer groups, land management, etc.	8. EAGGF Guidance: part-financing of aid schemes, operational programmes (Objective 5(a)), global grants.

**B. Commentary**

*1. Operational programmes: the predominant form of assistance*

predominant role played by operational programmes will be reinforced by the fact that the Commission may propose to the Member States that they submit applications in respect of operational programmes comprising measures of significant interest to the Community which are not covered by the plans submitted (Community initiatives which, with the agreement of the Member States, may concern matters such as the environment and R&D). In addition, integrated operational programmes may be undertaken, likewise on the Commission's initiative, if the appropriate administrative structures are provided at national, regional and local level. Operational programmes are the only form of assistance that can be approved when the decision on the CSF is taken provided they have been set out in the plans and provided the Commission has had sufficient time prior to the decision on the CSF to examine them.

## *2. Global grants*

This is a method derived from the principle applied by the European Investment Bank and the ECSC (global loans for financial intermediaries).

*Principle:* The authority concerned (in this case the national authority) entrusts to an authorized agency the task of administering a budget heading for an operation to be carried out by a number of small or medium-sized promoters. The procedures for the use of global grants are laid down in an agreement concluded, in agreement with the Member State concerned, between the Commission and the intermediary.

This method could be used in particular for measures that help to improve the business environment or to resolve a local employment problem. It should speed up the processing of applications.

In the case of the ERDF, the Regulation stipulates that intermediaries must satisfy three conditions: they must be present or represented in the region concerned, must operate in the public interest and must involve adequately the socioeconomic interests concerned by the implementation of the measures planned. The role of intermediaries is not confined here to straightforward management of a Community grant but entails a genuine responsibility for local business promotion and putting into effect all or some of the measures forming part of a coherent strategy based on local consensus.

## *3. Support for technical assistance and preparatory studies*

Support for technical assistance and preparatory studies is a major source of value-added, especially as it combines with the use of other sources of technical assistance (0.3% of the Funds' total allocation earmarked for studies and technical assistance linked to the joint or coordinated deployment of the structural instruments; plus a special budget heading for the preparation of plans and CSFs, and operational programmes; plus 0.5% from the ERDF, 5% from the ESF and 1% from the EAGGF Guidance Section).

## *4. Pilot projects*

Demonstration projects have always received encouragement from the Community institutions. They include:

- (i) in the case of the ERDF: transfrontier projects, cooperation between regions, agencies and local authorities, network organization projects;
- (ii) in the case of the ESF: measures involving two or more Member States; innovative training projects and innovative projects aimed at promoting occupational integration;
- (iii) in the case of fisheries and aquaculture: demonstration projects and preparatory studies.

Although they should preferably be mentioned in the plans, they may be dealt with in financing decisions, *in the form of individual projects*.

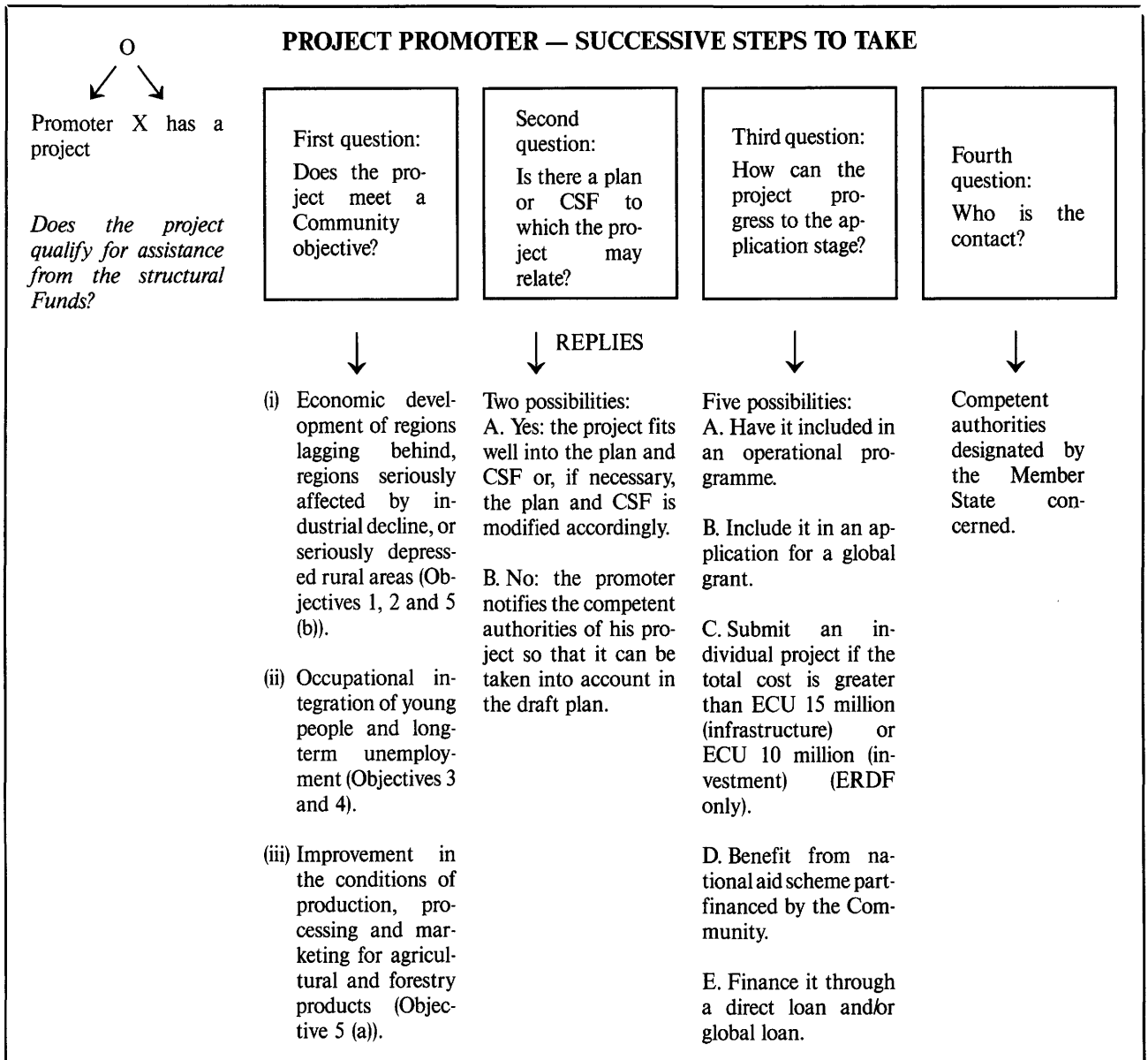
**Important:** Promoters must not forget:

- (i) in the case of infrastructure projects: the need to comply with the Community rules on the award of public contracts (Commission communication C (88) 2510; OJ C 22, 28. 1. 1989 — see Annex);
- (ii) in the case of investment projects: the need to comply with Community rules of competition (notification of aid schemes, etc.).

*NB:*

Regardless of the assistance arrangements chosen, operations must always be submitted via the *national authorities*.

However, any public or other authority authorized by the Member State concerned may, with the latter's agreement, administer a programme, a global grant or an individual project.



### **C. Financial provisions**

The coordinating Regulation harmonizes the financial provisions for the three structural Funds:

1. As a rule, the Commission is to decide on grant assistance from the Funds within six months of receipt of the application.
2. Special provisions govern commitments and payments (see box).
3. Commission decisions, commitments and payments will be denominated and carried out in ecus; all the necessary arrangements have been made to facilitate financial control of operations; this involves ensuring that they have been carried out properly, preventing and taking action against irregularities, and recovering any amounts lost as a result of an irregularity or negligence.
4. Within the framework of the partnership, provisions exist for reducing, suspending or even cancelling Community assistance following suitable examination.

#### **COMMITMENTS AND PAYMENTS**

1. Commitments are made on the basis of the Commission decisions approving the operations concerned:

- (i) in one sum in the case of operations to be carried out over a period of one year;
- (ii) in annual instalments in the case of operations to be carried out over a period of two or more years, with the commitments for instalments other than the first instalment being based on the financing plan for the operation and on the progress made in implementing it.

2. Payments are made in accordance with the corresponding commitments.

Provision also exists for the payment of advances equivalent to:

- (i) 50% of the amount committed;
- (ii) 80% of the amount committed in the case of a second advance being made and after it has been certified that at least half of the first advance has been used up and that the operation is progressing in accordance with the objectives laid down.

Payment of the balance is conditional on:

- (i) a request being submitted to the Commission within six months of the end of the year concerned or of completion in practice of the operation;
- (ii) the reports on progress in implementing the operation being transmitted to the Commission;
- (iii) a certificate confirming the two preceding requirements being sent by the Member State to the Commission.

**RATES OF ASSISTANCE  
ERDF and ESF**

Regions covered by Objective 1:	Other regions:
maximum of 75% of the total cost;	maximum of 50%;
minimum of 50% of the total public expenditure.	minimum of 25%.

The maximum rates can be varied where the infrastructure may generate revenue and can be financed by loans (see box).

In the case of aid schemes, grants may only be part-financed. The basis for calculating the Community contribution is not the amount of investment itself but the public expenditure incurred by the national authorities.

**NB:**

With certain exceptions, Community assistance is invariably conditional on co-financing by the national authorities.

**EAGGF**

**Rules for marketing and processing projects and structural measures in the fisheries sector (Commission proposal) (applicable as from 1 January 1990)**

	Regions covered by Objective 1:	Other regions:
EC	maximum of 50%	maximum of 30%
Contribution from national authorities	minimum of 5%	minimum of 5%
Contribution from beneficiary	minimum of 25%	minimum of 45%

**EAGGF**

**Rules on measures to improve production structures  
(Commission proposal)**

The rates will be decided by the Commission on the basis of Article 13 of Regulation (EEC) No 2052/88 (see box on rates of ERDF and ESF assistance).



## TIMETABLE

Stage	Deadline
<p><b>Stage 1:</b> Preparation of the Community support frameworks (CSFs — covering a period of three to five years) by the Commission on the basis of the plans submitted by the Member States (in partnership with the local and regional authorities concerned). <i>NB:</i> The CSFs may be revised each year.</p>	<p>Not more than six months after submission of the plans to the Commission.</p>
<p><b>Stage 2:</b> Submission by Member States of applications under the CSFs.</p>	<p>On adoption of the CSFs or possibly during negotiations on them.</p>
<p><b>Stage 3:</b> Commitment decision by the Commission concerning the operations submitted: by project or by annual instalment.</p>	<p>Not more than six months after submission of the applications.</p>
<p><b>Stage 4:</b> Payment of an initial advance of 50% (in respect of the project or the annual instalment).</p>	<p>Once the commitment decision has been taken.</p>
<p>Payment, where appropriate, of a second advance (up to 80% of the cost of the project or of the sum of the instalment and the first advance).</p>	<p>On the basis of a certificate confirming the operation has begun.</p>
<p>Payment of the balance (in respect of the project or the instalment).</p>	<p>On the basis of a certificate confirming that the operation has been completed.</p>

**Beneficiary:** Authority responsible for an operational programme, a global grant or a national aid scheme; contractor for individual infrastructure projects costing more than ECU 15 million.

## Stage 4

**The CSFs and the assistance operations are monitored and assessed, with any adjustments deemed necessary being made**

### A. Principles

Monitoring and assessment are particularly important because of:

- (i) the sums involved (doubling of the resources of the Funds);
- (ii) the need to verify additionality and the development priorities with a view to 1993;
- (iii) the development of certain forms of assistance (operational programmes and global grants) which give more of the responsibility to Member States;
- (iv) the need to measure the economic effectiveness of assistance.

Monitoring and assessment are closely linked since there can be no *ex post* assessment without monitoring arrangements that operate satisfactorily. Monitoring produces the information necessary to assess the socioeconomic impact of Community assistance. It must allow Community assistance to be adapted to actual economic and administrative circumstances in the course of project implementation.

Monitoring and assessment are based on two principles of the reform:

- (i) partnership: the Commission, together with the Member States, ensures effective monitoring both of CSFs and of specific operations (programmes, etc.); reports will be drawn up and monitoring committees established to enable the Commission to make any necessary adjustments to the volume, conditions of assistance and schedule of payments at the request of a Member State;
- (ii) transparency in the administration of the Funds: this is the key to their effectiveness.

### B. Application

- (i) Monitoring is carried out by reference to physical and financial indicators specified in the Commission decision approving the operation concerned.
- (ii) Assessment is, according to the circumstances, carried out by reference to regional or national statistics, to information yielded by descriptive and analytical studies, and to qualitative analyses.

The monitoring indicators must be specified in the decisions relating to measures and operations undertaken while the assessment indicators must be specified in the CSFs. The indicator exercises are carried out *ex ante*, *ex post* and, of course, during implementation.

Three levels of assessment are envisaged:

- (i) the macroeconomic level, to measure progress in strengthening the Community's economic and social cohesion;
- (ii) the level of the CSFs;

(iii) the microeconomic level, focusing on operational measures (programmes, large-scale projects, etc).

Any monitoring system is based essentially on the gathering of:

- (i) financial information: this means monitoring drawings on the financial commitments made under the reformed structural Funds by identifying delayed or premature utilization of appropriations at each level of analysis and, where necessary, to identify which source of financing can remedy shortcomings in another; in addition, national, regional and/or other financial contributions must be monitored in order to verify additionality;
- (ii) physical information, i.e. information relating to the material implementation of measures and operations;
- (iii) information permitting identification of each operation applying the classifications introduced by the reform: it must be possible to link each operation to a particular objective, form of assistance, type of action and CSF and even to a particular development priority as well as to a particular Member State and one or more regions and/or areas benefiting from the reform.

The information collected must be sufficiently detailed, and must be available in good time, to allow the entire monitoring and assessment exercise to give an accurate picture of the actual situation at a particular moment, at intervals still to be determined.

Responsibility for the monitoring and assessment procedures must be shared between the Commission, the Member State and the regional and local authorities concerned.

*As a guarantee of the success of the reform, everyone, institutions and economic operators alike, should take part.*

## TRANSITIONAL MEASURES

The reform of the Funds takes account of commitments entered into previously and guarantees continuity of the activities of the Funds pending full implementation.

### I. Honouring prior commitments

#### A. Programmes under way

- (i) integrated Mediterranean programmes (IMPs), specific regional measures under the EAGGF Guidance Section, Community programmes (STAR, Valoren, Renaval, Resider) ERDF non-quota programmes, financial support for the modernization of Portuguese industry;
- (ii) national programmes of Community interest (NPCIs) under the ERDF; integrated development operations (IDOs).

#### B. Principles

##### 1. *Multiannual operations in an area eligible under the new regulations*

The existence of such operations will have to be mentioned in the plans for the area eligible; in drawing up the CSFs, an attempt will have to be made to achieve synergy between these operations and the priorities adopted within the framework of the partnership; in the case of new operations, projects must normally be allocated to programmes under way, including Community loans, due regard being had to priorities and financial commitments.

##### 2. *Multiannual operations in a non-eligible area (under the new regulations)*

- (i) If a programme was submitted prior to adoption of the framework Regulation, i.e. before 24 June 1988, it will continue its normal course; this type of non-eligible multiannual operation will also be financed from the three structural Funds (see box on financial resources);
- (ii) No new programme in connection with such operations could be submitted after 24 June 1988. This does not affect instalments under a programme already being implemented (e.g. second phase of the IMPs).

### II. Individual projects 1988-89 (changeover to the new regulations)

- (i) Individual projects submitted before 1 January 1989: examined by reference to the former rules, with an effort being made, however, to abide by the spirit of the new rules, especially if the projects were submitted after 24 June 1988;
- (ii) Individual projects submitted since 1 January 1989: to comply with the principles laid down in the new regulations, notably as regards geographical eligibility, consistency with the development priorities to be specified in the CSFs, and the minimum financial threshold; to ensure any initiative for continuity of the activities of the Funds will be subsequently included in the decisions on the CSF concerned (except in the case of the ESF, for which there is a transitional period of one year);
- (iii) Individual projects submitted in connection with the EAGGF and structural measures in the fisheries sector: implementation of the reform only as of the 1990 budget year.

# Conclusions

*Reform of the structural Funds: points to be noted by public and private operators*

1. More information available on the objectives pursued by the Community through its structural instruments.
2. Increased consistency between Community, national and regional efforts.
3. Programming of operations over time, facilitating strategy adjustments.
4. Greater transparency of assistance as the contested policy of reimbursements after the event is dropped.
5. Establishment of a genuine dialogue between the Community, Member States, regions and economic operators if the partnership is well applied.
6. Greater budgetary stringency, which will benefit all concerned, coupled with more effective concentration of assistance by reducing the risk of funds being spread too thinly.
7. Search for better combination between loans and grants in order to make the most of each ecu invested.
8. Guaranteed simplification of procedures by harmonizing the methods of assistance of the three Funds.
9. Application to the structural Funds of the 'intermediary' technique (global loans, global grants), whereby the promoter can be reached without making the system unwieldy.
10. Introduction of better monitoring and assessment procedures, which should, together with tighter controls, help to reinforce the real economic impact of assistance.

## Departmental structure within the Commission of the European Communities

### Coordination under the authority of Mr Christophersen and Directorate-General XXII (Coordination of Structural Instruments) Structural Funds, EIB, other financial instruments

Objectives	Commission Members responsible	Directorates-General responsible	Other Directorates-General involved
<i>Objective 1</i> (regions whose development is lagging behind)	Member with special responsibility for regional policy (Mr Bruce Millan)	DG XVI (regional policy; ERDF)	DG VI (agriculture; EAGGF) DG V (social affairs; ESF)
<i>Objective 2</i> (industrial conversion)	Member with special responsibility for regional policy (Mr Bruce Millan)	DG XVI (regional policy; ERDF)	DG VI (EAGGF) DG V (ESF)
<i>Objective 3</i> (long-term unemployment)	Member with special responsibility for social affairs and employment (Ms Vasso Papandreou)	DG V (social affairs; ESF)	DG VI (EAGGF) DG XVI (ERDF)
<i>Objective 4</i> (occupational integration of young people)	Member with special responsibility for social affairs and employment (Ms Vasso Papandreou)	DG V (social affairs; ESF)	DG VI (EAGGF) DG XVI (ERDF)
<i>Objectives 5(a) and (b)</i> (rural development and agricultural production)	Member with special responsibility for agriculture (Mr Ray Mac Sharry)	DG VI (agriculture; EAGGF)	5(b) { DG V (ESF) DG XVI (ERDF)
(processing and marketing of fishery and aquaculture products)	Member with special responsibility for fisheries (Mr Manuel Marin)	DG XIV (fisheries)	DG V (ESF) DG XVI (ERDF)

# Legislation and maps relating to the reform

## Introduction

### A. The basic Regulations

All of the legislation relating to the reform of the structural Funds came into force on 1 January 1989.

Based mainly on Articles 130d and 130e of the EEC Treaty, the basic Regulations governing the reform of the Funds were all adopted during the course of 1988.

They are:

- (i) Regulation (EEC) No 2052/88 of 24 June 1988 on the tasks of the structural Funds and their effectiveness and on coordination of their activities between themselves and with the operations of the European Investment Bank and the other existing financial instruments, the so-called 'framework Regulation' (Annex 1).

This framework Regulation lays down the basic rules: objectives and tasks of the Funds, method of structural assistance, identification of the five priority objectives of the reform, financial provisions, etc.

It sets out in particular the broad principles underlying the reform (see above) which should facilitate attainment of the following Community priorities:

- completion of the internal market and correction of regional imbalances (development of backward regions and conversion of industrial areas);
- industrial modernization;
- social progress in the Community;
- reform of the common agricultural policy.

- (ii) The four Regulations implementing the framework Regulation:

- Regulation (EEC) No 4253/88 of 19 December 1988 concerning coordination of the activities of the different structural Funds between themselves and with the operations of the European Investment Bank and the other existing financial instruments, the so-called 'coordinating Regulation' (Annex 2);

In addition to seeking to coordinate all the financial instruments, this Regulation fleshes out and supplements the provisions of the framework Regulation, for example regarding the criteria for selecting rural areas; it harmonizes in particular the rules governing the Funds' operational arrangements: plans, Community support frameworks, assistance, monitoring and assessment, financial provisions (commitments, payments, etc);

- Regulations (EEC) No 4254/88, No 4255/88 and 4256/88 concerning the ERDF, the ESF and the EAGGF, Guidance Section, respectively (Annexes 3, 4 and 5).

The ERDF Regulation specifies the kind of measures which are eligible for financing from this Fund, the information to be included in the Member States' plans in connection with the priority objectives of ERDF assistance and the types of assistance operations which are to be given priority (see box).

The ESF Regulation defines, *inter alia*, the conditions governing assistance from this Fund:

- as a back-up to the Member States' employment policies where the Fund operates horizontally;
- on a broader front where it acts in conjunction with the other instruments in accordance with regional eligibility (see box).

The Regulation concerning the EAGGF Guidance Section defines in particular the forms of assistance to be provided by this Fund, distinguishing between the adjustment of agricultural structures, action in regions which are lagging behind in their development and action to promote rural development (areas outside regions lagging behind in their development) (see box).

## **B. Additional documents**

### *A further reference document*

The Commission adopted on 23 December 1988 a communication entitled 'The EIB, the other financial instruments and strengthening economic and social cohesion'. This communication spells out the role of the EIB and the other financial instruments, with particular reference to the link between loans and grants (see boxes).

### *Commission decisions supplementing the legislation relating to the reform*

The adoption of the basic Regulations was followed, at the beginning of 1989, by a series of communications designed to supplement them. These deal in particular with:

- (i) identification of the areas benefiting under Objectives 2 and 5(b) (see boxes);
- (ii) the indicative allocation of 85% of the ERDF's resources between Objectives 1, 2 and 5(b) (see boxes);
- (iii) the guidelines for ESF activities, for regional policy and for agricultural and rural structures policy;
- (iv) the adaptation of the common agricultural measures of a horizontal nature: the Council will have to decide before the end of 1989 on the amendment of the existing Regulations in implementing Objective 5(a);
- (v) the internal rules governing assessment of the environmental impact of the plans, programmes and projects.

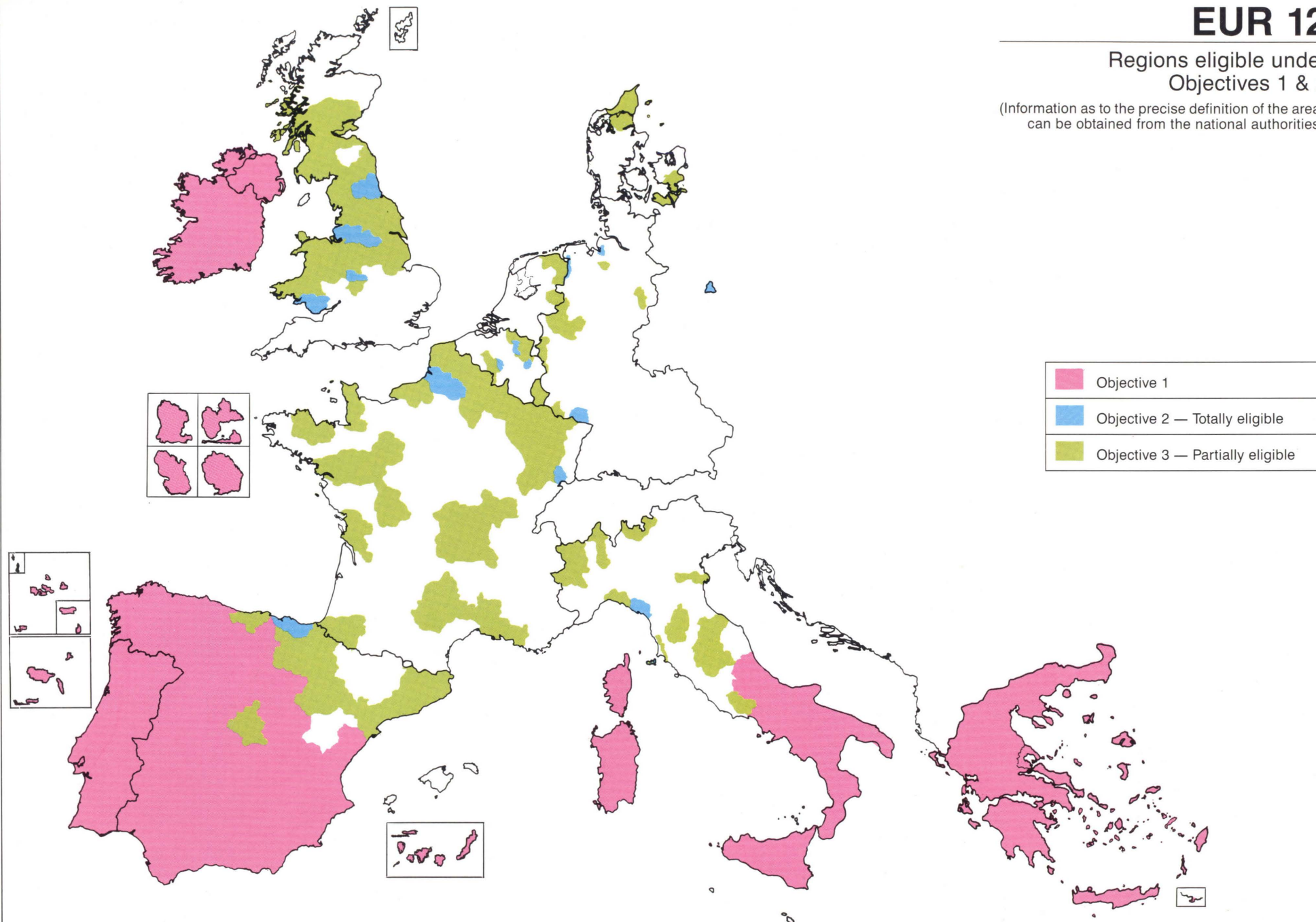


# Maps

# EUR 12

## Regions eligible under Objectives 1 & 2

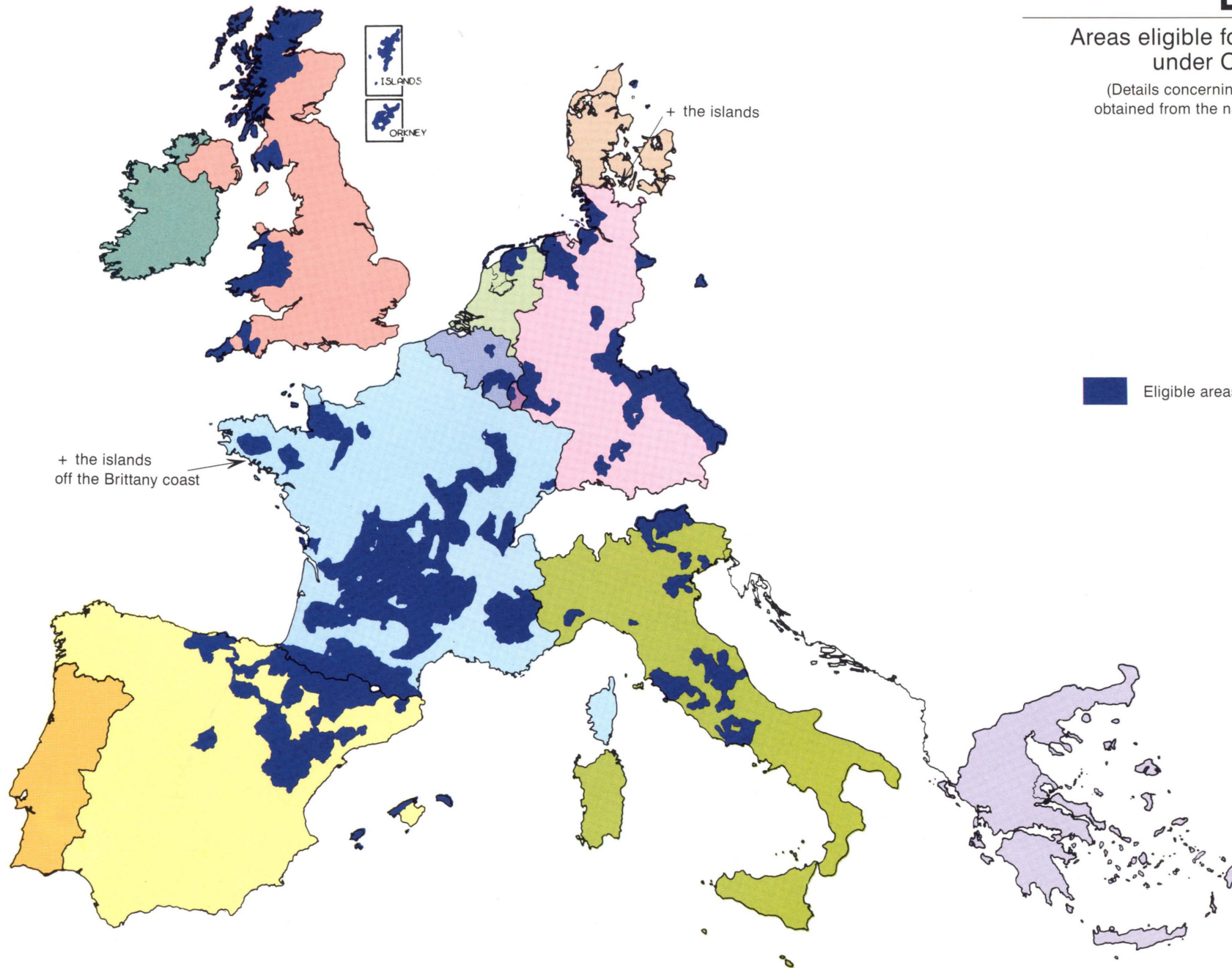
(Information as to the precise definition of the areas can be obtained from the national authorities.)



# EUR 12

Areas eligible for assistance  
under Objective 5(b)

(Details concerning the areas can be  
obtained from the national authorities.)

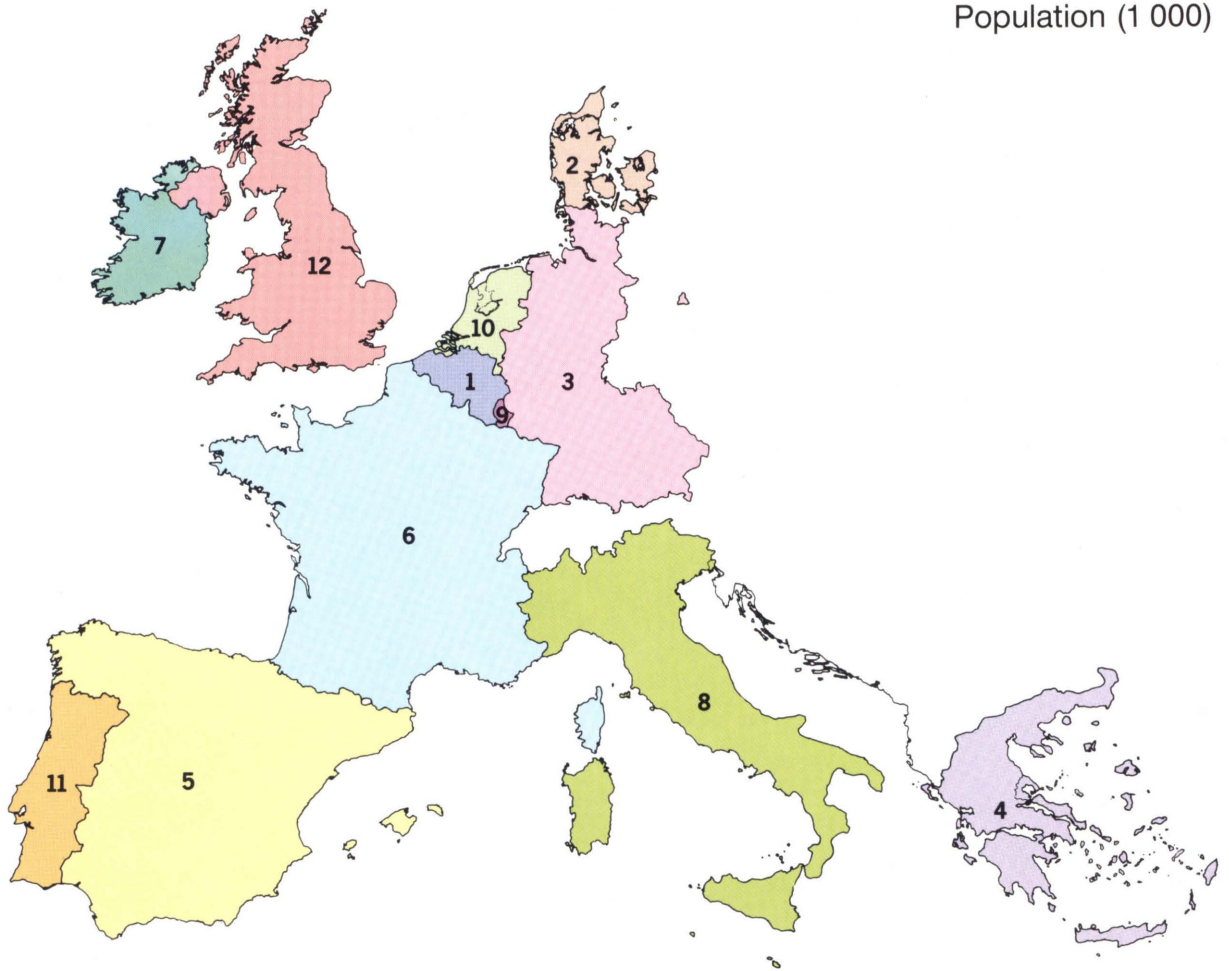




# **Statistical annex**

# EUR 12

Regions  
Population (1 000)

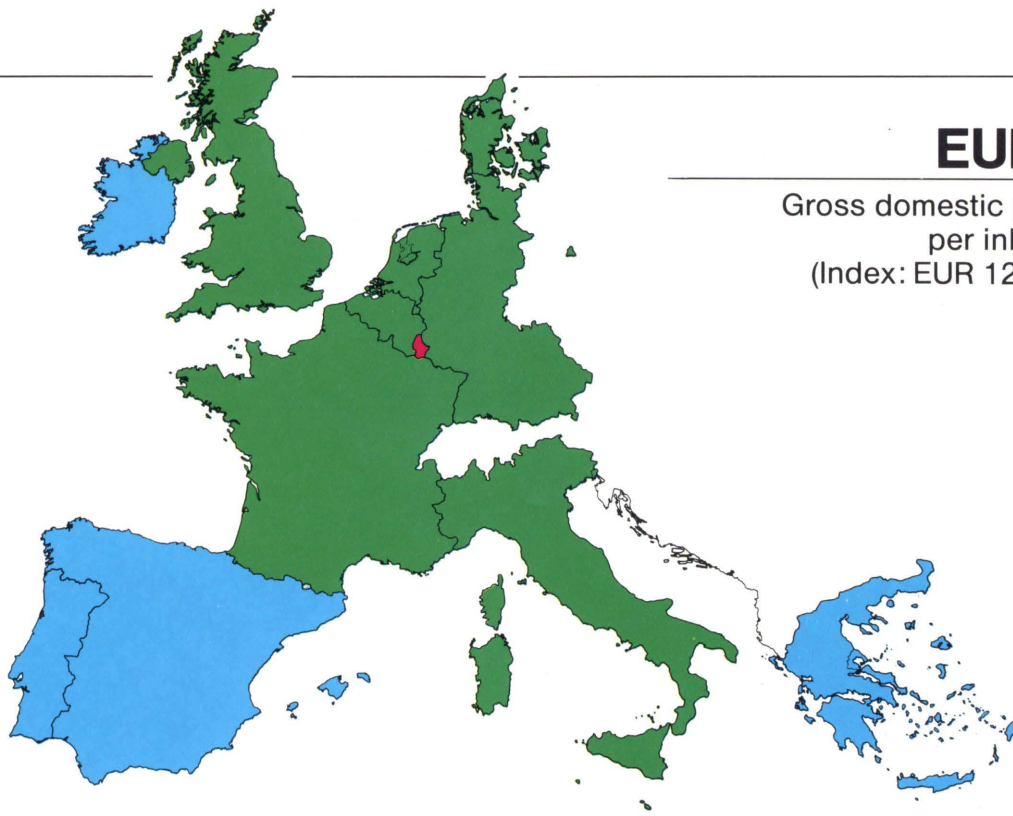


Regions  
Population (1 000)

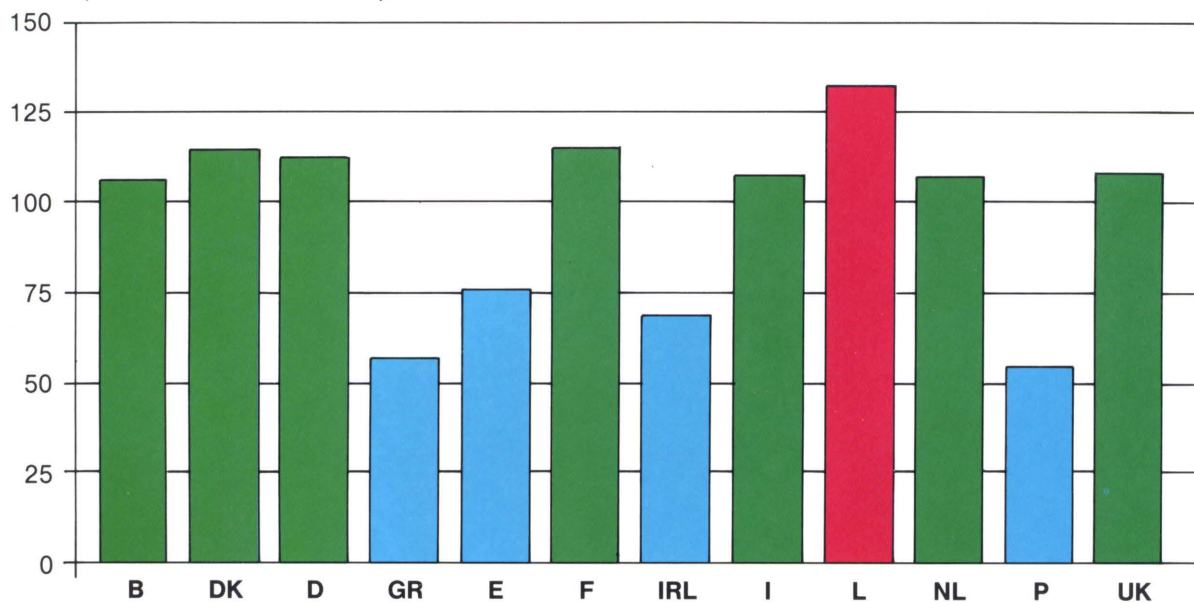
1	België-Belgique	9 855
2	Danmark	5 112
3	BR Deutschland	61 175
4	Ellada	9 896
5	España	38 387
6	France	54 947
7	Ireland	3 535
8	Italia	57 005
9	Luxembourg	366
10	Nederland	14 424
11	Portugal	10 089
12	United Kingdom	56 488
		<hr/>
		321 279

## EUR 12

Gross domestic product  
per inhabitant  
(Index: EUR 12 = 100)



Gross domestic product per inhabitant  
(Index: EUR 12 = 100)

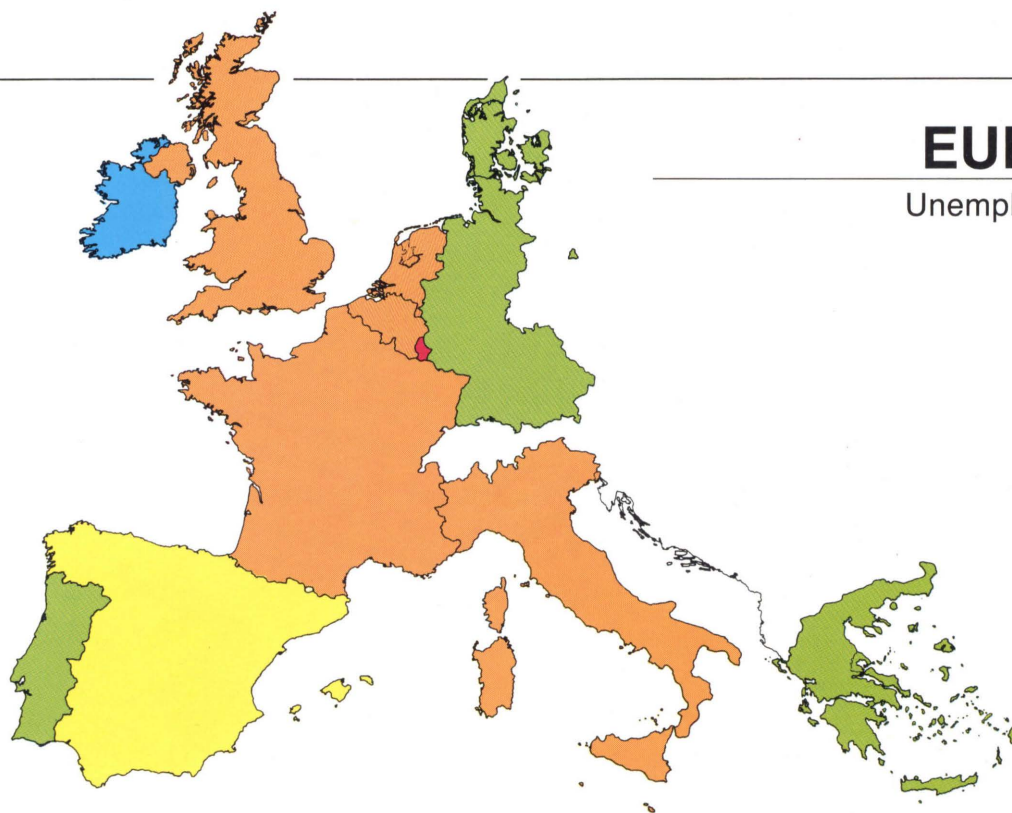


Gross domestic product  
per inhabitant  
(Index: EUR 12 = 100)

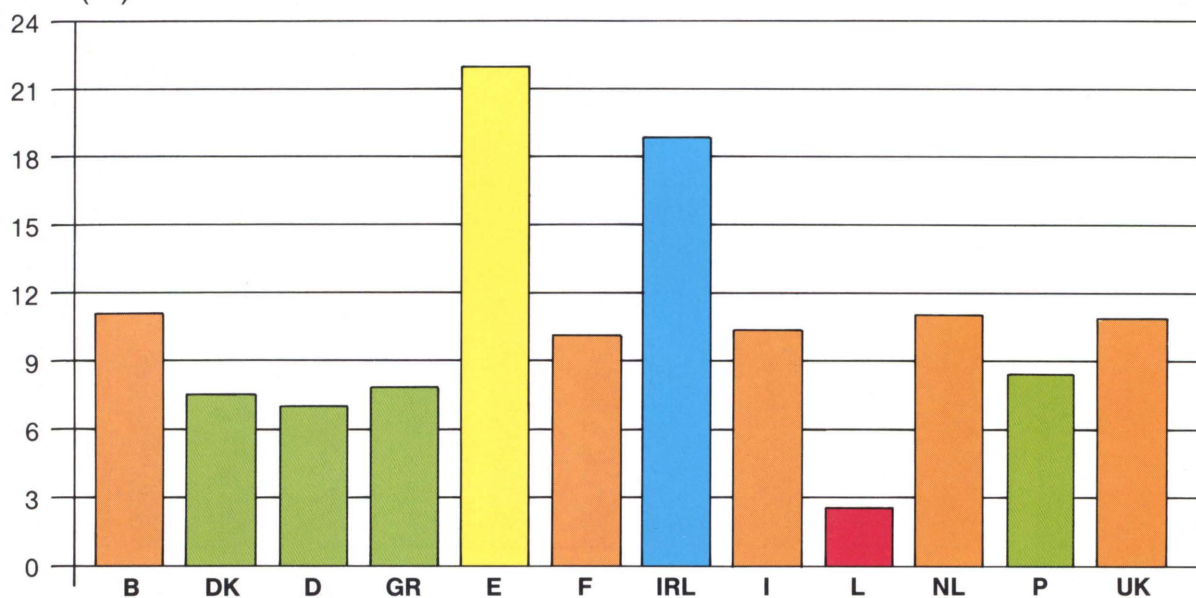
Region	1984	1985	1986	Mean
België/Belgique	103	102	102	102
Danmark	114	117	117	116
BR Deutschland	115	115	115	115
Ellada	57	57	56	57
España	72	72	73	72
France	112	111	110	111
Ireland	65	64	63	64
Italia	103	103	103	103
Luxembourg	125	126	127	126
Nederland	108	107	107	107
Portugal	52	52	53	52
United Kingdom	102	103	104	103

# EUR 12

Unemployment (%)



Unemployment (%)



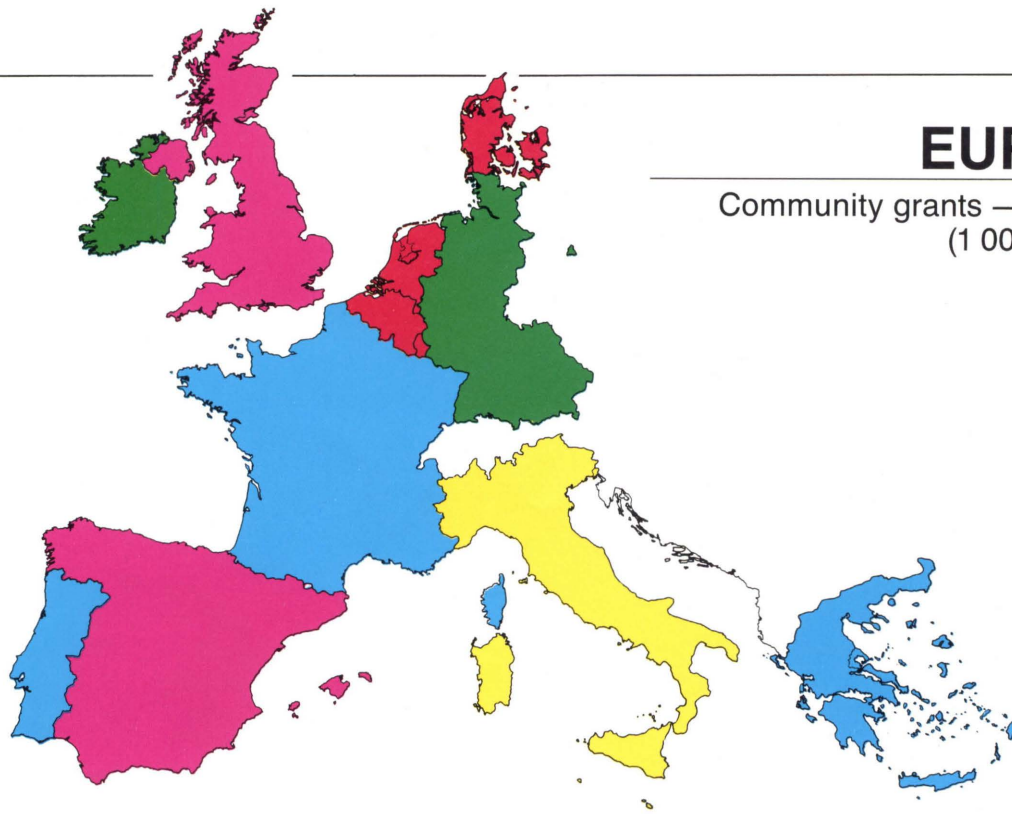
Unemployment (%)

Region	1984	1985	1986	1987	Mean
België/Belgique	12.0	11.3	11.3	11.1	11.4
Danmark	9.2	8.4	5.8	6.1	7.3
BR Deutschland	7.1	7.3	6.6	6.6	6.9
Ellada	8.1	7.8	7.4	7.4	7.7
España	20.1	21.9	21.5	21.3	21.2
France	9.5	9.9	10.1	10.4	10.0
Ireland	16.9	18.3	18.2	19.4	18.2
Italia	9.8	9.2	10.6	10.6	10.1
Luxembourg	2.8	3.0	2.6	3.1	2.9
Nederland	12.5	10.3	10.0	9.7	10.6
Portugal		8.6	8.6	7.1	8.1
United Kingdom	10.9	11.5	11.6	10.9	11.2

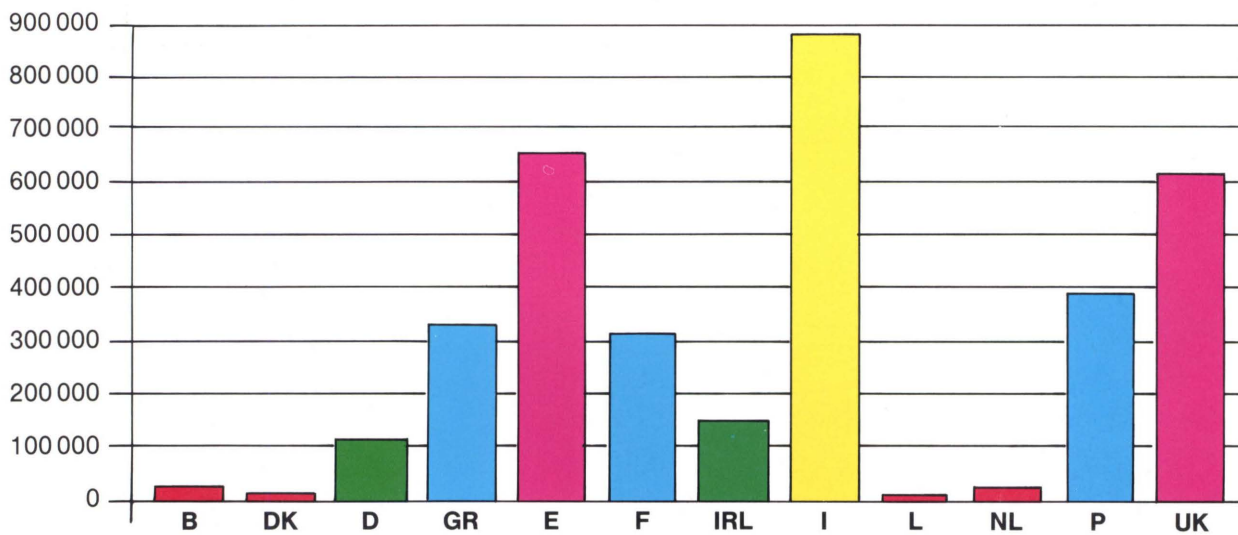


# EUR 12

Community grants — ERDF  
(1 000 ECU)



Community grants — ERDF  
(1 000 ECU)



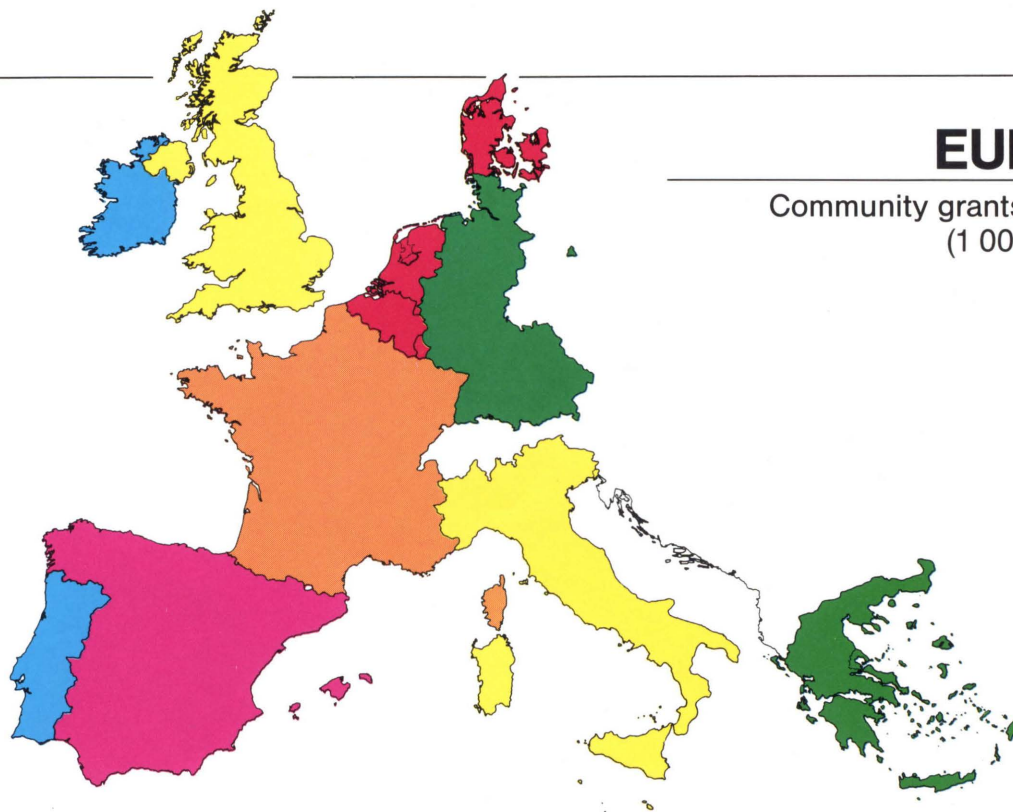
Community grants —  
ERDF  
(1 000 ECU)

Region	1984	1985	1986	1987	Mean
België/Belgique	32 463	24 222	31 817	23 446	27 987
Danmark	24 311	13 217	10 880	15 257	15 917
BR Deutschland	110 114	83 606	81 704	133 389	102 203
Ellada	270 836	433 006	320 239	313 228	334 327
España			652 442	656 511	654 477
France	277 763	310 315	309 332	321 008	304 604
Ireland	162 141	156 591	128 730	163 431	152 723
Italia	813 075	876 734	825 810	1 018 194	883 453
Luxembourg	4 720	0	3 424	3 277	2 855
Nederland	35 820	18 879	29 647	20 378	26 181
Portugal			400 958	394 619	397 789
United Kingdom	642 669	607 196	543 222	630 608	605 924
Multi-regional			1 221	54	638

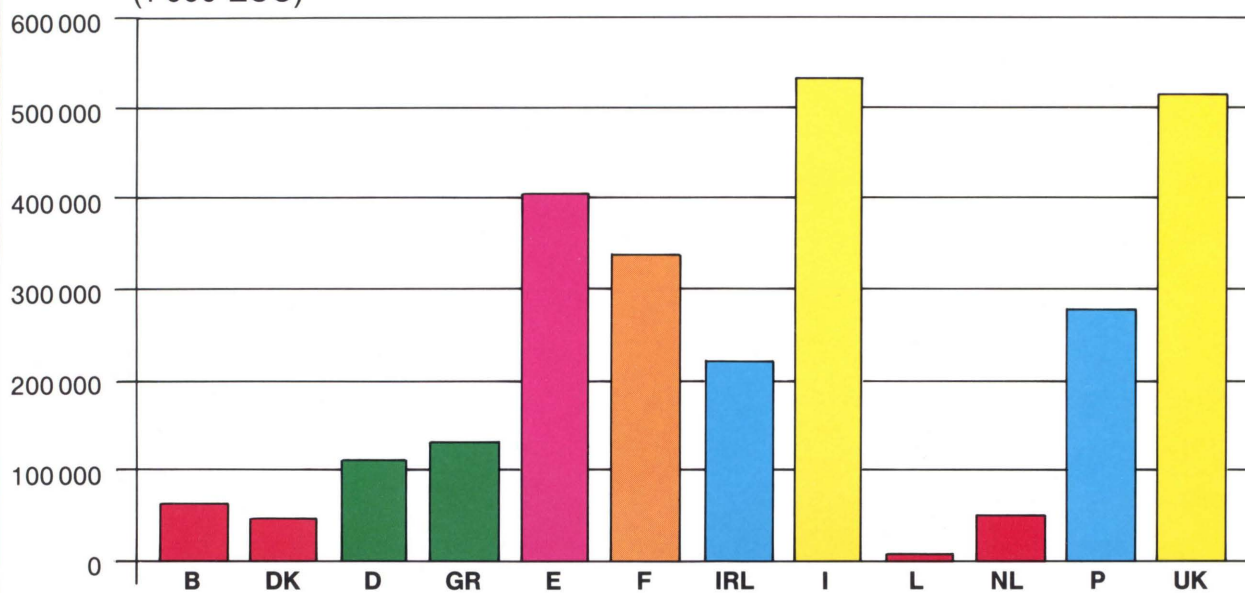
2 373 911 2 523 766 3 339 427 3 693 400

# EUR 12

Community grants – ESF  
(1 000 ECU)

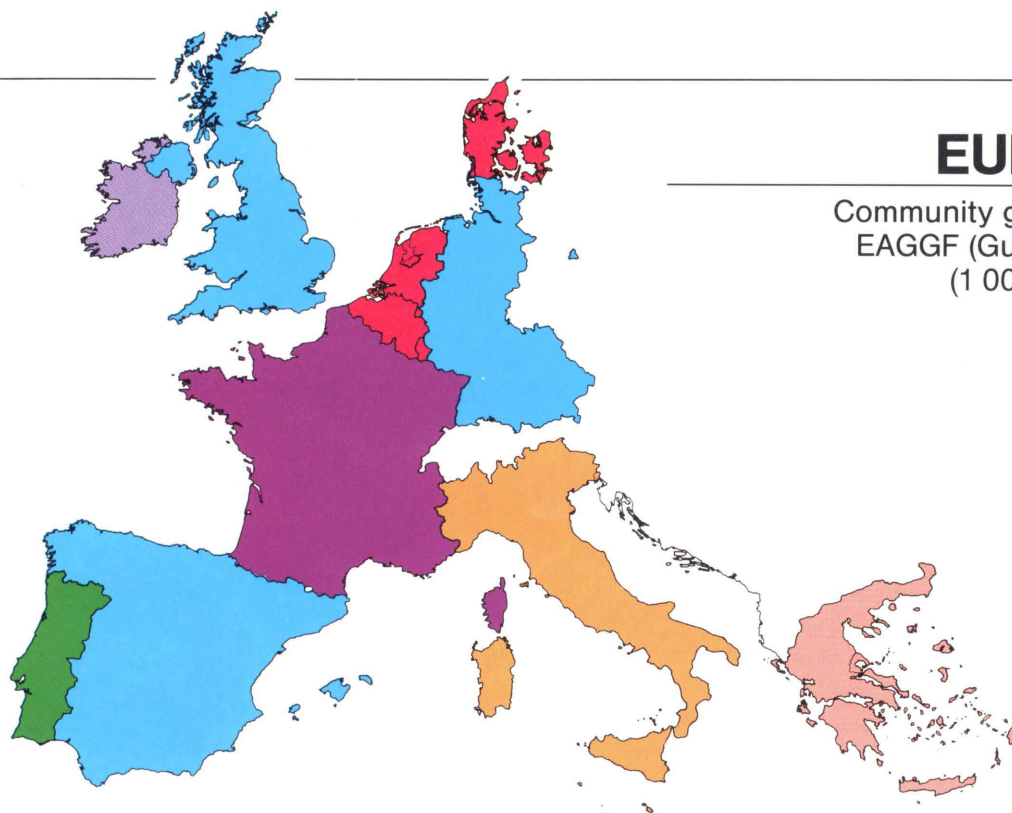


Community grants – ESF  
(1 000 ECU)



Community grants –  
ESF  
(1 000 ECU)

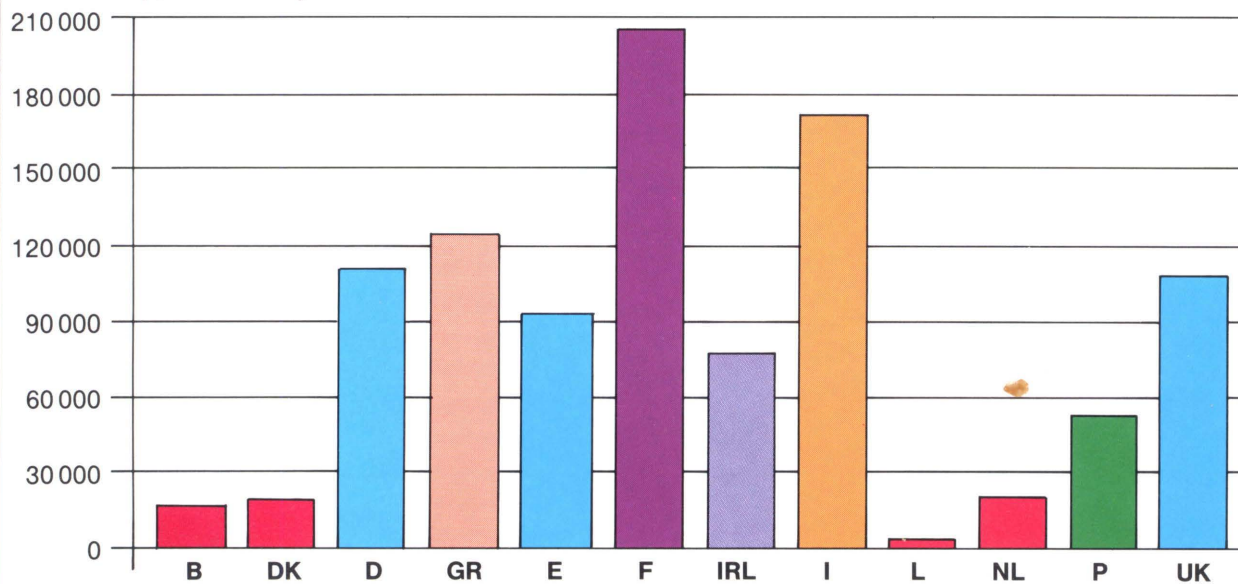
Region	1984	1985	1986	1987	Mean
België/Belgique	89 444	105 084	30 149	55 517	70 049
Danmark	95 136	63 688	47 838	35 548	60 552
BR Deutschland	82 390	104 100	94 910	161 616	110 754
Ellada	92 937	141 574	143 089	182 574	140 043
España			355 873	453 326	404 599
France	214 448	389 167	378 644	387 013	342 318
Ireland	218 684	287 786	240 186	208 928	238 896
Italia	416 787	547 651	554 968	648 957	542 091
Luxembourg	513	899	2 374	1 796	1 396
Nederland	51 821	46 546	68 396	68 954	58 929
Portugal			223 718	353 253	288 485
United Kingdom	595 898	537 682	413 787	592 548	534 979
Multi-regional			0	0	0
<b>Total</b>	<b>1 858 057</b>	<b>2 224 178</b>	<b>2 553 931</b>	<b>3 150 028</b>	



## EUR 12

Community grants –  
EAGGF (Guidance)  
(1 000 ECU)

Community grants – EAGGF (Guidance)  
(1 000 ECU)

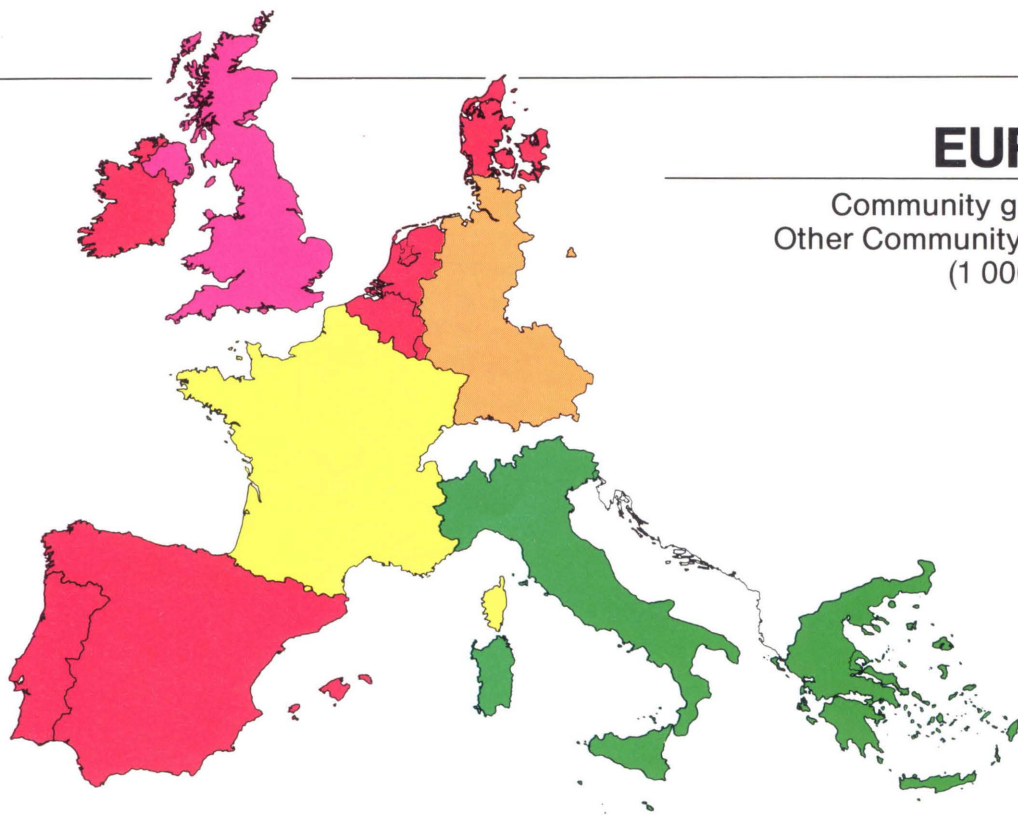


Community grants –  
EAGGF (Guidance)  
(1 000 ECU)

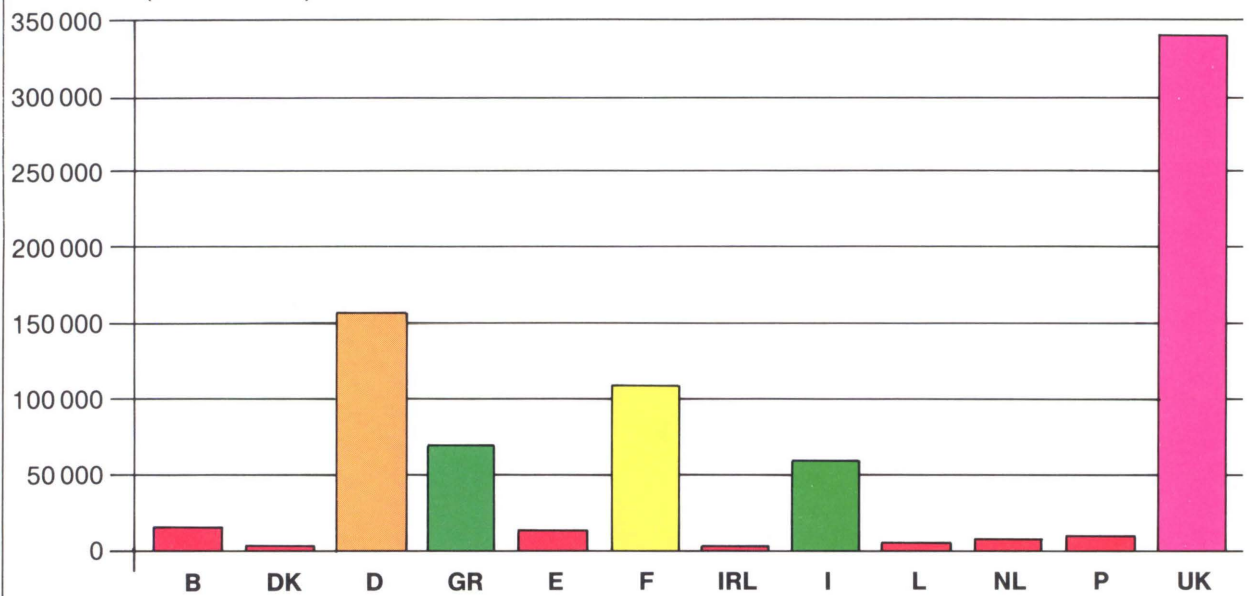
Region	1984	1985	1986	1987	Mean
België/Belgique	19 437	20 546	17 335	21 365	19 671
Danmark	20 152	31 926	23 231	12 855	22 041
BR Deutschland	98 470	106 931	111 778	126 764	110 986
Ellada	111 612	142 712	141 671	112 107	127 025
España			86 810	110 494	98 652
France	193 961	165 135	213 914	260 070	208 270
Ireland	73 670	82 135	79 903	98 506	83 553
Italia	204 517	235 958	155 394	118 003	178 468
Luxembourg	4 245	932	1 834	3 886	2 724
Nederland	26 050	26 970	24 347	14 439	22 951
Portugal			33 164	73 596	53 380
United Kingdom	135 429	123 800	105 179	91 823	114 058
Multi-regional			0	0	0
	887 544	937 045	994 559	1 043 906	

# EUR 12

Community grants –  
Other Community grants  
(1 000 ECU)



Community grants – Other Community grants  
(1 000 ECU)



Community grants –  
Other Community grants  
(1 000 ECU)

Region	1984	1985	1986	1987	Mean
België/Belgique	18 091	22 792	10 258	11 242	15 596
Danmark	8 967	4 655	10 549	6 014	7 546
BR Deutschland	259 561	166 027	116 947	87 007	157 385
Ellada	28 872	51 869	80 752	122 245	70 934
España			6 374	20 293	13 334
France	93 546	125 460	83 121	109 546	102 918
Ireland	6 175	5 877	7 177	5 701	6 232
Italia	54 045	81 782	67 397	43 722	61 486
Luxembourg	18 558	9 211	2 058	4 084	8 478
Nederland	9 359	7 705	10 644	11 276	9 746
Portugal			2 168	19 998	11 083
United Kingdom	914 845	188 645	137 656	100 035	335 295
Multi-regional	0	0	442	794	618
<b>Total</b>	<b>1 412 020</b>	<b>664 023</b>	<b>535 542</b>	<b>540 956</b>	

## **Legislation**

## COUNCIL REGULATION (EEC) No 2052/88

of 24 June 1988

**on the tasks of the Structural Funds and their effectiveness and on coordination of their activities between themselves and with the operations of the European Investment Bank and the other existing financial instruments**

THE COUNCIL OF THE EUROPEAN COMMUNITIES,

Having regard to the Treaty establishing the European Economic Community, and in particular Article 130d thereof,

Having regard to the proposal from the Commission <sup>(1)</sup>,

Having regard to the opinion of the European Parliament <sup>(2)</sup>,

Having regard to the opinion of the Economic and Social Committee <sup>(3)</sup>,

Whereas Article 130a of the Treaty provides for the Community to develop and pursue its actions leading to the strengthening of its economic and social cohesion and in particular for it to aim at reducing disparities between the various regions and the backwardness of the least-favoured regions;

Whereas Article 130c states that the European Regional Development Fund (ERDF) is intended to help redress the principal regional imbalances in the Community through participating in the development and structural adjustment of regions whose development is lagging behind and in the conversion of declining industrial regions;

Whereas, to that end, Article 130d of the Treaty provides for a comprehensive proposal the purpose of which will be to make such amendments to the structure and operational rules of the European Agricultural Guidance and Guarantee Fund, Guidance Section (EAGGF Guidance Section), the European Social Fund (ESF) and the ERDF as are necessary to clarify and rationalize their tasks in order to contribute to the achievement of the objectives set out in Articles 130a and 130c of the Treaty, to increase their efficiency and to coordinate their activities between themselves and with the operations of the existing financial instruments;

Whereas Community action through the Structural Funds, the European Investment Bank (EIB) and the other existing financial instruments must be in support of the objectives set out in Articles 130a and 130c;

Whereas the action taken through the Structural Funds, the EIB and the other existing financial instruments, the

coordination of Member States' economic and social policies, the coordination of national regional policies, the coordination of national schemes of assistance and other measures taken with a view to implementing the common policies and the internal market form, in accordance with Article 130b of the Treaty, part of a series of policies and measures aimed at strengthening economic and social cohesion, and whereas the Commission is called upon to make appropriate proposals in this regard;

Whereas it is necessary, in order to achieve the aim set by Article 130d of the Treaty, to direct all Community activity in this field towards the attainment of priority objectives which are clearly defined in the light of that aim;

Whereas on 11 and 12 February 1988 the European Council, with a view to strengthening the impact of Community structural measures, agreed to double in real terms commitment appropriations for the Structural Funds by 1993 as compared with the 1987 level; whereas at the same time it fixed the increases to be made up to 1992; whereas, within this context the Structural Fund contributions for regions coming under Objective 1 (see Article 1 below) are to be doubled in real terms by 1992; whereas in so doing the Commission is to ensure that, in the framework of the additional funds for the regions falling within Objective 1, a particular effort is made to assist the least-prosperous regions;

Whereas it is necessary to specify which Funds are to contribute — and to what extent and under what conditions they are to do so — to the achievement of each of the priority objectives and to determine the conditions under which the EIB and other existing Community financial instruments can make their contributions, particularly in conjunction with operations of the Funds;

Whereas, of the three Structural Funds, the ERDF is the main instrument for achieving the objective of ensuring the development and structural adjustment of regions whose development is lagging behind, whereas it plays a central role in the conversion of regions, frontier regions and parts of regions (including employment areas and urban communities) seriously affected by industrial decline;

Whereas the essential tasks of the ESF are combating long-term unemployment and the occupational integration of young people; whereas it helps to support economic and social cohesion; whereas it is also an instrument of decisive importance in the promotion of consistent employment policies in the Member States and in the Community;

<sup>(1)</sup> OJ No C 151, 9. 6. 1988, p. 4.

<sup>(2)</sup> OJ No C 167, 27. 6. 1988.

<sup>(3)</sup> OJ No C 175, 4. 7. 1988.

Whereas the Guidance Section of the EAGGF is, within the context of support for economic and social cohesion, the main instrument for financing the adjustment of agricultural structures and the development of rural areas with a view to reform of the common agricultural policy;

Whereas action by the Funds, the EIB and the other financial instruments must *inter alia* underpin implementation of a policy of rural development;

Whereas the tasks of the Funds must be defined so as to specify the broad categories of tasks assigned to each of them respectively for the purpose of achieving the priority objectives; whereas Fund operations must be consistent with Community policies, *inter alia* as regards rules of competition, the award of public contracts and environmental protection;

Whereas achievement of the priority objective of ensuring the structural adjustment of the regions whose development is lagging behind necessitates a significant concentration of the resources of the Community's Structural Funds on that objective;

Whereas provisions on the indicative allocation of commitment appropriations between Member States are laid down under the ERDF so as to make it easier for the Member States to programme the measures which come within the ERDF framework;

Whereas the regions, areas and individuals in the Community eligible for Community structural assistance in connection with the various priority objectives should be determined;

Whereas a list should be drawn up of the regions whose development is lagging behind; whereas this list should comprise administrative level NUTS II <sup>(1)</sup> regions where per capita GDP measured in terms of purchasing power parity is less than 75 % of the Community average, and other regions whose per capita GDP is close to that of regions under 75 % and whose inclusion is justified by special circumstances;

Whereas it is necessary to draw up criteria for defining declining industrial areas; whereas, moreover, Community action could, in order to ensure effective concentration of assistance, cover up to 15 % of the Community population living outside the regions whose development is lagging behind;

Whereas criteria must be laid down for the selection of rural areas;

Whereas Community action is intended to be complementary to action by the Member States or to back up national measures; whereas, in order to impart added value to their own initiatives at the appropriate territorial level, close

consultations should be instituted between the Commission, the Member State concerned at the competent authorities designated by the latter at national, regional, local or other level, with each party acting as a partner, within the framework of its responsibilities and powers, in the pursuit of a common goal;

Whereas it is necessary to specify the principal forms of structural assistance to be provided by the Community for the purposes of the objectives set out in Articles 130a and 130c of the Treaty; whereas those forms of assistance must enhance the effectiveness of the measures taken by it and at the same time, account being taken of the proportionality principle, satisfy the needs of the different situations that may arise;

Whereas the main emphasis must be placed on assistance in the form of multiannual operational programmes;

Whereas, in order to secure joint action between one or more funds, the EIB and one or more of the other existing financial instruments, those programmes may be drawn up and implemented on the basis of an integrated approach to the measures involved;

Whereas mechanisms should be established for varying Community assistance in line with the particular features of the measures to be supported and in the light of the context in which they are to be carried out and the financing capacity of the Member State concerned, having regard in particular to its relative prosperity;

Whereas, in implementing this Regulation, it is necessary to establish procedures for ensuring close association between the Commission and the Member States as well as, where appropriate, national, regional and local authorities designated by them;

Whereas it is necessary to establish effective methods of monitoring, assessing and carrying out checks in respect of Community structural operations, based on objective criteria, and to ensure that those methods are adapted to the tasks of the different Funds as specified in this Regulation;

Whereas the principles for the necessary transitional provisions as well as for the combining and overlapping of Community operations or measures must be laid down;

Whereas it is advisable to include a review clause;

Whereas it is necessary to lay down in subsequent implementing legislation the detailed rules governing the individual Funds, together with the arrangements for the coordination and joint deployment of the Community's various Structural Funds and instruments;

Whereas, while performing the tasks assigned to it by Articles 129 and 130 of the Treaty, the EIB is to cooperate in achieving the objectives set out in this Regulation in accordance with the procedures laid down in its Statute.

<sup>(1)</sup> Nomenclature of territorial units for statistical purposes (NUTS). See Eurostat 'Statistiques rapides des régions' of 25 August 1986.

HAS ADOPTED THIS REGULATION:

## I. OBJECTIVES AND TASKS OF THE STRUCTURAL FUNDS

### Article 1

#### Objectives

Community action through the Structural Funds, the EIB and other existing financial instruments shall support the achievement of the general objectives set out in Articles 130a and 130c of the Treaty by contributing to the attainment of the following five priority objectives:

1. promoting the development and structural adjustment of the regions whose development is lagging behind (hereinafter referred to as 'Objective 1');
2. converting the regions, frontier regions or parts of regions (including employment areas and urban communities) seriously affected by industrial decline (hereinafter referred to as 'Objective 2');
3. combating long-term unemployment (hereinafter referred to as 'Objective 3');
4. facilitating the occupational integration of young people (hereinafter referred to as 'Objective 4');
5. with a view to reform of the common agricultural policy:
  - (a) speeding up the adjustment of agricultural structures, and
  - (b) promoting the development of rural areas
 (hereinafter referred to as 'Objective 5 (a) and 5 (b)').

### Article 2

#### Means

1. The Structural Funds, the 'EAGGF Guidance Section', the 'ESF' and the 'ERDF' shall contribute, each according to the specific provisions governing its operations, to the attainment of Objectives 1 to 5 on the basis of the breakdown given below:

- Objective 1: ERDF, ESF, EAGGF Guidance Section;
- Objective 2: ERDF, ESF;
- Objective 3: ESF;
- Objective 4: ESF;
- Objective 5 (a): EAGGF Guidance Section;  
5 (b): EAGGF Guidance Section, ESF, ERDF.

2. The EIB, while performing the tasks assigned to it by Articles 129 and 130 of the Treaty, shall cooperate in achieving the objectives set out in Article 1 of this Regulation in accordance with the procedures laid down in its Statute.

3. The other existing financial instruments may contribute, each according to the specific provisions governing its operations, to any measure supported by one or more of the Structural Funds in connection with one of the abovementioned five objectives. Where appropriate, the Commission shall take measures to enable these instruments to make a better contribution to the objectives set out in Article 1.

### Article 3

#### Tasks of the Funds

1. In accordance with Article 130c of the Treaty, the ERDF:

- shall have the essential task of providing support for Objectives 1 and 2 in the regions concerned;
- in addition, shall participate in the operations of Objective 5 (b).

It shall in particular provide support for:

- (a) productive investment;
- (b) the creation or modernization of infrastructures which contribute to the development or conversion of the regions concerned;
- (c) measures to exploit the potential for internally generated development of the regions concerned.

The ERDF shall also provide support for studies or pilot schemes concerning regional development at Community level, especially where frontier regions of Member States are involved.

2. In the framework of Article 123 of the Treaty and having regard to the Decisions adopted pursuant to Article 126 of the Treaty, the Treaty, the ESF shall:

- have as priority missions to provide support throughout the Community for vocational-training measures and aids for employment and for the creation of self-employed activities, in order to combat long-term unemployment (Objective 3) and integrate young people into working life (Objective 4);
- also support measures for Objectives 1, 2 and 5 (b).

The following categories of persons shall qualify for ESP support:

- (a) the long-term unemployed (Objective 3);
- (b) young people who have completed the compulsory full-time education period (Objective 4);
- (c) in addition to the categories of persons referred to in (a) and (b), where the ESF helps to finance measures necessary to achieve Objectives 1, 2 or 5 (b), unemployed people or persons at risk of unemployment in particular shall qualify for vocational-training measures or aid for employment or for the creation of self-employed



activities with the aim of providing them with the occupational qualifications required either to promote the stability of their employment or to develop new employment opportunities for them. Categories of persons other than unemployed people or people at risk of unemployment may be included in these measures in accordance with Article 3 (4).

In this respect, support shall take into account the requirements of the labour markets and the priorities laid down in employment policies within the Community.

3. In line with the priorities set out in Article 39 of the Treaty, assistance from the EAGGF Guidance Section shall be geared in particular to the following tasks:

- (a) strengthening and re-organizing agricultural structures, including those for the marketing and processing of agricultural and fishery products, including forestry products, especially with a view to reform of the common agricultural policy;
- (b) ensuring the conversion of agricultural production and fostering the development of supplementary activities for farmers;
- (c) ensuring a fair standard of living for farmers;
- (d) helping to develop the social fabric of rural areas, to safeguard the environment, to preserve the countryside (*inter alia* by securing the conservation of natural agricultural resources) and to offset the effects of natural handicaps on agriculture.

4. The specific provisions governing operations under each Structural Fund shall be laid down in the implementing Decisions adopted pursuant to Article 130e of the Treaty. They shall establish in particular the procedures for providing assistance in one of the forms defined in Article 5 (2), the conditions of eligibility and the rates of assistance. Without prejudice to paragraph 5 of this Article they shall also establish the arrangements for the monitoring, assessment, financial management and checking of measures and any transitional provisions necessary in relation to existing rules.

5. The Council, acting on the basis of Article 130e of the Treaty, shall adopt the provisions necessary for ensuring coordination between the different Funds, on the one hand, and between them and the EIB and the other existing financial instruments, on the other. The Commission and the EIB shall establish by mutual agreement the practical arrangements for coordinating the operations.

The implementing Decisions referred to in this Article shall also lay down the transitional provisions concerning the integrated approaches adopted under existing rules.

## II. ARRANGEMENTS FOR STRUCTURAL OPERATIONS

### Article 4

#### Complementarity, partnership, technical assistance

1. Community operations shall be such as to complement or contribute to corresponding national operations. They shall be established through close consultations between the Commission, the Member State concerned and the competent authorities designated by the latter at national, regional, local or other level, with each party acting as a partner in pursuit of a common goal. These consultations are hereinafter referred to as the 'partnership'. The partnership shall cover the preparation, financing, monitoring and assessment of operations.

2. Acting in accordance with the provisions of this Regulation and with the provisions referred to in Article 3 (4) and (5), the Commission shall take the steps and measures necessary to ensure that Community operations are in support of the objectives set out in Article 1 and impart to national initiatives an added value.

3. Within the framework of the partnership, the Commission may, in accordance with procedures laid down in the provisions referred to in Article 3 (4), contribute to the preparation, implementation and adjustment of operations by financing preparatory studies and technical assistance operations locally, in agreement with the Member State concerned and, where appropriate, with the authorities referred to in paragraph 1.

4. For each objective, tasks shall be shared between the Commission and the Member State during the preparation of operations in accordance with Articles 8 to 11.

### Article 5

#### Forms of assistance

1. Financial assistance under the Structural Funds, the EIB and the other existing Community financial instruments shall be provided in a variety of forms that reflect the nature of the operation to be carried out.

2. In the case of the Structural Funds, financial assistance shall be provided in one of the following forms:

- (a) part-financing of operational programmes;
- (b) part-financing of a national aid scheme including repayments;
- (c) provision of global grants, as a general rule, managed by an intermediary designated by the Member State in agreement with the Commission and allocated by the intermediary in the form of individual grants to final beneficiaries;
- (d) part-financing of suitable projects including repayments;

- (e) support for technical assistance and studies in preparation for operations.

Acting by a qualified majority on a proposal from the Commission and in cooperation with the European Parliament, the Council may introduce other forms of assistance of the same type.

3. In the case of the EIB and the other existing financial instruments, each observing its own specific rules, financial assistance shall be provided in one of the following forms:

- loans or other forms of part-financing specific investment projects;
- global loans;
- part-financing of technical assistance or of studies in preparation for operations;
- guarantees.

4. Community assistance shall combine in an appropriate way assistance in the form of grants and loans referred to in paragraphs 2 and 3 in order to maximize the stimulus provided by the budgetary resources deployed, making use of existing financial engineering techniques.

5. An operational programme within the meaning of paragraph 2 (a) shall comprise a series of consistent multiannual measures which may be implemented through recourse to one or more Funds, to one or more of the other existing financial instruments, and to the EIB.

Where an operational programme involves operations under more than one Fund and/or more than one other financial instrument, it may be implemented in the form of an integrated approach, the details of which shall be determined by the provisions referred to in Article 3 (5).

Operational programmes shall be undertaken on the initiative of the Member States or of the Commission in agreement with the Member State concerned.

#### Article 6

##### Monitoring and assessment

1. Community operations shall be constantly monitored to ensure that the commitments entered into as part of the objectives set out in Articles 130a and 130c of the Treaty are effectively honoured. Such monitoring shall, where necessary, make it possible to adjust operations in line with requirements arising during implementation.

The Commission shall periodically submit reports on the implementation of operations to the Committees referred to in Article 17.

2. In order to gauge their effectiveness, Community structural operations shall be the subject of an *ex-ante* and

an *ex-post* assessment designed to highlight their impact with respect to the objectives set out in Article 1 and to analyse their effects on specific structural problems.

3. The procedures for monitoring and assessing Community operations shall be established by the provisions referred to in Article 3 (4) and (5) and, in the case of the EIB, in the manner provided for in its Statute.

#### Article 7

##### Compatibility and checks

1. Measures financed by the Structural Funds or receiving assistance from the EIB or from another existing financial instrument shall be in keeping with the provisions of the Treaties, with the instruments adopted pursuant thereto and with Community policies, including those concerning the rules on competition, the award of public contracts and environmental protection.

2. Without prejudice to the Financial Regulation, the provisions referred to in Article 3 (4) and (5) shall lay down harmonized rules for strengthening checks on structural operations. They shall be adjusted to reflect the special nature of the financial operations concerned. The procedures for carrying out checks on operations undertaken by the EIB shall be as set out in its Statute.

### III. PROVISIONS RELATING TO THE SPECIFIC OBJECTIVES

#### Article 8

##### Objective 1

1. The regions concerned by Objective 1 shall be regions at NUTS level II whose per capita GDP, on the basis of the figures for the last three years, is less than 75 % of the Community average.

They shall also include Northern Ireland, the French overseas departments and other regions whose per capita GDP is close to that of the regions referred to in the first subparagraph and which have to be included within the scope of Objective 1 for special reasons.

2. The list of regions concerned by Objective 1 is given in the Annex.

3. The list of regions shall be applicable for five years from the entry into force of this Regulation. The Commission shall review the list in good time before the five years have elapsed in order for the Council, acting by a qualified majority on a proposal from the Commission and after consulting the European Parliament, to establish a new list to apply for the period after the five years have elapsed.

4. The Member States shall submit to the Commission their regional development plans. Those plans shall include in particular:

- a description of the regional development priorities selected and of the corresponding operations;
- an indication of the use to be made of assistance available under the Funds, the EIB and the other financial instruments in implementing the plans.

The Member States may submit overall regional development plans for all their regions included in the list referred to in paragraph 2, provided that such plans comprise the features listed in the first subparagraph.

Member States shall also submit the plans referred to in Article 10 (2) and the operations referred to in Article 11 (1) for the regions concerned, including the data relating to the operations under Article 11 (1), which under Community rules constitute rights for the beneficiaries.

In order to expedite the examination of applications and the implementation of action, the Member States may include with their plans applications for operational programmes that they cover.

5. The Commission shall examine the proposed plans and operations and the other information referred to in paragraph 4 to determine whether they are consistent with the objectives of this Regulation and with the provisions and policies referred to in Articles 6 and 7. On the basis of all the plans and operations referred to in paragraph 4, it shall establish, through the partnership referred to in Article 4 (1) and in agreement with the Member State concerned, the Community support framework for Community structural operations, in accordance with the procedures referred to in Article 17.

The Community support framework shall cover in particular:

- the priorities adopted for Community assistance;
- the forms of assistance;
- the indicative financing plan, with details of the amount of assistance and its source;
- the duration of the assistance.

The Community support framework shall provide coordination of Community structural assistance towards those of the objectives referred to in Article 1 which may be pursued in a particular region.

The Community support framework may, if necessary, be revised and adjusted, on the initiative of the Member State or of the Commission in agreement with the Member State, in the light of relevant new information and of the results obtained during implementation of the operations concerned.

At the duly substantiated request of the Member State concerned, the Commission shall adopt the distinct Community support frameworks for one or more of the plans referred to in paragraph 4.

6. Assistance in respect of Objective 1 shall be predominantly in the form of operational programmes.

7. The provisions for implementation of this Article shall be specified in the provisions referred to in Article 3 (4) and (5).

#### Article 9

#### Objective 2

1. The declining industrial areas concerned by Objective 2 shall comprise regions, frontier regions or parts of regions (including employment areas and urban communities).

2. The areas referred to in paragraph 1 must represent or belong to a NUTS level III territorial unit which satisfies all the following criteria:

- (a) the average rate of unemployment recorded over the last three years must have been above the Community average;
- (b) the percentage share of industrial employment in total employment must have equalled or exceeded the Community average in any reference year from 1975 onwards;
- (c) there must have been an observable fall in industrial employment compared with the reference year chosen in accordance with point (b).

Community assistance may, subject to the provisions of paragraph 4 below, also extend to:

- adjacent areas satisfying criteria (a) to (c) above;
- urban communities with an unemployment rate at least 50% above the Community average which have recorded a substantial fall in industrial employment;
- other areas which have recorded substantial job losses over the last three years or are experiencing or are threatened with such losses in industrial sectors which are vital to their economic development, with a consequent serious worsening of unemployment in those areas.

3. As soon as this Regulation has entered into force, the Commission shall, in accordance with the procedure laid down in Article 17 and on the basis of paragraph 2 above, establish an initial list of the areas referred to in paragraph 1.

4. In establishing the list and in defining the Community support framework referred to in paragraph 9 below, the Commission shall seek to ensure that assistance is genuinely concentrated on the areas most seriously affected, at the most appropriate geographical level, taking into account the particular situation of the areas concerned. Member States shall supply to the Commission all information which might be of assistance to it in this task.

5. Berlin shall be eligible for aid under this objective.

6. The list of areas shall be reviewed by the Commission periodically. However, the assistance granted by the Community in respect of Objective 2 in the various areas listed shall be planned and implemented on a three-yearly basis.

7. Three years after this Regulation enters into force, the criteria laid down in paragraph 2 may be altered by the Council, acting by a qualified majority on a proposal from the Commission and after consulting the European Parliament.

8. The Member States shall submit their regional and social conversion plans to the Commission. Those plans shall include in particular:

- a description of the conversion priorities selected for the areas concerned and of the corresponding operations;
- an indication of the use to be made of assistance available under the Funds, the EIB and the other financial instruments in implementing the plans.

In order to expedite the examination of applications and the implementation of action, the Member States may include with their plans applications for operational programmes that they cover.

9. The Commission shall examine the proposed plans to determine whether they are consistent with the objectives of this Regulation and with the provisions and policies referred to in Articles 6 and 7. It shall establish, through the partnership defined in Article 4 (1), in agreement with the Member State concerned and in accordance with the procedures referred to in Article 17, the Community conversion support framework for Community structural operations.

The Community support framework shall cover in particular:

- the priorities adopted for Community assistance;
- the forms of assistance;
- the indicative financing plan, with details of the amount of assistance and its source;
- the duration of the assistance.

The Community support framework may, if necessary, be revised and adjusted, on the initiative of the Member State or of the Commission and in agreement with the Member State in the light of relevant new information and of the results obtained during implementation of the operations concerned.

10. Assistance in respect of Objective 2 shall be predominantly in the form of operational programmes.

11. The arrangements for implementation of this Article shall be specified in the provisions referred to in Article 3 (4) and (5).

#### *Article 10*

#### **Objectives 3 and 4**

1. In accordance with the procedure laid down in Article 17, on the basis of this Regulation and the provisions implementing this Regulation, the Commission shall establish for a period covering a number of years general guidelines that set out and clarify the Community choices and criteria concerning action to combat long-term unemployment (Objective 3) and to facilitate the occupational integration of young people (Objective 4).

2. The Member States concerned shall submit to the Commission plans for operations to combat long-term unemployment (Objective 3) and to facilitate the occupational integration of young people (Objective 4) for which they are applying for Community support. Those plans shall include in particular:

- information on the employment and labour market policy implemented at national level;
- an indication of the priority operations for which Community support is sought, planned in principle for a specific number of years to help those sections of the population concerned by Objectives 3 and 4, and coherent with the general guidelines laid down by the Commission;
- an indication of the use to be made of assistance available under the ESF — where appropriate, in conjunction with assistance from the EIB or other existing Community financial instruments — in implementing the plans.

In order to expedite the examination of applications and the implementation of action, the Member States may include with their plans applications for operational programmes that they cover.

3. The Commission shall examine the proposed plans to determine whether they are consistent with the objectives of this Regulation, with the general guidelines laid down by it and with the provisions and policies referred to in Articles 6

and 7. It shall establish for each Member State and for the individual plans submitted to it through the partnership referred to in Article 4 (1), in agreement with the Member State concerned and in accordance with the procedures referred to in Article 17, the Community support framework for the attainment of Objectives 3 and 4.

The Community support framework shall cover in particular:

- the specific priorities adopted for Community assistance in respect of the persons concerned by Objectives 3 and 4;
- the forms of assistance;
- the indicative financing plan, with details of the amount of assistance and its source;
- the duration of the assistance.

The Community support framework may, if necessary, be revised and adjusted on the initiative of the Member State in the light of relevant new information and of the results obtained during implementation of the operations concerned.

4. Assistance in respect of Objectives 3 and 4 shall be predominantly in the form of operational programmes.

5. The arrangements for implementation of this Article shall be specified in the provisions referred to in Article 3 (4) and (5).

#### Article 11

#### Objective 5

1. The arrangements for implementation of operations connected with the accelerated adaptation of agricultural structures (Objective 5 (a)) shall be determined in the provisions referred to in Article 3 (4) and (5).

2. Areas eligible under Objective 5 (b) shall be selected in accordance with the procedure referred to in Article 17, taking into account in particular the degree to which they are rural in nature, the number of persons occupied in agriculture, their level of economic and agricultural development, the extent to which they are peripheral and their sensitivity to changes in the agricultural sector, especially in the context of reform of the common agricultural policy.

These criteria shall be specified in the provisions adopted pursuant to Article 3 (4) and (5).

3. The Member States shall submit their development plans for rural areas to the Commission. Those plans shall include in particular:

- a description of the rural development priorities and of the corresponding measures;
- an indication of the use to be made of assistance available under the different Funds, the EIB and the other financial instruments in implementing the plans;
- any link with the consequences of reform of the common agricultural policy.

To expedite the examination of applications and implementation of assistance, Member States may attach to their plans applications for operational programmes covered by the latter.

The Commission shall examine the proposed plans to determine whether they are consistent with the objectives of this Regulation and with the provisions and policies referred to in Articles 6 and 7. It shall establish, through the partnership referred to in Articles 6 and 7. It shall establish, through the partnership referred to in Article 4 (1), in agreement with the Member State concerned and in accordance with the procedures referred to in Article 17, the Community support framework for rural development.

The Community support framework shall cover in particular:

- the rural development priorities adopted for Community assistance;
- the forms of assistance;
- the indicative financing plan, with details of the amount of assistance and its source;
- the duration of the assistance.

The Community support framework may, if necessary, be revised and adjusted on the initiative of the Member State concerned or of the Commission in agreement with the Member State in the light of relevant new information and of the results obtained during implementation of the operations concerned.

The arrangements for implementation of this paragraph shall be specified in the provisions referred to in Article 3 (4) and (5).

4. The part-financing of national aids and of operational programmes shall be the predominant form of assistance.

5. Operations eligible for assistance under the different Funds in respect of Objective 5 shall be specified in the provision referred to in Article 3 (4) and (5). In the case of the EAGGF Guidance Section, those provisions shall distinguish between operations to be financed in connection with the adaptation of agricultural structures (Objective 5 (a)) and operations to be financed in connection with rural development (Objective 5 (b)).

#### IV. FINANCIAL PROVISIONS

##### Article 12

##### Fund resources and concentration

1. Within the framework of the multiannual budget forecasts, the Commission shall present each year a five-year projection of the appropriations needed for the three Structural Funds taken together. The projection shall be accompanied by an indicative breakdown of the commitment appropriations to be assigned to each objective. In drawing up each preliminary draft budget, the Commission shall, where the allocation for the Structural Funds is concerned, take account of the indicative breakdown by objective.

2. Commitment appropriations for the Structural Funds shall be doubled in real terms in 1993 by comparison with 1987. In addition to the resources earmarked for 1988 (7 700 million ECU), the amounts of annual increase in commitment appropriations for this purpose shall be 1 300 million ECU each year from 1989 to 1992, resulting in 1992 in a figure of 12 900 million ECU (1988 prices). The effort shall be continued in 1993 to achieve doubling.

To these amounts shall be added those required for aid to farm incomes and the set-aside scheme up to a maximum of 300 million ECU and 150 million ECU respectively in 1992 (1988 prices).

3. A considerable proportion of budgetary resources shall be concentrated on the less-developed regions covered by Objective 1.

The contributions of the Structural Funds (commitment appropriations) to these regions shall be doubled in real terms between now and 1992. All operations under Objectives 1 to 5 to assist the regions covered by Objective 1 shall be taken into account for that purpose.

4. The Commission shall ensure that, in the framework of the additional resources for the regions covered by Objective 1, a special effort is undertaken for the least prosperous regions.

5. The ERDF may devote approximately 80 % of its appropriations to Objective 1.

6. To facilitate the planning of assistance in the regions concerned, the Commission shall, for a period of five years and as a guide, establish the allocation per Member State of 85 % of the commitment appropriations of the ERDF.

This allocation shall be based on the socio-economic criteria determining the eligibility of regions and areas for ERDF

assistance under Objectives 1, 2 and 5 (b), while ensuring that the objective of doubling appropriations for the regions covered by Objective 1 takes the form of a substantial increase in assistance in those regions, particularly in the least prosperous regions.

##### Article 13

##### Differentiation of rates of assistance

1. The Community contributions to the financing of operations shall be differentiated in the light of the following:

- the seriousness of the specific, notably regional or social, problems to be tackled;
- the financial capacity of the Member State concerned, taking into account in particular the relative prosperity of that State;
- the special importance attaching to measures from a Community viewpoint;
- the special importance attaching to measures from a regional viewpoint;
- the particular characteristics of the types of measure proposed.

2. Such differentiation shall take account of the planned link between grants and loans, as referred to in Article 5 (4).

3. The rates of Community assistance granted by the Funds in respect of the various objectives listed in Article 1 shall be subject to the following ceilings:

- a maximum of 75 % of the total cost and, as a general rule, at least 50 % of public expenditure in the case of measures carried out in the regions eligible for assistance under Objective 1;
- a maximum of 50 % of the total cost and, as a general rule, at least 25 % of public expenditure in the case of measures carried out in the other regions.

The minimum rates of assistance laid down in the first indent shall not apply to revenue-bearing investment.

4. Preparatory studies and technical assistance measures undertaken on the initiative of the Commission may be financed at 100 % of total cost in exceptional cases.

5. The arrangements for implementation of this Article, including those concerning public funding of the operations

concerned, and the rates applied to investment generating revenue, shall be laid down in the provisions referred to in Article 3 (4) and (5).

## V. OTHER PROVISIONS

### *Article 14*

#### **Combination and overlapping of assistance**

1. For any given period, an individual measure or operation may benefit from assistance from only one Fund at a time.
2. An individual measure or operation may benefit from assistance from a Fund or other financial instrument in respect of only one of the objectives set out in Article 1 at a time.
3. The arrangements governing the combination and overlapping of assistance shall be laid down in the provisions referred to in Article 3 (4) and (5).

### *Article 15*

#### **Transitional provisions**

1. This Regulation shall not affect multiannual operations approved by the Council or by the Commission on the basis of the existing rules governing the Funds before adoption of this Regulation.
2. Applications for assistance from the Funds towards a multiannual operation which are submitted before this Regulation is adopted shall be considered and approved by the Commission on the basis of the rules governing the Funds before the adoption of this Regulation.
3. New applications for assistance from the Funds for a multiannual operation, submitted after the adoption of this Regulation and before the entry into force of the provisions referred to in Article 3 (4) and (5) shall be examined in the light of the provisions of this Regulation. Approval for Community assistance, if given shall be in accordance with the forms and procedures laid down by the rules in force at the time of the approval of the application.
4. Applications for aid for assistance for non-multiannual operations which are submitted before the entry into force of the provisions referred to in Article 3 (4) and (5) of this Regulation shall be examined and approved on the basis of the rules governing the Funds in force before the entry into force of this Regulation.
5. The provisions in this Regulation which require the Member States to draw up plans and operational

programmes shall be implemented progressively as laid down in the transitional provisions referred to in Article 3 (4) and (5), in accordance with rules applied without discrimination to all the Member States. The Commission shall help with implementation in particular by means of the technical assistance measures referred to in Article 4 (3).

6. The provisions referred to in Article 3 (4) and (5) shall, where appropriate lay down specific transitional provisions relating to the implementation of this Article, including provisions to ensure that aid to Member States is not interrupted pending the establishment of the plans and operational programmes in accordance with the new system and that the higher rates of assistance can apply to all forms of assistance as from 1 January 1989.

### *Article 16*

#### **Reports**

Within the framework of Articles 130a and 130b of the Treaty before 1 November of each year, the Commission shall submit to the European Parliament, to the Council and to the Economic and Social Committee a report on the implementation of this Regulation during the preceding year.

In this report, the Commission shall in particular indicate what progress has been made towards achieving the objectives set out in Article 1 and in concentrating assistance as required by Article 12.

### *Article 17*

#### **Committees**

1. In implementing this Regulation, the Commission shall be assisted by three Committees dealing respectively with:
  - Objectives 1 and 2
    - Advisory Committee composed of representatives of the Member States;
  - Objectives 3 and 4
    - Committee under Article 124 of the Treaty;
  - Objective 5 (a) and 5 (b)
    - Management Committee composed of representatives of the Member States.
2. Provisions setting out the arrangements for the operation of the Committees referred to in paragraph 1 and measures concerning the tasks of those Committees in the framework of management of the Funds shall be adopted in accordance with Article 3 (4) and (5).

## VI. FINAL PROVISIONS

force. It shall act on the proposal in accordance with the procedure laid down in Article 130d of the Treaty.

*Article 18**Article 20***Implementation****Entry into force**

The Commission shall be responsible for the implementation of this Regulation.

This Regulation shall enter into force on 1 January 1989.

*Article 19*

Subject to the transitional provisions laid down in Article 15 (2) and (3), it shall be applicable as from that date.

**Review clause**

The date of entry into force may be deferred by the Council, acting by a qualified majority on a proposal from the Commission, to allow for the entry into force of the provisions referred to in Article 3 (4) and (5).

On a proposal from the Commission, the Council shall re-examine this Regulation five years after its entry into

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Luxembourg, 24 June 1988.

*For the Council*

*The President*

M. BANGEMANN



## ANNEX

## REGIONS CONCERNED BY OBJECTIVE 1

SPAIN:	Andalusia, Asturias, Castilla y León, Castilla-La Mancha, Ceuta-Melilla, Valencia, Extremadura, Galicia, Canary Islands, Murcia
FRANCE:	French overseas departments, Corsica
GREECE:	the entire country
IRELAND:	the entire country
ITALY:	Abruzzi, Basilicata, Calabria, Campania, Molise, Apulia, Sardinia, Sicily
PORTUGAL:	the entire country
UNITED KINGDOM:	Northern Ireland

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## Legislation

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Acts whose titles are printed in light type are those relating to day-to-day management of agricultural matters, and are generally valid for a limited period.

The titles of all other Acts are printed in bold type and preceded by an asterisk.

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## I

*(Acts whose publication is obligatory)*

**COUNCIL REGULATION (EEC) No 4253/88**

**of 19 December 1988**

**laying down provisions for implementing Regulation (EEC) No 2052/88 as regards coordination of the activities of the different Structural Funds between themselves and with the operations of the European Investment Bank and the other existing financial instruments**

THE COUNCIL OF THE EUROPEAN COMMUNITIES,

down in that Regulation and in accordance with the guidelines of the European Council;

Having regard to the Treaty establishing the European Economic Community, and in particular Articles 130e and 153 thereof,

Whereas Article 3 (5) of Regulation (EEC) No 2052/88 provides that the Council, acting on the basis of Article 130e of the Treaty, shall adopt the provisions necessary for ensuring coordination between the different Structural Funds, on the one hand, and between them and the European Investment Bank (EIB) and the other existing financial instruments, on the other;

Having regard to the proposal from the Commission <sup>(1)</sup>,

Whereas it is necessary to ensure and strengthen, in a manner consistent with the partnership, the coordination between the Structural Funds and between these Funds, the EIB and the Community's other existing financial instruments, in order to enhance the effectiveness of their contributions to the attainment of the objectives set out in Article 1 of Regulation (EEC) No 2052/88; whereas the Commission has an important role to play in this respect;

In cooperation with the European Parliament <sup>(2)</sup>,

Having regard to the opinion of the Economic and Social Committee <sup>(3)</sup>,

Whereas, to this end, the Commission must, where necessary, associate the EIB with the preparation of its decisions; whereas the EIB is prepared to cooperate in the implementation of this Regulation, in keeping with its own powers and responsibilities;

Whereas the Council adopted Regulation (EEC) No 2052/88 of 24 June 1988 on the tasks of the Structural Funds and their effectiveness and on the coordination of their activities between themselves and with the operations of the European Investment Bank and the other existing financial instruments <sup>(4)</sup>;

Whereas the doubling of the Structural Funds between 1987 and 1993 is covered by the Interinstitutional Agreement of 29 June 1988; whereas provisions for the implementation of Regulation (EEC) No 2052/88 should be laid down so that the new financial means allocated to the Funds are used in compliance with the new rules laid

Whereas Articles 8 to 11 of the said Regulation provide for measures relating to their implementation to be laid down in the implementing decisions referred to in Article 130e of the Treaty; whereas it is necessary to determine the criteria which the Commission should use to select those rural areas outside the regions designated for assistance from the Funds under objective 1 which may receive assistance under objective 5 (b) as defined in Article 1 of Regulation (EEC) No 2052/88; whereas these criteria must ensure that there is effective concentration on those areas suffering from the most serious problems of development, while account is taken of difficulties in other rural areas, in the regions of Member States with socio-economic imbalances such as would threaten their development;

<sup>(1)</sup> OJ No C 256, 3. 10. 1988, p. 1.

<sup>(2)</sup> OJ No C 326, 19. 12. 1988 and decision of 14 December 1988 (not yet published in the Official Journal).

<sup>(3)</sup> OJ No C 337, 31. 12. 1988.

<sup>(4)</sup> OJ No L 185, 15. 7. 1988, p. 9.

Whereas it is necessary to specify the scope, content and duration of the plans to be submitted by the Member States and the time limits for their submission;

Whereas, with a view to helping Member States in the preparation of plans, the Commission should be in a position to supply the necessary technical assistance;

Whereas it is necessary to give guidelines on the content and duration of the Community support frameworks to be established by the Commission in agreement with the Member State concerned and on the time limit for their establishment;

Whereas, when the Community support frameworks are being worked out and implemented, care should be taken to see that any increase in appropriations from the Funds has a genuine additional economic impact in the regions concerned;

Whereas the Commission should be able to adapt, in agreement with the Member State concerned, Community support frameworks to take account of measures not provided for in the plans submitted by the Member States, including measures resulting from new Community initiatives;

Whereas assistance from the Funds envisaged in the Community support frameworks should be provided mainly in the form of part-financing of operational programmes;

Whereas it is necessary to specify the conditions for the implementation of operational programmes under the integrated approach;

Whereas it is necessary to specify the general conditions governing the processing of applications for financial assistance from the Structural Funds;

Whereas financial assistance from the Structural Funds objectives 1 to 4 and 5 (b) should normally be provided only for measures indicated in the Community support frameworks and for expenditure incurred after presentation of an application for assistance from the structural Funds; whereas it is, however, necessary to provide that expenditure incurred before that date for the part-financing of projects and aid systems should be eligible;

Whereas it is necessary to define the conditions under which the Structural Funds may provide global grants and part-finance projects;

Whereas provision should be made for the conditions under which studies and technical assistance linked to the

joint or coordinated use of the Structural Funds, the EIB and the other financial instruments may be financed;

Whereas care must be taken to ensure that the technical and administrative difficulties which might hinder implementation of the reform of the Funds, particularly in regions whose development is lagging behind, do not result in inadequate take-up of the budgetary resources nor in the effective doubling of those resources being called into question;

Whereas, in order to ensure a measure of flexibility in the implementation of the reform of the Funds, it is appropriate that the rates of assistance from the Funds be fixed, on the basis of Article 13 of Regulation (EEC) No 2052/88 and under the conditions laid down in this Regulation, in the framework of the partnership, for objectives 1 to 4 and 5 (b), on the one hand, and by subsequent decisions taken by the Council for objective 5 (a), on the other;

Whereas, to promote efficient and coordinated management of the Funds' financial resources, it is necessary to lay down common rules and procedures on commitments, payments and controls;

Whereas, in the interests of the wider use of the ecu in financial transactions in the Community and, in particular, in the implementation of the Community budget, it is important that the Community's financial entitlements and obligations with respect to the Structural Funds should also be expressed in ecus, in keeping with the Financial Regulation;

Whereas it is necessary to specify the arrangements for the monitoring and assessment of Community structural action in order to strengthen the effectiveness of assistance methods in achieving the objectives and to assess the impact of assistance;

Whereas, it is necessary to determine the arrangements for the working of the committees called upon to assist the Commission in the implementation of Regulation (EEC) No 2052/88;

Whereas there is a need to specify the content of the report referred to in Article 16 of the said Regulation;

Whereas provision should be made to give adequate publicity to Community assistance provided towards specific schemes;

Whereas it is necessary to determine more specifically the transitional arrangements for assistance from the Funds which was approved or applied for before the entry into force of the implementing decisions referred to in Article 130e of the Treaty and whereas it may also prove necessary, with a view to ensuring continuity in the operations of the Funds, to provide for approval of certain measures before the Commission has decided the relevant Community support frameworks,

HAS ADOPTED THIS REGULATION:

TITLE I

COORDINATION

*Article 1*

**General provisions**

Pursuant to Regulation (EEC) No 2052/88, the Commission shall, in a manner consistent with partnership, ensure coordination of the activities of the different Funds as between themselves and with the operations of the EIB and the other existing financial instruments.

*Article 2*

**Coordination between the Funds**

Coordination between the activities of the various Funds shall be carried out in particular through:

- Community support frameworks,
- multiannual budget forecasts,
- where advisable, the implementation of integrated operational programmes,
- monitoring and assessment of operations under the Funds carried out in connection with a single objective and of those carried out in connection with a number of objectives in the same territory.

*Article 3*

**Coordination between the Funds, the EIB and the other existing financial instruments**

1. In implementing the objectives referred to in Article 1 of Regulation (EEC) No 2052/88, the Commission shall ensure, within the framework of the partnership, coordination and consistency between assistance from the funds and assistance provided:

- by the European Coal and Steel Community in the form of re-adaptation aids, loans, interest subsidies or guarantees,
- by the EIB, the New Community Instrument and Euratom in the form of loans and guarantees,
- from resources from the Community budget allocated to other action for structural purposes,

- from the resources of the Community research budget.

Such coordination shall be carried out in keeping with the EIB's own powers and responsibilities and with the objectives of the other instruments concerned.

2. The Commission shall associate the EIB in the use of the Funds or the other existing financial instruments with a view to the part-financing of investments that are eligible for financing by the EIB in accordance with its Statute.

*Article 4*

**Selection of rural areas outside the regions in objective 1 (objective 5 (b))**

1. In accordance with Article 11 (2) of Regulation (EEC) No 2052/88, the rural areas that may receive Community assistance under objective 5 (b) shall meet each of the following criteria:

- (a) high share of agricultural employment in total employment;
- (b) low level of agricultural income, notably as expressed in terms of agricultural value added by agricultural work unit (AWU);
- (c) low level of socio-economic development assessed on the basis of gross domestic product per inhabitant.

Assessment of the eligibility of areas according to the above three criteria shall take into account socio-economic parameters which indicate the seriousness of the general situation in the areas concerned, and how it is developing.

2. In addition, on receipt of a reasoned request from a Member State, Community assistance may also be extended to other rural areas with a low level of socio-economic development, if they meet one or more of the following criteria:

- low population density and/or a significant depopulation trend in the areas concerned,
- the peripheral nature of areas or islands in relation to major centres of economic and commercial activity in the Community,
- the sensitivity of the area to developments in agriculture, especially in the context of reform of the common agricultural policy, assessed on the basis of the

trend in agricultural incomes and the size of the agricultural labour force,

- the structure of agricultural holdings and the age structure of the agricultural labour force,
- the pressures exerted on the environment and on the countryside,
- the situation of areas within mountain or less-favoured areas classified pursuant to Article 3 of Directive 75/268/EEC <sup>(1)</sup>, as last amended by Regulation (EEC) No 797/85 <sup>(2)</sup>.

3. Member States shall, in respect of the areas which in their view should benefit from assistance under objective 5 (b), provide the Commission with such information as may help it to determine which areas are eligible. On the basis of that information and of its overall assessment of the proposals submitted, the Commission shall determine which areas are eligible by following the procedures set out in Title VIII and shall invite the Member States to forward the necessary plans to it.

4. In selecting rural areas and in defining the Community support frameworks referred to in Article 11 (3) of Regulation (EEC) No 2052/88, the Commission, in the context of reform of the common agricultural policy, shall take care to ensure that assistance is effectively concentrated on areas suffering from the most serious problems of rural development.

## TITLE II

### PLANS

#### Article 5

##### Scope and content

1. Subject to the guidelines laid down in this Article, plans submitted in connection with objectives 1 to 4 and 5 (b) shall be drawn up at the geographical level deemed to be most appropriate. They shall be prepared by the competent national, regional or other authorities designated by the Member State and shall be submitted by the Member State to the Commission.

Plans submitted in connection with objective 1 shall, as a general rule, cover one region at NUTS level II. However, in implementation of the second subparagraph of Article 8 (4) of Regulation (EEC) No 2052/88, Member States

may submit a plan for more than one of their regions included in the list referred to in paragraph 2 of that Article, provided that such plans comprise the features listed in the first subparagraph of the said paragraph 4.

Plans submitted in connection with objectives 2 and 5 (b) shall normally cover one or more regions at NUTS level III.

Member States may submit plans covering a wider territory than that of eligible regions or areas, provided they distinguish between operations in eligible regions or areas and operations elsewhere.

2. For regions concerned by objective 1, the regional development plans shall include measures relating to the conversion of declining industrial areas and the development of rural areas, together with employment and vocational training measures other than those covered by plans submitted in connection with objectives 3 and 4.

Regional and social conversion plans submitted in connection with objective 2 and rural development plans submitted in connection with objective 5 (b) shall also include employment and vocational training measures other than those covered by plans submitted in connection with objectives 3 and 4.

Plans submitted in connection with objectives 3 and 4 shall distinguish between expenditure in respect of the regions covered by objectives 1, 2 and 5 (b) and expenditure in respect of other regions.

Data concerning the operations carried out under objective 5 (a) will be indicated, as appropriate, in the plans in connection with objectives 1 and 5 (b).

In the plans, Member States shall indicate the particulars relating to each Fund, including the volumes of assistance requested. In accordance with Articles 8, 9, 10 and 11 of Regulation (EEC) No 2052/88, in order to expedite the examination of applications and the implementation of action, they may include in their plans applications for assistance for operational programmes.

3. Member States shall ensure, when the plans are drawn up, that plans relating to the same objective within a Member State and plans relating to different objectives in the same geographical area are mutually consistent.

4. Member States shall ensure that the plans take full account of Community policies.

<sup>(1)</sup> OJ No L 128, 19. 5. 1975, p. 1.

<sup>(2)</sup> OJ No L 93, 30. 3. 1985, p. 1.

*Article 6***Duration and timetable**

Each plan shall cover a period of between three and five years. As a general rule, the plans may be revised on an annual basis and in the event of significant changes in the socio-economic situation and the labour market.

For regions and areas defined before 31 January 1989, the first relating to objectives 1, 2 and 5 (b) shall cover a period which shall commence on 1 January 1989 and shall be submitted not later than 31 March 1989. Plans relating to objectives 3 and 4 shall be submitted not later than four months after the Commission has published the guidelines referred to in Article 4 (1) of Regulation (EEC) No 4255/88 of 19 December 1988 laying down provisions for implementing Regulation (EEC) No 2052/88 as regards the European Social Fund <sup>(1)</sup>.

The dates relating to the submission of subsequent plans will be fixed by the Commission in cooperation with the Member State concerned.

*Article 7***Preparation**

1. The Commission may provide Member States at their request with any technical assistance necessary in the preparation of plans.

2. The plans shall contain information making it possible to assess the link between structural action and the Member State's economic and social policies.

shall, if appropriate, in drawing up Community support frameworks for objectives 1 and 5 (b), take account of information regarding the impact of the measures taken under objective 5 (a) which contribute to the development of the regions or areas concerned.

2. A Community support framework may cover a period of three to five years.

3. Each Community support framework shall include:

- a statement of the priorities for joint Community and national action in relation to the objectives set out in Article 1 of Regulation (EEC) No 2052/88, together with information on their consistency with the economic and social policies of the Member State concerned,
- an outline of the forms of assistance to be provided including, for operational programmes, their specific objectives and the main types of measure involved,
- an indicative financing plan specifying the financial allocations envisaged for the various forms of assistance and the duration thereof, including those of the Funds, the EIB and the other existing financial instruments provided for in Article 3 (1), where they contribute directly to the financing plan concerned,
- where appropriate, information on the means available for any studies or technical assistance operations relating to the preparation, implementation or adaptation of the measures concerned.

## TITLE III

## COMMUNITY SUPPORT FRAMEWORKS

*Article 8***Preparation, scope and content**

1. The Community support frameworks relating to objectives 1 to 4 and 5 (b) shall be drawn up at the appropriate geographical level in agreement with the Member State concerned within the framework of the partnership and shall be established by decision of the Commission in accordance with the procedures laid down in Title VIII. The EIB shall also be involved in the preparation of the Community support frameworks.

Without prejudice to the first subparagraph of Article 8 (5) of Regulation (EEC) No 2052/88, the Commission

*Article 9***Impact of measures**

In establishing and implementing the Community support frameworks, the Commission and the Member States shall ensure that the increase in the appropriations for the Funds provided for in Article 12 (2) of Regulation (EEC) No 2052/88 has a genuine additional economic impact in the regions concerned and results in at least an equivalent increase in the total volume of official or similar (Community and national) structural aid in the Member State concerned, taking into account the macro-economic circumstances in which the funding takes place.

*Article 10***Approval and implementation**

1. Unless otherwise agreed between the Commission and the Member State concerned, the Commission shall

<sup>(1)</sup> See page 21 of this Official Journal.

take a decision approving the Community support framework not later than six months after receiving the relevant plan or plans.

In order to expedite implementation of the measures provided for in a Community support framework, Member States may submit applications for assistance in good time for the Commission to approve them at the same time as it takes its decision on the Community support framework. In this case, the operational programmes may be implemented immediately.

2. The Commission decision on the Community support framework shall be sent as a declaration of intent to the Member State. The declaration shall be published in the *Official Journal of the European Communities*.

The Commission and the Member States shall ensure that measures accounting for at least two-thirds of assistance from the funds during the first year of the Community support framework are approved by the Commission within two months of adoption of its decision on the Community support framework.

#### Article 11

##### Community initiatives

In accordance with Article 5 (5) of Regulation (EEC) 2052/88, the Commission may, on its own initiative and in accordance with the procedures provided for in Title VIII, decide to propose to the Member States that they submit applications for assistance in respect of measures of significant interest to the Community not covered by the plans referred to in Title II. Any assistance approved pursuant to this provision shall be reflected in the establishment or revision of the relevant Community support framework.

#### Article 12

##### Forms of assistance

Assistance covered by a Community support framework shall be provided predominantly in the form of operational programmes which may be implemented in the form of an integrated approach if the conditions laid down in Article 13 are met.

#### Article 13

##### Integrated approach

1. At the initiative of a Member State or of the Commission pursuant to Article 11, in agreement with

the Member State concerned, an operational programme may be implemented in the form of an integrated approach if:

- (a) the programme involves financing by more than one Fund or at least one Fund and one financial instrument other than a loan instrument;
- (b) the measures to be financed by different Funds or financial instruments are mutually reinforcing and significant benefits are likely to accrue from close coordination between all the parties involved;
- (c) the appropriate administrative structures are provided at national, regional and local level in the interests of integrated implementation of the programme.

2. The desirability of implementing measures on the basis of an integrated approach shall be considered when establishing or revising a Community support framework.

3. In the implementation of integrated approaches the Commission shall ensure that Community assistance is provided in the most effective manner, taking into account the special coordination effort required.

#### TITLE IV

##### ASSISTANCE FROM THE FUNDS

#### Article 14

##### Processing of applications

1. Applications for assistance from the Structural Funds shall be prepared by the competent national, regional, local or other authorities designated by the Member States and shall be submitted to the Commission by the Member State or by any body it may designate to do so. Each application shall relate to one of the forms of assistance provided for in Article 5 of Regulation (EEC) No 2052/88.

2. Applications shall contain the information the Commission needs in order to assess them, including a description of the operation proposed, its scope, including geographical coverage, and specific objectives, the bodies responsible for implementation, the proposed beneficiaries and the proposed limitable and financing plan, together with any other information necessary to verify that the operation concerned is compatible with Community legislation and policies.

3. The Commission shall examine applications with a view in particular:

— to assessing the conformity of the proposed operations and measures with the relevant Community legislation



and, where appropriate, with the relevant Community support framework,

- to assessing the contribution of the proposed operation to the achievement of its specific objectives and, in the case of an operational programme, the consistency of the constituent measures,
- to checking that the administrative and financial mechanisms are adequate to ensure effective implementation,
- to determining the precise arrangements for providing assistance from the Fund or Funds concerned on the basis, where appropriate, of the information already given in any relevant Community support framework.

The Commission shall decide on assistance from the Funds, provided the requirements of the Article are fulfilled, as a general rule within six months of receipt of the application. A single Commission decision shall be taken in respect of assistance from all the Funds and other existing financial instruments contributing to the financing of an operational programme, including operational programmes in the form of an integrated approach. This provision does not preclude the possible application of shorter time limits pursuant to Article 7 of Regulation (EEC) No 4255/88 (ESF Regulation).

4. The respective commitments of the partners, in the framework of an agreement within the partnership, shall be reflected in the Commission's decisions to grant assistance.

#### Article 15

##### Eligibility

1. Subject to Article 33, expenditure in respect of measures covered by objectives 1 to 4 and 5 (b) shall be eligible for financial assistance from the Structural Funds only if the measures in question come within the relevant Community support framework.

2. Except as provided for in Article 33 of this Regulation, in Article 9 of Regulation (EEC) No 4255/88 and in Article 2 (1) of Council Regulation (EEC) No 4256/88 of 19 December 1988 laying down provisions for implementing Regulation (EEC) No 2052/88 as regards the EAGGF Guidance Section <sup>(1)</sup>, expenditure may not be considered eligible for assistance from the Funds if incurred before the date on which the corresponding application reaches the Commission.

However, for the part-financing of projects and aid schemes, expenditure may be deemed to be eligible for

assistance from the Funds if incurred during the six months preceding the date on which the Commission received the corresponding application.

#### Article 16

##### Specific provisions

1. In the case of global grants, the intermediaries who shall be designated by the Member State concerned in agreement with the Commission must provide appropriate guarantees of solvency and have the necessary administrative capability to manage the operations envisaged by the Commission. The intermediaries shall also be selected in the light of the particular situation in the Member States or areas concerned. Without prejudice to Article 23, the management of global grants shall be subject to control by the competent authorities designated by the Member States.

2. The Funds may provide financial assistance towards expenditure in respect of major projects if the total cost taken into account in determining the amount of Community assistance is, as a general rule, greater than ECU 15 million for infrastructure investments or greater than ECU 10 million for productive investments.

However, projects costing less than this in the fisheries sector may be financed if they are covered by a multiannual guidance programme approved by the Commission under Regulation (EEC) No 4028/86 <sup>(2)</sup>.

3. In addition to similar assistance connected with the operations of the various Funds, the Commission may, for up to 0,3 % of the Funds' total allocation, finance studies and technical assistance linked to the joint or coordinated deployment of the Structural Funds, the EIB and the other financial instruments:

- in preparation for the establishment of plans,
- with a view to assessing the impact and effectiveness of assistance provided under the relevant Community support frameworks,
- in relation to integrated operational programmes.

4. For the regions designated under objective 1, the total cost of an operational programme to which the ERDF is contributing must, as a general rule, reach ECU 100 million, with the proviso that the average annual cost of the programme may not be less than ECU 15 million.

<sup>(1)</sup> See page 25 of this Official Journal.

<sup>(2)</sup> OJ No L 376, 31. 12. 1986, p. 7.

## TITLE V

## Article 18

## DIFFERENTIATION OF COMMUNITY ASSISTANCE

## Combination of grants and loans

## Article 17

## Financial contribution from the Funds

1. Pursuant to Article 13 (5) of Regulation (EEC) No 2052/88, the rate of contribution by the Funds to the financing of measures covered by objectives 1 to 4 and 5 (b) shall be laid down by the Commission, within the framework of the partnership, on the basis of Article 13 (1) of Regulation (EEC) No 2052/88, within the limits laid down by Article 13 (3) of the said Regulation and in accordance with the procedures provided for in that Article.

The rates applicable under objective 5 (a) shall be laid down pursuant to the procedure provided for by Article 1 (3) of Regulation (EEC) No 4256/88.

2. The financial contribution from the Funds shall be fixed as a percentage and shall be calculated in relation to either the total eligible cost of, or the total public or similar expenditure (national, regional or local, and Community) on, each measure (operational programme, aid scheme, global grant, project, technical assistance, study).

3. Where the measure concerned entails the financing of revenue-generating investments, the Commission shall determine, within the framework of the partnership, the rate of contribution from the Funds for these investments, in compliance with the provisions of Article 13 (3) of Regulation (EEC) No 2052/88 and on the basis of the criteria referred to in paragraph 1 of that Article, taking account, amongst their intrinsic characteristics of the size of the gross self-financing margin which would normally be expected for the class of investments concerned in the light of the macro-economic circumstances in which the investments are to be implemented, and without there being any increase in the national budget effort as a result of contribution by the Fund.

In any event, in connection with the development effort in the regions concerned, the contribution from the Funds to investments in firms may not exceed 50 % of the total cost in the regions covered by objective 1 and 30 % of the total cost in the other regions.

4. The rates of contribution for individual measures forming part of operational programmes may be differentiated in accordance with agreements to be concluded within the framework of the partnership.

The combination of loans and grants referred to in Article 5 (4) of Regulation (EEC) No 2052/88 shall be determined in conjunction with the EIB when the Community support framework is being established. It shall take account of the balance in the proposed financing plan, the rates of contribution from the Funds established in accordance with Article 17 and the development objectives pursued.

## TITLE VI

## FINANCIAL PROVISIONS

## Article 19

## General provisions

1. Financial assistance from the Structural Funds shall be subject to the relevant rules applicable to the Funds under the Financial Regulation.

2. The financial assistance to be granted in respect of specific measures undertaken in implementing a Community support framework shall be consistent with the financing plan laid down in that support framework.

3. In order to avoid administrative delays at the end of the year, Member States shall ensure that requests for payments are, as far as possible, submitted in accordance with a balanced schedule throughout the year.

## Article 20

## Commitments

1. Budgetary commitments shall be made on the basis of the Commission decisions approving the operations concerned. They shall be valid for a period, depending on the nature of the operations and on the specific conditions for their implementation.

2. Commitments in respect of operations to be carried out over a period of two or more years shall, as a general rule, be effected in annual instalments. The commitments in connection with the first annual instalment shall be made when the decision approving the operation is adopted by the Commission.

Commitments in connection with subsequent annual instalments shall be based on the financing plan for the operation concerned and on the progress made in implementing it.

3. For operations to be carried out over a period of less than two years, the total amount of Community assistance shall be committed when the Commission adopts the decision approving the operation.

#### Article 21

##### Payments

1. Payments of financial assistance shall be made in accordance with the corresponding budgetary commitments to the authority designated for the purpose in the application submitted through the Member State concerned. They may take the form either of advances or of final payments in respect of expenditure actually incurred. For operations to be carried out over a period of two or more years payments shall relate to the annual instalments of commitments referred to in Article 20 (2).

2. The advance made following each commitment may be up to 50 % of the amount committed, taking into account the nature of the operation concerned.

3. A second advance such that the sum of the two advances does not exceed 80 % of the commitment shall be made after the responsible body has certified that at least half of the first advance has been used up and that the operation is progressing at a satisfactory rate and in accordance with the objectives laid down.

4. Payment of the balance in respect of each commitment shall be conditional on:

- submission to the Commission by the designated authority referred to in paragraph 1 of a request for payment within six months of the end of the year concerned or of completion in practice of the operation concerned,
- submission to the Commission of the relevant reports referred to in Article 25 (4),
- transmission by the Member State to the Commission of a certificate confirming the information contained in the request for payment and the reports.

5. Member States shall designate the authorities empowered to issue the certificates referred to in paragraphs 3 and 4 and shall ensure that the beneficiaries receive the advances and payments as soon as possible.

6. In the case of measures that are designed to support agricultural incomes, such as compensation for natural handicaps in less-favoured or mountain areas, and that are governed by the provisions referred to in Article 11 (1) of Regulation (EEC) No 2052/88, the conditions and procedures applicable in respect of advances or final payments shall be laid down in the corresponding Commission decisions, due regard being had to the specific nature of those measures.

7. In the case of studies and innovation schemes, the Commission shall determine the appropriate payment procedures.

#### Article 22

##### Use of the ecu

Commission decisions, commitments and payments shall be denominated and carried out in ecus. In compliance with the provisions of the Financial Regulation and in accordance with the arrangements to be drawn up by the Commission pursuant to the procedures referred to in Title VIII hereof.

This Article shall be applicable as soon as the Commission decision referred to in the first subparagraph has been adopted.

#### Article 23

##### Financial control

1. In order to guarantee successful completion of operations carried out by public or private promoters, Member States shall take the necessary measures:

- to verify on a regular basis that operations financed by the Community have been properly carried out,
- to prevent and to take action against irregularities,
- to recover any amounts lost as a result of an irregularity or negligence. Except where the Member State and/or the intermediary and/or the promoter provide proof that they were not responsible for the irregularity or negligence, the Member State shall be liable in the alternative for reimbursement of any sums unduly paid.

Member States shall inform the Commission of the measures taken for those purposes and, in particular, of the progress of administrative and judicial proceedings.

When submitting requests for payment, Member States shall make available to the Commission any appropriate national control reports on the measures included in the programmes or other operations concerned.

2. Without prejudice to checks carried out by Member States, in accordance with national laws, regulations and administrative provisions and without prejudice to the provisions of Article 206 of the Treaty or to any inspection arranged on the basis of Article 209 (c) of the Treaty, Commission officials may carry out on-the-spot checks, including sample checks, in respect of operations financed by the Structural Funds.

Before carrying out an on-the-spot check, the Commission shall give notice to the Member State concerned with a view to obtaining all the assistance necessary. If the Commission carries out on-the-spot checks without giving notice, it shall be subject to agreements reached in accordance with the provisions of the Financial Regulation within the framework of the partnership. Officials of the Member State concerned may take part in such checks.

The Commission may require the Member State concerned to carry out an on-the-spot check to verify the regularity of payment requests. Commission officials may take part in such checks and must do so if the Member State concerned so requests.

The Commission shall ensure that any checks that it carries out are performed in a coordinated manner so as to avoid repeating checks in respect of the same subject matter during the same period. The Member State concerned and the Commission shall immediately exchange any relevant information concerning the results of the checks carried out.

3. For a period of three years following the last payment in respect of any operation, the responsible body and authorities shall keep available for the Commission all the supporting documents regarding expenditure on the operation.

#### *Article 24*

##### **Reduction, suspension and cancellation of assistance**

1. If an operation or measure appears to justify only part of the assistance allocated, the Commission shall conduct a suitable examination of the case in the framework of the partnership, in particular requesting that the Member State or other authorities designated by it to implement the operation submit their comments within a specified period of time.

2. Following this examination, the Commission may reduce or suspend assistance in respect of the operation or measure concerned if the examination reveals an irregularity and in particular a significant change affecting

the nature or conditions of the operation or measure for which the Commission's approval has not been sought.

3. Any sum received unduly and to be recovered shall be repaid to the Commission. Interest on account of late payment may be charged on sums not repaid in compliance with the provisions of the Financial Regulation and in accordance with the arrangements to be drawn up by the Commission pursuant to the procedures referred to in Title VIII hereof.

#### TITLE VII

##### MONITORING AND ASSESSMENT

#### *Article 25*

##### **Monitoring**

1. Within the framework of the partnership, the Commission and the Member States shall ensure effective monitoring of implementation of assistance from the Funds, geared to the Community support framework and specific operations (programmes, etc.). Such monitoring shall be carried out by way of jointly agreed reporting procedures, sample checks and the establishment of monitoring committees.

The Commission shall report each year to the committees referred to in Title VIII on the progress made in implementing assistance operations under the Funds, including the use made of appropriations in relation to the particulars given in the Community support frameworks. The findings of this report and the opinions of the Committee shall be forwarded to the European Parliament for information.

2. Monitoring shall be carried out by reference to physical and financial indicators specified in the Commission decision approving the operation concerned. The indicators shall relate to the specific character of the operation, its objectives and the form of assistance provided, and to the structural and socio-economic situation in the countries in which the assistance is to be provided. They shall be arranged in such a way as to show, for the operations in question:

- the stage reached in the operation,
- the progress achieved on the management side and any related problems.

3. Monitoring Committees shall be set up, within the framework of the partnership, by agreement between the Member State concerned and the Commission.

The Commission and, where appropriate, the EIB may delegate representatives to those Committees.

4. For each multiannual operation, the authority designated for the purpose by the Member State shall submit progress reports to the Commission within six months of the end of each full year of implementation. A final report shall be submitted to the Commission within six months of completion of the operation.

For each operation to be implemented over a period of less than two years, the authority designated for the purpose by the Member State shall submit a report to the Commission within six months of completion of the operation.

5. After the Monitoring Committee has delivered its opinion, the Commission shall, in cooperation with the Member State, make any necessary adjustments to the volume or conditions of assistance as initially approved and to the schedule of payments envisaged.

6. For the greater effectiveness of the Funds, the Commission shall ensure that particular attention is paid to transparency of management in its administration of them.

7. Wherever this Regulation or Regulations (EEC) No 4254/88 of 19 December 1988 laying down provisions for implementing Regulation (EEC) No 2052/88 as regards the European Regional Development Fund <sup>(1)</sup>, (EEC) No 4255/88 and (EEC) No 4256/88 provide for the Commission to determine detailed arrangements for implementation, the precise details which are adopted shall be notified to the Member States and published in the *Official Journal of the European Communities*.

#### Article 26

##### Assessment

1. Assessment shall be carried out within the framework of the partnership. The competent authorities in the Member States shall, where appropriate, contribute in such a way as to ensure that assessment can be carried out in the most effective manner. In this connection, assessment shall make use of the various particulars that the monitoring arrangements can yield in order to gauge the socio-economic impact of the operations, where appropriate in close association with the monitoring committees.

2. *Ex ante* and *ex post* assessment of operations undertaken for structural purposes by the Community shall be concerned with their effectiveness at three levels:

— their overall impact on the objectives set out in Article 130a of the Treaty, and in particular the

strengthening of the economic and social cohesion of the Community,

— the impact of operations under each Community support framework,

— the impact of individual operations (programmes, etc.).

Assessment shall, according to the circumstances, be carried out by reference to macroeconomic indicators based on regional or national statistics, to information yielded by descriptive and analytical studies and to qualitative analyses.

3. In drawing up Community support frameworks and in vetting individual applications for assistance, the Commission shall take into account the findings of assessments made in accordance with this Article.

4. The assessment principle and procedures shall be laid down in the Community support frameworks.

5. The results of the assessments shall be submitted to the European Parliament and the Economic and Social Committee within the framework of the annual report pursuant to Article 16 of Regulation (EEC) No 2052/88.

## TITLE VIII

### COMMITTEES

#### Article 27

##### Advisory Committee on the Development and Conversion of Regions

In accordance with Article 17 of Regulation (EEC) No 2052/88, an Advisory Committee on the Development and Conversion of Regions, made up of Member States' representatives and chaired by the Commission representative, is hereby set up under the auspices of the Commission. The EIB shall appoint a non-voting representative. The European Parliament shall receive regular information on the outcome of the proceedings of this Committee.

The Commission representative shall submit to the Committee a draft of the measures to be taken. The Committee shall deliver its opinion on the draft within a time limit which the chairman may lay down according to the urgency of the matter, where appropriate by taking a vote.

<sup>(1)</sup> See page 15 of this Official Journal.

The opinion shall be recorded in the minutes. In addition, each Member State shall have the right to request that its position be recorded in those minutes.

The Commission shall take the utmost account of the opinion delivered by the Committee. It shall inform the Committee of the manner in which it took account of the opinion.

The Committee shall deliver opinions on draft Commission decisions concerning the Community support frameworks as provided for in Articles 8 (5) and 9 (9) of Regulation (EEC) No 2052/88, on the regular reports provided for in Article 8 of Council Regulation (EEC) No 4254/88 and on the drawing-up and revision of the list of areas eligible in connection with objective 2. The matters referred to in Article 10 of Regulation (EEC) No 4254/88 may also be referred to it by the Commission.

The Committees referred to in Articles 28 and 29 shall be informed of the Committee's opinions.

The Committee shall draw up its rules of procedure.

#### Article 28

##### Committee referred to in Article 124 of the Treaty

In accordance with Article 17 of Regulation (EEC) No 2052/88, the Committee referred to in Article 124 of the Treaty shall be composed of two government representatives, two representatives of the workers' organizations and two representatives of the employers' organizations from each Member State. The member of the Commission responsible for chairing the Committee may delegate that responsibility to a senior Commission official.

For each Member State, an alternate shall be appointed for each category of representative mentioned above. In the absence of one or both members, the alternate shall be automatically entitled to take part in the proceedings.

The members and alternates shall be appointed by the Council, acting on a proposal from the Commission, for a period of three years. They may be re-appointed. The Council shall, as regards the composition of the Committee, endeavour to ensure fair representation of the different groups concerned. For the items on the agenda affecting it, the EIB shall appoint a non-voting representative.

The Committee shall deliver opinions on the draft Commission decisions relating to the guidelines for action in connection with objectives 3 and 4, on the Community support frameworks relating to those objectives and, in the case of support from the European Social Fund, on the

Community support frameworks relating to objectives 1, 2 and 5 (b).

For their adoption, the opinions of the Committee shall require an absolute majority of the votes validly cast. The Commission shall inform the Committee of the manner in which it took account of those opinions.

The Committees referred to in Articles 27 and 29 shall be informed of the Committee's opinions.

The Committee shall draw up its rules of procedure.

#### Article 29

##### Committee on Agricultural Structures and Rural Development

In accordance with Article 17 of Regulation (EEC) No 2052/88, a Committee on Agricultural Structures and Rural Development, made up of Member States' representatives and chaired by the Commission representative, is hereby set up under the auspices of the Commission. The EIB shall appoint a non-voting representative.

The Commission representative shall submit to the Committee a draft of the measures to be taken. The Committee shall deliver an opinion on the draft within a time limit which the chairman may lay down according to the urgency of the matter under consideration. The opinion shall be delivered by the majority stipulated in Article 148 (2) of the Treaty in the case of decisions which the Council is requested to adopt on a proposal from the Commission; when a matter is put to the vote within the Committee, the votes of the Member States' representatives shall be weighted as provided for in the aforementioned Article. The chairman shall not vote.

The Commission shall adopt measures which shall apply immediately. However, if they are not in accordance with the opinion delivered by the Committee, they shall be communicated forthwith by the Commission to the Council. In that event, the Commission may defer application of the measures which it has decided for a period of not more than one month from the date of such communication.

The Council, acting by a qualified majority, may take a different decision within the period provided for in the third subparagraph.

The Committee shall deliver opinions on draft Commission decisions:

- relating to common measures in connection with objective 5 (a),
- relating to Community support frameworks in connection with objective 5 (b).

The Committee provided for in this Article shall replace the Standing Committee on Agricultural Structures, set up by Article 1 of the Council Decision of 4 December 1962 <sup>(1)</sup>, in respect of all the functions assigned to it under that Decision or under Article 6 of Regulation (EEC) No 729/70 <sup>(2)</sup>, as last amended by Regulation (EEC) No 2048/88 <sup>(3)</sup>.

The Committees referred to in Articles 27 and 28 shall be informed of the Committee's opinions.

The Committee shall draw up its rules of procedure.

### Article 30

#### Other provisions

1. The Commission shall periodically refer to the Committees provided for in Articles 27, 28 and 29 the reports referred to in Article 16 of Regulation (EEC) No 2052/88. It may seek the opinion of those Committees on any matter relating to assistance operations under the Funds, other than those provided for in this Title, notably in connection with its power of initiative referred to in Article 5 (5) of Regulation (EEC) No 2052/88.

Moreover, all the specific cases laid down in Regulation (EEC) No 2052/88 and by all the implementing Regulations referred to in Article 130 e of the Treaty shall be referred to the Committees.

2. Decision 75/185/EEC <sup>(4)</sup> and Decision 83/517/EEC <sup>(5)</sup> shall be repealed and, as regards the EAGGF, Guidance Section, the provisions of Articles 11 to 15 of Regulation (EEC) No 729/70 concerning the EAGGF Committee shall no longer apply.

## TITLE IX

### REPORTS AND PUBLICITY

#### Article 31

##### Reports

1. The annual reports referred to in Article 16 of Regulation (EEC) No 2052/88 shall review, *inter alia*:

- the efforts deployed under all the Funds, the EIB and the other existing financial instruments in support of the priority objectives referred to in Article 1 of the aforementioned Regulation,
  - the activities of each Fund, the utilization of their budgetary resources and the concentration of assistance within the meaning of Article 12 of Regulation (EEC) No 2052/88, the deployment of the other financial instruments for which the Commission has responsibility and where their resources have been concentrated,
  - the coordination of assistance provided by the Funds between themselves and with the assistance granted by the EIB and the other existing financial instruments,
  - the results of the assessment referred to in Article 26,
  - the results of analysis of the impact of Community assistance and policies as compared with the objectives listed in Article 1 of Regulation (EEC) No 2052/88 and in particular their impact on the socio-economic development of the regions.
2. Each year, the Commission shall consult the social partners organized at European level on the structural policy of the Community.
3. In the annual report of the year preceding completion of the internal market, the Commission shall consider the extent to which the Community has become cohesive and the impact of the implementation of Community policies.

#### Article 32

##### Information and publicity

1. The body responsible for implementing an operation carried out with financial assistance from the Community shall ensure that adequate publicity is given to the operation with a view to:
- making potential beneficiaries and trade organizations aware of the opportunities afforded by the operation,
  - making the general public aware of the role played by the Community in relation to the operation.

Member States shall consult the Commission on, and inform it about, the initiatives taken for these purposes.

## TITLE X

### FINAL PROVISIONS

#### Article 33

##### Transitional provisions

1. In accordance with Article 15 (3) of Regulation (EEC) No 2052/88, applications in respect of multiannual

<sup>(1)</sup> OJ No 136, 17. 12. 1962, p. 2892/62.

<sup>(2)</sup> OJ No L 94, 28. 4. 1970, p. 13.

<sup>(3)</sup> OJ No L 185, 15. 7. 1988, p. 1.

<sup>(4)</sup> OJ No L 73, 21. 3. 1975, p. 47.

<sup>(5)</sup> OJ No L 289, 22. 10. 1983, p. 42.

operations received after adoption of that Regulation but before the entry into force of the implementing decisions referred to in Article 130e of the Treaty must be in keeping with the objectives set out in Article 1 of that Regulation and involve one of the forms of assistance provided for in Article 5 of that Regulation.

2. In drawing up Community support frameworks, the Commission shall take account of any multiannual operation already approved by the Council or by the Commission before the entry into force of the implementing decisions referred to in Article 130e of the Treaty and having financial repercussions during the period covered by those support frameworks.

3. The Commission may propose that the Member State concerned apply the provisions set out in the Funds' rules which enter into force on 1 January 1989 to operations decided on before that date.

4. In order to guarantee continuity of the activities of the Funds in the period between 1 January and 1 October

1989, approval by the Commission of any new applications submitted during that period shall not be subject to compliance with Article 15. Such operations shall be indicated in the subsequent decision on the relevant Community support framework.

5. In accordance with Article 15 (4) of Regulation (EEC) No 2052/88, any applications in respect of non-multiannual operations submitted before entry into force of this Regulation may be approved after that date on the basis of the rules in force at the time of submission of such applications.

#### *Article 34*

#### **Entry into force**

This Regulation shall enter into force 1 January 1989.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels, 19 December 1988.

*For the Council*

*The President*

Th. PANGALOS



## COUNCIL REGULATION (EEC) No 4254/88

of 19 December 1988

laying down provisions for implementing Regulation (EEC) No 2052/88 as regards the European Regional Development Fund

THE COUNCIL OF THE EUROPEAN COMMUNITIES,

Having regard to the Treaty establishing the European Economic Community, and in particular Article 130c thereof,

Having regard to the proposal from the Commission <sup>(1)</sup>,

In cooperation with the European Parliament <sup>(2)</sup>,

Having regard to the opinion of the Economic and Social Committee <sup>(3)</sup>,

Whereas Article 130c of the Treaty states that the European Regional Development Fund is intended to help redress the principal regional imbalances in the Community through participating in the development and structural adjustment of regions whose development is lagging behind and in the conversion of declining industrial regions;

Whereas Council Regulation (EEC) No 2052/88 of 24 June 1988 on the tasks of the Structural Funds and their effectiveness and on coordination of their activities between themselves and with the operations of the European Investment Bank and the other existing financial instruments <sup>(4)</sup> states in Article 3 (1) that the European Regional Development Fund shall have the essential task of providing support for objectives 1 and 2 specified in Article 1 of the same Regulation, that it shall participate in the operations of objective 5 (b) and, in addition, shall provide support for studies or pilot schemes concerning regional development at Community level;

Whereas provisions common to the Community's Structural Funds have been established by Council Regulation (EEC) No 4253/88 of 19 December 1988 laying down provisions implementing Regulation (EEC) No 2052/88 as regards coordination of the activities

of the different Structural Funds as between themselves and with the operations of the European Investment Bank and the other existing instruments <sup>(5)</sup>, together with other provisions common to the activities of the Funds;

Whereas these common provisions must be supplemented; in accordance with Article 3 (4) of Regulation (EEC) No 2052/88, by specific provisions concerning the activities of the European Regional Development Fund (ERDF); whereas the nature of the measures which may be financed by the ERDF, the information to be included in the plans of Member States under objectives 1 and 2 and the types of activities which will have a privileged place in ERDF assistance must be clarified;

Whereas, as part of the reform of the Funds, the Commission should lay down the regional policy guidelines to be applied in the various stages of planning, notably in establishing the Community support frameworks and in the activities of the European Regional Development Fund,

HAS ADOPTED THIS REGULATION:

## TITLE I

## SCOPE AND FORMS OF ASSISTANCE

*Article 1*

## Scope

Within the framework of the task entrusted to it by Article 130c of the Treaty the ERDF shall, in accordance with Article 3 (1) of Regulation (EEC) No 2052/88, participate in the financing of:

(a) productive investment to enable the creation or maintenance of permanent jobs;

<sup>(1)</sup> OJ No C 256, 3. 10. 1988, p. 12.

<sup>(2)</sup> OJ No C 326, 19. 12. 1988 and decision of 14 December 1988 (not yet published in the Official Journal).

<sup>(3)</sup> OJ No C 337, 31. 12. 1988.

<sup>(4)</sup> OJ No L 185, 15. 7. 1988, p. 9.

<sup>(5)</sup> See page 1 of this Official Journal.

(b) investment in infrastructure, namely:

- in the regions designated under objective 1, investment contributing to increasing economic potential, development, structural adjustment of these regions; financing may also be provided, in areas where the need is demonstrated, for certain facilities contributing to the structural adjustment of these areas, particularly health and educational facilities;
- in the regions or areas designated under objective 2, investment relating to the regeneration of areas suffering from industrial decline, including inner cities, and those whose modernization or laying out provides the basis for the creation or development of economic activity,
- in the areas designated under objective 5 (b), investment directly linked to economic activity which creates jobs other than in agriculture, including communication infrastructure links and others on which the development of such activities depends;

(c) the development of indigenous potential in the regions by measures which encourage and support local development initiatives and the activities of small and medium-sized enterprises, involving in particular:

- assistance towards services for firms, in particular in the fields of management, study and research of markets and services common to several firms,
- financing the transfer of technology, including in particular the collection and dissemination of information and financing the introduction of innovation in firms,
- improvement of access for firms to the capital market, particularly by the provision of guarantees and equity participation,
- direct aid to investment, where no aid scheme exists,
- the provision of small-scale infrastructure;

(d) operations planned in the context of regional development at Community level, in particular in the case of frontier regions of the Member States, in accordance with Article 3 (1), last subparagraph, of Regulation (EEC) No 2052/88;

(e) the preparatory, accompanying and assessment measures referred to in Article 7;

(f) productive investment and investment in infrastructure aimed at environmental protection where such investment is linked regional development.

## Article 2

### Regional plans

1. Apart from the general provisions laid down in Title II of Regulation (EEC) 4253/88, the following specific provisions shall apply to the regional plans referred to in Articles 8 (4) and 9 (8) of Regulation (EEC) No 2052/88.

2. The plans relating to the regions designated under objective 1 shall, as a general rule, cover one region at NUTS level II. However, pursuant to the second subparagraph of Article 8 (4) of Regulation (EEC) No 2052/88, Member States may submit a plan for more than one of their regions included in the list referred to in paragraph 2 of that Article, provided that the plan comprises the features listed in the first subparagraph of the said paragraph 4.

These plans shall contain the following information:

- (a) a succinct analysis of the socio-economic situation of the region, indicating, *inter alia*, the demographic outlook thereof,
- (b) a description of the development strategy envisaged by the Member State, with an indication of the national and regional financial resources proposed;
- (c) the Member State's priorities for action and the regional development measures for which it plans to request Community financial participation, together with the estimated sums involved in these requests for the various forms of Community assistance.

When submitting the plans, the Member States shall supply information on the national, regional, local or other authorities which are to be responsible for implementing the measures.

As a general rule, these plans shall be for a period of five years and may be up-dated annually. Data for the fourth and fifth years may be given as a guide.

3. The plans relating to the regions designated under objective 2 shall normally cover one or more areas at NUTS level III.

These plans shall contain the following information:

- (a) a description of the conversion strategy envisaged by the Member State, with an indication of the national or regional financial resources proposed;
- (b) the Member State's priorities for action and the regional conversion measures for which it plans to request Community financial participation, together with the estimated sums involved in these requests for the various forms of Community assistance;
- (c) information allowing an assessment to be made of the overall regional economic situation.

When submitting the plans, the Member States shall supply information on the national, regional, local or other authorities which are to be responsible for implementing the measures.

As a general rule, these plans shall be for a period of three years and may be up-dated annually.

4. The plans relating to the regions designated under objective 5 (b) shall be drawn up in accordance with the procedure laid down in Article 7 of Council Regulation (EEC) No 4256 of 19 December 1988 laying down provisions for implementing Regulation (EEC) No 2052/88 as regards the EAGGF Guidance Section <sup>(1)</sup>.

5. When submitting applications to the ERDF, Member States shall ensure that a sufficient proportion is allocated to investment in industry, craft industry and services, particularly through part-financing of aid schemes.

### Article 3

#### Regional operational programmes

1. For the regions designated under objective 1, regional operational programmes shall in principle cover one region at NUTS level II or, in specific cases, one area at NUTS level III or more than one region at NUTS level II. For regions and areas designated under objectives 2 and 5 (b), and for frontier regions, they shall in general cover one or more areas at NUTS level III.

2. The programmes may be undertaken on the initiative of the Member States or of the Commission in agreement with the Member State concerned, in accordance with the last subparagraph of Article 5 (5) of Regulation (EEC) No 2052/88.

<sup>(1)</sup> See page 25 of this Official Journal.

When they are undertaken on the initiative of a Member State, they shall be drawn up by the authorities designated by the Member State, in consultation with the Commission.

When they are undertaken on the initiative of the Commission, the Commission, after consulting the Committee referred to in Article 27 of Regulation (EEC) No 4253/88, shall lay down the guidelines and invite the Member States concerned to establish operational programmes. It shall order their publication in the *Official Journal of the European Communities*.

The Commission's initiative shall be designed, within the framework of the tasks entrusted to the ERDF by Article 3 (1) of Regulation (EEC) No 2052/88:

- to help resolve serious problems directly associated with the implementation of other Community policies and affecting the socio-economic situation of one or more regions, or
- to promote the application of Community policies at regional level, or
- to help resolve problems common to certain categories of region.

The Commission's initiatives shall normally be financed from that part of ERDF commitment appropriations which is not the subject of the indicative allocation provided for in Article 12 (6) of Regulation (EEC) No 2052/88.

### Article 4

#### Part-financing of aid schemes

1. The grant of Community assistance to regional aid schemes shall constitute one of the main forms of incentive to investment in firms.

2. With a view to deciding the Community's financial participation, the Commission shall examine, with the competent authorities designated by the Member State, the characteristics of the aid scheme concerned. It shall take account of the following:

- the rate of assistance to be tailored to the socio-economic situation of the regions concerned and the consequent locational disadvantages for firms,
- operating procedures and the types of aid, including rates, to be varied to meet the needs,
- priority to be given to small and medium-sized enterprises and to the encouragement of services supplied to them such as management advice and market surveys,

- the economic repercussions of the aid scheme on the region.
- the characteristics and impact of any other regional aid scheme in the same region.

#### *Article 5*

##### **Projects**

in addition to the information specified in Article 16 of Regulation (EEC) No 4253/88, applications for ERDF assistance for the projects referred to in Article 5 (2) (d) of Regulation (EEC) No 2052/88 submitted individually or within the framework of an operational programme shall provide the following details:

(a) for investment in infrastructures:

- analysis of the costs and socio-economic benefits of the project, including an indication of the expected rate of use,
- the expected impact on the development or conversion of the region concerned,
- an indication of the consequences that Community participation will have on the completion of the project;

(b) for productive investment:

- an indication of the market outlook for the sector concerned,
- the effects on employment,
- an analysis of the expected profitability of the project.

#### *Article 6*

##### **Global grants**

1. In accordance with Article 5 (2) (c) of Regulation (EEC) No 2052/88, the Commission may entrust to appropriate intermediaries, including regional development organizations, designated by the Member State in agreement with the Commission, the management of global grants, which it shall use primarily to assist local development initiatives. These intermediaries must be present or represented in the regions concerned and must operate in the public interest and shall associate adequately the socio-economic interests directly concerned by the implementation of the measures planned.

2. The procedures for the use of global grants, shall be the subject of an agreement concluded, in agreement with the Member State concerned, between the Commission and the intermediary concerned.

These procedures shall detail in particular:

- the types of measure to be carried out,
- the criteria for choosing beneficiaries,
- the conditions and rates of ERDF assistance,
- the arrangements for monitoring use of the global grants.

#### *Article 7*

##### **Preparatory, accompanying and assessment measures**

1. The ERDF may finance, up to a limit of 0,5 % of its annual allocation, the preparatory, accompanying and assessment measures necessary for the implementation of this Regulation carried out by the Commission or by outside experts. They shall include studies, among them studies of a general nature concerning Community regional action, and technical assistance or information measures, including, in particular, measures to provide information for local and regional development agents.

2. Measures carried out on the Commission's initiative may, in exceptional circumstances, be financed by the ERDF at a rate of 100 %, it being understood that those carried out by the Commission itself are financed at a rate of 100 %. For other measures the rates laid down in Article 17 of Regulation (EEC) No 4253/88 shall apply.

## TITLE II

### GUIDELINES AND PARTNERSHIP

#### *Article 8*

##### **Periodic report and guidelines**

1. A periodic report on the social and economic situation and development of the regions of the Community, which also indicates the macro-economic effects of the Community's regional action, shall be prepared by the Commission at three-yearly intervals in accordance with the procedures laid down in Title VIII of Regulation (EEC) No 4253/88. Member States shall provide the Commission with the relevant information enabling it to make an analysis of all the regions of the Community on the basis of statistics which are as comparable and as up to date as possible. The report must also make it possible to assess the regional impact of other Community policies.

The first periodic report shall be prepared by 31 December 1990 at the latest.

2. This report shall constitute a basis for the establishment of guidelines for Community regional policy. These shall be applied by the Commission in the various stages of planning, notably in establishing Community support frameworks and in the activities of the ERDF. These guidelines shall be forwarded to the Council and the European Parliament and shall be published for information in the *Official Journal of the European Communities*.

#### Article 9

##### Regional partnership

The Community's regional action shall be carried out in close consultation between the Commission, the Member State concerned and the competent authorities designated by the latter, in accordance with Article 4 (1) of Regulation (EEC) No 2052/88, for the implementation of measures at regional level.

#### TITLE III

##### REGIONAL DEVELOPMENT AT COMMUNITY LEVEL

#### Article 10

##### Definition of assistance

1. In accordance with the last subparagraph of Article 3 (1) of Regulation (EEC) No 2052/88, the ERDF may also contribute to the financing at Community level of:

- (a) studies at the Commission's initiative aiming to identify:
- the spatial consequences of measures planned by the national authorities, particularly major infrastructures, when their effects go beyond national boundaries,
  - measures aiming to correct specific problems of the border regions within and outside the Community,
  - the elements necessary to establish a prospective outline of the utilization of Community territory.
- (b) pilot schemes which:
- constitute incentives to the creation of infrastructure, investment in firms and other

specific measures having a marked Community interest, in particular in the border regions within and outside the Community,

- encourage the pooling of experience and development cooperation between different Community regions, and innovative measures.

2. On the Commission's initiative, matters relating to regional development at Community level, coordination of national regional policies or any other problem connected with implementation of Community regional action may be referred to the Committee specified in Article 27 of Regulation (EEC) No 4253/88. The Committee may arrive at common conclusions on the basis of which the Commission shall, where appropriate, address recommendation to the Member States.

#### TITLE IV

##### GENERAL AND FINAL, PROVISIONS

#### Article 11

##### Monitoring of compatibility

Where appropriate and through procedures suitable to each policy, Member States shall supply the Commission with information concerning compliance with Article 7 (1) of Regulation (EEC) No 2052/88.

#### Article 12

##### Information and publicity

The provisions on information and publicity referred to in Article 32 of Regulation (EEC) No 4253/88 concerning ERDF assistance shall be adopted by the Commission and published in the *Official Journal of the European Communities*.

#### Article 13

##### Indicative allocation of ERDF resources

In accordance with Article 12 (6) of Regulation (EEC) No 2052/88, the Commission shall, before 1 January 1989, decide for a period of five years and as a guide, on the allocation per Member State of 85 % of the commitment appropriations of the ERDF.

*Article 14***Final provisions**

Regulation (EEC) No 1787/84<sup>(1)</sup> is hereby repealed, subject to the application of Article 15 of Regulation (EEC) No 2052/88 and of Article 33 of Regulation (EEC) No 4253/88 (coordinating Regulation).

*Article 15***Entry into force**

This Regulation shall enter into force on 1 January 1989.

However, Article 14 shall apply with effect from the date of adoption of this Regulation.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels, 19 December 1988.

*For the Council*

*The President*

Th. PANGALOS

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<sup>(1)</sup> OJ No L 169, 28. 6. 1984, p: 1

**COUNCIL REGULATION (EEC) No 4255/88**

of 19 December 1988

laying down provisions for implementing Regulation (EEC) No 2052/88 as regards the European Social Fund

THE COUNCIL OF THE EUROPEAN COMMUNITIES,

Having regard to the Treaty establishing the European Economic Community, and in particular Articles 126 and 127 thereof,

Having regard to the proposal from the Commission <sup>(1)</sup>,

Having regard to the opinion of the European Parliament <sup>(2)</sup>,

Having regard to the opinion of the Economic and Social Committee <sup>(3)</sup>,

Whereas Article 3 (4) of Council Regulation (EEC) No 2052/88 of 24 June 1988 on the tasks of the Structural Funds and their effectiveness and on coordination of their activities between themselves and with the operations of the European Investment Bank and the other existing financial instruments <sup>(4)</sup> provides for the Council to adopt the specific provisions governing operations under each Structural Fund;

Whereas it is appropriate to define the various types of measures to be supported by the European Social Fund (hereinafter referred to as 'the Fund'), including those which represent new tasks, in context of the Fund's contribution to the attainment of the five objectives provided for in Article 1 of Regulation (EEC) No 2052/88;

Whereas objectives 3 and 4 are applicable to the whole of the Community's territory;

Whereas expenditure eligible for assistance from the Fund should be defined;

Whereas expenditure trends should not be allowed to diverge and average indicative amounts should be introduced by stages for contributions by the Fund towards operating costs in respect of training;

Whereas Article 10 (1) of Regulation (EEC) No 2052/88 requires the Commission to establish guidelines for the attainment of objectives 3 and 4 laid down in that Regulation;

Whereas arrangements should be specified for the submission of the plans to be drawn up by Member States pursuant to Regulation (EEC) No 2052/88;

Whereas it is necessary to define the forms of assistance to be granted by the Fund and to specify the content of applications relating to operations to be carried out within the framework of Member States' Labour market policies;

Whereas arrangements should be laid down for the submission and approval of applications for assistance from the Fund, as should details of the arrangements for monitoring;

Whereas the transitional provisions should be specified,

HAS ADOPTED THIS REGULATION:

*Article 1*

**Eligible operations**

1. Under the conditions laid down by Council Regulation (EEC) No 2052/88 and Regulation (EEC) No 4253/88 of 19 December 1988 laying down provisions for implementing Regulation (EEC) No 2052/88 as regards coordination of the activities of the different Structural Funds between themselves and with the operations of the European Investment Bank and the other existing financial instruments <sup>(5)</sup> and those specified in this Regulation, the Fund shall contribute to the financing of the following:

- (a) vocational training operations, accompanied where necessary by vocational guidance;
- (b) subsidies towards recruitment into newly created stable jobs and towards the creation of self-employed activities.

2. In this connection, the Fund shall also contribute up to 5 % of its annual budget to the financing of the following:

<sup>(1)</sup> OJ No C 256, 3. 10. 1988, p. 16.

<sup>(2)</sup> OJ No C 326, 19. 12. 1988.

<sup>(3)</sup> OJ No C 337, 31. 12. 1988.

<sup>(4)</sup> OJ No L 185, 15. 7. 1988, p. 9.

<sup>(5)</sup> See page 1 of this Official Journal.

- (a) operations of an innovatory nature which are intended to test new approaches to the content, methods and organization of vocational training and more generally the development of employment, with a view to establishing a basis for subsequent Fund assistance in a number of Member States;
- (b) preparatory, accompanying and management measures needed for the implementation of this Regulation; such measures shall include studies, technical assistance and the exchange of experience which has a multiplier effect, and follow-up to and detailed evaluation of, measures financed by the Fund;
- (c) measures aimed, within the framework of social dialogue, at staff from undertakings in two or more Member States, concerning the transfer of special knowledge relating to the modernization of the production apparatus;
- (d) guidance and advice for the reintegration of the long-term unemployed.

3. Vocational training within the meaning of paragraph 1 (a) means any measure aimed at providing the skills necessary to carry out one or more specific types of employment, with the exception of apprenticeship schemes, and any measure with the relevant technology content required by technological change and requirements and developments on the labour market.

4. By way of derogation from paragraph 3, vocational training shall include, in the regions concerned by objectives 1, 2 and 5 (b), any vocational training and further training measure required for the use of new production and/or management techniques in small and medium-sized enterprises.

5. By way of derogation from paragraph 3, vocational training shall include, in the regions concerned by objective 1:

- the theoretical portion of apprenticeship training given outside the firm,
- in specific cases to be defined according to the particular needs of the countries and regions concerned, that part of national secondary, or corresponding education systems specifically devoted to vocational training following compulsory full-time schooling where that part meets the challenges posed by economic and technological changes.

6. In the regions concerned by objective 1, and for a period of three years following the entry into force of this Regulation, recruitment subsidies shall be extended to non-productive projects which fulfil a public need involving the creation of additional jobs of at least six months' duration for the long-term unemployed aged over 25.

## Article 2

### Scope

In accordance with Article 3 (2) of Regulation (EEC) No 2052/88, Fund assistance shall be granted:

- (a) as regards its priority objectives (3 and 4), throughout the Community, to operations intended to:
  - combat long-term unemployment by means of the occupational integration of persons aged over 25 who have been unemployed for more than 12 months; this period may be reduced in specific cases to be decided upon by the Commission,
  - facilitate the occupational integration of persons under 25 from the age at which compulsory full-time schooling ends, however long or short the period during which they have been seeking employment;
- (b) as regards objectives 1, 2 and 5 (b), to measures intended to:
  - encourage job stability and develop new employment possibilities, organized for persons:
    - who are unemployed,
    - who are threatened with unemployment particularly within the context of restructuring requiring technological modernization or substantial changes in the production or management system,
    - employed in small and medium-sized enterprises,
  - facilitate vocational training for any working person involved in an operation which is essential to the achievement of the development and conversion objectives of an integrated programme.
- (c) as regards objective 1, operations for persons:
  - training for persons under apprenticeship contracts qualifying under the first indent of Article 1 (5),
  - trained under national secondary vocational education systems, in accordance with the second indent of Article 1 (5),
  - employed within the framework of the operations referred to in Article 1 (6).

## Article 3

### Eligible expenditure

1. Fund assistance may be granted only towards expenditure to cover:



- (a) the income of persons receiving vocational training;
- (b) the cost:
- of preparing, operating, managing and assessing vocational training operations including vocational guidance, including the costs of training teaching staff,
  - subsistence and travel costs of those covered by vocational training operations;
- (c) the granting, for a maximum period of 12 months per person, of subsidies towards recruitment into newly created stable jobs and towards the creation of self-employed activities together with subsidies of at least six months' duration per person, for recruitment as referred to in Article 1 (6);
- (d) the cost of operations which receive assistance from the Fund under Article 1 (2) (b) (c) and (d).

2. The Commission shall determine each year, within the framework of the partnership, the maximum eligible amount per person and per week granted under paragraph 1 (c). This amount shall be based on 30 % of the average gross earnings of industrial workers in each Member State, determined in accordance with the harmonized definition of the Statistical Office of the European Communities; it shall be published in the *Official Journal of the European Communities* in good time to be included in the applications submitted in accordance with Articles 7 (1) and 9 (3).

3. The Commission shall ensure that Fund expenditure for operations of the same type does not develop in different ways. To this end, after the Committee referred to in Article 28 of Regulation (EEC) No 4253/88 has delivered its opinion, it shall determine for each Member State, in cooperation with that State and progressively, the indicative average amounts for such expenditure to be borne by the Fund according to the type of training involved; it shall order their publication in the *Official Journal of the European Communities*. They shall be applicable during the following financial year.

#### Article 4

##### Guidelines

1. In accordance with Article 10 (1) of Regulation (EEC) No 2052/88, the Commission shall establish before 15 February 1989, for a period of at least three years, the guidelines concerning action under objectives 3 and 4 which it will follow in defining the Community support frameworks; it shall order their publication in the *Official Journal of the European Communities*.

2. Any amendments necessitated by substantial changes on the labour market shall be made before 1 February of a financial year; they shall apply to the new Community support frameworks or amended frameworks in respect of the following financial years.

3. The guidelines shall establish the training and employment policies covering measures that may be eligible for Fund assistance; apart from regions covered by objectives 1, 2 and 5 (b), priority shall be given to Community financing for measures that meet the requirements and prospects of the labour market.

#### Article 5

##### Plans

The plans referred to in Articles 8 to 11 of Regulation (EEC) No 2052/88 shall, in particular, indicate in the part concerning the Fund, estimates with respect to:

- the disparity between job applications and vacancies, including, as far as possible, data concerning female employment,
- the nature and characteristics of unfilled vacancies,
- the occupational opportunities which appear on labour markets,
- the measures to be implemented or under way in regard to training and employment,
- the number of persons concerned per type of measure.

#### Article 6

##### Forms of assistance

1. In accordance with Article 5 of Regulation (EEC) No 2052/88, applications for Fund assistance shall be presented in the form of operational programmes, global grant schemes or action within the meaning of Article 1 (2) (b), (c) and (d). The operational programmes and global grant schemes may include associated preparatory, accompanying, management and assessment measures.

2. The Member States shall communicate the information necessary for the examination of measures, in particular the information specified in Article 14 (2) of Regulation (EEC) No 4253/88 and the information specifically related to the European Social Fund (location, number of persons, duration of the operation for each person, occupational level concerned), specifying as a general rule:

- in the case of unemployed persons and others without jobs, their occupational qualifications at the beginning of the operations,

- in the case of employed persons, the nature and scope of proposed occupational conversion operations,
- in the case of operations involving conversion or economic restructuring, the volume and type of investment planned and changes in products or production systems.

#### Article 7

##### Submission and approval of applications for assistance

1. Applications for assistance shall be submitted at least three months before the start of operations. They shall be accompanied by a form drawn up, within the framework of the partnership, using computerized means listing the particulars for each measure so that it can be monitored from budgetary commitment to final payment.
2. The Commission shall decide on these applications before the beginning of operations and shall inform the Member State concerned.

#### Article 8

##### Monitoring

In accordance with Article 23 (2) of Regulation (EEC) No 4253/88, the Commission may carry out on-the-spot checks. These checks may take the form of representative sample checks. In this case, after consultation with the Member State concerned, the Commission shall establish the proportion of samples taken in the light of the material and technical conditions of the operation concerned. If, after the results have been checked in the framework of the partnership, the sample reveals insufficient implementation, the Commission may make a suitable

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels, 19 December 1988.

*For the Council*

*The President*

Th. PANGALOS

reduction, which may be applied as a proportion of the total amount for which payment is requested, after the Member State has had an opportunity to submit its comments.

#### Article 9

##### Transitional provisions

1. In accordance with Article 15 (4) of Regulation (EEC) No 2052/88, applications for assistance for 1989 submitted before 21 October 1988 shall continue to be covered by Council Decision 83/516/EEC<sup>(1)</sup>, as amended by Decision 85/568/EEC<sup>(2)</sup>, and the provisions implementing it.
2. The first plans shall cover a period beginning on 1 January 1990. Plans concerning objectives 1, 2 and 5 (b) shall be presented not later than 31 March 1989. Plans concerning objectives 3 and 4 shall be presented within four months of the publication in the *Official Journal of the European Communities* of the guidelines referred to in Article 4.
3. Applications for assistance for operations to be implemented in 1990 shall be submitted before 31 August 1989.

#### Article 10

##### Entry into force

1. This Regulation shall enter into force on 1 January 1989. Subject to the transitional provisions laid down in Article 9, it shall be applicable as from that date.
2. Subject to Article 15 of Regulation (EEC) No 2052/88 and Article 33 of Regulation (EEC) No 4253/88, Regulation (EEC) No 2950/83<sup>(3)</sup> is hereby repealed.

<sup>(1)</sup> OJ No L 289, 22. 10. 1983, p. 38.

<sup>(2)</sup> OJ No L 370, 31. 12. 1985, p. 40.

<sup>(3)</sup> OJ No L 289, 22. 10. 1983, p. 1.

## COUNCIL REGULATION (EEC) No 4256/88

of 19 December 1988

laying down provisions for implementing Regulation (EEC) No 2052/88 as regards the EAGGF Guidance Section

THE COUNCIL OF THE EUROPEAN COMMUNITIES,

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

Having regard to the proposal from the Commission <sup>(1)</sup>,

Having regard to the opinion of the European Parliament <sup>(2)</sup>,

Having regard to the opinion of the Economic and Social Committee <sup>(3)</sup>,

Whereas Article 3 (4) of Regulation (EEC) No 2052/88 <sup>(4)</sup> provides for the Council to adopt the specific provisions governing operations under each structural Fund;

Whereas the tasks laid down for the Guidance Section of the European Agricultural Guidance and Guarantee Fund, (hereinafter called 'the Fund'), by Article 3 (3) of the above Regulation should be further specified in the light of the contribution it makes to achieving objectives 1, 5 (a) and 5 (b) as set out in Article 1 of that Regulation;

Whereas measures to speed up the adjustment of agricultural structures with a view to the reform of the Structural Funds must include measures closely connected with the common agricultural policy and designed to meet its general requirements;

Whereas, however, some of those measures, which already exist at Community level, may require adjustment to allow for the differing structural situations in the different regions of the Community, by increased diversification, and specifically by differentiation of the contribution in favour of the areas concerned by objective 1;

Whereas measures designed to contribute to objective 1 and to promoting the development of rural areas (objec-

tive 5 (b)) should include action to respond to those areas' specific structural problems;

Whereas measures for the development and exploitation of woodland are of particular interest, not only as offering alternative activity and income for agriculture in those areas but also in order to increase woodland's contribution to improving the environment and to expand its protective function;

Whereas the forms of assistance by the Fund should be determined and whereas operational programmes, and where appropriate global grants, are the most appropriate forms, both for measures for the development of less-developed areas and of rural areas and for measures to improve structures for marketing and processing agricultural products,

HAS ADOPTED THIS REGULATION:

*Article 1*

1. The Guidance Section of the European Agricultural Guidance and Guarantee Fund, (hereinafter called 'the Fund'), referred to in Article 1 (1) of Regulation (EEC) No 729/70 <sup>(5)</sup>, as last amended by Regulation (EEC) No 2048/88 <sup>(6)</sup>, may, in accordance with the criteria and objectives laid down in Titles I to IV of this Regulation, finance measures for performing the tasks referred to in Article 3 (3) of Regulation (EEC) No 2052/88 in order to attain objectives 1 and 5 as set out in Article 1 of that Regulation.

2. The conditions and criteria laid down in Council Regulation (EEC) No 4253/88 of 19 December 1988 laying down provisions for implementing Regulation (EEC) No 2052/88 as regards coordination of the activities of the different Structural Funds between themselves and with the operations of the European Investment Bank and the other existing financial instruments <sup>(7)</sup> shall apply to measures

(1) OJ No C 256, 3. 10. 1988, p. 19.

(2) OJ No C 326, 19. 12. 1988.

(3) OJ No C 337, 31. 12. 1988.

(4) OJ No L 185, 15. 7. 1988, p. 9.

(5) OJ No L 94, 28. 4. 1970, p. 13.

(6) OJ No L 185, 15. 7. 1988, p. 1.

(7) See page 1 of this Official Journal.

financed under this Regulation, except if this Regulation or provisions adopted under Article 2 (1) thereof specify otherwise.

3. Without prejudice to Article 33 Regulation (EEC) No 4253/88 and Article 10 of this Regulation, the Council, acting on a proposal from the Commission in accordance with the procedure laid down in Article 43 of the Treaty, shall decide by 31 December 1989 on any alterations to the common measures introduced under Article 6 of Regulation (EEC) No 729/70 in order to achieve the objectives referred to in Regulation (EEC) No 2052/88, in conformity with the rules laid down by Regulation (EEC) No 4253/88 and with this Regulation.

#### TITLE I

##### Speeding up the adjustment of agricultural structures with a view to the reform of the common agricultural policy

###### Article 2

1. The Fund may finance common measures adopted by the Council in accordance with the procedure provided for in the third subparagraph of Article 43 (2) of the Treaty, in order to speed up the adjustment of agricultural structures, with a view in particular to the reform of the common agricultural policy.

2. The common measures referred to in paragraph 1 may concern:

- measures accompanying the market policy that help re-establish a balance between production and market capacity such as adjusting production potential and reorientating and converting production including measures to promote quality products,
- forestry measures to assist agricultural holdings and the afforestation of farmland in particular,
- measures to encourage early retirement from farming, in order to reduce the areas of land devoted to surplus farm production,
- measures to support farm incomes; and to maintain viable agricultural communities in mountain, hill or less-favoured areas by means of agricultural aid such as compensation for permanent natural handicaps,
- measures to protect the environment and safeguard the landscape by encouraging suitable agricultural production practices,

- measures, to encourage the installation of young farmers,
- measures, including accompanying measures, to improve the efficiency of the structures of holdings, especially investments aimed at reducing production costs and improving the living and working conditions of farmers, and promoting the diversification of their activities, as well as preserving and improving the natural environment,
- measures to improve the marketing, including the marketing of produce at the farm, and processing of agricultural and forestry products (in accordance with the conditions and the criteria laid down in the provisions referred to Article 10 (1)) and to encourage the establishment of producers' associations,
- measures to improve the marketing and processing of fishery products.

3. The common measures which are applicable at present in the domain covered by this Title shall remain in force until they are adjusted pursuant to Article 1 (3).

#### TITLE II

##### Promoting the development and structural adjustment of the less-developed regions

###### Article 3

1. Within the context of its contribution to achieving objective 1 referred to in Article 1 of Regulation (EEC) No 2052/88, the Fund may finance measures for developing and strengthening agricultural and forestry structures, for maintaining the landscape and for rural development.

2. Fund assistance for regions designated under objective 1 shall comprise particularly measures intended to deal with the backwardness of agricultural structures.

###### Article 4

Fund assistance for the measures referred to in Article 5 of this Regulation shall in the main take the form of operational programmes including an integrated approach and global grants.

###### Article 5

Financial assistance by the Fund may relate to the following:

- encouraging retirement from farming in order to restructure agriculture and encourage the installation of young farmers,

- the conversion, diversification, and reorientation and adjustment of production potential,
- if their financing is not provided for by Council Regulation (EEC) No 4254/88 of 19 December 1988 laying down provisions for implementing Regulation (EEC) No 2052/88 as regards the European Regional Development Fund <sup>(1)</sup>:
  - improving rural infrastructures which are necessary for the development of agriculture and forestry,
  - measures to achieve diversification, especially those providing multiple activities or alternative incomes for farmers,
- reparacling and associated work,
- individual or collective land or pasture improvement,
- irrigation, including the renovation and improvement of irrigation networks, the creation of collective irrigation works from existing main channels, the creation of small irrigation systems not supplied from collective networks, and the renovation and improvement of drainage systems,
- encouragement for tourist and craft investments, including the improvement of living accommodation on agricultural holdings,
- protection of the environment and maintenance of the countryside,
- restoring agricultural production potential after natural disasters,
- the development and exploitation of woodland, in accordance with conditions and criteria to be laid down by the Council on a proposal from the Commission, including:
  - afforestation and the improvement and re-constitution of woodland,
  - related work and accompanying measures necessary for the exploitation of woodland,
- in order to increase woodland's contribution to the conservation and protection of the environment and to offer farmers alternative activities and income,
- the development of agricultural and forestry advisory services, and the improvement of facilities for agricultural and forestry vocational training.

<sup>(1)</sup> See page 15 of this Official Journal.

### TITLE III

#### Promoting the development of rural areas of the Community in regions covered by objective 5 (b)

##### Article 6

Fund assistance for the measures referred to in Article 7 shall in the main take the form of operational programmes, including an integrated approach, and global grants and cover one or more of the operations referred to in Article 5.

##### Article 7

Without prejudice to the particulars referred to in Article 11 (3) of Regulation (EEC) No 2052/88 and Article 5 of Regulation (EEC) No 4253/88, rural development plans shall include an identification of the problems of agricultural structures at a relevant geographical level.

### TITLE IV

#### General and transitional provisions

##### Article 8

Assistance from the Fund of up to 1 % of its annual budget, for the measures provided for in Article 5 (2) (e) of Regulation (EEC) No 2052/88 may cover:

- carrying out pilot projects for promoting the development of rural areas, including the development and exploitation of woodland,
- supporting such technical assistance and preparatory studies as are necessary for operations,
- studies to assess the effectiveness of the measures provided for by this Regulation,
- carrying out demonstration projects to show farmers the real possibilities of systems, methods and techniques of production which are in accordance with the objectives of the reform of the common agricultural policy,
- the measures needed for the circulation, at Community level, of the results of the work on and experience with improving agricultural structures.

##### Article 9

Where appropriate and through procedures suitable to each policy, Member States shall supply the Commission with

information concerning compliance with Article 7 (1) of Regulation (EEC) No 2052/88.

#### *Article 10*

1. The Council, acting on a proposal from the Commission in accordance with the procedure laid down in Article 43 of the Treaty, shall by 31 December 1989 decide upon the forms of and the conditions for the Fund contribution to measures to improve the conditions under which agricultural, forestry and fishery products are processed and marketed, as referred to in Article 2 (2), with a view to achieving the objectives of Regulation (EEC) No 2052/88 and on the basis of the rules laid down by Regulation (EEC) No 4253/88.

2. With effect from the date of entry into force of the Council Decision referred to in paragraph 1, Council Regulation (EEC) No 355/77 <sup>(1)</sup> is hereby repealed.

However, projects concerning fisheries may still be submitted under that Regulation until 31 December 1990.

3. By way of derogation from paragraph 2, Articles 6 to 15 and 17 to 23 of Regulation (EEC) No 355/77 shall continue to apply to projects submitted by the date of entry into force of the Council Decision referred to in paragraph 1, or as regards the fishery sector, by 31 December 1990.

4. Operational programmes as referred to in Articles 4 and 6 may, as soon as this Regulation enters into force, include measures for improving the marketing and processing of agricultural, forestry and fishery products, provided they comply with the relevant current provisions.

#### *Article 11*

Regulation (EEC) No 729/70, with the exception of the Article 1 (1) to (3) shall no longer apply as regards EAGGF, Guidance Section, subject to the implementation of Article 15 of Regulation (EEC) No 2052/88, Article 33 of Regulation (EEC) No 4253/88 and Article 10 (3) of this Regulation.

#### *Article 12*

This Regulation shall enter into force on 1 January 1989.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels, 19 December 1988.

*For the Council*

*The President*

Th. PANGALOS

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<sup>(1)</sup> OJ No L 51, 23. 2. 1977, p. 1.

**Notice C(88) 2510 to the Member States on monitoring compliance with public procurement rules in the case of projects and programmes financed by the Structural Funds and financial instruments**

(89/C 22/03)

1. At its meeting on 4 May 1988 the Commission of the European Communities decided to introduce a system for monitoring compliance with public procurement rules where projects and programmes are executed with assistance from the Structural Funds and financial instruments. The system will enter into force two months following the date of publication of this Notice in the *Official Journal of the European Communities*.

The Commission has taken this decision because it has established that the rules of Community law are not observed in many cases where public contracts financed by the European Community are awarded. Infringements of the 'Works' <sup>(1)</sup> and 'Supplies' <sup>(2)</sup> directives have often come to light during examination of grant applications and requests for payment. Such infringements involve failure to comply with rules on tendering procedures, notably:

- awarding public contracts without prior publication of a tender notice in the *Official Journal of the European Communities*,
- splitting up public contracts improperly to evade application of the 'Public Procurement' Directives,
- using the single tender procedure improperly.

2. The failure to comply with public procurement rules in cases where contracts benefit from Community financing weakens considerably the policy on the opening-up of public procurement, one of the priority measures in completing the internal market.

Furthermore, this situation could well prejudice attainment of the Community's sectoral policy objectives. The establishment of infringements may result not only in initiation of proceedings under Article 169 of the EEC

Treaty, but also in rejection of requests for assistance or suspension and (in some cases) even the recovery of assistance already paid, which can delay or cut short the projects or programmes concerned by the contracts at issue.

3. The system which the commission has decided to introduce is based on the following principles:

- (a) The monitoring of compliance with Community rules must be balanced. The Commission will supervise their proper application both in relation to contracts that benefit from Community assistance and to those that do not. Measures designed to reinforce monitoring of the latter were taken recently.
- (b) The monitoring of compliance with the public procurement rules falls not only to the Commission but also to the national authorities. This principle is upheld in particular under the operational programmes which are to become the main form of action under the Structural Funds. Intervention on a programme basis takes shape through the grant of Community assistance for the completion of a series of investments carried out and managed by the national authorities. The very nature of the programme, therefore, calls for decentralized monitoring by the national authorities.
- (c) To prevent infringements, it is essential that wide-ranging information and awareness campaigns be organized among recipients prior to application of the Community monitoring measures. The rules in force often give rise to different interpretations; the Commission is giving priority to the provision of information to the interested parties on Community law in the field of public procurement.
- (d) Since the measures taken following establishment of failure to comply with the public procurement rules may jeopardize the carrying-out or completion of projects or programmes, payment shall not be suspended nor appropriations recovered until the

<sup>(1)</sup> Directive 71/305/EEC, OJ No L 185, 16. 8. 1971, p. 5.  
Directive 72/277/EEC, OJ No L 176, 3. 8. 1972, p. 2.  
Directive 78/699/EEC, OJ No L 225, 16. 8. 1978, p. 41.

<sup>(2)</sup> Directive 77/62/EEC, OJ No L 13, 15. 1. 1977, p. 1.  
Directive 80/767/EEC, OJ No L 215, 18. 8. 1980, p. 1.  
Directive 88/295/EEC, OJ No L 127, 20. 5. 1988, p. 1.

interested party has had the opportunity to submit his comments within the period laid down on a case-by-case basis by the Commission, with the exception of the cases listed at 7. Moreover, transparency of the Commission's monitoring shall be ensured through annual publication of the results of the monitoring and the methods used.

- (e) To prevent the procedure for checking compliance with the public procurement rules from delaying implementation of a project or a programme, the 'monitoring' has, in so far as possible, been disassociated from the 'payment of advances'. It shall be presumed in paying advances that public contracts have been awarded in accordance with the rules of Community law, unless that presumption is rebutted by contrary facts resulting from examination of the case or the questionnaire.

4. The monitoring system shall comprise measures which aim both to advise recipients of the obligations they assume in receiving Community assistance and to facilitate the monitoring of compliance with public procurement rules.

5. The measures taken to advise recipients shall include:

- an information campaign on Community legislation and widespread dissemination of the Guide to the Community rules on open government procurement <sup>(3)</sup> in which the Commission has set out its interpretation of the directives on public procurement. This dissemination will be supplemented by direct measures to inform interested parties in accordance with a training programme developed by the Commission in agreement with authorities in the Member States,
- awareness campaigns on the monitoring methods used, mainly the public procurement questionnaire and the payment request form.

6. The public procurement questionnaire is designed to 'guide' applicants for Community financing towards compliance with the rules on public procurement. The answers will also provide the Commission with an effective means of monitoring. They will enable it not only to obtain an overall view of compliance with the key provisions of the directives (advertising, contracts concluded by way of the single tender procedure, excluded sectors, concession contracts, etc.), but also to monitor more thoroughly in cases where there are signs that the public procurement rules have not been adhered to.

<sup>(3)</sup> OJ No C 358, 31. 12. 1987, p. 1.

The questionnaires will be addressed to applicants for Community assistance. They will be explicitly asked to comply with the public procurement rules when the contracts are to be awarded for the execution of a project or a programme.

The contracts covered by the questionnaire are:

- all public contracts with a value exceeding the thresholds in the 'Works' and 'Supplies' directives, and
- public contracts with a value below those thresholds which constitute subdivisions of a single work or supplies of similar goods whose aggregate value exceeds the aforementioned threshold. A 'work' means the outcome of building or civil engineering taken as a whole that is sufficient of itself to fulfil an economic and technical function for the user.

The national authorities should return the duly completed questionnaire to the Commission in respect of each contract awarded:

- when the grant application is submitted by the Member State, in cases where all the contracts have already been awarded when the application is drawn up by the authority/authorities concerned, or
- when a payment request is submitted in cases where all the contracts have been awarded, or
- in any event when the request for payment of the outstanding balance is submitted.

If the questionnaires are not returned, payments will be suspended once notice has been given to the interested party to submit his comments.

7. The payment request form now in use will be amended to include references to public contracts published in the *Official Journal of the European Communities* and a declaration by the Member State concerned to the effect that contracts which do not have to be published have been awarded in accordance with the public procurement directives. On making payment it will be presumed that the contracting authority has complied with the Community public procurement rules. However, payment will be suspended where no references are given to publication of public procurement tender notices in the *Official Journal of the European Communities* and no declaration is made to the effect that the public procurement directives have been complied with, in the case of contracts not requiring notice publication.

8. The legal basis for monitoring *sensu stricto* is to be found in Article 5 of the EEC Treaty and in the clauses which commit recipients to compliance with Community legislation. It will be carried out by the Member States and by the Commission, notably on the basis of the public procurement questionnaire and the payment request form.



- The national authorities will first verify the answers given to the questionnaire and in the payment request form. Timely national monitoring will expedite considerably payments relating to a project or programme.
- The Commission, for its part, will verify the tender notices published in the *Official Journal of the European Communities* and make sample checks on the proper application of all the public procurement rules, notably those concerning the qualitative selection of tenderers and the award of contracts.

9. Both suspension and recovery of payments shall be effected in accordance with the specific rules of each Fund or Community financial instrument.

If failure to comply is established, proceedings may be instituted under Article 169 of the EEC Treaty, even after completion of the financing operation.

10. The monitoring system shall be differentiated by project or programme:

(a) For projects, the decision granting assistance must include suspension or repayment clauses or similar clauses. These clauses shall refer to the need to comply with Community law on public procurement, not simply the obligation to publish in the *Official Journal of the European Communities*.

(b) For programmes, the awareness campaigns, checking and follow-up to the application of the public procurement rules will be shared between the national authorities and the Commission. Subject to adoption of the proposal for a regulation on the reform of the Structural Funds, compliance with the public procurement rules will be ensured in the following way:

- when preparing the Community framework for supporting the development or conversion of a region and when the decision is being taken on an operational programme, the Commission will organize an awareness campaign and ensure that the clauses concerning compliance with the public procurement rules are written into the programme contract or in the corresponding draft decision,
- when the operational programmes are being launched and when they are in progress the national authorities will be primarily responsible for making the contracting authorities aware of

the rules and performing the necessary checks on each project without prejudice to the monitoring carried out by the Commission's authorizing departments and financial control,

- when payment of the outstanding balance is requested for a programme instalment in the case of contracts awarded pertaining to a project completed during the instalment period in question, the Commission will verify publication of tender notices in the *Official Journal of the European Communities* and subsequently make sample checks on compliance with the public procurement rules on the basis of the answers given to the questionnaire returned to the Commission by the national authorities when requesting payment of the outstanding balance.

For projects implemented over two or more instalment periods, these verifications and checks will be carried out in conjunction with examination of the request for payment of the outstanding balance for the instalment period in which the project is completed.

In the event of failure to comply with the public procurement rules, recovery will be undertaken in accordance with the relevant administrative rules.

To ensure that the public contracts to be awarded under these programmes are transparent, details concerning certain features (for example, infrastructure works, construction of training centres, research centres, supplies) will be published in the *Supplement to the Official Journal of the European Communities* by way of preliminary information to interested Community contractors or suppliers, in accordance with the relevant rules of Community legislation in force.

(c) The Commission will also monitor compliance with the public procurement rules on the spot while performing other checks connected with the proper material and financial execution of projects or programmes in receipt of Community assistance.

11. For European Investment Bank loans, the Commission will take account of the results of the EIB's own *ex ante* monitoring procedures in respect of projects subject to the consultations referred to in Article 21 of the Protocol on the Statute of the EIB.

12. For projects and programmes that give rise to contracts falling under sectors not covered by the directives in force (water, transport, energy and, in the case of the 'Supplies' directive, telecommunications), the recipient may undertake, in a specific clause, to open up contracts to Community competition, without, however, any additional eligibility criteria being introduced for the granting of assistance. In particular, in the case of contracts for which EIB, Euratom or ECSC loans are granted, recommendations encouraging the opening-up of contracts shall be included (when not already the case) in the contract document.

To that end, and pending adoption of the directives now before the Council (\*), the Commission intends to give, by way of an incentive, (wherever numbers of applications of the same type are excessive and all other things being equal) priority to applicants for assistance who open up contracts to Community competition or who undertake, in writing, to do so by publishing the tender notices for the contract concerned in the *Official Journal of the European Communities* and by awarding these contracts on the basis of non-discriminatory criteria.

These tender notices must contain the following minimum details:

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(\*) Proposal for a Council Directive on the procurement procedures of entities providing water, energy and transport services: COM(88) 377 final of 11 October 1988; Proposal for a Council Directive on the procurement procedures of entities operating in the telecommunications sector: COM(88) 378 final of 11 October 1988.

- name and address of the contracting authority,
- purpose of the contract,
- time limit for reception of tenders or requests to participate,
- criteria for qualitative selection.

13. The monitoring system outlined above will enter into force two months following the date of publication of this notice in the *Official Journal of the European Communities*.

In the meantime the Commission will undertake the measures required to bring it into effect: information and training for the interested parties, verification of advertising, pilot surveys, investigation of infringements, while maintaining a balance in the monitoring as between public procurement financed from the structural Funds and financial instruments and public procurement which is not so financed.

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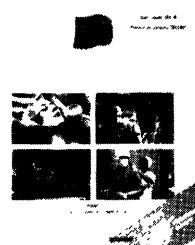
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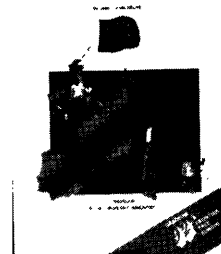
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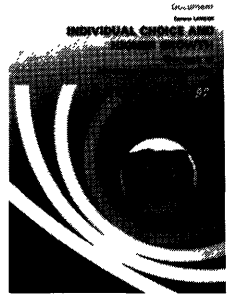
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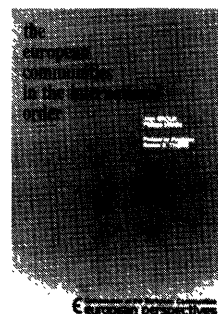


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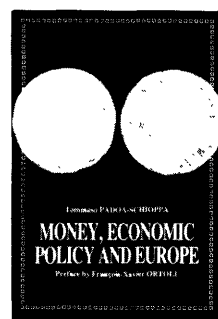


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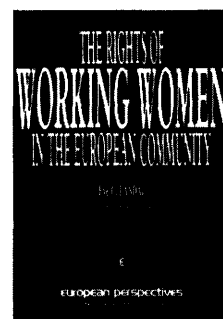


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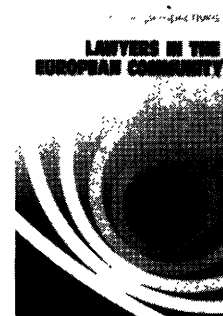
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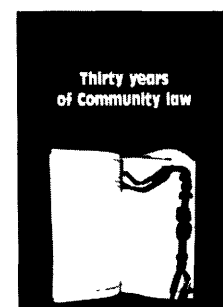
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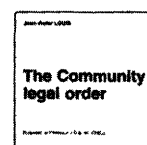
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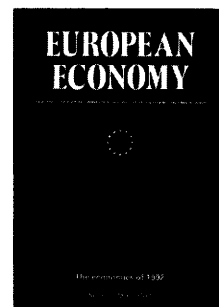
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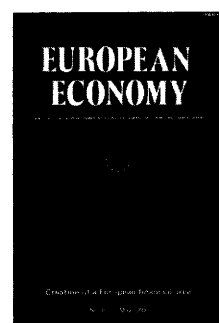
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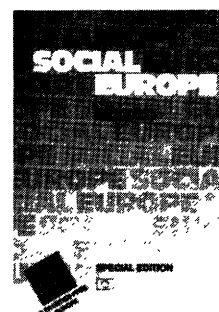


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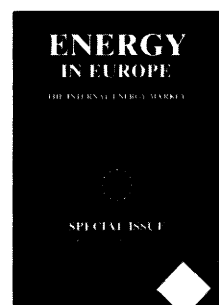


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