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Contents

	Page
Amended proposal for a financial regulation of the Council relating to the European Agricultural Guidance and Guarantee Fund	2
Amended proposal for a Council regulation on the granting of aid by the European Agricultural Guidance and Guarantee Fund	5
Proposal for a decision of the Council supplementary to its decision of 21 March 1962 instituting a procedure for prior examination and consultation in respect of certain administrative and legislative provisions and regulations envisaged by Member States in the field of transport	15

Amended proposal for a financial regulation of the Council relating to the European Agricultural Guidance and Guarantee Fund

(Submitted by the Commission to the Council on 27 September 1963)

Explanatory Memorandum

1. The draft financial regulation relating to the European Agricultural Guidance and Guarantee Fund contains all the financial and budgetary provisions needed for the operation of the Fund. It is based on Article 209 of the Treaty and supplements the draft Council Regulation on the granting of aid by the European Agricultural Guidance and Guarantee Fund.

2. Regulation No. 25 on the financing of the common agricultural policy, which institutes the European Agricultural Guidance and Guarantee Fund (EAGGF), makes reference to both the Title on agriculture in the Treaty of Rome (Articles 38 to 47) and the Title on financial provisions (Articles 199 to 209). The regulations governing the EAGGF must therefore be made under Articles 199 to 209. Article 1 (2) of Council Regulation No. 25 states, moreover, that "the Fund shall form part of the Community's budget".

3. Consequently, the general financial rules of the EEC apply automatically to the EAGGF. Provision is expressly made

for adapting them to the case of a fund, adding supplementary details or introducing special arrangements necessitated by the content of Council Regulation No. 25.

4. According to the draft Council Regulation on the granting of aid by the Fund, the EAGGF comprises a Guarantee Section and a Guidance Section. The rather divergent financial characteristics of the two sections make it necessary in some cases for special rules to be laid down. For instance, the machinery for reimbursing Member States set up in the Guarantee Section is largely based on provisions already made in the Community budget for another fund. Measures to achieve the objective set out in Article 39 (1 a) of the Treaty, including structural changes necessitated by the development of the common market — measures to be taken under the Guidance Section — spread in many cases over a number of years, so that provision must be made for such operations to be carried out without prejudice to the principle of annual budgeting.

Amended proposal for a financial regulation relating to the European Agricultural Guidance and Guarantee Fund

(Submitted by the Commission to the Council on 27 September 1963)

The Council of the European Economic Community,

Having regard to the Treaty establishing the European Economic Community and in particular Article 209 thereof;

Having regard to Council Regulation No. 25 on the financing of the common agricultural policy;

Having regard to Council Regulation No. ... on the granting of aid by the European Agricultural Guidance and Guarantee Fund;

Having regard to the proposal of the Commission;

Having regard to the opinion of the European Parliament;

Having regard to the opinion of the Economic and Social Committee;

Whereas under Article 1 of Regulation No. 25 on the financing of the common agricultural policy the European Agricultural Guidance and Guarantee Fund forms part of the Community's budget;

Whereas for the European Agricultural Guidance and Guarantee Fund to serve its purpose the financial and budgetary provisions under which it operates must be embodied in the Community's budget;

Whereas the financial and budgetary provisions must enable the Fund to operate effectively and in accordance with Regulation No. 25 and Council Regulation No. ... on the granting of aid by the European Agricultural Guidance and Guarantee Fund;

Whereas the European Agricultural Guidance and Guarantee Fund comprises two sections operating in different fields in

some cases requiring specific financial provisions;

Whereas in view of their number and importance these financial and budgetary provisions should be consolidated in a separate financial regulation for the European Agricultural Guidance and Guarantee Fund,

Has adopted the present financial regulation:

General

Article 1

Except as otherwise provided in the present regulation, the financial regulations

adopted under Article 209 of the Treaty shall be applicable to the European Agricultural Guidance and Guarantee Fund, hereinafter referred to as the EAGGF.

Budget provision

Article 2

1. The expenditure of the EAGGF shall constitute a special section in the budget of the Community. This section shall be divided into two heads corresponding to the two sections mentioned in Article 1 of Council Regulation No. ... on the granting of aid by the EAGGF.

2. The head relating to the Guarantee Section shall comprise expenditure that may be charged to the EAGGF by virtue of Article 2 (2 a and b) and Article 3 (1 a, b and c) of Council Regulation No. 25 on the financing of the common agricultural policy; this expenditure shall come under two sub-heads: for payments in respect of refunds on exports to non-member countries and for intervention in the home market.

3. The head relating to the Guidance Section shall comprise expenditure that may be charged to the EAGGF by virtue of Article 2 (2 c) and Article 3 (1 b); this expenditure shall come under two sub-heads: for previous commitments and for new commitments.

Article 3

Each year the Commission shall draw up, as an annex to the preliminary draft budget, a table of estimates of expenditure arising from:

a) previous commitments in the case of interest subsidies or in extending the redemption date of loans,

b) advance commitments where the Council has adopted Community programmes within the meaning of Article 16 of Council Regulation No. ... on the granting of aid by the EAGGF,

c) new commitments.

Article 4

1. Such estimates shall be included in the budget for the financial year following the end of each marketing season, and in the first instance in the 1964 budget.

The term "marketing season" shall mean the period from 1 July to 30 June.

2. The budget appropriations in respect of the expenditure of the Guidance Section shall as far as possible be equal to the amount specified in Article 5 (2) of Regulation No. 25. They may not be less than the sum of previous commitments or advance commitments shown in the table of estimates.

Article 5

1. The estimates in the preliminary draft budget shall be computed on the basis of the information available at the time. Before approval of the draft budget by the Council, the Commission may submit revised estimates in the light of further information received.

2. Any further expenditure required to meet the Commission's commitments relating to the EAGGF shall be the subject of a supplementary budget.

Contributions of Member States

Article 6

1. Notwithstanding the provisions of Article 3, second paragraph, of the Financial Regulation concerning the drawing up and execution of the budget of the EEC and the responsibility of certifying officers and accountants, the financial contributions of the Member States calculated according to the special scale set out in Article 7 of Regulation No. 25 shall be appropriated to the expenditure of the EAGGF.

2. Where necessary, a new apportionment of the financial contributions of the Member States shall be made by way of a revised budget, after the Member States have furnished the Commission with their import returns, with a view to final calculation of the scale of contributions set out in Article 7 of Regulation No. 25.

Article 7

Annual redemption or interest payments relating to the Guidance Section shall be reappropriated under the same Section.

Article 8

1. The financial contributions, expressed in national currencies, shall be credited by

each Member State to the special accounts opened for the Commission (EAGGF) with the Treasury or any other authority designated by the Member State concerned. Such accounts shall be kept separate from all other accounts opened for the Commission under the budget procedure.

2. a) Contributions to cover expenditure under the Guarantee Section shall be credited in full by 20 January at latest or within thirty days of the final adoption of the supplementary or revised budget.

b) In respect of contributions to cover expenditure under the Guidance Section:

i) seven-twelfths of the annual amount shall be credited by 20 January or within thirty days of the final determination of the budget if the provisions of Article 204 of the Treaty are applied;

ii) the remaining five-twelfths shall be credited on 1 July of the year in question.

3. In each Member State the Commission shall maintain, with the Central Bank or other financial institution approved by the State concerned, operational accounts for the EAGGF bearing the same names as those opened in pursuance of paragraph 1 of this article.

Commitment of funds and carrying forward

Article 9

1. Decisions taken by the Commission under Article 23, second paragraph, of Council Regulation No. ... on the granting of aid by the EAGGF shall be deemed to be commitments of funds.

Amounts committed but not paid out by the end of the financial year shall be automatically carried forward to the next financial year only.

2. Decisions on Community programmes taken by the Council in pursuance of Arti-

cle 16 (1 and 2) of Council Regulation No. ... on the granting of aid by the EAGGF shall be deemed to be advance commitments of funds.

3. Amounts included under the head relating to the Guidance Section but not yet committed shall be carried forward to the next financial year only, unless the Council decides otherwise by qualified majority within six weeks of the Commission having submitted its reasons for such carry-forward.

Reimbursement of Member States for expenditure under the Guarantee Section

Article 10

1. Expenditure under the Guarantee Section shall be approved, certified and paid once in each marketing season. For this purpose the Commission shall establish the balance of the account of each Member State.

2. As soon as the operations specified in the foregoing paragraph have been carried

out, the Commission shall notify each Member State of the balance of its account.

Article 11

Within two months of such notification the Commission shall audit and close the account of each Member State opened in pursuance of Article 8 (1).

Article 12

1. The amounts to be repaid to the Member States by the Commission on behalf of the EAGGF shall be expressed in their national currencies on the basis of decisions taken by the Commission in pursuance of Article 10 of Council Regulation No. ... on the granting of aid by the EAGGF.

2. In determining the contributions and the balances of the accounts of the Member States, the amounts of the refunds shall be converted into units of account.

3. Payments made in order to close accounts shall be made in the national currency of each Member State.

Article 13

1. Creditor Member States shall receive from the Commission a payment in their national currencies at the rate of exchange obtaining on the day the accounts were balanced as stipulated in Article 10.

2. If there is a change in the exchange rate of the currency of a Member State between the date of the balancing of accounts stipulated in Article 10 and the time of payment, the result of such change shall be credited or debited to the Member States in accordance with the scale laid down in Article 7 of Regulation No. 25.

The present Regulation shall be binding in all its parts and directly enforceable in all Member States.

Amended proposal for a Council regulation on the granting of aid by the European Agricultural Guidance and Guarantee Fund

(Submitted by the Commission to the Council on 27 September 1963)

Explanatory Memorandum

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Amended proposal for a regulation on the Granting of aid by the European Agricultural Guidance and Guarantee Fund

(Submitted by the Commission to the Council on 27 September 1963)

The Council of the European Economic Community,

Having regard to the Treaty establishing the European Economic Community and in particular Article 43 thereof;

Having regard to Council Regulation No. 25 on the financing of the common agricultural policy and in particular Article 3 (1 b, c and d) thereof;

Having regard to the proposal of the Commission;

Having regard to the opinion of the European Parliament;

Having regard to the opinion of the Economic and Social Committee;

Whereas in order to bring the European Agricultural Guidance and Guarantee Fund into operation it is necessary to define the conditions under which and the procedure whereby the common agricultural policy will be financed; and whereas, in view of the diversity of the Fund's expenditure, this should be done chiefly under a Guarantee Section and a Guidance Section;

Whereas, so far as is possible, Community rules applicable to all the common organizations of markets must be established for the Guarantee Section; and whereas

they will also apply to any markets to which the Council decides to extend the scope of Regulation No. 25;

Whereas intervention varies in form for the different common organizations of markets and the expenditure chargeable to the Fund in pursuance of Article 3 (1 *b* and *c*) of Regulation No. 25 must therefore be determined for each;

Whereas, by the enactments so far made for the common organizations of markets, intervention expenditure on the home market concerns for the time being the cereals market only;

Whereas, in view of the need to clarify the concepts serving as a basis for computing expenditure in respect of refunds on exports to non-member countries, the present regulation should also cover expenditure arising from Article 3 (1 *a*) of Regulation No. 25;

Whereas the objectives of the common agricultural policy cannot be fully achieved without taking action as regards the structure of agricultural production and marketing;

Whereas, under the Guidance Section, the steps to be taken to achieve the objective of Article 39 (1 *a*) of the Treaty, including structural changes necessitated by the development of the Common Market, involve the adaptation and improvement of the conditions of production in agriculture, the adaptation and orientation of agricultural production, the adaptation and improvement of the marketing of agricultural products and the development of outlets for agricultural products;

Whereas general and specific conditions must be laid down for the granting of aid by the Fund, in order to ensure that projects are in accordance with Community interests;

Whereas agriculture is an integral part of the general economy and this is also true at the regional level; whereas consequently the solution to certain agricultural problems can be found in regional development, more especially through supplementary measures taken outside the field of agricultural policy; whereas for such measures to be co-ordinated they must be incorporated in a regional economic development programme; and whereas the Fund in granting aid must therefore accord priority to projects forming part of such regional economic development programmes, as a result of which the measures as a whole will become more effective;

Whereas the economic expansion consequent upon the establishment of the Common Market together with the effects of the common agricultural policy may aggravate disparities between regions and between sectors, give rise to new problems or make the solution of current problems in agriculture more difficult; and whereas Community responsibility for these developments calls for priority action in this case to improve agricultural structures;

Whereas in certain cases steps to improve agricultural structures must, to be fully effective, be accompanied by special efforts in the fields of vocational training and advisory services; and whereas the social situation of persons engaged in agriculture also merits particular attention;

Whereas the profitability of farms may be increased by the improvement of agricultural structures, but the financial burden involved discourages many farmers from undertaking such improvement;

Whereas, in view of the diversity of the structural measures to be taken, the possible methods of financing open to the Fund should include non-repayable grants, interest subsidies and extension of redemption dates so as to ensure that Community action is as effective as possible;

Whereas with an increase in profitability due to structural improvements it is appropriate that those who benefit thereby should bear part of the expenditure or of the burden of interest on the funds involved;

Whereas assistance by the Fund is intended to supplement other forms of assistance and must not, therefore, result in a reduction of other aids normally provided either by the Community or by the Member States;

Whereas the Fund may supplement the operations of the European Investment Bank in agriculture by granting aid that is more adapted to the financial resources of the sector;

Whereas, the Standing Committee on Agricultural Structures having been set up to promote the co-ordination of policies on agricultural structure, this Committee must be informed of the activities of the Guidance Section of the Fund and consulted on matters falling within its purview;

Whereas the conditions laid down by the Commission are intended to guide projects along the lines of the common agricultural policy; and whereas these conditions must be fulfilled;

Whereas a definition of the concept "net imports" contained in Article 7 of Council

Regulation No. 25 is needed for the calculation of the second part of the Member States' contributions;

Whereas the Fund cannot function without close co-operation between the Member States and the Commission; and whereas such co-operation can best be ensured through the machinery of a Committee of the European Agricultural Guidance and Guarantee Fund,

Has adopted the present regulation :

Article 1

1. The European Agricultural Guidance and Guarantee Fund, hereinafter referred

to as the Fund, shall comprise two sections : the Guarantee Section, the Guidance Section.

2. The Guarantee Section shall deal with expenditure financed by the Fund in pursuance of Article 2 (2 a and b) and Article 3 (1 a, b and c) of Council Regulation No. 25 on the financing of the common agricultural policy.

3. The Guidance Section shall deal with expenditure financed by the Fund in pursuance of Article 2 (2 c) and Article 3 (1 d) of Regulation No. 25.

4. Administrative and staff expenditure incurred by the Member States or organizations in receipt of aid from the Fund shall not be chargeable to the Fund.

PART I

Aid under the Guarantee Section

Expenditure in respect of refunds on exports to non-member countries

Article 2

1. In each regulated market, the net exports of each Member State to non-member countries, which determine the sums payable by the Fund in respect of the export refunds provided for in Article 3 (1 a) of Regulation No. 25, shall be calculated for each basic product, derived products being expressed in terms of basic products.

A basic product or products in each regulated market shall mean a product or products on which the import charge is calculated according to criteria directly applicable and not in relation to the charge on imports of another product.

However, the products mentioned in Article 1 (c) of Council Regulation No. 19 on the gradual establishment of a common organization of the market in cereals shall not be deemed to be basic products.

2. A list of the basic products and the conversion rates to be used for expressing derived products in terms of basic products shall be established according to the procedure referred to in Article 7.

Article 3

1. In order to arrive at the refund rate referred to in Article 3 (1 a) of Regulation No. 25 in the Member State whose average refund is the lowest, each Member State

shall calculate once a year the average refund for each basic product.

2. The calculation shall be made for each basic product each season, derived products being excluded, by dividing the total of refunds granted by the quantities exported to non-member countries.

3. On submitting the refund application provided for in Article 9, each Member State shall inform the Commission, before 1 November, of the average rates of refund for each basic product and shall submit the supporting data used in its calculation.

Article 4

1. On the basis of the data supplied in pursuance of Article 3, the Commission shall make a comparison of the average annual refunds granted by the Member States.

In so doing it shall not take into account average refunds which :

a) are influenced by a price in a Member State arrived at by waiving the lower price limit fixed for the Community;

b) refer to non-representative quantities of products exported to non-member countries.

2. The lowest average refund rate applicable in the Community for each basic product shall be determined according to the procedure referred to in Article 7.

Expenditure in respect of intervention on the home market under article 3 (1 b) of Regulation No. 25

Article 5

1. "Sums spent on the home market whose aim and effect are identical with those of refunds on exports to non-member countries within the meaning of Article 3 (1 a) of Regulation No. 25" shall be understood to be expenditure arising under Article 7 (4), second paragraph, of Regulation No. 19, namely:

a) losses sustained in the sale of rye or wheat other than durum at a price below the target prices for these cereals, provided they have been rendered unfit for human consumption;

b) the denaturing premiums granted by the Member States for rye and wheat other than durum.

2. In determining the losses and the denaturing premiums the following shall be taken into account:

a) the cost of the denaturing operation fixed at a standard rate for the Community according to the procedure referred to in Article 7 of the present regulation;

b) ninety per cent of the difference in each Member State between the target price for rye or for wheat other than durum and the target price for barley.

Intervention on the home market under article 3 (1 c) of Regulation No. 25

Article 6

1. If, at the time of transition from one marketing season to another, the unsold stocks of home-grown cereals purchased by the Member States' intervention agencies in pursuance of Article 7 (3) of Regulation No. 19 have depreciated owing to a fall in prices, the losses sustained by such agencies shall be chargeable to the Fund under Article 3 (1 c) of Regulation No. 25.

2. The losses shall be calculated on the basis of the difference between the intervention price for the last month of the marketing season and the target price for the first month of the following marketing season.

3. The Fund shall accept no liability in respect of reserves held under international agreements independently of national or Community policies for agricultural markets.

Procedure for the Guarantee Section

Article 7

Where reference is made to this Article, the procedures applicable shall be those laid down in Article 26 of Regulation No. 19, Article 20 of Council Regulation No. 20 on the gradual establishment of a common organization of the market in pigmeat, Article 17 of Council Regulation No. 21 on the gradual establishment of a common organization of the market in eggs and Article 17 of Council Regulation No. 22 on the gradual establishment of a common organization of the market in poultrymeat. Any relevant procedure laid down in subsequent regulations on the gradual establishment of common organizations of markets shall likewise be applicable.

Article 8

Not more than three months after the end of each quarter the Member States shall transmit to the Commission a statement containing the following particulars:

a) As regards expenditure in respect of refunds on exports to non-member countries, the quantities of produce exported (by weight), these quantities being expressed where appropriate in terms of basic products in accordance with Article 2, and the total amount of refunds granted for each basic product;

b) As regards expenditure for intervention on the home market, the quantities affected by interventions chargeable to the Fund, and the sums spent by class of product.

Article 9

1. Once a year the Member States shall submit to the Commission before 1 November an application for reimbursement of the expenditure which they have incurred for the period from 1 July to 30 June in respect of refunds on exports to non-member countries and of intervention on the home market chargeable to the Fund under Articles 2 to 6. However, for the period from 30 July 1962 to 30 June 1963, Member States shall submit their applications for reimbursement three months after the present regulation has come into force.
2. After consulting the Committee of the

European Agricultural Guidance and Guarantee Fund referred to in Articles 26 to 30, hereinafter referred to as the Committee of the Fund, the Commission shall stipulate the particulars to be supplied by the Member States when making applications for refunds and the form in which they are to be submitted.

Article 10

The reimbursement of expenditure in respect of refunds on exports to non-member countries and in respect of intervention on the home market shall be effected once a year by the Commission after consultation with the Committee of the Fund.

PART II

Aid under the Guidance Section

Sphere of operation

Article 11

1. The operations of the Guidance Section of the Fund carried out in pursuance of Article 2 (2 c) and Article 3 (1 b) of Regulation No. 25 shall concern :

- a) the adaptation and improvement of the conditions of production in agriculture,
- b) the adaptation and orientation of agricultural production,
- c) the adaptation and improvement of the marketing of agricultural products.
- d) the development of outlets for agricultural products.

2. Operations of the Guidance Section of the Fund may relate to any product listed in Annex II to the Treaty.

Article 12

1. By adaptation and improvement of the conditions of production there shall be understood any action required to adapt or improve the conditions of production in agriculture :

- a) on individual farms,
- b) on a number of farms,
- c) elsewhere.

2. By adaptation and orientation of production there shall be understood :

a) the quantitative adaptation of production to outlets, in particular by changes in crops, limitation of output and changes in marketing seasons;

b) the promotion of higher-quality and more homogeneous production.

3. By adaptation and improvement of the marketing of agricultural products there shall be understood the provision of equipment needed for marketing on individual farms, on a number of farms or elsewhere, in the following fields :

a) the improvement of storage capacity, notably the construction or conversion of silos, warehouses, cellars, cold-storage equipment, deep-freeze plant and other equipment for the storage and preservation of products;

b) the processing of agricultural products, particularly the construction or conversion of abattoirs, dairies, sugar factories, canning factories, flour mills, oil-pressing plant, distilleries, wine-making plant or plant for the manufacture of fruit juices;

c) the improvement of distribution channels, particularly the establishment or improvement of wholesale auction centres, markets with storage facilities, markets with rail transport facilities, centres for packaging and handling products, and the development of market access facilities;

d) dissemination of fuller information on factors determining price formation on agricultural markets, notably through the establishment or improvement of market survey centres or of information services for price quotations.

4. By improvement of outlets for agricultural products there shall be understood Community action to develop outlets for certain agricultural products under the common agricultural policy in pursuance of Article 41 (b) of the Treaty.

General and special conditions governing assistance by the Fund

Article 13

1. Assistance by the Fund shall be granted on the basis of projects submitted to the Commission.

2. In the present regulation, "project" shall mean any public, semi-public or private scheme wholly or in part intended to serve structural improvement in agriculture within the meaning of Article 11.

3. Assistance from the Fund shall relate to that part of a project which is concerned with improvements to agricultural structure.

Article 14

1. To be eligible for assistance from the Fund any project must satisfy simultaneously the following general requirements:

- a) It must be of Community interest;
- b) It must entail some improvement in agricultural structure benefiting the economy as a whole;
- c) It must involve some financial contribution from the beneficiaries in accordance with Article 18 (1 and 2);
- d) It must offer adequate assurance that the improvement effected in the structure of agriculture will be lasting;
- e) In the case of action under Article 11 (1 a), it must be intended to make agricultural holdings economically viable and to increase their competitiveness;
- f) In the case of action under Article 11 (1 b, c and d), it must form part of a Community programme drawn up in accordance with Article 16.

2. Priority shall be given to any project which in addition fulfils one or more of the following requirements:

a) It must form part of a regional economic development programme that will

help to establish a balance between agriculture and the other economic sectors and, in particular, will offer suitable employment for agricultural and non-agricultural workers;

b) It must be intended to effect a readaptation or reorientation necessitated by the requirements and economic consequences of implementing the common agricultural policy;

c) It must promote the orientation or adaptation of agriculture where the social and economic situation is backward to the extent of jeopardizing the implementation of the common agricultural policy.

Article 15

In the case of action under Article 11 (1 a), special priority, without prejudice to the priorities set out in Article 14 (2), shall be given to projects fulfilling one or both of the following requirements:

- a) They must attach sufficient importance to advisory services and vocational training so that the best use may be made of the investment planned;
- b) They must contribute to improving the social situation of workers in agriculture.

Article 16

1. In the case of action under Article 11 (1 b, c and d), Community programmes shall be adopted by the Council, on proposals of the Commission, by unanimous vote during the second stage and by qualified majority thereafter.

2. Each Community programme must state:

- a) the objective to be attained in pursuance of Article 11 (1 b, c and d);
- b) the areas on which the main effort will bear;

- c) the relative amount of assistance by the Fund for each project, and the method of financing selected;
- d) the total amount to be committed and the period planned for putting the Community programme into effect.

- 3. After consulting the Committee of the Fund provided for in Articles 26 to 30, the Commission shall fix the detailed terms and conditions for the execution of each Community programme approved by the Council.

Terms and conditions of assistance

Article 17

- 1. The assistance of the Fund shall be in the form of :
 - a) non-repayable grants;
 - b) interest subsidies for loans to finance projects;
 - c) extension of redemption dates;
 - d) a combination of the above.
- 2. Assistance by the Fund shall not be such as to disturb competitive conditions to an extent incompatible with the common interest.
- 3. Assistance by the Fund shall not be substituted for the facilities or financial aid granted by national authorities or entail a reduction thereof.
- 4. Assistance by the Fund shall not be substituted for assistance by the European Investment Bank or the European Social Fund.

The Commission shall ensure that the activities of the Fund are co-ordinated with those of the European Investment Bank and the European Social Fund.

Article 18

- 1. Subsidies granted by the Fund shall not exceed 50 % of the investment realized for any given project. Bodies benefiting from the improvement effected must contribute at least 30 % of the investment realized.

- 2. In no case shall the annual interest subsidy exceed 4 % of the balance of loans granted at 31 December preceding or cover a period of more than thirty years. The annual interest rate to be borne by the borrower shall be not less than 1 %.
- 3. In no case shall the period for redemption of a loan be so extended as to make the total period more than thirty years.
- 4. The Fund shall not act in cases where loans have been obtained from a source other than the European Investment Bank on term less favourable than those offered by that Bank, the Bank having declared its willingness to act.
- 5. Except as stipulated in the foregoing paragraph, no restriction shall be placed on the action of the Fund in respect of the source of loans for the financing of projects.

Article 19

The Fund shall grant assistance to individuals or corporations on whom, wholly or in part, the financial burden of executing a project finally falls. Such assistance shall be rendered through the public, semi-public or private bodies responsible for authorizing expenditure on the project concerned.

Article 20

The Commission shall decide, after consulting the Committee of the Fund, as to the detailed application of Articles 17 to 19.

Procedure for the Guidance Section

Article 21

The Standing Committee on Agricultural Structures set up under Article 1 of the Council decision dated 4 December 1962 on the co-ordination of agricultural structure policies shall be :

- a) regularly informed by the Commission of the operations of the Guidance Section of the Fund;
- b) consulted by the Commission :
 - i) wherever such consultation is provided for under the Guidance Section of the Fund,

ii) on all questions of general interest concerning the operations of the Fund under Article 11 (1 a) of the present regulation.

Article 22

1. Applications for assistance from the Fund must be submitted to the Commission before 1 October of each year if they are to be granted in the following year. Applications for assistance in 1964 may be submitted up to 1 July 1964.

2. After consulting the Standing Committee on Agricultural Structures in the case of operations under Article 11 (1 a), or after consulting the Committee of the Fund in the case of operations under Article 11 (1 b, c and d), the Commission shall stipulate the particulars to be supplied in making applications and the form in which they shall be submitted.

3. Applications for assistance from the Fund shall be put forward by the Member State concerned or by the body responsible for authorizing expenditure on the project in question.

In the latter case the Commission shall notify the Member State concerned of the application.

Article 23

1. The Commission shall verify that projects submitted satisfy the general and

special conditions laid down for the grant of assistance from the Fund.

2. Having due regard to the priorities set out in Articles 14 (2) and 15 above, and to the financial means available, the Commission, after consulting the Standing Committee on Agricultural Structures in the case of operations under Article 11 (1 a) or after consulting the Committee of the Fund in the case of operations under Article 11 (1 b, c and d), shall decide whether assistance shall be granted from the Fund and the terms and conditions thereof.

3. In the case of applications not made by a Member State, the Commission shall consult the Member State concerned before taking any decision committing the Fund to grant assistance.

4. The applicant and the Member State concerned shall be notified of the Commission's decision.

Article 24

1. During the whole period in which the Fund renders assistance, the Commission shall see that the technical, financial and other conditions applicable to each project are fulfilled.

2. In the event of such conditions not being or no longer being fulfilled, the Commission may suspend, reduce or withdraw the Fund's assistance.

PART III

General provisions

Contributions to the Fund

Article 25

Net imports from non-member countries by each Member State, the figures for which are needed in calculating the second

part of the Member States's contributions to the Fund in pursuance of Article 7 (1) of Regulation No. 25, shall be calculated by value for all products in which the market is governed by the said regulation.

Committee of the Fund

Article 26

1. There shall be set up a Committee of the European Agricultural Guidance and Guarantee Fund, referred to in the pre-

sent regulation as the Committee of the Fund.

2. The Committee of the Fund shall assist the Commission in the administration

of the Fund in accordance with Articles 27 to 30.

Article 27

The Committee of the Fund shall be composed of representatives of the Member States and of the Commission, each Member State being represented by not more than five officials.

The chairman shall be a representative of the Commission.

Article 28

The Committee of the Fund shall be consulted :

1. In all cases in which consultation is provided for in the present regulation;
2. On appropriations to the Fund to be included each year in the estimates for the Commission's budget of expenditure for the subsequent budget year, and in any draft supplementary estimates;
3. On the financial part of the drafts of the annual reports provided for in Article 3 (3) of Regulation No. 25 and of the report provided for in Article 4 of the said regulation;
4. On the draft of any proposal to supplement or amend Regulation No. 25 that the Commission intends to lay before the Council.

Proposal for a decision of the Council supplementary to its decision of 21 March 1962 instituting a procedure for prior examination and consultation in respect of certain administrative and legislative provisions and regulations envisaged by Member States in the field of transport

(Submitted by the Commission to the Council on 8 October 1963)

Explanatory Memorandum

On 12 July 1961 the Commission submitted to the Council a proposal for a decision regarding prior examination of provisions made by Member States in the field of transport and of procedure for consultation thereon. The proposal concerned transport by rail, road or inland waterway.

The Committee of the Fund may consider any other matter concerning the administration of the Fund referred to it by the chairman on his own initiative or at the request of a representative of a Member State.

The Committee of the Fund shall be regularly informed of the activities of the Fund.

Article 30

The meetings of the Committee of the Fund shall be convened and arranged by the chairman.

The secretarial services for the Committee of the Fund shall be provided by the Commission.

On a proposal of the chairman, the Committee of the Fund may consult experts.

The Committee of the Fund shall draw up its own rules of procedure.

Article 31

The Member States shall supply the Commission with all the information needed for the satisfactory operation of the Fund and shall take steps to facilitate any supervision that the Commission may think fit to exercise prior to its decisions on assistance from the Fund.

The present regulation shall be binding in all its parts and directly enforceable in all Member States.

After the proposal had been studied by the Economic and Social Committee and by the European Parliament, the Commission, in accordance with the wishes of those bodies, submitted to the Council on 10 November 1961 an amendment as provided for by the second paragraph of Article 149 of the Treaty, extending the original pro-

posal to embrace the transport of gaseous, liquid and solid products by long-distance pipeline.

At its 56th session of 28 November 1961 the Council adopted the decision on procedure for consultation dated 21 March 1962 and published in the official gazette (No. 23 of 3 April 1962).

In taking this decision the Council did not adopt the Commission's proposed addition of transport by long-distance pipeline of gaseous, liquid and solid products. At the 56th session of the Council the Commission's representative stated that the Commission would not withdraw its proposed amendment but would disjoin it from the original proposal of 12 July 1961 on the understanding that the unadopted part of the proposal formed a separate proposal, which would remain before the Council and could be adopted later without further consultation of the Economic and Social Committee and the European Parliament.

At its session of March 1963 the European Parliament passed a resolution calling upon the Council, until such time as there should be a complete body of regulations on the organization of transport of mineral oil by pipeline within the Community, to take a decision as soon as possible on the Commission's proposal, to the effect that the Member States should consult the Community institutions before taking any measures concerning pipelines.

During the 104th session of the Council last June, the Commission's attention was

drawn to the need for Community action regarding pipelines in the context of a common transport policy.

The Commission is well aware of the complexity of the problems arising from the development of long-distance pipelines for the conveyance of gases, liquids and solids. But it considers that the preliminary studies have amply demonstrated the immediate need to submit any measures contemplated by Member States in this field to a procedure of prior examination and consultation.

The Commission considers that a common transport policy cannot ignore this form of transport and its growing importance in this sector. The procedure instituted by the Council decision of 21 March 1962 could be adapted to meet this need. That decision should therefore be supplemented and made applicable to long-distance pipelines for gases, liquids and solids.

The Commission, which has already put forward its views verbally at the Council's 104th session of 14 June 1963, requests the Council to take a decision as soon as possible to supplement that of 21 March 1962, which instituted a procedure for prior examination and consultation in respect of certain administrative and legislative provisions and regulations envisaged by Member States in the field of transport, by bringing the transport of gases, liquids and solids by long-distance pipelines within the scope of the decision.

The Commission proposes that the decision of the Council be made in the terms set out hereunder.

Proposal for a decision of the Council supplementary to its decision of 21 March 1962 instituting a procedure for prior examination and consultation in respect of certain administrative and legislative provisions and regulations envisaged by Member States in the field of transport

The Council of the European Economic Community,

Having regard to the provisions of the Treaty setting up the European Economic Community and in particular Article 75 thereof;

Having regard to the proposal of the Commission;

Having regard to the opinion of the Economic and Social Committee and the European Parliament;

Whereas preliminary studies on the problems arising from the development of long-distance pipelines for the transport of gaseous, liquid and solid products have demonstrated the immediate need to submit any provisions envisaged by Member States in this field to a procedure of prior examination and consultation;

Whereas a common transport policy cannot ignore such means of transport and its increasing importance in this sector;

Whereas the procedure instituted by the Council decision of 21 March 1962 can

be adapted to meet this need and that it is therefore desirable to supplement the decision by extending its scope to long-distance pipelines for gaseous, liquid and solid products,

Has adopted the present decision.

Article 1

The provisions of Article 1 of the Council decision of 21 March 1962 instituting a procedure for prior examination and consultation in respect of certain administra-

tive and legislative provisions and regulations envisaged by Member States in the field of transport shall be supplemented in the following manner:

The words "and by long-distance pipelines for gaseous, liquid and solid products", shall be inserted after the words "...inland waterways" and before the words "administrative or legislative provisions...".

Article 2

The present decision is addressed to the Member States.

