

COMMUNITY SUPPORT FRAMEWORK 1991-93

Processing and marketing of fishery
and aquaculture products
(Objective 5a)

SPAIN



COMMISSION OF THE EUROPEAN COMMUNITIES

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DOCUMENT

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Preliminary note

Under Article 8 of Council Regulation (EEC) No 2052/88 of 24 June 1988 (OJ L 185, 15.7.1988, p. 9), some regions of Spain are covered by Objective 1 of the reform of the structural Funds.

This document is:

an addendum to the Community support framework approved by the Commission on 31 October 1989 for regions covered by Objective 1,
an autonomous Community support framework for the other regions.

The indicative financing plan at Chapter 4 of this document includes two distinct series of tables:

a first series for regions covered by Objective 1,
a second series for the other regions.

Introduction by Mr Marín

Vice-President of the Commission and Member responsible for fisheries

The Community support frameworks (CSFs) provide the context within which the Member States can apply to the Commission for finance.

The CSFs in the processing and marketing sectors for fish and aquaculture products are linked to the achievement of Objective 5a of the reform of the structural Funds.

This part of the fishing industry is among those economic activities to benefit from the Single European Act. The underlying principles governing the reform of the Funds — concentration, partnership, mutually consistent policies, programming, additionality — also apply to these sectors.

The priority schemes for regions whose development is lagging behind come under the CSFs for Objective 1 of the reform. All assistance to the territory of the former German Democratic Republic is covered by a CSF especially for the new *Länder*, to be published separately.

The 11 Community support frameworks (Luxembourg has not submitted a sectoral plan) represent a nominal financial commitment on the Community's part of some ECU 180 million in the years 1991 to 1993, which is one and a half times the amount of aid granted during the years before the reform.

The processing and marketing of fish and aquaculture products represent important sectors in the economic activity of certain regions and developing them contributes to economic and social cohesion.

The regions concerned are having to meet the challenges of an increasingly fierce competitive climate and major problems involving restructuring and adjustments in the fields of technology and hygiene.

The Community's assistance is therefore geared toward:

- (i) improving the competitiveness of the sector within the context of completing the internal market and of increased competition from non-member countries;

- (ii) guaranteeing a constant flow of inputs of raw materials;
- (iii) contributing to the application of Community hygiene and public health standards and greater attention to the quality of the environment.

The Member States, in concert with the Commission, are required to implement the various forms of assistance on the basis of the Community support frameworks, particularly through operational programmes.

The first priority for Community assistance is building, modernizing and rationalizing auctions and markets and facilities for preparing and processing fish, developing new products, improving quality and hygiene in production and marketing processes and increasing the value-added of products.

Since individual investment schemes are allowed for in the overall programming, economic agents in the fishing sector will also be able to profit from certain advantages in connection with the processing and marketing of fish and aquaculture products:

- (i) more precise knowledge of the objectives pursued by the Community;
- (ii) greater transparency of Community support;
- (iii) less risk of dissipation of funds;
- (iv) better monitoring and evaluation of the actual impact of the assistance.

It is to be hoped that all the structural measures relating to the fishing and aquaculture sector — including those concerning fishing fleets — will be incorporated in the Community's structural instruments in the near future.



Manuel Marín

Objectives of the structural Funds

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

1. General economic background

1.1. General

The unique geographical situation of Spain, which, taking peninsular Spain and the islands together, has some 8 000 km of coastline in all, gives the fisheries sector particular importance and considerable influence on society.

The sector has two basic characteristics:

- (i) tradition: the industry is not only of long standing but, still more important, has permeated society and the economy so that its organizational and trade structures are deeply rooted in the daily life of large areas of the country;
- (ii) diversity: there is a wide range of forms of ownership, a multitude of assets and of types of fishing, great differences in size and considerable varieties of areas of activity.

In addition to the above, a programme of action must take account of the following:

- (i) the concentration of fishing in the areas with the lowest per capita income and least economic potential resulting in a concentration of social risk;
- (ii) the heavy dependence of the fishing fleet on international fishing agreements with more than half of its catches being made in the waters of third countries. This type of international activity is prone to a huge variety of problems;
- (iii) the existing capacity for raising capital in the Spanish fisheries sector, primarily as regards boats above a certain size, which means that this will not constitute an obstacle to the attainment of any structural objective;
- (iv) the market situation: the Spanish fleet has very large markets with the following special characteristics:
 - dependence of intermediate demand on the national economy which absorbs more than 50% of the production of the fisheries sector;
 - the potential for growth in demand since income elasticity of final demand is greater than 1;
 - traditional export lines, which, however, are at present showing a tendency towards stagnation.

The gross product of the fisheries sector is difficult to calculate since the Contabilidad Nacional does not provide separate figures for this sector. From the more global figures of the Cuentas Nacionales, however, it can be estimated that in real terms the Spanish fisheries sector is going

through a period of stagnation and even a slight recession, with a relative fall in real production and value-added at market prices.

As regards its place in the national economy, the fisheries sector provides employment and incomes out of proportion to its significance as a creator of value-added and its external dependence is well above its contribution to the national economy.

1.2. Fishing fleet

The Spanish fishing fleet, one of the world's most diversified, is made up of 13 748 motorized vessels with a total gross registered tonnage of 636 000 and 5 760 non-motorized boats with a total gross registered tonnage of 6 352, with total crews of 76 000 and 6 000 respectively.

Both the position with regard to coastal resources and increased difficulties of access to fishing grounds of third countries are leading to a gradual reduction in the size of the fishing fleet in an attempt to adapt capacity to available resources.

In line with Council Regulation (EEC) No 4028/86, the multiannual guidance programme for Spain for the evolution of the fishing fleet has established objectives in terms of engine power and vessel tonnage for the reduction of the capacity of the fishing fleet. The result is increasing unemployment.

1.3. Aquaculture

Spanish aquaculture is in a privileged position with great development potential as a result of:

- (a) optimal environmental conditions (an area of 7 800 km² is potentially available, adequate temperature and plankton-rich waters) allowing the development of most species of interest;
- (b) private-sector initiatives involving large investments;
- (c) public investments;
- (d) the development of research;
- (e) high consumption of fishery products, with heavy demand on the domestic market;

- (f) national and regional legislative support;
- (g) the need for development to compensate in part for the reduction in extractive fishing.

There are 258 aquaculture establishments on the coast and 162 inland.

There are two well-developed sectors: trout raising and mussel cultivation, both having stable productions.

Trout production is presently around 16 500 tonnes, making Spain the world's fifth largest producer. The sector is, however, experiencing a fall in selling prices which has produced losses in the last two years. This fall is the result of various factors including:

- (i) the deterioration of the product's image through the lack of an adequate promotional strategy;
- (ii) a change in demand for processed products which are easy to keep and prepare, such as smoked products;
- (iii) competition from large imports of salmon;
- (iv) low profitability as well as the age of a large number of fish farms.

Mussel production is around 300 000 tonnes, making Spain the world's biggest producer. There are two production areas: Galicia, where production is stable and accounts for around 95% of the total, and the Ebro Delta, which is still expanding.

Despite the long tradition and development of mussel production, there are infrastructural problems in most mussel-producing ports, arising from the lack of storage facilities for tools, spare parts and machinery necessary for improving collection.

Production of other species (turbot, sea-bass, sea-bream, prawns) is booming and the development programmes are being implemented. There are, however, short-term problems with turbot, where there is temporary excess of supply which the market is having difficulty in absorbing. There is also an imbalance between supply of and demand for fry.

1.4. Processing

The processing of fishery and aquaculture products is spread throughout the country. This sector is economically important with a total of 447 plants employing 46 000 workers, but it suffers from certain basic deficiencies resulting from its artisanal nature and a low level of technological development.

The main sectors are: fish and mollusc canning and the semi-preserved anchovy sector; the so-called production sector and the fish-meal and fish-oil sector.

1.4.1.

Fish and mollusc canning and semi-preserved anchovy production have a long tradition in Spain. This sector is highly fragmented with 199 plants on the coast. Production, at around 200 000 tonnes worth PTA 90 billion (ECU 690 million), is more or less stable, but utilization of theoretical production capacity is very low, at around 55%. This is due to the seasonal characteristics of this activity, the variability of its raw materials, and the obsolescence of refrigeration equipment, processing lines and distribution channels in two-thirds of its establishments.

As regards foreign trade, exports have fallen since 1981 due to both the disappearance of traditional markets and the competition of canned products from other countries with better access to the Community market. Imports, on the other hand, have increased since 1982, exceeding exports in each of the last two years.

Domestic consumption of canned products shows an overall increase, particularly strong with regard to canned tuna and various canned molluscs, although tinned sardine consumption has fallen.

1.4.2.

The so-called production sector can be split into three sub-sectors:

1.4.2.1.

The production of marine products involves 201 plants, of which 105 are involved exclusively in freezing, the rest producing both fresh and frozen products. Industries which produce prepared dishes and marinated products are also included. This subsector is new and dynamic with a great capacity for adjusting to the changing situation of raw materials markets and to changes in domestic consumption.

These plants are located both on the coast, near their raw materials, and inland, near the centres of consumption.

Production has doubled since 1983 to reach around 250 000 tonnes with a value of PTA 144 billion (ECU 1.1 billion) and is moving towards products involving a higher level of industrialization and greater value-added. Utilization of theoretical production capacity is around 70% since at least a third of establishments do not have adequate refrigeration equipment either for raw materials or for finished products and have obsolete production lines. However, more than half of the establishments are modern.

The trend is towards a smaller number of establishments of a more suitable size. Consumption of these products is gradually increasing both as a result of falling supplies of fresh fish and of changes in consumer requirements.

1.4.2.2.

A total of 21 plants produce smoked products. They are new and are growing rapidly. Increasing demand for smoked products guarantees an excellent future. Production is presently around 4 000 tonnes with a value of PTA 10 billion (ECU 77 million).

1.4.2.3.

The salted fish sector, made up of 26 companies, has a long tradition, but is presently stagnating, principally due to changes in consumer tastes. Production is around 30 000 tonnes with a value of more than PTA 11 billion (ECU 84 million).

1.4.3.

The fish-meal and fish-oil sector consists of 19 plants. Production is around 60 000 tonnes of fish-meal for animal feed and 24 000 tonnes of fish-oil, 50% of which is used for human consumption. Total value is PTA 4.5 billion (ECU 34.6 million).

1.5. Marketing

High consumption of fishery products throughout Spain results in great importance on marketing channels. These vary according to the products, but the following features should be noted:

1.5.1. Auction halls

There are 294 auction halls spread along the whole coastline, resulting in highly dispersed supply, low activity levels in a high number of halls as well as uneven profit levels.

These auction halls are a very important link in the marketing chain, handling 70% of fresh fish; the rest is sold through agreements made directly with vessel owners.

A large number of auction halls have obsolete equipment and lack facilities such as ice-making equipment, handling and packaging rooms and cold stores.

1.5.2. Wholesale trade at the point of origin

This traditional sector is concentrated in the major fishing ports along the whole coastline. The sector lacks infrastructure: inadequate plant and stores, poor access to port areas.

1.5.3. Commercial refrigeration facilities network

This includes refrigeration plants at the points of production and those in firms undertaking the finishing, processing and storing of their products as well as commercial public refrigeration establishments undertaking the preservation of perishable products for third parties.

The inland refrigeration facilities network has undergone considerable development to the extent where there is now excess capacity with an average utilization rate of 60%. Refrigeration plants at the point of production, which play a very important role in concentrating supply and regulating prices and sales, as well as those in the manufacturing sector are still insufficient to cover present needs.

1.5.4. Wholesale trade at the point of destination

There are three types of operators in this sector: the traditional central wholesale markets; wholesale markets belonging to the Mercasa network; and the 'parallel channels'.

The traditional central markets, now numbering 12, are located in city centres and belong to the local authorities. These are generally old establishments and the volume of products now marketed is small.

The markets belonging to the Mercasa network, called 'Mercas', are modern installations, functionally designed with an eye to the future. There are presently 13 located on the outskirts of towns. Their capital structure is mixed, with both State and local holdings. A total of 44% of fish and shellfish consumed is marketed through this network of markets. The setting-up of this network has made the marketing process highly transparent, resulting in a greater number of dealers and elimination of oligopolies.

Finally, the 'parallel channels', so called because the products do not pass through the central markets, are of great importance. They are used principally by independent wholesale importers.

1.5.5. The marketing of aquaculture products

The marketing chain for aquaculture products is still not clearly defined, although it is simpler than that for extractive fishing. Aquaculture products do not pass through the auction halls but are sold directly from the production establishments to the wholesale markets of destination, directly to retailers or consumers such as the hotel trade or to other production establishments.

There has been a gradual change in the marketing of trout away from the traditional channels with a fall in the sales of fresh fish in the central markets and an increase in sales to supermarkets and industry. Consumer demand is moving towards manufactured products which are easy to keep and prepare, in particular smoked and filleted products.

As regards other species produced by inland aquaculture (salmon, tench and eel), present production levels allow marketing only through local and regional markets.

As regards the marketing of the products of marine aquaculture, there is a producers' organization for fish and shellfish, covering 90% of establishments. This organization intends to avoid excess supply, provide joint marketing

prices, and to carry out the most direct first sale by setting up its own stalls in the wholesale markets of destination or by direct sales to retailers and to the hotel trade.

Mussels marketed fresh must first of all pass through the purifying plants, which thus becomes the first link in the marketing chain. Many purifying plants are in poor condition and lack regulatory tanks and additional storage facilities. Marketing of fresh mussels suffers from certain handicaps such as the poor image of the product, particularly its presentation and packaging, and also the concentration of the marketing network in large towns, although other areas offer a large potential market.

Mussels also find outlets in the processing industry, in particular canning or cooking followed by freezing.

2. Priority axes for common action

2.1. Priority axes

Based upon the strengths and weaknesses of the sector, the Commission and the Spanish authorities have agreed within the framework of partnership the following priority axes for granting Community aid.

The two axes are:

Axis 1: Processing;

Axis 2: Marketing.

2.1.1. Axis 1: Processing

The improvement of processing structures for fishery and aquaculture products has the following objectives:

- (i) increasing the competitiveness of firms, provided they are economically viable;
- (ii) adjusting production processes to new market requirements;
- (iii) developing new enterprises (except in the sardine canning sector unless these do not increase production capacity).

The following measures are planned to achieve these objectives:

Measure 1: Technological modernization of processing and packaging plant and equipment.

Measure 2: Improvement of raw material and finished product stores and of raw material processing rooms.

Measure 3: The installation of equipment to improve quality control and hygiene.

Measure 4: Creation of new presentations, new products with higher value-added and the use of new or underutilized species.

Measure 5: Computerization to improve company management.

Measure 6: Creation of facilities to recover and use by-products.

Measure 7: Pilot/demonstration projects, technical assistance, studies.

Where investments involve pilot/demonstration projects, technical assistance and studies will be carried out to support the processing axis.

2.1.2. Axis 2: Marketing

In view of the complexity and variety of marketing channels, measures for this priority will aim to:

- (i) improve marketing structures and channels;
- (ii) give greater stability to the markets;
- (iii) promote the marketing of new or underutilized species.

The following measures are planned to achieve these objectives:

Measure 1: To improve and equip auction halls and related establishments in order to concentrate and rationalize supply through:

- the construction of new auction halls with priority for those replacing one or more obsolete units;
- the modernization and extension of existing auction halls;
- the construction and modernization of handling rooms;
- the construction of ice-making establishments, cold stores, tunnel freezers and refrigeration equipment in general;
- the acquisition of plant and equipment;
- the construction of commercial stores;
- the improvement of hygiene conditions;
- computerization for the management of auctions and the production of statistics.

Measure 2: Construction or improvement of cold stores in the frozen fish sector.

Measure 3: Construction of cold stores and grading rooms in the wholesale sector at the point of origin where the relevant requirements cannot be met by the production sector.

Measure 4: Construction of new 'Mercas' where they do not exist, modernization and extension of existing 'Mercas' and the modernization of the stalls of individual wholesalers both in the 'Mercas' and in the traditional central markets.

Measure 5: The modernization and establishment of new independent wholesale marketing companies at the point of destination so as to improve the traditional channels through the provision of modern warehouses and competitive types of marketing, giving particular priority to those favoured by the producers.

Measure 6: Improvement of marketing structures for aquaculture products, in particular through:

- the construction or improvement of shellfish farms and regulatory tanks;
- the improvement of purifying plants, including conversion to other uses;
- the construction of additional stores, the acquisition of plant and the equipping of laboratories;
- the construction of handling and packaging installations, cold stores and tunnel freezers;
- the control and monitoring of the cleaning and purification of water and the quality of the environment;
- the development of new presentations, products involving more processing and more attractive packaging;
- the extension of the mussel marketing network;
- the construction of mollusc cooking plants by producers.

Measure 7: Pilot/demonstration projects, technical assistance, studies.

Where investments involve pilot/demonstration projects, technical assistance and studies will be carried out to support the marketing axis.

2.2. Coordination with other Community aid

2.2.1. Common fisheries policy (CFP)

The actions foreseen in this Community support framework must conform with the objectives of the common

fisheries policy (CFP). The implementation of this policy consists of measures with a view to speeding up the adjustment of fisheries and aquaculture structures which include:

- Regulation (EEC) No 4028/86 on Community measures to improve and adapt structures in the fisheries and aquaculture sector;
- Regulation (EEC) No 3252/87 concerning the coordination and promotion of research in the fisheries and aquaculture sector.

The coherence between the actions foreseen in this Community support framework and the above measures will be ensured during their examination and implementation.

In the implementation of Regulation (EEC) No 2321/88 setting out application procedures for Community aid under Regulation (EEC) No 4028/86 concerning fishing port facilities, Spain presented a specific programme which was adopted by a Commission Decision on 16 June 1989 (Decision No 89/389/EEC, OJ L 184, 30.6.1989).

2.2.2. Other objectives of the reform of the structural Funds

As part of the reform of the structural Funds other Community support frameworks under Objectives 1, 2, 3 and 4 as well as 5b have been adopted. In order to ensure economic and social cohesion priority will be given, where appropriate, to actions within this Community support framework which complement and integrate with other Community support frameworks.

3. Forms of intervention

3.1. Forms of assistance

According to Regulation (EEC) No 4042/89 the Community intervention will take one or several of the following forms:

- (i) operational programmes,
- (ii) global grants,
- (iii) suitable projects,
- (iv) pilot/demonstration projects, technical assistance and studies.

Operational programmes will be the main form of assistance.

3.2. Rates of finance

The grant rate for financing all forms of assistance will be up to 30% of eligible costs, except for regions covered by Objective 1 of the reform of the structural Funds, where the grant rate will be up to 50% of eligible costs.

4. Indicative financing plan

The amounts shown in the Community support framework financing tables are those agreed between the Commission and the Spanish Government. The figures relate to the period 1991-93. The tables contain commitments made under the European Agricultural Guidance and Guarantee Fund (EAGGF), Guidance Section, part of the structural Funds and are in line with Objective 5a of the reform of the structural Funds and also Regulation (EEC) No 4042/89 for the improvement of conditions under which fishery and aquaculture products are processed and marketed.

The indicative financing plan expressed in ecus at 1991 prices is presented in the form of two tables:

Table 1 shows funding by priority axis;

Table 2 shows funding by year.

European Investment Bank

Concerning the possible participation of the EIB, the loan packages are not estimated at this stage, the actual amounts of loans being dependent on the projects to be submitted by the promoters with the consent of the national authorities concerned and the approval of the EIB organs.

Whenever appropriate the EIB is prepared to approve, on the basis of its customary criteria, applications for loans for eligible investments not provided for in the Community support framework.

Table 1a
Indicative financing plan
by priority axis and existing commitments (1991-93)

At 1991 prices

Regions covered by Objective 1

(1000 ECU)

Priority axes	Total cost ¹	Public expenditures									Private sector	Community loans EIB ³
		Total public expenditure	Community grants				National contribution ²					
			Total EEC	EAGGF 5a	ERDF	ESF	Total national	Central government	Local authorities	Other		
			1	2=3 + 7	3=4 to 6	4	5	6	7=8 to 10	8		
<i>New actions</i>												
1. Processing	47 712	14 314	11 928	11 928	—	—	2 386	2 386	—	—	33 398	
2. Marketing	65 888	19 766	16 472	16 472	—	—	3 294	3 294	—	—	46 122	
New actions Subtotal	113 600	34 080	28 400	28 400	—	—	5 680	5 680	—	—	79 520	(token entry)
<i>Existing commitments (token entry)</i>	—	—	—	—	—	—	—	—	—	—	—	
Existing commitments Subtotal	—	—	—	—	—	—	—	—	—	—	—	—
Total	113 600	34 080	28 400	28 400	—	—	5 680	5 680	—	—	79 520	(token entry)

¹ Only including investments which are planned for co-financing under this Community support framework.

² Breakdown between State/region/other will be decided later.

³ Participation of the EIB will be decided later.

Table 1b
Indicative financing plan
by priority axis and existing commitments (1991-93)

At 1991 prices

Other regions

(1000 ECU)

Priority axes	Total cost ¹	Public expenditures									Private sector	Community loans EIB ³
		Total public expenditure	Community grants				National contribution ²					
	Total EEC		EAGGF 5a	ERDF	ESF	Total national	Central government	Local authorities	Other			
	1	2=3 + 7	3=4 to 6	4	5	6	7=8 to 10	8	9	10	11	12
<i>New actions</i>												
1. Processing	8 744	2 623	2 186	2 186	—	—	437	437	—	—	6 121	
2. Marketing	12 060	3 618	3 015	3 015	—	—	603	603	—	—	8 442	
New actions Subtotal	20 804	6 241	5 201	5 201	—	—	1 040	1 040	—	—	14 563	(token entry)
<i>Existing commitments (token entry)</i>	—	—	—	—	—	—	—	—	—	—	—	
Existing commitments Subtotal	—	—	—	—	—	—	—	—	—	—	—	
Total	20 804	6 241	5 201	5 201	—	—	1 040	1 040	—	—	14 563	(token entry)

¹ Only including investments which are planned for co-financing under this Community support framework.

² Breakdown between State/region/other will be decided later.

³ Participation of the EIB will be decided later.

Table 2a
Indicative financing plan
by year (1991-93)

At 1991 prices

Regions covered by Objective 1

(1000 ECU)

	Total cost ¹	Public expenditures									Private sector	Community loans EIB ³
		Total public expenditure	Community grants				National contribution ²					
			Total EEC	EAGGF 5a	ERDF	ESF	Total national	Central government	Local authorities	Other		
			1	2=3 + 7	3=4 to 6	4	5	6	7=8 to 10	8		
1991	33 200	9 960	8 300	8 300	—	—	1 660	1 660	—	—	23 240	
1992	41 200	12 360	10 300	10 300	—	—	2 060	2 060	—	—	28 840	
1993	39 200	11 760	9 800	9 800	—	—	1 960	1 960	—	—	27 440	
Total	113 600	34 080	28 400	28 400	—	—	5 680	5 680	—	—	79 520	(token entry)

¹ Only including investments which are planned for co-financing under this Community support framework.

² Breakdown between State/region/other will be decided later.

³ Participation of the EIB will be decided later.

Table 2b
Indicative financing plan
by year

At 1991 prices

Other regions

(1000 ECU)

	Total cost ¹	Public expenditures								Private sector	Community loans EIB ³	
		Total public expenditure	Community grants				National contribution ²					
			Total EEC	EAGGF 5a	ERDF	ESF	Total national	Central government	Local authorities			Other
			1	2=3 + 7	3=4 to 6	4	5	6	7=8 to 10			8
1991	6 120	1 836	1 530	1 530	—	—	306	306	—	—	4 284	
1992	7 340	2 202	1 835	1 835	—	—	367	367	—	—	5 138	
1993	7 344	2 203	1 836	1 836	—	—	367	367	—	—	5 141	
Total	20 804	6 241	5 201	5 201	—	—	1 040	1 040	—	—	14 563	(token entry)

¹ Only including investments which are planned for co-financing under this Community support framework.

² Breakdown between State/region/other will be decided later.

³ Participation of the EIB will be decided later.

5. Community policy and additionality

5.1. Coordination and compliance with Community policies

5.1.1. Rules on competition

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

When Member States send their applications for assistance (operational programmes, aid schemes or global grants or projects, as the case may be) in connection with Objective 5a to the Commission, they must identify in those applications the measures which constitute aid (aid schemes or *ad hoc* aid measures). At the same time, they must notify the Commission (Secretariat-General), in accordance with Article 93(3) of the EEC Treaty, of any aid measure not yet notified and not yet approved by the Commission, whether it involves a new aid measure or modification of an existing aid measure.

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

As regards in particular aids in regions which are currently not eligible for national regional aid, a double examination will be undertaken by the Commission, in order to ensure coherence between regional policy and competition policy.

5.1.2. Award of public contracts

Invitations to tender for the award of public contracts must be issued in accordance with the directives governing public supply and works contracts and, in future, when similar directives are required to be implemented for a certain number of those services and sectors currently excluded.

The criteria governing the monitoring of compliance with public procurement rules in the case of projects and pro-

grammes financed by the structural Funds and financial instruments are set out in Commission Notice C(88) 2510 of 4 May 1988 to the Member States (OJ C 22 of 28 January 1989).

5.1.3. Protection of the environment

The measures taken in the course of implementing the Community support framework (CSF) must satisfy the conditions laid down by European Community legislation on the environment. Where gaps are found to exist in its implementation, priority must be given to the attainment of the objectives of the legislation in question during the period covered by the CSF in so far as such legislation relates to the development measure envisaged.

Where operations or measures are likely to have a significant impact on the environment, the Member States will, in accordance with Article 14 of Regulation (EEC) No 4253/88, provide the Commission with appropriate information to enable it to assess the environmental impact of the operations or measures concerned.

The CSF includes assistance directly relating to the protection and development of the environmental resources of the regions concerned and so contributing to Community policy in that field.

5.1.4. Completion of the single market

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

5.1.5. Agriculture

Measures under this CSF must be compatible with the objectives of the common agricultural policy. Consistency between the measures under this CSF and the objectives referred to above will be ensured at the examination and implementation stages.

5.1.6. Social policy: equality of opportunities for men and women

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

5.1.7. Research and technological development, information and telecommunications technologies, transfer of technologies

Local development depends in large part on the transfer of technological innovation. From this point of view, stronger links between those active in development at local level and those engaged in research are very important, particularly with regard to the biotechnologies, the environment and the new information technologies. The telecommunications networks now being installed will assist the dissemination of information, and measures to support demand are likely.

5.1.8. Energy

To the extent that the CSF concerns the energy sector, the related actions shall be in conformity with Community policy in that sector.

The new Community programme Thermie enables actions concerning demonstration projects to continue.

5.2. Additionality

As laid down in Article 9 of Regulation (EEC) No 4253/88, the Commission and the Member State, in establishing and implementing the Community support frameworks, must 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 (...) 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 macroeconomic circumstances in which the funding takes place.

By agreeing to this Community support framework, the Member State also confirms its commitment to this legal obligation. The Commission will check implementation of this commitment on a regular basis by undertaking a periodic assessment of additionality throughout the period of implementation of the Community support frameworks.

6. Implementing provisions

6.1. Monitoring and control

6.1.1. Implementation

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

To this end, the partners:

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

The definition of responsibilities

Within 60 days of the adoption of this CSF, the Member State shall designate or confirm the designation of the authority which is to have overall responsibility for the effective management of the implementation of this CSF.

The designated authority shall ensure that specific responsibilities for each implementing, coordinating and control activity are clearly defined, and that instructions are given to discharge these responsibilities correctly.

The responsibility of this designated authority concerns in particular:

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

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

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

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

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

6.1.2. Monitoring, indicators and evaluation

6.1.2.1. Monitoring Committee

A Monitoring Committee, organized in the context of the partnership, shall monitor the Community support framework as well as the forms of assistance outlined in this CSF.

The tasks of this Monitoring Committee shall be among others:

- (i) to coordinate all structural operations implemented within this CSF by the regional and central authorities of the Member State as well as the grant and loan instruments of the Communities, and to harmonize them with other Community policies, with a view to achieving the strategic objectives of the Community support framework;
- (ii) to evaluate regularly the progress made with the implementation of the CSF;

(iii) to analyse proposals for possible modifications of the CSF.

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

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

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

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

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

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

6.1.2.2. Indicators

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

(a) *Financial indicators*

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

- Fund or loan instrument for the Community sources and for each form of assistance within each priority;
- public contributions (from central, regional or local authorities), as well as private expenditure for each form of intervention within each priority.

(b) *Physical implementation and performance indicators*

The following will be established:

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

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

6.1.2.3. Evaluation

(a) *Ex-ante assessment*

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

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

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

(b) *Ex-post evaluation*

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

6.1.3. Progress reports for the implementation of operations

The reports which the authority designated by the Member State shall send to the Commission shall be established in a standardized form to be jointly defined (for multiannual operations lasting less than two years).

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

6.1.4. Procedures for the modification of a Community support framework

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

The principles concerning the modification of Community support frameworks, established through agreement between the Member State and the Commission with a view to allowing their flexible implementation are as follows:

- (a) The following modifications can be decided by the Monitoring Committee(s):
- variations between priorities compared to the initial estimates included in the indicative financing plan of not more than 15% for each separate priority for the whole of the period, or 20% for one financial year. The variations must remain compatible with the Commission's budgetary rules and procedures and must not affect the total amount of assistance of the Fund;
 - other minor modifications concerning the implementation of actions, with the exception of the provisions concerning aid schemes.

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

If necessary, the Commission and the Member State shall adapt their decisions approving the operations concerned.

- (b) The following modifications can be adopted by the Commission, in agreement with the Member State:
- modifications going beyond the thresholds of 15 and 20% defined in (a) but not beyond 25%;
 - transfers of Community resources between forms of assistance within a CSF up to 25% of the total Community allocation anticipated.
- (c) Other modifications require a revision of the Community support framework following the same procedures applied for its adoption.

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

6.2. Information and publicity

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

These information and publicity measures shall be determined in the context of the individual decisions for the forms of intervention.

6.3. Technical assistance

If required, the partnership shall agree as soon as possible a programme for technical assistance for supporting management, coordination and control, as well as monitoring and evaluation systems of this CSF.

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