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1999



European Union

1999 STRUCTURAL ACTIONS 2000-2006 – COMMENTARY AND REGULATIONS

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Commentary and Regulations

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The Cohesion Fund

The Instrument for Structural Policies for Pre-accession

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Introduction 2006

At the Berlin European Council on 24 and 25 March 1999, the Heads of State and Government decided to allocate EUR 260 billion to structural measures in the European Union for the period 2000-06. Of this sum, EUR 213 billion was committed to the fifteen existing Member States via the Structural Funds programmes (195 billion) and the Cohesion Fund (18 billion). An additional 47 billion was earmarked for the applicant countries for accession to the European Union, 7 billion of which will start to be distributed as of 1 January 2000 through the Instrument for Structural Policies for Pre-accession.

The Regulations governing these Funds were adopted by the Council of the European Union on 21 June 1999.

The Structural Funds will finance socio-economic development programmes in the 15 Member States. The new programmes will involve a greater degree of concentration (both geographic and financial), more devolved management structures, the search for greater efficiency and tighter checks.

The Cohesion Fund will finance projects to improve the environment and develop transport infrastructure in Member States whose per capita GNP is less than 90% of the Union average (Spain, Greece, Ireland and Portugal). The rules governing this Fund have been amended in certain respects to improve its performance.

The Instrument for Structural Policies for Pre-accession functions in a similar manner to the Cohesion Fund. The assistance it provides for environmental projects should help the beneficiary countries to comply with European Union environmental legislation. In the transport sector, funding will be allocated to infrastructure projects aimed at developing sustainable modes of transport, promoting interlinking and interoperability between different national networks and developing access to trans-European transport systems. Projects will be selected on the basis of the contribution they make to the objectives set by the Accession Partnerships between the Commission and each applicant country.

This guide is designed to allow all potential users to understand the rules governing the Funds and the broad principles of their operation. It contains the following sections:

- A comparative analysis highlighting the main amendments to the Structural Funds Regulations for the period 2000-06 compared with the period 1994-99 and listing the articles concerned;
- An explanation of the main amendments to the legislation governing the Cohesion Fund;
- An introduction to the Instrument for Structural Policies for Pre-accession;
- The complete texts of all the relevant Regulations;
- The contact details of all the authorities responsible for implementing the assistance programmes under the Funds in each Member State.

Reform of the Structural Funds

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1.1. Priority objectives

1994 | 1999

2000 | 2006

THE OBJECTIVES

6 Objectives:

- **Objective 1:** promoting the development and structural adjustment of regions whose development is lagging behind;
- **Objective 2:** converting the regions or parts of regions seriously affected by industrial decline;
- **Objective 3:** combating long-term unemployment and facilitating integration into working life;
- **Objective 4:** adapting the workforce to industrial changes;
- **Objective 5(a):** adjusting agricultural and fisheries structures;
- **Objective 5(b):** developing rural areas;
- **Objective 6** (created by the Act of Accession of Austria, Finland and Sweden): developing regions with an extremely low population density.

3 Objectives:

- **Objective 1:** promoting the development and structural adjustment of regions whose development is lagging behind;
- **Objective 2:** supporting the economic and social conversion of areas facing structural difficulties;
- **Objective 3:** supporting the adaptation and modernisation of policies and systems of education, training and employment.

There is a special scheme covering restructuring in the fisheries sector outside Objective 1 regions. Rural development projects are implemented throughout the European Union, financed by either the Structural Funds or the common agricultural policy.

1. CONCENTRATION

1.1.a Objective 1

1994 | 1999

OBJECTIVE 1: DEVELOPMENT AND STRUCTURAL ADJUSTMENT OF REGIONS WHOSE DEVELOPMENT IS LAGGING BEHIND

Eligibility criteria:

NUTS II regions whose per capita GDP is less than 75% of the Community average (with some derogations).

Procedure:

The complete list of eligible regions is published in the Annex to the Framework Regulation and can be amended by the Council.

Result:

Total proportion of Community population affected: 26.6%.

Structural Funds involved:

ERDF, ESF, EAGGF Guidance Section, FIGG.

OBJECTIVE 6: DEVELOPMENT OF REGIONS WITH AN EXTREMELY LOW POPULATION DENSITY

Eligibility criteria:

Regions in Sweden and Finland, mainly at NUTS II level, with a very low population density (8 inhabitants/km² or fewer).

Procedure:

The complete list of the regions concerned is published in the Annex to the Act of Accession of Austria, Finland and Sweden for the five-year period 1995-99. It may be amended by the Council.

Result:

Total proportion of Community population affected: 0.4%.

Structural Funds involved:

ERDF, ESF, EAGGF Guidance Section, FIGG.

2000 | 2006

OBJECTIVE 1: DEVELOPMENT AND STRUCTURAL ADJUSTMENT OF REGIONS WHOSE DEVELOPMENT IS LAGGING BEHIND

Eligibility criteria:

- NUTS II regions whose per capita GDP is less than 75% of the Community average;
- Former Objective 6 areas (Finland and Sweden);
- The most remote regions (French overseas departments, the Canary Islands, the Azores, Madeira).

Procedure:

On 1 July 1999, the Commission drew up the list of eligible regions. This list is final.

Two special programmes are also funded with Objective 1 resources:

- The Peace programme of assistance for the peace process in Northern Ireland and the border regions of the Republic of Ireland (to run from 2000 to 2004);
- The special assistance programme for certain NUTS II level Swedish regions that meet the criteria of low population density stipulated in Protocol No 6 annexed to the Swedish Act of Accession (to run from 2000 to 2006).

Result:

Total proportion of Community population affected: 22.2%.

Structural Funds involved:

ERDF, ESF, EAGGF Guidance Section, FIGG.

REFERENCES

Framework Regulation: Article 8 (1, 2 and 3), Annex 1;
Council Decision 95/1/EC of 1 January 1995: Article 52 (Protocol No 6).

General Regulation: Recital 22, Articles 3 and 6.

Areas eligible for Objective 1 in the period 2000-06 (Commission Decision of 1 July 1999)

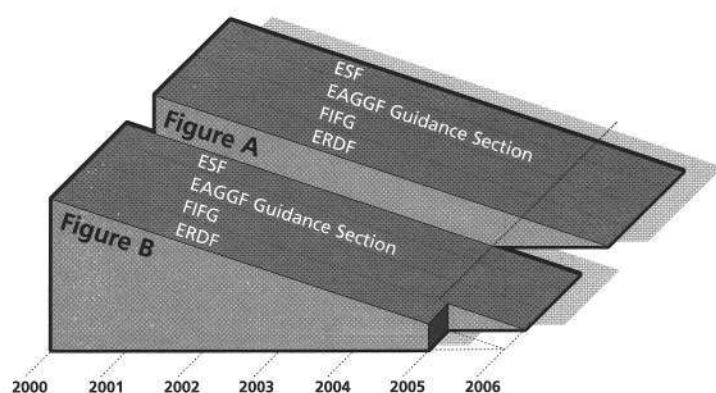
- *Germany: Brandenburg, Mecklenburg-Western Pomerania, Saxony, Saxony-Anhalt and Thuringia*
- *Greece: East Macedonia, Thrace, Central Macedonia, West Macedonia, Thessaly, Epirus, Ionian Islands, Western Greece, Continental Greece, Peloponnese, Attica, North Aegean, South Aegean and Crete (in other words, the whole country)*
- *Spain: Galicia, Principado de Asturias, Castille-Leon, Castille-La Mancha, Extremadura, Valencia, Andalusia, Murcia, Ceuta-Melilla and the Canary Islands*
- *France: Guadeloupe, Martinique, French Guiana and Réunion*
- *Italy: Campania, Apulia, Basilicata, Calabria, Sicily and Sardinia*
- *Ireland: Border Midlands & Western*
- *Austria: Burgenland*
- *Portugal: North, Centre, Alentejo, Algarve, Azores and Madeira*
- *Finland: East Finland, Central Finland (parts of) and North Finland (parts of)*
- *Sweden: North-Central Sweden (parts of), Central Norrland (parts of) and Upper Norrland (parts of)*
- *United Kingdom: South Yorkshire, West Wales & The Valleys, Cornwall & Isles of Scilly and Merseyside*

Transitional assistance for 2000-06

Under the new Regulations, regions or areas that were eligible for regional assistance under the Objectives in 1994-99, but which are no longer eligible in 2000-06, qualify for an appropriate level of degressive transitional assistance in order to avoid an abrupt cessation of Community funding and consolidate the achievements of earlier structural assistance.

Among those areas which are no longer eligible for Objective 1 funding, a distinction should be made between those which, in 1999, meet the basic eligibility criteria for funding under the new Objective 2 and those that do not.

The former are entitled to transitional assistance from the four Structural Funds until 31 December 2006, (see figure A), whereas ERDF funding for the latter will be stopped on 31 December 2005 (see figure B).



Areas eligible for Objective 1 transitional assistance (Commission Decision of 1 July 1999)

- *Germany: East Berlin*
- *Belgium: Hainaut*
- *Spain: Cantabria*
- *France: Corsica and the arrondissements of Valenciennes, Douai and Avesnes*
- *Italy: Molise*
- *Ireland: Southern and Eastern*
- *Netherlands: Flevoland*
- *Portugal: Lisbon and the Tagus Valley*
- *United Kingdom: Northern Ireland and Highlands & Islands.*

1.1.b Objective 2

1994 | 1999

OBJECTIVE 2: CONVERTING THE REGIONS OR PARTS OF REGIONS SERIOUSLY AFFECTED BY INDUSTRIAL DECLINE

Eligibility criteria:

There are three mandatory conditions:

- An unemployment rate above the Community average;
- A higher proportion of jobs in the industrial sector than the Community average;
- A decline in industrial employment.

Procedure:

- The list is drawn up by the Commission on the basis of proposals made by the Member States and in close consultation with each of them;
- It is fixed for six years, but may be amended after three.

Result:

Total proportion of Community population affected between 1994 and 1999: 16.3%.

Structural Funds involved:

ERDF, ESF

OBJECTIVE 5(b): DEVELOPING FRAGILE RURAL AREAS

Eligibility criteria:

- One general criterion: a low level of economic development;
- Three additional criteria, of which two must be met: a high proportion of agricultural employment, a low level of agricultural income, a low population density or a significant depopulation trend.

Procedure:

- The list is drawn up by the Commission on the basis of proposals made by the Member States and in close consultation with each of them;
- It is fixed for six years, and is final.

Result:

Total proportion of Community population affected between 1994 and 1999: 8.8%.

Structural Funds involved:

EAGGF Guidance Section, ERDF, ESF

2000 | 2006

OBJECTIVE 2: SUPPORTING THE ECONOMIC AND SOCIAL CONVERSION OF AREAS FACING STRUCTURAL DIFFICULTIES

Eligibility criteria:

- Industrial areas: the three criteria remain the same as before;
- Rural areas: a low population density or a large proportion of the workforce employed in agriculture, together with a high rate of unemployment or a depopulation trend;
- Urban areas which meet at least one of the following five criteria: a high long-term unemployment rate, a high level of poverty, environmental problems, a high crime and delinquency rate or a low level of education;
- Areas dependent on fisheries: a significant proportion of employment in the fisheries sector, coupled with a decline in employment in this sector.

Procedure:

1. The Regulation stipulates that no more than 18% of the Community population should be eligible for this type of funding.
2. The Commission lays down the ceilings for population covered in each Member State, taking account of the populations of the industrial and rural areas concerned and the rates of unemployment and long-term unemployment in areas outside the Objective 1 areas. It also ensures that the population covered does not fall by more than a third compared with that covered by Objectives 2 and 5(b) combined in the 1994-99 period.
3. The Member States put forward a list of areas that meet the criteria; those used to select industrial and rural areas apply to at least 50% of the population involved.
4. The Commission draws up the definitive list in close consultation with each Member State.

The list is fixed for seven years but can be amended mid-term to include new areas which have encountered severe crises. Such amendments must not breach the ceiling for population coverage in each region.

Structural Funds involved:

ERDF, ESF

REFERENCES

Framework Regulation:
Articles 9 (1, 2, 3, 4, 5 and 6), Annex I,
Article 11bis (1, 2, 3 and 4);
Council Decision 95/1/EC of 1 January 1995:
Article 52 (Protocol No 6).

General Regulation: Recital No 15,
Articles 4 and 6.

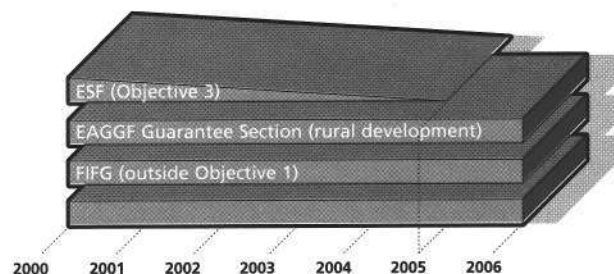
**Maximum population eligible for Objective 2 funding
in the 2000-06 period
(Commission Decision of 1 July 1999)**

Member State	Population ceiling ('000)	% of total population
B	1 269	12
DK	538	10
D	10 296	13
GR	-	-
E	8 809	22
F	18 768	31
IRL	-	-
I	7 402	13
L	118	28
NL	2 333	15
A	1 995	25
P	-	-
FIN	1 582	31
S	1 223	14
UK	13 836	24
EUR-15	68 170	18

Transitional assistance for 2000-06

Under the new Regulations, regions or areas that were eligible under the regionalised Objectives in the 1994-99 period but which are no longer eligible in the 2000-06 period qualify for an appropriate level of transitional assistance. This system of degressive transitional assistance is a means of avoiding an abrupt cessation of Community funding, as well as of consolidating the achievements of the previous structural programmes.

Areas eligible under Objectives 2 and 5(b) in 1999 that do not qualify for the new Objective 2 are entitled to transitional assistance from the ERDF until 31 December 2005. Other assistance may also be available between 2000 and 2006: from the ESF under Objective 3, from the EAGGF Guarantee section as part of rural development schemes (including the accompanying measures to the CAP), and from the FIFG (as part of the accompanying measures to the common fisheries policy).



1. CONCENTRATION

1.1.c Objective 3

1994 | 1999

OBJECTIVE 3: COMBATING LONG-TERM UNEMPLOYMENT AND FACILITATING OCCUPATIONAL INTEGRATION

- Combating long-term unemployment and facilitating the occupational integration of young people and persons exposed to exclusion from the labour market;
- Promoting equal opportunities for men and women in the labour market.

Procedure:

Programmes to be implemented outside Objective 1 regions.

OBJECTIVE 4: ADAPTING THE WORKFORCE TO INDUSTRIAL CHANGES

- Facilitating the adaptation of workers to industrial changes and changes in production systems.

Procedure:

Programmes to be implemented outside Objective 1 regions.

2000 | 2006

OBJECTIVE 3: ADAPTING AND MODERNISING POLICIES AND SYSTEMS OF EDUCATION, TRAINING AND EMPLOYMENT

- Promoting active labour market policies to reduce unemployment;
- Improving access to the labour market, with a special emphasis on people threatened by social exclusion;
- Enhancing employment opportunities through education programmes and lifelong learning;
- Promoting measures which enable social and economic changes to be identified in advance and the necessary adaptations to be made;
- Promoting equal opportunities for men and women.

This Objective serves as a reference framework for all measures to promote human resources measures in a national territory without prejudice to the specific features of each region. It takes account of the Title on employment in the Treaty of Amsterdam and the new European strategy for employment.

Procedure:

Programmes to be implemented outside Objective 1 regions.

REFERENCES

Framework Regulation: Article 10.

General Regulation: Recital 8, Articles 5 and 13.

1.2. Fisheries and rural development

1994 | 1999

2000 | 2006

OBJECTIVE 5(a): ADJUSTING AGRICULTURAL AND FISHERIES STRUCTURES

Involves projects across the Union geared towards:

- Improving productive systems (in both agriculture and fisheries);
- Granting compensatory allowances in deprived areas (agriculture);
- Processing and marketing products (in the agriculture and fisheries sectors);
- Start-up assistance for young farmers.

Procedure:

Programmes to be implemented across the European Union.

- Outside Objective 1 regions: measures programmed independently;
- In Objective 1 regions: measures programmed within the Community support frameworks.

RURAL DEVELOPMENT IS THE SECOND PILLAR OF THE COMMON AGRICULTURAL POLICY (CAP)

The EAGGF Regulation on rural development groups together a range of measures intended for all rural areas in the Union:

- Investment in agricultural holdings;
- Start-up assistance for young farmers;
- Professional training;
- Early retirement support;
- Compensatory support for deprived areas or those subject to environmental constraints;
- Agri-environmental measures;
- Processing and marketing of agricultural products;
- Developing and exploiting forest resources;
- Schemes for adapting and developing rural areas.

Procedure:

In Objective 1 regions, schemes are financed by the EAGGF Guidance Section, except for compensatory allowances for deprived areas, early retirement support, agri-environmental measures and the parts of agriculture programmes covering forestry that are financed by the EAGGF Guarantee Section.

Outside Objective 1 regions, all measures are funded by the EAGGF Guarantee Section.

ADAPTING STRUCTURES IN THE FISHERIES SECTOR

Involves projects across the Union geared towards:

- Adjusting fishing efforts;
- Modernising fleets and developing aquaculture;
- Protecting maritime areas;
- Developing fishing port infrastructure;
- Processing and marketing fisheries products;
- Promoting fisheries products.

Procedure:

The measures are financed by the FIFG, both within the Objective 1 programmes (eligible regions) and in the specific national programmes (other regions).

REFERENCES

Framework Regulation: Article 11.

General Regulation: Recitals 9 and 10;
EAGGF Regulation on rural development;
FIFG Regulation.

1.3. Community Initiatives

1994 | 1999

2000 | 2006

13 Community Initiatives:

- **Interreg II:** cross-border cooperation (strand A), energy networks (strand B), cooperation on regional planning (strand C);
- **Employment:**
Employment-NOW: promoting equal opportunities for women and access to future-oriented occupations and positions of responsibility;
Employment-Horizon: improving employment prospects for disabled people;
Employment-Youthstart: integrating people under 20 into the labour market, in particular those lacking basic qualifications and training;
Employment-Integra: integrating people threatened with social exclusion, and measures to combat racism and xenophobia;
- **Leader II:** rural development;
- **Adapt:** adapting the work force to industrial change and the information society;
- **SMEs:** boosting the competitiveness of small and medium-sized businesses;
- **Urban:** regenerating urban areas in crisis;
- **Konver:** promoting economic diversification in areas heavily dependent on the defence sector;
- **Regis II:** integrating the most remote regions.
- **Retex:** fostering economic diversification in regions dependent on the textile and clothing industry;
- **Resider II:** converting steel areas;
- **Rechar II:** converting coal-mining areas;
- **Peace:** support for the process of peace and reconciliation in Northern Ireland;
- **Pesca:** encouraging economic diversification in areas dependent on the fisheries sector.

4 Community Initiatives:

- **Interreg III:** cross-border, transnational and inter-regional cooperation intended to encourage the harmonious and balanced development and spatial planning of the European territory;
- **Leader+:** Rural development via integrated programmes and cooperation between local action groups;
- **Equal:** transnational cooperation to promote new approaches to combating all forms of discrimination and inequalities in connection with access to the labour market;
- **Urban:** the social and economic regeneration of towns and neighbourhoods in crisis, with a view to promoting sustainable urban development.

Those themes from the 1994-99 Community Initiatives that were discontinued may be included in the Objective 1, 2 and 3 programmes.

REFERENCES

General Regulation: Articles 20 and 21.

1.4. Financial resources

1994 | 1999

2000 | 2006

AVAILABLE RESOURCES

- ECU 141471 million (at 1992 prices), of which 68% was earmarked for Objective 1;
- 9% of the total funding was allocated to the Community Initiatives;
- Indexation of the funds available under each Community support framework.
- EUR 195 billion (at 1999 prices), of which 69.7% is allocated to Objective 1, 11.5% to Objective 2, 12.3 % to Objective 3 and 0.5% to structural measures in the fisheries sector outside Objective 1;
- 5.35% of total appropriations is earmarked for the Community Initiatives;
- The funds in the Community budget are indexed at a rate of 2% per annum (NB this rate may be amended for technical reasons in 2003 for the 2004-06 period).

ALLOCATION OF FUNDS TO MEMBER STATES

Objectives 1, 2, 3, 4 and 5(b):

The Commission allocated funds according to the following objective criteria: eligible population, national prosperity, regional prosperity, the relative severity of structural problems, including the level of unemployment, and, for the relevant Objectives, the development requirements of rural areas.

Objective 6:

The allocation of commitments for Objective 6 was established in the Act of Accession of Sweden and Finland.

Objective 5(a):

The Funds allocated by the Commission here based on the allocations from the previous period, taking into account the specific structural requirements of the agriculture and fisheries sectors.

Objectives 1 and 2:

The Commission allocated funds according to the following criteria: eligible population, national prosperity, regional prosperity and the relative severity of structural problems including the unemployment rate.

Objective 3:

The Commission allocated funds according to the following criteria: eligible population, employment situation, degree of social exclusion, levels of educational attainment and training, and the participation rate of women in the workforce.

Fisheries:

Funds allocated by the Commission.

Performance reserve:

4% of the funds in each national allocation are placed in a reserve at the beginning of the programming period. At the midway point of the period, the Commission, in close consultation with each Member State, will release these funds to the programmes that have delivered the best results.

REFERENCES

Framework Regulation: Article 12;
ERDF Regulation: Articles 7 and 10;
ESF Regulation: Article 6;
EAGGF Guidance Section Regulation: Article 8;
FIFG Regulation: Article 4.

General Regulation: Recital 22, Articles 7, 20,
21, 22, 23 and 44.

1. Forecast annual expenditure for the 2000-06 period (1999 prices, EUR million)

Structural Funds						
2000	2001	2002	2003	2004	2005	2006
29 430	28 840	28 250	27 670	27 080	27 080	26 660

2. Indicative funding allocations per Member State in the 2000-06 period (1999 prices, EUR million)

Member State	Objective 1	Transitional assistance for former Objective 1 regions	Objective 2	Transitional assistance for former Objective 2 and 5(b) areas	Objective 3	Instrument for fisheries (outside Objective 1 regions)	Total
B	0	625	368	65	737	34	1 829
DK	0	0	156	27	365	197	745
D	19 229	729	2 984	526	4 581	107	28 156
EL	20 961	0	0	0	0	0	20 961
E	37 744	352	2 553	98	2 140	200	43 087
F	3 254	551	5 437	613	4 540	225	14 620
IRL ⁽¹⁾	1 315	1 773	0	0	0	0	3 088
I	21 935	187	2 145	377	3 744	96	28 484
L	0	0	34	6	38	0	78
NL	0	123	676	119	1 686	31	2 635
A	261	0	578	102	528	4	1 473
P	16 124	2 905	0	0	0	0	19 029
FIN	913	0	459	30	403	31	1 836
S ⁽²⁾	722	0	354	52	720	60	1 908
UK ⁽¹⁾	5 085	1 166	3 989	706	4 568	121	15 635
EUR-15	127 543	8 411	19 733	2 721	24 050	1 106	183 564

(1) Including the Peace initiative (2000-04) - (2) Including the special programme for Swedish coastal areas.

3. Allocation of budgetary appropriations per type of scheme in the 2000-06 period.

	Allocations (EUR billion)	% of Structural Funds budget	% Earmarked for transitional assistance
Objective 1	135.900	69.70%	4.3%
Objective 2	22.500	11.50%	1.4%
Objective 3	24.050	12.30%	-
Fisheries (outside Objective 1)	1.110	0.50%	-
Community Initiatives	10.440	5.35%	-
- Interreg	4.875		
- Equal	2.847		
- Leader+	2.020		
- Urban	0.700		
Innovative measures and technical assistance	1.000	0.51%	-

2.1. Methods of assistance

1994 | 1999

2000 | 2006

CONTRIBUTION BY FUNDS

- Objective 1: ERDF, ESF, EAGGF Guidance Section, FIGG.
- Objective 2: ERDF, ESF.
- Objective 3: ESF.
- Objective 4: ESF.
- Objective 5(a): EAGGF Guidance Section, FIGG.
- Objective 5(b): ERDF, ESF, EAGGF Guidance Section.
- Objective 6: ERDF, ESF, EAGGF Guidance Section, FIGG.
- Community Initiatives: one or more funds.

- Objective 1: ERDF, ESF, EAGGF Guidance Section, FIGG.
- Objective 2: ERDF, ESF.
- Objective 3: ESF.
- Structural measures in the fisheries sector outside Objective 1 regions: FIGG.
- Rural development measures throughout the EU: EAGGF Guidance and Guarantee Sections in the regions eligible under Objective 1, and EAGGF Guarantee Section elsewhere.
- Each Community initiative is funded by a structural fund:
 - Interreg and Urban: ERDF;
 - Leader+: EAGGF Guidance Section;
 - Equal: ESF.

CONTENT OF THE ASSISTANCE

The content of the forms of assistance is defined to varying extents:

- The content of the plans and of the CSFs is defined for each Objective;
- The content of the OPs and SPDs is not defined.

The content of all the forms of assistance is defined:

- Plans, CSFs and OPs, SPDs (for all Objectives): strategic priorities, financial allocations and methods of implementation;
- CIP: specified in the Commission guidelines;
- Programme complement: measures, final beneficiaries, financing plan for measures, communication actions.

REFERENCES

Framework Regulation: Articles 2, 5, 8, 9, 10, 11;
Coordination Regulation: Articles 8, 13;
ERDF Regulation: Article 5.

General Regulation: Articles 2, 9, 16, 17, 18, 19, 21, 25;
EAGGF Regulation: Article 40.

1994 | 1999

2000 | 2006

PREPARATION OF ASSISTANCE

Normal, three-stage procedure:

- The Member State submits a development plan;
- The Commission draws up a Community support framework (CSF) on the basis of the plan and in collaboration with the Member State and the regions in question;
- The Commission decides which operational measures to apply: operational programmes (OP) or, more rarely, major project, global grant or technical assistance.

Simplified, two-stage procedure:

- The Member State submits a development plan;
- The Commission adopts a single programming document (SPD).

No specific provisions on the Community Initiative programmes.

Priority Objectives and fisheries:

- The Member States first submit development plans (with or without proposals for operational programmes) to the Commission;
- Objective 1: On the basis of the development plan, the Commission draws up and adopts a Community support framework (CSF) which must be supplemented by operational programmes (OPs). Where the European Union allocation is less than EUR 1 billion, the Commission normally adopts a single programming document (SPD);
- Objectives 2, 3 and fisheries: On the basis of the development plans, the Commission draws up and, as a rule, adopts single programming documents (SPDs). The States may, however, have a Community support framework (CSF) drawn up;
- The major projects and global grants are integrated within the other forms of assistance;
- The Member States and/or regions must supplement each OP/SPD with a programme complement.

The Structural Funds also provide assistance through the Community Initiative programmes (CIPs), the innovative actions and the technical assistance measures.

2.2. Responsibilities

1994 | 1999

2000 | 2006

1. PROGRAMMING AT COMMUNITY LEVEL

The Regulation includes:

- The list of regions eligible under Objective 1.

The Commission adopts:

- The list of areas eligible under Objectives 2 and 5(b);
- Indicative allocations of total appropriations for each Member State.

The Commission adopts:

- The list of regions eligible under Objective 1;
- The list of areas eligible under Objective 2;
- Indicative allocations of total appropriations for each Member State;
- Indicative guidelines for the programming of Objectives (after consultation with the Member States), firstly no later than one month after the entry into force of the general Regulation, and again before the mid-term review;
- The guidelines for each Community Initiative (objectives, scope and method of implementation).

2. PROGRAMMING AT NATIONAL LEVEL

The authorities designated at national/regional/other level:

- Prepare the plans and programmes;
- Forward the plans and programmes to the Commission.

The authorities designated at national/regional/other level:

- Prepare the plans and programmes;
- Consult the partners;
- Forward the plans and programmes to the Commission.

REFERENCES

Framework Regulation: Articles 4, 8, 9, 10, 11, 11bis, 12;
Coordination Regulation: Articles 5, 8, 10, 14

General Regulation: Articles 3, 4, 6, 9, 10, 15, 16, 17, 25, 26, 27, 28, 34, 35

1994 | 1999

2000 | 2006

3. NEGOTIATION BETWEEN COMMISSION / MEMBER STATES

The Commission and the Member States:

- Negotiate the content of the CSFs, SPDs, OPs, CIPs, major projects and global grants, and their financing plans.

The Commission:

- Adopts the CSFs, SPDs, OPs, CIPs, major projects and global grants.

The Commission and the Member States:

- Negotiate the content of the CSFs, SPDs, OPs, CIPs, and their financing plans.

The Commission:

- Adopts the CSFs, OPs, SPDs and CIPs;
- Approves (or, stating its reasons, rejects) the major projects and global grants within the programmes (SPDs, OPs or CIPs);

4. DECENTRALISED PROGRAMMING

The Monitoring Committee:

- May amend the arrangements for granting assistance, and the financing plan, without changing the overall amount and within the limits agreed for each Objective. Any such amendments must be approved by the Commission.

The Member State or the managing authority:

- Adopts the programme complement and sends it to the Commission for information;
- Amends the programme complement within the limits of the objectives and of the resources allocated to each of the priorities;
- Implements the programme (in particular, organising the selection of projects).

The Monitoring Committee:

- Approves the programme complement.

2.3. Financial management

1994 | 1999

2000 | 2006

COMMITMENTS

The Commission's budgetary commitments are carried out in annual instalments:

- The first instalment is committed upon the programme being adopted;
- The other installments are committed on the basis of the financing plan and of progress with implementation.

- The Commission commits the first annual instalment when it adopts the programming document;
- Thereafter, the Commission commits the annual instalments by 30 April of each year;
- The Commission automatically decommits the parts of commitments not implemented at the end of the second year after the year of commitment.

PAYMENTS

- The first advance is not more than 50% of the relevant commitment;
- The second advance is not more than 30% of the commitment;
- The balance is paid upon the conditions for the completion of the programme being fulfilled.

- The Commission makes a down-payment of 7% of the total Structural Funds contribution upon adoption of the programme (this must be repaid to the Commission after 18 months where no expenditure is declared);
- The Commission makes subsequent payments on the basis of actual expenditure, as certified by the Member State;
- The balance of 5% is paid upon the conclusion of the programme and when all the required documents have been sent to and approved by the Commission.

REFERENCES

Coordination Regulation: Articles 20, 21

General Regulation: Articles 31, 32

2.4. Financing conditions

1994 | 1999

2000 | 2006

RATE OF CO-FINANCING

Funding by the Structural Funds varies according to the Objectives.

- Objective 1: a maximum 75% of the total cost (but 80% in the Member States covered by the Cohesion Fund and 85% in the case of the most remote regions and the outlying Greek islands);
- Other Objectives: a maximum 50% of the total cost.

Specific ceiling:

In the case of investments in businesses:

- Objective 1: a maximum 50% of the total cost;
- Other Objectives: a maximum 30% of the total cost.

The differentiated ceilings are maintained, but the rate of assistance also depends on the Community interest in terms of environmental protection (application of the polluter-pays principle) and of promotion of equality between men and women.

Specific ceilings:

- In the case of investment in businesses, the funds may finance:
 - up to 35% of the total cost in Objective 1 regions;
 - up to 15% of the total cost in Objective 2 areas.
- In the case of investment in infrastructure generating substantial revenue, the Structural Funds may finance:
 - up to 40% of the total cost in Objective 1 regions (or 50% in Member States covered by the Cohesion Fund);
 - up to 25% in Objective 2 areas.

These ceilings may be increased by not more than 10% in the event of recourse to forms of funding other than direct aid (financial engineering).

ELIGIBILITY OF EXPENDITURE

A single rule, restricted to the first date of eligibility of expenditure.

General rule:

National eligibility rules are applied unless the Commission finds it necessary to draw up common rules on the eligibility of expenditure.

Eligibility conditions:

- Precise definitions of the "first date", "last date" and the "final beneficiary";
- The Member States are responsible for ensuring that the measure being supported by the Funds does not undergo any major modification within 5 years of the decision to contribute.

REFERENCES

Framework Regulation: Article 13;
Coordination Regulation: Articles 15, 17.

General Regulation: Articles 9, 10, 29, 30.

1994 | 1999

2000 | 2006

DEFINITION

Principle:

Partnership implies “close cooperation” between the European Commission, and the authorities competent in each State at national, regional, local or other level, including the economic and social partners designated by the Member State. This principle is applied as of the preparatory stage and up until implementation of the measures “conducted in full compliance with the respective institutional, legal and financial powers of each of the partners”.

The general definition of partnership is unchanged, but its composition is extended, including now:

- The Commission;
- The Member State;
- The regional and local authorities (including the environmental authorities);
- The economic and social partners,
- Other relevant organisations (including those working to protect the environment and to promote equality between men and women).

PROCEDURES

At the programming stage:

On the basis of the plans, the Commission draws up the CSF “within the framework of the partnership” and “in concertation with the relevant Member State”.

- For Objectives 1, 2, 5(a) (partially), 5(b) and 6: the plans indicate the “authorities or organisations designated at national, regional, local or other level” and the “provision made for involvement of the competent environmental authorities”;
- For ESF measures: indication of “the contribution of the economic and social partners and the vocational training organisations”.

In the Monitoring Committee:

Establishment “on the basis of agreement with the relevant Member State”.

At the programming stage:

- The Member States consult the partners on the development plans drawn up for the Commission;
- The Member States specify in the plans the provision made for consultation of the partners;
- The relevant partners are also consulted on the programme complements.

In the Monitoring Committees:

- The Commission approves the provision made for involvement of the partners in the Monitoring Committees at the time of adoption of the CSF-OPs or SPD;
- The partners are consulted when the Monitoring Committee is being set up by the Member State, in concertation with the managing authority;
- Composition: balanced participation by men and women; chaired by a representative of the Member State or of the managing authority; the Commission is an ex officio member with advisory status.

REFERENCES

Framework Regulation: Articles 4, 8, 9, 10, 11;
Coordination Regulation: Articles 1, 3, 8, 17,
23, 24, 25, 26, 31;
ERDF Regulation: Article 2;
ESF Regulation: Article 4.

General Regulation: Recital No. 27, Articles 8,
15, 16, 17, 18, 35.

1994 | 1999

2000 | 2006

METHOD OF CALCULATION

Principle:

For each Objective the Member States must maintain their public expenditure at least at the same level as during the previous programming period.

Expenditure concerned:

Public or similar structural expenditure, whatever the Objective.

General principle unchanged

Expenditure concerned:

- Objective 1: public or similar structural expenditure in all the eligible regions;
- Objectives 2 and 3 taken together: expenditure in favour of active labour market policy throughout the country.

VERIFICATION PROCEDURES

- The States observe the principle of additionality in the development plans that they submit, and the verification procedures are defined in the CSFs or SPDs;
- Thereafter, the Member States report annually to the Commission, which carries out annual verifications.

Limited frequency:

- *Ex-ante* verification: the amount of expenditure to be verified is agreed by the Commission and the Member State before approval of the CSFs or SPDs, and is incorporated in these documents;
- Mid-term verification (by 31 December 2003 at the latest), following which the Commission and the Member State may agree to a revision of the level of structural expenditure to be attained;
- End of period verification (before the end of 2005).

Throughout the programming period, the Member State shall inform the Commission of developments likely to call into question its ability to ensure additionality.

REFERENCES

Coordination Regulation: Article 9.

General Regulation: Article 11.

5.1. Monitoring

1994 | 1999

2000 | 2006

MEMBER STATE

No specific rules on the responsibilities of the Member State.

The Member State assumes general responsibility for implementation and monitoring, and for the effectiveness of the measures taken.

Responsibilities of the managing authority:

- Collection and transmission of financial and statistical data on the implementation of measures;
- Annual implementation report;
- Regularity of operations;
- Conformity with Community policies;
- Information and publicity relating to measures;
- Organising mid-term evaluation;
- Annual meeting with Commission (examination of results for the previous year); implementation of any Commission recommendations for changes in monitoring or management procedures (see below);
- Adaptation of the programme complement - on its own initiative or at the request of the Monitoring Committee.

Responsibilities of the Monitoring Committee:

- Approval of the programme complement (agreement needed for any amendment);
- Approval of proposals for changes to the programme;
- Approval of the criteria for selecting the operations to be funded;
- Monitoring and evaluation of progress made so as to ensure achievement of objectives (particularly on the basis of the mid-term evaluation);
- Approval of the annual implementation report.

Monitoring indicators and annual implementation report:

Specification of their aim and of their content.

Responsibility of the Monitoring Committee

No specific definition of the role of the Monitoring Committee.

COMMISSION

Participation in the Monitoring Committee:

- The Commission is a voting member of the Committee;
- The decisions of the Monitoring Committee are confirmed by the Commission.

Annual report:

Examination of annual report.

Relations with the managing authority:

- Annual meeting with the managing authority;
- Submission to the Member State or the managing authority of any observations and/or recommendations for changes.

Participation in the Monitoring Committee:

- The Commission is a member with advisory status.

Monitoring indicators and annual implementation report:

- Approval of annual report;
- Methodological proposals regarding monitoring indicators.

REFERENCES

Coordination Regulation: Article 25.

General Regulation: Articles 34, 35, 36, 37, 46.

5.2. Evaluation

1994 | 1999

2000 | 2006

EX-ANTE EVALUATION

- An *ex-ante* evaluation must be carried out in partnership by the Commission and the Member State; it must include the environmental impact;
- The Commission assesses the plans, taking into account the *ex-ante* evaluation.
- The Member State has primary responsibility for the *ex-ante* evaluation;
- The aim of the *ex-ante* evaluation is defined. special attention must be given to the impact on the environment, on the labour market and on equality between the sexes;
- The *ex-ante* evaluation is incorporated in the plans.

MID-TERM EVALUATION

- There is no stipulation requiring a mid-term evaluation to be carried out; in practice, however, Member States, at the request of the Commission and in partnership with it, have organised such evaluations using independent evaluators; their methodology is specified in the CS;
- There is no stipulation requiring information to be collected and communicated;
- There are no provisions defining an evaluative role for the Monitoring Committee (in practice, the main role of the Monitoring Committees has been to appoint evaluators).
- The Member State is responsible for the mid-term evaluation in partnership with the Commission; the Commission assesses the evaluation's relevance;
- The objective of the mid-term evaluation is defined;
- The mid-term evaluation is organised by the relevant programme's managing authority and is carried out by an independent evaluator; it must be completed by 31 December 2003;
- To facilitate the various evaluations, the managing authority must create a system for collecting the financial and statistical data needed for the mid-term and *ex-post* evaluations, and must provide the information required for the *ex-post* evaluation;
- The Monitoring Committee examines the findings of the mid-term evaluation, and may propose changes to the programme on that basis;
- An update of the mid-term evaluation is carried out by the end of 2005 by way of preparing the ground for operations thereafter.

EX-POST EVALUATION

- An *ex-post* evaluation must be carried out in partnership by the Commission and the Member State, assessing the impact of the measures taken in terms of their intended objectives.
- The Commission has primary responsibility for the *ex-post* evaluation, in partnership with the Member State;
- The objective of the *ex-post* evaluation is defined;
- The *ex-post* evaluation is carried out by an independent evaluator within three years of the end of the programming period.

PERFORMANCE RESERVE

- Before 31 March 2004, the 4% of the indicative allocation for each Member State held back at the beginning of the period is allocated as a "performance reserve" to the OPs or SPDs whose performance the Commission, on the basis of proposals from the Member State, considers to be successful;
- Performance is assessed on the basis of indicators of effectiveness, management and financial implementation which are defined by the Member State in consultation with the Commission.

REFERENCES

Framework Regulation: Article 6;
Coordination Regulation: Article 26.

General Regulation: Articles 40, 41, 42, 43,
44.

5.3. Controls

1994 | 1999

2000 | 2006

MEMBER STATE

The responsibilities of the Member States as regards financial control are described in a general way:

- Ensuring the regularity of operations;
- Preventing and following up irregularities;
- Refunding sums that have been unduly paid;
- Ensuring availability of documentation supporting expenditure.

The Regulation imposes a general responsibility on the Member States to ensure the effectiveness of the supervisory systems and to correct irregularities. It details the specific responsibilities of the various authorities.

The Managing Authority:

- Is responsible for the internal checks on the effectiveness of implementation and for the transparency of financing;
- Ensures the availability of documentation supporting expenditure;
- Prevents and corrects irregularities.

The Supervisory Authority:

- Ensures the regularity of operations;
- Supervises the systems and carries out spot checks;
- Prevents and corrects irregularities and infringements; correction is by reduction/cancellation of finance from the Funds, with the possibility of funding being transferred to other programmes;
- Certifies expenditure and attests its conformity upon the conclusion of operations.

COMMISSION

The Commission:

- Carries out spot checks (including unannounced checks) in collaboration with the Member States;
- Corrects irregularities in partnership with the Member States (reduction/cancellation of funding).

In practice, the Commission has also adopted an implementing regulation on the supervisory responsibilities of the Member States.

- The Regulation makes the Commission responsible for evaluating and verifying the effectiveness of the supervisory systems, to which end it may carry out spot checks in collaboration with the Member States;
- Where it ascertains serious irregularities, the Commission may suspend payments for up to 5 months, after which, if the irregularity is not corrected, it carries out a financial correction;
- In the event of shortcomings by the Member State or the managing authority, the Commission carries out a financial correction of the relevant irregularities/infringements after prior consultation with the State, the correction consisting of a reduction of the advance or a reduction/cancellation of funding.

COOPERATION BETWEEN MEMBER STATE AND COMMISSION

The Member States report to the Commission on the supervisory and management systems and on any administrative or judicial proceedings.

Cooperation also includes:

- Collaboration with the Commission on the basis of bilateral arrangements for the coordination of checks, including spot checks;
- The annual examination of the results and of any follow-up to the checks carried out;
- Following this examination, the Commission may request the Member State to take corrective measures.

REFERENCES

Coordination Regulation: Articles 23, 24.

General Regulation: Articles 34, 38, 39.

5.4. Information and publicity

1994 | 1999

2000 | 2006

REPORTS

Annual report by the Commission, on operations during the preceding year, submitted to the Parliament, Council and the Economic and Social Committee.

Unchanged.

Three-yearly report by the Commission, on progress with cohesion and on the role of Community aid in the same.

INFORMATION AND PUBLICITY

Aim: to inform potential beneficiaries and professional organisations of the possibilities available, and inform public opinion on the Community's role.

Means: Commission Decision (94/342/EC) setting out the obligations of the Member States.

The managing authority is responsible for ensuring publicity for the programme in question; the measures that it is planned to take must be specified in the programme complement. In particular, information should reach the economic and social partners, organisations promoting equal opportunities for men and women and non-governmental organisations.

The Member States report annually to the Commission on the measures taken to publicise operations.

The Commission carries out its own measures to promote exchanges of experience and information aimed at the partners, the final beneficiaries and the general public.

REFERENCES

General Regulation: Article 16;
Coordination Regulation: Articles 31 and 32.

General Regulation: Articles 18, 23, 34, 45,
46, 53.

I

(Acts whose publication is obligatory)

COUNCIL REGULATION (EC) No 1260/1999

of 21 June 1999

laying down general provisions on the Structural Funds

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty establishing the European Community, and in particular Article 161 thereof,

Having regard to the proposal from the Commission⁽¹⁾,Having regard to the assent of the European Parliament⁽²⁾,Having regard to the opinion of the Economic and Social Committee⁽³⁾,Having regard to the opinion of the Committee of the Regions⁽⁴⁾,

(1) Whereas Article 158 of the Treaty states that, in order to strengthen its economic and social cohesion, the Community shall aim at reducing disparities between the levels of development of the various regions and the backwardness of the least-favoured regions or islands, including rural areas; whereas Article 159 provides for that action to be supported through the Structural Funds, the European Investment Bank (EIB) and the other existing financial instruments;

(2) Whereas Article 19 of Council Regulation (EEC) No 2052/88 of 24 June 1988 on the tasks of the Structural Funds and their effectiveness and on coordination of their activities between themselves and with the operations of the European Investment Bank and the other existing financial instruments⁽⁵⁾, requires the Council to re-examine that Regulation on the

basis of a Commission proposal before 31 December 1999; whereas, in order to improve the transparency of Community legislation, it is desirable to bring together all the provisions concerning the Structural Funds into a single Regulation and to repeal Regulation (EEC) No 2052/88 and Council Regulation (EEC) No 4253/88 of 19 December 1988 laying down provisions for implementing Regulation (EEC) No 2052/88 as regards the coordination of the activities of the different Structural Funds, on the one hand, between themselves and with the operations of the European Investment Bank and the other existing financial instruments, on the other hand⁽⁶⁾;

(3) Whereas, by virtue of Article 5 of Protocol 6 on special provisions for Objective 6 in the framework of the Structural Funds in Finland and Sweden, attached to the Act of Accession of Austria, Finland and Sweden, the provisions of that Protocol should be re-examined before the end of 1999, simultaneously with Regulation (EEC) No 2052/88;

(4) Whereas in order to increase the concentration and simplify the operation of the Structural Funds the number of priority objectives should be reduced as compared with Regulation (EEC) No 2052/88; whereas those objectives should be redefined as promoting the development and structural adjustment of regions whose development is lagging behind, economic and social conversion of areas facing structural difficulties and adapting and modernising policies and systems of education, training and employment;

(5) Whereas in its efforts to strengthen economic and social cohesion the Community also seeks to promote the harmonious, balanced and sustainable development of economic activities, a high level of employment, equality between men

⁽¹⁾ OJ C 176, 9.6.1998, p. 1.

⁽²⁾ Assent delivered on 6 May 1999 (not yet published in the Official Journal).

⁽³⁾ OJ C 407, 28.12.1998, p. 74.

⁽⁴⁾ OJ C 373, 2.12.1998, p. 1.

⁽⁵⁾ OJ L 185, 15.7.1988, p. 9. Regulation as last amended by Regulation (EC) No 3193/94 (OJ L 337, 24.12.1994, p. 11).

⁽⁶⁾ OJ L 374, 31.12.1988, p. 1. Regulation as last amended by Regulation (EC) No 3193/94.

and women and a high level of protection and improvement of the environment; whereas those efforts should in particular integrate the requirements of environmental protection into the design and implementation of the operations of the Structural Funds and help to eliminate inequalities and promote equality between men and women; whereas the Funds' operations may also make it possible to combat any discrimination on the grounds of race, ethnic origin, disability or age by means in particular of an evaluation of needs, financial incentives and an enlarged partnership;

- (6) Whereas cultural development, the quality of the natural and the man-made environment, the qualitative and cultural dimension of life and the development of tourism contribute to making regions economically and socially more attractive in so far as they encourage the creation of sustainable employment;
- (7) Whereas the European Regional Development Fund (ERDF) is the primary contributor to attaining the objective of promoting the development and structural adjustment of the regions whose development is lagging behind and economic and social conversion of areas facing structural difficulties;
- (8) Whereas the tasks of the European Social Fund (ESF) should be adjusted in order to take account of and to implement the European employment strategy;
- (9) Whereas the structural aspects of the common fisheries policy have been integrated as a full structural policy under the rules governing the Structural Funds since 1993; whereas implementation should continue under the Structural Funds through the Financial Instrument for Fisheries Guidance (FIFG); whereas assistance from FIFG in Objective 1 shall form part of the programming of this Objective and the assistance outside Objective 1 shall be subject to a single programme in each Member State concerned;
- (10) Whereas the Community has undertaken a reform of the common agricultural policy which includes structural and accompanying measures for promoting rural development; whereas in this context the Guidance Section of the European Agricultural Guidance and Guarantee Fund (EAGGF) should continue to contribute to attaining the priority objective of the development and structural adjustment of the regions whose development is lagging behind, by
- improving the efficiency of the structures of production, processing and marketing of agricultural and forest products and developing local potential in rural areas; whereas the EAGGF Guarantee Section contributes to attaining the priority objective of economic and social conversion of areas facing structural difficulties, in accordance with Council Regulation (EC) No 1257/1999 of 17 May 1999 on support for rural development from the European Agricultural Guidance and Guarantee Fund (EAGGF) and amending and repealing certain Regulations⁽¹⁾;
- (11) Whereas the specific rules applicable to each Fund are to be set out in the implementing Decisions adopted pursuant to Articles 37, 148 and 162 of the Treaty;
- (12) Whereas the criteria for designating eligible regions and areas should be specified; whereas, to this end, it is appropriate that the identification of the priority regions and areas at Community level should be based on the common system of classification of the regions, referred to as the 'Nomenclature of Territorial Statistical Units (NUTS)' established by the Statistical Office of the European Communities in cooperation with the national institutes for statistics;
- (13) Whereas regions whose development is lagging behind should be defined as those whose per capita GDP is less than 75 % of the Community average; whereas, in order to ensure an effective concentration of assistance, the Commission should apply this criterion strictly, using objective statistical data; whereas the outermost regions and areas with a very low population density covered by Objective 6 as set out in Protocol 6 attached to the Act of Accession of Austria, Finland and Sweden for the period 1995 to 1999 should also be covered by Objective 1 under this Regulation;
- (14) Whereas the areas undergoing economic and social conversion should be defined as those which include areas undergoing socio-economic change in the industrial and service sectors, declining rural areas, urban areas in difficulty and depressed areas dependent on fisheries; whereas this assistance should be properly concentrated on the most seriously affected parts of the Community; whereas these areas should be designated by the Commission acting on a proposal from the Member States and in close concertation with them;

⁽¹⁾ OJ L 160, 26.6.1999, p. 80.

- (15) Whereas, to ensure the Community nature of the operations of the Funds, the areas undergoing socio-economic change in the industrial sector and the declining rural areas should, as far as possible, be designated on the basis of objective indicators defined at Community level; whereas, furthermore, the population covered by this priority objective taken over the Community as a whole, for guidance, should constitute about 10% of the population of the Community in the case of the industrial areas, 5% in the case of the rural areas, 2% in the case of the urban areas and 1% in the case of the fisheries areas; whereas, in order to ensure that each Member State makes a fair contribution to the overall effort towards concentration, the maximum possible reduction in population covered by Objective 2 in 2006, set out in this Regulation, must not exceed one third compared to the coverage under Objectives 2 and 5b in 1999, set out in Regulation (EEC) No 2052/88;
- (16) Whereas, in the interests of efficient programming, the regions whose development is lagging behind where per capita GDP is less than 75% of the Community average should be the same as the areas assisted by the Member States pursuant to Article 87(3)(a) of the Treaty and, taking account of any specific measures adopted pursuant to Article 299(2) of that Treaty in favour of the outermost regions (the French overseas departments, the Azores, Madeira and the Canary Islands); whereas, similarly, the areas undergoing economic and social change should correspond to a large extent to the areas assisted by the Member States pursuant to Article 87(3)(c) of the Treaty; whereas the objective of the Community should be to increase consistency at the end of the period 2000 to 2006 by an appropriate effort by Member States with regard to their current situation;
- (17) Whereas the objective of adapting and modernising policies and systems of education, training and employment is to provide financial assistance in the regions and areas not covered by Objective 1; whereas Objective 3 should also provide a frame of reference to ensure consistency with all operations for human resources in a given Member State;
- (18) Whereas the ESF assistance within Objective 2 should be the regional and local actions which respond to the specific situation in an Objective 2 area and which are coordinated with the interventions of the other Structural Funds; whereas any ESF contribution to an Objective 2 single programming document must be of sufficient size to justify its separate management, and should therefore not amount to less than 5% of the total Structural Funds contribution;
- (19) Whereas the regions covered by a priority objective in 1999 which no longer satisfy the eligibility criteria should receive a gradually declining level of transitional support; whereas this support should be lower in 2000 than in 1999;
- (20) Whereas there should be provision for allocating shares of the available resources; whereas these resources should be allocated annually, being significantly concentrated on regions whose development is lagging behind, including those receiving transitional support;
- (21) Whereas total annual receipts in any Member State from Structural Funds under this Regulation — in combination with assistance provided under the Cohesion Fund — should be limited under this general capping dependent on the national absorption capacity;
- (22) Whereas the Commission should work out indicative allocations of the available commitment appropriations under each of the priority objectives, basing itself on appropriate objective criteria; whereas 4% of appropriations allocated in this way to the Member States should be allocated by the Commission at the mid-term point; whereas, in recognition of the special efforts for the peace process in Northern Ireland, the PEACE programme should continue up to 2004; whereas a special programme of assistance for the period 2000 to 2006 shall be established for the Swedish NUTS-II regions which are not covered by the list referred to in Article 3(2) and which meet the criteria laid down in Article 2 of Protocol 6 to the Act of Accession for Austria, Sweden and Finland;
- (23) Whereas 5,35% of the total commitment appropriations available should be devoted to the Community initiatives and 0,65% to innovative schemes and to technical assistance;
- (24) Whereas the appropriations available to the Structural Funds should be indexed on a flat-rate basis for programming purposes and, if necessary, a technical adjustment to that indexation should be made before 31 December 2003;
- (25) Whereas the main principles of the 1988 reform of the Structural Funds should continue to govern the Funds until 2006; whereas, however, experience to date has demonstrated the need for

- improvements to make these principles simpler and more transparent; whereas effectiveness should in particular be regarded as a fundamental principle;
- (26) Whereas, if the operations of the Structural Funds are to be effective and transparent, the responsibilities of the Member States and of the Community should be precisely defined; whereas those responsibilities should be specified for each stage of programming, monitoring, evaluation and supervision; whereas, in accordance with the principle of subsidiarity, and without prejudice to the powers vested in the Commission, implementing and monitoring assistance should be primarily the responsibility of the Member States;
- (27) Whereas the action of the Community should be complementary to, or intended to contribute to, the action of Member States; whereas, in order to ensure significant added value, partnership should be strengthened; whereas this concerns the regional and local authorities, the other competent authorities, including those responsible for the environment and for the promotion of equality between men and women, the economic and social partners and other competent bodies; whereas the relevant partners shall be associated in the preparation, monitoring and evaluation of assistance;
- (28) Whereas the programming process should be laid down from original conception to final beneficiary, and should be facilitated in the Member States by broad indicative guidelines drawn up by the Commission on relevant and agreed Community policies in relation to the Structural Funds;
- (29) Whereas programming should ensure the coordination of the Structural Funds with one another and with the other existing financial instruments and the EIB; whereas that coordination extends to combining grants and loans;
- (30) Whereas the activities of the Funds and the operations which they help to finance must be compatible with other Community policies and comply with Community legislation, and specific provisions should be laid down; whereas in this field operations to disseminate and exploit the results of research and technological development conducted in the context of the Structural Funds must ensure the protection of rights relating to the obtaining and exploitation of knowledge and be carried out in accordance with Community rules on competition;
- (31) Whereas simpler criteria and detailed rules for the verification and implementation of the principle of additionality should be laid down;
- (32) Whereas the system of programming should be simplified by fixing a uniform lifetime for programming of seven years; whereas to that end the forms and number of assistance schemes should be limited and should normally consist of a single integrated assistance for each region, by making single programming documents the norm for the priority objectives and by including major projects and global grants in the other forms of assistance;
- (33) Whereas, in order to reinforce the integrated approach to development, steps should be taken — with due regard to the specific features of the regions concerned — to ensure consistency between the operations of the various Funds and the Community policies, the strategy for employment, the economic and social policies of the Member States and the regional policies of the Member States;
- (34) Whereas, in order to speed up and simplify programming procedures, the responsibilities of the Commission should be distinguished from those of the Member States; whereas, therefore, provisions should be made for the Commission, acting on a proposal from the Member States, to adopt the strategies and development priorities that are to govern the programming as well as the size of the financial contribution from the Community, and the implementing arrangements linked to them, while the Member States are to decide on their application; whereas the content of the various forms of assistance should also be specified;
- (35) Whereas such decentralised implementation of the operations of the Structural Funds by the Member States should provide sufficient guarantees as to the details and quality of implementation, the results of operations and their evaluation and sound financial management and its supervision;
- (36) Whereas the Commission, in association with the EIB where appropriate, should approve major investment projects whose financial volume exceeds a specified sum with a view to evaluating their impact and the proposed use of Community resources;
- (37) Whereas there should be provision for operations of Community interest carried out at the initiative of the Commission to supplement those implemented under the priority objectives;

- (38) Whereas these Community initiatives should concentrate on promoting cross-border, transnational and inter-regional cooperation (Interreg), economic and social regeneration of cities and urban neighbourhoods in crisis (URBAN), both to be financed by the ERDF, rural development (Leader), to be financed by the EAGGF Guidance Section, and the development of human resources in the context of equal opportunities (EQUAL), to be financed by the ESF; whereas the promotion of cross-border cooperation — in particular in the perspective of enlargement, transnational and inter-regional cooperation — takes on particular significance in this context; whereas due attention should be given to cooperation with the outermost regions; whereas it is necessary to reinforce the coordination of cross-border, transnational and inter-regional cooperation with the measures enacted in the context of Council Regulation (EEC) No 3906/89⁽¹⁾, Council Regulation (Euratom, EC) No 1279/96⁽²⁾ and Council Regulation (EC) No 1488/96⁽³⁾, especially in view of the enlargement of the European Union and taking account of the Europe-Mediterranean partnership; whereas due account should be taken of the social and vocational integration of asylum seekers in the framework of EQUAL;
- (39) Whereas the Structural Funds should provide support for studies, pilot projects and exchanges of experience in order to promote innovative approaches and practices through simple and transparent implementation;
- (40) Whereas, in order to strengthen the leverage effect of Community resources by favouring as far as possible recourse to private sources of financing and to take better account of the profitability of the projects, the forms of assistance available from the Structural Funds should be diversified and the rates of assistance differentiated with a view to promoting the Community interest, encouraging the use of a wide range of financial resources and limiting the contribution of the Funds by encouraging the use of appropriate forms of assistance; whereas, to that end, reduced rates of intervention should be established in the case of investments in forms and infrastructure projects which generate substantial revenue; whereas for the purpose of this Regulation, substantial net revenue should be tentatively defined as revenue higher than at least 25 % of the total cost of the investment concerned;
- (41) Whereas, in accordance with the principle of subsidiarity, the rules on eligible expenditure should be the relevant national rules where there are no Community rules, although they may be laid down by the Commission where they are clearly needed for the uniform and equitable implementation of the Structural Funds across the Community; whereas, however, the starting and closing dates for the eligibility of expenditure should be defined and it should be stipulated that investment projects may not undergo major modification; whereas consequently, in order to ensure the efficiency and durable impact of the Funds' assistance, all or part of the assistance from a Fund should remain attached to an operation only where its nature or its implementation conditions do not undergo a substantial modification which would result in diverting the assisted operation from its original objectives;
- (42) Whereas the rules and procedures for making commitments and payments should be simplified; whereas to that end budget commitments should be made once a year in accordance with the multiannual financial perspective and with the financing plan for assistance, whilst payments should be made in the form of an advance followed by the reimbursement of actual expenditure incurred; whereas, in accordance with established case law, any interest earned on the advance payment should be regarded as resources for the Member State concerned, and in order to strengthen the impact of the Funds, it should be allocated to the same purpose as the advance payment itself;
- (43) Whereas sound financial management should be assured by providing that expenditure is to be duly justified and certified, and by linking payments to compliance with essential responsibilities as to the monitoring of programming, financial controls and the application of Community law;
- (44) Whereas, to ensure sound management of Community resources, improvements should be made to the forecasting and implementing of expenditure; whereas to that end the Member States should regularly send the Commission their forecasts of the use of Community resources, and any delays in financial implementation should give rise to repayment of advances and to automatic decommitments;
- (45) Whereas, throughout the transitional period from 1 January 1999 to 31 December 2001, all references to the euro should normally be read as

⁽¹⁾ OJ L 375, 23.12.1989, p. 11 (PHARE). Regulation as last amended by Council Regulation (EC) No 753/96 (OJ L 103, 26.4.1996, p. 5).

⁽²⁾ OJ L 165, 4.7.1996, p. 1 (TACIS).

⁽³⁾ OJ L 189, 30.7.1996, p. 1 (MEDA). Regulation as last amended by Council Regulation (EC) No 780/98 (OJ L 113, 15.4.1998, p. 2).

references to the euro as a monetary unit as referred to in the second sentence of Article 2 of Council Regulation (EC) No 974/98 of 3 May 1998 on the introduction of the euro⁽¹⁾;

- (46) Whereas one way of ensuring that the operations of the Structural Funds are effective is efficient monitoring; whereas monitoring should be improved and responsibilities in this field better defined; whereas, in particular, management functions should be distinguished from monitoring functions;
- (47) Whereas there should be a single managing authority for each assistance, with defined responsibilities; whereas these responsibilities should primarily include collecting data on outcomes and reporting this data to the Commission, ensuring sound financial implementation, organising evaluations and complying with obligations relating to publicity and Community law; whereas accordingly there should be provision for regular meetings between the Commission and the managing authority to monitor the assistance;
- (48) Whereas it should be stipulated that the Monitoring Committees are bodies appointed by the Member State supervising assistance, checking on how it is being managed by the managing authority, ensuring compliance with its own guidelines and implementing rules and reviewing evaluations;
- (49) Whereas indicators and annual reports on implementation are essential for monitoring and should be better defined so as to reflect reliably the progress of assistance schemes and the quality of programming;
- (50) Whereas, in order to guarantee efficient and correct implementation, the obligations of the Member States should be laid down with regard to management and supervision systems, the certification of expenditure and the prevention, detection and correction of irregularities and of infringements of Community law;
- (51) Whereas, without prejudice to the Commission's responsibilities for financial control, cooperation between the Member States and the Commission in this regard should be improved, in particular through provision for regular consultations

between the Member States and the Commission to consider the measures taken by the Member States and to permit the Commission to request corrective measures where necessary;

- (52) Whereas the responsibility of the Member States for the pursuit and correction of irregularities and infringements, and that of the Commission where the Member States do not comply with their obligations, should be specified;
- (53) Whereas the effectiveness and impact of the operations of the Structural Funds also depend on improved and more thorough evaluation; whereas the responsibilities of the Member States and the Commission in this regard and arrangements to ensure the reliability of evaluation should be laid down;
- (54) Whereas assistance schemes should be evaluated with a view to their preparation, mid-term review and assessment of their impact, and the evaluation process should be incorporated into the monitoring of assistance; whereas to that end the aims and content of each stage of evaluation should be defined, and the evaluation of the situation as regards the social and economic situation, the environment and equality between men and women should be improved;
- (55) Whereas the mid-term evaluation and the withholding of part of the original appropriations as a reserve enable supplementary funding to be allocated within each Member State on a performance-related basis; whereas such allocations should be based on objective, simple and transparent criteria which reflect efficiency and the quality of management and financial execution;
- (56) Whereas a report is to be presented every three years on the progress made towards economic and social cohesion, which should include an analysis of the situation of the regions of the Community and their economic and social development;
- (57) Whereas, in the interests of a good working partnership and the proper promotion of Community assistance, the broadest possible information and publicity about it should be provided; whereas the authorities responsible for managing assistance should be responsible for this aspect and for keeping the Commission informed of measures taken;
- (58) Whereas rules should be laid down for the operation of the committees called upon to assist the Commission in implementing this Regulation;

⁽¹⁾ OJ L 139, 11.5.1998, p. 1.

(59) Whereas detailed transitional provisions should be laid down to allow preparation of new programming immediately on entry into force of this Regulation and to ensure that assistance to Member States is not interrupted pending the production of regional development plans and

assistance schemes in accordance with the new system,

HAS ADOPTED THIS REGULATION:

TITLE I

GENERAL PRINCIPLES

CHAPTER I

Article 2

OBJECTIVES AND TASKS

Means and tasks

Article 1

Objectives

Community action through the Structural Funds, the Cohesion Fund, the European Agricultural Guidance and Guarantee Fund (EAGGF), Guarantee Section, the European Investment Bank (EIB) and the other existing financial instruments shall support the achievement of the general objectives set out in Articles 158 and 160 of the Treaty. The Structural Funds, the EIB and the other existing financial instruments shall each contribute in appropriate fashion to the attainment of the following three priority objectives:

1. promoting the development and structural adjustment of regions whose development is lagging behind, hereinafter referred to as 'Objective 1';
2. supporting the economic and social conversion of areas facing structural difficulties, hereinafter referred to as 'Objective 2';
3. supporting the adaptation and modernisation of policies and systems of education, training and employment, hereinafter referred to as 'Objective 3'. This objective shall provide financial assistance outside the regions covered by Objective 1 and provide a policy frame of reference for all measures to promote human resources in a national territory without prejudice to the specific features of each region.

In pursuing these objectives, the Community shall contribute to the harmonious, balanced and sustainable development of economic activities, the development of employment and human resources, the protection and improvement of the environment, and the elimination of inequalities, and the promotion of equality between men and women.

1. For the purposes of this Regulation, 'Structural Funds' shall mean the European Regional Development Fund (ERDF), the European Social Fund (ESF), the European Agricultural Guidance and Guarantee Fund (EAGGF), Guidance Section, and the Financial Instrument for Fisheries Guidance (FIFG), hereinafter referred to as 'the Funds'.

2. In accordance with Articles 33, 146 and 160 of the Treaty, the Funds shall contribute, each according to the specific provisions governing its operations, to the attainment of Objectives 1, 2 and 3, as follows:

- (a) Objective 1: ERDF, ESF, EAGGF Guidance Section and FIFG;
- (b) Objective 2: ERDF and ESF;
- (c) Objective 3: ESF.

3. The FIFG shall contribute to structural actions in the fisheries sector outside Objective 1 regions in accordance with Council Regulation (EC) No 1263/1999 of 21 June 1999 on the financial instrument for fisheries guidance⁽¹⁾.

The EAGGF Guarantee Section shall contribute to the attainment of Objective 2 in accordance with Regulation (EC) No 1257/1999.

4. The Funds shall contribute to financing Community initiatives and to supporting innovative measures and technical assistance.

Technical assistance measures shall be carried out within the framework of the programming defined in Articles 13 to 27 or at the initiative of the Commission under Article 23.

⁽¹⁾ See page 54 of this Official Journal.

5. The other resources of the Community budget which may be used to attain the Objectives referred to in Article 1 are in particular those allocated to other structural measures and to the Cohesion Fund.

The Commission and the Member States shall ensure that the operations of the Funds are consistent with other Community policies and operations, in particular in the areas of employment, equality between men and women, social policy and vocational training, the common agricultural policy, the common fisheries policy, transport, energy and the trans-European networks and the incorporation of the requirements of environmental protection into the definition and implementation of the operations of the Funds.

6. The EIB shall cooperate in attaining the objectives set out in Article 1, in accordance with the procedures laid down in its Statute.

The other existing financial instruments which may contribute, each according to the specific provisions governing its operations, to attaining the Objectives referred to in Article 1 include the European Investment Fund and the European Atomic Energy Community (Euratom) (loans, guarantees), hereinafter 'the other financial instruments'.

CHAPTER II

GEOGRAPHICAL ELIGIBILITY FOR THE PRIORITY OBJECTIVES

Article 3

Objective 1

1. The regions covered by Objective 1 shall be regions corresponding to level II of the Nomenclature of Territorial Statistical Units (NUTS level II) whose per capita GDP, measured in purchasing power parities and calculated on the basis of Community figures for the last three years available on 26 March 1999, is less than 75 % of the Community average.

The outermost regions (the French overseas departments, the Azores, the Canary Islands and Madeira), which are all below the 75 % threshold, and the areas eligible under Objective 6 for the period 1995 to 1999 pursuant to Protocol 6 to the Act of Accession of Austria, Finland and Sweden shall also be covered by this Objective.

2. The Commission shall draw up the list of regions covered by Objective 1 strictly in accordance with the first subparagraph of paragraph 1, without prejudice to Article 6(1) and Article 7(4), second subparagraph.

This list shall be valid for seven years from 1 January 2000.

Article 4

Objective 2

1. The regions covered by Objective 2 shall be those with structural problems whose socio-economic conversion is to be supported in accordance with Article 1(2) and whose population or area is sufficiently substantial. They shall include in particular areas undergoing socio-economic change in the industrial and service sectors, declining rural areas, urban areas in difficulty and depressed areas dependent on fisheries.

2. The Commission and the Member States shall seek to ensure that assistance is genuinely concentrated on the areas most seriously affected and at the most appropriate geographical level. The population of the areas referred to in paragraph 1 shall not exceed 18 % of the total population of the Community. Accordingly, the Commission shall lay down a population ceiling for each Member State on the basis of the following factors:

- (a) the total population in the NUTS III areas of each Member State which meet the criteria referred to in paragraphs 5 and 6;
- (b) the severity of the structural problems at national level in each Member State as compared with the other Member States concerned. Such severity shall be assessed on the basis of total unemployment and long-term unemployment outside the regions eligible under Objective 1;
- (c) the need to ensure that each Member State makes a fair contribution to the overall concentration effort as defined in this subparagraph; the maximum reduction in the population covered by Objective 2 shall not exceed one third compared to the population covered by Objectives 2 and 5b as set out in Regulation (EEC) No 2052/88, in 1999.

The Commission shall provide the Member States with all the information it has available about the criteria set out in paragraphs 5 and 6.

3. Subject to the ceilings referred to in paragraph 2, the Member States shall propose to the Commission a list of significant areas representing:

- (a) the NUTS level III regions, or the most seriously affected areas within those regions, which satisfy either the criteria set out in paragraph 5 or those set out in paragraph 6;
- (b) the areas satisfying the criteria referred to in paragraph 7 or paragraph 8 or Member States' specific criteria referred to in paragraph 9.

The Member States shall provide the statistics and other information, at the most appropriate geographical level, which the Commission requires to evaluate these proposals.

4. On the basis of the information referred to in paragraph 3, the Commission, in close concertation with the Member State concerned, shall draw up the list of areas eligible under Objective 2 with due regard to national priorities, without prejudice to Article 6(2).

The areas meeting the criteria in paragraphs 5 and 6 must contain at least 50% of the population covered by Objective 2 in each Member State, except where duly justified by objective circumstances.

5. The areas undergoing socio-economic change referred to in paragraph 1 shall represent or belong to a NUTS level III territorial unit which satisfies the following criteria:

- (a) an average rate of unemployment over the last three years above the Community average;
- (b) a percentage share of industrial employment in total employment equal to or greater than the Community average in any reference year from 1985 onwards;
- (c) an observable fall in industrial employment compared with the reference year chosen in accordance with (b).

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

- (a) either a population density of less than 100 people per km², or a percentage share of agricultural employment in total employment which is equal to, or higher than, twice the Community average in any reference year from 1985;

- (b) either an average unemployment rate over the last three years above the Community average, or a decline in population since 1985.

7. The urban areas referred to in paragraph 1 shall mean densely populated areas which also meet at least one of the following criteria:

- (a) a rate of long-term unemployment higher than the Community average;
- (b) a high level of poverty, including precarious housing conditions;
- (c) a particularly damaged environment;
- (d) a high crime and delinquency rate;
- (e) a low level of education among the population.

8. The areas dependent on fisheries referred to in paragraph 1 shall mean coastal areas in which the number of jobs in the fisheries industry as a percentage of total employment is significant and which are facing structural socio-economic problems relating to the restructuring of the fisheries sector which result in a significant reduction in the number of jobs in that sector.

9. Community assistance may extend to areas whose population or area is significant which fall into one of the following categories:

- (a) areas meeting the criteria set out in paragraph 5 which are adjacent to an industrial area, areas meeting the criteria set out in paragraph 6 which are adjacent to a rural area, areas which meet either the criteria set out in paragraph 5 or those set out in paragraph 6 which are adjacent to a region covered by Objective 1;
- (b) rural areas with socio-economic problems arising either from the ageing or decline of the agricultural working population;
- (c) areas facing or threatened by serious structural problems on account of relevant, verifiable characteristics, or a high level of unemployment arising from an ongoing or planned restructuring of one or more activities in the agricultural, industrial or service sector.

10. Any one area may be eligible for assistance under only one of Objectives 1 or 2.

11. The list of areas shall be valid for seven years from 1 January 2000.

Where there is a serious crisis in a region, the Commission, acting on a proposal from a Member State, may amend the list of areas during 2003 in accordance with paragraphs 1 to 10 without increasing the proportion of the population within each region referred to in Article 13(2).

Article 5

Objective 3

The areas eligible for financing under Objective 3 shall be those not covered by Objective 1.

Article 6

Transitional support

1. Notwithstanding Article 3, the regions covered by Objective 1 in 1999 pursuant to Regulation (EEC) No 2052/88 which are not referred to in the second subparagraph of Article 3(1) and (2) of this Regulation shall continue to receive support from the Funds under Objective 1 on a transitional basis from 1 January 2000 to 31 December 2005.

At the time of adoption of the list referred to in Article 3(2), the Commission shall draw up in accordance with Article 4(5) and (6) the list of the NUTS level III areas belonging to those regions which are to receive support from the Funds under Objective 1 on a transitional basis in 2006.

However, within the limit of the population of the areas referred to in the second subparagraph and in conformity with the provisions of Article 4(4), second subparagraph, the Commission may on a proposal from a Member State, substitute these areas by areas at or smaller than NUTS level III belonging to those regions which satisfy the criteria of Article 4(5) to (9).

The areas of the regions not on the list referred to in the second and third subparagraphs shall continue to receive support in 2006 from the ESF, FIFG and the EAGGF Guidance Section only, within the same form of assistance.

2. Notwithstanding Article 4, the regions covered by Objectives 2 and 5(b) in 1999 pursuant to Regulation (EEC) No 2052/88 which are not on the list referred to in Article 4(4) of this Regulation shall

receive support from the ERDF, from 1 January 2000 to 31 December 2005, under Objective 2 pursuant to this Regulation, on a transitional basis.

Such areas shall receive support from 1 January 2000 to 31 December 2006 from the ESF under Objective 3 on the same basis as Objective 3 areas, the EAGGF Guarantee Section under its support to rural development and from the FIFG under its structural measures in the fisheries sector outside of Objective 1.

CHAPTER III

FINANCIAL PROVISIONS

Article 7

Resources and concentration

1. The resources available for commitment from the Funds for the period 2000 to 2006 shall be EUR 195 billion at 1999 prices.

The annual breakdown of those resources is shown in the Annex.

2. The breakdown of budgetary resources between objectives shall be such as to achieve a significant concentration on Objective 1 regions.

69,7% of the Structural Funds will be allocated to Objective 1, including 4,3% for transitional support (i.e. a total of EUR 135,9 billion).

11,5% of the Structural Funds will be allocated to Objective 2, including 1,4% for transitional support (i.e. a total of EUR 22,5 billion).

12,3% of the Structural Funds will be allocated to Objective 3 (i.e. a total of EUR 24,05 billion).

The figures stated for Objectives 1, 2 and 3 do not include the financial resources referred to in paragraph 6 nor the financing for FIFG outside Objective 1.

3. Using transparent procedures, the Commission shall make indicative breakdowns by Member State of the commitment appropriations available for the programming referred to in Articles 13 to 19, taking full account, for Objectives 1 and 2, of one or more objective criteria similar to those covered by Regulation (EEC) No 2052/88, namely: eligible

population, regional prosperity, national prosperity and the relative severity of the structural problems, especially the level of unemployment.

For Objective 3, the breakdown by Member State shall be based principally on the eligible population, the employment situation and the severity of the problems, such as social exclusion, education and training levels, and participation of women in the labour market.

For Objectives 1 and 2, these breakdowns shall distinguish allocations of appropriations to regions and areas benefiting from transitional support. These allocations shall be determined in accordance with the criteria referred to in the first subparagraph. The annual breakdown of these appropriations shall be degressive from 1 January 2000 and shall be lower in 2000 than in 1999. The profile of transitional support may be tailored to the specific needs of individual regions, in agreement with the Commission, provided the financial allocation for each region is respected.

Using transparent procedures, the Commission shall also make indicative breakdowns by Member State of the commitment appropriations available for the structural actions in the fisheries sector outside Objective 1 regions, as referred to in Article 2(3), first subparagraph.

4. Under Objective 1, a PEACE programme in support of the peace process in Northern Ireland shall be established for the years 2000 to 2004 for the benefit of Northern Ireland and the border areas of Ireland.

Under Objective 1, a special programme of assistance for the period 2000 to 2006 shall be established for the Swedish NUTS-II regions which are not covered by the list referred to in Article 3(2) and which meet the criteria laid down in Article 2 of Protocol 6 to the Act of Accession for Austria, Sweden and Finland.

5. 4% of commitment appropriations under each national indicative breakdown referred to in paragraph 3 shall be allocated in accordance with Article 44.

6. For the period referred to in paragraph 1, 5,35% of the commitment appropriations for the Structural Funds referred to in paragraph 1 shall be devoted to funding the Community initiatives.

0,65% of the appropriations referred to in paragraph 1 shall be devoted to funding innovative measures and technical assistance as defined in Articles 22 and 23.

7. For the purpose of their programming and subsequent inclusion in the general budget of the European Communities, the sums referred to in paragraph 1 shall be indexed as from 1 January 2000 at 2% per year.

Indexation of the allocations for 2004 to 2006 shall be reviewed, if necessary, by 31 December 2003 at the latest for technical adjustment by the Commission on the basis of the latest economic information available. The difference relative to the initial programming shall be reallocated for inclusion in the sum referred to in paragraph 5.

8. Total annual receipts in any Member State from the Structural Funds pursuant to this Regulation — in combination with assistance provided under the Cohesion Fund — should not exceed 4% of national GDP.

CHAPTER IV

ORGANISATION

Article 8

Complementarity and partnership

1. Community actions shall complement or contribute to corresponding national operations. They shall be drawn up in close consultation, hereinafter referred to as the 'partnership', between the Commission and the Member State, together with the authorities and bodies designated by the Member State within the framework of its national rules and current practices, namely:

- the regional and local authorities and other competent public authorities,
- the economic and social partners,
- any other relevant competent bodies within this framework.

The partnership shall be conducted in full compliance with the respective institutional, legal and financial powers of each of the partners as defined in the first subparagraph.

In designating the most representative partnership at national, regional, local or other level, the Member State shall create a wide and effective association of all the relevant bodies, according to national rules and

practice, taking account of the need to promote equality between men and women and sustainable development through the integration of environmental protection and improvement requirements.

All the designated parties, hereinafter referred to as the 'partners', shall be partners pursuing a common goal.

2. Partnership shall cover the preparation, financing, monitoring and evaluation of assistance. Member States shall ensure the association of the relevant partners at the different stages of programming, taking account of the time limit for each stage.

3. In application of the principle of subsidiarity, the implementation of assistance shall be the responsibility of the Member States, at the appropriate territorial level according to the arrangements specific to each Member State, and without prejudice to the powers vested in the Commission, notably for implementing the general budget of the European Communities.

4. Member States shall cooperate with the Commission to ensure that Community Funds are used in accordance with the principles of sound financial management.

5. Each year, the Commission shall consult the European-level organisations representing the social partners about the structural policy of the Community.

Article 9

Definitions

For the purposes of this Regulation:

- (a) *programming*: means the organising, decision-making and financing process carried out in a number of stages to implement on a multiannual basis the joint action of the Community and the Member States to attain the Objectives referred to in Article 1;
- (b) *development plan* (hereinafter referred to as '*the plan*'): means the analysis of the situation prepared by a Member State in the light of the objectives referred to in Article 1 and the priority needs for attaining those objectives, together with the strategy, the planned action priorities, their specific goals and the related indicative financial resources;
- (c) *Objective 3 policy frame of reference*: means a document which sets the context for assistance

concerning employment and human-resource development throughout the territory of each Member State, and which identifies the relationship with the priorities set out in the National Action Plan for Employment;

- (d) *Community support framework*: means the document approved by the Commission, in agreement with the Member State concerned, following appraisal of the plan submitted by a Member State and containing the strategy and priorities for action of the Funds and the Member State, their specific objectives, the contribution of the Funds and the other financial resources. This document shall be divided into priorities and implemented by means of one or more operational programmes;
- (e) *assistance*: means the forms of assistance provided by the Funds, i.e.:
 - (i) operational programmes or single programming documents;
 - (ii) Community initiative programmes;
 - (iii) support for technical assistance and innovative measures;
- (f) *operational programme*: means the document approved by the Commission to implement a Community support framework and comprising a consistent set of priorities comprising multiannual measures and which may be implemented through recourse to one or more Funds, to one or more of the other existing financial instruments and to the EIB. An integrated operational programme means an operational programme financed by more than one Fund;
- (g) *single programming document*: means a single document approved by the Commission and containing the same information to be found in a Community support framework and operational programme;
- (h) *priority*: means one of the priorities of the strategy adopted in a Community support framework or assistance; to it is assigned a contribution from the Funds and other financial instruments and the relevant financial resources of the Member State and a set of specified targets;
- (i) *global grant*: means that part of assistance the implementation and management of which may be entrusted to one or more approved intermediaries in accordance with Article 27(1), including local

authorities, regional development bodies or non-governmental organisations, used preferably to assist local development initiatives. The decision to employ a global grant shall be taken in agreement with the Commission by the Member State or, in agreement with the Member State, by the managing authority.

In the case of Community initiative programmes and innovative measures, the Commission may decide to employ a global grant for all or part of the assistance. In the case of Community initiatives, this decision may only be taken with the prior agreement of the Member States concerned.

- (j) *measure*: means the means by which a priority is implemented over several years which enable operations to be financed. Any aid scheme pursuant to Article 87 of the Treaty or any aid granted by bodies designated by the Member States, or any group of aid schemes or aid grants of this type or any combination thereof which have the same purpose and are defined as a measure;
- (k) *operation*: means any project or action carried out by the final beneficiaries of assistance;
- (l) *final beneficiaries*: means the bodies and public or private firms responsible for commissioning operations. In the case of aid schemes pursuant to Article 87 of the Treaty and in the case of aid granted by bodies designated by the Member States, the final beneficiaries are the bodies which grant the aid;
- (m) *programme complement*: means the document implementing the assistance strategy and priorities and containing detailed elements at measure level, as set out in Article 18(3), drawn up by the Member State or managing authority and revised as necessary in accordance with Article 34(3). It is sent to the Commission for information;
- (n) *managing authority*: means any public or private authority or body at national, regional or local level designated by the Member State, or the Member State when it is itself carrying out this function, to manage assistance for the purposes of this Regulation. If the Member State designates a managing authority other than itself, it shall determine all the modalities of its relationship with the managing authority and of the latter's relationship with the Commission. If the Member State so decides, the managing authority may be

the same body as the paying authority for the assistance concerned;

- o) *paying authority*: means one or more national, regional or local authorities or bodies designated by the Member States for the purposes of drawing up and submitting payment applications and receiving payments from the Commission. The Member State shall determine all the modalities of its relationship with the paying authority and of the latter's relationship with the Commission.

Article 10

Coordination

1. Coordination between the various Funds shall be carried out in particular through:

- (a) the plans, the Community support frameworks, the operational programmes and the single programming documents (as defined in Article 9) including the frame of reference where relevant in accordance with Article 9(1)(c);
- (b) the monitoring and evaluation of assistance under an Objective;
- (c) the guidelines referred to in paragraph 3.

2. The Commission and Member State shall, in a manner consistent with the principle of partnership, ensure coordination of assistance from the different Funds between the Funds and with assistance from the EIB and other existing financial instruments.

In order to maximise the stimulus provided by the budget resources deployed, making use of appropriate financial instruments, the Community assistance provided in the form of grants may be combined in an appropriate way with loans and guarantees. This combination may be determined in conjunction with the EIB when the Community support framework or single programming document is being drawn up. It may take account of the balance in the proposed financing plan, the contribution from the Funds and the development goals pursued.

3. No later than one month from the entry into force of this Regulation and subsequently before the mid-term review referred to in Article 42, and on each occasion after consulting all Member States, the

Commission shall publish broad, indicative guidelines on relevant and agreed Community policies in relation to the objectives referred to in Article 1, to help the competent national and regional authorities to draw up development plans and to carry out any revision of the assistance. This guidance shall be published in the *Official Journal of the European Communities*.

Article 11

Additionality

1. In order to achieve a genuine economic impact, the appropriations of the Funds may not replace public or other equivalent structural expenditure by the Member State.

2. For this purpose, the Commission and the Member State concerned shall determine the level of public or equivalent structural expenditure that the Member State is to maintain in the sum of its regions covered by Objective 1 during the programming period.

For Objectives 2 and 3 taken together, the Commission and the Member State concerned shall determine the level of expenditure on the active labour-market policy and, where justified, other actions designed to make it possible to achieve the goals of those two Objectives which the Member State is to maintain at national level during the programming period.

Such expenditure shall be determined by the Member State and the Commission, taking account of the provisions of the fourth subparagraph, in advance of the Commission decision approving any Community support framework or single programming documents relating to the Member State concerned and shall be integrated into those documents.

As a general rule, the level of expenditure referred to in the first and second subparagraphs shall be at least equal to the amount of average annual expenditure in real terms achieved in the previous programming period and shall be determined in the light of the general macroeconomic circumstances in which the funding takes place, although account should be taken of certain specific economic situations, namely privatisations, an exceptional level of public structural effort or equivalent effort on the part of the Member State during the previous programming period and national economic trends.

Account shall also be taken of any reduction in Structural Fund expenditure when compared to the period 1994 to 1999.

3. Additionality shall be verified at the territorial level set out in paragraph 2 at three points during the programming period:

(a) an *ex-ante* verification as described in the third subparagraph of paragraph 2, to provide a frame of reference for the whole programming period;

(b) a mid-term verification no later than three years after approval of the Community support framework or the single programming documents and as a general rule no later than 31 December 2003, following which the Commission and the Member State may agree to revise the level of structural expenditure to be attained if the economic situation has resulted in developments in public revenue or employment in the Member State concerned significantly different from those expected at the time of the *ex-ante* verification;

(c) a verification by 31 December 2005.

To that end, the Member State shall provide the Commission with appropriate information at the time when the plans are submitted and when the mid-term verification and the verification before 31 December 2005 are made. Where necessary, methods of statistical estimation shall be used.

Independently of these verifications, the Member State shall inform the Commission at any point during the programming period of developments likely to call into question its ability to maintain the level of expenditure referred to in paragraph 2.

Article 12

Compatibility

Operations financed by the Funds or receiving assistance from the EIB or from another financial instrument shall be in conformity with the provisions of the Treaty, with instruments adopted under it and with Community policies and actions, including the rules on competition, on the award of public contracts, on environmental protection and improvement and on the elimination of inequalities and the promotion of equality between men and women.

TITLE II

PROGRAMMING

CHAPTER I

GENERAL PROVISIONS CONCERNING
OBJECTIVES 1, 2 AND 3*Article 13***Geographical coverage**

1. Plans submitted under Objective 1 shall be drawn up at the geographical level deemed by the Member State concerned to be most appropriate but shall, as a general rule, cover a single region at NUTS level II. However, Member States may submit a general development plan covering some or all of their regions included in the list referred to in Article 3(2), Article 6(1) and Article 7(4), provided that such plan contains the features listed in Article 16.

2. Plans submitted under Objective 2 shall be drawn up at the geographical level deemed by the Member State concerned to be most appropriate, but shall as a general rule comprise all the areas covered by a single NUTS level II region, included in the list referred to in Article 4(4) and Article 6(2). However, the Member States may submit a plan covering certain or all of their regions included in the list referred to in Article 4(4) and in Article 6(2), provided that such plan contains the features listed in Article 16. Where plans cover regions other than those eligible under Objective 2, they shall distinguish between operations in regions or areas covered by Objective 2 and operations elsewhere.

3. Plans submitted under Objective 3 shall cover the territory of a Member State in respect of assistance outside the regions covered by Objective 1 and, taking into account the general needs of areas facing structural problems of socio-economic conversion, shall provide, for the whole of the national territory, a framework of reference for developing human resources.

*Article 14***Duration and revision**

1. Each plan, Community support framework, operational programme and single programming

document shall cover a period of seven years, without prejudice to Article 6 and Article 7(4), first subparagraph.

The programming period shall begin on 1 January 2000.

2. Community support frameworks, operational programmes and single programming documents shall be re-examined and, if necessary, adapted at the initiative of the Member State or the Commission in agreement with the Member State, in accordance with this Title following the mid-term evaluation referred to in Article 42 and the allocation of the performance reserve referred to in Article 44.

They may also be revised in the event of significant changes in the socio-economic situation and the labour market.

*Article 15***Preparation and approval**

1. In respect of Objectives 1, 2 and 3, Member States shall submit a plan to the Commission. That plan shall be drawn up by the competent authorities designated by the Member State at national, regional and other level. In cases where assistance is to take the form of a single programming document, the plan shall be dealt with as a draft single programming document.

In respect of Objective 1, Community support frameworks shall be employed for all regions covered by Objective 1; however, where the Community allocation is less than or does not substantially exceed EUR 1 000 million, the Member States shall, as a general rule, submit a draft single programming document.

In respect of Objectives 2 and 3, single programming documents shall as a general rule be employed; however, Member States may elect to have a Community support framework drawn up.

2. The plans shall be submitted by the Member State to the Commission after consultation with the partners, who shall express their views within a period of time consistent with the deadline set in the second subparagraph.

Unless otherwise agreed with the Member State concerned, plans shall be submitted not later than four months after the list of eligible regions referred to in Article 3(2) and Article 4(4) have been drawn up.

3. The Commission shall appraise these plans to determine whether they are consistent with the aims of this Regulation, taking account of the framework of reference referred to in Article 9(1)(c), other Community policies and Article 41(2).

The Commission shall also appraise each Objective 3 plan proposed in the light of the consistency of the measures envisaged with the national plan for implementing the European employment strategy in accordance with Article 16(1)(b) and having regard to the manner in which and the degree to which the general needs of areas facing structural problems of socio-economic conversion are taken into account.

4. Where applicable as provided in paragraph 1, the Commission shall draw up the Community support frameworks in agreement with the Member State concerned and following the procedures laid down in Articles 48 to 51. The EIB may be involved in the preparation of the Community support frameworks. The Commission shall take a decision on the contribution from the Funds not later than five months after receiving the relevant plan or plans provided they contain all the features listed in Article 16.

The Commission shall appraise the proposed operational programmes submitted by the Member State to determine whether they are consistent with the aims of the corresponding Community support framework and compatible with other Community policies. It shall adopt a decision on the contribution of the Funds in accordance with Article 28(1) and in agreement with the Member State concerned, provided that the proposals contain all the features listed in Article 18(2).

In order to expedite the examination of applications and the implementation of programmes, the Member States may submit, at the same time as their plans, draft operational programmes. When adopting its decision on a Community support framework, the Commission shall also approve, in accordance with Article 28(1), the operational programmes submitted at the same time as the plans provided they include all the features listed in Article 18(2).

5. Where applicable as provided in paragraph 1 on the basis of the plans, the Commission shall take a decision on the single programming documents in agreement with the Member State concerned, following the procedures laid down in Articles 48 to

51. The EIB may be involved in the preparation of the single programming documents. The Commission shall take a single decision on the single programming document and the contribution of the Funds pursuant to Article 28(1) not later than five months after having received the relevant plan, provided that it contains all the features listed in Article 19(3).

6. The Member State or the managing authority shall adopt the programme complement defined in Article 9(m) after the agreement of the Monitoring Committee if the programme complement is drawn up after the Commission decision on the contribution of the Funds, or after consulting the relevant partners if it is drawn up before the decision on the contribution of the Funds. In the latter case, the Monitoring Committee shall either confirm the programme complement or request an adjustment in accordance with Article 34(3).

Within three months of the Commission decision approving an operational programme or single programming document, the Member State shall send the programme complement to the Commission in a single document for information.

7. The Commission decisions on a Community support framework or single programming document shall be published in the *Official Journal of the European Communities*. At the request of the European Parliament, the Commission shall transmit to it, for information, these decisions and the Community support framework and single programming documents it has approved.

CHAPTER II

CONTENT OF THE PROGRAMMING FOR OBJECTIVES 1, 2 AND 3

Article 16

Plans

1. The plans submitted under Objectives 1, 2 and 3 shall be based on appropriate national and regional priorities and shall take account of the indicative guidance referred to in Article 10(3) and shall include:

- (a) a description, quantified where it lends itself to quantification, of the current situation either with regard to disparities, gaps and potential for development in the regions covered by Objective 1, or in terms of conversion in the areas covered by Objective 2, or in terms of developing human

resources and employment policy in the Member State and the areas covered by Objective 3; also, a description of the financial resources deployed and the main results of operations undertaken in the previous programming period with regard to the evaluation results available;

- (b) a description of an appropriate strategy to attain the objectives referred to in Article 1 and the priorities selected for the sustainable development and conversion of regions and areas, including rural areas, and the related development of human resources and the adaptation and modernisation of policies and systems for education, training and employment.

In addition to the other items listed in this point, Member States shall demonstrate in each Objective 3 plan that the priorities planned are consistent with the prevailing national employment plan, by reference to a description of the main aims of the strategy and the main means of attaining them.

Similarly, Member States shall demonstrate that the activities provided for in each Objective 2 plan on human resources and employment to be assisted by the ESF are integrated into the conversion strategy, coordinated with the other Funds and consistent with the *ex-ante* evaluation relating to human resources and employment as referred to in Article 41(2). If these needs do not amount to a significant sum, they shall be covered by Objective 3;

- (c) an indication of the planned use and form of the financial contribution from the Funds and, where appropriate, the EIB and the other financial instruments including, for information, the total amount from the EAGGF Guarantee Section for the measures referred to in Article 33 of Regulation (EC) No 1257/1999; the expected requirement for technical assistance; an indication as regards additionality in accordance with Article 11(2), whereby for Objective 1 this should take the form of an indicative overall financing table summarising the public or equivalent and, where appropriate, estimated private resources and the Community structural resources allocated corresponding to each priority proposed in the plan.

In any case, the plans shall distinguish between the financial envelopes allocated to areas receiving transitional support and those allocated to other areas covered by Objective 1 or 2.

In the case of ESF assistance under Objective 2 or 3, the percentage contribution may be higher in Objective 2 areas than in others.

In the case of Objective 3, this financing plan shows the concentration of appropriations planned for the areas facing structural problems of economic and social conversion;

- (d) an account of arrangements made to consult partners.

2. For regions covered by Objective 1, the plans shall include all relevant measures for economic and social conversion, the development of human resources, having regard to the frame of reference referred to in Article 9(1)(c), and rural development and fisheries structures.

Where a Member State is covered in its entirety by Objective 1, the plan shall cover the points in the second subparagraph of paragraph (1)(b).

3. Member States shall indicate the particulars relating to each Fund, including the amount of the financial contribution requested and an outline of the operational programmes planned with particular regard to their specific aims and the main types of actions planned.

Article 17

Community support frameworks

1. The Community support framework shall provide coordination of all Community structural assistance in the regions concerned, including, in accordance with Article 1(3), assistance for the development of human resources.

2. Each Community support framework shall include:

- (a) a statement of the strategy and priorities for joint Community and national action; their specific objectives, quantified where they lend themselves to quantification; evaluation of the expected impact in accordance with Article 41(2); an indication of how this strategy and these priorities have taken account of the indicative guidance referred to in Article 10(3), the economic policies, the strategy for developing employment through improving the adaptability and skills of people and, where appropriate, the regional policies of the Member State concerned;

(b) an indication of the nature and the duration of the operational programmes not decided at the same time as the Community support framework, including their specific aims and the priorities selected;

(c) an indicative financing plan specifying, in accordance with Articles 28 and 29, for each priority and each year, the financial allocation envisaged for the contribution of each Fund, where appropriate the EIB, the other financial instruments — including, for information, the total amount from the EAGGF Guarantee Section for the measures referred to in Article 33 of Regulation (EC) No 1257/1999 — where they contribute directly to the financing plan concerned and the total amount of eligible public and estimated private funding relating to the contribution of each Fund.

In the case of Objective 3, that financing plan shall show the concentration of appropriations planned for the areas facing structural problems of economic and social conversion.

This financing plan shall distinguish the funding planned for the regions receiving transitional support.

The total contribution of the Funds planned for each year for each Community support framework shall be compatible with the relevant financial perspective, taking account of the degressivity referred to in the third subparagraph of Article 7(3);

(d) the provisions for implementing a Community support framework including:

— designation by the Member State of a managing authority within the meaning of Article 9(n) responsible for managing the Community support framework in accordance with Article 34,

— arrangements for involving the partners in the Monitoring Committees described in Article 35;

(e) where appropriate, information on the appropriations required for preparing, monitoring and evaluating assistance.

In accordance with Article 11, the Community support frameworks shall include the *ex-ante* verification of additionality and the appropriate information concerning the transparency of financial flows, in particular from the Member State concerned to the beneficiary regions.

Article 18

Operational programmes

1. Assistance covered by a Community support framework shall as a general rule be provided in the form of an integrated operational programme by region, as defined in Article 9.

2. Each operational programme shall contain:

(a) the priorities of the programme, their consistency with the relevant Community support framework, their specific targets, quantified where they lend themselves to quantification, and an evaluation of the impact expected, in accordance with Article 41(2);

(b) a summary description of the measures planned to implement the priorities, including the information needed to check compliance with aid schemes pursuant to Article 87 of the Treaty; where appropriate, the nature of the measures required to prepare, monitor and evaluate the operational programme;

(c) an indicative financing plan specifying for each priority and each year, in accordance with Articles 28 and 29, the financial allocation envisaged for the contribution of each Fund, the EIB where appropriate, and the other financial instruments — including, for information, the total amount from the EAGGF Guarantee Section for the measures referred to in Article 33 of Regulation (EC) No 1257/1999 — in so far as they contribute directly to the financing plan, as well as the total amount of eligible public and estimated private funding relating to the contribution of each Fund.

This financing plan shall distinguish in the total contribution of the various Funds the funding planned for the regions receiving transitional support.

The total contribution of the Funds planned for each year shall be compatible with the relevant financial perspective, taking account of the degressivity referred to in the third subparagraph of Article 7(3);

(d) the provisions for implementing an operational programme shall include:

(i) designation by the Member State of a managing authority within the meaning of Article 9(n) responsible for managing the

operational programme in accordance with Article 34;

- (ii) a description of the arrangements for managing the operational programme;
- (iii) a description of the systems for monitoring and evaluation, including the role of the Monitoring Committee;
- (iv) a definition of the procedures concerning the mobilisation and circulation of financial flows to ensure their transparency;
- (v) a description of the specific arrangements and procedures for checking on the operational programme.

3. The programme complement shall contain:

- (a) the measures implementing the corresponding priorities in the operational programme; *ex-ante* evaluation, in accordance with Article 41(3), of quantified measures, where they lend themselves to quantification; the relevant monitoring indicators in accordance with Article 36;
- (b) the definition of the types of final beneficiary of measures;
- (c) the financing plan specifying for each measure, in accordance with Articles 28 and 29, the financial allocation envisaged for the contribution of the Fund concerned, the EIB where appropriate, and the other existing financial instruments and the amount of eligible public or equivalent funding and estimated private funding relating to the contribution of the Funds; the percentage contribution of a Fund to a measure shall be determined in accordance with Article 29 and the total amount of Community funds allocated to the priority concerned.

This financing plan shall distinguish the funding planned for the regions receiving transitional support.

The financing plan shall be accompanied by a description of the arrangements for providing the co-financing for measures, taking account of the institutional, legal and financial systems of the Member State concerned;

- (d) measures intended to publicise the operational programme in accordance with Article 46;

- (e) a description of arrangements agreed between the Commission and the Member State concerned for the computerised exchange, where possible, of the data required to fulfil the management, monitoring and evaluation requirements of this Regulation.

Article 19

Single programming documents

1. Assistance under Objectives 2 and 3, and under Objective 1 as specified in Article 15(1), shall, as a general rule, take the form of single programming documents. In the case of Objectives 2 and 3, Article 15(1)(c) shall apply.

2. An Objective 1 single programming document shall include all relevant measures for economic and social conversion, the development of employment through improving adaptability and skills of people, having regard to the frame of reference referred to in Article 9(1)(c) and rural development and fisheries structures.

An Objective 2 single programming document shall provide coordination of all Community structural assistance including, in accordance with Article 41(2) of Regulation (EC) No 1257/1999, the coordination of rural development measures pursuant to Article 33 of that Regulation, but excluding assistance for developing human resources granted under Objective 3, in all the areas covered by Objective 2.

An Objective 3 single programming document shall provide coordination of all Community structural assistance for the development of human resources in the areas referred to in Article 5, excluding aid in this area granted under Objective 2.

3. Each single programming document shall contain the following elements:

- (a) a statement of the strategy and priorities for joint Community and national action; their specific objectives, quantified where they lend themselves to quantification; an evaluation of the expected impact, including on the environmental situation, in accordance with Article 41(2); an indication of how this strategy and these priorities have taken account of the indicative guidelines referred to in Article 10(3), the economic policies, the strategy for developing employment through improving the adaptability and skills of people and, where

- appropriate, the regional policies of the Member State concerned;
- (b) a summary description of the measures planned to implement the priorities, including the information needed to check the compliance with aid schemes pursuant to Article 87 of the Treaty; where appropriate, the nature of the measures required to prepare, monitor and evaluate the single programming document;
- (c) an indicative financing plan specifying for each priority and each year, in accordance with Articles 28 and 29, the financial allocation envisaged for the contribution of each Fund, the EIB where appropriate, and the other financial instruments — including, for information, the total amount from the EAGGF Guarantee Section for the measures referred to in Article 33 of Regulation (EC) No 1257/1999 — in so far as they contribute directly to the financing plan, as well as the total amount of eligible public or equivalent and estimated private funding relating to the contribution of each Fund.
- (iv) a definition of the procedures concerning the mobilisation and circulation of funding to ensure that flows are transparent;
- (v) a description of the specific arrangements and procedures for checking on the single programming document;
- (e) where appropriate, information on the resources required for preparing, monitoring and evaluating assistance.
- In accordance with Article 11, the single programming document shall include the *ex-ante* verification of additionality for the relevant objective or objectives agreed between the Member State and the Commission and appropriate information concerning the transparency of financial flows, in particular from the Member State concerned to the beneficiary regions.
4. Each single programming document shall be supplemented by a programme complement as defined in Article 9(m) and described in Article 18(3).

This financing plan shall distinguish the funding planned for the regions receiving transitional support.

The total contribution of the Funds planned for each year shall be compatible with the relevant financial perspective, taking account of the depressivity referred to in the third subparagraph of Article 7(3).

In the case of Objective 3, the financing plan shall indicate the concentration of appropriations planned for the areas facing structural, economic and social reconversion problems;

- (d) the provisions for implementing a single programming document shall include:
- (i) the designation by the Member State of a managing authority within the meaning of Article 9 responsible for managing the single programming document in accordance with Article 34;
- (ii) a description of the arrangements for managing the single programming document;
- (iii) a description of the systems for monitoring and evaluation, including the role of the Monitoring Committee;
- (a) cross-border, transnational and interregional cooperation intended to encourage the harmonious, balanced and sustainable development of the whole of the Community area ('Interreg');
- (b) economic and social regeneration of cities and of urban neighbourhoods in crisis with a view to promoting a sustainable urban development ('URBAN');
- (c) rural development ('Leader');
- (d) transnational cooperation to promote new means of combating all forms of discrimination and inequalities in connection with the labour market ('EQUAL').
2. At least 2,5% of the Structural Funds commitment appropriations referred to in Article 7(1) shall be allocated to Interreg, under which due

CHAPTER III

COMMUNITY INITIATIVES

Article 20

Content

1. The Community initiatives shall cover the following fields:

- (a) cross-border, transnational and interregional cooperation intended to encourage the harmonious, balanced and sustainable development of the whole of the Community area ('Interreg');
- (b) economic and social regeneration of cities and of urban neighbourhoods in crisis with a view to promoting a sustainable urban development ('URBAN');
- (c) rural development ('Leader');
- (d) transnational cooperation to promote new means of combating all forms of discrimination and inequalities in connection with the labour market ('EQUAL').

2. At least 2,5% of the Structural Funds commitment appropriations referred to in Article 7(1) shall be allocated to Interreg, under which due

attention should be given to cross-border activities, in particular in the perspective of enlargement, and for Member States which have extensive frontiers with the applicant countries, as well as to improved coordination with the PHARE, TACIS and MEDA programmes. Due attention shall also be given to cooperation with the outermost regions.

Due account shall be taken of the social and vocational integration of asylum seekers in the framework of EQUAL.

3. Programmes approved within the framework of the Community initiatives may cover areas other than those referred to in Articles 3 and 4.

Article 21

Preparation, approval and implementation

1. In accordance with the procedures referred to in Articles 48 to 51 and after notifying them for information to the European Parliament, the Commission shall lay down guidelines describing, for each initiative, the aims, scope and the appropriate method of implementation. Those guidelines shall be published in the *Official Journal of the European Communities*.

2. Each area referred to in Article 20(1) shall be financed by a single Fund: the area referred to in paragraph 1(a) and (b) from the ERDF, the area referred to in paragraph 1(c) from the EAGGF Guidance Section and the area referred to in paragraph 1(d) from the ESF. The decision on the contribution of a Fund may amplify the scope of each Fund as defined in the Regulations specific to each Fund, but without broadening it, to include all measures required to implement the Community initiative programme concerned.

3. On the basis of proposals drawn up in accordance with the guidelines referred to in paragraph 1 and with Article 41(2) and submitted by the Member State(s), the Commission shall decide on Community initiative programmes in accordance with Article 28.

4. The Community initiative programmes shall be re-examined following the mid-term evaluation referred to in Article 42 and amended where required on application by the Member State(s) concerned or by the Commission by agreement with the Member State(s).

5. The Community initiative programmes shall cover a period of seven years, beginning on 1 January 2000.

CHAPTER IV

INNOVATIVE ACTIONS AND TECHNICAL ASSISTANCE

Article 22

Innovative actions

1. At the initiative of the Commission and following consultation of the committees referred to in Articles 48 to 51 on the guidelines for the various types of innovative actions, subject to a ceiling of 0,40% of their respective annual funding, the Funds may finance innovative actions at Community level. These shall include studies, pilot projects and exchanges of experience.

Such innovative actions shall contribute to the preparation of innovative methods and practices designed to improve the quality of assistance under Objectives 1, 2 and 3. They shall be implemented in a simple, transparent fashion and in accordance with the principles of sound financial management.

2. Each field of action for pilot projects shall be financed by one fund only. The decision on the contribution of a fund may amplify the scope of each fund as defined in the Regulations specific to each fund, but without broadening it, to include all measures required to implement the pilot project concerned.

Article 23

Technical assistance

At the initiative or on behalf of the Commission and following consultation of the committees referred to in Articles 48 to 51 on the different types of measures, subject to a ceiling of 0,25% of their respective annual allocation, the Funds may finance the preparatory, monitoring, evaluation and checking measures necessary for implementing this Regulation. These shall include:

(a) studies, including studies of a general nature, concerning the operations of the Funds;

- (b) measures of technical assistance, the exchange of experience and information aimed at the partners, the final beneficiaries of assistance from the Funds and the general public;
- (c) the installation, operation and interconnection of computerised systems for management, monitoring and evaluation;
- (d) improvements in evaluation methods and exchange of information on practices in this field.

Article 24

Approval of innovative actions and technical assistance

1. Making use of information on innovative actions from the Member States concerned, the Commission shall appraise applications for a contribution from the Funds pursuant to Articles 22 and 23 on the basis of the following details:
 - (a) a description of the proposed assistance, its scope, including geographical coverage, and specific aims;
 - (b) the bodies to be responsible for implementing the assistance and the beneficiaries;
 - (c) the timetable and financing plan, including contributions from any other source of Community finance;
 - (d) provisions to ensure efficient and correct implementation;
 - (e) any other information necessary to verify compatibility with Community policies and with the guidelines referred to in Article 10(3).

The Commission shall approve the contribution of the Funds when this information enables it to appraise the application.

2. The Member States concerned shall be immediately notified by the Commission following approval of an application.

3. The financial liability of the Member States within the meaning of this Regulation shall not be engaged for the innovative actions referred to in Article 22 or the technical assistance measures referred to in Article 23, without prejudice to their obligations

arising out of the institutional arrangements specific to each Member State.

CHAPTER V

MAJOR PROJECTS

Article 25

Definition

As part of any assistance, the Funds may finance expenditure in respect of major projects, i.e. those:

- (a) which comprise an economically indivisible series of works fulfilling a precise technical function and which have clearly identified aims; and
- (b) whose total cost taken into account in determining the contribution of the Funds exceeds EUR 50 million.

Article 26

Approval and implementation

1. During the implementation of assistance, where a Member State or managing authority envisages the Funds contributing to a major project, it shall inform the Commission in advance and provide the following information:

- (a) the body to be responsible for implementation;
- (b) the nature of the investment and a description of it, its financial volume and location;
- (c) the timetable for implementing the project;
- (d) a cost-benefit analysis, including financial costs and benefits, a risk assessment and information on the economic viability of the project;
- (e) plus:
 - in the case of investment in infrastructure: the analysis of the costs and the socio-economic benefits of the project, including an indication of the anticipated rate of use, the foreseeable impact on the development or conversion of the region concerned, and the application of Community rules on public contracting,

- in the case of investment in production facilities: the analysis of the market prospects in the sector concerned and the anticipated return on the project,
- (f) the direct and indirect effects on the employment situation, as far as possible in the Community;
- (g) information allowing an evaluation to be made of the environmental impact and the implementation of the precautionary principle and the principles that preventive action should be taken, that environmental damage should as a priority be rectified at source and that the polluter should pay and compliance with the Community rules on the environment;
- (h) information needed to assess compliance with competition rules, *inter alia* rules on State aids;
- (i) an indication of the influence of the contribution of the Funds on whether the project will be implemented;
- (j) the financing plan and the total financial resources expected from the contribution of the Funds and any other source of Community finance.

2. The Commission shall appraise the project, consulting the EIB if necessary, in the light of the following factors:

- (a) the type of investment planned and, where applicable, the revenue expected;
- (b) the results of the cost-benefit analysis;
- (c) the result of the evaluation of the impact on the environment;
- (d) consistency with the priorities in the corresponding assistance;
- (e) compliance with other Community policies;
- (f) the expected economic and social benefits, particularly in terms of employment, having regard to the financial resources deployed;
- (g) the coordination of the financial instruments and the combination of assistance and loans referred to in Article 10(2).

3. Within two months of receipt of the information referred to in paragraph 1 or three months where consultation of the EIB proves necessary, the Commission shall decide to confirm or amend the level of Community assistance. If it considers that the

project appears not to justify either part or all of the contribution from the Funds, it may decide to withhold part or all of that contribution, stating the reasons for so doing.

CHAPTER VI

GLOBAL GRANTS

Article 27

Global grants

1. Where implementation or management of part of assistance has been entrusted to intermediaries in accordance with Article 9(i), such intermediaries must provide guarantees of their solvency and proven competence and experience in administrative and financial management. They must normally be established or represented in the region or regions concerned but may, in limited and justified circumstances, be established outside. They must have several years' experience in the relevant field, operate in the public interest and adequately involve the socio-economic interests directly affected by the implementation of the planned measures.

2. The choice of a global grant shall appear in the corresponding decision on the contribution of the Funds as a special implementing provision as defined in Article 18(2)(d) and Article 19(3)(d). The procedures for the use of global grants shall be the subject of an agreement between the Member State or managing authority and the intermediary body concerned.

In the case of Community initiative programmes and innovative measures, the procedures for the use of global grants shall be the subject of an agreement between the Commission and the intermediary body concerned. In the case of Community initiative programmes, these procedures must also be agreed with the Member States concerned. The programme complement referred to in Article 18 shall not relate to that part of the assistance bearing on the global grant.

3. The procedures for the use of the global grant shall detail in particular:

- (a) the measures to be implemented;

- (b) the criteria for choosing beneficiaries;
- (c) the conditions and rates of assistance from the Funds, including the use of any interest accruing;
- (d) the arrangements for monitoring, evaluating and ensuring the financial control of the global grant;
- (e) where applicable, any use of a bank guarantee, in which case the Commission must be informed.

TITLE III

CONTRIBUTIONS AND FINANCIAL MANAGEMENT BY THE FUNDS

CHAPTER I

FINANCIAL CONTRIBUTIONS BY THE FUNDS

Article 28

Decision on the contributions from the Funds

1. Provided that all the requirements of this Regulation are fulfilled, the Commission shall adopt in a single decision the contributions of all the Funds within five months of receipt of the application for assistance. The decision shall distinguish clearly the regions and areas receiving transitional support, where applicable.

A maximum contribution from the Funds shall be set for each priority in the assistance.

For a given period, a measure may not receive a financial contribution from more than one fund at a time.

A measure or operation may benefit from a contribution from a Structural Fund under only one of the objectives referred to in Article 1 at a time.

No operation may benefit simultaneously from a contribution from a Fund under Objective 1, 2 or 3 and under a Community initiative.

No operation may benefit simultaneously from a contribution from a Fund under Objective 1, 2 or 3 and under the EAGGF Guarantee Section.

No operation may benefit simultaneously from a contribution from a Fund under a Community initiative and under the EAGGF Guarantee Section.

2. The contribution of the Funds to operational programmes undertaken in implementing a Community support framework shall be consistent with the financing plan laid down in the

corresponding Community support framework, as set out in Article 17(2)(c).

3. In implementing measures, the contribution of the Funds shall principally take the form of non-repayable direct assistance (hereinafter referred to as 'direct assistance'), as well as other forms, such as repayable assistance, an interest-rate subsidy, a guarantee, an equity holding, a venture-capital holding or another form of finance.

Assistance repaid to the managing authority or to another public authority shall be reallocated to the same purpose.

Article 29

Differentiation of the rates of contribution

1. The contribution of the Funds shall be differentiated in the light of the following:

(a) the gravity of the specific problems, in particular of a regional or social nature, to be tackled by the assistance;

(b) the financial capacity of the Member State concerned, taking into account in particular its relative prosperity and the need to avoid excessive increases in budget expenditure;

(c) within the framework of the objectives of the Funds set out in Article 1, the importance attaching to the assistance and the priorities from the Community viewpoint, where appropriate, for the elimination of inequalities and the promotion of equality between men and women and for the protection and improvement of the environment, principally through the application of the precautionary principle, of the principle of preventive action, and the polluter-pays principle;

- (d) the importance attaching to the assistance and priorities from the regional and national viewpoint;
- (e) the particular characteristics of the type of assistance and priority concerned, to take account of the needs identified by the *ex-ante* evaluation, in particular with regard to human resources and employment;
- (f) the optimum utilisation of financial resources in the financing plans, including the combination of public and private resources, the use made of appropriate financial instruments in accordance with Article 10(2), and the choice of forms of financing as set out in Article 28(3).

Where the contribution of the ESF is differentiated in accordance with Article 16(1), this shall be done taking account of the needs identified by the *ex-ante* evaluation, notably in the field of human resources and employment.

2. The contribution from the Funds shall be calculated in relation to either the total eligible cost, or the total public or similar eligible expenditure (national, regional or local, and Community) under each assistance.

3. The contribution of the Funds shall be subject to the following ceilings:

- (a) a maximum of 75 % of the total eligible cost and, as a general rule, at least 50 % of eligible public expenditure in the case of measures carried out in the regions covered by Objective 1. Where the regions are located in a Member State covered by the Cohesion Fund, the Community contribution may rise, in exceptional and duly justified cases, to a maximum of 80 % of the total eligible cost and to a maximum of 85 % of the total eligible cost for the outermost regions and for the outlying Greek islands which are under a handicap due to their distant location;
- (b) a maximum of 50 % of the total eligible cost and, as a general rule, at least 25 % of eligible public expenditure in the case of measures carried out in areas covered by Objective 2 or 3.

In the case of investment in firms, the contribution of the Funds shall comply with the ceilings on the rate of aid and on combinations of aid set in the field of State aids.

4. Where the assistance concerned entails the financing of revenue-generating investments, the contribution from the Funds to these investments shall

be determined in the light of their intrinsic characteristics, including the size of the gross self-financing margin which would normally be expected for the class of investments concerned in the light of the macro-economic circumstances in which the investments are to be implemented, and without there being any increase in the national budget effort as a result of the contribution by the Funds.

In any event, the contribution of the Funds shall be subject to the following ceilings:

- (a) in the case of investment in infrastructure generating substantial net revenue, the contribution may not exceed:
 - (i) 40 % of the total eligible cost in the regions covered by Objective 1, which may be increased by not more than an extra 10 % in the Member States covered by the Cohesion Fund;
 - (ii) 25 % of the total eligible cost in the areas covered by Objective 2;
 - (iii) these rates may be increased by an amount for forms of finance other than direct assistance, provided that this increase does not exceed 10 % of the total eligible cost;
- (b) in the case of investments in firms, the contribution may not exceed:
 - (i) 35 % of the total eligible cost in the regions covered by Objective 1;
 - (ii) 15 % of the total eligible cost in the areas covered by Objective 2;
 - (iii) in the case of investments in small and medium-sized undertakings, these rates may be increased by an amount for forms of finance other than direct assistance, provided that this increase does not exceed 10 % of the total eligible cost.

5. References in paragraphs 3 and 4 to the regions and areas covered by Objectives 1 and 2 shall also be construed as references to regions or areas receiving on the one hand transitional support pursuant to Article 6(1) and support pursuant to Article 7(4) and on the other hand pursuant to Article 6(2) respectively.

6. The measures carried out on the Commission's initiative referred to in Articles 22 and 23 may be financed at a rate of 100 % of the total cost. The measures carried out on behalf of the Commission referred to in Article 23 shall be financed at a rate of 100 % of the total cost.

7. The rates in this Article shall apply to technical assistance measures within the framework of programming and to the Community initiatives.

Article 30

Eligibility

1. Expenditure in respect of operations shall be eligible for a contribution from the Funds only if these operations form part of the assistance concerned.

2. Expenditure may not be considered eligible for a contribution from the Funds if it has actually been paid by the final beneficiary before the date on which the application for assistance reaches the Commission. That date shall constitute the starting point for the eligibility of expenditure.

The final date for the eligibility of expenditure shall be laid down in the decision to grant a contribution from the Funds. It shall relate to payments made by the final beneficiaries. It may be extended by the Commission at the duly justified request of the Member State in accordance with Articles 14 and 15.

3. The relevant national rules shall apply to eligible expenditure except where, as necessary, the Commission lays down common rules on the eligibility of expenditure in accordance with the procedure referred to in Article 53(2).

4. The Member States shall ensure that an operation retains the contribution from the Funds only if that operation does not, within five years of the date of the decision of the competent national authorities or the managing authority on the contribution of the Funds, undergo a substantial modification:

- (a) affecting its nature or its implementation conditions or giving to a firm or a public body an undue advantage; and
- (b) resulting either from a change in the nature of ownership in an item of infrastructure or a cessation or change of location in a productive activity.

The Member States shall inform the Commission of any such modification. Where such a modification occurs, Article 39 shall apply.

CHAPTER II

FINANCIAL MANAGEMENT

Article 31

Budget commitments

1. Community budget commitments shall be made on the basis of the decision to grant a contribution from the Funds.

2. Commitments in respect of assistance to be carried out over a period of two or more years shall be as a general rule effected annually. The first commitment shall be made when the Commission lays down its decision approving the assistance. Subsequent commitments shall be effected as a general rule by 30 April each year.

The Commission shall automatically decommit any part of a commitment which has not been settled by the payment on account or for which it has not received an acceptable payment application, as defined in Article 32(3), by the end of the second year following the year of commitment or, where appropriate and for the amounts concerned, following the date of a subsequent Commission decision necessary in order to authorise a measure or an operation or by the end of the deadline for the transmission of the final report referred to in Article 37(1); the contribution from the Funds to that assistance shall be reduced by that amount.

The period for automatic decommitment referred to in the second subparagraph shall cease to run for the part of the commitment corresponding to operations which, at the specified date of decommitment, are the subject of a judicial procedure, or an administrative appeal having suspensory effects, subject to the Commission receiving prior information giving reasons from the Member State concerned and to information being issued by the Commission.

In any case, the Commission shall in good time inform the Member State and the paying authority whenever there is a risk of application of the automatic decommitment provided for in the second subparagraph.

If this Regulation enters into force after 1 January 2000, the period for automatic decommitment referred to in the second subparagraph shall be extended for the first commitment by the number of months between 1 January 2000 and the date of the decision on the contributions from the Funds referred to in Article 28.

3. For assistance to be carried out over a period of less than two years the total amount of the contribution from the Funds shall be committed when

the Commission adopts its decision granting a contribution from the Funds.

Article 32

Payments

1. Payment by the Commission of the contribution from the Funds shall be made, in accordance with the corresponding budget commitments, to the paying authority as defined in Article 9(o).

Payments shall be posted to the earliest open commitment made pursuant to Article 31.

Payments may take the form of payments on account, interim payments or payments of the final balance. Interim payments and payments of the balance shall relate to expenditure actually paid out, which must correspond to payments effected by the final beneficiaries, supported by receipted invoices or accounting documents of equivalent probative value.

Subject to available funding, the Commission shall make interim payments within no more than two months of receipt of an acceptable payment application, as described in paragraph 3.

The paying authority shall ensure that final beneficiaries receive payment of their contribution from the Funds as quickly as possible and in full. No deduction, retention or further specific charge which would reduce these amounts shall be made.

2. When the first commitment is made, the Commission shall make a payment on account to the paying authority. This payment on account shall be 7% of the contribution from the Funds to the assistance in question. In principle, it may be subdivided over two budget years at most depending on the availability of budget funds.

Throughout the lifetime of assistance, the paying authority shall use the payment on account to pay the Community contribution to expenditure relating to this assistance.

All or part of a payment on account, depending on progress towards implementation of the assistance, shall be repaid to the Commission by the paying authority if no payment application is sent to the Commission within 18 months of its decision to grant a contribution from the Funds. If any interest is earned on the payment on account it shall be allocated by the paying authority to the form of assistance concerned.

3. Interim payments shall be made by the Commission to reimburse expenditure actually paid under the Funds as certified by the paying authority. Such payments shall be made at the level of each assistance and calculated at the level of measures contained in the financing plan of the programme complement. They shall be subject to the following conditions:

- (a) the programme complement containing the information specified in Article 18(3) has been presented to the Commission;
- (b) the latest annual implementation report due, containing the information specified in Article 37 has been forwarded to the Commission;
- (c) the mid-term evaluation of the assistance referred to in Article 42, when due, has been forwarded to the Commission;
- (d) decisions taken by the managing authority and the Monitoring Committee are consistent with the total amount of the contribution from the Funds granted to the priorities concerned;
- (e) any recommendations as referred to in Article 34(2) have been acted upon within the specified period, or reasons have been communicated by the Member State to explain why no measure has been taken, where those recommendations are intended to remedy serious shortcomings in the monitoring or management system which undermine proper financial management of the assistance; any requests for corrective measures as referred to in Article 38(4) have been acted upon, if the application relates to the measure or measures concerned;
- (f) no suspension of payments under the first subparagraph of Article 39(2) has been decided, and no decision has been taken by the Commission to embark on an infringement procedure within the meaning of Article 226 of the Treaty concerning the measure(s) that is or are the subject of the application in question.

The Member State and the paying authority shall be informed immediately by the Commission if one of these conditions is not fulfilled and the payment application is therefore not acceptable and they shall take the necessary steps to remedy the situation.

Member States shall ensure that, as far as possible, applications for interim payments are presented to the Commission in batches three times a year, the last application being presented no later than 31 October.

Applications for interim payments shall distinguish, for each priority, the expenditure incurred in regions and areas receiving transitional support.

The combined total of the payments referred to in paragraph 2 and in this paragraph which are made in respect of an assistance shall not exceed 95% of the contribution from the Funds to that assistance.

4. The final balance of the assistance shall be paid if:

(a) the paying authority submits to the Commission within six months of the deadline for payment laid down in the decision granting a contribution from the Funds, a certified statement of expenditure actually paid;

(b) the final report on implementation has been submitted to and approved by the Commission;

(c) the Member State has sent the Commission the statement referred to in Article 38(1)(f).

5. The final payment of the balance may no longer be corrected at the request of the Member State if the paying authority has not sent an application to the Commission within nine months from the date of transfer of the final balance.

6. The Member States shall designate the authorities empowered to issue the certificates and declarations referred to in paragraphs 3 and 4.

7. No later than 30 April of each year, the Member States shall send the Commission their updated forecasts of applications for payment for the current year and the forecast for the following year.

8. The Commission shall lay down appropriate payment procedures, consistent with the objectives of these provisions, for the innovative measures referred to in Article 22 and the measures referred to in Article 23 and inform the committees referred to in Articles 48 to 51.

Article 33

Use of the euro

Commission decisions, commitments and payments shall be denominated and carried out in euro in accordance with the arrangements to be drawn up by the Commission under the procedure referred to in Article 53(2).

TITLE IV

EFFECTIVENESS OF ASSISTANCE FROM THE FUNDS

CHAPTER I

MONITORING

Article 34

Management by the managing authority

1. Without prejudice to Article 8(3), the managing authority as defined in Article 9(n) shall be responsible for the efficiency and correctness of management and implementation, and in particular for:

(a) setting up a system to gather reliable financial and statistical information on implementation, for the monitoring indicators referred to in Article 36, and for evaluation in compliance with Articles 42 and 43; and for forwarding this data in accordance with arrangements agreed between the Member State and the Commission, using where possible

computer systems permitting the exchange of data with the Commission, as defined in Article 18(3)(e);

(b) adjustment in accordance with paragraph 3 and the implementation of the programme complement within the meaning of Article 18(3), without prejudice to Article 35;

(c) drawing up and, after obtaining the approval of the Monitoring Committee, submitting to the Commission the annual implementation report;

(d) organising, in cooperation with the Commission and the Member State, the mid-term evaluation referred to in Article 42;

(e) ensuring that those bodies taking part in the management and implementation of the assistance maintain either a separate accounting system or an adequate accounting code for all transactions relating to the assistance;

(f) ensuring the correctness of operations financed under the assistance, particularly by implementing

internal controls in keeping with the principles of sound financial management and acting in response to any observations or requests for corrective measures adopted pursuant to Article 38(4), first subparagraph, or recommendations for adjustment made under paragraph 2 of this Article in accordance with the provisions of those Articles;

- (g) ensuring compliance with Community policies as stipulated in Article 12; in the context of the application of Community rules on the award of public contracts, notices sent for publication in the *Official Journal of the European Communities* shall specify those projects in respect of which a contribution from the Funds has been applied for or granted;
- (h) compliance with the obligations concerning information and publicity referred to in Article 46.

Without prejudice to the provisions of this Regulation, in carrying out its tasks the managing authority shall act in full compliance with the institutional, legal and financial systems of the Member State concerned.

2. Every year, when the annual implementation report referred to in Article 37 is submitted, the Commission and the managing authority shall review the main outcomes of the previous year, in accordance with arrangements to be defined by agreement with the Member State and the managing authority concerned.

After this review, the Commission may make comments to the Member State and the managing authority. The Member State shall inform the Commission of the action taken on these comments. Where in duly substantiated cases the Commission considers that the measures taken are inadequate, it may make recommendations to the Member State and the managing authority for adjustments aimed at improving the effectiveness of the monitoring or management arrangements for the assistance, together with the reasons for any such recommendations. If it receives any such recommendations, the managing authority shall subsequently demonstrate the steps taken to improve the monitoring or management arrangements or it shall explain why it has not taken any.

3. The managing authority shall, at the request of the Monitoring Committee or on its own initiative, adjust the programme complement, without changing the total amount of the contribution from the Funds granted to the priority concerned nor its specific targets. After approval by the Monitoring Committee, it shall inform the Commission of the adjustment within one month.

Any amendments to the elements contained in the decision on the contribution of the Funds shall be

decided by the Commission, in agreement with the Member State concerned, within four months of delivery of the Monitoring Committee's approval.

Article 35

Monitoring Committees

1. Each Community support framework or single programming document and each operational programme shall be supervised by a Monitoring Committee.

Monitoring Committees shall be set up by the Member State, in agreement with the managing authority after consultation with the partners. The partners shall promote the balanced participation of women and men.

The Monitoring Committees shall be set up no more than three months after the decision on the contribution of the Funds. The Monitoring Committees shall act under the authority and within the legal jurisdiction of the Member State.

2. A representative of the Commission and, where appropriate, of the EIB, shall participate in the work of the Monitoring Committee in an advisory capacity.

The Monitoring Committee shall draw up its own rules of procedure within the institutional, legal and financial framework of the Member State concerned and agree them with the managing authority.

In principle, the Monitoring Committee shall be chaired by a representative of the Member State or the managing authority.

3. The Monitoring Committee shall satisfy itself as to the effectiveness and quality of the implementation of assistance. To that end:

- (a) pursuant to Article 15, it shall confirm or adjust the programme complement, including the physical and financial indicators to be used to monitor the assistance. Its approval must be obtained before any further adjustment is made;
- (b) it shall consider and approve the criteria for selecting the operations financed under each measure within six months of approval of the assistance;
- (c) it shall periodically review progress made towards achieving the specific objectives of the assistance;

- (d) it shall examine the results of implementation, particularly achievement of the targets set for the different measures and the mid-term evaluation referred to in Article 42;
- (e) it shall consider and approve the annual and final implementation reports before they are sent to the Commission;
- (f) it shall consider and approve any proposal to amend the contents of the Commission decision on the contribution of the Funds;
- (g) it may in any event propose to the managing authority any adjustment or review of the assistance likely to make possible the attainment of the objectives referred to in Article 1 or to improve the management of assistance, including in respect of financial management. Any adjustment to the assistance shall be made in accordance with Article 34(3).

Article 36

Monitoring indicators

1. The managing authority and the Monitoring Committee shall carry out the monitoring by reference to physical and financial indicators specified in the operational programme, single programming document, or programme complement. In drawing up their indicators, they should take into account the indicative methodology and list of examples of indicators published by the Commission, as well as a categorisation of fields of intervention to be proposed by the Commission upon entry into force of this Regulation. The indicators shall relate to the specific character of the assistance concerned, its objectives and the socio-economic, structural and environmental situation of the Member State concerned and its regions, as appropriate, and shall take account, where appropriate, of the existence of regions or areas receiving transitional support. These indicators shall include, in particular, those used for allocating the reserve referred to in Article 44.
2. These indicators shall show, for the assistance in question:
 - (a) the specific targets, quantified where they lend themselves to quantification, for the measures and priorities, and their mutual consistency;
 - (b) the stage reached in the assistance in terms of physical implementation, results and, as soon as practicable, its impact at the appropriate level (priority or measure);

- (c) the progress of the financing plan.

Where the nature of the assistance permits, the statistics shall be broken down by sex and by the size of the recipient undertakings.

3. The financial and progress indicators shall be such that the information set out in paragraph 2(a), (b) and (c) can be identified separately for major projects.

Article 37

Annual and final implementation reports

1. For multiannual assistance, the managing authority shall, within six months of the end of each full calendar year of implementation, submit to the Commission an annual implementation report as provided for in Article 34(1)(c). A final report shall be submitted to the Commission at the latest six months after the final date of eligibility of the expenditure.

For all assistance to be implemented over a period of less than two years, the managing authority shall submit only a final report to the Commission. This shall be submitted within six months of the last payment made by the paying authority.

The report shall be examined and approved by the Monitoring Committee before it is sent to the Commission.

Once the Commission has received an annual implementation report, it shall indicate within a period of two months if the report is considered unsatisfactory, giving its reasons; otherwise, the report shall be deemed to be accepted. In the case of a final report the Commission shall respond within a period of five months from its receipt of the report.

2. All annual and final implementation reports shall include the following information:

- (a) any change in general conditions which is of relevance to the implementation of the assistance, in particular the main socio-economic trends, changes in national, regional or sectoral policies or in the frame of reference referred to in Article 9(c) and, where applicable, their implications for the mutual consistency of assistance from the different Funds and consistency between Fund assistance and that from other financial instruments;

(b) the progress in the implementation of priorities and measures for each of the Funds in relation to their specific targets, with a quantification, wherever and whenever they lend themselves to quantification, of the physical indicators and indicators of results and of impact referred to in Article 36 at the appropriate level (priority or measure);

(c) the financial implementation of the assistance, summarising for each measure the total expenditure actually paid out by the paying authority and a record of the total payments received from the Commission and quantifying the financial indicators referred to in Article 36(2)(c); financial implementation in the areas receiving transitional support shall be presented separately in respect of each priority; financial implementation of the EAGGF Guarantee Section for the measures referred to in Article 33 of Regulation (EC) No 1257/1999 shall be presented at the level of the total amount of the financial implementation;

(d) the steps taken by the managing authority and the Monitoring Committee to ensure the quality and effectiveness of implementation, in particular:

(i) monitoring, financial control and evaluation measures, including data collection arrangements;

(ii) a summary of any significant problems encountered in managing the assistance and any measures taken, including action on recommendations for adjustments made pursuant to Article 34(2) or requests for corrective measures pursuant to Article 38(4);

(iii) the use made of technical assistance;

(iv) the measures taken to ensure publicity for the assistance in accordance with Article 46;

(e) the steps taken to ensure compatibility with Community policies as stipulated in Article 12 and to ensure coordination of all the Community structural assistance referred to in Article 17(1) and the second subparagraph of Article 19(2);

(f) a separate section, where appropriate, on the progress and financing of major projects and global grants.

CHAPTER II

FINANCIAL CONTROL

Article 38

General provisions

1. Without prejudice to the Commission's responsibility for implementing the general budget of the European Communities, Member States shall take responsibility in the first instance for the financial control of assistance. To that end, the measures they take shall include:

(a) verifying that management and control arrangements have been set up and are being implemented in such a way as to ensure that Community funds are being used efficiently and correctly;

(b) providing the Commission with a description of these arrangements;

(c) ensuring that assistance is managed in accordance with all the applicable Community rules and that the funds placed at their disposal are used in accordance with the principles of sound financial management;

(d) certifying that the declarations of expenditure presented to the Commission are accurate and ensuring that they result from accounting systems based on verifiable supporting documents;

(e) preventing, detecting and correcting irregularities, notifying these to the Commission, in accordance with the rules, and keeping the Commission informed of the progress of administrative and legal proceedings;

(f) presenting to the Commission, when each assistance is wound up, a declaration drawn up by a person or department having a function independent of the designated managing authority. This declaration shall summarise the conclusions of the checks carried out during previous years and shall assess the validity of the application for payment of the final balance and the legality and regularity of the transactions covered by the final certificate of expenditure. The Member States may attach their own opinion to this certificate if they consider it necessary;

(g) cooperating with the Commission to ensure that Community funds are used in accordance with the principles of sound financial management;

(h) recovering any amounts lost as a result of an irregularity detected and, where appropriate, charging interest on late payments.

2. The Commission in its responsibility for the implementation of the general budget of the European Communities shall ensure that Member States have smoothly functioning management and control systems so that Community funds are efficiently and correctly used.

To that end, without prejudice to checks carried out by the Member States in accordance with national laws, regulations and administrative provisions, Commission officials or servants may, in accordance with arrangements agreed with the Member State in the framework of cooperation described in paragraph 3, carry out on-the-spot checks, including sample checks, on the operations financed by the Funds and on management and control systems with a minimum of one working day's notice. The Commission shall give notice to the Member State concerned with a view to obtaining all the assistance necessary. Officials or servants of the Member State concerned may take part in such checks.

The Commission may require the Member State concerned to carry out an on-the-spot check to verify the correctness of one or more transactions. Commission officials or servants may take part in such checks.

3. The Commission and the Member States shall on the basis of bilateral administrative arrangements cooperate to coordinate plans, methods and implementation of checks so as to maximise the usefulness of those carried out. They shall immediately exchange the results of the checks carried out.

At least once a year and, in any event, before the annual review provided for in Article 34(2) the following shall be examined and evaluated:

- (a) the results of the checks carried out by the Member State and the Commission;
- (b) any comments made by other national or Community control bodies or institutions;
- (c) the financial impact of the irregularities noted, the steps already taken or still required to correct them and, where necessary, adjustments to the management and control systems.

4. Following this examination and evaluation and without prejudice to the measures to be taken immediately by the Member State under this Article and Article 39, the Commission may make observations, particularly regarding the financial impact of any irregularities detected. These observations shall be addressed to the Member State and the managing authority of the assistance concerned. The observations shall be accompanied, where necessary, by requests for corrective measures to remedy the management shortcomings found and correct those irregularities detected which have not already been corrected. The Member State shall have the opportunity to comment on these observations.

Where, following or in the absence of comments from the Member State, the Commission adopts conclusions, the Member State shall take the necessary steps within the deadline set to comply with the Commission's requests and inform the Commission of its actions.

5. Without prejudice to this Article, the Commission, after due verification, may suspend all or part of an interim payment if it finds that the expenditure concerned is linked to a serious irregularity which has not been corrected and that immediate action is needed. The Commission shall inform the Member State concerned of the action taken and the reasons for it. If, after five months, the reasons for the suspension remain or the Member State concerned has not notified the Commission of the measures taken to correct the serious irregularity, the provisions laid down under Article 39 shall apply.

6. For a period of three years, unless otherwise decided in the bilateral administrative arrangements, following the payment by the Commission of the final balance in respect of any assistance, the responsible authorities shall keep available for the Commission all the supporting documents (either the originals or versions certified to be in conformity with the originals on commonly accepted data carriers) regarding expenditure and checks on the assistance concerned. This period shall be interrupted either in the case of legal proceedings or at the duly motivated request of the Commission.

Article 39

Financial corrections

1. The Member States shall, in the first instance, bear the responsibility for investigating irregularities, acting upon evidence of any major change affecting

the nature or conditions for the implementation or supervision of assistance and making the financial corrections required.

The Member State shall make the financial corrections required in connection with the individual or systemic irregularity. The corrections made by the Member State shall consist in cancelling all or part of the Community contribution. The Community funds released in this way may be re-used by the Member State for the assistance concerned, in compliance with the arrangements to be defined pursuant to Article 53(2).

2. If, after completing the necessary verifications, the Commission concludes that:

- (a) a Member State has not complied with its obligations under paragraph 1; or
- (b) all or part of an operation justifies neither part nor the whole of the contribution from the Funds; or
- (c) there are serious failings in the management or control systems which could lead to systemic irregularities;

the Commission shall suspend the interim payments in question and, stating its reasons, request that the Member State submit its comments and, where appropriate, carry out any corrections, within a specified period of time.

If the Member State objects to the observations made by the Commission, the Member State shall be invited to a hearing by the Commission, in which both sides in cooperation based on the partnership make efforts to reach an agreement about the observations and the conclusions to be drawn from them.

3. At the end of the period set by the Commission, the Commission may, if no agreement has been reached and the Member State has not made the corrections and taking account of any comments made by the Member State, decide within three months to:

- (a) reduce the payment on account referred to in Article 32(2); or
- (b) make the financial corrections required by cancelling all or part of the contribution of the Funds to the assistance concerned.

The Commission shall when deciding the amount of a correction take account, in compliance with the principle of proportionality, of the type of irregularity

or change and the extent and financial implications of the shortcomings found in the management or control systems of the Member States.

In the absence of a decision to do either (a) or (b) the interim payments shall immediately cease to be suspended.

4. Any sum received unduly and to be recovered shall be repaid to the Commission, together with interest on account of late payment.

5. This Article shall apply without prejudice to Article 32.

CHAPTER III

EVALUATION

Article 40

General provisions

1. In order to gauge its effectiveness, Community structural assistance shall be the subject of *ex-ante*, mid-term and *ex-post* evaluation designed to appraise its impact with respect to the objectives set out in Article 1 and to analyse its effects on specific structural problems.

2. The effectiveness of the operations of the Funds shall be measured by the following criteria:

- (a) their overall impact on the goals set out in Article 158 of the Treaty, and in particular the strengthening of the economic and social cohesion of the Community;
- (b) the impact of the priorities proposed in the development plans and of the priorities incorporated in each Community support framework and in each case of assistance.

3. The competent authorities of the Member States and the Commission shall assemble the appropriate resources and collect the data required to ensure that this evaluation can be carried out in the most effective manner. In this connection, evaluation shall make use of the various particulars that the monitoring arrangements may yield, supplemented where necessary by the gathering of information to improve its relevance.

On the initiative of the Member States or the Commission, after informing the Member State concerned, supplementary evaluations, if appropriate

on a specific topic, may be launched with a view to identifying transferable experience.

4. The results of the evaluation shall be made available to the public, on request. As regards the results of the evaluation provided for in Article 42, the Monitoring Committee's agreement shall be required according to the institutional arrangements of each Member State.

5. The evaluation procedures shall be laid down in the Community support frameworks and forms of assistance.

Article 41

Ex-ante evaluation

1. The purpose of *ex-ante* evaluation shall be to provide a basis for preparing the development plans, assistance and programme complement of which it shall form part.

Ex-ante evaluation shall be the responsibility of the authorities responsible for preparing the plans, assistance and programme complement.

2. For the preparation of plans and assistance *ex-ante* evaluation shall involve an analysis of the strengths, weaknesses and potential of the Member State, region or sector concerned. In the light of the criteria listed in Article 40(2)(a) it shall assess the consistency of the strategy and targets selected with the specific features of the regions or areas concerned, including demographic trends, and the expected impact of the planned priorities for action, quantifying their specific targets in relation to the starting situation, where they lend themselves thereto.

The *ex-ante* evaluation shall take into account, amongst other things, the situation in terms of competitiveness and innovation, small and medium-sized enterprises, employment and the labour market having regard to the European employment strategy, the environment and equality between men and women, and it shall include in particular:

(a) an *ex-ante* evaluation of the social and economic situation, mainly trends in the national labour market, including regions encountering particular employment problems and of the overall strategy in the field of human resource development and the way in which this strategy is linked to the national employment strategy as set out in the national action plans;

(b) an *ex-ante* evaluation of the environmental situation of the region concerned, in particular of those environmental sectors which will presumably be considerably affected by the assistance; the arrangements to integrate the environmental dimension into the assistance and how far they fit in with existing short- and long-term national, regional and local objectives (e.g. environmental management plans); the arrangements for ensuring compliance with the Community rules on the environment. The *ex-ante* evaluation shall give a description, quantified as far as possible, of the existing environmental situation and an estimate of the expected impact of the strategy and assistance on the environmental situation;

(c) an *ex-ante* evaluation of the situation in terms of equality between men and women with regard to labour market opportunities and treatment at work, including the specific constraints on each group; an estimate of the expected impact of the strategy and assistance, particularly on the integration of women and men into the labour market, on education and vocational training, on the establishment of women in business and on the reconciliation of family and working life.

The *ex-ante* evaluation shall verify the relevance of the proposed implementing and monitoring arrangements, consistency with Community policies and how far the indicative guidance referred to in Article 10(3) has been taken into account.

It shall take account of results from evaluations of earlier programming periods.

3. evaluation of the measures in the programme complement shall demonstrate consistency with the aims of the corresponding priorities, quantify their specific targets where the priorities lend themselves thereto, and subsequently verify the relevance of the selection criteria, as provided for pursuant to Article 35(3)(b).

Article 42

Mid-term evaluation

1. Mid-term evaluation shall examine, in the light of the *ex-ante* evaluation, the initial results of the assistance, their relevance and the extent to which the targets have been attained. It shall also assess the use made of financial resources and the operation of monitoring and implementation.

2. Mid-term evaluation shall be carried out under the responsibility of the managing authority, in cooperation with the Commission and the Member State. It shall cover each Community support framework and each assistance. It shall be carried out by an independent assessor, be submitted to the Monitoring Committee for the Community support framework or assistance concerned in accordance with Article 35(3), and then sent to the Commission, as a general rule three years after adoption of the Community support framework or assistance, and no later than 31 December 2003, with a view to the revision referred to in Article 14(2).

3. The Commission shall examine the relevance and quality of the evaluation on the basis of criteria defined beforehand by the Commission and the Member State in partnership, with a view to reviewing the assistance and allocating the reserve referred to in Article 44.

4. As a continuation of mid-term evaluation, it shall be updated for each Community support framework and assistance and completed no later than 31 December 2005 in order to prepare for subsequent assistance operations.

Article 43

Ex-post evaluation

1. On the basis of the evaluation results already available, *ex-post* evaluation shall cover the utilisation of resources and the effectiveness and efficiency of the assistance and its impact and shall draw conclusions regarding policy on economic and social cohesion. It shall cover the factors contributing to the success or failure of implementation and the achievements and results, including their sustainability.

2. *Ex-post* evaluation shall be the responsibility of the Commission, in collaboration with the Member State and the managing authority. It shall cover the assistance and be carried out by independent assessors.

It shall be completed not later than three years after the end of the programming period.

CHAPTER IV

PERFORMANCE RESERVE

Article 44

Allocation of the performance reserve

1. Each Member State, in close consultation with the Commission, shall assess under each objective and not later than 31 December 2003 the performance of each of their operational programmes or single programming documents on the basis of a limited number of monitoring indicators reflecting effectiveness, management and financial implementation and measuring the mid-term results in relation to their specific initial targets.

These indicators shall be decided by the Member State in close consultation with the Commission taking account of all or part of an indicative list of indicators proposed by the Commission and shall be quantified in the existing different annual implementation reports as well as the mid-term evaluation report. The Member States shall be responsible for their application.

2. At mid-term and not later than 31 March 2004, the Commission shall allocate, in close consultation with the Member States concerned, under each objective, on the basis of proposals from each Member State, taking account of its specific institutional features and their corresponding programming, the commitment appropriations referred to in Article 7(5) to the operational programmes or single programming documents or their priorities which are considered to be successful. The operational programmes or single programming documents shall be adapted in accordance with Articles 14 and 15.

TITLE V

REPORTS AND PUBLICITY

*Article 45***Reports**

1. Pursuant to Article 159 of the Treaty, the Commission shall submit a report at three-yearly intervals to the European Parliament, the Council, the Economic and Social Committee and the Committee of the Regions on the progress made towards economic and social cohesion and the contribution made to this by the Funds, the Cohesion Fund, the EIB and other financial instruments. This report shall review in particular:

(a) progress in achieving economic and social cohesion, including the socio-economic situation of the regions and any changes observed, and an analysis of direct investment flows and their impact on the Community employment situation;

(b) the role of the Funds, the Cohesion Fund, the EIB and other financial instruments as well as the impact of other Community and national policies in accomplishing this process;

(c) any proposals concerning Community measures and policies which may need to be adopted in order to strengthen economic and social cohesion.

2. Before 1 November of each year, the Commission shall forward to the European Parliament, the Council, the Economic and Social Committee and the Committee of the Regions a report on the implementation of this Regulation during the preceding year. This report shall review in particular:

(a) the activities of each fund, the utilisation of their budget resources and the concentration of assistance, the deployment of the other financial instruments for which the Commission has responsibility and the concentration of their resources; this review shall include:

— an annual breakdown by Member State of appropriations committed and paid in respect of each fund, including Community initiatives;

— an annual evaluation of innovative actions and technical assistance;

(b) the coordination of assistance from the Funds among themselves and with the assistance granted by the EIB and the other existing financial instruments;

(c) as soon as they are available, the results of the evaluations referred to in Article 42 — indicating any adjustments to the assistance — and in Article 43, and an evaluation of the consistency of measures taken by the Funds with the Community policies referred to in Article 12;

(d) a list of the major projects to which the Funds have contributed;

(e) the results of checks carried out by the Commission in accordance with Article 38(2) and the lessons to be drawn from them, including an indication of the number of recorded irregularities, the amounts in question and the financial corrections made in respect of Article 39(2);

(f) information on the opinions of committees delivered in accordance with Articles 48 to 51.

*Article 46***Information and publicity**

1. For the purposes of consultation as referred to in Article 15(1), Member States shall ensure that publicity is given to development plans.

2. Without prejudice to Article 23(1), the managing authority shall be responsible for ensuring that publicity is given to the package and particularly for informing:

(a) potential final beneficiaries, trade and professional bodies, the economic and social partners, bodies promoting equality between men and women and the relevant non-governmental organisations about the opportunities afforded by the assistance;

(b) the general public about the role played by the Community in the assistance concerned and its results.

3. The Member States shall consult the Commission and in accordance with Article 37(2) inform it each year of the initiatives taken for the purposes set out in paragraphs 1 and 2 of this Article.

TITLE VI

COMMITTEES

Article 47

General provisions

1. In implementing this Regulation, the Commission shall be assisted by four committees:

- (a) the Committee on the Development and Conversion of Regions;
- (b) the Committee pursuant to Article 147 of the Treaty;
- (c) the Committee on Agricultural Structures and Rural Development;
- (d) the Committee on Structures for Fisheries and Aquaculture.

2. Where the Committees mentioned in paragraph 1(a), (c) and (d) are acting as Consultative Committees pursuant to Articles 48, 50 and 51 respectively, the following procedure applies:

- the Commission representative shall submit to the committee a draft of the measure to be taken,
- the committee shall deliver its opinion on this draft within a time limit which the chairman may lay down according to the urgency of the matter; the matter may be put to a vote where appropriate,
- its opinions shall be entered in the minutes; each Member State shall in addition have the right to ask for its position to be included in the minutes,
- the Commission shall take the utmost account of the opinions delivered by the committee. It shall inform the committee of the manner in which it takes account of its opinions.

3. Where the committees mentioned in paragraph 1(a), (c) and (d) are acting as Management Committees pursuant to Articles 48, 50 and 51 respectively, the following procedure applies:

- the Commission representative shall submit to the committee a draft of the measure to be taken,

- the committee shall deliver its opinion on this draft within a time limit which the chairman may lay down according to the urgency of the matter under consideration. The opinion shall be delivered by the majority stipulated in Article 205(2) of the Treaty in the case of decisions which the Council is requested to adopt on a proposal from the Commission. When a matter is put to the vote within the committee, the votes of the Member States' representatives shall be weighted as provided for in the said Article. The chairman shall not vote,

- the Commission shall adopt measures which shall apply immediately. However, if they are not in accordance with the opinion delivered by the committee, they shall be communicated forthwith by the Commission to the Council. In that event:

- the Commission may defer application of the measure which it has decided for a period of not more than one month from the date of such communication,

- the Council, acting by a qualified majority, may take a different decision within the time limit provided for in the above sub-indent.

4. The Commission shall refer the reports referred to in Article 45 to the committees. It may seek the opinion of a Committee on any matter concerning assistance under the Funds, other than assistance provided for in this Title. This includes matters primarily dealt with by other committees.

5. Each committee's opinions shall be brought to the attention of the other committees referred to in this Title.

6. Each committee shall draw up its rules of procedure.

7. The European Parliament shall be regularly informed of the work of the committees.

Article 48

Committee on the Development and Conversion of Regions

1. A Committee on the Development and Conversion of Regions, made up of Member States' representatives and chaired by a Commission representative, is hereby set up under the auspices of

the Commission. The EIB shall appoint a non-voting representative.

2. The committee shall act as a Management Committee according to the procedure laid down in Article 47(3) when it deals with:

(a) the implementing rules referred to in Article 53(2).

Other committees shall be consulted under their consultative competence on the abovementioned implementing rules, in so far as they are concerned;

(b) the implementing rules referred to in Article 5 of Regulation (EC) No 1261/1999 of the European Parliament and of the Council of 21 June 1999 on the European Regional Development Fund (ERDF) ⁽¹⁾;

(c) the guidelines relating to the Community initiatives referred to in Article 20(1)(a) ('Interreg') and 20(1)(b) ('Urban');

(d) the guidelines for the different types of innovative measures provided for in application of Article 22, in the case of support from the ERDF.

3. The committee acts as a consultative committee according to the procedure laid down in Article 47(2) when it discusses the following matters:

(a) establishment and revision of the list of areas eligible under Objective 2;

(b) the Community support frameworks and the corresponding information contained in the single programming documents, under Objectives 1 and 2;

(c) the types of technical-assistance measure in accordance with Article 23 in the case of support from the ERDF;

(d) any other questions concerning Articles 20 to 22.

Article 49

Committee pursuant to Article 147 of the Treaty

1. The committee set up pursuant to Article 147 of the Treaty shall be composed of two government

⁽¹⁾ See page 43 of this Official Journal.

representatives, two representatives of the workers' organisations and two representatives of the employers' organisations from each Member State. The Member of the Commission responsible for chairing the committee may delegate that responsibility to a senior Commission official.

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

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

2. The committee shall:

(a) deliver opinions on the draft Commission decisions relating to single programming documents and to Community support frameworks under Objective 3 as well as on the Community support frameworks and corresponding information contained in the single programming documents, under Objectives 1 and 2, in the case of support from the ESF;

(b) deliver its opinion on the implementing rules provided for in Article 53(2);

(c) be consulted on the implementing rules referred to in Article 8 of Regulation (EC) No 1262/1999 of the European Parliament and of the Council of 21 June 1999 on the European Social Fund (ESF) ⁽²⁾;

(d) deliver opinions on draft Commission guidelines relating to the Community initiative referred to in Article 20(1)(d) ('EQUAL') and for the various types of innovative measure in the context of Article 22 in the case of support from the ESF. The Commission may also refer further questions to it within the meaning of Articles 20 to 22;

(e) be consulted on the types of technical-assistance measure in accordance with Article 23 in the case of support from the ESF.

⁽²⁾ See page 48 of this Official Journal.

3. For their adoption, the opinions of the committee shall require an absolute majority of the votes validly cast. The Commission shall inform the committee of the manner in which it has taken account of its opinions.

Article 50

Committee on Agricultural Structures and Rural Development

1. A Committee on Agricultural Structures and Rural Development, made up of Member States' representatives and chaired by a Commission representative, is hereby set up under the auspices of the Commission. The EIB shall appoint a non-voting representative.

2. The Committee acts as a Management Committee according to the procedure laid down in Article 47(3) when it deals with:

(a) the implementing rules and transitional rules referred to in Articles 34, 50 and 53 of Regulation (EC) No 1257/1999;

(b) the guidelines relating to the Community initiative referred to in Article 20(1)(c) ('Leader').

3. The committee acts as a Consultative Committee according to the procedure laid down in Article 47(2) when it discusses the following matters:

(a) the establishment and revision of the list of areas eligible under Objective 2;

(b) the parts of the intervention concerning agricultural structures and rural development included in the draft Commission decisions relating to the Community support frameworks and corresponding information contained in the single programming documents, for the regions under Objectives 1 and 2;

(c) the implementing rules referred to in Article 53(2);

(d) the types of technical-assistance measure in accordance with Article 23 in the case of support from the EAGGF;

(e) any other questions concerning Articles 20 to 22.

Article 51

Committee on Structures for Fisheries and Aquaculture

1. A Committee on Structures for Fisheries and Aquaculture, made up of Member States' representatives and chaired by a Commission representative, is hereby set up under the auspices of the Commission. The EIB shall appoint a non-voting representative.

2. The committee shall act as a Management Committee according to the procedure laid down in Article 47(3) when it deals with:

(a) the implementing rules referred to in Article 4 of Regulation (EC) No 1263/1999;

(b) the guidelines for the different types of innovative measures provided for in application of Article 22, in the case of support from the FIFG.

3. The committee shall act as a Consultative Committee according to the procedure laid down in Article 47(2) when it discusses the following matters:

(a) the establishment and revision of the list of areas eligible under Objective 2;

(b) the parts of the intervention concerning fisheries structures included in the draft Commission Decision relating to the Community support frameworks and corresponding information contained in the single programming documents under Objective 1;

(c) the implementing rules provided for in Article 53(2);

(d) the types of technical-assistance measure in accordance with Article 23 in the case of support from the FIFG;

(e) any other questions concerning Article 22.

TITLE VII

FINAL PROVISIONS

*Article 52***Transitional provisions**

1. This Regulation shall not affect the continuation or modification, including the total or partial cancellation, of assistance approved by the Council or by the Commission on the basis of Council Regulations (EEC) No 2052/88 and (EEC) No 4253/88 or any other legislation which applied to that assistance on 31 December 1999.

2. Applications for a contribution from the Funds towards operations which are submitted pursuant to Regulations (EEC) No 2052/88 and (EEC) No 4253/88 shall be considered and approved by the Commission on the basis of those Regulations no later than 31 December 1999.

3. In drawing up Community support frameworks and assistance, the Commission shall take account of any measure already approved by the Council or by the Commission before the entry into force of this Regulation and having financial repercussions during the period covered by those support frameworks and assistance. These measures shall not be subject to compliance with Article 30(2).

4. Notwithstanding the date specified in Article 30(2), expenditure actually paid, in respect of which the Commission has received an application for assistance between 1 January and 30 April 2000 and which fulfils all the conditions laid down in this Regulation, may be regarded as eligible for a contribution from the Funds from 1 January 2000.

5. Partial sums committed for operations or programmes approved by the Commission before 1 January 1994, but in respect of which no application for final payment has been received by 31 March 2001, shall be automatically decommitted no later than 30 September 2001, giving rise to the repayment of amounts unduly paid, without prejudice to operations or programmes which have been suspended on account of legal proceedings.

Partial sums committed for operations or programmes approved by the Commission between 1 January 1994 and 31 December 1999, but in respect of which no application for final payment has been received by 31 March 2003, shall be automatically decommitted

no later than 30 September 2003, giving rise to the repayment of amounts unduly paid, without prejudice to operations or programmes which have been suspended on account of legal proceedings.

*Article 53***Implementation**

1. The Commission shall be in charge of the implementation of this Regulation.

2. The Commission shall adopt detailed rules to implement Articles 30, 33, 38, 39 and 46, in accordance with Article 48(2)(a). It shall also, in accordance with the same procedure and where it appears necessary in unforeseen circumstances, adopt other rules for the implementation of this Regulation.

*Article 54***Repeal**

Regulations (EEC) No 2052/88 and (EEC) No 4253/88 are hereby repealed with effect from 1 January 2000, without prejudice to Article 52(1).

References to the repealed Regulations shall be construed as references to this Regulation.

*Article 55***Review clause**

The Council shall review this Regulation on the basis of a proposal from the Commission by 31 December 2006 at the latest.

It shall act on the proposal in accordance with the procedure laid down in Article 161 of the Treaty.

*Article 56***Entry into force**

This Regulation shall enter into force on the third day following its publication in the *Official Journal of the European Communities*.

Articles 28, 31 and 32 shall apply from 1 January 2000.

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

Done at Luxembourg, 21 June 1999.

For the Council
The President
G. VERHEUGEN

ANNEX

STRUCTURAL FUNDS

Annual breakdown of commitment appropriations for 2000 to 2006
(referred to in Article 7(1))

(EUR million — 1999 prices)

2000	2001	2002	2003	2004	2005	2006
29 430	28 840	28 250	27 670	27 080	27 080	26 660

I

(Acts whose publication is obligatory)

**REGULATION (EC) No 1783/1999 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL
of 12 July 1999
on the European Regional Development Fund (*)**

THE EUROPEAN PARLIAMENT,
THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty establishing the European Community, and in particular Article 162 thereof,

Having regard to the proposal from the Commission ⁽¹⁾,

Having regard to the opinion of the Economic and Social Committee ⁽²⁾,

Having regard to the opinion of the Committee of the Regions ⁽³⁾,

Acting in accordance with the procedure laid down in Article 251 of the Treaty ⁽⁴⁾,

- (1) Whereas Article 160 of the Treaty provides that the European Regional Development Fund (ERDF) is intended to help redress the main regional imbalances in the Community; whereas the ERDF therefore contributes to reducing the gap between the levels of development of the various regions and the extent to which the least-favoured regions and islands, including rural areas, are lagging behind;
- (2) Whereas Article 2(2) of Council Regulation (EC) No 1260/1999 of 21 June 1999 laying down general provisions on the Structural Funds ⁽⁵⁾ provides that the main task of the ERDF is to contribute to the attainment of Objectives 1 and 2, as referred to in Article 1, first subparagraph, points 1 and 2 (hereinafter referred to as 'Objectives 1 and 2') of that Regulation; whereas Articles 20 and 21 of the same Regulation provide that the ERDF is to contribute to financing cross-border, transnational and interregional cooperation as well as to economic and social regeneration of cities and urban neighbourhoods in crisis under the Community Initiatives; whereas Articles 22 and 23 of the Regulation in

question state that it is to support innovative measures at Community level and technical assistance measures;

- (3) Whereas the provisions common to the Structural Funds are set out in Regulation (EC) No 1260/1999; whereas the type of measures which may be financed by the ERDF under Objectives 1 and 2, the Community Initiatives and innovative measures should be defined;
- (4) Whereas the contribution of the ERDF, in the context of its task of promoting regional development, to the harmonious, balanced and sustainable development of economic activity, to a high degree of competitiveness, to a high level of employment, to equality between women and men and to a high level of protection and improvement of the environment should be defined;
- (5) Whereas the ERDF should provide assistance within the framework of a comprehensive and integrated strategy for sustainable development and ensure synergy with assistance from the other Structural Funds;
- (6) Whereas, as part of its tasks, the ERDF should support the productive environment and the competitiveness of enterprises, especially small and medium-sized enterprises; local economic development and employment, including in the fields of culture and tourism where these contribute to the creation of sustainable jobs; research and technological development; the development of local, regional and trans-European networks including the provision of suitable access to the said networks in the sectors of transport infrastructure, telecommunications and energy; the protection and improvement of the environment taking into account the principles of precaution and that preventive action should be taken, that environmental damage should as a priority be rectified at source and that the polluter should pay and by fostering the clean and efficient utilisation of energy and the development of renewable energy sources; and equality between women and men in the field of employment;

(*) This publication cancels and replaces the publication which appeared in OJ L 161, 26.6.1999, p. 43.

(1) OJ C 176, 9.6.1998, p. 35 and

OJ C 52, 23.2.1999, p. 12.

(2) OJ C 407, 28.12.1998, p. 74.

(3) OJ C 51, 22.2.1999, p. 1.

(4) European Parliament Opinion of 19 November 1998 (OJ C 379, 7.12.1998, p. 178), Council Common Position of 14 April 1999 (OJ C 134, 14.5.1999, p. 1) and European Parliament Decision of 6 May 1999 (not yet published in the Official Journal), Council Decision of 21 June 1999.

(5) OJ L 161, 26.6.1999, p. 1.

- (7) Whereas the ERDF should play a particular role in favour of local economic development, in the context of improving the quality of life and developing the territory, especially by promoting territorial employment pacts and new sources of employment;
- (8) Whereas the ERDF should as part of its task support investment in favour of the rehabilitation of abandoned areas with a view to local, rural or urban economic development;
- (9) Whereas measures of Community interest undertaken at the initiative of the Commission have an important role to play in achieving the general objectives of Community structural action referred to in Article 1 of Regulation (EC) No 1260/1999; whereas, to that end, in view of the value it adds at Community level, it is important that the ERDF continue to promote cross-border, transnational and inter-regional cooperation, including in the regions located on the external frontiers of the Union within the meaning of the Treaty, the least-favoured islands and the outermost regions, in view of their special features and difficulties; whereas in the context of that cooperation, the harmonious, balanced and sustainable development of the whole of the Community territory, including in connection with spatial planning, adds value to action to promote economic and social cohesion; whereas the contribution of the ERDF to that development should be continued and increased; whereas moreover it is desirable to support the economic and social regeneration of cities and urban neighbourhoods in crisis with a view to promoting sustainable urban development;
- (10) Whereas it is appropriate to lay down the powers for adoption of the implementing provisions and to set out transitional provisions;
- (11) Whereas Council Regulation (EEC) No 4254/88 of 19 December 1988 laying down provisions for implementing Regulation (EEC) No 2052/88 as regards the European Regional Development Fund⁽¹⁾ should be repealed.

HAVE ADOPTED THIS REGULATION:

Article 1

Tasks

Pursuant to Article 160 of the Treaty and Regulation (EC) No 1260/1999, the European Regional Development Fund (ERDF) shall contribute towards the financing of assistance as defined in Article 9 of that Regulation to promote economic and social cohesion by correcting the main regional imbalances and participating in the development and conversion of regions.

To that end, the ERDF shall also contribute to promoting sustainable development and the creation of sustainable jobs.

⁽¹⁾ OJ L 374, 31.12.1988, p. 15. Regulation as last amended by Regulation (EEC) No 2083/93 (OJ L 193, 31.7.1993, p. 34).

Article 2

Scope

1. As part of its tasks as defined in Article 1, the ERDF shall contribute towards the financing of:
- (a) productive investment to create and safeguard sustainable jobs;
 - (b) investment in infrastructure:
 - (i) which, in regions covered by Objective 1, helps to increase the economic potential, development, structural adjustment and creation or maintenance of sustainable jobs in those regions, including investment in infrastructure contributing to the establishment and development of trans-European networks in the areas of transport, telecommunications and energy infrastructures taking into account the need to link to the central regions of the Community regions suffering from a structural handicap because of their insular, landlocked or peripheral status;
 - (ii) which, in regions and areas covered by Objectives 1 and 2 or the Community initiatives referred to in Article 20(1)(a) and (b) of Regulation (EC) No 1260/1999, concerns the diversification of economic sites and industrial areas suffering from decline, the renewal of depressed urban areas and the revitalisation of and improved access to rural areas and areas dependent on fisheries; instruments in infrastructure where modernisation or regeneration is a prerequisite for the creation or development of job-creating economic activities, including infrastructure links on which the development of such activities depends;
 - (c) the development of endogenous potential by measures which encourage and support local development and employment initiatives and the activities of small and medium-sized enterprises, involving in particular:
 - (i) assistance towards services for enterprises, in particular in the fields of management, market studies and research and services common to several enterprises,
 - (ii) financing the transfer of technology, including in particular the collection and dissemination of information, common organisation between enterprises and research establishments and financing the implementation of innovation in enterprises,
 - (iii) improvement of access by enterprises to finance and loans, by creating and developing appropriate financing instruments, as referred to in Article 28 of Regulation (EC) No 1260/1999,
 - (iv) direct aid to investment as defined in Article 28(3) of Regulation (EC) No 1260/1999 where no aid scheme exists,
 - (v) the provision of infrastructure on a scale appropriate to local and employment development,
 - (vi) aid for structures providing neighbourhood services to create new jobs but excluding measures financed by the European Social Fund (ESF);

- (d) technical assistance measures as referred to in the second subparagraph of Article 2(4) of Regulation (EC) No 1260/1999.

In the regions designated under Objective 1, the ERDF may contribute towards the financing of investment in education and health that is beneficial to the regions' structural adjustment.

2. In application of paragraph 1, the financial contribution of the ERDF shall support, *inter alia*, the following:

- (a) the productive environment, in particular to increase competitiveness and sustainable investment by firms, especially the small and medium-sized enterprises, and to make regions more attractive, particularly by improving the standard of their infrastructure;
- (b) research and technological development with a view to promoting the introduction of new technologies and innovation and the strengthening of research and technological development capacities contributing to regional development;
- (c) the development of the information society;
- (d) the development of tourism and cultural investment, including the protection of cultural and natural heritage, provided that they are creating sustainable jobs;
- (e) the protection and improvement of the environment, in particular taking account of the principles of precaution and preventative action in support of economic development, the clean and efficient utilisation of energy and the development of renewable energy sources;
- (f) equality between women and men in the field of employment, principally through the establishment of firms and through infrastructure or services enabling the reconciliation of family and working life;
- (g) transnational, cross-border and inter-regional cooperation on sustainable regional and local development.

Article 3

Community initiative

1. Pursuant to Article 20 of Regulation (EC) No 1260/1999, the ERDF shall, in accordance with Article 21 of that Regulation, contribute to the implementation of the Community initiative for cross-border, transnational and inter-regional

cooperation intended to encourage the harmonious, balanced and sustainable development of the whole of the Community's territory ('Interreg') as well as to the implementation of the Community initiative for economic and social regeneration of cities and urban neighbourhoods in crisis with a view to promoting sustainable urban development ('URBAN').

2. In accordance with Article 21(2) of Regulation (EC) No 1260/1999, the scope laid down in paragraph 1 of this Article shall be extended by the decision on the Funds' contribution to the financing of measures eligible under Regulations (EC) No 1784/1999⁽¹⁾, (EC) No 1257/1999⁽²⁾ and (EC) No 1263/1999⁽³⁾ with a view to implementing all the measures set out in the Community initiative programme concerned.

Article 4

Innovative measures

1. In accordance with Article 22(1) of Regulation (EC) No 1260/1999, the ERDF may also contribute to financing:

- (a) studies initiated by the Commission to identify and analyse regional development problems and solutions, particularly with a view to the harmonious, balanced and sustainable development of the whole of the Community's territory, including the European Spatial Development Perspective;
- (b) pilot projects to identify or test new regional and local development solutions with a view to their inclusion in assistance after demonstration of their feasibility;
- (c) exchanges of experience relating to innovation with the aim of turning to account and transferring experience gained in the regional or local development field.

2. In accordance with Article 22(2) of Regulation (EC) No 1260/1999, the scope laid down in paragraph 1 of this Article shall be extended by the decision on the Funds' contribution to the financing of measures eligible under Regulations (EC) No 1784/1999, (EC) No 1257/1999 and (EC) No 1263/1999 with a view to implementing all the measures in the pilot project concerned.

Article 5

Implementing rules

Any detailed implementing rules for this Regulation shall be adopted by the Commission in accordance with the procedure laid down in Article 48 of Regulation (EC) No 1260/1999.

Article 6

Repeal

Regulation (EEC) No 4254/88 shall be repealed with effect from 1 January 2000.

References to the repealed Regulation shall be construed as references to this Regulation.

⁽¹⁾ See page 5 of this Official Journal.

⁽²⁾ Council Regulation (EC) No 1257/1999 of 17 May 1999 on support for rural development by the European Guidance and Guarantee Fund (EAGGF) (OJ L 160, 26.6.1999, p. 80).

⁽³⁾ Council Regulation (EC) No 1263/1999 of 21 June 1999 laying down general provisions on the Structural Funds (OJ L 161, 26.6.1999, p. 54).

*Article 7***Review clause**

On a proposal from the Commission, the European Parliament and the Council shall review this Regulation by 31 December 2006.

They shall act on this proposal in accordance with the procedure laid down in Article 162 of the Treaty.

*Article 8***Transitional provisions**

The transitional provisions referred to in Article 52 of Regulation (EC) No 1260/1999 shall apply *mutatis mutandis* to this Regulation.

*Article 9***Entry into force**

This Regulation shall enter into force on the third day following that of its publication in the *Official Journal of the European Communities*.

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

Done at Brussels, 12 July 1999.

For the European Parliament
The President
J.M. GIL-ROBLES

For the Council
The President
S. NIINISTÖ

**REGULATION (EC) No 1784/1999 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL
of 12 July 1999
on the European Social Fund (*)**

THE EUROPEAN PARLIAMENT,
THE COUNCIL OF THE EUROPEAN UNION,

the fields of human resource development and employment;

Having regard to the Treaty establishing the European Community, and in particular Article 148 thereof,

Having regard to the proposal from the Commission (1),

Having regard to the opinion of the Economic and Social Committee (2),

Having regard to the opinion of the Committee of the Regions (3),

Acting in accordance with Article 251 of the Treaty (4),

(1) Whereas Council Regulation (EC) No 1260/1999 of 21 June 1999 laying down general provisions on the Structural Funds (5) replaces Regulation (EEC) No 2052/88 (6) and Regulation (EEC) No 4253/88 (7); whereas it is also necessary to replace Council Regulation (EEC) No 4255/88 of 19 December 1988 laying down provisions for implementing Regulation (EEC) No 2052/88 as regards the European Social Fund (8);

(2) Whereas Regulation (EC) No 1260/1999 defines the general arrangements governing the Structural Funds as a whole and it is necessary to define which activities are eligible for financing by the European Social Fund (hereinafter the 'Fund') within the framework of Objectives 1, 2 and 3, referred to in Article 1, first subparagraph, points 1, 2 and 3 of the said Regulation (hereinafter referred to as 'Objectives 1, 2 and 3'), in the framework of the Community initiative for combating all forms of discrimination and inequalities in connection with the labour market, and within the framework of innovative measures and technical assistance;

(3) Whereas it is necessary to define the mission of the Fund in relation to the tasks prescribed in the Treaty and in the context of the priorities agreed by the Community in

(4) Whereas the Conclusions of the Amsterdam European Council in June 1997 and its Resolution on growth and employment (9) initiated the implementation of the European employment strategy, the annual guidelines on employment and the process of establishing national action plans for employment;

(5) Whereas it is necessary to redefine the scope of the Fund, in particular following the restructuring and simplification of the Objectives of the Structural Funds, to support the European employment strategy and the national action plans for employment linked to it;

(6) Whereas it is necessary to define a common framework for Fund interventions in all three Structural Fund Objectives in order thereby to ensure consistency and complementarity of actions undertaken pursuant to those Objectives with a view to improving the workings of the labour market and to developing human resources;

(7) Whereas the Member States and the Commission ensure that programming and implementation of the actions financed by the Fund in the context of all the Objectives contribute to the promotion of equality of opportunity between men and women and the promotion of the integration and retention of disadvantaged groups and individuals in the labour market;

(8) Whereas the Member States and the Commission also ensure that the social dimension and the employment aspect of the information society are duly taken into account in implementing actions financed by the Fund;

(9) Whereas it is necessary to ensure that operations relating to industrial adaptation take account of the general needs of workers of either sex resulting from economic change and changes in production systems identified or predicted and are not designed to benefit a single firm or a particular industry; whereas particular attention should be devoted to small and medium-sized enterprises and to enhancing access to training and to improving work organisation;

(*) This publication cancels and replaces the publication which appeared in OJ L 161, 26.6.1999, p. 48.

(1) OJ C 176, 9.6.1998, p. 39 and

OJ C 74, 18.3.1999, p. 7.

(2) OJ C 407, 28.12.1998, p. 74.

(3) OJ C 51, 22.2.1999, p. 48.

(4) European Parliament Opinion of 19 November 1998 (OJ C 379, 7.12.1998, p. 186), Council Common Position of 14 April 1999 (OJ C 134, 14.6.1999, p. 9) and European Parliament Decision of 6 May 1999 (not yet published in the Official Journal), Council Decision of 21 June 1999.

(5) OJ L 161, 26.6.1999, p. 1.

(6) OJ L 185, 15.7.1988, p. 9. Regulation as last amended by Regulation (EC) No 3193/94 (OJ L 337, 24.12.1994, p. 11).

(7) OJ L 374, 31.12.1988, p. 1. Regulation as last amended by Regulation (EC) No 3193/94.

(8) OJ L 374, 31.12.1988, p. 21. Regulation as last amended by Regulation (EC) No 2084/93 (OJ L 193, 31.7.1993, p. 39).

(9) OJ C 236, 2.8.1997, p. 3.

- (10) Whereas it is necessary to ensure that the Fund continues to strengthen employment and job qualifications by supporting anticipatory action — as far as possible — counselling, networking and training operations throughout the Community and that in consequence the eligible activities are therefore horizontal and cover the economy as a whole, without an a priori restriction to specific industries or sectors;
- (11) Whereas it is necessary to redefine the eligible actions in order to increase the effectiveness of the implementation of policy aims in the context of all the Objectives under which the Fund takes action; whereas it is necessary to define the expenditure eligible for Fund assistance within the framework of the partnership;
- (12) Whereas it is necessary to supplement and specify the content of plans and forms of assistance, especially following the redefinition of Objective 3;
- (13) Whereas the provision of assistance from the Fund at all levels should be based on the Community's social and employment policy priorities and on the priorities laid down in the national action plans;
- (14) Whereas arrangements may be introduced whereby local groups, including non-governmental organisations, may gain simple and rapid access to Fund support for operations concerned with combating social exclusion and thereby build up their capacity for action in that field;
- (15) Whereas measures of major importance to the Community undertaken at the initiative of the Commission have an important role to play in achieving the general objectives of the Community structural action referred to in Article 1 of Regulation (EC) No 1260/1999; whereas such initiatives should primarily promote policy innovation and transnational cooperation;
- (16) Whereas the Fund also contributes to support for technical assistance and innovative measures, and also for preparatory, monitoring and evaluation measures and control in accordance with Articles 22 and 23 of Regulation (EC) No 1260/1999;
- (17) Whereas it is appropriate to lay down the powers for adoption of the implementing provisions and to set out transitional provisions;
- (18) Whereas Regulation (EEC) No 4255/88 should be repealed,

HAVE ADOPTED THIS REGULATION:

Article 1

Tasks

Within the framework of the task entrusted to the European Social Fund (the 'Fund') by Article 146 of the Treaty and of the tasks entrusted to the Structural Funds pursuant to Article 159

of the Treaty and in accordance with the provisions of Regulation (EC) No 1260/1999, the Fund shall support measures to prevent and combat unemployment and to develop human resources and social integration into the labour market in order to promote a high level of employment, equality between men and women, sustainable development, and economic and social cohesion. In particular, the Fund shall contribute to the actions undertaken in pursuance of the European Employment Strategy and the Annual Guidelines on Employment.

Article 2

Scope

1. The Fund shall support and complement the activities of Member States directed towards developing the labour market and human resources in the following policy fields, in particular in the context of their multiannual national action plans for employment:

- (a) developing and promoting active labour market policies to combat and prevent unemployment, to prevent both women and men from moving into long-term unemployment, to facilitate the reintegration of the long-term unemployed into the labour market, and to support the occupational integration of young people and of persons returning to the labour market after a period of absence;
- (b) promoting equal opportunities for all in accessing the labour market, with particular emphasis on those exposed to social exclusion;
- (c) promoting and improving:
 - training,
 - education,
 - counselling

as part of lifelong learning policy to:

- facilitate and improve access to, and integration into, the labour market,
 - improve and maintain employability, and
 - promote job mobility;
- (d) promoting a skilled, trained and adaptable workforce, innovation and adaptability in work organisation, developing entrepreneurship and conditions facilitating job creation, and enhancing skills and boosting human potential in research, science and technology;
 - (e) specific measures to improve women's access to and participation in the labour market, including their career development, their access to new job opportunities and to starting up of businesses, and to reduce vertical and horizontal segregation on the basis of sex in the labour market.

2. Within the policy fields set out in paragraph 1 the Fund shall take account of:

- (a) support for local initiatives concerning employment, in particular initiatives to support local employment and territorial employment pacts;

- (b) the social and labour market dimensions of the information society, notably by developing policy and programmes designed to harness the employment potential of the information society and by ensuring equal access to its facilities and benefits;
- (c) equal opportunities for women and men as part of the mainstreaming approach.

Article 3

Eligible activities

1. The financial support of the Fund shall mainly take the form of assistance to persons and be devoted to the following activities to develop human resources which may be part of a pathway approach to labour market integration:

- (a) education and vocational training — including vocational training equivalent to compulsory schooling — apprenticeships, pre-training, in particular the provision and upgrading of basic skills, rehabilitation in employment, measures to promote employability on the labour market, guidance, counselling and continuing training;
- (b) employment aids and aids for self-employment;
- (c) in the fields of research, science and technology development, post-graduate training and the training of managers and technicians at research establishments and in enterprises;
- (d) development of new sources of employment, including in the social economy (Third System).

2. In order to increase the effectiveness of the activities referred to in paragraph 1 assistance may also be given to:

- (a) structures and systems:
 - (i) development and improvement of training, education and skills acquisition, including the training of teachers, trainers and staff, and improving the access of workers to training and qualifications;
 - (ii) modernisation and improved efficiency of employment services;
 - (iii) development of links between the worlds of work and education, training, and research establishments;
 - (iv) development, as far as possible, of systems for anticipating changes in employment and in qualification needs, particularly in relation to new patterns of work and new forms of work organisation, taking into account the need for reconciliation of family and working life and for enabling older workers to have a fulfilling occupation until retirement. This shall not,

however, include the financing of early-retirement schemes;

- (b) accompanying measures:
 - (i) assistance in the provision of services to beneficiaries, including the provision of care services and facilities for dependants;
 - (ii) promoting socio-educational development to facilitate the pathway approach to labour market integration;
 - (iii) awareness-raising, information and publicity.

3. The Fund may finance activities pursuant to the second subparagraph of Article 2(4) of Regulation (EC) No 1260/1999.

Article 4

Concentration of assistance

1. With due regard to national priorities as laid down in particular in the national action plans for employment as well as to the ex-ante evaluation, a strategy shall be set out taking account of all relevant policy fields and paying particular attention to the areas referred to in Article 2(1)(d) and (e). In order to maximise the efficiency of Fund support, its interventions within this strategy and taking into account the priority fields referred to in Article 2(1) shall be concentrated on a limited number of areas or themes and be directed towards the most important needs and the most effective operations.

In allocating appropriations to each intervention by the Fund a joint selection shall be made of the policy fields to be given priority. The measures provided for in Article 2(1) shall, in accordance with national priorities, be taken into account.

2. The programming of Fund interventions shall provide that a reasonable amount of the Fund appropriations made available for the intervention within Objectives 1 and 3 shall be available, in conformity with Article 27 of Regulation (EC) No 1260/1999, in the form of small grants, with special arrangements for access by non-governmental organisations and local partnerships. Member States may choose to implement this paragraph in accordance with financing arrangements set out in Article 29(6) of Regulation (EC) No 1260/1999.

Article 5

Community initiative

1. Pursuant to Article 20 of Regulation (EC) No 1260/1999, the Fund shall, in accordance with Article 21(2) of that Regulation, contribute to the implementation of the Community Initiative for combating discrimination and inequalities in connection with the labour market (EQUAL).

2. In accordance with Article 21(2) of Regulation (EC) No 1260/1999, the Decisions on the contribution of the Fund to the Community Initiative may extend the scope of eligible activities referred to in Article 3 of this Regulation to cover measures which can be funded by Regulations (EC) No 1783/1999⁽¹⁾, (EC) No 1257/1999⁽²⁾ and (EC) No 1263/1999⁽³⁾ so as to permit the implementation of all the measures provided for in the Initiative.

⁽¹⁾ See page 1 of this Official Journal.

⁽²⁾ Council Regulation (EC) No 1257/1999 of 17 May 1999 on support for rural development from the European Agricultural Guidance and Guarantee Funds (EAGGF) (OJ L 160, 26.6.1999, p. 80).

⁽³⁾ Council Regulation (EC) No 1263/1999 of 21 June 1999 on structural measures in the fisheries sector (OJ L 161, 26.6.1999, p. 54).

Article 6

Innovative measures and technical assistance

1. In accordance with Article 22(2) of Regulation (EC) No 1260/1999, the Commission may finance preparatory, monitoring and evaluation operations in Member States or at Community level which are necessary for the implementation of the operations referred to in this Regulation. They may include:

- (a) operations of an innovatory nature and pilot projects concerning labour markets, employment, and vocational training;
- (b) studies, technical assistance and the exchange of experience having a multiplier effect;
- (c) technical assistance connected with the preparation, implementation, monitoring, and evaluation, as well as control of operations financed by the Fund;
- (d) operations directed, within the framework of social dialogue, at staff from enterprises in two or more Member States and concerning the transfer of special knowledge relating to areas of intervention by the Fund;
- (e) informing the various partners involved, the final beneficiaries of assistance from the Fund and the general public.

2. In accordance with Article 22(2) of Regulation (EC) No 1260/1999, the scope of the operations referred to in paragraph 1(a) of this Article shall be extended, by a Decision for Fund participation, to measures that may be financed under Regulations (EC) No 1783/1999, (EC) No 1257/1999 and (EC) No 1263/1999, so as to cover all the measures necessary for the implementation of the innovative actions in question.

Article 7

Applications for assistance

Applications for a contribution from the Fund shall be accompanied by a computerised form, drawn up jointly, listing the operations regarding each form of assistance so that it can be followed through from budgetary commitment to final payment.

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

Done at Brussels, 12 July 1999.

For the European Parliament

The President

J. M. GIL-ROBLES

Article 8

Implementing provisions

All detailed implementing rules for this Regulation shall be adopted by the Commission according to the procedure laid down in Article 49 of Regulation (EC) No 1260/1999.

Article 9

Transitional provisions

The transitional provisions set out in Article 52 of Regulation (EC) No 1260/1999 shall apply *mutatis mutandis* to this Regulation.

Article 10

Review clause

On a proposal from the Commission, the European Parliament and the Council shall review this Regulation by 31 December 2006.

They shall act on this proposal in accordance with the procedure laid down in Article 148 of the Treaty.

Article 11

Repeal

Regulation (EEC) No 4255/88 shall be repealed as from 1 January 2000.

References to the repealed Regulation shall be construed as references to this Regulation.

Article 12

Entry into force

This Regulation shall enter into force on the third day following that of its publication in the Official Journal of the European Communities.

For the Council

The President

S. NIINISTÖ

COUNCIL REGULATION (EC) No 1263/1999

of 21 June 1999

on the Financial Instrument for Fisheries Guidance

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty establishing the European Community, and in particular Article 37 thereof,

Having regard to the proposal from the Commission⁽¹⁾,

Having regard to the opinion of the European Parliament⁽²⁾,

Having regard to the opinion of the Economic and Social Committee⁽³⁾,

- (1) Whereas the common fisheries policy supports the general objectives of Article 33 of the Treaty; whereas, in particular, Council Regulation (EEC) No 3760/92 of 20 December 1992 establishing a Community system for fisheries and aquaculture⁽⁴⁾, contributes towards achieving a balance between conservation and the management of resources, on the one hand, and fishing effort and the stable and rational exploitation of those resources, on the other;
- (2) Whereas structural measures in fisheries and aquaculture should contribute to the attainment of the objectives of the common fisheries policy and those of Article 100 of the Treaty;
- (3) Whereas the incorporation of such structural measures into the operational framework of the Structural Funds in 1993 improved the synergy of Community operations and enabled a more coherent contribution to be made to the strengthening of economic and social cohesion;

⁽¹⁾ OJ C 176, 9.6.1998, p. 44.

⁽²⁾ Opinion delivered on 6 May 1999 (not yet published in the Official Journal).

⁽³⁾ OJ C 407, 28.12.1998, p. 74.

⁽⁴⁾ OJ L 389, 31.12.1992, p. 1. Regulation as amended by Regulation (EC) No 1181/98 (OJ L 164, 9.6.1998, p. 3).

- (4) Whereas Council Regulation (EC) No 1260/1999 of 21 June 1999 laying down general provisions on the Structural Funds⁽⁵⁾ institutes a comprehensive review of the operational arrangements for the structural policies to take effect from 1 January 2000; whereas such structural measures will form part of the means and tasks referred to in Article 2 of the said Regulation; whereas Council Regulation (EEC) No 2080/93 of 20 July 1993 laying down provisions for implementing Regulation (EEC) No 2052/88 as regards the Financial Instrument for Fisheries Guidance⁽⁶⁾ should therefore be repealed and replaced by a new Regulation providing in particular for arrangements that will ensure a transition which avoids any interruption of the structural measures,

HAS ADOPTED THIS REGULATION:

Article 1

1. The structural measures implemented with Community financial assistance under this Regulation in the fisheries and aquaculture sector and the industry processing and marketing their products (hereinafter referred to as 'the sector') shall support the general objectives of Articles 33 and 100 of the Treaty and the objectives set out in Regulations (EEC) No 3760/92 and (EC) No 1260/1999.

2. The tasks of the measures referred to in paragraph 1 shall be:

- (a) to contribute to achieving a sustainable balance between fishery resources and their exploitation;
- (b) to strengthen the competitiveness of structures and the development of economically viable enterprises in the sector;

⁽⁵⁾ See page 1 of this Official Journal.

⁽⁶⁾ OJ L 193, 31.7.1993, p. 1.

(c) to improve market supply and the value added to fishery and aquaculture products;

(d) to contribute to revitalising areas dependent on fisheries and aquaculture.

3. Community financial assistance may be granted for the implementation of measures in support of one or more of the tasks referred to in paragraph 2, in accordance with Article 2.

4. Under the procedure referred to in Article 4, the Council shall establish the fields of intervention for the structural actions referred to in paragraph 1 of this Article.

Article 2

1. The Financial Instrument for Fisheries Guidance is hereinafter called the 'FIFG'.

2. Measures implemented with assistance from the FIFG in Objective 1 of the Structural Funds shall form part of the programming of this Objective.

Measures implemented with assistance from the FIFG outside Objective 1 shall be subject to a single programming document in each Member State concerned.

3. The measures mentioned in paragraph 2 shall include all structural measures in the sector in the following areas:

- fleet renewal and modernisation of fishing vessels,
- adjustment of fishing effort,
- joint enterprises,
- small-scale coastal fishing,
- socioeconomic measures,
- protection of marine resources in coastal waters,
- aquaculture,
- fishing port facilities,

— processing and marketing of fishery and aquaculture products,

— measures to find and promote new market outlets,

— operations by members of the trade,

— temporary cessation of activities and other financial compensation,

— innovative actions and technical assistance.

According to the procedure laid down in Article 4, the Council may adapt this list of measures.

4. Member States shall ensure at national level that fleet restructuring interventions under the FIFG are consistent with their obligations under the common fisheries policy and in particular under the fisheries multiannual guidance programmes.

5. In addition, and in accordance with Articles 22 and 23 of Regulation (EC) No 1260/1999, the FIFG shall contribute towards:

(a) innovative action including transnational operations and the establishment of networks for those operating in the sector and areas dependent on fisheries and aquaculture;

(b) technical assistance measures.

In accordance with Article 22(2) of Regulation (EC) No 1260/1999, the field for pilot projects covered by point (a) of this paragraph is extended by the decision on the contributions from the Funds to measures that can be financed under Regulation (EC) No 1261/1999 of 21 June 1999 of the European Parliament and of the Council on the Regional Development Fund⁽¹⁾, Regulation (EC) No 1262/1999 of 21 June 1999 of the European Parliament and of the Council on the European Social Fund⁽²⁾ and Council Regulation (EC) No 1257/1999 of 17 May 1999 on support for rural development from the European Agricultural Guidance and Guarantee Fund (EAGGF) and amending and repealing certain Regulations⁽³⁾ in order to implement all the measures envisaged by the innovative actions concerned.

⁽¹⁾ See page 43 of this Official Journal.

⁽²⁾ See page 48 of this Official Journal.

⁽³⁾ OJ L 160, 26.6.1999, p. 80.

Article 3

The financial contribution granted to each individual operation under the measures referred to in Article 1(3) may not exceed a maximum amount to be determined in accordance with the procedure referred to in Article 4.

Article 4

Without prejudice to Article 5, the Council, acting on a proposal from the Commission in accordance with the procedure laid down in Article 37 of the Treaty, shall adopt, not later than 31 December 1999, the detailed rules and conditions for the Community financial contribution to the structural measures referred to in Article 2.

Article 5

1. Council Regulations (EEC) No 4028/86⁽¹⁾ and (EEC) No 4042/89⁽²⁾ shall continue to apply to applications for aid submitted before 1 January 1994.

2. Portions of sums committed as assistance for projects by the Commission between 1 January 1989 and 31 December 1993 under Regulation (EEC) No 4028/86 for which no final application for payment has been submitted to the Commission at the

latest six years and three months after the date the aid is granted shall be released automatically by the Commission at the latest six years and nine months after the date the aid is granted, giving rise to the repayment of amounts unduly paid, without prejudice to projects which have been suspended on legal grounds.

Article 6

Regulation (EEC) No 2080/93 is hereby repealed with effect from 1 January 2000.

References to the repealed Regulation shall be understood as references to this Regulation.

Article 7

The transitional arrangements provided for in Article 52 of Regulation (EC) No 1260/1999 shall apply *mutatis mutandis* to this Regulation.

Article 8

This Regulation shall enter into force on the third day following its publication in the *Official Journal of the European Communities*.

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

Done at Luxembourg, 21 June 1999.

For the Council
The President
G. VERHEUGEN

⁽¹⁾ OJ L 376, 31.12.1986, p. 7. Regulation as last amended by Regulation (EC) No 2080/93.

⁽²⁾ OJ L 388, 30.12.1989, p. 1. Regulation as last amended by Regulation (EC) No 2080/93.

COUNCIL REGULATION (EC) No 1257/1999

of 17 May 1999

on support for rural development from the European Agricultural Guidance and Guarantee Fund (EAGGF) and amending and repealing certain Regulations

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty establishing the European Community, and in particular Articles 36 and 37 thereof,

Having regard to the proposal from the Commission⁽¹⁾,

Having regard to the opinion of the European Parliament⁽²⁾,

Having regard to the opinion of the Economic and Social Committee⁽³⁾,

Having regard to the opinion of the Committee of the Regions⁽⁴⁾,

Having regard to the opinion of the Court of Auditors⁽⁵⁾,

(1) Whereas a common rural development policy should accompany and complement the other instruments of the common agricultural policy and thus contribute to the achievement of the policy's objectives as laid down in Article 33(1) of the Treaty;

(2) Whereas, according to Article 33(2)(a) of the Treaty, in working out the common agricultural policy and the special methods for its application, account is to be taken of the particular nature of agricultural activity which results from the social structure of agriculture and from structural and natural disparities between the various agricultural regions;

(3) Whereas, according to Article 159 of the Treaty, the implementation of the common policies is to take into account the objectives set out in

Articles 158 and 160 for the common policy of economic and social cohesion and contribute to their achievement; whereas rural development measures should, therefore, contribute to this policy in regions whose development is lagging behind (Objective 1) and regions facing structural difficulties (Objective 2) as defined in Council Regulation (EC) No 1260/1999, of 21 June 1999 laying down general provisions on the Structural Funds⁽⁶⁾;

(4) Whereas measures designed to support the improvement of agricultural structures were introduced into the common agricultural policy as early as 1972; whereas for almost two decades, attempts have been made to integrate agricultural structural policy into the wider economic and social context of rural areas; whereas the 1992 policy reform stressed the environmental dimension of agriculture as the largest land user;

(5) Whereas rural policy is currently carried out through a range of complex instruments;

(6) Whereas over the coming years, agriculture will have to adapt to new realities and further changes in terms of market evolution, market policy and trade rules, consumer demand and preferences and the Community's next enlargement; whereas these changes will affect not only agricultural markets but also local economies in rural areas in general; whereas a rural development policy should aim at restoring and enhancing the competitiveness of rural areas and, therefore, contribute to the maintenance and creation of employment in those areas;

(7) Whereas these developments should be encouraged and supported by reorganisation and simplification of the existing rural development instruments;

(8) Whereas such reorganisation should take into account the experience gained in applying existing instruments and thus be based on those instruments, which are those implemented under

⁽¹⁾ OJ C 170, 4.6.1998, p. 7.

⁽²⁾ Opinion delivered on 6 May 1999 (not yet published in the Official Journal).

⁽³⁾ OJ C 407, 28.12.1998, p. 210.

⁽⁴⁾ OJ C 93, 6.4.1999, p. 1.

⁽⁵⁾ OJ C 401, 22.12.1998, p. 3.

⁽⁶⁾ OJ L 161, 26.6.1999, p. 1.

- the current priority objectives promoting rural development by speeding up the adjustment of agricultural structures in the framework of the reform of the common agricultural policy and facilitating the development and structural adjustment of rural areas (Objectives 5a and 5b), as laid down in Council Regulation (EEC) No 2052/88 of 24 June 1988 on the tasks of the Structural Funds and their effectiveness and on coordination of their activities between themselves and with the operations of the European Investment Bank and the other existing financial instruments⁽¹⁾ and Council Regulation (EEC) No 4256/88 of 19 December 1988 laying down provisions for implementing Regulation (EEC) No 2052/88 as regards the European Agricultural Guidance and Guarantee Fund (EAGGF) Guidance Section⁽²⁾, and those introduced as accompanying measures to the 1992 common agricultural policy reform by Council Regulation (EEC) No 2078/92 of 30 June 1992 on agricultural production methods compatible with the requirements of the protection of the environment and the maintenance of the countryside⁽³⁾, Council Regulation (EEC) No 2079/92 of 30 June 1992 instituting a Community aid scheme for early retirement from farming⁽⁴⁾ and Council Regulation (EEC) No 2080/92 of 30 June 1992 instituting a Community aid scheme for forestry measures in agriculture⁽⁵⁾;
- (9) Whereas the framework of a reformed rural development policy should cover all rural areas in the Community;
- (10) Whereas the three existing accompanying measures introduced by the 1992 reform of the common agricultural policy (agri-environment, early retirement and afforestation) should be supplemented by the scheme for less-favoured areas and areas with environmental restrictions;
- (11) Whereas other rural development measures should form part of integrated development programmes for Objective 1 and may form part of programmes for Objective 2 regions;
- (12) Whereas in rural areas, rural development measures should accompany and complement market policies;
- (13) Whereas support from the EAGGF for rural development should be based on a single legal framework establishing measures eligible for support, their objectives and criteria for eligibility;
- (14) Whereas, given the diversity of the Community's rural areas, rural development policy should follow the principle of subsidiarity; whereas it should therefore, be as decentralised as possible and emphasis must be on participation and a 'bottom up' approach; whereas, therefore, eligibility criteria for rural development support should not go beyond what is necessary to achieve the objectives of rural development policy;
- (15) Whereas consistency with other instruments of the common agricultural policy and with other common policies requires, however, basic support criteria to be laid down at Community level; whereas, in particular, unjustified distortions of competition resulting from rural development measures should be avoided;
- (16) Whereas, in order to ensure flexibility and to simplify legislation, the Council should confer all necessary implementing powers on the Commission in accordance with the third indent of Article 202 of the Treaty;
- (17) Whereas the structure of agriculture in the Community is typified by the existence of a large number of holdings which lack the structural conditions to ensure a fair income and living conditions for farmers and their families;
- (18) Whereas the aim of Community investment aid is to modernise agricultural holdings and to improve their viability;
- (19) Whereas Community conditions concerning eligibility for investment aid should be simplified

⁽¹⁾ OJ L 185, 15.7.1988, p. 9. Regulation as last amended by Regulation (EC) No 3193/94 (OJ L 337, 24.12.1994, p. 11).

⁽²⁾ OJ L 374, 31.12.1988, p. 25. Regulation as last amended by Regulation (EEC) No 2085/93 (OJ L 193, 31.7.1993, p. 44).

⁽³⁾ OJ L 215, 30.7.1992, p. 85. Regulation as last amended by Commission Regulation (EC) No 2272/95 (OJ L 288, 1.12.1995, p. 35). Regulation rectified by Commission Regulation (EC) No 1962/96 (OJ L 259, 12.10.1996, p. 7).

⁽⁴⁾ OJ L 215, 30.7.1992, p. 91. Regulation as amended by Commission Regulation (EC) No 2773/95 (OJ L 288, 1.12.1995, p. 37).

⁽⁵⁾ OJ L 215, 30.7.1992, p. 96. Regulation as last amended by Commission Regulation (EC) No 231/96 (OJ L 30, 8.2.1996, p. 33).

as compared to the existing conditions laid down in Council Regulation (EC) No 950/97 of 20 May 1997 on improving the efficiency of agricultural structures⁽¹⁾;

- (20) Whereas the granting of specific benefits to young farmers may facilitate not only their establishment but also the structural adjustment of their holdings after their initial establishment;
- (21) Whereas the evolution and specialisation of agriculture require an appropriate level of general, technical and economic training for persons involved in agricultural and forestry activities, especially as regards new approaches to management, production and marketing;
- (22) Whereas a particular effort is needed to educate farmers in and inform them of agricultural methods compatible with the environment;
- (23) Whereas early retirement from farming should be encouraged in order to improve the viability of agricultural holdings, taking into account the experience acquired in the implementation of Regulation (EEC) No 2079/92;
- (24) Whereas support for less-favoured areas should contribute to the continued use of agricultural land, maintaining the countryside, maintenance and promotion of sustainable farming systems;
- (25) Whereas less-favoured areas should be classified on the basis of common criteria;
- (26) Whereas there is no need for any further classification of less-favoured areas at Community level;
- (27) Whereas conditions concerning eligibility for compensatory allowances should be laid down in order to ensure the efficiency of this support scheme and to ensure that its objectives are achieved;
- (28) Whereas for limitations on agricultural use in areas with environmental restrictions it might be

necessary that support is granted to farmers to solve their specific problems arising from these limitations;

- (29) Whereas, in the coming years, a prominent role should be given to agri-environmental instruments to support the sustainable development of rural areas and to respond to society's increasing demand for environmental services;
- (30) Whereas the existing agri-environmental support under Regulation (EEC) No 2078/92 should be continued for targeted environmental measures, taking into account experience gained in the implementation of this scheme as described in detail in the Commission's report presented pursuant to Article 10(2) of Regulation (EEC) No 2078/92;
- (31) Whereas the agri-environmental aid scheme should continue to encourage farmers to serve society as a whole by introducing or continuing the use of farming practices compatible with the increasing need to protect and improve the environment, natural resources, soil and genetic diversity and to maintain the landscape and the countryside;
- (32) Whereas improvements in the processing and marketing of agricultural products should be encouraged by support for investments in that field;
- (33) Whereas such support can largely be based on existing conditions as currently laid down in Council Regulation (EC) No 951/97 of 20 May 1997 on improving the processing and marketing conditions for agricultural products⁽²⁾.
- (34) Whereas it should be ensured that such investments are viable and that farmers have a share in the economic benefits of the action taken;
- (35) Whereas forestry is an integral part of rural development and forestry measures should, therefore, be included under the rural development support scheme, whereas support for forestry should avoid distorting competition and should be market neutral;

⁽¹⁾ OJ L 142, 2.6.1997, p. 1. Regulation as amended by Regulation (EC) No 2331/98 (OJ L 291, 30.10.1998, p. 10).

⁽²⁾ OJ L 142, 2.6.1997, p. 22.

- (36) Whereas forestry measures should be adopted in the light of undertakings given by the Community and the Member States at international level and be based on Member States' forestry plans; whereas such measures should also take into account the specific problems of climate change;
- (37) Whereas forestry measures should be based on those taken under the existing schemes laid down in Council Regulation (EEC) No 1610/89 of 29 May 1989 laying down provisions for implementing Regulation (EEC) No 4256/88 as regards the scheme to develop and optimally utilise woodlands in rural areas in the Community⁽¹⁾ and in Council Regulation (EEC) No 867/90 of 29 March 1990 on improving the processing and marketing conditions for forestry products⁽²⁾;
- (38) Whereas the afforestation of agricultural land is especially important from the point of view of soil use and the environment and as a contribution to increasing supplies for certain forestry products, whereas the existing support for afforestation under Regulation (EEC) No 2080/92 should, therefore, be continued, taking into account the experience gained in the implementation of that scheme as described in detail in the Commission's report presented pursuant to Article 8(3) thereof;
- (39) Whereas payments should be granted for activities to maintain and improve ecological stability of forests in certain areas;
- (40) Whereas support should be granted for other measures relating to farming activities and their conversion; whereas the list of measures should be defined on the basis of experience and having regard to the need for rural development to be based partly on non-agricultural activities and services so as to reverse the trend towards the economic and social decline and depopulation of the countryside; whereas measures to remove inequalities and to promote equal opportunities for men and women should be supported;
- (41) Whereas demand from consumers for organically-produced agricultural products and foodstuffs is increasing; whereas a new market for agricultural products is thus being created; whereas organic agriculture improves the sustainability of farming activities and thus contributes to the general aims of this Regulation; whereas the specific rural development support measures may concern the production, processing and marketing of organically-produced agricultural products;
- (42) Whereas rural development measures eligible for Community support should comply with Community law and be consistent with other Community policies as well as with other instruments of the common agricultural policy;
- (43) Whereas in the framework of this Regulation support should be excluded for certain measures eligible under other common agricultural policy instruments and in particular those falling within the scope of support schemes under common organisations of the market with the exceptions justified by objective criteria;
- (44) Whereas, in view of existing aid to producer groups and their associations in several common organisations of the market, specific support to producer groups in the framework of rural development no longer appears to be necessary; whereas, therefore, the aid scheme existing under Council Regulation (EC) No 952/97 of 20 May 1997 on producer groups and associations thereof⁽³⁾ should be discontinued;
- (45) Whereas the financing of Community support for the accompanying measures and for other rural development measures in areas other than Objective 1 should come from the Guarantee Section of the EAGGF; whereas the basic financial rules laid down in Regulation (EC) No 1260/1999 have been adapted accordingly;
- (46) Whereas the financing of Community support for rural development measures, in areas covered

⁽¹⁾ OJ L 165, 15.6.1989, p. 3.

⁽²⁾ OJ L 91, 6.4.1990, p. 7.

⁽³⁾ OJ L 142, 2.6.1997, p. 30.

- by Objective 1, should continue to come from the Guidance Section of the EAGGF except for the three existing accompanying measures and the support for less-favoured areas and areas with environmental restrictions;
- (47) Whereas, with regard to the support for rural development measures covered by Objective 1 and Objective 2 programming, Regulation (EC) No 1260/1999 should apply, in particular as to integrated programming of these measures; whereas, however, rules concerning financing should take into account the Guarantee financing of measures in Objective 2 regions;
- (48) Whereas rural development measures not covered by Objective 1 or Objective 2 programming should be subject to rural development programming pursuant to specific rules; whereas rates of assistance for such measures should be differentiated according to the general principles laid down in Article 29(1) of Regulation (EC) No 1260/1999 taking sufficiently into account the requirement of social and economic cohesion; whereas, as a result, those assistance rates should, in principle, be differentiated as between areas covered by Objective 1 and Objective 2 and other areas; whereas the rates laid down in this Regulation are the maximum rates of Community assistance;
- (49) Whereas, in addition to rural development programmes, the Commission should be able to make provisions for studies on rural development on its own initiative notwithstanding the rural development initiative provided for in Articles 19 and 20 of Regulation (EC) No 1260/1999;
- (50) Whereas appropriate rules should be established for the monitoring and evaluation of rural development support, using as a reference well-defined indicators to be agreed and established prior to programme implementation;
- (51) Whereas rural development measures should be eligible for Member State support without any Community co-financing; whereas, in view of the considerable economic impact of such aid and in order to ensure consistency with measures eligible for Community support and simplify procedures, specific State-aid rules should be established;
- (52) Whereas it should be possible to adopt transitional rules to facilitate the transition from existing support schemes to the new rural development support scheme;
- (53) Whereas the new support scheme provided for in this Regulation replaces existing support schemes which should therefore be repealed; whereas, as a consequence, the derogation in current schemes for outermost regions and for the Aegean Islands will equally have to be repealed; whereas new rules providing for the necessary flexibility, adaptations and derogations in order to meet the specific needs of those regions will be established when rural development measures are programmed,

HAS ADOPTED THIS REGULATION:

TITLE I

SCOPE AND OBJECTIVES

Article 1

1. This Regulation establishes the framework for Community support for sustainable rural development.

2. Rural development measures shall accompany and complement other instruments of the common agricultural policy and thus contribute to the achievement of the objectives laid down in Article 33 of the Treaty.

3. Rural development measures shall:

- be integrated into the measures promoting the development and structural adjustment of regions whose development is lagging behind (Objective 1), and
- accompany the measures supporting the economic and social conversion of areas facing structural difficulties (Objective 2)

in the regions concerned, taking into account the specific targets of Community support under these objectives as laid down in Articles 158 and 160 of the Treaty and in Regulation (EC) No 1260/1999 and according to the conditions laid down in this Regulation.

Article 2

Support for rural development, related to farming activities and their conversion, may concern:

- the improvement of structures in agricultural holdings and structures for the processing and marketing of agricultural products,
- the conversion and reorientation of agricultural production potential, the introduction of new technologies and the improvement of product quality,
- the encouragement of non-food production,
- sustainable forest development,
- the diversification of activities with the aim of complementary or alternative activities,

- the maintenance and reinforcement of viable social fabric in rural areas,
- the development of economic activities and the maintenance and creation of employment with the aim of ensuring a better exploitation of existing inherent potential,
- the improvement of working and living conditions,
- the maintenance and promotion of low-input farming systems,
- the preservation and promotion of a high nature value and a sustainable agriculture respecting environmental requirements,
- the removal of inequalities and the promotion of equal opportunities for men and women, in particular by supporting projects initiated and implemented by women.

Article 3

Support shall be granted for the rural development measures defined in Title II and under the conditions laid down therein.

TITLE II

RURAL DEVELOPMENT MEASURES

CHAPTER I

INVESTMENT IN AGRICULTURAL HOLDINGS

Article 4

Support for investment in agricultural holdings shall contribute to the improvement of agricultural incomes and of living, working and production conditions.

Such investment shall pursue one or more of the following objectives:

- to reduce production costs,
- to improve and redeploy production,

- to increase quality,
- to preserve and improve the natural environment, hygiene conditions and animal welfare standards,
- to promote the diversification of farm activities.

Article 5

Support for investment shall be granted to agricultural holdings:

- the economic viability of which can be demonstrated,

- which comply with minimum standards regarding the environment, hygiene and animal welfare, and
- where the farmer possesses adequate occupational skill and competence.

Article 6

Support shall not be granted for investment which has as its objective an increase in production for which no normal market outlets can be found.

Article 7

Member States shall set limits for total investment eligible for support.

The total amount of support, expressed as a percentage of the volume of eligible investment, is limited to a maximum of 40 % and 50 % in less-favoured areas. Where investments are undertaken by young farmers, as referred to under Chapter II, these percentages may reach a maximum of 45 % and 55 % in less-favoured areas.

CHAPTER II

SETTING UP OF YOUNG FARMERS

Article 8

1. Setting-up aid to facilitate the establishment of young farmers shall be granted under the following conditions:

- the farmer is under 40 years of age,
- the farmer possesses adequate occupational skill and competence,
- the farmer is setting up on an agricultural holding for the first time,
- as regards the holding:
 - (i) economic viability can be demonstrated, and
 - (ii) minimum standards regarding the environment, hygiene and animal welfare are complied with,

and

- the farmer is established as head of the holding.

Specific conditions may be applied in a situation where a young farmer is not established as sole head of the holding. These conditions must be equivalent to those required for a young farmer setting up as sole head of a holding.

2. The setting-up aid may comprise:

- a single premium up to the maximum eligible amount specified in the Annex,
- an interest subsidy on loans taken on with a view to covering the costs arising from setting up; the capitalised value of the interest subsidy may not exceed the value of the premium.

CHAPTER III

TRAINING

Article 9

Support for vocational training shall contribute to the improvement of the occupational skill and competence of farmers and other persons involved in agricultural activities and forestry activities, and their conversion.

Training shall in particular be designed:

- to prepare farmers for qualitative reorientation of production, the application of production practices compatible with the maintenance and enhancement of the landscape, the protection of the environment, hygiene standards and animal welfare and acquisition of the skills needed to enable them to manage an economically viable farm, and
- to prepare forest holders and other persons involved in forestry activities for the application of forest management practices to improve the economic, ecological or social functions of forests.

CHAPTER IV

EARLY RETIREMENT

Article 10

1. Support for early retirement from farming shall contribute to the following objectives:

- to provide an income for elderly farmers who decide to stop farming,
- to encourage the replacement of such elderly farmers by farmers able to improve, where necessary, the economic viability of the remaining agricultural holdings,
- to reassign agricultural land to non-agricultural uses where it cannot be farmed under satisfactory conditions of economic viability.

2. Early retirement support may include measures to provide an income for farm workers.

Article 11

1. A transferor of a farm shall:

- stop all commercial farming activity definitively; he may, however, continue non-commercial farming and retain the use of the buildings,
- be not less than 55 years old but not yet of normal retirement age at the time of transfer, and
- have practised farming for the 10 years preceding transfer.

2. The transferee of a farm shall:

- succeed the transferor as the head of the agricultural holding or take over all or part of the land released. The economic viability of the transferee's holding must be improved within a period and in compliance with conditions to be defined in terms of, in particular, the transferee's occupational skill and competence and the surface area and volume of work or income, according to the region and type of production,

- possess adequate occupational skill and competence, and

- undertake to practise farming on the agricultural holding for not less than five years.

3. A farm worker shall:

- stop all farm work definitively,
- be not less than 55 years old but not yet of normal retirement age,
- have devoted at least half of his working time as a family helper or farm worker to farm work during the preceding five years,
- have worked on the transferor's agricultural holding for at least the equivalent of two years full-time during the four-year period preceding the early retirement of the transferor, and
- belong to a social security scheme.

4. A non-farming transferee may be any other person or body who takes over released land to use it for non-agricultural purposes, such as forestry or the creation of ecological reserves, in a manner compatible with protection or improvement of the quality of the environment of the countryside.

5. The conditions laid down in this Article shall be applied throughout the period during which the transferor receives early retirement support.

Article 12

1. The maximum amounts eligible for Community support are laid down in the Annex.

2. The duration of early retirement support shall not exceed a total period of 15 years for the transferor and 10 years for the farm worker. It shall not go beyond the 75th birthday of a transferor and not go beyond the normal retirement age of a worker.

Where in the case of a transferor a normal retirement pension is paid by the Member State, early retirement support shall be granted as a supplement taking into account the amount of the national retirement pension.

CHAPTER V

LESS-FAVoured AREAS AND AREAS WITH ENVIRONMENTAL RESTRICTIONS

Article 13

Support for less-favoured areas and areas with environmental restrictions shall contribute to the following objectives.

(a) *Compensation for naturally less-favoured areas*

- to ensure continued agricultural land use and thereby contribute to the maintenance of a viable rural community,
- to maintain countryside,
- to maintain and promote sustainable farming systems which in particular take account of environmental protection requirements.

(b) *Compensation for areas with environmental restrictions*

- to ensure environmental requirements and safeguard farming in areas with environmental restrictions.

Article 14

1. Farmers in less-favoured areas may be supported by compensatory allowances.

2. Compensatory allowances shall be granted per hectare of areas used for agriculture to farmers who:

- farm a minimum area of land to be defined,
- undertake to pursue their farming activity in a less-favoured area for at least five years from the first payment of a compensatory allowance, and

- apply usual good farming practices compatible with the need to safeguard the environment and maintain the countryside, in particular by sustainable farming.

3. Where residues of substances prohibited under Directive 96/22/EC⁽¹⁾ or residues of substances authorised under that Directive but used illegally, are detected pursuant to the relevant provisions of Council Directive 96/23/EC⁽²⁾ in an animal belonging to the bovine herd of a producer, or where an unauthorised substance or product, or a substance or product authorised under Directive 96/22/EC but held illegally is found on the producer's holding in any form, the producer shall be excluded from receiving compensatory allowances for the calendar year of that discovery.

In the event of a repeated infringement, the length of the exclusion period may, depending on the seriousness of the offence, be extended to five years from the year in which the repeated infringement was discovered.

In the event of obstruction on the part of the owner or holder of the animals when inspections are being carried out and the necessary samples are being taken in application of national residue-monitoring plans, or when the investigations and checks provided for under Directive 96/23/EC are being carried out, the penalties provided for in the first subparagraph shall apply.

Article 15

1. Compensatory allowances shall be fixed at a level which:

- is sufficient in making an effective contribution to compensation for existing handicaps, and
- avoids overcompensation.

2. Compensatory allowances shall be duly differentiated, taking into account:

- the situation and development objectives peculiar to a region,
- the severity of any permanent natural handicap affecting farming activities,

⁽¹⁾ OJ L 125, 23.5.1996, p. 3.

⁽²⁾ OJ L 125, 23.5.1996, p. 10.

— the particular environmental problems to be solved where appropriate,

— the type of production and, where appropriate, the economic structure of the holding.

3. Compensatory allowances shall be fixed between the minimum and maximum amounts set out in the Annex.

Compensatory allowances higher than this maximum amount may be granted provided that the average amount of all compensatory allowances granted at the programming level concerned does not exceed this maximum amount. However, in cases duly justified by objective circumstances, Member States may, for the purpose of calculating the average amount, present a combination of several regional programmes.

Article 16

1. Payments to compensate for costs incurred and income foregone may be made to farmers who are subject to restrictions on agricultural use in areas with environmental restrictions as a result of the implementation of limitations on agricultural use based on Community environmental protection rules, if and in so far as such payments are necessary to solve the specific problems arising from those rules.

2. Payments shall be fixed at a level which avoids overcompensation; this is especially necessary in the case of payments in less-favoured areas.

3. The maximum amounts eligible for Community support are laid down in the Annex.

Article 17

Less-favoured areas shall include:

- mountain areas (Article 18),
- other less-favoured areas (Article 19), and
- areas affected by specific handicaps (Article 20).

Article 18

1. Mountain areas shall be those characterised by a considerable limitation of the possibilities for using the land and an appreciable increase in the cost of working it due:

- to the existence, because of altitude, of very difficult climatic conditions, the effect of which is substantially to shorten the growing season,
- at a lower altitude, to the presence over the greater part of the area in question of slopes too steep for the use of machinery or requiring the use of very expensive special equipment, or
- to a combination of these two factors, where the handicap resulting from each taken separately is less acute but the combination of the two gives rise to an equivalent handicap.

2. Areas north of the 62nd Parallel and certain adjacent areas shall be treated in the same way as mountain areas.

Article 19

Less-favoured areas which are in danger of abandonment of land-use and where the conservation of the countryside is necessary, shall comprise farming areas which are homogeneous from the point of view of natural production conditions and exhibit all of the following characteristics:

- the presence of land of poor productivity, difficult cultivation and with a limited potential which cannot be increased except at excessive cost, and which is mainly suitable for extensive livestock farming,
- production which results from low productivity of the natural environment which is appreciably lower than the average, with regard to the main indices of economic performance in agriculture,
- a low or dwindling population predominantly dependent on agricultural activity, the accelerated decline of which would jeopardise the viability of the area concerned and its continued habitation.

Article 20

Less-favoured areas may include other areas affected by specific handicaps, in which farming should be

continued, where necessary and subject to certain conditions, in order to conserve or improve the environment, maintain the countryside and preserve the tourist potential of the area or in order to protect the coastline.

Article 21

The total extent of areas referred to in Article 16 and Article 20 may not exceed 10% of the area of the Member State concerned.

CHAPTER VI

AGRI-ENVIRONMENT

Article 22

Support for agricultural production methods designed to protect the environment and to maintain the countryside (agri-environment) shall contribute to achieving the Community's policy objectives regarding agriculture and the environment.

Such support shall promote:

- ways of using agricultural land which are compatible with the protection and improvement of the environment, the landscape and its features, natural resources, the soil and genetic diversity,
- an environmentally-favourable extensification of farming and management of low-intensity pasture systems,
- the conservation of high nature-value farmed environments which are under threat,
- the upkeep of the landscape and historical features on agricultural land,
- the use of environmental planning in farming practice.

Article 23

1. Support shall be granted to farmers who give agri-environmental commitments for at least five

years. Where necessary, a longer period shall be determined for particular types of commitments in view of their environmental effects.

2. Agri-environmental commitments shall involve more than the application of usual good farming practice.

They shall provide for services which are not provided for by other support measures, such as market support or compensatory allowances.

Article 24

1. Support in respect of an agri-environmental commitment shall be granted annually and be calculated on the basis of:

- income foregone,
- additional costs resulting from the commitment given, and
- the need to provide an incentive.

The cost of any non-remunerative capital works necessary for the fulfilment of the commitments may also be taken into account in calculating the level of annual support.

2. Maximum amounts per year eligible for Community support are laid down in the Annex. These amounts shall be based on that area of the holding to which agri-environmental commitments apply.

CHAPTER VII

IMPROVING PROCESSING AND MARKETING OF AGRICULTURAL PRODUCTS

Article 25

1. Support for investment shall facilitate the improvement and rationalisation of processing and marketing of agricultural products and thereby contribute to increasing the competitiveness and added value of such products.

2. Such support shall contribute to one or more of the following objectives:

- to guide production in line with foreseeable market trends or encourage the development of new outlets for agricultural products,
- to improve or rationalise marketing channels or processing procedures,
- to improve the presentation and preparation of products or encourage the better use or elimination of by-products or waste,
- to apply new technologies,
- to favour innovative investments,
- to improve and monitor quality,
- to improve and monitor health conditions,
- to protect the environment.

Article 26

1. Support shall be granted to those persons ultimately responsible for financing the investment in enterprises

- for which economic viability can be demonstrated, and
- which comply with minimum standards regarding the environment, hygiene and animal welfare.

2. Investment must contribute to improving the situation of the basic agricultural production sector in question. It must guarantee the producers of such basic products an adequate share in the resulting economic benefits.

3. Sufficient evidence must be shown that normal market outlets for the products concerned can be found.

Article 27

1. Investment shall concern the processing and marketing of products covered by Annex I to the Treaty except fishery products.

2. Investment shall meet selection criteria setting priorities and indicating which types of investment are not eligible for support.

Article 28

1. The following types of investment shall be excluded from support:

- investment at the retail level,
- investment in the processing or marketing of products from third countries.

2. The total amount of support, expressed as a percentage of the volume of eligible investment, is limited to a maximum of:

- (a) 50 % in Objective 1 regions;
- (b) 40 % in the other regions.

CHAPTER VIII

FORESTRY

Article 29

1. Support for forestry shall contribute to the maintenance and development of the economic, ecological and social functions of forests in rural areas.

2. Such support shall promote in particular one or more of the following objectives:

- sustainable forest management and development of forestry,
- maintenance and improvement of forest resources,
- extension of woodland areas.

3. Such support shall be granted only for forests and areas owned by private owners or by their associations or by municipalities or their associations. This restriction shall not apply to the measures provided for in the sixth indent of Article 30(1).

4. Such support shall contribute to the fulfilment of the undertakings given by the Community and the Member States at international level. It shall be based on national or subnational forest programmes or equivalent instruments which should take into account the commitments made in the Ministerial Conferences on the Protection of Forests in Europe.

5. Measures proposed under this Regulation in areas classified as high or medium forest fire risk under Council Regulation (EEC) No 2158/92 of 23 July 1992 on protection of the Community forests against fire ⁽¹⁾ must conform to the forest protection plans presented by the Member States under Regulation (EEC) No 2158/92.

Article 30

1. Support for forestry shall concern one or more of the following measures:

- afforestation of land not eligible under Article 31 provided that such planting is adapted to local conditions and is compatible with the environment,
- investment in forests aimed at significantly improving their economic, ecological or social value,
- investment to improve and rationalise the harvesting, processing and marketing of forestry products; investment related to the use of wood as a raw material shall be limited to all working operations prior to industrial processing,
- promotion of new outlets for the use and marketing of forestry products,
- the establishment of associations of forest holders that are set up in order to help their members to improve the sustainable and efficient management of their forests,

⁽¹⁾ OJ L 217, 31.7.1992, p. 3. Regulation as amended by Regulation (EC) No 308/97 (OJ L 51, 21.2.1997, p. 2).

— restoring forestry production potential damaged by natural disasters and fire and introducing appropriate prevention instruments.

2. The rules laid down in Chapters I and VII, with the exception of the second subparagraph of Article 7, shall apply as appropriate for investments.

Article 31

1. Support shall be granted for the afforestation of agricultural land provided that such planting is adapted to local conditions and is compatible with the environment.

Such support may include in addition to planting costs:

— an annual premium per hectare afforested to cover maintenance costs for a period of up to five years,

— an annual premium per hectare to cover loss of income resulting from afforestation for a maximum period of 20 years for farmers or associations thereof who worked the land before its afforestation or for any other private law person.

2. Support for the afforestation of agricultural land undertaken by public authorities shall cover only the cost of establishment.

3. Support for the afforestation of agricultural land shall not be granted:

— for farmers benefiting from early retirement support,

— in respect of the planting of Christmas trees.

In the case of fast-growing species cultivated in the short term, support for afforestation shall be granted for planting costs only.

4. Maximum amounts per year of the annual premium to cover loss of income eligible for Community support are laid down in the Annex.

Article 32

1. With a view to:

- maintaining and improving the ecological stability of forests where the protective and ecological role of these forests are of public interest and where the costs of maintenance and improvement measures for these forests exceed the income from forestry,
- maintaining fire-breaks through agricultural measures,

payments for relevant measures shall be granted to the beneficiaries provided that the protective and ecological values of these forests are ensured in a sustainable manner and the measures to be carried out are laid down by contract and their cost specified therein.

2. Payments shall be fixed between the minimum and maximum amounts set out in the Annex, on the basis of the real costs of the measures carried out, as previously stipulated in the contract.

CHAPTER IX

PROMOTING THE ADAPTATION AND DEVELOPMENT OF RURAL AREAS

Article 33

Support shall be granted for measures, relating to farming activities and their conversion and to rural activities, which do not fall within the scope of any other measure referred to in this Title.

Such measures shall concern:

- land improvement,
- reparaelling,
- setting-up of farm relief and farm management services,
- marketing of quality agricultural products,

- basic services for the rural economy and population,
- renovation and development of villages and protection and conservation of the rural heritage,
- diversification of agricultural activities and activities close to agriculture to provide multiple activities or alternative incomes,
- agricultural water resources management,
- development and improvement of infrastructure connected with the development of agriculture,
- encouragement for tourist and craft activities,
- protection of the environment in connection with agriculture, forestry and landscape conservation as well as with the improvement of animal welfare,
- restoring agricultural production potential damaged by natural disasters and introducing appropriate prevention instruments,
- financial engineering.

CHAPTER X

IMPLEMENTING RULES

Article 34

Detailed rules for the implementation of this Title shall be adopted in accordance with the procedure laid down in Article 50(2) of Regulation (EC) No 1260/1999.

These rules may in particular define:

- conditions for support for investment in agricultural holdings (Articles 4 to 7), including the necessary restrictions resulting from application of Article 6,
- the period and the conditions for the improvement of economic viability of an agricultural holding

- and conditions of use of land released in the case of early retirement (Article 11(2)),
 - conditions for the granting and calculation of the compensatory allowance in less-favoured areas, including in the case of communal use of agricultural land (Articles 14 and 15) and the compensatory payments in areas with environmental restrictions (Article 16),
 - conditions governing the giving of agri-environmental commitments (Articles 23 and 24),
 - selection criteria for investment aimed at improving the processing and marketing of agricultural products (Article 27(2)),
 - conditions governing forestry measures (Chapter VIII).
- According to the same procedure, the Commission may derogate from the second indent of Article 28(1) in the outermost regions subject to the condition that the processed products are destined for the market of the region in question.

TITLE III

GENERAL PRINCIPLES, ADMINISTRATIVE AND FINANCIAL PROVISIONS

CHAPTER I

Article 36

GENERAL PRINCIPLES

1. With regard to support for the rural development measures referred to in Article 35(2):

Subchapter I

- in areas covered by Objective 1, Regulation (EC) No 1260/1999 shall apply as supplemented by specific rules contained in this Regulation,

Support from EAGGF

- in areas covered by Objective 2, Regulation (EC) No 1260/1999 shall apply as supplemented by specific rules contained in this Regulation and save as otherwise provided for under this Regulation.

Article 35

1. Community support for early retirement (Articles 10 to 12), less-favoured areas and areas with environmental restrictions (Articles 13 to 21), agri-environment (Articles 22 to 24) and afforestation (Article 31) shall be financed by the EAGGF Guarantee Section throughout the Community.

2. Community support for other rural development measures shall be financed by the EAGGF:

- Guidance Section in areas covered by Objective 1,
- Guarantee Section in areas not covered by Objective 1.

3. Support for the measures referred to in the sixth, seventh and ninth indents of Article 33 shall be financed by the EAGGF in areas classified under Objectives 1 and 2 and areas in transition in so far as their financing is not provided by the European Regional Development Fund (ERDF).

2. With regard to support for rural development measures financed by the EAGGF Guarantee Section, the specific rules of Regulation (EC) No 1260/1999⁽¹⁾ and the provisions adopted in implementation thereof shall apply save as otherwise provided for under this Regulation.

Subchapter II

Compatibility and consistency

Article 37

1. Support for rural development shall be granted only for measures which comply with Community law.

⁽¹⁾ See page 103 of this Official Journal.

2. Such measures shall be consistent with other Community policies and measures implemented thereunder.

In particular, no measure which falls within the scope of this Regulation shall be eligible for support under other Community support schemes if it is incompatible with any specific condition laid down in this Regulation.

3. Consistency shall also be ensured with measures implemented under other instruments of the common agricultural policy, and in particular between rural development support measures on the one hand and measures implemented under the common market organisations and agricultural quality and health measures on the other hand, as well as between the different rural development support measures.

Accordingly, no support under this Regulation may be granted for:

— measures falling within the scope of support schemes under common market organisations, with the exceptions, justified by objective criteria, that may be defined according to Article 50,

— measures to support research projects, to promote agricultural products or to eradicate animal diseases.

4. Member States may lay down further or more restrictive conditions for granting Community support for rural development provided that such conditions are consistent with the objectives and requirements laid down in this Regulation.

Article 38

1. Payments may not be made in respect of the same measure under both this Regulation and another Community support scheme.

2. Support for several measures under this Regulation may be combined only if such measures are consistent and compatible with each other. If necessary, the level of support shall be adjusted.

Article 39

1. Member States shall take all necessary steps to ensure the compatibility and consistency of rural development support measures pursuant to the provisions laid down in this Chapter.

2. The rural development plans submitted by Member States shall include an appraisal of the compatibility and the consistency of the support measures envisaged and an indication of the measures taken in order to ensure compatibility and consistency.

3. Support measures shall, where necessary, be subsequently revised to ensure compatibility and consistency.

CHAPTER II

PROGRAMMING

Article 40

1. Rural development measures financed by the EAGGF Guidance Section shall form part of the programming for Objective 1 regions according to Regulation (EC) No 1260/1999.

2. Rural development measures other than those referred to in Article 35(1) may form part of the programming for Objective 2 regions in accordance with Regulation (EC) No 1260/1999.

3. Other rural development measures which do not form part of the programming in accordance with paragraphs 1 and 2 shall be subject to rural development programming in accordance with Articles 41 to 44.

4. With reference to appropriate rural development measures, Member States may also submit for approval general framework Regulations which form part of the programming in accordance with paragraphs 1 to 3, as far as it is appropriate with a view to maintaining uniform conditions.

Article 41

1. Rural development plans shall be drawn up at the geographical level deemed to be the most appropriate. They shall be prepared by the competent authorities designated by the Member State and

submitted by the Member State to the Commission after competent authorities and organisations have been consulted at the appropriate territorial level.

2. Rural development support measures to be applied in one area shall be integrated, whenever possible, into a single plan. Wherever several plans need to be established, the relationship between measures put forward in such plans shall be indicated and their compatibility and consistency ensured.

Article 42

Rural development plans shall cover a period of seven years from 1 January 2000.

Article 43

1. Rural development plans shall include:

- a quantified description of the current situation showing disparities, gaps and potential for development, the financial resources deployed and the main results of operations undertaken in the previous programming period with regard to the evaluation results available,
- a description of the strategy proposed, its quantified objectives, and rural development priorities selected, and the geographical area covered,
- an appraisal showing the expected economic, environmental and social impact, including employment effects,
- an indicative overall financial table summarising the national and Community financial resources provided for and corresponding to each rural development priority submitted in the context of the plan and, where the plan covers rural areas in Objective 2, identifying the indicative amounts for rural development measures under Article 33 in these areas,
- a description of the measures contemplated for implementing the plans, and in particular aid schemes, including the points necessary for assessing the rules of competition,

- where appropriate, information on the needs for any studies, demonstration projects, training or technical assistance operations relating to the preparation, implementation or adaptation of the measures concerned,
- the designation of competent authorities and bodies responsible,
- provisions to ensure the effective and correct implementation of the plans, including monitoring and evaluation, a definition of quantified indicators for evaluation, arrangements for controls and sanctions and adequate publicity,
- the results of consultations and designation of associated authorities and bodies as well as the economic and social partners at the appropriate levels.

2. In their plans, Member States shall:

- provide for agri-environment measures throughout their territories, and in accordance with their specific needs,
- ensure the necessary balance is kept between the different support measures.

Article 44

1. Rural development plans shall be submitted not later than six months after the entry into force of this Regulation.

2. The Commission shall appraise the proposed plans to determine whether they are consistent with this Regulation. On the basis of the plans, it shall approve rural development programming documents in accordance with the procedure referred to in Article 50(2) of Regulation (EC) No 1260/1999 within six months after the submission of the plans.

CHAPTER III

ADDITIONAL MEASURES AND COMMUNITY INITIATIVES

Article 45

1. Pursuant to Article 21(2) of Regulation (EC) No 1260/1999, the Commission, following the

procedure laid down in Article 50(2) of that Regulation, may extend the scope of assistance from the EAGGF Guidance Section beyond that provided for in Article 35(2) of this Regulation and the financing of measures eligible under Council Regulations (EC) No 1262/1999⁽¹⁾, (EC) No 1261/1999⁽²⁾ and (EC) No 1263/1999⁽³⁾ with a view to implementing all the measures in the rural development Community initiative.

2. The EAGGF Guarantee Section may, on the initiative of the Commission, finance studies related to rural development programming.

CHAPTER IV

FINANCIAL PROVISIONS

Article 46

1. Community support for rural development from the EAGGF Guarantee Section shall be subject to financial planning and accounting on an annual basis. The financial planning shall form part of rural development programming (Article 40(3)) or of programming related to Objective 2.

2. The Commission shall make initial allocations to Member States, broken down on an annual basis and using objective criteria which take into account particular situations and needs, and efforts to be undertaken especially for the environment, job creation and maintenance of the landscape.

3. Initial allocations shall be adjusted on the basis of actual expenditure and revised expenditure forecasts submitted by the Member States taking into account programme objectives, and be subject to the funds available and as a rule be consistent with the aid intensity for rural areas covered by Objective 2.

Article 47

1. The financial provisions laid down in Articles 31, 32 (except for the fifth subparagraph of paragraph 1 thereof), 34, 38 and 39 of Regulation (EC) No 1260/

⁽¹⁾ OJ L 161, 26.6.1999, p. 48.

⁽²⁾ OJ L 161, 26.6.1999, p. 43.

⁽³⁾ OJ L 161, 26.6.1999, p. 54.

1999 shall not apply to support for rural development measures in relation to Objective 2.

The Commission shall take the necessary action to ensure efficient and coherent implementation of these measures which shall attain at least the same standards as those laid down in the provisions referred to in the first subparagraph, including the principle of a single management authority.

2. For measures covered by rural development programming, the Community shall contribute to financing pursuant to the principles laid down in Articles 29 and 30 of Regulation (EC) No 1260/1999.

In this connection:

— the Community contribution shall not exceed 50% of the total eligible cost and, as a general rule, shall be equal to at least 25% of eligible public expenditure in areas not covered by Objective 1 and Objective 2,

— for revenue-bearing investment, the rates laid down in Article 29(4)(a)(ii) and (iii) and (b)(ii) and (iii) of Regulation (EC) No 1260/1999 shall apply. Agricultural and forestry holdings and businesses involved in the processing and marketing of agricultural and forestry products are businesses in that respect within the meaning of Article 29(4)(b)(iii),

— the Community contribution to the programming for measures laid down in Articles 22 to 24 of this Regulation shall be 75% in areas covered by Objective 1 and 50% in the other areas.

The fifth subparagraph of Article 32(1) of Regulation (EC) No 1260/1999 shall apply to such payments.

3. Payments of financial assistance from the EAGGF Guarantee Section may take the form of advances for programme implementation and of payments in respect of expenditure incurred.

CHAPTER V

MONITORING AND EVALUATION

Article 48

1. The Commission and the Member States shall ensure effective monitoring of implementation of rural development programming.

2. Such monitoring shall be carried out by way of jointly agreed procedures.

Monitoring shall be carried out by reference to specific physical and financial indicators agreed and established beforehand.

Member States shall submit annual progress reports to the Commission.

3. Where appropriate, monitoring committees shall be established.

Article 49

1. Evaluation of measures covered by rural development programming shall be carried out on the basis of the principles laid down in Articles 40 to 43 of Regulation (EC) No 1260/1999.

2. The EAGGF Guarantee Section may, within the framework of the financial resources allocated to programmes, participate in the financing of evaluations relating to rural development in the Member States. The EAGGF Guarantee Section may also, on the initiative of the Commission, finance evaluations at Community level.

TITLE IV

STATE AID

Article 51

1. Save as otherwise provided in this Title, Articles 87 to 89 of the Treaty shall apply to aid granted by Member States for measures to support rural development.

However, Articles 87 to 89 of the Treaty shall not apply to financial contributions provided by Member States for measures subject to Community support within the scope of Article 36 of the Treaty in accordance with the provisions of this Regulation.

2. Aid for investment in agricultural holdings which exceeds the percentages referred to in Article 7 shall be prohibited.

This prohibition does not apply to aid for investments relating to:

- investments undertaken predominantly in the public interest related to the conservation of traditional landscapes shaped by agricultural and forestry activities or relocation of farm buildings,

CHAPTER VI

IMPLEMENTING RULES

Article 50

Detailed rules for the application of this Title shall be adopted in accordance with the procedure laid down in Article 50(2) of Regulation (EC) No 1260/1999.

These rules may in particular define the details of:

- the presentation of rural development plans (Articles 41 to 44),
- the revision of rural development programming documents,
- financial planning, in particular to ensure budgetary discipline (Article 46), and participation in financing (Article 47(2)),
- monitoring and evaluation (Articles 48 and 49),
- how to ensure consistency between rural development measures and the support measures introduced by the market organisations (Article 37).

- the protection and improvement of the environment,

- improvement of the hygiene conditions of livestock enterprises and the welfare of animals.

3. State aid granted to farmers to compensate for natural handicaps in less-favoured areas shall be prohibited if it does not satisfy the conditions laid down in Articles 14 and 15.

4. State aid to support farmers who give agri-environmental commitments which fail to satisfy the conditions laid down in Articles 22 to 24 shall be prohibited. However, additional aid exceeding maximum amounts fixed according to Article 24(2) may be granted if justified under paragraph 1 of that Article. In duly justified exceptional cases derogation may be permitted in respect of the minimum duration of these commitments as laid down in Article 23(1).

Article 52

Within the scope of Article 36 of the Treaty, State aid intended to provide additional financing for rural development measures for which Community support

is granted shall be notified by Member States and approved by the Commission in accordance with the provisions of this Regulation as part of programming referred to in Article 40. The first sentence of Article 88(3) of the Treaty shall not apply to aid thus notified.

TITLE V

TRANSITIONAL AND FINAL RULES

Article 53

1. Should specific measures be necessary to facilitate the transition from the system in force to the one established by this Regulation, such measures shall be adopted by the Commission in accordance with the procedures laid down in Article 50(2) of Regulation (EC) No 1260/1999.

2. Such measures shall in particular be adopted for the integration of existing Community support actions, approved by the Commission for a period ending after 1 January 2000 or without any time limit, into the rural development support provided for by this Regulation.

and 31 December of the marketing year in respect of which the aid is applied for.

4. The Commission shall, following the procedure laid down in Article 20, adopt rules for the application of this Article².

2. Article 6 of Council Regulation (EEC) No 404/93 of 13 February 1993 on the common organisation of the market in bananas ⁽²⁾ shall be replaced by the following text:

'Article 6

1. For the five years following the date of recognition, the Member States shall grant recognised producer organisations assistance to encourage their establishment and assist with their administrative operation.

2. Such aid:

— shall be, for the first, second, third, fourth and fifth years respectively, 5 %, 5 %, 4 %, 3 % and 2 % of the value of production marketed under the auspices of the producer organisation,

— shall not exceed the actual cost of formation and administrative operation of the organisation concerned,

— shall be paid in annual instalments for a maximum of seven years following the date of recognition.

The value of each year's production shall be calculated on the basis of:

— the annual volume actually marketed,

Article 54

1. Article 17 of Council Regulation (EEC) No 1696/71 of 26 July 1971 on the common organisation of the market in hops ⁽¹⁾ shall be replaced by the following:

'Article 17

1. The Regulations on the financing of the common agricultural policy shall apply to the market in the products referred to in Article 1(1) from the date of implementation of the arrangements laid down herein.

2. The aid referred to in Article 8 shall be subject to part financing by the Community.

3. Member States shall pay the aid referred to in Article 12 to the producers between 16 October

⁽¹⁾ OJ L 175, 4.8.1971, p. 1. Regulation as last amended by Regulation (EC) No 1554/97 (OJ L 208, 2.8.1997, p. 1).

⁽²⁾ OJ L 47, 25.2.1993, p. 1. Regulation as last amended by Regulation (EC) No 1637/98 (OJ L 210, 28.7.1998, p. 28).

— the average producer prices obtained.

3. Producer organisations deriving from organisations which already comply to a large extent with the conditions of this Regulation shall qualify for aid under this Article only if they are formed as the result of a merger enabling the objectives referred to in Article 5 to be achieved more effectively. However, in such a case, the aid shall be granted only in respect of the cost of formation of the organisation (expenditure incurred in connection with the preparatory work and the drawing up of the memorandum and articles of association).

4. The aid referred to in this Article shall be notified to the Commission in a report from the Member States at the close of each financial year'.

3. Council Regulation (EC) No 2200/96 of 28 October 1996 on the common organisation of the market in fruit and vegetables ⁽¹⁾ is hereby amended as follows:

(a) Article 15(6) shall be replaced by the following:

'6. In regions of the Community where the degree of organisation of producers is particularly low, Member States may be authorised, on a duly substantiated request, to pay producer organisations national financial assistance equal to a maximum of half the financial contributions of producers. This assistance shall be additional to the operational fund.

For Member States where producer organisations market less than 15% of the fruit and vegetable production and whose fruit and vegetable production represents at least 15% of their total agricultural output, the assistance referred to in the first subparagraph may be partly reimbursed by the Community at the request of the Member State concerned'.

(b) Article 52 shall be replaced by the following:

'Article 52

1. Expenditure relating to the payment of the Community withdrawal compensation and to Community financing of the operational fund, the specific measures referred to in Article 17 and Articles 53, 54 and 55 and checks by experts of the Member States made available to the Commission in application of Article 40(1) shall

be deemed to be intervention to stabilise agricultural markets within the meaning of Article 1(2)(b) of Regulation (EC) No 1257/1999 (*).

2. Expenditure relating to the aid granted by the Member States in accordance with Article 14 and the second subparagraph of Article 15(6) shall be deemed to be intervention to stabilise agricultural markets within the meaning of Article 1(2)(b) of Regulation (EC) No 1257/1999. It shall be eligible for part financing by the Community.

3. The Commission shall, following the procedure laid down in Article 46, adopt rules for the application of paragraph 2 of this Article.

4. The provisions of Title VI shall apply without prejudice to the application of Council Regulation (EEC) No 4045/89 of 21 December 1989 on scrutiny by Member States of transactions forming part of the system of financing by the Guarantee Section of the European Agricultural Guidance and Guarantee Fund and repealing Directive 77/435/EEC (**).

(*) OJ L 160, 26.6.1999, p. 80.

(**) OJ L 388, 30.12.1989, p. 17. Regulation as last amended by Regulation (EC) No 3235/94 (OJ L 338, 28.12.1994, p. 16)'.

Article 55

1. The following Regulations are hereby repealed:

— Regulation (EEC) No 4256/88,

— Regulations (EC) No 950/97, (EC) No 951/97, (EC) No 952/97 and Regulation (EEC) No 867/90,

— Regulations (EEC) No 2078/92, (EEC) No 2079/92, (EEC) No 2080/92,

— Regulation (EEC) No 1610/89

2. The following provisions are hereby deleted:

— Article 21 of Regulation (EEC) No 3763/91 ⁽²⁾,

— Article 32 of Regulation (EEC) No 1600/92 ⁽³⁾,

⁽¹⁾ OJ L 297, 21.11.1996, p. 1. Regulation as last amended by Regulation (EC) No 857/1999 (OJ L 108, 27.4.1999, p. 7).

⁽²⁾ OJ L 356, 24.12.1991, p. 1.

⁽³⁾ OJ L 173, 27.6.1992, p. 1.

— Article 27 of Regulation (EEC) No 1601/92 ⁽¹⁾,

accordance with Article 21(2) and (3) of Regulation (EC) No 950/97 shall remain in force unless further amended in the framework of programmes.

— Article 13 of Regulation (EEC) No 2019/93 ⁽²⁾.

3. The Regulations repealed and provisions deleted under paragraphs 1 and 2 respectively shall continue to apply to actions approved by the Commission under the Regulations before 1 January 2000.

This Regulation shall enter into force on the seventh day following its publication in the *Official Journal of the European Communities*.

4. Council and Commission Directives adopting lists of less-favoured areas or amending such lists in

It shall apply in relation to Community support as from 1 January 2000.

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

Done at Brussels, 17 May 1999.

For the Council
The President
K.-H. FUNKE

⁽¹⁾ OJ L 173, 27.6.1992, p. 13.

⁽²⁾ OJ L 184, 27.7.1993, p. 1.

ANNEX

TABLE OF AMOUNTS

Article	Subject	Euro	
8(2)	Setting-up aid	25 000	
12(1)	Early retirement	15 000 (*) 150 000 3 500 35 000	per transferor and year total amount per transferor per worker and year total amount per worker
15(3)	Minimum compensatory allowance Maximum compensatory allowance	25 (**) 200	per hectare of areas used for agriculture per hectare of areas used for agriculture
16	Maximum payment	200	per hectare
24(2)	Annual crops Specialised perennial crops Other land uses	600 900 450	per hectare per hectare per hectare
31(4)	Maximum annual premium to cover loss of income from afforestation — for farmers or associations thereof — for any other private law person	725 185	per hectare per hectare
32(2)	Minimum payment Maximum payment	40 120	per hectare per hectare

(*) Subject to the total maximum per transferor, the maximum annual payments may be increased up to twofold taking account of the economic structure of holdings in territories and the objective of speeding up the adjustment of agricultural structures.

(**) This amount may be reduced to take account of the particular geographical situation or economic structure of holdings in certain territories and in order to avoid overcompensation in accordance with Article 15(1), second indent.

COMMENTS

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REGULATIONS

• Council Regulation (EC) No 1264/1999 of 21 June 1999 amending Regulation (EC) No 1164/94 establishing a Cohesion Fund	113
• Council Regulation (EC) No 1265/1999 of 21 June 1999 amending Annex II to Regulation (EC) No 1164/94 establishing a Cohesion Fund	118

The Cohesion Fund

The Cohesion Fund finances projects relating to the environment and trans-European transport networks in Member States whose GNP is below 90% of the Community average.

1. Beneficiary countries

Although there has been some progress, Spain, Greece, Portugal and Ireland will continue to receive Cohesion Fund support during the period 2000-06 because their GNP is still below the threshold set. Eligibility will, however, be re-examined midway - i.e. before the end of 2003 - in the light of updated GNP levels.

In March 1999 the Berlin European Council decided to allocate the Cohesion Fund a budget of EUR 18 billion for the period 2000-06, with the following permitted annual spends (in EUR million at 1999 prices):

Year:	2000	2001	2002	2003	2004	2005	2006
Amount:	2615	2615	2615	2615	2515	2515	2510

Resources are to be distributed among the four recipient countries in accordance with the following bands:

Spain	61-63.5%
Greece	16-18.0%
Portugal	16-18.0%
Ireland	2-6.0%

This distribution is based primarily on population, per capita gross national product (taking into account the increase in national prosperity during the previous period), and surface area.

Note: if a country is no longer eligible for Cohesion Fund support after the mid-term review, the appropriations which would have been allocated to that country during the period 2004-06 will be deducted from the overall budget.

2. The amended Regulation

Since the Cohesion Fund worked satisfactorily during the period 1994-99, only a few amendments were made to the rules in order to take into account the introduction of the euro, to simplify management and to improve efficiency. The changes affect the basic principles (the Regulation itself) and the implementing measures (Annex II).

2.1 The basic principles

Macroeconomic conditionality

Macroeconomic conditionality was modified in response to the objectives of the Pact for stability and growth. The new mechanism enables the Commission to notify the Council if a Member State fails to satisfy the requirements of the stability and convergence programmes with regard to the excessive public deficit criterion. However, appropriations will be suspended only after an actual return to a 3% deficit.

Greater use of private finance

Many projects part-financed by the Cohesion Fund generate substantial revenue which makes them attractive to private investors. In order to maximise the leverage effect of Cohesion Fund support, the Commission is encouraging greater use of mixed public/private finance.

More effective application of the "polluter-pays" principle

The maximum rate of Community support granted by the Cohesion Fund ranges between 80% and 85% of public or equivalent expenditure. However, that rate may be reduced in accordance with the "polluter-pays" principle laid down in Article 174 of the Treaty.

Member States' greater responsibility for financial control

Primary responsibility for project management and financial control rests with the Member States. Detailed rules have been laid down governing that responsibility and the arrangements for coordination and cooperation with the Commission.

2.2 The implementing measures

Better project identification

The Fund's initial role is to finance projects of substance. In order to avoid excessive fragmentation of projects submitted for Community part-financing and to make more certain that the Cohesion Fund is used in integral and operational systems, the terms "project" and "project stage" have been defined in detail.

More comprehensive evaluation of alternatives and environmental impact

Projects submitted to the Commission must be accompanied by a detailed *ex-ante* evaluation. Any alternatives not chosen must be indicated and the project's environmental impact must be evaluated in detail.

Improved financial management

Commitments and payments are directly linked to projects' actual progress on the ground. The Commission's decision to contribute towards financing a project enables the commitment in respect of the first annual instalment to be effected. Commitments are subsequently effected at the beginning of each financial year, so that the total amount of appropriations available for approving new projects can be ascertained sufficiently far in advance. For projects costing below EUR 50 million and lasting two years at the most, up to 80% of the contribution from the Fund may be committed as soon as Commission approval is granted.

The payments system is based on a single advance, intermediate payments corresponding to actual expenditure, and payment of the balance. The advance, which represents 20% of the total contribution from the Cohesion Fund, is paid once the Commission has decided to part-finance the project and once the relevant public procurement contracts have been signed. However, the advance must be reimbursed if the Commission does not receive a payment application within twelve months of payment of the advance. Intermediate payments are made to reimburse certified expenditure. Finally, the balance comprising 20% (or 10% for major projects) is paid once the project has been completed and the requisite documents (report, certificates, etc.) have been sent to the Commission.

Applying financial adjustments

A system of financial adjustments has been set up in order to enable the Commission to suspend financing from the Cohesion Fund if there are irregularities, or if a project is changed in such a way that it cannot be carried out as originally planned. After consulting the Member State, the Commission may be led to reduce the advance or to discontinue the Cohesion Fund contribution in full or in part.

COUNCIL REGULATION (EC) No 1264/1999

of 21 June 1999

amending Regulation (EC) No 1164/94 establishing a Cohesion Fund

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty establishing the European Community, and in particular the second paragraph of Article 161 thereof,

Having regard to the proposal from the Commission⁽¹⁾,

Having regard to the assent of the European Parliament⁽²⁾,

Having regard of the opinion of the Economic and Social Committee⁽³⁾,

Having regard to the opinion of the Committee of the Regions⁽⁴⁾,

(1) Whereas, pursuant to Article 16(1) of Regulation (EC) No 1164/94⁽⁵⁾, the Council is to reexamine that Regulation before 31 December 1999;

(2) Whereas the basic principles of the Cohesion Fund laid down in 1994 should continue to govern the Fund's activities until 2006 although experience has shown the need for improvements;

(3) Whereas, while the single currency, the euro, will affect the macroeconomic situation of the Community, it will not remove the need for eligibility of the beneficiary countries to be based on gross national product;

(4) Whereas all the Member States participating in the euro are to submit to the Council a stability programme setting out in particular their medium-term objective for achieving a budget that is nearly in balance or is in surplus;

(5) Whereas, by Decision No 1692/96/EC⁽⁶⁾, the European Parliament and the Council adopted Community guidelines for the development of the trans-European transport network;

(6) Whereas, during the transitional period (1 January 1999 to 31 December 2001), all references to the euro should normally also be read as references to the euro as a monetary unit, as provided for in the second sentence of Article 2 of Council Regulation (EC) No 974/98 of 3 May 1998 on the introduction of the euro⁽⁷⁾;

(7) Whereas, in view of the continuing progress achieved towards real convergence and taking account of the new macroeconomic context in which the Cohesion Fund now operates, the overall allocation of assistance of Member States participating in the euro will be adjusted so as to take account of the improvement in national prosperity attained over the previous period;

(8) Whereas the procedures for the strengthening of the surveillance of budgetary positions and the surveillance and coordination of economic policies were set out in Regulation (EC) No 1466/97⁽⁸⁾;

(9) Whereas the preliminary and final figures for the public-sector borrowing requirement, gross domestic product and gross national product must be compiled in accordance with the rules of the European system of integrated economic accounts established by Regulation (EC) No 2223/96⁽⁹⁾;

(10) Whereas the Resolution on the Stability and Growth Pact⁽¹⁰⁾ adopted at the Amsterdam European Council meeting on 17 June 1997 sets out the roles of the Member States, the Commission and the Council;

⁽¹⁾ OJ C 159, 26.5.1998, p. 7.

⁽²⁾ Assent delivered on 6 May 1999 (not yet published in the Official Journal).

⁽³⁾ OJ C 407, 28.12.1998, p. 74.

⁽⁴⁾ OJ C 51, 22.2.1999, p. 10.

⁽⁵⁾ OJ L 130, 25.5.1994, p. 1.

⁽⁶⁾ OJ L 228, 9.9.1996, p. 1.

⁽⁷⁾ OJ L 139, 11.5.1998, p. 1.

⁽⁸⁾ OJ L 209, 2.8.1997, p. 1.

⁽⁹⁾ OJ L 310, 30.11.1996, p. 1. Regulation as amended by Regulation (EC) No 448/98 (OJ L 58, 27.2.1998, p. 1).

⁽¹⁰⁾ OJ C 236, 2.8.1997, p. 1.

- (11) Whereas, while the principle of a high level of assistance is retained, the search for other sources of finance, in particular the beneficiary Member States effort to maximise the leverage of Fund resources by encouraging greater use of private sources of funding should be supported by the Commission; whereas the rates of assistance should be varied to improve the leverage of Fund resources and to take better account of the rate of return on projects; whereas application of the polluter-pays principle laid down in Article 174 of the Treaty must be complied with in operations financed by the Fund;
- (12) Whereas the responsibility of the Member State for financial control work should be clearly laid down;
- (13) Whereas there should be provision to ensure continuity of finance for operations in progress and their adjustments to the new regulatory requirements;
- (14) Whereas Regulation (EC) No 1164/94 should be amended accordingly,

HAS ADOPTED THIS REGULATION:

Article 1

Regulation (EC) No 1164/94 is hereby amended as follows:

1. (a) a new recital to be inserted after the sixth recital shall read as follows:

'Whereas, with regard to the economic convergence criterion, the current macroeconomic conditionality provisions will continue to apply; whereas, accordingly, no new projects or new project stages shall be financed by the Fund in a Member State in the event of the Council, acting by qualified majority on a recommendation from the Commission, finding that the Member State has not respected the Stability Growth Pact.'

- (b) a new recital to be inserted after the new seventh recital shall read as follows:

'Whereas the provisions to speed up and clarify the excessive deficit procedure, having

as its objective to deter excessive general government deficits and, if they occur, to further their prompt correction were set out in Council Regulation (EC) No 1467/97(*)

(*) OJ L 209, 2.8.1997, p. 6.'

- (c) a new recital to be inserted after the former 20th recital shall read as follows:

'Whereas total annual receipt in any Member State from the Cohesion Fund under this Regulation, in combination with assistance provided under the Structural Funds, should be limited under a general capping dependent on the national absorption capacity';

- (d) the former 21st recital shall become the renumbered 24th recital and read as follows:

'Whereas provision should be made, in conjunction with the fulfilment of the conditions of economic convergence as set out in Article 104 of the Treaty and with the need for sound management of the government deficit, for a form of conditionality in the granting of financial assistance; whereas, in that context, compliance with the obligations arising from the Treaty must also be assessed having due regard to the guidelines adopted in the Resolution of the European Council of 17 June 1997 on the Stability and Growth Pact(*) and whereas the concept of excessive deficit is to be interpreted in the light of that Resolution; whereas, for each participating Member State, macroeconomic conditionality should be assessed taking account of the responsibilities of that Member State in respect of the stability of the euro;

(*) OJ C 236, 2.8.1997, p. 1.'

2. Paragraph 4 to be added to Article 2 shall read as follows:

'4. To be eligible under the Fund from 1 January 2000, the beneficiary Member States must have introduced a programme as provided for in Articles 3 and 7 of Council Regulation (EC) No 1466/97(*)

The four Member States meeting the GNP criterion referred to in paragraph 1 are Spain, Greece, Portugal and Ireland.

A mid-term review as provided for in paragraph 3 shall be carried out before the end of 2003 based on per capita GNP as shown by Community data for the period 2000 to 2002.

(*) OJ L 209, 2.8.1997, p. 2.'

3. Article 3 is hereby amended as follows:

(a) in paragraph 1

(i) in the first indent, the word 'fifth' shall be deleted;

(ii) the second indent shall be replaced by:

— transport infrastructure projects of common interest, supported by Member States, which are identified within the framework of the guidelines adopted by Decision No 1692/96/EC of the European Parliament and the Council of 23 July 1996 on the development of the trans-European transport network (*).

(*) OJ L 228, 9.9.1996, p. 1.;

(b) in paragraph 2, the second indent shall be amended as follows:

(i) the introductory phrase shall be replaced by the following:

'technical support measures, including publicity and information campaigns, particularly:';

(ii) in point (b), the word 'supervision' shall be inserted after 'monitoring'.

4. In Article 4, the third, fourth and fifth paragraphs to be added shall read as follows:

'From 1 January 2000, total resources available for commitments in the period 2000 to 2006 should be EUR 18 billion at 1999 prices.

Commitment appropriations for each year of that period should be:

— 2000: EUR 2,615 billion,

— 2001: EUR 2,615 billion,

— 2002: EUR 2,615 billion,

— 2003: EUR 2,615 billion,

— 2004: EUR 2,515 billion,

— 2005: EUR 2,515 billion,

— 2006: EUR 2,510 billion.

In the event of a Member State becoming ineligible, resources for the Cohesion Fund will be reduced accordingly.'

5. Article 5 shall be replaced by the following:

'Article 5

Indicative allocation

An indicative allocation of the total resources of the Fund shall be made on the basis of precise and objective criteria, principally population, per capita GNP taking account of the improvement in national prosperity attained over the previous period, and surface area; it shall also take account of other socioeconomic factors such as deficiencies in transport infrastructure.

The indicative allocation of the total resources resulting from the application of those criteria is set out in Annex I.

Total annual receipts from the Cohesion Fund under this Regulation, in combination with assistance provided under the Structural Funds, should not exceed 4% of national GDP.'

6. Article 6 shall be replaced by the following:

'Article 6

Conditional assistance

1. No new projects or, in the event of important projects, no new project stages shall be financed by the Fund in a Member State in the event of the Council, acting by a qualified majority on a recommendation from the Commission, finding that the Member State in the application of this Regulation has not implemented the programme referred to in Article 2(4) in such a way as to avoid an excessive government deficit.

The suspension of financing shall cease when the Council, acting under the same conditions, finds that the Member State concerned has taken measures to implement that programme in such a way as to avoid an excessive government deficit.

2. Exceptionally, in the case of projects directly effecting more than one Member State, the Council acting by a qualified majority on a recommendation from the Commission may decide to defer suspension of financing.'

7. Article 7 is hereby amended as follows:

(a) paragraph 1 shall be amended as follows:

(i) the second subparagraph shall be replaced by the following:

'However, from 1 January 2000 this rate may be reduced to take account, in cooperation with the Member State concerned, of the estimated revenue generated by projects and of any application of the polluter-pays principle.'

(ii) the following subparagraph shall be added:

'To achieve this, the Commission shall support beneficiary Member States' efforts to maximise the leverage of Fund resources by encouraging greater use of private sources of funding.'

(b) in paragraph 2, the words 'the expenditure on which the calculation of' and 'is based' shall be deleted.

8. Article 10 is hereby amended as follows:

(a) in paragraph 3 'ECU' is replaced by 'EUR';

(b) in paragraph 4, in the eighth line, the word 'possible' before 'impact' shall be deleted;

(c) in the third indent of paragraph 5, the words 'including the polluter-pays principle' shall be inserted after the words 'on the environment'.

9. Article 11 is hereby amended as follows:

in paragraph 5, 'ecus' shall be replaced by 'euro'.

10. Article 12 is hereby amended as follows:

(a) paragraphs 1 and 2 shall be replaced by the following:

'1. Without prejudice to the Commission's responsibility for implementing the Community budget, Member States shall take responsibility in the first instance for the financial control of projects. To that end, the measures they take shall include:

(a) verifying that management and control arrangements have been set up and are being implemented in such a way as to ensure that Community funds are being used efficiently and correctly;

(b) providing the Commission with a description of these arrangements;

(c) ensuring that projects are managed in accordance with all the applicable Community rules and that the funds placed at their disposal are used in accordance with the principles of sound financial management;

(d) certifying that the declarations of expenditure presented to the Commission are accurate and guaranteeing that they result from accounting systems based on verifiable supporting documents;

(e) preventing and detecting irregularities, notifying these to the Commission, in accordance with the rules, and keeping the Commission informed of the progress of administrative and legal proceedings. In that context, the Member States and the Commission shall take the necessary steps to ensure that the information exchanged remains confidential;

(f) presenting to the Commission, when each project, step of project or group of projects is wound up, a declaration drawn up by a person or department having a function independent of the designated authority. This declaration shall summarise the conclusions of the checks carried out during previous years and shall assess the validity of the application for payment of the final balance and the legality and regularity of the expenditure covered by the final

certificate. The Member States may attach their own opinion to this declaration if they consider it necessary;

- (g) cooperating with the Commission to ensure that Community funds are used in accordance with the principles of sound financial management;
- (h) recovering any amounts lost as a result of an irregularity detected and, where appropriate, charging interest on late payments.

2. The Commission in its responsibility for the implementation of the Community budget shall ensure that Member States have smoothly functioning management and control systems so that Community funds are efficiently and correctly used.

To that end, without prejudice to checks carried out by the Member States in accordance with national laws, regulations and administrative provisions, Commission officials or servants may, in accordance with arrangements agreed with the Member State in the framework of cooperation described in Article G(1) of Annex II, carry out on-the-spot checks, including sample checks, on the projects financed by the Fund and on management and control systems with a minimum of one working day's notice. The Commission shall give notice to the Member State concerned with a view to obtaining all the assistance necessary. Officials or servants of the Member State concerned may take part in such checks.

The Commission may require the Member State concerned to carry out an on-the-spot check to verify the correctness of one or more

transactions. Commission officials or servants may take part in such checks.;

- (b) paragraph 4 shall be deleted and paragraph 5 shall become paragraph 4.

11. In Article 16(1), the words 'before the end of 1999' shall be replaced 'by 31 December 2006 at the latest'.

12. Annex I shall be replaced by the following:

'ANNEX I

Indicative allocation of the total resources of the Cohesion Fund among the beneficiary Member States

- Spain: 61 % to 63,5 % of the total
- Greece: 16 % to 18 % of the total
- Ireland: 2 % to 6 % of the total
- Portugal: 16 % to 18 % of the total.'

Article 2

Applications submitted before the entry into force of this Regulation shall remain valid provided that, where necessary, they are supplemented to comply with the requirements of Regulation (EC) No 1164/94, as amended within two months of the entry into force of this Regulation.

Article 3

This Regulation shall enter into force on 1 January 2000.

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

Done at Luxembourg, 21 June 1999.

For the Council
The President
 G. VERHEUGEN

COUNCIL REGULATION (EC) No 1265/1999

of 21 June 1999

amending Annex II to Regulation (EC) No 1164/94 establishing a Cohesion Fund

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty establishing the European Community,

Having regard to Council Regulation (EC) No 1164/94 of 16 May 1994 establishing a Cohesion Fund⁽¹⁾, and in particular Article K of Annex II thereto,Having regard to the proposal from the Commission⁽²⁾,Having regard to the opinion of the European Parliament⁽³⁾,Having regard to the opinion of the Economic and Social Committee⁽⁴⁾,Having regard to the opinion of the Committee of the Regions⁽⁵⁾,

(1) Whereas, in order to make the Fund more effective, the concepts of 'project', 'groups of projects' and 'stages of a project' and the criteria for grouping should be defined;

(2) Whereas the system of financial management should be simplified, while retaining its link with the actual implementation of operations;

(3) Whereas, during the transitional period (1 January 1999 to 31 December 2001), all references to the euro should normally also be read as references to the euro as a monetary unit, as provided for in the second sentence of Article 2 of Council Regulation (EC) No 974/98 of 3 May 1998 on the introduction of the euro⁽⁶⁾;

(4) Whereas the desired simplification should be accompanied by improved checks that expenditure has actually been incurred and by greater responsibility by the Member State for ensuring sound financial management;

(5) Whereas the Commission and the Member State should improve their cooperation on checking projects and this cooperation should be made systematic;

(6) Whereas, where irregularities are detected, there should be a system of financial corrections to protect the financial interests of the Community;

(7) Whereas Annex II to Regulation (EC) No 1164/94 should be amended accordingly,

HAS ADOPTED THIS REGULATION:

Article 1

Annex II to Regulation (EC) No 1164/94 is hereby amended as follows:

1. Article A shall be replaced by the following:

*'Article A***Designation of projects, of stages or groups of projects**

1. The Commission may, in agreement with the beneficiary Member State, group projects together and designate technically and financially separate stages of a project for the purpose of granting assistance.

⁽¹⁾ OJ L 130, 25.5.1994, p. 1.⁽²⁾ OJ C 159, 26.5.1998, p. 11.⁽³⁾ Opinion delivered on 6 May 1999 (not yet published in the Official Journal).⁽⁴⁾ OJ C 407, 28.12.1998, p. 74.⁽⁵⁾ OJ C 51, 22.2.1999, p. 10.⁽⁶⁾ OJ L 139, 11.5.1998, p. 1.

2. For the purpose of this Regulation, the following definitions shall apply:

- (a) a "project" shall be an economically indivisible series of works fulfilling a precise technical function and with clearly identified aims from which to judge whether the project complies with the criterion laid down in the first indent of Article 10(5);
- (b) a "technically and financially independent stage" shall be a stage which can be identified as operational in its own right.

3. A stage may also cover preliminary, feasibility and technical studies needed for carrying out a project.

4. To comply with the criterion in the third indent of Article 1(3), projects meeting the following three conditions may be grouped:

- (a) they must be located in the same area or situated along the same transport corridor;
- (b) they must be carried out under an overall plan for the area or corridor with clearly identified goals, as provided for in Article 1(3);
- (c) they must be supervised by a body responsible for coordinating and monitoring the group of projects in cases where the projects are carried out by different competent authorities.'

2. In Article B(2), the second sentence shall be replaced by the following:

'The beneficiary Member States shall provide all necessary information, as set out in Article 10(4), including the results of feasibility studies and *ex ante* appraisals. In order to make this appraisal as effective as possible, Member States shall also provide the results of the environmental impact assessment in conformity with the Community legislation, and their consistency with a general environmental or transport strategy at administrative unit or sector level, and, where appropriate:

- an indication of the possible alternatives that were not chosen, and
- the links between projects of common interest located along the same transport corridor.'

3. Article C is hereby amended as follows:

(a) paragraph 2 shall be amended as follows:

- (i) in the second subparagraph of point (a), the second sentence shall be replaced by the following:

'Commitments in respect of subsequent annual instalments shall be based on the initial or revised financing plan for the project and shall normally be made at the beginning of each budget year and as a general rule by 30 April each year, based on the expenditure forecasts for the project for that current year.'

- (ii) point (b) shall be replaced by the following:

'(b) for projects to be carried out over a period of less than two years or where Community assistance is less than EUR 50 million, an initial commitment of 80 % of assistance may be made when the Commission adopts the decision to grant Community assistance.

The balance shall be committed according to the implementation of the project';

(b) the following paragraph 5 shall be added:

'5. Except in duly justified cases, the assistance granted to a project, group of projects or project stage on which work has not begun within two years from the date of its expected start as indicated in the decision granting assistance or the date of its approval if later, shall be cancelled.

In any case the Commission shall inform in good time the Member States and the designated authority whenever there is a risk of cancellation.'

4. Article D is hereby amended as follows:

- (a) in paragraph 1, the second sentence shall be replaced by the following:

'Payments may take the form of payments on account, interim payments or payments of the final balance. Interim payments and

payments of the balance shall relate to expenditure actually paid out, which must be supported by receipted invoices or accounting documents of equivalent probative value.';

(b) paragraphs 2 and 3 shall be replaced by the following:

2. Payments shall be made as follows:

(a) a single payment on account of 20% of the Fund assistance as initially decided shall be paid when the decision granting Community assistance is adopted and, except where duly justified, after signature of the contracts relating to public procurement.

All or part of a payment on account shall be repaid by the designated authority or body referred to in paragraph 1 if no payment application is sent to the Commission within 12 months from the date on which the payment on account is paid;

(b) interim payments may be paid provided that the project is progressing satisfactorily towards completion and shall be made to refund the expenditure certified and actually paid, subject to the following conditions:

- the Member State has submitted an application describing the progress of the project in terms of its physical and financial indicators and its conformity with the decision to grant assistance, including where appropriate any specific conditions attached to the assistance,
- the observations and recommendations of the national and/or Community inspection authorities have been acted on, in particular as regards the correction of any observed or presumed irregularities,
- the main technical, financial and legal problems that have arisen and the measures taken to correct them have been indicated,
- any departures from the original financing plan have been analysed,

— the steps taken to publicise the project have been described.

The Member States shall be informed without delay by the Commission if one of the abovementioned conditions is not fulfilled;

(c) the total amount of the payments made under (a) and (b) may not exceed 80% of the total assistance granted. This percentage may be increased to 90% for important projects committed in annual instalments and in justified cases;

(d) the final balance of Community assistance calculated on the basis of expenditure certified and actually paid shall be paid provided that:

- the project, stage of project, or group of projects has been carried out according to its objectives,
- the designated authority or body referred to in paragraph 1 submits an application for payment to the Commission within six months of the deadline for completion of the work and for expenditure laid down in the decision granting assistance to the project, stage of project or group of projects,
- the final report referred to in Article F(4) is submitted to the Commission,
- the Member State certifies to the Commission that the information given in the application for payment and in the report is correct,
- the Member State has sent the Commission the declaration referred to in Article 12(1),
- all the information and publicity measures drawn up by the Commission under Article 14(3) have been implemented.

3. If the final report referred to in paragraph 2 is not sent to the Commission within 18 months of the final date for completion of the works and payments as given in the decision granting assistance, that

part of the assistance representing the remaining balance for the project shall be cancelled.’;

(c) in paragraph 4, the final words shall read ‘in paragraph 2(d).’;

(d) the following paragraph shall be inserted:

‘4a. Member States shall ensure that applications for payment are submitted to the Commission as a general rule three times a year, by 1 March, 1 July and 1 November at the latest.’;

(e) in paragraph 5, after the words ‘for payment’, the following shall be added: ‘provided budget funds are available.’;

(f) the following paragraph shall be added:

‘7. The Commission shall lay down common rules on the eligibility of expenditure.’

5. Article E is hereby amended as follows:

(a) in the title and in paragraphs 1 to 4, ‘ecu(s)’ shall be replaced by ‘euro’ where required;

(b) in paragraphs 1 and 3, the words ‘or in national currency’ shall be deleted;

(c) the following paragraph shall be added:

‘5. For Member States not participating in the euro, the conversion rate shall be the Commission’s financial accounting rate.’

6. Article F is hereby amended as follows:

(a) the following subparagraph shall be added to paragraph 4:

‘This report shall include:

(a) a description of the work carried out, accompanied by the physical indicators, the expenditure by category of work and any measures taken under specific clauses in the decision granting assistance;

(b) information on all publicity measures;

(c) certification that the work conforms to the decision granting assistance;

(d) an initial assessment as to whether the anticipated results as indicated in Article 13(4) are likely to be achieved, including in particular:

— the actual starting date of the project,

— the way in which it will be managed once finished,

— confirmation, if appropriate, of the financial forecasts, especially as regards the operating costs and expected revenue,

— confirmation of the socioeconomic forecasts, in particular the expected costs and benefits,

— an indication of the environmental protection measures taken, and their cost, including compliance with the polluter-pays principle.’;

(b) the following subparagraph shall be added to paragraph 5:

‘The decision granting assistance shall include appropriate arrangements for making the modifications, differentiating between them on the basis of their nature and importance.’

7. Article G shall be amended as follows:

Article G

Checks

Current paragraph 1 shall be transferred to Article 12(2), second subparagraph. New paragraph 1 shall read as follows:

‘1. The Commission and the Member State shall on the basis of bilateral administrative arrangements cooperate to coordinate plans, methods and implementation of checks so as to maximise the usefulness of those carried out.

They shall immediately exchange the results of the checks carried out. At least once a year the following shall be examined and evaluated:

- (a) the results of the checks carried out by the Member State and the Commission;
- (b) any comments made by other national or Community control bodies or institutions;
- (c) the financial impact of the irregularities noted, the steps already taken or still required to correct them and, where necessary, adjustments to the management and control systems.

Following this examination and evaluation and without prejudice to the measures to be taken immediately by the Member State under Article H, the Commission may make observations, particularly regarding the financial impact of any irregularities detected. These observations shall be addressed to the Member State and the designated authority of the project concerned. The observations shall be accompanied, where necessary, by requests for corrective measures to remedy the management shortcomings found and correct those irregularities detected which have not already been corrected. The Member State shall have the opportunity to comment on these observations.

Where following or in the absence of comments of the Member State the Commission adopts conclusions, the Member State shall take the necessary steps within the deadline set to comply with the Commission's request and inform the Commission of its actions.

2. Without prejudice to this Article, the Commission may suspend all or part of an interim payment if it finds that the expenditure concerned is linked to a serious irregularity. The Commission shall inform the Member State concerned of the action taken and the reasons for it.

3. For a period of three years, unless otherwise decided in the bilateral administrative arrangements, following the payment by the Commission of the final balance in respect of a project, the responsible body and authorities shall keep available for the Commission all the

supporting documents (either the originals or versions certified to be in conformity with the originals on commonly accepted data carriers) regarding expenditure and checks on the project concerned.

This period shall be interrupted either in the case of legal proceedings or at the duly substantiated request of the Commission.'

8. Article H is hereby amended as follows:

(a) the heading shall be replaced by:

'Financial corrections';

(b) paragraph 1 shall be replaced by:

'1. If, after completing the necessary verifications, the Commission concludes that:

- (a) the implementation of a project does not justify either part or the whole of the assistance granted to it, including a failure to comply with one of the conditions in the decision to grant assistance and in particular any significant change affecting the nature or conditions of implementation of the project for which the Commission's approval has not been sought, or
- (b) there is an irregularity with regard to assistance from the Fund and that the Member State concerned has not taken the necessary corrective measures,

the Commission shall suspend the assistance in respect of the project concerned and stating its reason, request that the Member State submits its comments within a specified period of time.

If the Member State objects to the observations made by the Commission, the Member State shall be invited to a hearing by the Commission, in which both sides make efforts to reach an agreement about the observations and the conclusions to be drawn from them.';

(c) paragraph 2 shall be replaced by:

'2. At the end of the period set by the Commission, the Commission shall, subject

to the respect of due procedure, if no agreement has been reached within three months, taking into account any comments made by the Member State, decide to:

- (a) reduce the payment on account referred to in Article D(2), or
- (b) make the financial corrections required. This shall mean cancelling all or part of the assistance granted to the project.

These decisions shall respect the principle of proportionality. The Commission shall, when deciding the amount of a correction, take account of the type of irregularity or change and the extent of the potential financial impact of any shortcomings in the management or control systems. Any reduction or cancellation shall give rise to recovery of the sums paid.;

- (d) in paragraph 3, the second sentence shall be replaced by the following:

'Any sum received unduly and to be recovered shall be paid to the Commission. Interest on account of late repayment shall be charged in accordance with the rules to be adopted by the Commission.');

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

Done at Luxembourg, 21 June 1999.

- (e) the following paragraph shall be added:

'4. The Commission shall lay down the detailed rules for implementing paragraphs 1 to 3 and shall inform the Member States and the European Parliament thereof.'

- 9. In the second subparagraph of Article J, the following sentences shall be added:

'4. At this meeting the Commission shall inform the Member States in particular of the relevant subjects for the annual report and its actions and decisions taken. The Commission shall send the Member States the appropriate documents in good time before the meeting is held.'

- 10. The Annex to Annex II is hereby amended as follows:

- (a) Point 2 shall be replaced by:

'2. the economic and social impact of the Fund in the Member States and on economic and social cohesion in the Union, including the impact on employment;'

- (b) Point 4 shall end with the words '...in Article 6'.

Article 2

This Regulation shall enter into force on 1 January 2000.

For the Council
The President
 G. VERHEUGEN

2000-2006
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for Pre-accession**

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The Instrument for Structural Policies for Pre-accession

Enlarging the European Union to include central and eastern Europe is a major challenge for cohesion, given the number of applicant countries and their economic and social disparities.

Despite the considerable efforts which they have made, integrating the applicant countries into existing structures and Community programmes will be a complex task.

The pre-accession strategy to be implemented during the period 2000-06 in all the countries of central and eastern Europe comprises:

- establishing a comprehensive pre-accession strategy with a view to preparing the countries for accession to the European Union;
- bringing the various forms of EU aid together within a single framework (the Accession Partnerships);
- familiarising the applicant countries with EU procedures and policies in order to enable them to take part in Community programmes and to help them to comply with existing Community legislation.

Three instruments will assist the applicant countries in the run-up to accession:

- PHARE (whose objectives are consolidation of the countries' institutions, their participation in Community programmes, regional and social development, industrial restructuring and development of SMEs);
- SAPARD (whose aims are to modernise agriculture and to promote rural development);
- ISPA (which supports the development of transport and environmental protection measures).

Financial assistance provided by these three instruments for the period 2000-06 totals EUR 21.84 billion:

	2000	2001	2002	2003	2004	2005	2006	Total
PHARE	1560	1560	1560	1560	1560	1560	1560	10920
SAPARD	520	520	520	520	520	520	520	3640
ISPA	1040	1040	1040	1040	1040	1040	1040	7280
Total	3120	3120	3120	3120	3120	3120	3120	21840

(in EUR million at 1999 prices)

On joining the European Union, each country will receive special enlargement assistance.

1. Distribution of ISPA resources

For the period 2000-06, ISPA will have available EUR 7.280 billion - i.e. EUR 1040 million a year (at 1999 prices).

The Commission based its decision regarding the indicative distribution of ISPA resources among the beneficiary countries on population, per capita GDP (in purchasing power equivalents), and surface area. Distribution is expressed in the form of bands with a view to encouraging the beneficiary countries to put forward quality projects and to ensuring that the resources involved are flexibly managed.

Bulgaria	8.0-12.0%
Czech Republic	5.5-8.0%
Estonia	2.0-3.5%
Hungary	7.0-10.0%
Lithuania	4.0-6.0%
Latvia	3.5-5.5%
Poland	30.0-37.0%
Romania	20.0-26.0%
Slovenia	1.0-2.0%
Slovakia	3.5-5.5%

This distribution may be adjusted in the light of each beneficiary country's progress in implementing ISPA measures during the preceding years.

Finance is to be divided equitably between environmental and transport infrastructure projects.

Part-financing may be granted up to 75% of public or equivalent expenditure. The Commission may decide to increase the rate to 85% if it considers this necessary for the implementation of projects which are essential to achieving ISPA's general objectives. However, the level of support may be reduced where part-finance is available, there is scope for the measures to generate revenue over a sustained period, and as a result of appropriate application of the "polluter-pays" principle.

2. ISPA measures

In the context of preparing the applicant countries for accession, ISPA aims to:

- familiarise them with EU policies and procedures;
- help them to comply with Community environmental standards;
- extend and provide access to the trans-European transport network (TEN).

2.1. Environmental protection

Taken overall, environmental problems - and particularly those relating to water pollution, waste management and air pollution - are more severe in the applicant countries than in the present Member States.

Major efforts involving a substantial amount of technical and financial assistance must therefore be made so that the applicant countries can quickly comply with existing Community environmental legislation.

ISPA focuses on the most urgent measures involving heavy investment.

In order to tackle the most severe environmental problems, ISPA aid will be concentrated on drinking water supply, waste water treatment, solid waste management and air pollution.

2.2 Transport development

Developing efficient transport systems is a key part of the pre-accession strategy.

EU assistance will be allocated to transport infrastructure projects which promote sustainable mobility, and in particular projects of Community interest (Helsinki and Crete conferences) and those which enable the beneficiary countries to comply with the objectives of the Accession Partnerships. The trans-European transport networks will be extended with a view to ensuring that connections between the EU and the applicant countries are good, that national networks are interconnected, and that they are linked to the trans-European transport networks.

Considerable investment will be needed to bring transport infrastructure in the applicant countries up to EU standards and to cope with forecast traffic growth. ISPA's contribution therefore comprises providing financial support for the development of railways, roads, ports and airports, while taking into account the demands of sustainable mobility and intermodality.

2.3 Technical assistance

A small part of the ISPA budget may also be used to finance preparatory studies and technical assistance. The link between measures of this type and the projects financed will have to be clearly established. Technical assistance will have a key role to play in ensuring that projects are of high quality as regards both management and efficiency, and in enabling the sector concerned to make maximum use of the research findings.

2.4 Types of measures

Based on the Cohesion Fund model (under which projects are financed on a case-by-case basis), ISPA finances the following types of measure:

1. a project, i.e. an economically indivisible set of tasks relating to a specific technical function and with identified objectives;
2. a technically and financially independent project phase which is operational in its own right;
3. a group of projects, i.e. projects which satisfy the following three conditions:
 - a) they must be located in the same area or along the same transport corridor;
 - b) they must form part of an overall plan for that area or corridor;
 - c) they must be supervised by a single body which is responsible for coordination and monitoring.

These projects must have a significant impact in terms of protecting the environment or improving transport networks. In the light of the experience of the Cohesion Fund, and in order to ensure that projects have a significant impact, only projects costing more than EUR 5 million are eligible except in duly substantiated cases.

Projects must be selected and approved on the basis of the national transport or environment programmes, which form an essential component of the Accession Partnerships. The programmes contain specific strategies on the environment and transport, and take into account the transnational dimension of developing trans-European networks.

Part-financing may be granted up to 75% of approved public expenditure, or up to 85% in exceptional cases. The rate will depend on part-finance availability, potential to generate revenue, and application of the "polluter-pays" principle.

COUNCIL REGULATION (EC) No 1266/1999

of 21 June 1999

on coordinating aid to the applicant countries in the framework of the pre-accession strategy and amending Regulation (EEC) No 3906/89

THE COUNCIL OF THE EUROPEAN UNION,

finance infrastructure in the transport and environment fields;

Having regard to the Treaty establishing the European Community, and in particular Article 308 thereof,

Having regard to the proposal from the Commission⁽¹⁾,

Having regard to the opinion of the European Parliament⁽²⁾,

(1) Whereas the Luxembourg European Council advocated a substantial increase in pre-accession aid so as to include, in addition to the PHARE programme, aid to agriculture and for structural measures;

(2) Whereas Council Regulation (EC) No 622/98 of 16 March 1998 on assistance to the applicant countries in the framework of the pre-accession strategy and in particular on the establishment of Accession Partnerships⁽³⁾ provides that those partnerships are to comprise a single framework for the priority areas and all available resources for pre-accession assistance;

(3) Whereas Regulation (EC) No 1268/1999⁽⁴⁾ set up an agricultural instrument for application mainly in areas such as modernising the structure of agricultural holdings, improving processing and distribution structures, developing inspection activities and rural development;

(4) Whereas the structural instrument created by Regulation (EC) No 1267/1999⁽⁵⁾, is intended to

(5) Whereas the PHARE programme set up by Regulation (EEC) No 3906/89⁽⁶⁾, will in future focus on the essential priorities linked to adoption of the *acquis communautaire*, i.e. building up the administrative and institutional capacities of the applicant countries and financing investments designed to help them comply with Community law as soon as possible;

(6) Whereas it is important to ensure that Community operations under the three pre-accession instruments achieve optimum economic impact;

(7) Whereas paragraph 17 of the conclusions of the Luxembourg European Council on 12 and 13 December 1997 provides that financial support to the countries involved in the enlargement process will be based, in the allocation of aid, on the principle of equal treatment, independently of the time of accession, with particular attention being paid to the countries with the greatest need;

(8) Whereas the above instruments should remain distinct but there must be coordination between operations under them as well as with operations funded by the European Investment Bank, the European Bank for Reconstruction and Development, the Community's other financial instruments and the other international financial institutions;

(9) Whereas it is necessary to provide for reciprocal information and cooperation between the Commission and the candidate countries for on the spot control and verification to ensure

⁽¹⁾ OJ C 140, 5.5.1998, p. 26 and OJ C 329, 27.10.1998, p. 13.

⁽²⁾ Opinion delivered on 6 May 1999 (not yet published in the Official Journal).

⁽³⁾ OJ L 85, 20.3.1998, p. 1.

⁽⁴⁾ See page 87 of this Official Journal.

⁽⁵⁾ See page 73 of this Official Journal.

⁽⁶⁾ OJ L 375, 23.12.1989, p. 11. Regulation as last amended by Regulation (EC) No 753/96 (OJ L 103, 26.4.1996, p. 5).

efficient protection of the financial interests as well as to combat fraud and other irregularities;

(10) Whereas management of pre-accession assistance should gradually be decentralised to the applicant countries themselves, taking account of their management and financial control capacities, so that they can be more closely involved in the pre-accession aid process;

(11) Whereas the Commission should submit regular reports on pre-accession aid to the applicant countries,

HAS ADOPTED THIS REGULATION:

Article 1

Coordination and coherence between assistance granted in the framework of the pre-accession strategy under the agricultural and rural development instrument (hereinafter 'the Agricultural Instrument'), the Structural Instrument and PHARE shall be ensured in accordance with this Regulation.

Article 2

Measures to support agriculture and rural development as set out in Article 2 of the Agricultural Instrument set up by Regulation (EC) No 1268/1999 shall be financed in accordance with the provisions of that Regulation.

Article 3

Investment projects in the following areas shall be financed from the pre-accession aid Structural Instrument set up by Regulation (EC) No 1267/1999 and in accordance with the provisions thereof:

— environmental measures enabling the beneficiary countries to comply with the requirements of Community environmental law and with the objectives of the Accession Partnerships,

— transport infrastructure measures which promote sustainable mobility, and in particular those that constitute projects of common interest based on the criteria of Decision No 1692/96/EC⁽¹⁾ and those which enable the beneficiary countries to comply with the objectives of the Accession Partnerships; this includes interconnection and interoperability of national networks as well as with the trans-European networks together with access to such networks.

Article 4

1. Funding under the PHARE programme shall be carried out in accordance with Regulation (EEC) No 3906/89.

2. Regulation (EEC) No 3906/89 is hereby amended by adding a new paragraph 3 to Article 3 to read as follows:

'3. For applicant countries with accession partnerships with the European Union, funding under the PHARE programme shall focus on the main priorities for the adoption of the *acquis communautaire*, i.e. building up the administrative and institutional capacities of the applicant States and investment, except for the type of investments financed in accordance with Regulations (EC) No 1267/1999(*) and (EC) No 1268/1999(**). PHARE funding may also be used to finance the measures in the fields of environment, transport and agricultural and rural development which form an incidental but indispensable part of integrated industrial reconstruction or regional development programmes.

(*) OJ L 160, 26.6.1999, p. 73.
(**) OJ L 160, 26.6.1999, p. 87.'

Article 5

Aid for schemes or measures financed in the framework of pre-accession aid may be granted from one only of the instruments referred to in this Regulation.

Article 6

Financing of the schemes or measures provided for in this Regulation shall be subject to compliance with the

(1) OJ L 228, 9.9.1996, p. 1.

undertakings contained in the Europe Agreements as recalled in Regulation (EC) No 622/98 and with the conditions laid down in the Accession Partnerships, as well as to the relevant provisions of Regulations (EEC) No 3906/89, (EC) No 1267/1999, (EC) No 1268/1999 and of this Regulation.

Article 7

Beneficiary States shall contribute to the financing of investments.

Article 8

Schemes or measures financed under the three instruments referred to in Articles 2, 3 and 4 shall be decided in accordance with the provisions laid down in the relevant Regulation relating to that instrument.

Article 9

1. The Commission shall be responsible for coordinating operations under the said three instruments, and in particular for establishing the pre-accession aid guidelines for each country. It shall be assisted for this purpose by the committee set up by Article 9 of Regulation (EEC) No 3906/89.

2. The Commission shall inform the committee referred to in paragraph 1 about the indicative financial allocations for each country and per pre-accession instrument, about action it has taken pursuant to Article 10, and about decisions taken pursuant to Article 12. Such decisions shall be communicated to the Court of Auditors.

Article 10

The Commission shall ensure coordination and coherence between operations undertaken pursuant to this Regulation under the Commission budget, operations funded by the European Investment Bank or other financial instruments of the Community, and operations funded by international financial institutions.

Article 11

1. The Commission shall implement the Community aid in accordance with the rules of transparency and the Financial Regulation applicable to the general budget of the European Communities, in particular Article 114 thereof.

2. Pre-accession aid shall also cover expenditure relating to the monitoring, inspection and evaluation of operations.

3. Financing decisions and any contracts or implementing instruments resulting therefrom shall expressly provide for inspection by the Commission and the Court of Auditors to be carried out on the spot, if necessary.

Article 12

1. Project selection, tendering and contracting by applicant countries shall be subject to *ex-ante* approval by the Commission.

2. The Commission may, however, decide, on the basis of a case-by-case analysis of national and sectorial programme/project management capacity, financial control procedures and structures regarding public finance, to waive the *ex-ante* approval requirement referred to in paragraph 1 and confer on implementing agencies in applicant countries management of aid on a decentralised basis. Such a waiver shall be subject to:

- the minimum criteria for assessing the ability of implementing agencies in applicant countries to manage aid and minimum conditions applicable to such agencies set out in the Annex to this Regulation;
- and specific provisions concerning, *inter alia*, invitations to tender, scrutiny and evaluation of tenders, the award of contracts and the implementation of Community public procurement directives, which shall be laid down in financing agreements with each beneficiary country.

3. The Commission shall adopt rules governing inspection and evaluation.

Article 13

The Commission shall present an annual report on the overall pre-accession aid for each country to the European Parliament and to the Council.

Article 14

This Regulation shall enter into force on the third day following its publication in the *Official Journal of the European Communities*.

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

Done at Luxembourg, 21 June 1999.

For the Council
The President
G. VERHEUGEN

ANNEX

MINIMUM CRITERIA AND CONDITIONS FOR DECENTRALISING MANAGEMENT TO IMPLEMENTING AGENCIES IN APPLICANT COUNTRIES (ARTICLE 12)**1. Minimum criteria for assessing the ability of implementing agencies in applicant countries to manage aid**

The following criteria shall be applied by the Commission in assessing which implementing agencies in partner countries are able to manage aid on a decentralised basis:

- (i) there should be a well-defined system for managing the funds with full internal rules of procedure, clear institutional and personal responsibilities;
- (ii) the principle of separation of powers must be respected so that there is no risk of conflict of interest in procurement and payment;
- (iii) adequate personnel must be available and assigned to the task. They must have suitable auditing skills and experience, language skills and be fully trained in implementing Community programmes.

2. Minimum conditions for decentralising management to implementing agencies in applicant countries

Decentralisation to applicant countries with *ex post* control by the Commission may be considered for an implementing agency where the following conditions are met:

- (i) demonstration of effective internal controls including an independent audit function and an effective accounting and financial reporting system which meets internationally accepted audit standards;
- (ii) a recent financial and operational audit showing effective and timely management of Community assistance or national measures of similar nature;
- (iii) a reliable national financial control system over the implementing agency;
- (iv) procurement rules which are endorsed by the Commission as meeting requirements of Title IX of the Financial Regulation applicable to the general budget of the European Communities;
- (v) Commitment by the National Authorising Officer to bear the full financial responsibility and liability for the funds.

This approach shall not prejudice the right of the Commission and the Court of Auditors to check the expenditure.

COUNCIL REGULATION (EC) No 1267/1999

of 21 June 1999

establishing an Instrument for Structural Policies for Pre-accession

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty establishing the European Community, and in particular Article 308 thereof,

Having regard to the proposal from the Commission⁽¹⁾,Having regard to the opinion of the European Parliament⁽²⁾,Having regard to the opinion of the Economic and Social Committee⁽³⁾,Having regard to the opinion of the Committee of the Regions⁽⁴⁾,

- (1) Whereas the conclusions of the Luxembourg European Council of 12 and 13 December 1997 provide for an enhanced pre-accession strategy for the applicant countries of central and eastern Europe, and a specific pre-accession strategy for Cyprus;
- (2) Whereas the conclusions of the Luxembourg European Council of 12 and 13 December 1997 provide that the assistance provided for in this Regulation is to be granted for the time being to the 10 applicant countries of central and eastern Europe;
- (3) Whereas Council Regulation (EC) No 622/98 of 16 March 1998 on assistance to the applicant States in the framework of the pre-accession strategy, and in particular on the establishment of Accession Partnerships⁽⁵⁾, provides that those partnerships are to comprise a single framework for the priority areas and all available resources for pre-accession assistance;

(4) Whereas the pre-accession strategy includes provision for an Instrument for Structural Policies for Pre-accession (ISPA), which will be directed towards aligning applicant countries on Community infrastructure standards and provide a financial contribution for environmental measures, and transport infrastructure measures;

(5) Whereas assistance from the Community under ISPA, together with assistance from the Community under Council Regulation (EEC) No 3906/89 of 18 December 1989 on economic aid to the Republic of Hungary and the Polish People's Republic⁽⁶⁾, and assistance from the Community under Council Regulation (EC) No 1268/1999 of 21 June 1999 on Community support for pre-accession measures for agricultural and rural development in the applicant countries of central and eastern Europe in the pre-accession period⁽⁷⁾ is to be coordinated within the framework of Council Regulation (EC) No 1266/1999 of 21 June 1999 on coordinating aid to the applicant countries in the framework of the pre-accession strategy and amending Regulation (EEC) No 3906/89⁽⁸⁾ and to be subject to the conditionality provisions of Regulation (EC) No 622/98 and of the individual decisions on Accession Partnerships;

(6) Whereas an equal balance should be the aim between financing for transport infrastructure measures and financing for environmental measures, taking into account the specific situations in the beneficiary countries;

(7) Whereas the Community assistance under ISPA should facilitate the implementation by the applicant countries of the *acquis communautaire* in the field of the environment and contribute to sustainable development in these countries;

(8) Whereas Decision No 1692/96/EC of the European Parliament and of the Council of

⁽¹⁾ OJ C 164, 29.5.1998, p. 4.

⁽²⁾ Opinion delivered on 6 May 1999 (not yet published in the Official Journal).

⁽³⁾ OJ C 407, 28.12.1998.

⁽⁴⁾ OJ C 373, 2.12.1998.

⁽⁵⁾ OJ L 85, 20.3.1998, p. 1.

⁽⁶⁾ OJ L 375, 23.12.1989, p. 11. Regulation as last amended by Regulation (EC) No 753/96 (OJ L 103, 26.4.1996, p. 5).

⁽⁷⁾ See page 87 of this Official Journal.

⁽⁸⁾ See page 68 of this Official Journal.

23 July 1996 on Community guidelines for the development of the trans-European transport network⁽¹⁾ describes the criteria for projects of common interest, which should be used, where appropriate, for selecting the measures eligible under this Regulation;

- (9) Whereas the Transport Infrastructure Needs Assessment (TINA) initiated by the Council should facilitate the process of selecting priority measures for developing a pan-European transport network during the pre-accession period;
- (10) Whereas provision should be made for the Commission to make an indicative allocation of the total resources from the Community under ISPA available for commitment between the applicant countries in order to facilitate the preparation of measures;
- (11) Whereas paragraph 17 of the conclusions of the Luxembourg European Council of 12 and 13 December 1997 provides that financial support to the countries involved in the enlargement process will be based, in the allocation of aid, on the principle of equal treatment, independently of time of accession, with particular attention being paid to countries with the greatest need;
- (12) Whereas the rates of assistance provided from the Community under ISPA should be set in order to strengthen the leverage effect of resources, promote co-financing and the use of private sources of finance and to take account of the capacity of measures to generate substantial net revenue;
- (13) Whereas, as regards Community assistance, maximum transparency must be ensured in the implementation of financial assistance, and stringent controls must be applied to the use of appropriations;
- (14) Whereas, in the interest of the proper management of Community assistance granted under ISPA, provision should be made for effective methods of appraising, monitoring, evaluating and controlling operations, specifying the principle governing the evaluation, defining the nature of and the rules governing the monitoring, and laying down the action to be taken in response to irregularities or failures to comply with one of the conditions laid down when assistance under ISPA was granted;

(15) Whereas, during the transitional period from 1 January 1999 until 31 December 2001, each reference made to the euro should as a general rule also be read as a reference to the euro as a monetary unit as in Article 2, second sentence, of Council Regulation (EC) No 974/98 of 3 May 1998 on the introduction of the euro⁽²⁾;

(16) Whereas for the purpose of the implementation of this Regulation the Commission should be assisted by a management committee;

(17) Whereas the implementation of the measures provided for by this Regulation will help to achieve the Community's aims; whereas the Treaty does not provide, for the adoption of this Regulation, powers other than those of Article 308,

HAS ADOPTED THIS REGULATION:

Article 1

Definition and objective

1. The Instrument for Structural Policies for Pre-accession, hereinafter referred to as 'ISPA' is hereby established.

ISPA shall provide assistance to contribute to the preparation for accession to the European Union of the following applicant countries: Bulgaria, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia and Slovenia, hereinafter referred to as the 'beneficiary countries', in the area of economic and social cohesion, concerning environment and transport policies in accordance with the provisions of this Regulation.

2. The Community assistance granted under ISPA shall contribute to the objectives laid down in the Accession Partnership for each beneficiary country and to corresponding national programmes for the improvement of the environment and of transport infrastructure networks.

Article 2

Eligible measures

1. The Community assistance financed under ISPA shall include projects, stages of a project which are

⁽¹⁾ OJ L 228, 9.9.1996, p. 1.

⁽²⁾ OJ L 139, 11.5.1998, p. 1.

technically and financially independent, groups of projects or project schemes in the field of environment or transport, hereinafter referred to collectively as 'measures'. A stage of a project may also cover preliminary, feasibility and technical studies needed for carrying out a project.

2. The Community shall provide assistance under ISPA in the light of the objectives mentioned in Article 1 for the following:

- (a) environmental measures enabling the beneficiary countries to comply with the requirements of Community environmental law and with the objectives of the Accession Partnerships;
- (b) transport infrastructure measures which promote sustainable mobility, and in particular those that constitute projects of common interest based on the criteria of Decision No 1692/96/EC and those which enable the beneficiary countries to comply with the objectives of the Accession Partnerships; this includes interconnection and interoperability of national networks as well as with the trans-European networks together with access to such networks.

Measures shall be of a sufficient scale to have a significant impact in the field of environmental protection or in the improvement of transport infrastructure networks. The total cost of each measure shall in principle not be less than EUR 5 million. In duly justified cases, taking into account the specific circumstances concerned, the total cost of a measure may be less than EUR 5 million.

3. A balance shall be struck between measures in the field of the environment and measures relating to transport infrastructure.

4. Assistance may also be granted for:

- (a) preliminary studies related to eligible measures, including those necessary for their implementation, and
- (b) technical support measures, including information and publicity actions, particularly:
 - (i) horizontal measures such as comparative studies to assess the impact of Community assistance;

- (ii) measures and studies which contribute to the appraisal, monitoring, evaluation or control of projects and to strengthening and ensuring the coordination and consistency of projects with the Accession Partnerships, and

- (iii) measures and studies to ensure effective project management and implementation and to make any necessary adjustments.

Article 3

Financial resources

Community assistance under ISPA shall be granted during the period from 2000 to 2006.

The annual appropriations shall be authorised by the budgetary authority within the limits of the financial perspectives.

Article 4

Indicative allocation

An indicative allocation between beneficiary countries of the total Community assistance under ISPA shall be made by the Commission, acting in accordance with the procedure laid down in Article 14, on the basis of the criteria of population, per capita GDP in purchasing power parities and surface area.

This allocation may be adjusted to take account of the performance in previous years of each of the beneficiary countries in implementing ISPA measures. Due account shall also be taken of the countries' respective deficiencies in environment and transport infrastructure.

Article 5

Compatibility with Community policies

1. Measures financed by the Community under ISPA shall comply with the provisions set out in the Europe Agreements, including the implementing rules for the application of the provisions on State aids, and shall contribute to the achievement of Community policies, particularly those concerning environmental protection and improvement, transport and trans-European networks.

2. The Commission shall ensure coordination and consistency between measures undertaken pursuant to this Regulation and measures undertaken with contributions from the Community budget, including contributions from Community initiatives for cross-border transnational and interregional cooperation, the operations of the European Investment Bank (EIB), including through its pre-accession facility as well as the other financial instruments of the Community and inform the Committee established under Article 14 hereof.

3. The Commission shall seek coordination and consistency between measures undertaken in the beneficiary countries pursuant to this Regulation and the operations of the European Bank for Reconstruction and Development (EBRD), the World Bank and other such financial institutions and inform the Committee established under Article 14 hereof.

Article 6

Forms and rate of assistance

1. Community assistance under ISPA may take the form of non-repayable direct assistance, repayable assistance or any other form of assistance.

Assistance repaid to the managing authority or to another public authority shall be reapplied for the same purpose.

2. The rate of Community assistance granted under ISPA may be up to 75% of public or equivalent expenditure, including expenditure by bodies whose activities are undertaken within an administrative or legal framework by virtue of which they are regarded as equivalent to public bodies. The Commission may decide, in accordance with the procedure laid down in Article 14, to increase this rate to up to 85%, in particular where it considers that a rate higher than 75% is required for realising projects essential for achieving the general objectives of ISPA.

Save in the case of repayable assistance or when there is a substantial Community interest, the rate of assistance shall be reduced to take into account:

- (a) the availability of co-financing;
- (b) the measure's capacity to generate revenues, and
- (c) an appropriate application of the polluter-pays principle.

3. Measures which generate revenues in accordance with paragraph 2(b) shall be those concerning:

- (a) infrastructure the use of which involves fees borne by users;
- (b) productive investments in the environment sector.

4. Preliminary studies and technical support measure, may be financed exceptionally at 100% of the total cost.

Total expenditure carried out at the Commission's initiative or on behalf of the Commission pursuant to this paragraph may not exceed 2% of the total allocation to ISPA.

Article 7

Appraisal and approval of measures

1. The Commission shall adopt decisions on the measures to be financed under ISPA in accordance with the procedure laid down in Article 14.

2. The beneficiary countries shall submit applications for assistance to the Commission. However, the Commission may grant assistance pursuant to Article 2(4) on its own initiative, where there is an overriding Community interest.

3. Applications shall contain:

- (a) the information set out in Annex I;
- (b) all relevant information proving that the measures comply with this Regulation and with the criteria set out in Annex II, and in particular that there are medium-term economic and social benefits commensurate with the resources deployed.

4. On receipt of an application for assistance and before approving a measure, the Commission shall carry out a thorough appraisal in order to assess the measure's compliance with the criteria set out in Annex II.

5. Commission decisions approving measures shall determine the amount of financial assistance and lay down a financing plan together with all the provisions and conditions necessary for the implementation of the measures.

6. The combined assistance under ISPA and other Community aid for a measure shall not exceed 90% of the total expenditure relating to that measure.

7. The Commission shall adopt common rules for the eligibility of expenditure in accordance with the procedure laid down in Article 14.

Article 8

Commitments and payments

1. The Commission shall implement expenditure under ISPA in accordance with the Financial Regulation applicable to the general budget of the European Communities on the basis of the financing memorandum to be drawn up between the Commission and the beneficiary country.

However, annual budgetary commitments in respect of assistance granted to measures shall be carried out in one of the following two ways:

(a) commitments in respect of the measures referred to in Article 2(2) to be carried out over a period of two or more years shall, as a general rule and subject to point (b), be effected in annual instalments.

The commitments in respect of the first annual instalment shall be made when the financing memorandum is drawn up. Commitments in respect of subsequent annual instalments shall be based on the initial or revised financing plan for the measure and in principle be granted at the start of each financial year and at the latest by 1 April of the year in question according to forecast expenditure for this year;

(b) for measures with a duration of less than two years or for which the Community assistance does not exceed EUR 20 million a first commitment of up to 80% of the assistance granted may take place when the financing memorandum is drawn up. The remainder will be committed subject to the state of the implementation of the measure.

2. Except in duly justified cases, assistance granted to a measure where substantial work has not begun within the specified contractual period shall be cancelled.

3. Payments of financial assistance for measures may take the form either of advances or of intermediate payments or payments of balances in respect of expenditure certified and actually paid.

The Commission shall adopt detailed rules on payments in accordance with the procedure laid down in Article 14.

4. The details of the payment mechanism for measures shall be laid down in the financing memorandum with each beneficiary country.

Article 9

Management and control

1. The Commission shall require the beneficiary countries:

(a) to establish as from 1 January 2000 and in any event not later than 1 January 2002, management and control systems which ensure:

(i) the proper implementation of the assistance granted under this Regulation in accordance with the principles of sound financial management,

(ii) the separation of the functions of management and control,

(iii) that expenditure declarations presented to the Commission are accurate and emanate from accounting systems based on supporting documents which are open to verification;

(b) to verify on a regular basis that the measures financed by the Community have been properly carried out;

(c) to prevent irregularities and take action against them;

(d) to recover any amounts lost as a result of irregularity or negligence.

2. Without prejudice to checks carried out by beneficiary countries, the Commission and the Court of Auditors may, through their own staff or duly authorised representatives, carry out on-the-spot technical or financial audits, including sample checks and final audits.

3. The detailed implementing provisions of the principles established in paragraphs 1 and 2 shall be contained in the financing memorandum, together with arrangements for cooperation and for coordination of programming and methodology of control between the Commission and the beneficiary country. The Commission shall inform the Committee established under Article 14 hereof.

4. The financing memorandum shall also contain provisions concerning the reduction, suspension and cancellation of assistance where the implementation of a measure does not justify either a part or the whole of the assistance allocated.

5. In implementing this Regulation, the Commission shall ensure that the principles of sound financial management are adhered to, with particular reference to the elements set out in Annex III.

Article 10

Use of the euro

1. The amounts in the applications for assistance, together with the relevant financing plan, shall be expressed in euro.

2. The amounts of assistance and the financing plans approved by the Commission shall be expressed in euro.

3. Declarations of expenditure in support of the corresponding payment applications shall be expressed in euro.

4. Payments of financial assistance by the Commission shall be made in euro to the authority designated by the beneficiary country to receive such payments.

Article 11

Monitoring and *ex-post* evaluation

The beneficiary countries and the Commission shall ensure that the implementation of measures under this Regulation is monitored and evaluated in accordance with the provisions in Annex IV.

Article 12

Annual report

The Commission shall present an annual report on Community assistance granted under ISPA to the European Parliament, the Council, the Economic and Social Committee and the Committee of the Regions. The annual report shall contain the information set out in Annex V.

The European Parliament shall deliver an opinion on the report within three months. The Commission shall report on the manner in which that opinion has been taken into account.

The Commission shall ensure that the beneficiary countries are regularly informed of the activities of ISPA.

Article 13

Information and publicity

1. The beneficiary countries responsible for implementing measures for which the Community has granted financial assistance under ISPA shall ensure that adequate publicity is given to the measure with a view to:

- (a) making the general public aware of the role played by the Community in relation to the measures;
- (b) making potential beneficiaries and professional organisations aware of the possibilities afforded by the measures.

Beneficiary countries shall ensure, in particular, that directly visible display panels are erected showing that the measures are being co-financed by the Community, together with the Community logo, and that representatives of the Community institutions are duly involved in the most important public activities connected with Community assistance granted under ISPA.

They shall inform the Commission annually of the initiatives taken under this paragraph.

2. The Commission shall adopt detailed rules on information and publicity acting in accordance with the procedure laid down in Article 14.

It shall inform the European Parliament thereof and shall publish them in the *Official Journal of the European Communities*.

Article 14

Committee

1. The Commission shall be assisted by a Management committee composed of the representatives of the Member States and chaired by the representative of the Commission, hereinafter referred to as 'the Committee'. The European Investment Bank shall appoint a non-voting representative.

2. The representative of the Commission shall submit to the Committee a draft of the measures to be taken. The Committee shall deliver its opinion on the

draft, within a time limit which the Chairman may lay down, according to the urgency of the matter. The opinion shall be delivered by the majority laid down in Article 205(2) of the Treaty in the case of decisions which the Council is required to adopt on a proposal from the Commission. The votes of the representatives of the Member States within the Committee shall be weighted in the manner set out in that Article. The Chairman shall not vote.

3. (a) The Commission shall adopt measures which shall apply immediately.
- (b) However, if these measures are not in accordance with the opinion of the Committee, they shall be communicated by the Commission to the Council forthwith. In that event:
- the Commission shall defer application of the measures which it has decided for a period to be laid down in each act adopted by the Council but which may in no case exceed three months from the date of communication,
 - the Council, acting by a qualified majority, may take a different decision within the time-limit referred to in the preceding indent.

4. The Committee may examine any question relating to the implementation of this Regulation which is put to it by its Chairman, including at the request of the representative of a Member State.

5. The Committee shall adopt its rules of procedure by a qualified majority.

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

Done at Luxembourg, 21 June 1999.

Article 15

Reallocation of resources

On accession to the European Union, a country shall lose its entitlement to support under this Regulation. Resources made available as a result of an applicant country acceding to the European Union shall be reallocated to other applicant countries listed in Article 1(1). Reallocation shall be based on applicant countries' need and capacity for absorbing assistance and on the criteria laid down in Article 4.

The Council, acting by qualified majority on a proposal from the Commission, shall take a decision outlining the general approach for reallocation.

In the light of the decision referred to in the second paragraph by the Council, the Commission shall decide on the reallocation of available resources among the other beneficiaries in accordance with the procedure laid down in Article 14.

Article 16

Final and transitional provisions

The Council, acting on a proposal from the Commission, shall re-examine this Regulation by 31 December 2006. It shall act on the proposal in accordance with the procedure laid down in Article 308 of the Treaty.

Article 17

Entry into force

This Regulation shall enter into force on the day following its publication in the *Official Journal of the European Communities*.

For the Council
The President
 G.VERHEUGEN

ANNEX I

Content of applications (Article 7(3)(a))

Applications are to contain the following information:

1. the name of the body responsible for implementation, the nature of the measure and a description thereof;
2. the cost and location of the measure, including, where applicable, an indication of the inter-connection and interoperability of measures situated on the same transport axis;
3. the timetable for implementation of the work;
4. a cost-benefit analysis, including the direct and indirect effects on employment to be quantified where they lend themselves to be quantified;
5. assessment of the environmental impact similar to the assessment provided for in Council Directive 85/337/EEC of 27 June on the assessment of the effects of certain public and private projects on the environment⁽¹⁾;
6. information on compliance with competition law and public contract rules;
7. the financing plan including, where possible, information on the economic viability of the measure, and the total financing the beneficiary country is seeking from ISPA, the EIB including its pre-accession facility and any other Community or Member State source, the EBRD and the World Bank;
8. the compatibility of measures with Community policies;
9. information on the arrangements for ensuring the efficient use and maintenance of facilities;
10. (environmental measures) information on the place and priority of the measure within the national environmental strategy as laid down in the national programme for the adoption of the *acquis communautaire*;
11. (transport measures) information on the national transport development strategy and the place and priority of the measures within that strategy, including the degree of coherence with the guidelines for the trans-European networks and the pan-European transport policy.

⁽¹⁾ OJ L 175, 5.7.1985, p. 40. Directive as amended by Directive 97/11/EC (OJ L 73, 14.3.1997, p. 5).

ANNEX II

Appraisal of measures (Article 7(3)(b) and (4))

- A. In appraising the measures, the following criteria are to be applied to ensure their high quality in accordance with Article 2:
1. their economic and social benefits, including their potential for leverage of private financing, which will be commensurate with the resources deployed; an assessment will be made in the light of a cost-benefit analysis;
 2. the arrangements for ensuring effective management of the measures;
 3. the priorities established by the Accession Partnerships for the areas of intervention;
 4. the contribution which measures make to the implementation of Community policy on the environment and the result of the environmental impact assessment referred to in Annex I;
 5. the contribution of measures to trans-European networks and common transport policies;
 6. the establishment of an appropriate balance between the fields of the environment and transport infrastructure;
 7. consideration of possible alternative forms of financing as referred to in Article 6.
- B. The Commission may invite the EIB, EBRD or World Bank to contribute to the appraisal of measures as necessary. The Commission is to examine applications for assistance to verify in particular that the administrative and financial mechanisms are adequate for the effective implementation of the measure.
- C. The Commission is to appraise measures to determine their anticipated impact in terms of the objectives of this Regulation, using appropriate quantified indicators. The beneficiary countries are to provide all necessary information, as set out in Annex I, including the results of their feasibility studies and appraisals, an indication of alternatives not pursued and the coordination of measures of common interest situated on the same transport route, to make this appraisal as effective as possible.

ANNEX III

Financial management and control (Article 9(5))

1. In each beneficiary country, a central entity is to be designated through which Community funds granted under ISPA is to be channelled.

The head of this entity is to have overall responsibility for the management of the funds within the beneficiary country in question.

2. Management and control systems of beneficiary countries are to provide a sufficient audit trail in order to allow, in particular, for:
 - reconciliation of the summary accounts certified to the Commission with the accounting records and supporting documents at the various administrative levels,
 - verification of the transfers of the available Community and other funds,
 - examination of the technical and financial plans of the project, progress reports, tendering and contracting procedures at the various administrative levels.
3. The procedure to be followed for the award of works, supply or service contracts are to be specified in the financing memorandum and are to respect the key principles laid down in Title IX of the Financial Regulation and in particular:
 - measures covered by a financing memorandum are to be implemented by the beneficiary country in close collaboration with the Commission, which will retain responsibility for the utilisation of appropriations,
 - the Commission in close collaboration with the beneficiary country, is to ensure that participants in tendering procedures can compete on an equal footing, that there is no discrimination and that the tender selected is economically the most advantageous.

However, pursuant to Article 12 of Council Regulation (EC) No 1266/1999, the appropriations may be the subject of extended decentralised management, in particular as regards the *ex-ante* approval by the Commission of launching of tenders, the evaluation of bids and the award of contracts and financial management.

These provisions, to be established in the financing memorandum with the beneficiary country, are to take account of their quantitative and qualitative financial management and financial control capacity.

4. Appropriate internal and external financial controls are to be carried out in accordance with internationally accepted audit standards by the competent national financial control authority, which must be independent in order to perform this function. Each year an audit plan and a summary of the findings of the audits carried out is to be sent to the Commission. Audit reports will be at the disposal of the Commission.

The Commission and the beneficiary country are to cooperate in order to coordinate programmes and methods relating to audits, so as to maximise the usefulness of those carried out.

The beneficiary country is to ensure that when checks are performed by Commission staff, or its duly authorised representatives, these persons have the right to inspect on-the-spot all relevant documentation and accounts pertaining to items financed under the financing memorandum. The beneficiary countries are to assist the Court of Auditors to carry out audits relating to the utilisation of funds granted under ISPA.

The responsible authorities are to keep available all the supporting documents regarding expenditure on any project for a period of five years following the last payment in respect of a project.

5. The financing memorandum with each beneficiary country is to contain the following provisions for financial corrections:

If the implementation of a measure appears not to justify either a part or the whole of the assistance allocated, the Commission is to conduct an appropriate examination of the case, in particular requesting the beneficiary country to submit its comments within a specified period of time and to correct any irregularity.

Following the examination referred to in paragraph 1, the Commission may reduce, suspend or cancel assistance in respect of the measures concerned if the examination reveals irregularity, an improper combination of funds or a failure to comply with one of the conditions in the decision to grant assistance, and in particular any significant change affecting the nature or conditions of implementation of the measure for which the Commission's approval has not been sought. Any reduction or cancellation of the assistance is to give rise to recovery of the sums paid.

Where the Commission considers that an irregularity has not been corrected or that all or part of an operation does not justify either all or part of the assistance granted to it, the Commission is to conduct a suitable examination of the case and request the beneficiary country to submit its comments within a specified period. After the examination, if no corrective measures have been undertaken by the beneficiary country, the Commission may:

- (a) reduce or cancel any advance;
- (b) cancel all or part of the assistance granted to the measure.

The Commission is to determine the size of a correction taking into account the nature of the irregularity and the extent of any failures in the management and control systems. Any sum to be recovered for grant of undue entitlement is to be repaid to the Commission. To such a sum is to be added interest on account of late repayment in accordance with arrangements to be adopted by the Commission.

ANNEX IV

Monitoring and ex-post evaluation (Article 11)

- A. Monitoring is to be carried out by means of jointly agreed reporting procedures, sample checks and the establishment of *ad hoc* committees. It is to be carried out by reference to physical and financial indicators. The indicators will relate to the specific character of the project and its objectives. They will be arranged in such a way as to show the stage reached in the measure in relation to the plan and objectives originally laid down and the progress achieved on the management side and any related problems.
- B. These committees are to be set up by arrangement between the beneficiary country concerned and the Commission. The authorities or bodies designated by the beneficiary country, the Commission and where appropriate, the EIB will be represented on the committees. Where regional and local authorities and private enterprises are competent for the execution of a project and where they are directly concerned by a project they will also be represented on such committees.
- C. For each measure, the authority or body responsible for the measure is to submit progress reports to the Commission within three months of the end of each full year of implementation.
- D. On the basis of the results of monitoring and taking account of the comments of the monitoring committee, the Commission is to adjust the amounts and conditions for granting assistance as initially approved, as well as the financing plan envisaged, if necessary on a proposal by the beneficiary countries.

The Commission will define the appropriate arrangements for these adjustments differentiating them according to their nature and importance.

- E. The authority or body responsible for the measure is to submit a final report to the Commission within six months of completion of the measure or stage of project. The final report will contain the following:
 1. a description of the work undertaken, accompanied by physical indicators, quantification of expenditure by category of work and the measures taken with regard to the specific clauses contained in the decision to grant assistance;
 2. certification of the conformity of the work with the decision granting assistance;
 3. a first assessment of the extent to which the expected results have been achieved, including notably:
 - (a) the effective date of implementation of the measure;
 - (b) an indication of the way in which the measure will be managed once completed;
 - (c) confirmation, if appropriate, of financial forecasts, especially as regards operating costs and expected revenues;
 - (d) confirmation of the socioeconomic forecast, especially the expected costs and benefits;
 - (e) an indication of the actions taken to ensure protection of the environment and their cost.
 4. information relating to publicity actions.

- F. *Ex-post* evaluation is to cover the utilisation of resources and the effectiveness and efficiency of assistance and its impact. It is to cover the factors contributing to the success or failure of implementation of measures and the achievements and results. After the completion of measures, the Commission and the beneficiary countries will therefore evaluate the manner, including the efficient and effective use of resources, in which they have been carried out. The evaluation will also cover the actual impact of their implementation in order to assess whether the original objectives have been achieved. This evaluation will, *inter alia*, address the contribution made by measures to the implementation of Community policies on the environment or to the contribution of trans-European networks and common transport policies, and they will also assess the environmental impact of the measures.
- G. For the greater effectiveness of Community assistance granted under ISPA, the Commission is to ensure that in administering ISPA particular attention is paid to transparency of management.
- H. The detailed rules for monitoring and evaluation are to be laid down in the Commission decisions approving the measures.
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ANNEX V

Annual report from the Commission (Article 12)

The annual report is to provide information on the following:

1. financial assistance committed and paid by the Community under ISPA with an annual breakdown by beneficiary country by type of project (environment or transport);
 2. the contribution which the Community assistance under ISPA made to the efforts of the beneficiary countries to implement Community environment policy and to strengthen trans-European transport infrastructure networks; the balance between measures in the field of the environment and measures relating to transport infrastructure;
 3. assessment of the compatibility of operations of Community assistance under ISPA with Community policies, including those concerning environmental protection, transport, competition and the award of public contracts;
 4. the measures taken to ensure coordination and consistency between measures financed through ISPA and measures financed with contribution from the Community budget, the EIB and the other financial instruments of the Community;
 5. the investment efforts of the beneficiary countries in the fields of environmental protection and transport infrastructure;
 6. the preparatory studies and technical support measures financed;
 7. the results of appraisal, monitoring and evaluation of measures, including information on any adjustment of measures to accord with the results of appraisal, monitoring and evaluation;
 8. the contribution of the EIB to the evaluation of measures;
 9. summary of information on the results of checks carried out, irregularities found and administrative and judicial proceedings in progress;
 10. information on publicity actions.
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2000-2006
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