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I

(Acts whose publication is obligatory)

COUNCIL REGULATION (EEC) No 2048/88

of 24 June 1988

amending Regulation (EEC) No 729/70 on the financing of the common agricultural policy

THE COUNCIL OF THE EUROPEAN COMMUNITIES,

HAS ADOPTED THIS REGULATION:

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

Article 1

Regulation (EEC) No 729/70 is hereby amended as follows:

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

1. the following words in the last subparagraph of Article 4 (2) are deleted:

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

‘and until the adoption of final arrangements in conjunction with the decisions concerning the future financing of the Community.’

Having regard to the opinion of the Court of Auditors ⁽³⁾,

2. the last subparagraph of Article 5 (2) (a) is replaced by the following:

Whereas by Regulation (EEC) No 3183/87 ⁽⁴⁾, the Council adapted its Regulation (EEC) No 729/70 ⁽⁵⁾ with a view to enabling the Community to ensure the financing of the expenditure provided for in the various rules on the common market organizations in situations where relevant available appropriations are exhausted; whereas the adaptation consists essentially in a two-month delay between fundings by the Member States from their own financial resources and the booking of such expenditure by the advance payments made to the Member States by the Community;

‘From January 1988, the Commission shall decide solely on monthly advances against booking of expenditure effected from the financial resources referred to in the third subparagraph of Article 4 (2). Expenditure for October shall be attached to October if it is effected from 1 to 15 October and to November if it is effected from 16 to 31 October. Advance payments shall be made not later than the third working day of the second month following that in which the expenditure is disbursed by the disbursing agencies.’

Whereas, with a view to ensuring continuity of the payments provided for by the said rules, the two-month delay should be extended to two-and-a-half months, only for expenditure of the second two weeks of the month of October,

Article 2

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

This Regulation shall apply for the first time to expenditure for October 1988.

⁽¹⁾ OJ No C 152, 10. 6. 1988, p. 8.

⁽²⁾ Opinion delivered on 16 June 1988 (not yet published in the Official Journal).

⁽³⁾ OJ No C 166, 25. 6. 1988, p. 7.

⁽⁴⁾ OJ No L 304, 27. 10. 1987, p. 1.

⁽⁵⁾ OJ No L 94, 28. 4. 1970, p. 13.

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

Done at Luxembourg, 24 June 1988.

For the Council
The President
M. BANGEMANN

COUNCIL REGULATION (ECSC, EEC, EURATOM) No 2049/88

of 24 June 1988

amending the Financial Regulation of 21 December 1977 applicable to the general budget of the European Communities

THE COUNCIL OF THE EUROPEAN COMMUNITIES,

Having regard to the Treaty establishing the European Coal and Steel Community, and in particular Article 78h thereof,

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

Having regard to the Treaty establishing the European Atomic Energy Community, and in particular Article 183 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 Court of Auditors ⁽³⁾,

Whereas the conciliation provided for in the Joint Declaration of 4 March 1975 of the European Parliament, the Council and the Commission ⁽⁴⁾ took place in a Conciliation Committee;

Whereas the Financial Regulation of 21 December 1977 ⁽⁵⁾, as last amended by Regulation (ECSC, EEC, Euratom) No 1600/88 ⁽⁶⁾, must be amended to give effect to the conclusions of the Brussels European Council of 11 to 13 February 1988 concerning stricter annual management of appropriations, the financing arrangements for the common agricultural policy and the possibility of entering a 'negative reserve' when the budget is established;

Whereas, in the interests of improved budgetary management and greater transparency of appropriations, differentiated appropriations unused at the end of the financial year should as a rule lapse; whereas, however, the Commission should be empowered to effect some carry-overs on the basis of specific criteria; whereas certain appropriations which have been released from commitment may be made available again only on the basis of specific criteria and only after a Commission decision;

Whereas the strengthening of the principles of annuality cannot call into question the achievement of the objectives fixed for the Communities' policies;

Whereas the Financial Regulation must reflect the arrangements for financing the Guarantee Section of the European Agricultural Guidance and Guarantee Fund (EAGGF) to take account of the amendments to Council Regulation (EEC) No 729/70 of 21 April 1970 on the financing of the common agricultural policy ⁽⁷⁾, as last amended by Regulation (EEC) No 2048/88 ⁽⁸⁾;

Whereas an appropriate provision must be inserted to allow a negative reserve limited to a specific amount to be entered in the budget,

HAS ADOPTED THIS REGULATION:

Article 1

The Financial Regulation of 21 December 1977 is hereby amended as follows:

1. In Article 1, the following paragraph 3a is inserted:

'3a. The legal commitments entered into for measures extending over more than one financial year shall contain a time limit for implementation which must be specified to the recipient in due form when the aid is granted.

This time limit shall be determined with due regard to the need for multiannual implementation of the operations financed and the specific conditions of implementation in relation to the various spheres of intervention.

The Commission may, in special circumstances, adjust the time limit for implementation of these commitments, on the basis of appropriate proof supplied by the recipients.'

2. In Article 6, point 2 is replaced by the following:

'2. In the case of budget headings where a distinction is made between commitment appropriations and payment appropriations, commitment appropriations and payment appropriations which have not been used at the end of the financial year

⁽¹⁾ OJ No C 99, 14. 4. 1988, p. 9.

⁽²⁾ Opinion delivered on 16 June 1988 (not yet published in the Official Journal).

⁽³⁾ OJ No C 166, 25. 6. 1988, p. 3.

⁽⁴⁾ OJ No C 89, 22. 4. 1975, p. 1.

⁽⁵⁾ OJ No L 356, 31. 12. 1977, p. 1.

⁽⁶⁾ OJ No L 143, 10. 6. 1988, p. 1.

⁽⁷⁾ OJ No L 94, 28. 4. 1970, p. 13.

⁽⁸⁾ See page 1 of this Official Journal.

for which they were entered shall, as a rule, lapse. However, they may, by decision of the Commission taken not later than 15 February, be carried over to the next financial year only, in accordance with the following criteria:

(a) in the case of commitment appropriations:

- amounts which relate to operations for which preliminaries have been virtually completed at 31 December but for which accounting commitments have not yet been made; these amounts must in principle be committed by 31 March of the following year,
- amounts which are necessary when the Council has adopted a basic instrument towards the end of the financial year and the Commission has been unable to commit the appropriations provided for this purpose in the budget by 31 December;

(b) in the case of payment appropriations:

- amounts needed to cover existing commitments or relating to commitment appropriations carried over, when the appropriations provided for the headings concerned in the budget for the following financial year do not cover requirements. In exercising its powers to implement the budget, the Commission shall, depending on management requirements, endeavour to use first the appropriations authorized for the current financial year and not use the appropriations carried over until the former are exhausted.

The Commission shall inform the budgetary authority by 15 March at the latest of the decision taken and state how the agreed criteria were applied to each carry-over.'

3. In Article 6, point 6 is replaced by the following:

- '6. When commitments in budget headings where there is a distinction between commitment appropriations and payment appropriations are cancelled — as a result of total or partial non-implementation of the projects for which they were earmarked — in any financial year after that in which the commitment appropriations were entered in the budget, the appropriations concerned shall, as a rule, lapse.

However, the commitment appropriation corresponding to the amount of the commitment cancelled may, exceptionally, be made available again when it is essential to carry out the programme originally planned, unless the budget

for the current financial year contains funds available for this purpose.

At the beginning of each financial year the Commission shall therefore examine the cancellations which have taken place in the previous financial year and assess, in the light of requirements, the need for making the appropriations available again.

The Commission shall take this decision by 15 February of each financial year.

The Commission shall inform the budgetary authority by 15 March at the latest of the decision taken and state the reasons for making these appropriations available again.'

4. In Article 15, the following paragraph is inserted:

'4a. The Commission section may include a "negative reserve" limited to a maximum amount of 200 million ECU. This reserve, which shall be entered in a separate chapter, may include both appropriations for commitments and appropriations for payments.

This reserve must be drawn upon before the end of the financial year by means of transfer in accordance with the procedure laid down in Article 21.'

5. In point 2 of Article 73, the final indent is replaced by the following:

'— appropriations carried over under Article 6,'.

6. In point 3 of Article 73, the fourth and fifth indents are replaced by the following:

'— the commitment appropriations and payment appropriations carried over under Article 6,'.

7. In point 4 of Article 73, the first indent is replaced by the following:

'— the amount of appropriations carried over, a distinction being made between commitment appropriations, payment appropriations and non-differentiated appropriations,'.

8. In point 4 of Article 73, the fifth indent is deleted.

9. In Article 88 (3), the final subparagraph is replaced by the following:

'The payment appropriations represent the upper limit of expenditure which may be paid or authorized for payment during each financial year to cover commitments entered into during the current year or earlier financial years.'

10. In Article 88, paragraph 4 is deleted.

11. Article 98 is replaced by the following:

'Article 98

Expenditure shall be booked to the accounts for a financial year on the basis of the advances paid by the

Commission to the Member States during that year in accordance with Article 5 of Regulation (EEC) No 729/70, provided that notification of their commitment and authorization have reached the accounting officer not later than 31 January of the following year.'

12. Article 99 is replaced by the following:

'Article 99

1. The object of the clearance of the accounts provided for in Article 5 (2) (b) of Regulation (EEC) No 729/70 shall be to determine the amount of expenditure effected in each Member State during the financial year in question which must be recognized as being chargeable to the EAGGF.

2. The schedule for the clearance of the accounts is laid down in Regulation (EEC) No 729/70.

3. The outcome of the clearance decision, i.e. any discrepancy which may exist between the total expenditure booked to the accounts for a financial year pursuant to Articles 97 and 98 and the total expenditure recognized as allowable by the Commission when clearing the accounts shall be booked, under a single article, as additional expenditure, or a reduction in expenditure.'

13. In Article 100 (1), '1 April of the following financial year' is replaced by '1 February of the following financial year'.

14. In the second subparagraph of Article 101 (1) and the first subparagraph of Article 101 (2), '31 March of the following financial year' is replaced by '31 January of the following financial year'.

15. In Article 101, the following paragraph 3 is inserted:

'3. Transfers relating to the "monetary reserve" which is entered in the "provisional appropriations" chapter of the budget and the entry, use and financing conditions of which are determined by, respectively, Council Decision 88/377/EEC of 24 June 1988 concerning budgetary discipline(*) and Council Decision 88/376 /EEC/Euratom of 24 June 1988 on the system of the Communities' own resources (**) and the provisions adopted under the latter shall be decided upon by the budgetary authority in accordance with the second subparagraph of Article 21 (2) of this Regulation.

(*) OJ No L 185, 15. 7. 1988, p. 29.

(**) OJ No L 185, 15. 7. 1988, p. 24.'

Article 2

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, 24 June 1988.

For the Council

The President

M. BANGEMANN

COUNCIL REGULATION (EEC) No 2050/88

of 24 June 1988

amending Regulation (EEC) No 1883/78 laying down general rules for the financing of interventions by the European Agricultural Guidance and Guarantee Fund, Guarantee Section

THE COUNCIL OF THE EUROPEAN COMMUNITIES,

Having regard to the Treaty establishing the European Economic Community,

Having regard to Council Regulation (EEC) No 729/70 of 21 April 1970 on the financing of the common agricultural policy ⁽¹⁾, as last amended by Regulation (EEC) No 2048/88 ⁽²⁾, and in particular Article 3 (2) thereof,

Having regard to the proposal from the Commission ⁽³⁾,

Having regard to the opinion of the European Parliament ⁽⁴⁾,

Having regard to the opinion of the Court of Auditors ⁽⁵⁾,

Whereas Regulation (EEC) No 1883/78 ⁽⁶⁾, as last amended by Regulation (EEC) No 2095/87 ⁽⁷⁾, included basic rules for the financing of intervention measures in the form of public storage;

Whereas the rules on the depreciation of products in storage, referred to in Articles 7 and 8 of that Regulation, must be adapted to the new guidelines as regards the financing of agricultural expenditure set out in the Conclusions of the European Council of 11 and 12 February 1988, according to which the storage situation must be brought back to normal by 1992;

Whereas from 1989 onwards, the value of agricultural products bought in under the market organization regulations should generally be depreciated directly on buying in;

Whereas extraordinary depreciation will be effected during the years 1989 to 1992 on the basis of appropriations entered for this purpose in the respective Community budgets;

Whereas the provisions of Regulation (EEC) No 1334/86 ⁽⁸⁾ authorizing the Commission to reduce the standard interest rate and the uniform standard amounts used for the

calculation of public storage costs are to be extended until 1992, as intervention stock levels have not yet substantially declined,

HAS ADOPTED THIS REGULATION:

Article 1

Regulation (EEC) No 1883/78 is hereby amended as follows:

1. The second subparagraph of Article 5 is replaced by the following:

'Notwithstanding the first subparagraph, the Commission is hereby authorized, in respect of the financial years 1989 to 1992, to set the uniform interest rate at a level below its representative level. If the interest rate borne by a Member State is lower than the rate fixed, the Commission may fix the uniform interest rate for this Member State at that lower level.'

2. The second subparagraph of Article 6 is replaced by the following:

'Notwithstanding the first subparagraph, the Commission is hereby authorized, in respect of the financial years 1989 to 1992, to fix the uniform standard amounts at a level corresponding to three-quarters of the uniform standard amounts established on the normal basis.'

3. Articles 7 and 8 are replaced by the following:

'Article 7

In the annual accounts referred to in Article 4 (1), the quantities of products in storage to be carried forward to the following year shall, as a rule, be valued at their buying-in price. Procedures for fixing the price for the quantities to be carried out to the following financial year shall be determined for the various products on the basis of the book values recorded by the intervention agencies in accordance with the procedure laid down in Article 13 of Regulation (EEC) No 729/70.

Article 8

1. Where, for a given product, the estimated selling price for products in public intervention storage is lower than their buying-in price, a depreciation percentage shall be applied when the relevant product is bought in. Such percentage shall be fixed for each product in accordance with the procedure laid down in Article 13 of Regulation (EEC) No 729/70 before the beginning of each year.

⁽¹⁾ OJ No L 94, 28. 4. 1970, p. 13.

⁽²⁾ See page 1 of this Official Journal.

⁽³⁾ OJ No C 129, 18. 5. 1988, p. 18.

⁽⁴⁾ Opinion delivered on 16 June 1988 (not yet published in the Official Journal).

⁽⁵⁾ OJ No C 166, 25. 6. 1988, p. 6.

⁽⁶⁾ OJ No L 216, 5. 8. 1978, p. 1.

⁽⁷⁾ OJ No L 196, 17. 7. 1987, p. 3.

⁽⁸⁾ OJ No L 119, 8. 5. 1986, p. 18.

2. The depreciation percentage shall not exceed the difference between the buying-in price and the foreseeable disposal price for the relevant product.

3. The Commission may restrict depreciation at the time of buying-in to a part of the percentage calculated in accordance with paragraph 2. This part cannot be less than 70 % of the depreciation fixed under the provisions of paragraph 1.

In such cases, the Commission shall effect a second depreciation at the end of the financial year, in accordance with the method indicated at paragraph 5.

4. From 1989 to 1992, extraordinary depreciations shall be effected at the beginning of each year on the basis

of the appropriations entered in the respective Community budgets, so as to bring the storage situation back to normal by 1992.

5. For the depreciations referred to in the second subparagraph of paragraph 3 and in paragraph 4 the Commission shall determine, according to the procedure laid down in Article 13 of Regulation (EEC) No 729/70, the overall amounts of depreciation by product and by Member State.'

Article 2

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

It shall apply with effect from 1 October 1988.

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

Done at Luxembourg, 24 June 1988.

For the Council

The President

M. BANGEMANN

COUNCIL REGULATION (EEC) No 2051/88

of 24 June 1988

on the granting of financial compensation to the Kingdom of Spain and the Portuguese Republic following the depreciation of certain stocks of agricultural products

THE COUNCIL OF THE EUROPEAN COMMUNITIES,

HAS ADOPTED THIS REGULATION:

Having regard to the Treaty establishing the European Economic Community, and in particular Article 235 thereof,

Having regard to the proposal from the Commission,

Having regard to the opinion of the European Parliament ⁽¹⁾,

Whereas, in order to restore balance between supply and demand of certain agricultural products, exceptional measures have been taken to speed up the disposal of public intervention stocks of butter; whereas stock depreciation measures are planned for other products;

Whereas foreseeable expenditure on the disposal or depreciation of surplus stocks of agricultural products over the period 1988 to 1992 is put at 6 800 million ECU, which includes, from 1989 onwards, refunds of 3 200 million ECU to the Member States in respect of the butter stock disposal programme carried out in 1987 and 1988;

Whereas, at its meeting from 11 to 13 February 1988, the European Council provided that appropriate compensation should be granted to the Kingdom of Spain and the Portuguese Republic in this context;

Whereas the Treaty has not provided the necessary powers, other than those of Article 235,

Article 1

Financial compensation shall be granted to the Kingdom of Spain and the Portuguese Republic in respect of their contribution to the financing of expenditure associated with the disposal of butter and the depreciation of existing surplus stocks of agricultural products, as indicated below:

1988: 1 200 million ECU
1989 to 1992: 1 400 million ECU per year
(at 1988 prices)

Article 2

The financial compensation shall be calculated by multiplying the contribution of the said Member States, as determined in accordance with the weighted 'VAT — supplementary resource' key, to the financing of the expenditure referred to in Article 1 by the difference between, on the one hand, the 70 % rate of reimbursement fixed for 1987 and, on the other hand, the percentages for subsequent years laid down in the third subparagraph of Article 187 and the third subparagraph of Article 374 of the Act of Accession of Spain and Portugal.

Article 3

The financial compensation shall be paid during the month following that in which the Commission, in line with Article 5 (2) (a) of Council Regulation (EEC) No 729/70 of 21 April 1970 on the financing of the common agricultural policy ⁽²⁾, as last amended by Regulation (EEC) No 2048/88 ⁽³⁾, makes the 'advance payment against booking' to cover the expenditure referred to in Article 1.

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

Done at Luxembourg, 24 June 1988.

For the Council
The President
M. BANGEMANN

⁽¹⁾ OJ No C 167, 27. 6. 1988.

⁽²⁾ OJ No L 94, 28. 4. 1970, p. 13.

⁽³⁾ See page 1 of this Official Journal.

COUNCIL REGULATION (EEC) No 2052/88

of 24 June 1988

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

THE COUNCIL OF THE EUROPEAN COMMUNITIES,

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

⁽¹⁾ OJ No C 151, 9. 6. 1988, p. 4.

⁽²⁾ OJ No C 167, 27. 6. 1988.

⁽³⁾ OJ No C 175, 4. 7. 1988.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Whereas it is advisable to include a review clause;

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

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

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

HAS ADOPTED THIS REGULATION:

I. OBJECTIVES AND TASKS OF THE STRUCTURAL FUNDS

Article 1

Objectives

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

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

Article 2

Means

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

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

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

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

Article 3

Tasks of the Funds

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

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

It shall in particular provide support for:

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

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

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

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

The following categories of persons shall qualify for ESP support:

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

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

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

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

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

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

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

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

II. ARRANGEMENTS FOR STRUCTURAL OPERATIONS

Article 4

Complementarity, partnership, technical assistance

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

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

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

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

Article 5

Forms of assistance

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

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

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

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

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

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

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

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

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

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

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

Article 6

Monitoring and assessment

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

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

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

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

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

Article 7

Compatibility and checks

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

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

III. PROVISIONS RELATING TO THE SPECIFIC OBJECTIVES

Article 8

Objective 1

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

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

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

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

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

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

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

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

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

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

The Community support framework shall cover in particular:

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

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

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

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

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

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

Article 9

Objective 2

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The Community support framework shall cover in particular:

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

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

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

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

Article 10

Objectives 3 and 4

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

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

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

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

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

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

The Community support framework shall cover in particular:

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

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

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

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

Article 11

Objective 5

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

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

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

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

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

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

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

The Community support framework shall cover in particular:

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

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

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

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

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

IV. FINANCIAL PROVISIONS

Article 12

Fund resources and concentration

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

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

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

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

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

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

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

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

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

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

Article 13

Differentiation of rates of assistance

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

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

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

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

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

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

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

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

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

V. OTHER PROVISIONS

Article 14

Combination and overlapping of assistance

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

Article 15

Transitional provisions

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

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

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

Article 16

Reports

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

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

Article 17

Committees

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

VI. FINAL PROVISIONS

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

*Article 18***Implementation**

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

*Article 20***Entry into force**

This Regulation shall enter into force on 1 January 1989.

*Article 19***Review clause**

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

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

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

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

Done at Luxembourg, 24 June 1988.

For the Council

The President

M. BANGEMANN

*ANNEX***REGIONS CONCERNED BY OBJECTIVE 1**

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

COUNCIL REGULATION (EEC) No 2053/88

of 24 June 1988

on financial assistance for Portugal for a specific industrial development programme (PEDIP)

THE COUNCIL OF THE EUROPEAN COMMUNITIES,

Having regard to the Treaty establishing the European Economic Community, and in particular Article 235 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⁾,

Whereas the European Parliament unanimously approved in December 1987 an integrated development programme for Portugal which states that the Community should take steps to support the Portuguese Government's plans for economic development, *inter alia*, in industrial areas, particularly small and medium-sized undertakings (SMUs), with a view to increasing productivity, securing jobs and promoting vocational training;

Whereas a programme to modernize industry in Portugal (hereinafter referred to as 'PEDIP') has been prepared, in close collaboration between Portugal and the Commission, which contains a set of measures, including vocational training measures, designed to promote industrial development in Portugal;

Whereas the PEDIP should help to achieve the Community's objectives in the field of economic and social cohesion, by identifying four priority areas for the development of Portuguese industry;

Whereas the European Council meeting in Brussels on 11 and 12 February 1988 endorsed the principle of Community assistance for the PEDIP, and whereas the European Council agreed on the principle of allocating to the PEDIP, over and above support from the Structural Funds and Community loans, additional budgetary resources amounting to 500 million ECU for the period from 1988 to 1992;

Whereas provisions should be laid down for the use of those additional resources;

Whereas, in order to simplify management of these resources, which should be made the responsibility of the Commission, the Commission will apply the appropriate measures in respect of the rates of Community assistance, the procedures for the commitment, payment, and recovery of Community assistance, and the monitoring of the measures for which assistance has been allocated;

Whereas, in respect of the measures included in the PEDIP, the Treaty has not provided the necessary powers, other than those of Article 235,

HAS ADOPTED THIS REGULATION:

Article 1

1. A five-year programme to modernize industry in Portugal (hereinafter referred to as 'PEDIP') containing a set of measures, including vocational training measures, designed to promote industrial development in Portugal is hereby introduced.

2. Financial assistance from the Community budget for implementation of the PEDIP shall be provided, over and above support from the Structural Funds, by means of additional resources amounting to an average of 100 million ECU per year (1988 prices) for the financial years 1988 to 1992.

These additional resources shall be used in accordance with this Regulation.

Article 2

The additional resources referred to in Article 1 shall be used to implement the PEDIP by contributing to:

- faster improvement of basic industrial infrastructure (priority area number 1),
- stronger foundations for basic and further vocational training facilities for careers in industry (priority area number 2),
- the financing of productive investment (priority area number 3),
- productivity drives (priority area number 4),

either separately, or to supplement contributions by one or more of the Structural Funds, in order to support measures falling within at least one of these priority development areas.

When allocating resources, priority shall be given to measures falling within areas 3 or 4.

⁽¹⁾ OJ No C 120, 7. 5. 1988, p. 9.

⁽²⁾ OJ No C 167, 27. 6. 1988.

⁽³⁾ Opinion delivered on 2 June 1988 (not yet published in the Official Journal).

Article 3

On the basis of consultation between the Portuguese Republic and the Commission:

1. the Portuguese Republic shall submit to the Commission applications for financial support from the Community for the measures referred to in Article 2. These applications shall be accompanied by all the information needed to check that the measures are in conformity with this Regulation, with the objectives of the PEDIP and with Community policies, and by the financial estimates and indicative timetables for carrying out the work and effecting the corresponding payments;
2. the Commission shall examine the applications in order to check that they are in conformity with this Regulation and fit into the general framework of structural measures adopted for the benefit of Portugal, and shall decide on the grant of the additional resources referred to in Article 1; it shall notify these decisions to the Committee provided for in Article 8.

Article 4

For the management of the additional resources referred to in Article 1 and depending on the nature of the measure, the Commission shall apply the appropriate provisions concerning the rate of Community assistance, the procedures for the commitment, payment and recovery of Community assistance and the auditing of the measures receiving this assistance.

The rate of Community financing, from budgetary resources, of the selected measures under the PEDIP must not exceed 75 % of the total cost of the measure, whatever the form of the financial assistance.

The Community may cover 100 % of the total cost of the preparatory studies, pilot measures and technical assistance measures carried out upon the Commission's initiative.

Article 5

Measures funded under this Regulation shall comply with the Treaties and with the acts adopted pursuant thereto and with Community policies, including those concerning competition rules, the award of public contracts and the protection of the environment.

Article 6

The Commission shall be kept regularly informed of the implementation of the measures receiving Community assistance under the PEDIP.

The Portuguese Republic shall take all measures necessary to facilitate monitoring by the Commission of PEDIP

operations, without prejudice to the monitoring organized by the Portuguese Republic itself or that organized on the basis of Articles 206a and 209 of the Treaty.

Monitoring may take the form of on-site inspections or verifications.

Article 7

Every year during the period referred to in Article 1 the Commission shall draw up, in accordance with the procedure laid down in Article 8 (2), general guidelines for the implementation of the measures falling within the development areas referred to in Article 2.

These guidelines shall be published for information in the *Official Journal of the European Communities*.

Article 8

1. The Commission shall be assisted by a committee of an advisory nature hereinafter referred to as 'the Committee', composed of the representatives of the Member States and chaired by the representative of the Commission.

2. Should reference be made to the procedure laid down in this Article, the following provisions shall apply:

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, if necessary by taking a vote.

The opinion shall be recorded in the minutes; in addition, each Member State shall have the right to ask to have its position recorded in the minutes.

The Commission shall take the utmost account of the opinion delivered by the Committee. It shall inform the Committee of the manner in which its opinion has been taken into account.

Article 9

The Commission shall send the European Parliament and the Council a report on the implementation of this Regulation before 1 June 1990 for the preceding period and a final report on the PEDIP by the end of 1993 at the latest. These reports shall include an account of all the development measures implemented, detail the expenditure incurred and assess their effects.

Article 10

This Regulation shall enter into force on the 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, 24 June 1988.

For the Council
The President
M. BANGEMANN

II

(Acts whose publication is not obligatory)

COUNCIL

COUNCIL DECISION

of 24 June 1988

on the system of the Communities' own resources

(88/376/EEC, Euratom)

THE COUNCIL OF THE EUROPEAN COMMUNITIES,

Having regard to the Treaty establishing the European Economic Community, and in particular Articles 199 and 201 thereof,

Having regard to the Treaty establishing the European Atomic Energy Community, and in particular Articles 171 (1) and 173 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⁾,

Whereas Council Decision 85/257/EEC, Euratom of 7 May 1985 on the Communities' system of own resources ⁽⁴⁾, as last amended by the Single European Act, raised to 1,4 % the limit for each Member State on the rate applied to the uniform value-added tax (VAT) base previously set at 1 % by the Council Decision of 21 April 1970 on the replacement of financial contributions from Member States by the Communities' own resources ⁽⁵⁾ hereinafter referred to as 'the Decision of 21 April 1970';

Whereas the resources available within the limit of 1,4 % are no longer sufficient to cover the estimates of Community expenditure;

Whereas the Single European Act opens up new possibilities to the Community; whereas Article 8a of the Treaty establishing the European Economic Community provides for the completion of the internal market by 31 December 1992;

Whereas the Community must possess stable and guaranteed revenue enabling it to stabilize the present situation and operate the common policies; whereas this revenue must be based on the expenditure deemed necessary to this end which was determined in the financial estimates in the Interinstitutional Agreement between the European Parliament, the Council and the Commission, which will take effect on 1 July 1988;

Whereas the European Council meeting in Brussels on 11, 12 and 13 February 1988 reached certain conclusions;

Whereas, in accordance with these conclusions, the Community will, by 1992, be assigned a maximum amount of own resources corresponding to 1,2 % of the total of the Member States' gross national product for the year at market prices, hereinafter referred to as 'GNP';

Whereas observance of this ceiling requires that the total amount of own resources at the Community's disposal for the period 1988 to 1992 does not in any one year exceed a specified percentage of the sum of the Community's GNP for the year in question; whereas that percentage shall correspond to application of the guidelines established for growth in Community expenditure as laid down in the European Council conclusions concerning budgetary discipline and budget management, and a safety margin of 0,03 % of Community GNP aimed at coping with unforeseen expenditure;

Whereas a global ceiling of 1,30 % of the Member States' GNP is set for commitment appropriations; whereas an

⁽¹⁾ OJ No C 102, 16. 4. 1988, p. 8.

⁽²⁾ Opinion delivered on 15 June 1988 (not yet published in the Official Journal).

⁽³⁾ OJ No C 175, 4. 7. 1988.

⁽⁴⁾ OJ No L 128, 14. 5. 1985, p. 15.

⁽⁵⁾ OJ No L 94, 28. 4. 1970, p. 19.

orderly progression of commitment appropriations and payment appropriations must be ensured;

Whereas these ceilings should remain applicable until this Decision is amended;

Whereas, with a view to matching the resources paid by each Member State more closely with its ability to contribute, the composition of Community own resources should be amended and enlarged; whereas it is necessary for this purpose:

- to fix at 1,4 % the maximum rate to be applied to each Member State's uniform base for value added tax, limited where appropriate to 55 % of its GNP;
- to introduce an additional type of own resource to balance budget revenue and expenditure, based on the sum of Member States' GNP; for this purpose, the Council will adopt a Directive on the harmonization of the compilation of gross national product at market prices;

Whereas the customs duties on products coming under the Treaty establishing the European Coal and Steel Community should be included in Community own resources;

Whereas the conclusions of the European Council of 25 and 26 June 1984 on the correction of budgetary imbalances continue to apply for the duration of this Decision's validity; whereas the present compensation mechanism must, however, be adjusted to take account of the capping of the VAT base and the introduction of an additional resource and must provide for financing of the correction on the basis of a GNP key; whereas this adjustment should ensure that the VAT share of the United Kingdom is replaced by its share of payments under the third and fourth resources (those provided by VAT and GNP respectively) and that the effect on the United Kingdom, in respect of a given year, of the capping of the VAT base and of the introduction of the fourth resource which is not compensated by this change will be offset by an adjustment to the compensation in respect of that year; whereas the contributions of Spain and Portugal should be reduced in accordance with the rebates provided for in Articles 187 and 374 of the 1985 Act of Accession;

Whereas the budgetary imbalances should be corrected in such a way as not to affect the own resources available for the Community's policies;

Whereas the conclusions of the European Council of 11, 12 and 13 February 1988 provided for the creation, in the Community budget, of a monetary reserve, hereinafter referred to as the 'EAGGF monetary reserve', to offset the impact of significant and unforeseen fluctuations in the ECU/dollar parity on the expenditure under the Guarantee

Section of the European Agricultural Guidance and Guarantee Fund (EAGGF); whereas that reserve should be covered by specific provisions;

Whereas provisions must be laid down to cover the changeover from the system introduced by Decision 85/257/EEC, Euratom to that arising from this Decision;

Whereas the European Council of 11, 12 and 13 February 1988 provided that this Decision should take effect on 1 January 1988,

HAS LAID DOWN THESE PROVISIONS, WHICH IT RECOMMENDS TO THE MEMBER STATES FOR ADOPTION:

Article 1

The Communities shall be allocated resources of their own in accordance with the following Articles in order to ensure the financing of their budget.

The budget of the Communities shall, irrespective of other revenue, be financed entirely from the Communities' own resources.

Article 2

1. Revenue from the following shall constitute own resources entered in the budget of the Communities:

- (a) levies, premiums, additional or compensatory amounts, additional amounts or factors and other duties established or to be established by the institutions of the Communities in respect of trade with non-member countries within the framework of the common agricultural policy, and also contributions and other duties provided for within the framework of the common organization of the markets in sugar;
- (b) Common Customs Tariff duties and other duties established or to be established by the institutions of the Communities in respect of trade with non-member countries and customs duties on products coming under the Treaty establishing the European Coal and Steel Community;
- (c) the application of a uniform rate valid for all Member States to the VAT assessment base which is determined in a uniform manner for Member States according to Community rules; however, the assessment base for any Member State to be taken into account for the purposes of this Decision shall not exceed 55 % of its GNP;
- (d) the application of a rate — to be determined under the budgetary procedure in the light of the total of all other revenue — to the sum of all the Member States' GNP established in accordance with Community rules to be laid down in a Directive adopted under Article 8 (2) of this Decision.

2. Revenue deriving from any new charges introduced within the framework of a common policy, in accordance with the Treaty establishing the European Economic Community or the Treaty establishing the European Atomic Energy Community, provided the procedure laid down in Article 201 of the Treaty establishing the European Economic Community or in Article 173 of the Treaty establishing the European Atomic Energy Community has been followed, shall also constitute own resources entered in the budget of the Communities.

3. Member States shall retain, by way of collection costs, 10 % of the amounts paid under 1 (a) and (b).

4. The uniform rate referred to in 1 (c) shall correspond to the rate resulting from:

(a) the application of 1,4 % to the VAT assessment base for the Member States, and

(b) the deduction of the gross amount of the reference compensation referred to in Article 4 (2). The gross amount shall be the compensation amount adjusted for the fact that the United Kingdom is not participating in the financing of its own compensation and the Federal Republic of Germany's share is reduced by one-third. It shall be calculated as if the reference compensation amount were financed by Member States according to their VAT assessment bases established in accordance with Article 2 (1) (c). For 1988, the gross amount of the reference compensation shall be reduced by 780 million ECU.

5. The rate fixed under paragraph 1 (d) shall apply to the GNP of each Member State.

6. If, at the beginning of the financial year, the budget has not been adopted, the previous uniform VAT rate and rate applicable to Member States' GNP, without prejudice to whatever provisions may be adopted in accordance with Article 8 (2) by reason of the entry of an EAGGF monetary reserve in the budget, shall remain applicable until the entry into force of the new rates.

7. By way of derogation from 1 (c), if, on 1 January of the financial year in question, the rules for determining the uniform basis for assessing VAT are not yet applied in all the Member States, the financial contribution which a Member State not yet applying this uniform basis is to make to the budget of the Communities in lieu of VAT shall be determined according to the proportion of its gross national product at market prices to the sum total of the gross national product of the Member States at market prices in the first three years of the five-year period preceding the year in question. This derogation shall cease to have effect as soon as the rules for determining the uniform basis for assessing VAT are applied in all Member States.

8. For the purposes of applying this Decision, GNP shall mean gross national product for the year at market prices.

Article 3

1. The total amount of own resources assigned to the Communities may not exceed 1,20 % of the total GNP of the Community for payment appropriations.

The total amount of own resources assigned to the Communities may not, for any of the years during the 1988 to 1992 period, exceed the following percentages of the total GNP of the Community for the year in question:

- 1988: 1,15,
- 1989: 1,17,
- 1990: 1,18,
- 1991: 1,19,
- 1992: 1,20.

2. The commitment appropriations entered in the general budget of the Communities over the period 1988 to 1992 must follow an orderly progression resulting in a total amount which does not exceed 1,30 % of the total GNP of the Community in 1992. A precise ratio between commitment appropriations and payment appropriations shall be maintained to guarantee their compatibility and to enable the ceiling mentioned in paragraph 1 to be observed in subsequent years.

3. The overall ceilings referred to in paragraphs 1 and 2 shall continue to apply until such time as this Decision is amended.

Article 4

The United Kingdom shall be granted a correction in respect of budgetary imbalances. This correction shall consist of a basic amount and an adjustment. The adjustment shall correct the basic amount to a reference compensation amount.

1. The basic amount shall be established by:

(a) calculating the difference, in the preceding financial year, between:

- the percentage share of the United Kingdom in the sum total of the payments referred to in Article 2 (1) (c) and (d) made during the financial year, including adjustments at the uniform rate in respect of earlier financial years, and
- the percentage share of the United Kingdom in total allocated expenditure;

(b) applying the difference thus obtained to total allocated expenditure;

(c) multiplying the result by 0,66.

2. The reference compensation shall be the correction resulting from application of (a), (b) and (c) below, corrected by the effects arising for the United Kingdom from the changeover to capped VAT and the payments referred to in Article 2 (1) (d).

It shall be established by:

- (a) calculating the difference, in the preceding financial year, between:
 - the percentage share of the United Kingdom in the sum total of VAT payments which would have been made during that financial year, including adjustments in respect of earlier financial years, for the amounts financed by the resources referred to in Article 2 (1) (c) and (d) if the uniform VAT rate had been applied to non-capped bases, and
 - the percentage share of the United Kingdom in total allocated expenditure;
 - (b) applying the difference thus obtained to total allocated expenditure;
 - (c) multiplying the result by 0,66;
 - (d) subtracting the payments by the United Kingdom taken into account in the first indent of 1 (a) from those taken into account in the first indent of 2 (a);
 - (e) subtracting the amount calculated at (d) from the amount calculated at (c).
3. The basic amount shall be adjusted in such a way as to correspond to the reference compensation amount.

Article 5

1. The cost of the correction shall be borne by the other Member States in accordance with the following arrangements:

the distribution of the cost shall first be calculated by reference to each Member State's share of the payments referred to in Article (2) (1) (d), the United Kingdom being excluded; it shall then be adjusted in such a way as to restrict the share of the Federal Republic of Germany to two-thirds of the share resulting from this calculation.

2. The correction shall be granted to the United Kingdom by a reduction in its payments resulting from the application of Article 2 (1) (c). The costs borne by the other Member States shall be added to their payments resulting from the application for each Member State of Article 2 (1) (c) up to a 1,4 % VAT rate and Article 2 (1) (d).

3. The Commission shall perform the calculations required for the application of Article 4 and this Article.

4. If, at the beginning of the financial year, the budget has not been adopted, the correction granted to the United Kingdom and the costs borne by the other Member States as entered in the last budget finally adopted shall remain applicable.

Article 6

The revenue referred to in Article 2 shall be used without distinction to finance all expenditure entered in the budget of the Communities. However, the revenue needed to cover in full or in part the EAGGF monetary reserve, entered in the budget of the Communities, shall not be called up from the Member States until the reserve is implemented. Provisions for the operation of that reserve shall be adopted as necessary in accordance with Article 8 (2).

The preceding subparagraph shall be without prejudice to the treatment of contributions by certain Member States to supplementary programmes provided for in Article 130l of the Treaty establishing the European Economic Community.

Article 7

Any surplus of the Communities' revenue over total actual expenditure during a financial year shall be carried over to the following financial year. However, any surplus generated by a transfer from EAGGF Guarantee chapters to the monetary reserve shall be regarded as constituting own resources.

Article 8

1. The Community own resources referred to in Article 2 (1) (a) and (b) shall be collected by the Member States in accordance with the national provisions imposed by law, regulation or administrative action, which shall, where appropriate, be adapted to meet the requirements of Community rules. The Commission shall examine at regular intervals the national provisions communicated to it by the Member States, transmit to the Member States the adjustments it deems necessary in order to ensure that they comply with Community rules and report to the budget authority. Member States shall make the resources under Article 2 (1) (a) to (d) available to the Commission.

2. Without prejudice to the auditing of the accounts and to checks that they are lawful and regular and as laid down in Article 206a of the Treaty establishing the European Economic Community, such auditing and checks being

mainly concerned with the reliability and effectiveness of national systems and procedures for determining the base for own resources accruing from VAT and GNP and without prejudice to the inspection arrangements made pursuant to Article 209 (c) of that Treaty, the Council shall, acting unanimously on a proposal from the Commission and after consulting the European Parliament, adopt the provisions necessary to apply this Decision and to make possible the inspection of the collection, the making available to the Commission and payment of the revenue referred to in Articles 2 and 5.

Article 9

The mechanism for the graduated refund of own resources accruing from VAT or GNP-based financial contributions introduced for the Kingdom of Spain and the Portuguese Republic up to 1991 by Articles 187 and 374 of the 1985 Act of Accession shall apply to the own resources accruing from VAT and the GNP-based resource referred to in Article 2 (1) (c) and (d) of this Decision. It shall also apply to payments by these two Member States in accordance with Article 5 (2) of this Decision. In the latter case the rate of refund shall be that applicable for the year in respect of which the correction is granted.

Article 10

The Commission shall submit, by the end of 1991, a report on the operation of the system, including a re-examination of the correction of budgetary imbalances granted to the United Kingdom, established by this Decision.

Article 11

1. Member States shall be notified of this Decision by the Secretary-General of the Council of the European Communities; it shall be published in the *Official Journal of the European Communities*.

Member States shall notify the Secretary-General of the Council of the European Communities without delay of the completion of the procedures for the adoption of this

Decision in accordance with their respective constitutional requirements.

This Decision shall enter into force on the first day of the month following receipt of the last of the notifications referred to in the second subparagraph. It shall take effect on 1 January 1988.

2. (a) Subject to (b) and (c), Decision 85/257/EEC, Euratom shall be repealed as of 1 January 1988. Any references to the Decision of 21 April 1970 or to Decision 85/257/EEC, Euratom shall be construed as references to this Decision.
- (b) Article 3 of Decision 85/257/EEC, Euratom shall continue to apply to the calculation and adjustment of revenue accruing from the application of rates to the uncapped uniform assessment basis for value added tax in 1987 and earlier years. For 1988 the deduction in favour of the United Kingdom in respect of previous financial years shall be calculated in accordance with points (b) (i), (ii) and (iii) of Article 3 (3) of the said Decision. The distribution of the cost of financing it shall be calculated in accordance with Article 5 (1) of this Decision. The amounts corresponding to the deduction and the distribution of the cost of financing it shall be dealt with in accordance with Article 5 (2) of this Decision. When Article 2 (7) has to be applied, the value added tax payments shall be replaced by financial contributions in the calculations referred to in this paragraph for any Member State concerned; this system shall also apply to the payment of adjustments of corrections for earlier years.
- (c) Article 4 (2) of Decision 85/257/EEC, Euratom shall continue to apply to the financial contributions needed to finance the completion of the supplementary programme for the operation of the HFR (high-flux reactor) reactor of 1984 to 1987.

Done at Luxembourg, 24 June 1988.

For the Council

The President

M. BANGEMANN

COUNCIL DECISION

of 24 June 1988

concerning budgetary discipline

(88/377/EEC)

THE COUNCIL OF THE EUROPEAN COMMUNITIES,

Having regard to the Treaty establishing the European Economic Community, and in particular Articles 43, 126, 127, 130d, 130i, 203, 209 and 235 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 Court of Auditors ⁽³⁾,

Whereas at its meetings in Brussels in 1987 and 1988 the European Council agreed to submit the use of the Community's own resources to effective and legally binding discipline parallel to the efforts being made by the Member States in connection with their own budgets; whereas that discipline must be strengthened in the light of experience on the basis of the arrangements adopted by the European Council at Fontainebleau;

Whereas, in addition, an agreement, hereinafter referred to as the 'Interinstitutional Agreement', was reached between the European Parliament, the Council and the Commission with the aim of attaining the objectives of the Single European Act, of putting in concrete form the conclusions reached by the European Council at the said meetings on budgetary discipline and of improving the operation of the annual budgetary procedure and whereas it will take effect on 1 July 1988;

Whereas budgetary discipline must be applied to all the Community's expenditure and whereas it must cover both payment and commitment appropriations;

Whereas on 11, 12 and 13 February 1988 the European Council agreed upon the principles of a guideline for the control of agricultural expenditure (hereinafter referred to as the 'agricultural guideline');

Whereas the rate of progression of the European Agricultural Guidance and Guarantee Fund Guarantee expenditure must not exceed 74 % of the rate of increase in Community gross national product, this rate corresponding to that of 80 % if

maximum EAGGF financing of set-aside were to be taken into consideration;

Whereas the European Council has also agreed to mechanisms for the systematic depreciation of existing and future agricultural stocks so that the stock situation can be normalized by 1992;

Whereas the stabilization mechanisms provided for in the provisions governing the common organization of markets should play a part in ensuring compliance with the agricultural guideline;

Whereas the European Council has also agreed that the level of EAGGF Guarantee expenditure may be influenced by movements in the dollar/ECU market rate and whereas, to cover development caused by significant and unforeseen movements in the dollar/ECU market rate compared to the rate used in the budget, a monetary reserve of 1 000 million ECU shall be entered each year in the budget in the form of provisional appropriations;

Whereas it is necessary that compulsory expenditure other than EAGGF Guarantee expenditure be subject to budgetary rigour and planning,

HAS ADOPTED THIS DECISION:

EAGGF Guarantee expenditure

Article 1

The rate of increase in EAGGF Guarantee expenditure — as defined in Article 3 — between 1988 and a given year must not exceed 74 % of the rate of increase in Community gross national product during the same period.

The maximum progression for EAGGF Guarantee expenditure (the agricultural guideline), which would correspond to 80 % if maximum EAGGF financing of set-aside were taken into consideration, must be respected each year.

Article 2

The 1988 base of expenditure from which the agricultural guideline for each subsequent year is to be calculated shall be 27 500 million ECU, to be adjusted according to Article 3.

⁽¹⁾ OJ No C 146, 3. 6. 1988, p. 22.

⁽²⁾ Opinion delivered on 16 June 1988 (not yet published in the Official Journal).

⁽³⁾ Opinion delivered on 22 June 1988 (not yet published in the Official Journal).

The statistical base with regard to GNP statistics shall correspond to that used in Council Decision 88/376/EEC, Euratom of 24 June 1988 on the system of the Communities' own resources ⁽¹⁾. All calculations which will be made by the Commission at the time of submitting its annual price-fixing proposal, subject to a possible final review at the time of submitting the preliminary draft budget for the following year, shall be established in 1988 prices and converted into current prices by use of the GNP deflator estimated by the Commission for the year in question.

Article 3

The expenditure to which Article 1 applies shall be the expenditure chargeable to Section III, part B, Titles 1 and 2 (EAGGF Guarantee) of the budget, including expenditure relating to set-aside within a maximum annual amount which may not exceed 150 million ECU (1988 prices) up to 1992, less amounts corresponding to the disposal of ACP sugar food aid refunds, sugar and isoglucose levy payments by producers and any other revenue raised from the agricultural sector in the future.

Article 4

The agricultural guideline shall include costs relating to depreciation of newly created agricultural stocks. Each year the Council shall enter in its draft budget the appropriations necessary for financing all costs relating to depreciation of new stocks. The appropriations shall be used for the systematic depreciation of the new stocks, which shall start when these are formed, in accordance with the provisions which will be inserted in Council Regulation (EEC) No 1883/78 of 2 August 1978 laying down general rules for the financing of interventions by the European Agricultural Guidance and Guarantee Fund, Guarantee Section ⁽²⁾, as last amended by Regulation (EEC) No 2050/88 ⁽³⁾.

The cost of depreciating existing surplus agricultural stocks shall be met outside the agricultural guideline. The following amounts shall be included in Title 8 of the budget for the period 1988 to 1992 (1988 prices):

— 1988	1 200 million ECU,
— 1989 to 1992	1 400 million ECU.

These amounts may not be used for any other purposes.

The procedures for the financial compensation granted to Spain and Portugal in respect of their contribution to the financing of these stocks shall be dealt with by Regulation

(EEC) No 2051/88 ⁽⁴⁾. These two Member States shall be treated as if the depreciation of stocks had been entirely financed by the Community in 1987.

Article 5

The Commission's price proposals shall be consistent with the limits laid down by the agricultural guideline.

If the Commission considers that the outcome of the Council's discussions on these price proposals is likely to exceed the costs put forward in its original proposal, the final decision shall be referred to a special meeting of the Council.

The agricultural guideline must be respected each year.

Article 6

To ensure that the agricultural guideline is respected, the Commission shall establish an 'early warning system' covering the development of expenditure of the individual EAGGF Guarantee expenditure chapters. Before the beginning of each budget year the Commission shall define expenditure profiles for each EAGGF Guarantee budget chapter based on the monthly expenditure over the three preceding years. The Commission shall submit monthly reports thereafter to the European Parliament and the Council on the development of actual expenditure against profiles. Where the rate of development of expenditure is exceeding the forecast profile, or risks doing so, the Commission shall use the management powers at its disposal, including those which it has under the stabilizing measures, to remedy the situation. If these measures are insufficient, the Commission shall examine the functioning of the agricultural stabilizers in the relevant sector and, if necessary, shall present proposals to the Council calculated to strengthen their action. The Council shall act within a period of two months in order to remedy the situation.

Article 7

Payment of the monthly EAGGF Guarantee advances by the Commission shall be effected on the basis of the information supplied by the Member States in regard to agricultural expenditure for each common market organization.

Article 8

Where no appropriations are available, the Commission shall propose transfers to the budget authority.

Article 9

The dollar/ECU rate used to draw up the annual budget estimates of EAGGF Guarantee expenditure for any given

⁽¹⁾ See page 24 of this Official Journal.

⁽²⁾ OJ No L 216, 5. 8. 1978, p. 1.

⁽³⁾ See page 6 of this Official Journal.

⁽⁴⁾ See page 8 of this Official Journal.

year shall be the average market rate over the first three months of the preceding year. However, the rate used in the budget for 1988 shall be 1 dollar = 0,85 ECU.

Article 10

1 000 million ECU shall be included annually in a reserve of the general budget of the European Communities, as a provision for covering developments caused by significant and unforeseen movements in the dollar/ECU market rate compared to the dollar/ECU rate used in the budget. These appropriations shall not be included in the agricultural guideline.

Article 11

Each October, the Commission shall report to the budget authority on the impact on EAGGF Guarantee expenditure of movements in the average dollar/ECU market rate for the period 1 August of the preceding year to 31 July of the current year compared to the rate used in the budget, as defined in Article 9.

Article 12

Savings or additional costs resulting from movements in the rate shall be treated in a symmetrical fashion. Where the dollar strengthens against the ECU compared to the rate used in the budget, savings in the Guarantee Section of up to 1 000 million ECU shall be transferred to the monetary reserve. Where additional budgetary costs are engendered by a fall in the dollar against the ECU compared with the budget rate, the monetary reserve shall be called up and transfers shall be made from the monetary reserve to the EAGGF Guarantee Section lines affected by the fall in the dollar. The necessary own resources shall be called up, in accordance with Decision 88/376/EEC, Euratom and the provisions adopted pursuant thereto, to finance the corresponding expenditure.

Any savings made in the EAGGF Guarantee Section which have been transferred to the monetary reserve in accordance with the first subparagraph and which remain in the monetary reserve shall be cancelled and thus contribute to a budgetary surplus which shall be counted as a revenue item in succeeding budgets. This shall be done by means of a letter of amendment during the budgetary procedure concerning the budget for the coming year.

Article 13

There shall be a franchise of 400 million ECU. Savings or additional costs below this amount will not necessitate

transfers to or from the monetary reserve. Savings or additional costs above this amount shall be paid into, or met from, the monetary reserve.

Other Compulsory expenditure

Article 14

Each year, at the start of the budget procedure, the Council shall adopt a reference framework, taking account of the financial estimates of the Interinstitutional Agreement, for compulsory expenditure other than EAGGF Guarantee expenditure. The reference framework shall include the maximum amounts for both commitment and payment appropriations which the Council considers necessary with due regard for the Community's legal obligations.

Non-compulsory expenditure

Article 15

The budgetary discipline applicable to non-compulsory expenditure shall be ensured on the basis of the arrangements contained in the Interinstitutional Agreement.

Other provisions

Article 16

The financial implementation of any Council Decision exceeding the budget appropriations available in the general budget or the appropriations provided for in the financial estimates may not take place until the budget and, where appropriate, the financial estimates have been suitably amended according to the procedure laid down for each of these cases.

Article 17

This Decision shall remain in force for the duration of Decision 88/376/EEC, Euratom.

Article 18

This Decision is addressed to the Member States.

Done at Luxembourg, 24 June 1988.

For the Council

The President

M. BANGEMANN

STATEMENT

When adopting the Decision on budgetary discipline, the Council decided to have the statement made by the European Council at its meeting on 11 and 12 February 1988 published in the *Official Journal of the European Communities*, after the Decision; this statement reads as follows:

'The European Council recalls the conclusions adopted by the OECD and the Venice Summit on the need for a better adjustment of supply to demand through measures to enable the market to play a greater role.

It considers that the arrangements in force since 1984, and those it is adopting to control production and agricultural expenditure, meet these commitments and will achieve their full effect only if other world producers apply equivalent discipline.

It confirms in this respect the negotiating brief adopted by the Community under the Uruguay Round.

If this discipline were not shared, or if a third country failed to meet its international commitments and this caused serious repercussions on world markets, this situation would be regarded by the Council, on a proposal from the Commission, as justifying recourse to the provisions of the Treaty and in particular Articles 43, 113 and 203.'

**INTERINSTITUTIONAL AGREEMENT
ON BUDGETARY DISCIPLINE
AND IMPROVEMENT OF THE BUDGETARY PROCEDURE**

I. BASIC PRINCIPLES OF THE AGREEMENT

1. The main purpose of the Interinstitutional Agreement is to achieve the objectives of the Single European Act, to give effect to the conclusions of the Brussels European Council on budgetary discipline and accordingly to improve the functioning of the annual budgetary procedure.
2. Budgetary discipline under the Interinstitutional Agreement covers all expenditure and is binding on all the institutions involved for as long as the Agreement is in force.
3. This Agreement does not alter the respective budgetary powers of the various institutions as laid down in the Treaty.
4. The contents of the Interinstitutional Agreement may not be changed without the consent of all the institutions which are party to it.

II. BUDGET FORECASTS: FINANCIAL PERSPECTIVE 1988 to 1992

A. Contents

- 5.. The financial perspective 1988 to 1992 constitutes the reference framework for interinstitutional budgetary discipline. Its contents are consistent with the conclusions of the Brussels European Council; it forms an integral part of the Agreement.
6. The financial perspective 1988 to 1992 indicates, in commitment appropriations, the volume and breakdown of foreseeable Community expenditure, including that for the development of new policies.

The overall annual totals of compulsory expenditure and non-compulsory expenditure are also shown in both commitment appropriations and payment appropriations.

B. Nature

7. The European Parliament, the Council and the Commission recognize that each of the financial objectives laid down in the perspective 1988 to 1992 represents an annual expenditure ceiling for the Community. They undertake to observe the different ceilings during the corresponding budgetary procedure.
8. The European Parliament, the Council and the Commission will join in the effort undertaken by the Community gradually to achieve a better balance between the various categories of expenditure.

They give an undertaking that any revision of the compulsory expenditure figure given in the financial perspective will not cause the amount of non-compulsory expenditure shown in the perspective to be reduced.

C. Annual adjustment

— *Technical adjustments*

9. Each year, the Commission will update the perspective ahead of the budgetary procedure for year $t + 1$, making technical adjustments to the figures in line with movements in gross national product (GNP) and prices.

— *Adjustments connected with the conditions for implementation*

10. When notifying the two arms of the budgetary authority of the technical adjustments to the financial perspective, the Commission will present any proposals for adjustments it considers necessary to take account of the conditions for implementation on the basis of the schedules of utilization of commitment appropriations and payment appropriations.

The European Parliament and the Council will take decisions on these proposals, before 1 May of year *t*, in accordance with the majority rules specified in Article 203 (9) of the Treaty.

11. If the allocations provided in the financial perspective for multiannual programmes cannot be used in full during a given year, the institutions party to the Agreement undertake to authorize the transfer of the remaining allocations.

D. Revision

12. In addition to the regular technical adjustments and adjustments in line with the conditions for implementation, the financial perspective may be revised by a joint decision of the two arms of the budgetary authority, acting on a proposal from the Commission.

The joint decision will be taken in accordance with the majority rules specified in Article 203 (9) of the Treaty.

The revision of the financial perspective may not raise the overall expenditure ceiling, as set by this perspective after the annual technical adjustment, above a margin for unforeseen expenditure of 0,03 % of GNP.

It must also respect the provisions of point 8 of this Interinstitutional Agreement.

E. Consequences of the absence of a joint decision by the institutions on the adjustment or revision of the financial perspective

13. In the absence of a joint decision by the institutions on any adjustment or revision of the financial perspective proposed by the Commission, the financial objectives already determined will, after the annual technical adjustment, remain applicable as the expenditure ceilings for the financial year in question.

III. BUDGETARY DISCIPLINE FOR COMPULSORY EXPENDITURE

14. (a) The European Parliament, the Council and the Commission are in agreement on the conclusions of the European Council concerning budgetary discipline for compulsory expenditure in the EAGGF Guarantee Section.

The three institutions undertake, within this Agreement, to respect these conclusions.

- (b) The European Parliament, the Council and the Commission confirm the principles and the mechanisms for the agricultural guideline and the monetary reserve.

- (c) As regards the other compulsory expenditure, the three institutions undertake to honour the Community's legal obligations in a manner consistent with the financial perspective.

IV. BUDGETARY DISCIPLINE FOR NON-COMPULSORY EXPENDITURE AND IMPROVEMENT OF THE BUDGETARY PROCEDURE

15. The two arms of the budgetary authority agree to accept, for the financial years 1988 to 1992, the maximum rates of increase for non-compulsory expenditure deriving from the budgets established within the ceilings set by the financial perspective.
16. The Commission will present each year, within the limits of the financial perspective, a preliminary draft budget based on the Community's actual financing requirements.

It will take into account:

- the capacity for utilizing appropriations, endeavouring to maintain a strict relationship between commitment appropriations and payment appropriations;
- the possibilities for starting up new policies or continuing multiannual operations which are coming to an end, after assessing whether it will be possible to secure a proper legal base.

17. Within the maximum rates of increase for non-compulsory expenditure specified in paragraph 15 of this Agreement, the European Parliament and the Council undertake to respect the allocations of commitment appropriations provided in the financial perspective for the Structural Funds, the Specific Industrial Development Programme for Portugal (PEDIP), the Integrated Mediterranean Programmes (IMPs) and the Research-Technology-Development (RTD) framework programme.

They also undertake to bear in mind the assessment of the possibilities for executing the budget made by the Commission in its preliminary drafts.

V. EQUIVALENCE BETWEEN ANNUAL EXPENDITURE CEILINGS AND ANNUAL CEILINGS FOR CALLING IN COMMUNITY OWN RESOURCES

18. The three institutions party to the Agreement agree that the overall expenditure ceiling for each year also represents the annual own resources call-in ceiling for the corresponding budget year. This will be expressed as a percentage of Community GNP.

VI. FINAL PROVISIONS

19. This Interinstitutional Agreement for 1988 to 1992 will enter into force on 1 July 1988.

Before the end of 1991 the Commission will present a report on the application of this Agreement and on the amendments which need to be made to it in the light of experience.

FINANCIAL PERSPECTIVE

Commitment appropriations

(million ECU at 1988 prices)

	1988	1989	1990	1991	1992
1. EAGGF Guarantee	27 500	27 700	28 400	29 000	29 000
2. Structural operations	7 790	9 200	10 600	12 100	13 450
3. Policies with multiannual allocations (IMPs, research) ⁽¹⁾	1 210	1 650	1 900	2 150	2 400
4. Other policies	2 103	2 385	2 500	2 700	2 800
of which non-compulsory	1 646	1 801	1 860	1 910	1 970
5. Repayments and administration (including financing of stock disposal)	5 700	4 950	4 500	4 000	3 550
	1 240	1 400	1 400	1 400	1 400
6. Monetary reserve ⁽²⁾	1 000	1 000	1 000	1 000	1 000
TOTAL	45 303	46 885	48 900	50 950	52 800
of which ⁽³⁾ compulsory	33 698	32 607	32 810	32 980	33 400
non-compulsory	11 605	14 278	16 090	17 970	19 400
Payment appropriations required	43 779	45 300	46 900	48 600	50 100
of which ⁽³⁾ compulsory	33 640	32 604	32 740	32 910	33 110
non-compulsory	10 139	12 696	14 160	15 690	16 990
Payment appropriations as % of GNP	1,12	1,14	1,15	1,16	1,17
Margin for unforeseen expenditure	0,03	0,03	0,03	0,03	0,03
Own resources required as % of GNP	1,15	1,17	1,18	1,19	1,20

⁽¹⁾ Chapter F on budget estimates of the European Council indicates a figure of 2 400 million (1988 prices) for policies with multiannual allocations in 1992. The policies in question are Research and Development and Integrated Mediterranean Programmes. Only expenditure for which a legal basis exists may be financed under this heading. The present framework programme provides a legal basis for Research expenditure of 863 million ECU (current prices) for 1992.

The regulation on Integrated Mediterranean Programmes provides a legal basis for an estimated amount of 300 million ECU in 1992 (current prices).

The two arms of the Budgetary Authority undertake to respect the principle that further budget appropriations within this ceiling for 1990, 1991 and 1992 will require a revision of the existing framework programme or, before the end of 1991, a decision on a new framework programme based on a proposal from the Commission in accordance with the legislative provisions in Article 130Q of the SEA.

⁽²⁾ At current prices.

⁽³⁾ Based on the classification proposed by the Commission in the 1989 preliminary draft budget. The required decision by the budgetary authority will be implemented as a technical adjustment, under point 9 of the Agreement.

Hecho en Bruselas, el 29 de junio de 1988.

Udfærdiget i Bruxelles, den 29. juni 1988.

Geschehen zu Brüssel am 29. Juni 1988.

Έγινε στις Βρυξέλλες, στις 29 Ιουνίου 1988.

Done at Brussels on the 29 June 1988.

Fait à Bruxelles, le 29 juin 1988.

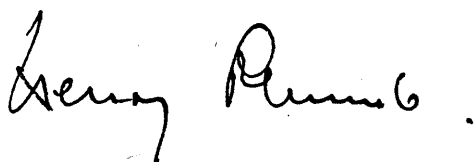
Fatto a Bruxelles, addì 29 giugno 1988.

Gedaan te Brussel, 29 juni 1988.

Feito em Bruxelas, em 29 de Junho de 1988.

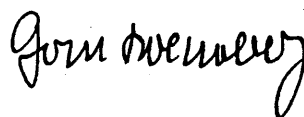
*Por el Parlamento Europeo
For Europa-Parlamentet
Für das Europäische Parlament
Για το Ευρωπαϊκό Κοινοβούλιο
For the European Parliament
Pour le Parlement européen
Per il Parlamento europeo
Voor het Europese Parlement
Para o Parlamento Europeu*

Lord Henry PLUMB



*Por el Consejo de las Comunidades Europeas
For Rådet for De Europæiske Fællesskaber
Für den Rat der Europäischen Gemeinschaften
Για το Συμβούλιο των Ευρωπαϊκών Κοινοτήτων
For the Council of the European Communities
Pour le Conseil des Communautés européennes
Per il Consiglio delle Comunità europee
Voor de Raad van de Europese Gemeenschappen
Pelo Conselho das Comunidades Europeias*

Gerhard STOLTENBERG



*Por la Comisión de las Comunidades Europeas
For Kommissionen for De europæiske Fællesskaber
Für die Kommission der Europäischen Gemeinschaften
Για την Επιτροπή των Ευρωπαϊκών Κοινοτήτων
For the Commission of the European Communities
Pour la Commission des Communautés européennes
Per la Commissione delle Comunità europee
Voor de Commissie van de Europese Gemeenschappen
Para a Comissão das Comunidades Europeias*

Jacques DELORS

