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**Committee on Subsidies
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SUBSIDIES

New and Full Notifications Pursuant to Article XVI:1
of the GATT 1994 and Article 25 of the Agreement
on Subsidies and Countervailing Measures

EUROPEAN COMMUNITIES

The following communication, dated 8 July 1998, has been received from the Permanent Delegation of the European Commission.

EUROPEAN COMMUNITY

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1. Structure of notification

Subsidies in the European Community are granted both at Community level i.e. out of the Community budget, and by Member States.

In view of this, the notification is divided into two parts. Chapter 1 deals with subsidies granted by the European Community and general information on aid granted within the Community's territory; Chapter 2 covers subsidies granted by individual Member States. The Member States' notifications cover subsidies granted at both national and sub-national level.

2. Period covered

As far as possible, this notification relates to subsidies granted during the period covered by the new and full notification and to subsidy programmes which are currently in force, and provides statistical information at least up to the end of 1997.

3. Presentation of notification

The information provided in this notification includes, as far as possible, all the elements required by Article 25.3 of the Subsidies Agreement and in almost all cases follows the presentation required by the subsidies questionnaire. In a few cases, the presentation is different to that specified in the questionnaire, but all the required elements are still included.

4. Status of subsidies

In preparing this notification, the Community has attempted to achieve the maximum transparency with regard to aid and support measures granted within its territory. The fact that such aid has been notified does not, in accordance with Article 25.7 of the Subsidies Agreement, prejudice its legal status under GATT 1994 or this Agreement, nor does it prejudice its effects under the Agreement or the nature of the measure itself. In view of the diverse nature of many of the programmes notified, it may be that only part of a programme's funding involves a subsidy element, which may or may not be specific. Consequently, the appearance of a programme in this notification does not in any way imply that the whole or part of its expenditure amounts to a specific subsidy.

Furthermore, the notification does not prejudice the non-actionable nature of certain programmes under the provisions of footnote 35 to Article 10 of the Subsidies Agreement or the non-actionable status that a programme would have under Article 8 of the Subsidies Agreement, had it been notified according to the provisions of Article 8.3.

I. CHAPTER I: EUROPEAN COMMUNITY SUBSIDIES

(a) Subsidies granted out of the European Community budget

In 1997, total expenditure by the European Community amounted to ECU 90.2 billion.

The two largest areas of expenditure were agriculture and structural operations, which accounted for 46.3 per cent and 34.9 per cent of financial commitments respectively. Another notable area of expenditure is research, which took up 3.9 per cent of total expenditure. All these are described in more detail in this part of the notification.

(b) State aid in the Member States

(i) The European Commission is responsible for examining all state aid granted within the Community in order to determine its conformity with Article 92 of the EC Treaty, (and Article 95 of the ECSC Treaty, for coal and steel products), Member States are required to notify all aid schemes to the Commission, which may decide either not to raise any objection or open an investigation procedure. If the aid scheme is ultimately found not to conform to Article 92, the Commission issues a negative decision which prevents the aid being granted. If the Member State has already granted such aid, the Commission can order the aid to be repaid.

(ii) Details of Member States' aid schemes can be found in Chapter 2 of this notification.

PART I: THE EUROPEAN COMMUNITY'S STRUCTURAL ACTIONS

INTRODUCTION

1. The Community's structural actions (comprising the structural funds and the cohesion fund) are intended to strengthen the economic and social cohesion of the Community, in particular by reducing disparities between the levels of development of the various regions and the backwardness of the least-favoured regions, including rural areas. Revised Regulations concerning the structural funds were adopted on 20 July 1993, and cover the period 1994-1999. In 1997, ECU 31.5 billion was budgeted for all structural actions, the figure for 1998 is ECU 33.5 billion.

2. The three main structural funds (European Regional Development Fund (ERDF), European Social Fund (ESF), European Agricultural Guidance and Guarantee Fund, Guidance Section (EAGGF) are described in detail in the attached annexes. In addition, the funds include the Financial Instrument for Fisheries Guidance (FIFG – see part IV), which assists in the restructuring of the fisheries sector (ECU 0.49 billion was budgeted for this in 1997, ECU 0.46 billion in 1998). The total budget of the structural funds amounted to ECU 28.6 billion in 1997, and ECU 30.5 billion in 1998.

The remainder of the Community's structural spending involves the Cohesion Fund, which is intended to contribute to projects in the fields of environment and Trans-European networks in the area of transport infrastructure, and for which ECU 2.75 billion was budgeted in 1997, and ECU 2.87 billion in 1998, plus various reserves. Those Member States whose GDP per capita is assessed at less than 90% of the EU average (Greece, Ireland, Portugal and Spain) are eligible to benefit.

3. Total expenditure from the structural funds (ERDF, ESF, EAGGF and FIFG) is devoted to a number of objectives as follows, all of which are cofinanced by Member States:

- Objective 1: Development and structural adjustment of the regions whose development is lagging behind (GDP of less than 75% of the Community's average).
- Objective 2: Conversion of regions seriously affected by industrial decline.
- Objective 3: Combating long-term unemployment and integrating young people and those threatened with exclusion into the labour market.
- Objective 4: Facilitating the adaptation of workers, especially those threatened with unemployment, to industrial change and to changes in production systems.
- Objective 5a: Speeding up adjustment of structures in agriculture and fisheries in line with the reform of the Common Agricultural Policy.
- Objective 5b: Economic diversification of fragile rural areas.
- Objective 6: Combating problems faced by thinly populated regions of the Nordic countries.

In addition, ECU 3.27 billion was budgeted for Community initiatives in 1997, ECU 2.86 billion in 1998.

4. These structural actions are required to conform strictly to the Community's rules on the provision of state aid (Article 92 of the EC Treaty).

5. The structural actions are notified in a spirit of transparency vis-à-vis other Members of the WTO. The aid involved is largely devoted to the least-developed areas of the Community, and the great majority of it goes to finance infrastructure or to assist individuals directly, without necessarily benefiting commercial enterprises. Consequently, as stated at the beginning of this document, the notification of a particular fund does not prejudge the status of the aid involved. In particular, only a small part of structural funding is used to assist investment.

(i) **European Regional Development Fund**

1. Title of the programme

European Regional Development Fund (ERDF)

2. Period covered by the notification

January 1997-June 1998.

3. Policy objective and/or purpose of the programme

The ERDF is intended to help redress the main regional imbalances in the Community through participation in the development and structural adjustment of regions whose development is lagging behind (objectives 1 and 5(b)) and in the conversion of declining industrial regions (objective 2) and as regards thinly populated Nordic regions (objective 6).

4. Background and authority for the programme

Article 130 (c) of the EC Treaty: Council Regulation (EEC) Nos. 2081/93, 2082/93 and 2083/93.

5. Form of assistance granted – Grants from Community budget for:

- Productive investment,
- The creation or modernization of infrastructure which contributes to the development or conversion of the regions concerned, and
- Measures to exploit the potential for internally generated development of the regions concerned.

6. To whom and how the assistance is provided

ERDF aid is cofinanced with the Member States; the ERDF provides a minimum of 25 per cent of the total public expenditure involved, except in objective 1 regions, where a minimum of 50 per cent applies.

Member States submit multi-annual operation programmes, covering a coherent set of regional development measures, and are responsible for the implementation of the programme and the selection of individual projects.

As regards productive investment, the ERDF participates in financing (national) investment aid with a regional aim. The aid is governed by the principles of coordination adopted by the Commission within the context of its competition policy and which, *inter alia*, differentiate aid ceilings according to the levels of development of the assisted regions.

Aid is normally in the form of grants or loans.

7. Total expenditure under the programme

ECU 13.0 billion was budgeted for 1997, excluding Community initiatives; ECU 14.0 billion in 1998.

8. Duration of the programme

1994-1999 (Revised Regulations)

9. Trade effects

Because the programme is designed to alleviate disparities between regions within the Community, and because the aid is paid out on a horizontal basis, within eligible regions, it is considered that the trade effects are minimal.

(ii) **European Social Fund**

1. Title of the programme

European Social Fund (ESF)

2. Period covered by the notification

1 January 1997-30 June 1998

3. Policy objective and/or purpose of the programme

The European Social Fund was set up by the EEC Treaty in 1957 to improve the employment opportunities for workers and to help raise their living standards. It is based on Articles 123-125, 130(a)-130(e) of the EEC treaty, according to which its main tasks are to render the employment of workers easier and to increase geographical and occupational mobility within the Community. It is provided on a general basis under objectives 3 and 4, and within the other regional objectives.

4. Background and authority for the programme

Above Articles of the EC Treaty: Council Regulations (EEC) Nos. 2081/93, 2082/93 and 2084/93.

5. Form of assistance granted – Grants from Community budget for:

- Vocational training,
- Start-up aid,
- Innovative measures.

6. To whom and how the assistance is provided

The ESF provides cofinanced support in Member States for vocational training, aids for employment and innovate actions. The aid is normally devoted to people, not to enterprises.

Operational programmes, once approved by the Commission, are managed by the competent authorities in the Member States. Identification of individual projects is the responsibility of the Member State.

Aid is normally in the form of grants or loans.

7. Total expenditure under the programme

ECU 7.6 billion was budgeted for 1997, excluding Community initiatives; ECU 8.6 billion for 1998.

8. Duration of the programme

1994-1999 (Revised Regulations)

9. Trade effects

Since aid is granted for the benefit of individuals, not enterprises, and is mainly directed to less-developed regions, the ESF is not considered to have any appreciable impact on trade.

(iii) European Agricultural Guarantee and Guidance Fund (EAGGF) – Guidance Section

1. Title of the programme

European Agricultural Guarantee and Guidance Fund (EAGGF) – Guidance Section

2. Period covered by the notification

1 January 1997-30 June 1998

3. Policy objective and/or purpose of the programme

- (a) Speeding up the adjustment of agricultural structures in the framework of the reform of the Common Agricultural Policy (objective 5(a));
- (b) Promoting rural development and structural adjustments in regions whose development is lagging behind, including underdeveloped agricultural regions (objectives 1 and 5(b)).

4. Background and authority for the programme

Council Regulation (EEC) Nos. 2081/93, 2082/93 and 2085/93. The EAGGF Guidance Section was established in 1972.

5. Form of assistance granted – Grants from Community budget for:

- (a) Adjustment of agricultural structures (objective 5(a));
- (b) Agricultural development measures (objectives 1 and 5(b)).

6. To whom and how the assistance is provided

Aid is cofinanced with the Member States on the basis of multi-annual operation programmes based on the aims of the EAGGF Guidance Section as set out above. The Member States are responsible for the implementation of the programme and the selection of individual projects.

Aid is normally in the form of grants or loans.

7. Total expenditure under the programme

ECU 4.0 billion was budgeted for 1997, excluding Community initiatives; ECU 4.2 billion in 1998.

8. Duration of the programme

1994-1999 (Revised Regulations)

9. Trade effects

Because the aims of the programme it is considered that the trade effects are minimal.

PART II: AGRICULTURE

A. GENERAL REMARKS

1. The measures notified concern only products which are subject of a Common Agricultural Policy, namely the following sectors:

- Arable crops (cereals, oilseeds, protein crops)
- Rice
- Dairy products
- Olive oil
- Sugar and isoglucose
- Bovine meat
- Pigmeat
- Sheepmeat
- Goatmeat
- Fruit and vegetables and products processed from fruit and vegetables
- Bananas
- Wine
- Tobacco
- Textiles fibres (cotton, fibre flax and hemp, silkworms)
- Dried fodder
- Seeds
- Hops
- Eggs and poultry
- Fishery products
- Products of the agri-foodstuff industries (products "not in Annex II")

2. The measures notified include all price support measures, and compensatory payments introduced by the common market organisations that can involve participation rather by the Community's financing organisation or by the government of a member State, to the extent that such measure derive from the Community regulations.

3. With respect to the total amount of aid for each sector, it should be noted that the data relate to payments made by the European Agricultural Guidance and Guarantee Fund (EAGGF) in the course of the budgetary year concerned.

B. MEASURES

1. EXPORT REFUNDS

For certain of the sectors governed by a common market organisation, the Common Agricultural Policy provides for the possibility of granting export refunds.

The purpose of export refunds is to cover the difference between Community prices and international trade prices in order to enable exports to be effected at international trade prices.

The refund is the same for the whole of the Community; a differential may be applied according to destination or time (months of delivery). The amount of the refund is fixed periodically by the Commission. The periodicity of the fixing is different for each sector because of the special characteristics of each sector. In order to facilitate export operations, in the case of the majority of

products a system has been introduced whereby refunds can be fixed in advance. The refund is paid to the exporter.

The total amount of export refunds financed by the EAGGF during the past few years, and for each sector, is as follows:

(ECU million) 1)

Products	Refunds 1994	Refunds 1995	Refunds 1996	Refunds 1997
Arable crops	1,571.6	1,129.3	320.2	537.0
Rice	23.6	65.1	42.6	68.3
Sugar 2)	0.7	1.9	1.6	3.2
Olive oil	52.8	38.2	59.3	42.7
Fruits and vegetables	216.7	239.4	98.4	80.7
Wine	80.4	36.7	40.8	59.7
Tobacco	49.9	35.1	2.4	0
Dairy products	1,949.2	2,290.2	1,615.8	1,756.3
Bovine meat	1,708.4	1,761.0	1,559.4	1,498.9
Pigmeat	259.1	118.2	101.4	72.2
Eggs and poultry	239.6	200.5	139.2	79.5
Products of the agri-foodstuffs industries	631.4	574.3	493.9	569.2
Total expenditure	6,783.4	6,489.9	4,475	4,765

1)Includes "food aid" refunds.

2)Starting with marketing year 1981/1982, the export refunds on domestic sugar have been entirely financed out of producer contributions by producers of sugar and isoglucose and sugar beet and sugar cane producers of the Community. The amounts for 1992, 1993, 1994 and 1995 represent food aid.

II. MEASURES ON THE INTERNAL MARKET

1. In order to stabilise markets and assure the agricultural population of an equitable standard of living, the Common Agricultural Policy provides, in the market organisation regulations for the different products, intervention and aid measures which vary according to the nature of the product and the special characteristics of the market.

2. The cost of these intervention and aid measures is, as a general rule, financed by the EAGGF. During the past few years, by product sector, they have amounted to:

(ECU million) 1)

Products	Intervention 1994	Intervention 1995	Intervention 1996	Intervention1997
Arable crops 1)	11,130.5	13,924.5	16,065.6	16,941.5
Rice	4.0	1.1	-	18.1
Sugar 2)	59.2	49.7	40.7	53.2
Olive oil	1,758.9	767.8	1930.7	2,167.6
Flax and hemp	33.2	78.6	88.7	106.7
Cotton	830.2	797.2	762.7	800.0
Silkworms	0.2	0.2	0.2	0.3
Fruits and vegetables	1,309.8	1,543.2	1,483.1	1,474.6
Wine	1,095.8	820.8	737.5	974.0
Tobacco	1,007.6	957.9	1,024.1	1,004.3
Seeds	75.5	76.4	91.8	92.4
Hops	3.7	14.3	24.1	13.0
Other plant products	-	1.8	-	-
Dairy products	2,298.6	1,746.1	1,971.3	1,347.9
Bovine meat	1,758.1	2,256.6	5,237.6	5,176.6
Sheepmeat and goatmeat	1,279.8	1,780.9	1,681.1	1,424.9
Pigmeat	21.9	17.9	22.8	406.6
Fishery products	33.0	28.2	25.3	21.8
Other products 3)	378.4	342.0	366.1	368.2
Total expenditures	23,078.4	25,205.2	31,553.4	32,391.7

1) Since 1994, expenditure on cereals, oilseeds and protein crops has been consolidated under the same budgetary heading: "Arable crops".

2) Not including storage costs and the part comprising production refunds (chemical industry).

3) Dried fodder and dried vegetables; until 1994 expenditures on these was included under expenditure on high-protein products (for dried fodder) and fruits and vegetables (for dried vegetables).

ANALYSIS BY SECTOR

"ARABLE CROPS" SECTOR (Cereals, oilseeds and protein plants)

This sections covers the "classical market organisation for cereals as well as the compensatory payment scheme for producers in the arable crop sector (cereals, non-fibre flax, oilseeds and protein crops).

The common market organisation for cereals

The common market organisation came into force on 1 July 1967. It is now regulated by Council Regulation (EEC) No. 1766/92 and covers the following products:

- Grain cereals: common wheat, durum wheat, barley, rye, oats, maize, buckwheat, canary seed, millet, others;
- processed products: flours, groats and meal of wheat, malt, starch, glucose, cereal-based preparations, bran, wheat gluten, manioc and potato starch.

The cereal marketing year runs from 1 July to 30 June.

1. Operation of the market

A. Price arrangements

The Council fixes the intervention price for cereals. At this price the intervention agencies must, at certain periods of the year, buy in the cereals they are offered that have the requisite quality characteristics.

There is one single intervention price for wheat, maize, and sorghum, barley, rye and durum wheat; there is no longer an obligation to buy in feed wheat.

The intervention price is increased each month from November to May to cover storage costs (technical and financing costs) and thus help to improve the disposal of cereals in line with market requirements.

The intervention price fixed by the Council for all cereals for an indefinite period is 119,19 ECU/t

B. Specific market instruments

(a) Border regime

Where the price of cereals within the Community is higher than the world price, a refund calculated in terms of the difference may be granted on exports. If the world price exceeds the common price, a levy may be imposed on exports.

Community food aid operations also attract refunds.

(b) Stocks

Two types of intervention measures are involved:

- Buying-in and subsequent operations involving public stocks: this concerns buying-in by the intervention agencies and the related disposal operations. They give rise to technical and financial costs and to losses or gains on sales of stocks.
- Special measures: these are measures provided for in Article 6 of the basic regulation (No 1766/92) to avoid situations in which the intervention agencies are forced to buy in excessively large quantities of cereals. The Commission has broad discretionary powers for the application of special measures and may, if necessary, also adopt measures equivalent to carryover payments.

(c) Production refunds for potato and other starch

1. A production refund is paid to users of maize starch, wheat starch, barley starch or potato starch for the production of certain non-foodstuff products which are not protected upon import by tariffs. The principal beneficiary industry comprises the chemical, paper and paperboard industry and pharmaceutical sector. This refund is variable and is currently calculated so as to align prices of the European Community raw materials to those of the world market.

2. The price and support policy for starch potatoes consists of three measures:
 - the minimum potato price: This price is equivalent to the price of cereals, in particular maize (indicative price); the price has been decreased and set during the CAP reform at the level of ECU 209.78 per quantity of raw material needed to produce one ton of potato starch, as from 1 July 1995 on;
 - the compensatory payment to farmers: This payment is granted to producers of potatoes intended for starch production. It is applied to the quantities required to produce one ton of starch, and is set at the level of ECU 86.94 per ton as from 1 July 1995 on. Furthermore, the compensatory payment is paid within a quota limit.
 - The special starch producer's premium: this premium set at ECU 22,25 per tonne of starch is paid to potato starch-producing undertakings for the quantity of starch corresponding to the starch producer's quota provided that the minimum price is paid to the farmer. It was intended to offset certain structural disadvantages in the starch industry, in particular special anti-pollution investments.

(d) Other intervention

These headings cover expenditure on various measures, in particular special digressive aid for Portuguese cereal producers.

2. Aids per hectare for arable crops and set-aside

The reform of arable crops entered into force on 1 July 1993. It's governed by Regulation (EEC) No 1765/92, which covers all cereals, oilseeds, protein plants and non-fibre flax seeds.

As far as cereals are concerned, the institutional prices have been substantially reduced as from the 1993/94 marketing year to bring them closer to world prices. The resulting loss of income is offset by a compensatory payment, paid per hectare and calculated on a regional basis to producers sowing cereals and submitting applications, subject to certain conditions, in particular that of setting aside land in the case of producers in the general scheme.

For oilseeds and protein crops (peas, field beans and sweet lupines), the previous support arrangements have been abolished with the introduction of the reform or, in the case of rape, sunflower and Soya, since the introduction of a transitional support scheme consisting of payments per hectare from the 1992/93 marketing year. With the integration of these products into the reform, prices dropped and oilseeds as well as protein crops are now sold on the European markets at world prices.

1. Regionalisation plan

In order to reflect the diversity of agricultural structures in the Community, compensatory payments vary from region to region on the basis of the yields per hectare recorded in the past. (The period covered is 1986/87 to 1990/91, excluding the highest and lowest year).

The Member States have to established a regionalisation plan in accordance with the criteria set out in Article 3 of Regulation (EEC) No 1765/92 which aims to define, insofar as is possible, distinct homogeneous areas. The average yields may be modulated in order to take account of possible structural differences between production regions. The regionalisation plan must, however, guarantee that the average historical yield (fixed for a given period) of each Member State concerned is respected.

As a rule, for each area an "all cereals" yield should be applied. On account of the sometimes substantial differences in yield, two distinct arrangements are provided for:

- for maize a yield different from that from other cereals may be applied;
- yields for a single region may be broken down into different yields for irrigated and non-irrigated land (mixed areas).

Even where these two exceptions are applied, however, the yield recorded for all cereals in the relevant region during the reference period must not be exceeded.

2. Expenditure stabilisation mechanism

The compensatory payment is granted only on an area not exceeding a regional base area. This is established as the average number of hectares sown to arable crops (cereals, oilseeds and protein plants) or, as the case may be, set aside under a public aid scheme in 1989, 1990 and 1991 in a given region.

As with the regionalisation plan, Member States are required to determine the region, which may cover an entire Member State or several areas within a Member State. It cannot be smaller than a yield area.

A base area must be established separately for maize or irrigated crops where a yield higher than that for other cereals is applied to these products. In addition, the compensatory payment on irrigated areas is granted only up to a ceiling for each production area or a separate base area.

The Member States are also authorised to apply an individual base area system. However, no Member State took up that option.

Production and expenditure are controlled by establishing this base areas or a ceiling in the case of irrigated production.

If the sum of the areas in respect of which the compensatory payment is applied for (including that on set-aside) plus the "COP" (cereals, oilseeds and protein plants) areas declared as fodder areas is greater than the regional base area, the following measures apply in the region in question:

(a) base area:

- during one and the same marketing year, the eligible area per producer is to be reduced proportionately for all types of aid.
- during the following marketing year, producers qualifying under the general scheme must, by way of an extraordinary measure, set aside land without receiving any compensation;

(b) ceiling:

- during one and the same marketing year, compensatory payments on irrigated areas are reduced by 1.5 times the rate of overrun. If the overrun is equal to or greater than 10 per cent, the yield to be used is that applicable to non-irrigated crops.

In addition, where a Member State chooses to establish production regions not corresponding to the regional base areas and where the average yield under the regionalisation plan applied in 1993 is exceeded, all compensatory payments to be paid to that Member State in respect of the following marketing year are to be reduced in proportion to the observed overrun, except where the quantity applied for is less than the product of the base area of the Member State multiplied by the above mentioned average yield.

3. Compensatory payment

Cereals

As the cut in cereals prices was staggered over three years, the amount of the compensatory payment also changed over the same period. Since the marketing year 1995/1996 the compensation reached its full rate in the 1995/96 and it amounts to ECU 54.34 per tonne of cereals yield for the region of production concerned.

As regards durum wheat, the alignment of its intervention price on that for other cereals has led to an additional price cut and, consequently, a decrease in producer's incomes. For this reason, an additional compensatory payment is paid for the area sown to durum wheat in the traditional production areas. This supplement is set at ECU 358.6/ha until the marketing year 1998/99. This covers both the old durum wheat aid and the part of the price cut not covered by the compensatory payment.

Payment of the supplement was initially restricted to the number of hectares sown to durum wheat and eligible for the old aid during the marketing years 1988/89 to 1991/92. The producer decides which marketing year is to serve as the reference.

Since the introduction of this additional payment, the system has been amended as follows:

- an extension of payment to certain areas in France, Spain, Portugal and Italy;
- a payment to certain non-traditional areas in France and Austria of an additional payment of ECU 138.9/ha in respect of an area not exceeding 50.000 hectares in northern producer regions of France and 5.000 hectares in Austria. That amount reflects loss of income due solely to the fall in the guaranteed price for durum wheat.

Oilseeds, protein plants and non-fibre flax seed

The products covered are:

- rape, sunflower, soya
- peas (excluding chick peas), beans and sweet lupines
- non-fibre flax seed.

The Community market is essentially free. Imports are free of customs duties, apart from a low rate of customs duty on peas. Exports do not attract refunds.

Compensatory payments are granted to producers, calculated -in the case of protein plants and flax- on a regional basis according to the historical cereals yields defined in the regionalisation plan. Compensation for rape, sunflower and soya may be regionalised either on the basis of oilseed yields, subject to certain restrictions, or on the basis of cereal yields.

Payments are reduced where the base area is exceeded. In addition, the following adjustments must be made for oilseeds:

- a reduction in the compensatory payment where the maximum guaranteed area is exceeded (Regulation (EC) No 232/94 amending Regulation (EEC) No 1765/92);
- an adaptation of the final reference amount in cases where any variation recorded in the market price exceeds 8 per cent of the forecast reference price.

Reference amounts

Description	1996/97
Rape, sunflower and soya seed	ECU 433.5/ha
Peas, beans and sweet lupines (1)	ECU 78.49/t
Non-fibre flax seed (1)	ECU 105.1/t

(1) These amounts have to be multiplied by the regional yields for cereals to obtain the regional reference amounts.

Set-aside

Set-aside linked with aids per hectare:

- (a) General scheme open to all producers:

Each producer claiming compensatory payments under the general scheme is required to set aside a certain percentage of the land on his holding.

For the 1995/96 and 1996/97 marketing year, the set-aside obligation has been fixed at 12 and 10 per cent respectively. For the 1998/99 marketing year the set-aside obligation has been reduced to 5 per cent.

The compensation for the set-aside obligation is fixed at ECU 68.83 multiplied by the regional cereals yields.

This compensation is also payable on land voluntarily set aside in excess of the obligation, subject however to a ceiling set by the Member State (which may not exceed the area sown to eligible crops covered by payment applications).

However, notwithstanding that principle, producers who under Regulation (EEC) No 2328/91 have set land in excess of the area which they intend to sow to arable crops eligible for the aid and who have not replanted such land may opt for the continuation of set-aside on all this land for a further sixty-month period against payment of reduced aid of ECU 48.30/tonne on the area set aside in excess of the area sown to arable crops.

Land set aside may be used for producing raw material for the manufacture of products not directly intended for human or animal consumption.

Clause 7 of the Memorandum of Understanding on certain oilseeds between the EC and the US stipulates that by-products may not exceed one million tonnes per annum, in terms of soya bean meal equivalent, for animal or human consumption produced on set-aside land from rape, colza, sunflower and soya.

Within one and the same Member State and under certain conditions, farmers may transfer set-aside obligations to another producer.

(b) Simplified scheme, open to small producers:

Small producers are producers applying for compensatory payments for an area not exceeding that needed to produce 92 tonnes of cereals. The yields to be taken into consideration to calculate this tonnage are those fixed by the regionalisation plan.

The simplified scheme applicable to small producers:

- imposes no set-aside obligation;
- provides for the grant of the compensatory payment at the rate applicable to cereals for all areas sown to arable crops, i.e. also to oilseeds and protein plants.

"RICE" SECTOR

On 22 December 1995, the Council formally decided to reform the common market organisation for rice.

The reform includes the following points:

(a) Intervention measures

The intervention price for paddy rice shall be reduced by 15 per cent from 351 ECU/t. for the 1996/97 marketing year to 298,35 ECU/t. for the 1999/2000 marketing year. Community rice producers may claim compensatory payments fixed per hectare of land under rice sown which shall be differentiated according to the yield (to/ha).

The intervention agencies are obliged to buy in any rice harvested in the Community and offered to them, provided offers are made during the open period (April-July) and comply with certain conditions, in particular in respect of quality and quantity.

The intervention buying-in price is fixed for a given standard quality. If the quality offered differs from the standard quality, the price is adjusted by the application of price increases or reductions. It is applicable in all the Community intervention centres fixed at the beginning of the marketing year.

The intervention price is increased each month during the open period to take some account of warehousing and interest costs for storage of cereals in the Community.

The intervention buying-in prices fixed at the beginning of marketing years have been as follows:

(ECU/t.)						
Product	1991/92	1992/93	1993/94	1994/95	1995/96(1)	1996/97
Paddy rice	294,83	294,83	291,02	291,02	351,40	351,00

(1) As from February 1995, the prices were converted on the basis of the monetary coefficient of 1,207509.

Spanish prices have been aligned with Community prices as from marketing year 1990/91. Portuguese prices have been aligned with Community prices from April 1993.

A national base area for each producer Member State is established:

- Spain:	104.973 ha.
- France	
- metropolitan territory:	24.500 ha.
- French Guyana	5.500 ha.
- Greece:	24.891 ha.
- Italy:	239.259 ha.
- Portugal:	34.000 ha.

In case national areas in a given year exceed one of the base areas indicated, progressive penalties will be applied in the form of a reduction of the compensatory payments.

(b) Production refund

A production refund is paid to users of rice starch for the production of certain non-food products that are not protected upon imports by a tariff system. The main beneficiary industry comprises the chemical, paper and pharmaceutical sector. The refund is variable and is currently calculated so as to align prices of Community raw materials with the world market level.

"DAIRY PRODUCT" SECTOR

(a) Intervention measures

Each year an intervention price is fixed for butter and skimmed milk powder and the national intervention agencies buy in at this price any such products of the Community origin which comply with certain quality and packaging conditions.

The intervention prices fixed for the last few marketing years were as follows:

Intervention price valid for	Milk marketing year		
	1995/96	1996/97	1997/98
1. Butter	328.20	328.20	328.20
2. Skimmed milk powder	205.52	205.52	205.52

Under the intervention mechanism, as amended in March 1987 and to apply until the end of the additional levy system, intervention buying-in may be limited when certain conditions are met. Since July 1987, intervention butter has been bought in under a tendering procedure. Butter is bought in at a maximum price which is fixed in relation with the bids received by the Commission, but not lower than 90 per cent of the full intervention price. Skimmed milk powder can only be bought between 1 March and 31 August each year. Purchases can be suspended when the annual quantity offered reaches 109,000 tonnes.

(b) Aid to private storage

Aid for private storage of milk powder, butter and certain cheeses produced in the Union is or may be granted:

- for top quality skimmed milk powder: only when intervention purchasing is suspended from 1 March to 31 August and under contract;
- for butter stored for at least three months and between 15 March and 15 August; the aid can be paid for a storage period of maximum 210 days;
- for certain cheeses: Grana Padano aged at least nine months old, Parmigiano-Reggiano aged at least 15 months old and Provolone at least three months old. In years where a serious imbalance can be reduced or eliminated by seasonal storage aid can be granted for private storage of the long-keeping cheeses Emmental and Gruyère and of certain ewe milk cheeses.

(c) Aid for skimmed milk for animal feed

Aid is granted for skimmed milk and skimmed milk powder manufactured in the Community and intended for animal feed.

The milk or powder must be either directly denatured or incorporated in some compound feedingstuff intended for livestock.

(d) Aid for skimmed milk processed into casein

Aid is granted for skimmed milk produced in the Community and processed into casein, provided both the milk and the casein produced from it comply with certain conditions.

(e) Other measures

- Measures may be taken, in years in which they are found necessary, to support the market for long-keeping cheeses and goat's milk cheeses, if such cheeses comply with certain conditions. These measures are taken, in particular, in the form of private storage aid.
- When surpluses of dairy products develop, or threaten to develop, measures other than the above may be taken to facilitate their disposal or to prevent the development of new surpluses. A number of measures are currently in force to facilitate butter disposal on the Community market; *inter alia*, aid is granted for use in the form of concentrated butter for cooking, incorporation in certain foodstuffs and for direct consumption by certain categories of persons or institutions.
- In order to encourage consumption by young people, aid is granted to Member States which operate an aid programme for milk distributed in schools so that pupils can obtain milk at a reduced rate.

(f) Additional levy payable by producers or purchasers of cows' milk

An additional levy was introduced in 1984 on quantities of milk exceeding those delivered in 1981 plus 1 per cent. The Council has fixed the corresponding quantities for each member State. In this connection, the Council adopted a Regulation (EEC) No. 856/84 (O.J. No. L 90 of 1 April 1984) and Regulation (EEC) No. 857/84 (same O.J.).

The total quantity of "deliveries" envisaged for the Community (including Spain and the Community reserve) was 104,382 million tonnes for 1986/87. In parallel, the Council fixed a total quantity for direct sales to consumers in the amount of 4.0 million tonnes. Within the total quantity for

deliveries, the Member State determines reference quantities (quotas) either for individual producers (formula A), or for dairies (formula B). On any quantities exceeding those quotas, a levy had been applied during the first three years of operation of the system, equivalent to 75 per cent of the target price for milk for formula A and 100 per cent for formula B.

The total quantities were reduced by 2 per cent as from 1 April 1987 and by a further 1 per cent on 1 April 1988. In order to facilitate the decline in deliveries and direct sales resulting from the reduction of total quantities, a Community system has been set up to finance definitive cessation of production (Regulation (EEC) No. 1336/86, O.J. No. L 119 of 8 May 1986, page 19) providing for the grant of an allowance to producers who so request, in return for an undertaking on their part to cease milk production definitively and the cancellation of their reference quantities.

In December 1986 and March 1987, the Council extended the system until 31 March 1992 and adopted a series of additional measures designed to adjust production to market needs. They include a temporary suspension of 4 per cent of the reference quantities in 1987/88 and 5.5 per cent (an additional 1.5 per cent) in 1988/89, with payment of an allowance to the producers concerned, together with an increase of the levy at the producer level (the levy rate for formula A has been raised to 100 per cent, while for formula B the modalities for sharing out the levy paid by the dairy have been adjusted), so as to reduce deliveries by a further 1 per cent.

Following the judgements of the Court of Justice, on 28 April 1988, on cases 120/86 and 170/86, the Council adopted a series of measures in March 1989 providing *inter alia* for the allocation of a special reference quantity to SLOM¹ producers and, for that purpose, an increase of the Community reserve by 600,000 tonnes (Regulations (EEC) Nos. 764/89 and 766/89; O.J. L 84 of 29 March 1989, page 2).

In 1992, the Council decided to simplify and codify the regulations on the additional levy system. If the national reference quantity is exceeded, a levy of 115 per cent of the indicative price is imposed on producers who contributed to the overrun target.

The new rules are contained in Council Regulation (EEC) No. 3950/92 which retains the principle of the existing provisions but with certain adjustments, such as:

- The elimination of historical reference quantities, so that individual quantities are derived from quantities available on holdings at 31 March 1993;
- the levy is equal to 115 per cent of the target price for both deliveries and direct sales;
- definitive transfers may be made between two types of quota at the request of producers;
- the Community reserve is abolished and its various parts distributed between Member States and incorporated into total quantities;
- the principle of the temporary lease of unused quantities is established, with certain derogation;
- the principle of linking quotas to holdings is retained, but greater flexibility is allowed in certain cases;

¹ SLOM: Slacht-en Omschakelingsregeling = premiums for non-marketing and conversion

- the provisions on control are strengthened, as are the rules enforcing payment of the levy.

In 1991, to take into account the German reunification, the quantity was increased by 6.599.880 tonnes.

In 1993, the Commission implemented a Council decision concerning a financial contribution of 40 million ECU to national buy-up schemes. The EC contribution is of a maximum amount of 50 ECU per 100 kilos of non produced quantities. Member States may pay a subsidy below 50 ECU per 100 kilos and use the remaining amount to buy up supplementary quantities. They may also increase the subsidy using national funds.

In 1993, the Council decided to increase, at first on a provisional basis and subsequently on a definitive basis, the quantities allocated to Italy by 900.000 tonnes, to Spain by 500.000 tonnes and to Greece by 100.000 tonnes.

In 1994, the following quantities were allocated to the new Member States: Austria: 2.572.000 tonnes, Finland: 2.352.000 tonnes and Sweden: 3.303.000 tonnes. Furthermore, the Council decided to allocate a SLOM reserve to Austria of 180,000 tonnes and to Finland 200,000 tonnes.

In the four last years, the total quantities available were:

	(million tonnes)			
	1994/95	1995/96	1996/97	1997/98
Deliveries	107.1	115.4	115.6	115.67
Direct sales	1.9	2.1	1.9	1.8

"OLIVE OIL"

The market organisation system for olive oil is made up as follows:

1. An intervention price is fixed for olive oil before the beginning of the marketing year (1 November). The intervention agencies are obliged to buy in at this price any olive oil of the Community origin which may be offered to them during the last four months of the marketing year.

The intervention price is fixed for a given standard quality. If the quality of olive oil offered differs from the standard quality, the price is adjusted in accordance with a scale of price increases or reductions.

As from marketing year 1990/91, the Council has introduced a stabilising mechanism for the intervention price. If in any marketing year production exceeds the guaranteed maximum quantity (GMQ) (1.35 million tonnes), the intervention price for the ensuing marketing year is reduced by up to 3 per cent on a cumulative basis.

2. Aid to producers is also granted in respect of olive oil produced in the Community from olives harvested in the Community. However, if in any marketing year production exceeds the GMQ (1.35 million tonnes), the amount of aid is reduced proportionately to the overrun. This aid is designed to contribute to establishing a fair income for producers. Increased aid is also granted for small producers who are exempt from the co-responsibility scheme.

3. A representative market price is fixed by the Council before the beginning of each marketing year at a level permitting disposal of olive oil production.

4. Consumption aid is granted, equal to the difference between the production target price, less the production aid and the representative market price. This aid is designed to facilitate the marketing of the Community olive oil.

5. Export refunds are given to permit the Community firms to export olive oil to third countries. The various elements mentioned above were fixed at the following levels:

(ECU/100 kg)			
	1995/96	1996/97	1997/98
Intervention price	186.17	180,58	175,16
Production aid	142.20	142.20	142.20
Production aid for small producers	151.48	151.48	151.48
Representative market price	229.50	229.50	229.50
Consumption aid	12.07	12.07	12.07

5. Production refund for olive oil used in the manufacture of preserves (vegetables, fish, crustaceans)

The purpose of this refund is to enable beneficiaries to buy on the Community market, at prices close to world market prices, the quality of oil which they use most frequently for their manufacturing.

Production refunds		(ECU/100 kg)		
		1995/96	1996/97	1997/98
- Olive oil produced in the Community		67.18	67.18	62.30
- Olive oil other than referred to above		55.18	-	-

*) From the 1995/96 marketing year on, the same amounts are applicable for olive oil in the Community and for imported olive oil.

Note: These amounts represent average refunds.

"SUGAR" SECTOR

1. Prices

(a) Sugar

Each year, an intervention price for white sugar is fixed for the non-deficit areas of the Community; the intervention agencies are required to buy in the sugar concerned at that price throughout the marketing year.

Intervention prices derived from that price are also fixed for each of the deficit areas.

The intervention price is fixed for a standard quality; if the quality of sugar is different, the price is adjusted in accordance with a scale of increases or reductions.

In addition, an intervention price derived from the intervention price for white sugar is fixed for raw sugar of a standard quality after allowing for a uniform refining margin and national yield. In the marketing years 1995/96, 1996/97 and 1997/98 the intervention price for white sugar amounted to 63.19 ECU/100 kg and for raw sugar to 52.37 ECU/100 kg.

(b) Beet

For beet, a basic price is fixed each year valid for a specific delivery stage and a specified standard quality. This price is fixed taking account of the intervention price for white sugar and of national values representing in particular the processing margin, yield, and undertakings' receipts from sales of molasses. In addition a minimum price is fixed for A beet² equal to 98 per cent of the basic price and a minimum price for B beet³ equal to 68 per cent or 60.5 per cent of the basic price.

These percentages are in direct relation with the production levies charged on A sugar and B sugar. Manufacturers are required to pay at least these prices.

In addition, in areas for which a derived intervention price of white sugar has been fixed, these minimum prices are increased by an amount representing the effects of regionalization of prices.

2. Production levies

As from 1 July 1981, the principle in force is that producers should bear the full amount of any financial losses resulting from disposal of surplus production of Community sugar in relation to consumption in the Community. Practical implementation of this principle is ensured through a levy which may be charged at a rate of up to 2 per cent of the intervention price on all production under quotas A and B (whereas hitherto only B sugar was subject to a levy).

If this first levy does not suffice to cover the financial losses in question, then a second levy, which initially may not exceed 30 per cent and subsequently 37.5 per cent, if necessary, of the intervention price, is charged but only on B quota production (i.e. a total of 2 per cent plus 37.5 per cent = 39.5 per cent, which represents a minimum price for beet of 60.5 per cent of the basic price). This possibility has been used since marketing year 1982/83. Any remaining losses not covered by these levies have been absorbed since marketing year 1986/87 by additional levies. These new levies were introduced during the revisions of the quota system from 1986 to 1988, initially to absorb the accumulated negative balance not covered during the five marketing years from 1981/82 to 1985/86, and secondly to avoid any further accumulation during the five-year period (from 1986/87 to 1990/91) for which it has been decided to extend the quota system. Thus, for marketing years 1986/87 and 1987/88 a special absorption levy was introduced, as well as an additional levy for the remaining three marketing years so as to absorb annually the losses not covered by the normal production levies. These levies are calculated by multiplying the total amount owed by the enterprise by a factor representing the relation between the total loss recorded and the receipts from the normal levies, i.e. the basic levy for A and B sugar and the B levy for B sugar. The integral self-financing system on an annual basis has been extended whenever the quota system has been extended.

3. Reimbursement of storage costs

Provisions have been made for reimbursement of storage costs in respect of sugar produced under quotas A and B. The reimbursement is calculated on the basis of the intervention price for white sugar and a standard fixed-rate interest rate for the whole Community. It is aimed at equalising storage costs in the Community. It is a measure designed to ensure regular disposal of sugar in the market throughout the marketing year, to prevent the sale of excessive tonnage during the manufacturing period and in particular to avoid the offering of sugar to intervention agencies solely in order to avoid storage costs. This reimbursement is financed out of a levy on manufacturers, based on

² A beet is beet intended for processing into A sugar, i.e. into sugar included in production quota A.

³ B beet is beet intended for processing into B sugar, i.e. into sugar included in production quota B.

the principle of equality, at the Community level, between the total sum reimbursed and the total sum levied.

4. Intervention measures

- (a) Production refunds are granted on sugar used in the chemical industry, of which 60,000 tonnes are charged to the budget, that being the quantity eligible for refunds before a new system came into effect on 1 July 1986 under which all quantities over and above that ceiling are charged to the producers and covered by the levies they pay.
- (b) Disposal aid (transport, refining) is granted on raw sugar produced in the French overseas departments in order to ensure that it has the same conditions of refinery access as preferential sugar (ACP countries and India).

Variable refining aid or corresponding tariff adjustment is granted on all raw sugar refined in the Community (including, up to end June 1995, also sugar imported into Portugal and Finland with a reduced levy) in order to maintain a refining margin that is necessary from the economic aspect and thus ensure, in particular, the disposal of preferential sugar.

"BOVINE MEAT" SECTOR

1. In the bovine meat sector an intervention price is fixed each year valid for the reference quality for slaughtered adult male bovine animals.

Market price quotations and public intervention buying-in are based on the Community scale for classification of adult bovine carcasses.

In the last three marketing years the intervention price has been 347,50 ECU/100 kg carcass weight.

In addition to public intervention, aid to private storage may be granted. The amount of such aid is:

- Either established under a tendering procedure;
- or fixed in advance on a lump sum basis.

2. Price support regime

The European Community has introduced measures to link management of the internal market more closely to market price trends.

Under the new regime:

- For the determination of buying-in prices under the tendering procedures, only offers not exceeding market prices by more than a reasonable margin are eligible;
- the thresholds for the activation of intervention buying-in have been fixed as follows (tendering procedure):

Market price as a percentage of the intervention price equal to 347.50 ECU/100 kg. carcass	Under regular tendering procedures	Under safety net
Community market price	84%	78%
Member State market price	80%	60%

To improve fattening of bovine animals, carcasses classified as 0 quality in the Community scale are to be excluded gradually from public intervention as from 1993.

Lastly, a premium per young male calf withdrawn from production before the age of 20 days was granted as from April 1996. In 1998 this premium amounts to ECU 115 per young male either dairy or non-dairy calf. These amounts can however be modified at any moment.

Furthermore, in 1997 and 1998 an additional early marketing premium of ECU 45 to ECU 80 is granted in the case where the veal weight is 15% lower than the national average weight registered in the past.

The reorientation measures adopted in the bovine meat sector also include a substantial reduction in the level of price support. This is offset by the grant of direct income support, which is not tied to the level of production, applicable as from 1 January 1993, and subject to:

- at farm level, a density threshold in livestock units (LSU) per hectare of forage area; and
- at Community level, a ceiling on the number of animals eligible for premium.

3. Premiums

Payment of premiums in the bovine meat sector is subject to a density requirement in LSU/ha. of forage area, which has been fixed as follows:

In 1994: 3.0 LSU/ha.
 In 1995: 2.5 LSU/ha.
 From 1996: 2.0 LSU/ha.

The density requirement does not apply, however, to holdings with less than 15 LSU.

In addition, a supplementary extensification premium of ECU 36.23 per eligible head may be granted when the stocking density is lower than 1.4 LSU/ha. As from 1997, this supplementary premium amounts to ECU 36 and to ECU 54 when the stocking density is lower than 1,0 LSU/ha.

(i) Special premium for young male bovine animals

The special premium for young male bovine animals applicable to each of the age groups over 10 months and over 22 months, is set at:

ECU 90 for 1995
 ECU 108.7 for 1996
 ECU 135 for bulls (only at 10 months), and ECU 108.7
 for steers as from 1997

In a country where the percentage of male bovine animals slaughtered during the "off grass" period (IX-XI) exceeds 35 per cent of the total number slaughtered during the year, an additional deseasonalization premium of a decreasing amount of ECU 72.45 to ECU 18.11 per head may be granted for bovine male animals slaughtered between 1 January and the end of May.

(ii) Premium for the maintenance of suckler cow herds

The suckler cow premium is granted to breeders who do not deliver milk or dairy products or whose milk production is lower than a reference quantity of 120,000 kg.

The premium is set at:

ECU 95 for 1994
ECU 120 for 1995
ECU 144.9 as from 1996

An additional premium of ECU 30.19 per cent per cow may be granted at national level (of which ECU 24.15 are supplied by the EAGGF) in regions where development in the sector is lagging (Greece, Ireland and Northern Ireland, Portugal and certain regions of Southern Italy, Spain and France).

4. Other provisions

For the new German Bundesländer which are still restructuring their livestock sectors, the number of animals eligible for premium is set as follows :

- 235,316 young bovine males for the special premium;
- 306,048 eligible suckling cows;
- 1,000,000 eligible ewes.

"PIGMEAT" SECTOR

1. Each year a basic price is fixed for meat of domestic swine, presented in carcasses or half-carcasses of a standard quality. The basic prices for the last three years has been 150.94 ECU/100 kg. (As from 1 July 1996, for agrimonetary reasons, the price has been adjusted (divided by 1.013088, then multiplied by 1.207509))

2. Intervention measures may be taken when, on the representative markets in the Community, the average price for pig carcasses is less than 103 per cent of the basic price.

Where intervention measures are to be taken, the products for which private storage aid is to be granted and, where appropriate, the products of a defined quality which are to be bought-in are determined, and likewise the prices at which the intervention agencies are to buy-in products and the amount of private storage aid are fixed.

The buying-in prices for pig carcasses of standard quality may not be more than 92 per cent nor less than 78 per cent of the basic price.

For products other than pig carcasses of standard quality, the buying-in prices are derived taking into account differences in product value.

Public intervention has not been used since more than 20 years.

3. Because of cyclical and seasonal variations in pigmeat prices, as well as veterinary restrictions on trade, and to private storage granted in respect of several products in the sector, as indicated in the following summary:

Year	Period	Number of weeks	Contracts concluded for frozen meats (tons)	Region of application
1995	06.02-17.03.95	6	69,000	EC
1996	27.11.95-16.02.96	12	48,000	EC
1997	-	-	-	-

Due to the outbreak of classical swine fever in Germany, the Netherlands and Spain exceptional market support mechanisms have been introduced early 1997 in these countries. Fattened pigs and piglets are delivered to the authorities and an aid is paid for these animals.

"SHEEPMEAT AND GOATMEAT" SECTOR

The market organisation for sheepmeat and goatmeat is governed by Regulation (EEC) No 3013/89.

The products covered are the following:

- live animals;
- meat: fresh, chilled or frozen;
- processed products: meat and offal of sheep and goats, salted, dried or smoked, preserved, other;
- offal

The marketing year runs from the first Monday in January to the end of the previous day of the following year.

Expenditure in this sector accounted in 1996 for 4.3% of total EAGGF Guarantee expenditure.

A. Operation of the market in sheepmeat

Price arrangements

Every year the Council fixes the basic price for fresh or chilled sheep carcasses. It is the same for the entire Community.

The basic price is seasonally adjusted by the Council on a proposal from the Commission, to take account of seasonal variations on this market.

The institutional prices for the 1996 marketing year were fixed in the 1995/96 prices package. For the 1997 marketing year, the Council decided to maintain the basic price at the level decided for the 1996 marketing year.

Price decision in ECUs

Product (Period of application)	1997	
	Amounts ECU/t	% change
(6.1.1997-4.1.1998) sheepmeat and goat meat basic price (carcass weight)	5,040.7	0

B. Specific market instruments

Import and export arrangements

The arrangements for imports vary according to the product imported. For some products, i.e. offal, the Common Customs Tariff duties are chargeable.

For others, i.e. live animals other than pure-bred breeding animals, and meat, chilled or frozen, imports attracted a levy. The levy matched the difference between the basic price, seasonally adjusted, and the Community free-at-frontier price established on the basis of the most representative purchasing possibilities, as regards quality and quantity, recorded during a period to be fixed, preceding the determination of the levy.

However, for products bound under GATT, i.e. fresh and frozen meat, the levies could not exceed the amount bound (20% ad valorem).

A special levy could be fixed for products originating in or coming from one or more non-member countries, if such exports were effected at abnormally low prices. In practice, however, under voluntary restraint arrangements concluded in 1980 with the main non-member supplier countries, the import levies were limited to 10% ad valorem. In fact, since 1989 for meat and 1990 for live animals, every import in the context of the voluntary restraint arrangements or analogous autonomous regime was exempt duties and levies. This situation existed until 30 June 1995 when, following the GATT arrangements, the levies were replaced by fixed duties.

Exports of sheepmeat may, where necessary, could attract a refund matching the difference between the prices of the products on the world market and those in the Community. It may be varied according to intended use/destination. Thus far, the instrument in question has never been applied.

Private storage

When the Community market price and the market price of a given quotation area are less than 90 per cent of the seasonally adjusted basic price and likely to remain so, private storage aids may be decided on by the Commission for the quotation area in question.

Premiums

(a) Ewe and goat premium

The loss of income, which represents the difference between the basic price and the arithmetical mean of the market prices recorded during the marketing year, is calculated at the end of the marketing year. The amount of the premium payable per ewe is obtained by multiplying the loss of income by the average annual production of lamb per ewe.

The Member States are authorized to pay all their producers two six-monthly advances of 30 per cent of the foreseeable amount of the premium. The amount of the final premium is fixed at the end of the marketing year, and the balance is paid accordingly.

In some clearly defined regions of the Community, eligibility for the premium has been extended to she-goats. In this case, the unit amount corresponds to 80 per cent of the ewe premium.

A distinction is made between ewes producing heavy lambs and those producing light lambs. The calculation of the loss of income and the productivity coefficient are limited to the production of heavy lambs. The resulting amount is granted on ewes producing heavy lambs, while for ewes producing light lambs the amount is reduced by 20 per cent.

In view of the increase in expenditure on this sector, the Council, acting on a proposal of the Commission, decided in June 1992 on an individual limit on guarantees, each producer being able to receive the ewe/goat premium only within the limit of the quantities received for the 1991 marketing year (after deduction of between 1 and 3 per cent to resource a national reserve). Where the number of ewes in a Member State increased between 1989 and 1991, the increase would be added to the individual limit of each producer.

(b) Variable slaughter premium

Up to the end of the 1991 marketing year, the United Kingdom could grant a sheep slaughter premium in the region of Great Britain. The ewe premium payable in Great Britain was reduced to take account of the variable premiums actually granted.

(c) Premiums in less-favoured areas

In less-favoured areas, as defined in Directive 75/268/EEC, the ewe premium shall be supplemented by a specific aid for sheep and goat amounting to 6,641 ECU per ewe producing heavy lambs and to 4,589 ECU per ewe producing light lambs and per goat. However from the 1998 marketing year, the amount of aid for the two last categories of animals has been increased and set at 5,977 ECU.

Stabiliser

From 23 May 1988, where the total ewe number recorded for a marketing year exceeds a maximum guaranteed quantity, the premiums are reduced by the impact on the basic price of a coefficient representing a 1 per cent cut in the basic price for each 1 per cent tranche by which the maximum guaranteed quantity is exceeded. Since 1993, the stabiliser has been frozen at 7 per cent.

"FRUIT AND VEGETABLE" SECTOR

(a) Measures to promote the formation of producers' organisations

In order to encourage the formation of producers' organisations and facilitate their operation, aid can be granted to such organisations established, on the initiative of producers, in order to promote the concentration of supply and the regularization of prices at the producer stage and to make suitable technical means available for presenting and marketing products.

The following may be granted:

- During the preliminary recognition, (a) an aid to encourage the formation of the producers' organisation and facilitate its administrative operation; (b) a special loan to cover part of the investments required to attain recognition.
- After recognition, a final assistance limited to 50 per cent (60 per cent under certain conditions) of the actual expenditures of the operational funds, capped at (the most) 4 per cent of the value of the marketed production. Those funds are used to finance the operational programme of the producers' organisation as well as market withdrawals, supplementary to those of the normal scheme.

(b) Intervention measures

For certain fruit and vegetables (Cauliflower, tomatoes, sweet oranges, mandarins, lemons, table grapes, apples (other than cider apples), pears (other than perry pears), peaches, aubergines, apricots, nectarines, clementines and satsumas two measures are provided in order to avert a price slump in the Community market, i.e.:

- Withdrawal by producers' organisations⁴,
- buying-in bodies or natural or legal persons appointed by the Member States for this purpose.

Producers' organisations taking withdrawal measures in accordance with the provisions of the regulations, in particular as regards the level of withdrawal prices and the compensation of associated producers and likewise as regards the utilisation of products withdrawn, obtain financial compensation equivalent to the compensation paid by them to associate producers, after deduction of the net receipts derived from the products withdrawn from the market.

(c) Special measures for citrus fruit

(i) Measures for the marketing of fresh citrus fruit

The Community participates in promotion drives organised in collaboration with various economic operators in this sector.

(ii) Measures to encourage recourse to processing

In order to encourage processing, an aid is granted to producers' organisations for the quantities delivered to processors.

(d) Special measures for nuts

In order to encourage the nuts sector (almonds, hazelnuts, walnuts, pistachios and carobs) to modernise existing production and marketing conditions, provision has been made for the following for the benefit of organisations of nut producers:

- Special aid for their establishment;
- aid for the establishment of a working capital fund to allow storage and improve marketing;

⁴ For a number of fruits and vegetables, the Community has introduced a threshold for intervention. If the threshold is exceeded, the withdrawal price for the next marketing year is reduced accordingly.

- aid to improve varieties and cultivation and modernise marketing under a plan to be presented by producers' organisations;
- participation in promotion drives organised in collaboration with the various economic operators in this sector.

This aid is granted to the producers' organisations only to the extent that they furnish a substantial proportion of the funds used to promote these activities.

(e) Special measures for table apples

The Community participates in promotion drives:

- To encourage consumption of fresh apples, including research for variety diversification;
- to encourage consumption of products processed from apples harvested in the Community.

"BANANAS" SECTOR

(a) Measures to promote the formation of producers' organisations

In order to encourage the formation of producers' organisations and facilitate their operation, aid can be granted to such organisations established on the initiative of producers, in order to promote the concentration of supply and the control of prices at the producer stage and to provide members with appropriate technical facilities for packing and marketing bananas.

Start-up assistance may be granted during the first five years following recognition of the organisation, amounting to 5 per cent, 5 per cent, 4 per cent, 3 per cent, and 2 per cent of the value of the production marketed, for each successive year, provided that the actual cost of establishing and administering the organisation are not exceeded.

(b) Compensatory aid to producers

A compensatory aid is payable to all producers who are members of a recognised producers' organisation, and also to individual producers who are unable to join such an organisation, on volumes marketed up to a maximum of 854,000 tonnes.

This compensation is calculated as the difference between the "flat-rate reference income" of 592.9 ECU/tonne ex-packing station, and the "average production income" at ex-packing station stage obtained on the Community market during the relevant year for bananas produced and marketed within the Community.

"PROCESSED FRUIT AND VEGETABLES" SECTOR

Production aid

(a) A system of production aid, in the form of direct aid to processors, has been established for pineapples preserves, Community production of which is located in the French overseas departments.

The system is designed to compensate the difference between the Community price and prices prevailing in third countries.

The grant of this aid is conditional on payment of a minimum price to pineapple producers.

(b) Since marketing year 1978/79, a Community system of production aid has been in effect for prunes prepared from dried plums, processed tomato products and peaches in syrup.

This system was extended to William pears in syrup with effect from marketing year 1979/80.

Lastly, Community aid in respect of dried grapes and dried figs was granted for the first time for marketing year 1981/82.

Grant of this aid is conditional on payment of a minimum price to agricultural producers.

The amount of the aid is set so as to compensate the difference between the price level of Community raw material resulting from the minimum producer price and that of third-country products.

As from marketing year 1990/91, until 1993/94 aid per hectare of specialised dried grapes area has been progressive in parallel with a progressive reduction of the nominal producer price which would affect the level of aid to be paid to processors. As from marketing year 1994/95, there is no more aid to processors. The aid per hectare is granted within an area limit of 53,000 ha.

(c) In 1982 the Commission introduced a guarantee threshold for industrial tomatoes.

As from 1985, the threshold system was supplemented by a system of production quotas. This dual system was applied until marketing year 1991/92.

For the 1992/93 marketing year the threshold system was again in force. The Council decided on 17 March 1993 to reintroduce, as from the 1993/1994 marketing year, the quota system as operated during marketing years 1990/91 and 1991/92. The system provides for a total quota of 6,836,262 tonnes.

This amount is distributed as follows:

- 4,585,253 tonnes for tomato concentrate;
- 1,321,119 tonnes for whole peeled tomatoes;
- 929,890 tonnes for other tomato-based products.

(d) As from marketing year 1990/91, aid for peaches in syrup is also granted with a threshold limit of 582,000 tonnes in terms of net weight, for the Community.

(e) As from marketing year 1989/90, production aid has been extended to other tomato products, peaches and pears preserved in natural fruit juice and Rocha pears. This extension has been made without any increase in the existing guarantee threshold and/or quota.

(f) The production quota for aid in respect of William pears in syrup has been converted into a guarantee threshold for aid in respect of William and Rocha pears in syrup and/or natural fruit juice. The guarantee threshold is fixed at 102,805 tonnes.

Amount of aid

Product	ECU/100kg net ECU/ha 1995/96	ECU/100 kg net ECU/ha 1996/97	ECU/100 kg net ECU/ha 1997/98
Tomato concentrate (1)	30,155	29,612	26,783
S. Marzano whole peeled tomatoes - preserved - frozen	10,843	10,648	10,177
Roma whole peeled tomatoes	7,647	7,509	6,101
Non-whole tomatoes, peeled and frozen	5,353	5,256	5,024
Tomato juice (CN Heading 2002 90) (1) - 7/8% - 8/10% - 10/12%	7,799 9,359 11,438	7,658 9,190 11,232	6,927 8,312 10,159
Tomato juice (CN Heading 2009 50) - 4.5/5% - 5/7%	4,939 6,239	4,850 6,127	4,387 5,541
Tomato flakes (1)	100,344	98,537	89,123
Peaches in syrup/juice	8,663	8,663	8,128
Prunes	76,146	82,505	80,261
William pears in syrup/juice	19,319	18,087	15,532
Sultanas - aid to processors - aid per hectare	- 2,785	- 2,785	- 2,785
Dried figs- C quality	33,552	33,552	27,986
Pineapple	165,646	166,871	153,917

(1) This aid might be increased (by at the most 5,37%) at the end of the marketing year depending on whether or not France and Portugal have used their quotas in totality.

"WINE" SECTOR

1. Each year, before 1 August, a guide price is fixed for each type of table wine representative of Community production. A threshold price activating an intervention mechanism, termed the "activating price" is applicable during each wine year for each type of wine for which a guide price is fixed. This price is applicable at the same stage as the guide price and corresponds to 92 per cent of the latter.

Guide prices for wine year 1996/97 have been set as follows:

Type of wine

RI	(ECU/% vol./hl.)	3,828
RII	(ECU/% vol./hl.)	3,828
RIII	(ECU/hl.)	62,150
AI	(ECU/% vol./hl.)	3,828
AII	(ECU/hl.)	82,810
AIII	(ECU/hl.)	94,570

As announced when prices were fixed for the preceding wine year, prices of table wines AI, RI and RII have been fixed at the same level as in 1996/97.

2. Aid for private storage of table wines and grape must

The aim of private storage aid is to encourage wine producers to use storage to freeze existing surplus supplies on the market for a certain period. Private storage contracts can be concluded in cases where the supplies of wine available at the beginning of the marketing year exceed foreseeable requirements by four months. Storage for must is available when long term storage for wine is decided on. Aid is conditional on the conclusion of storage contracts valid for a period of nine months. Contracts must be concluded between 16 December and 15 February.

3. Aid to concentrated grape must and rectified concentrated grape must used in the wine-making

Aid is granted in respect of concentrated grape must and rectified concentrated grape must used to increase the alcoholic strength of wines. The amount of the aid is fixed in the light of the difference between the cost of enrichment by means of grape must and sucrose, respectively.

For wine year 1997/98, the aid is fixed, per degree of potential alcoholic strength by volume per hectolitre of concentrated grape must and rectified concentrated grape must used, as follows:

- ECU 1,699 in the EC for concentrated grape must prepared from grapes originating in the wine-growing zones C III (a) and C III (b);
- ECU 1,446 in the EC for concentrated grape must other than that referred to in the first indent;
- ECU 2,206 in the EC for rectified concentrated grape must prepared from grapes originating in the wine-growing zones C III (a) and C III (b) or produced outside the said zones in facilities which began production prior to 30 June 1982, and prior to 1 January 1986 in Spain, regardless of the origin of the grapes;
- ECU 1,953 in the EC for rectified concentrated grape must other than that referred to in the third indent.

4. Aid to grapes, grape must and concentrated grape must used for purposes other than wine-making

In order to encourage the use of wine products of Community origin for purposes other than wine-making, a system of aid has been established.

(a) For grapes, grape must and concentrated grape must intended for the preparation of grape juice, the amount of the aid for wine year 1997/1998 has been fixed for the entire Community at:

- ECU 6,603 per quintal of grapes;
- ECU 8,257 per hectolitre of grape must;
- ECU 28,873 per hectolitre of concentrated grape must.

virtually corresponding to the level for the preceding wine year. Only 75 per cent of the aid is paid to the processor, the remainder being withheld to finance campaigns to promote grape juice consumption.

(b) For concentrated grape must intended for traditional preparation in the United Kingdom and Ireland of certain products falling within CN Heading 22.06.00 ("British and Irish wines"), the amount of the aid for wine year 1997/98 has been fixed at the same level as in the previous wine year but with the application of the monetary coefficient, i.e. 0,2379 ECU/kg. The product must be obtained entirely from grapes produced in wine-growing zones C III (a) and C III (b) of the Community.

(c) For concentrated grape must used as the principal element in a group of products marketed in the United Kingdom and in Ireland with visible instructions for preparing a beverage imitating wine ("home-made wine"), the amount of aid has been set at the same level as in preceding wine years, i.e. ECU 0,3103/kg. of concentrated grape must used.

5. Distillation

(a) Preventive distillation

Where necessary, taking into account harvest forecasts or in order to improve the quality of wines marketed, the Commission may open the possibility, in each wine year, of preventive distillation of table wines at 65 per cent of the guide price from 1 September until a date to be determined (in most cases until January/February). The distillation has to take place during the wine marketing year (that means not later than 31 August) concerned. The quantity of table wines delivered for preventive distillation by each producer is taken into account for discharge of obligations deriving from any compulsory distillation subsequently decided on. For wine year 1995/96, the eligible quantities are limited to 12 hl. per hectare. For Germany and Austria these quantities are limited to 2 and 3 hl. per hectare, respectively. For the first time, the Commission fixed a maximal quantity at 6.3 million hectolitre of wine for this distillation, shared between producer Member States.

(b) Compulsory distillation

The Commission orders compulsory distillation:

- When stocks exceed four months' normal requirements;
- or when market prices remain below 82 per cent of the guide price during a representative period;

The Commission determines for each region the quantities to be delivered for compulsory distillation in order to eliminate surpluses, and restore a normal market situation. This volume is allocated:

- As between the regions of the Community, grouped by Member States, *pro rata* to the production volumes in excess of a specific level for each of them, equal to a uniform percentage of their average harvest calculated on the basis of the 1981/82, 1982/83 and 1983/84 wine years;
- in each region, among producers according to a progressive scale based on yield per hectare which may vary with the region and taking account of past yields.

For wine marketing year 1997/98, no compulsory distillation was foreseen.

(c) Distillation at guaranteed minimum price, termed support distillation

Whenever compulsory distillation is decided on, the Commission at the same time makes provision for distillation at a price equivalent to 82 per cent of the guide price for each type of table wine.

Even in the course of wine years during which no compulsory distillation is decided on, the Commission may, if the market situation for table wine so requires, make provision for distillation at the buying-in price of 82 per cent. Distillation measures may be limited to certain table wines determined having regard to the type concerned, or to one or more wine-producing zones. For the marketing year 1997/98, the Commission does not foresee this measure.

(d) Compulsory distillation under system of wine deliveries

The aim is to avoid overpressing of grapes and to ensure that wine-making by-products are not reused for the manufacture of poor quality wines.

The buying-in price for the products concerned has been set, for wine year 1997/98, at 26 per cent of the guide price set for AI table wine for that wine year.

(e) Compulsory distillation of wines made from grapes normally intended for uses other than in table wine

This measure, already established since 1976 for wines made from table grapes, has been extended to all other cases of production surpluses likely to overburden the market for table wines (case of Charentes products in France, of grapes intended for drying in Greece or table grapes in Italy). The buying-in price of the wines concerned for wine year 1997/98 is equivalent to 35 per cent of the lowest guide price for wine year (AI white wine).

(f) Access to intervention measures

Access to price-support intervention measures is reserved to producers who have fulfilled their obligations regarding compulsory distillation and the measures referred to under (e) and, where relevant, (f) above. They must show proof of having fulfilled those compulsory distillation obligations in the most recent wine year in which such distillation was decided.

6. Other support measures

(a) To the extent necessary to support the market for table wines, intervention measures may be taken in respect of products covered by the wine regulations other than table wine. This measure has practically never been applied.

(b) If it is found that prices have increased in the wine market of the Community so as to be substantially above the guide price fixed for a particular type of wine, that the situation is likely to continue and that as a result the market is being disrupted, the necessary measures may be taken.

(c) The Council may adopt derogation measures that may be necessary to remedy any exceptional situation resulting from natural disasters.

"TOBACCO" SECTOR

The reform of the sector, adopted by the Council on 3 June 1992 radically changed the system regulating tobacco, suppressing the intervention and export subsidies and replacing target price by a system of premium and guarantee thresholds.

The reformed market organisation regulated by Council Regulation (EEC) No. 2075/92 covers raw tobacco divided into eight group of varieties (Flue cured, Light air cured, Dark air cured, Fire cured, Sun cured, Basmas, Katerini, Kaba Koulak classical).

(a) Premium

- The Council fixes every year eight levels of premiums corresponding to the eight groups of tobacco varieties mentioned above.

The amount of the premium for the 1997 crop has been fixed as follows:

(ECU/Kg.)							
I Flue cured	II Light air cured	III Dark air cured	IV Fire cured	V Sun cured	VI Basmas	VII Katerini	VIII Kaba Koulak
2,70965	2,16748	2,16748	2,38362	2,16748	3,75415	3,18541	2,27615

- Premiums are paid directly to tobacco producers unless the Member State opt for payment through first processors.
- Producers and groups of producers must have concluded a European crop contract in order to be eligible for the premium.
- A supplementary amount to the premium is given to the northern tobacco producer countries (France, Germany, Austria, Belgium) in order to compensate the difference in production cost with producers of the southern member States. The supplementary amount to the 1997 premium has been fixed as follows:

Varieties	Ecus/kg.
Badischer Geudertheimer, Pereg, Korso	0,4238
Badischer Burley E and its hybrids	0,6786
Virgin D and its hybrids, Virginia and its hybrids	0,3876
Paraguay and its hybrids, Dragon vert and its hybrids	0,3163
Phillippin, Petit Grammont (Flobecq), Semois, Appel terre Nijkerk	0,1847
Misionero and its hybrids, Rio Grande and its hybrids	0,2016

(b) Guarantee thresholds

In 1992, the Council replaced the global guaranteed maximum quantity system by a guarantee thresholds fixed by group of varieties and by Member State.

The quantities produced in excess of the thresholds are not eligible for the premium.

The guarantee thresholds for the 1997 crop has been fixed as follows:

	I Flue cured	II Light air cured	III Dark air cured	IV Fire cured	V Sun cured	Others			Total
						VI Basmas	VII Katerini	VIII Kaba Koulak	
Italy	48,000	46,500	17,900	6,900	13,500				132,800
Greece	30,700	12,400			15,700	26,100	22,250	19,550	126,700
Spain	29,000	2,470	10,800	30					42,300
Portugal	5,500	1,200							6,700
France	9,000	6,600	12,000						27,600
Germany	3,000	4,500	4,500						12,000
Belgium		200	1,700						1,900
Austria	30	470	100						600
Total	125,230	74,340	46,900	6,930	29,200	26,100	22,250	19,550	350,600

(c) Producer groups

In order to concentrate supply and adapt it to the qualitative requirements of the market, a special aid amounting to 10 per cent of the premium is given to producers groups when they conclude cultivation contracts.

"TEXTILE FIBRES" SECTOR

1. COTTON

The aid system for the production of unginne cotton production has been modified with effect from the 1995/96 marketing year, *inter alia* with the aim of improving the functioning of the stabiliser system. The Community aid system fixes a guide price (106.30 ECU/100 kg. as from the 1995/95 marketing year) and aid equal to the difference between this price and the world market price for ginning enterprises that they pay producers a minimum price. If the production of unginne cotton exceeds the guaranteed maximum quantity (GMQ) (1,031,000 tonnes), the guide price and the amount of the aid are proportionally reduced.

In each Member State the reduction of the aid is proportional to the amount by which it exceeds its GMQ, fixed at 782,000 tonnes for Greece and 249,000 tonnes for Spain. This reduction (abatment) is unlimited, but if world prices allow the cost of the aid system to be limited, it is reduced.

On 1 September 1997, when the 1997/98 marketing year began, the Commission fixed the world market price at 40.236 ECU/100 kg., corresponding to an advance of aid of 27.1 ECU/100kg. for Spain and 33.1 ECU/100 kg. for Greece (provisional amount). These amounts were calculated on the basis of estimated production of around 264,000 tonnes of unginne cotton for Spain and 1,100,000 tonnes for Greece.

2. FIBRE FLAX AND HEMP

Community regulations include the following measures:

(1) Production aid

Aid for fibre flax and hemp produced in the Community has been established in order to give the producers concerned a fair income. The amount of this aid is fixed each year for every hectare sown and harvested. As from the 1997/98 marketing year, the contracts with processors are obligatory for flax.

For hemp, the aid is given to the producer. For fibre flax, one quarter of the aid is given to the producer of the straw flax and three quarters to the person who buys the straw to process into fibre. If the producer processes the straw or has it processed on his behalf, he receives the total amount of the aid. In addition, the Commission introduced in November 1998 criteria on normal cultivate work by fixing a minimum yield.

	Aid (ECU/ha.)	Area (ha.)
<u>Fibre flax: 1997/98 marketing year</u>	815.86	133,000
<u>Hemp: 1997/98 marketing year</u>	716.63	23,000

(2) Aid for private storage of flax fibre bundle and hemp

The owners of bundle may conclude storage contracts when there is a temporary market imbalance in order to prevent or reduce any significant drop in prices. In 1991, for example, this condition was met and the possibility was utilised.

(3) Aid to promote the use of flax fibre bundle

Community measures have been taken since the 1980/81 marketing year to promote the use of flax in the Community. It was decided to include in the basic regulations the possibility of taking measures to promote the use of flax fibre bundle as from the 1987/88 marketing year. These measures are entirely financed by a deduction from production aid.

3. SILKWORMS

Community regulations in the silkworm-rearing sector include the following measures:

(a) Production aid

Aid for silkworms reared in the Community has been established in order to provide silk producers with a fair income. The amount of this aid is fixed annually for each box of silk utilised. The aid is given to the rearer who successfully rears silkworms.

In 1997/98, aid amounting to 133.26 ECU/box was granted.

(b) Aid to improve quality

Community measures may be taken to improve the quality of silkworms and silkworm eggs. However, no such measure has been taken to date.

"DRIED FODDER" SECTOR

The common organisation of markets in the dried fodder sector covers the following products: dehydrated fodder, the principal leguminous vegetables, sun-dried and ground, and protein concentrates obtained from alfalfa and grass juice.

From 1 April 1995, beginning of the 1995/1996 marketing year, the Council has modified some basic points of this sector.

Council Regulation (EC) No. 603/95 has established a system based on a flat rate aid for both dehydrated and sun dried fodder within the limits of Maximum Guaranteed Quantities (MGQ) for both types of fodder.

These MGQs are the following:

- Dehydrated fodder: 4.412.000 tonnes
- Sun-dried fodder: 443.500 tonnes

The MGQ is the sum of the National Guaranteed Quantities (NGQ).

The NGQs are the following:

Member States	National Guaranteed Quantities (in tonnes)	
	Dehydrated fodder	Sun-dried fodder
UEBL	8.000	-
Denmark	334.000	-
Germany	421.000	-
Greece	32.000	5.500
Spain	1.224.000	101.000
France	1.455.000	150.000
Ireland	5.000	-
Italy	523.000	162.000
Netherlands	285.000	-
Austria	4.400	-
Portugal	5.000	25.000
Finland	3.000	-
Sweden	11.000	-
United Kingdom	102.000	-
Total	4.412.400	443.500

Within the MGQs, the amounts of the aid are:

- Dehydrated fodder 68,83 ECU/tonne
- Sun-dried fodder 38,64 ECU/tonne

If, in any marketing year, the quantities for which the aid is granted exceed the MGQ, the amount of the aid is reduced as follows:

- If the excess is less or equal to 5 per cent of the corresponding MGQ, the amount of the aid is reduced accordingly in all Member States;
- If the excess is more than 5 per cent of the corresponding MGQ, the amount of the aid is reduced by 5 per cent in all Member States; moreover, supplementary reductions are applied in those Member States where the eligible production exceeds the NGQ increased by 5 per cent.

"SEEDS" SECTOR

Under the Community Regulations in force since 1 May 1972 and applied as from 1 July 1972, a production aid is granted for certain types of seeds.

It concerns the following products:

rice and seeds of spelt wheat, maize and sorghum hybrid, linseeds, leguminosae, and gramineae.

When the market situation and the prices don't ensure an equitable income to the producer, an aid can be granted. It consists of a uniform amount for each species or groups of varieties. It is fixed by quintal of produced seeds, considering the market situation and considering the prices of the products on the external market.

Aid is fixed for two years with the possibility to modify the rate for the latter before its beginning, if the Community market is likely to be disturbed.

The amount of aid for marketing years 1996/97 to 1998/2000 has been fixed as follows:

(ECU/100 kg..)		
Products	1996/97 and 1997/98	1998/99 and 1999/2000
1. Cereals (rice, spelt)	between 11.9 and 14.3	between 14.37 and 17.27
2. Oilseeds	between 17.0 and 23.5	between 20.53 and 28.38
3. Graminae	between 15.9 and 62.9	between 19.2 and 75.95
4. Leguminosae	between 0 and 62.2	between 0 and 75.11

"HOPS" SECTOR

In order to ensure a fair income for hop producers, the Community regulations provide for a system of aid per hectare. This aid was fixed by the Council at ECU 480/ha for the harvest 1996 to 2000 included, with no distinction between the various groups of varieties and payment being made at the end of the harvest year. The aid comprises two amounts which existed previously, i.e. aid to producers and aid for variety conversion; for this latter, up to 20 per cent of the aid can be used.

II. **PART III: INDUSTRY SECTORS**

(i) Community Framework Programmes in the Field of Research

There are two such framework programmes:

- The fourth framework programme of the European Community activities in the field of research and technological development and demonstration (1994-1998);
- framework programme of Community activities in the field of research and training for the European Atomic Energy Community (1994-1998).

1. Policy objective and purpose of the subsidy

Aid to Community research and technological development (R&TD) activities during the period 1994-1998 is provided through the two above-mentioned framework programmes.

The legal bases of these programmes are, respectively, Article 130I (Title XV) of the EU Treaty and Article 7 of the Treaty establishing the European Atomic Energy Community.

The fourth framework programme is aimed at strengthening the scientific and technological bases of Community industry, encouraging the development of its competitiveness and contributing to the implementation of the other Community policies under the Treaty. These objectives and the activities to be undertaken are listed in Annex III of Decision No. 1110/94/EC of the European Parliament and of the Council of 26 April 1994 concerning the fourth framework programme of the European Community activities in the field of research and technological development and demonstration (1994-1998).

The framework programme on atomic energy has two parts: nuclear fission safety and controlled thermonuclear fusion. The objectives and activities to be undertaken are set out in Annex III of Decision 94/268/Euratom of 26 April 1994 concerning the framework programme of Community activities in the field of research and training for the European Atomic Energy Community (1994-1998).

The activities under the two programmes are pre-competitive and there is no financing of product development.

The arrangements for implementing the two programmes are the same and are therefore described together in the following paragraph.

2. Form of subsidy

The framework programmes are implemented through specific programmes, which are the subject of Council decisions (see reference documents).

Community support to R&TD activities is provided in the form of financing ("grants" within the meaning of Article 25.3 of the WTO Agreement on Subsidies and Countervailing Measures) granted to projects following an invitation for proposals and a selection procedure (Annexes II of Decisions 1110/94/EC and 94/268/Euratom).

Research projects must be carried out by participants established within the Community. They must provide for the participation of at least two partners, independent of each other, and

established in different Member States. Partnerships may involve universities, research organizations and firms.

The European Commission is responsible for the implementation of the programmes. Contracts concluded by the Commission (see attached specimen contract) govern the rights and obligations of each partner, in particular arrangements for the dissemination (Article 130J of the Treaty), protection and exploitation of research results.

3. Amount and duration of subsidy

1994-1998 Programme amounts (in millions of Ecus)	Amounts decided in 1994	Adaptation in 1996	Total
Fourth framework programme	11,046	718	11,764
Euratom framework programme	1,254	82	1,336
Both programmes	12,300	800	13,100

The breakdown of the total financing by specific programme appears in the Annexes I of Decisions 1110/94/EC and 94/268/Euratom.

The amount and duration of the individual projects supported by the Community vary considerably. On average, in 1994, a project received financing of some 400,000 Ecus for a duration of three years and involved three or four partners.

4. Incidence on trade

The fourth R&TD framework programme concerns pre-competitive research and has no direct impact on trade. As a general rule, further work is necessary for the results of a R&TD project to lead to a commercially exploitable process or product.

Furthermore, the results are shared among partners and may be made more widely available under certain conditions, which serves the public interest. One of the main benefits lies in establishing links among research community partners, in particular within Europe.

The economic impact of industrially-oriented programmes can be assessed only several years after the completion of the projects, because firms have to make further investment to develop competitive applications.

Reference documents

Research framework-programmes (1994-1998) and their implementation

This document, dated 1995, contains all the decisions of the European Parliament and Council establishing the two framework programmes. Following the enlargement of Europe to 15, the total appropriation was increased slightly, while the relative share of each programme remained the same. The new amounts are given in the following decisions:

- Decision 616/96/EC of the European Parliament and of the Council of 25 March 1996 adapting Decision No. 1110/94/EC concerning the fourth framework programme of the European Community activities in the field of research and technological development and demonstration (1994-1998) following the accession of the Republic of Austria, the Republic of Finland and the Kingdom of Sweden to the European Union;

- Decision 96/253/Euratom of 4 March 1996 adapting Decision No. 94/268/Euratom concerning a framework programme of Community activities in the field of research and training for the European Atomic Energy Community (1994-1998) following the accession of the Republic of Austria, the Republic of Finland and the Kingdom of Sweden to the European Union.
- Specimen contract.

(ii) Aid to the coal industry

On 1 January 1994, Commission Decision No. 3632/93/ECSC⁵ on the Community rules for State aid to the coal industry entered into force and will continue to operate until the expiry of the ECSC Treaty in July 2002.

Article 1 of this Decision clearly defines what is considered to be an aid:

- (i) All aid to the coal industry, whether specific or general, granted by Member States or through State resources in any form whatsoever may be considered Community aid and hence compatible with the proper functioning of the common market only if it complies with Articles 2 to 9.
- (ii) The term "aid" covers any direct or indirect measure or support by public authorities linked to production, marketing and external trade which, even if it is not a burden on public budgets, gives an economic advantage to coal undertakings by reducing the costs which they would normally have to bear.
- (iii) The term "aid" also covers the allocation, for the direct or indirect benefit of the coal industry, of the charges rendered compulsory as a result of State intervention, without any distinction being drawn between aid granted by the State and aid granted by public or private bodies appointed by the State to administer such aid.
- (iv) The term "aid" also covers aid elements contained in financing measures taken by Member States in respect of coal undertakings which are not regarded as risk capital provided to a company under standard market-economy practice.

In addition to the specific criteria applicable to each category of aid, the Decision allows aid to be considered compatible with the proper functioning of the common market if it helps to achieve at least one of the following objectives:

- to make, in the light of coal prices on international markets, further progress towards economic viability with the aim of achieving a degression of aids;
- to solve the social and regional problems created by the total or partial reductions in the activity of production units;
- to help the coal industry adjust to environmental protection standards.

The Decision also contains provisions designed to make existing aid schemes more transparent. Article 9(7) allows for a transitional period not exceeding three years (which therefore ended on 31 December 1996) after which aid would only be authorized if it was entered in the national, regional or local public budgets of Member States or channelled through strictly equivalent

⁵ OJ L 329 of 30 December 1993, p.12.

mechanisms (Article 2(2)). In addition, from the beginning of 1994, all aid received by undertakings has to be shown together with their profit-and-loss accounts as a separate item of revenue, distinct from turnover (Article 2(3)).

Member States intending to grant aid to coal undertakings during the period 1994 to 2002 are required to submit to the Commission in advance a modernization, rationalization and restructuring plan to improve the economic viability of the undertakings concerned by reducing production costs (Article 3(2)). For undertakings unable to achieve this, aid will only be considered if they are subject to a closure plan with a deadline occurring before the expiry of decision No. 3632/93/ECSC or, in exceptional social and regional circumstances, if the closure occurs after the expiry of the Decision.

Aid to the coal industry under Decision 3632/93/ECSC

State aid authorized in 1997, 1996, 1995 and 1994

In ECU million

	1997	1996	1995	1994
<u>Aid to current production</u>				
Article 3 (operating aid)	-	5,680.5	5,081.0	7,894.0
Article 4 (aid for the reduction of activity)	-	508.2	492.0	781.6
<u>Total</u>	-	<u>6,188.7</u>	<u>5,573.0</u>	<u>8,675.6</u>
<u>ECU per tonne</u>	-	<u>48.22</u>	<u>40.94</u>	<u>65.49</u>
<u>Aid not linked to current production</u>				
Article 5 (inherited liabilities)	500.7	1,337.3	2,474.5	1,812.7
Article 6 (aid for research and development)	-	2.6	2.6	2.3
Article 7 (aid for environmental protection)	-	0.6	0.6	0.0
<u>Total</u>	<u>500.7</u>	<u>1,340.5</u>	<u>2,477.7</u>	<u>1,815.0</u>
Total	500.7	7,529.3	8,050.7	10,490.6

Notes:

- 1997: notifications have been received from all the coal producing Member States (France, Germany, Spain and the United Kingdom). However, at the time of writing, the Commission has only authorized aid for the United Kingdom.
- 1994-1996: aid authorized under temporary mechanisms permitted by Article 9(7) have been included in Articles 3 and 4.
- 1994: the aid under Article 3 includes an exceptional aid of DM 5,350 million (ECU 2,779 million) to clear the debts of the German compensation fund entered under the Third Electricity-from-Coal Law. This was authorized under the provisions of Article 9(7).

Coal production and imports in the Community (EUR-15): 1994-1997

(In million tonnes)

	1997*	1996	1995	1994
Community production	123.1	128.4	136.1	132.5
Imports into the Community	145.5	141.2	140.3	130.4
Total resources	268.6	269.6	276.4	262.9

* Estimation at the time of writing.

III. **PART IV: OTHER PROGRAMMES**

1. SME Programme
2. Leonardo da Vinci Programme
3. IFOP and PESCA (IFOP = FIGG see Structural Actions)
4. Common Organization of Markets
5. ISIS
6. SPRITE-S

SME Programme

1. Title of the programme

Third Multi-annual Programme for Small and Medium-sized Enterprises in the European Union

2. Period covered by the notification

1 January 1997 – 31 December 2000

3. Policy Objective and/or purpose of the programme

- (a) Simplify and improve the administrative and regulatory business environment.
- (b) Improve the financial environment for enterprises.
- (c) Help SMEs to Europeanise and internationalise their strategies.
- (d) Enhance SME competitiveness and improve access to research, innovation and training.
- (e) Promote Entrepreneurship and support special target groups.
- (f) Improve SME policy instruments.

4. Background and authority for the programme

Council Decision of 9 December 1996
COM (96) 591 final

5. Form of assistance granted - Grants from Community budget for:

Co-financing with other sources in the public and/or private sector of events and initiatives in pursuit of the above objectives: Studies, seminars, training sessions, information campaigns, running costs of instruments. Not all of the funds are disbursed through subsidies; some are used for the procurement of services through contracts.

6. To whom and how the assistance is provided

Public, private or semi-public bodies, mainly in response to public calls for expression of interest/calls for proposals.

7. Total expenditure under the programme

The reference amount given in the Council Decision is 127 MECU over four years. However, there is provision for this figure to rise to 140 MECU if agreed by the budgetary authority.

8. Duration of the programme

1 January 1997 – 31 December 2000

9. Trade effects

Despite the fact that some actions are aimed at promoting access to new markets, the number of SMEs capable of internationalising their activities is nevertheless small. Consequently, the impact on trade may be considered minimal.

Leonardo da Vinci Programme

1. **Title of the programme**

Action programme for the implementation of a European Community vocational training policy (*the Leonardo da Vinci programme*).

2. **Period covered by the notification**

1 January-31 December 1997.

3. **Policy objective and/or purpose of the programme**

The Leonardo da Vinci programme is intended to support and complement the action of the Member States of the European Union, to improve quality and innovation in vocational training in Europe.

4. **Background and authority for the programme**

Article 127 of the EC Treaty; Council Decision of 6 December 1994 establishing an action programme for the implementation of a European Community vocational training policy (94/819/EC).

5. **Form of assistance granted**

Grants from community budget to support:

- transnational pilot projects and multiplier effect projects;
- transnational placement and exchange programmes;
- transnational surveys and analyses.

6. **To whom and how the assistance is provided**

Leonardo da Vinci is open to players and practitioners of initial and continuing training, both public and private in the Member States of the EU and the countries of the EEA.

It comprises a number of different action strands, each containing different types of measures (pilot projects, transnational exchanges and placements, etc.) to cater for specific purposes:

- support for the improvement of vocational training systems (Strand I),
- support for the improvement of vocational training measures, including university/enterprise cooperation, concerning enterprises and workers (Strand II),
- support for the development of language skills, knowledge and the dissemination of innovation in the field of vocational training (Strand III),
- support measures (Strand IV).

Promoters submit their projects in response to call for proposals. Community financial support is allocated on a co-financing basis, for which limits are defined.

7. **Total expenditure under the programme**

152.70 Million ECU outturn budget for 1997.

8. Duration of the programme

1995-1999

9. Trade effects

Since the main aim of the programme is to encourage quality and innovation in vocational training by supporting and supplementing the Member States initiatives in this field, and bearing in mind the small volume of funds involved, the Leonardo da Vinci programme is not considered to have any appreciable impact on trade.

FIFG AND PESCA

1. Title of the programme

Financial Instrument of Fisheries Guidance (FIFG) – structural measures in the fisheries and aquaculture sector, and PESCA – Community Initiative concerning the Restructuring of the Fisheries Sector.

2. Period covered by the notification

1994-1999.

3. Policy and/or programme objectives

Community structural measures in the fisheries and aquaculture sector and the processing and marketing of its products.

The objectives of the instruments are the following:

- To contribute to achieving a sustainable balance between fishery resources and their exploitation.
- To strengthen the competitiveness of structures and the development of economically viable enterprises in the sector.
- To improve market supply and the value added to fisheries and aquaculture products.
- To contribute to the revitalization of areas that depend on fisheries.

4. Legal authority

Article 39, Regulation (EC) No. 3699/93, Regulation (EC) No. 2080/93.

5. Type of aid

Aid to fishing fleets, aquaculture, processing and marketing circuits and port facilities.

6. To whom and how the subsidy is provided

Co-financing principle and principle of regionally diversified action.

Shipowners, enterprises, producer organizations, public and private bodies, professional organizations, cooperatives, fishermen.

7. Total budget of the programme

ECU 2.7 billion

8. Duration of the programme

1994-1999

9. Trade effects

The Community has a shortfall in fishery and aquaculture products and is a major importer of these products from non-Community countries. The structural aid has only a very small influence on this situation.

Common Organization of Markets

1. Title of the measure

Common Organization of the Market in Fishery and Aquaculture Products.

2. Period covered by the notification

1994-1999.

3. Policy objectives and/or programme objectives

Stabilize the market, ensure a regular supply of high-quality products, guarantee reasonable consumer prices and support fishermen's incomes.

4. Legal authority

Article 39, Regulation (EC) No. 3759/92.

5. Intervention mechanisms

Financial compensation, carry-over aid, autonomous withdrawal and carry-over, private storage aid, compensatory payment for tuna supplied to industry.

6. To whom and how the subsidy is provided

Mechanisms implemented by producers' organizations.

Beneficiaries: fishermen belonging to such organizations.

7. Total budget of the programme

30 MECU per year.

8. Duration of the programme

Fishing years.

9. Effects on trade

None in so far as the Common Organization of Markets aims at regularizing prices and not at artificially raising their level.

ISIS
INFORMATION SOCIETY INITIATIVE IN STANDARDISATION

1. Title and description of the programme

ISIS is an initiative of the European Commission. It reinforces standardisation activity in the domain of ICT (Information and Communication Technologies) through 50 per cent co-funded projects which apply, validate or demonstrate standards. Projects are carried out by consortia of partners from 2 or more member states of the European Union, although they are open to wider co-operation. ISIS is an industry- and market-oriented programme, it is not an R&D initiative under the Framework Programme.

2. Period covered by the notification

1995-1998

3. Policy objective

The objective of the ISIS (Information Society Initiatives in support of Standardisation) action is, by means of 50 per cent co-funded, multinational-consortium-based projects, to support work of an application, validation, or demonstration nature focused on the standards - or contributions to potential new standards - underpinning Information Society related domains of high economic and social impact. Special attention is paid to identifying user requirements for standards and/or acceptance of new draft standards, as well as contributing to interoperability and validation of critical interfaces necessary for the proper interworking of services and applications.

4. Background and authority for the subsidy (including identification of the legislation)

Council Decision 87/95/EEC of 22.12.1986 on standardization in the field of information technology and telecommunications (ICT), in particular the annex, 'measures for standardization in the field of ICT'.

5. Form of the subsidy

1995 projects: 100% reimbursement of project costs
1996 projects: 50% reimbursement of project costs

6. To whom and how the subsidy is provided

The consortia of partners from 2 or more member states of the European Union provide information fiches with cost statements. The costs are reimbursed conforming to the payment plan defined in the contracts.

7. Subsidy per project

Project name	Project title	MECU
BIOSTANDARDS	Establishment of bioinformatic databases and access tools	0.70
EUROMED	Standards for processing and visualising medical images	1.00
EUKIOSK	Providing services to citizens via information kiosks	1.28
MARS	Multimedia Access Relying on Standards	0.54
MUSE	Multimedia Distributed Services Environment	0.20
UNITEL	Unified architectural specification for the Set-Top Box	1.00
UNITEL-2	Set-top Functionalities in the Multimedia Chain	0.50
BINTERMS	Basic Interoperability for Terminals for Telematic Services	0.45
SHOW	Standards for Home Working	0.48
KALIMEDIA	Regional promotion of electronic commerce standards for SMEs	0.10
SPAN	Regional promotion of electronic commerce standards for SMEs	0.10
C-SET	Interoperable Chip-Secured Electronic Transactions	0.45
MEDSEC	Healthcare Security and Privacy in the Information Society	0.57
SEMRIC	Secure Medical Record Information Communication	0.43

8. Duration of projects

Project name	Project title	Duration
BIOSTANDARDS	Establishment of bioinformatic databases and access tools	1/3/96 – 28/2/98
EUROMED	Standards for processing and visualising medical images	1/1/96 – 31/12/98
EUKIOSK	Providing services to citizens via information kiosks	1/2/96 – 31/1/97
MARS	M ultimedia A ccess R elying on S tandards	1/1/97 – 31/12/98
MUSE	M ultimedia D istributed S ervices E nvironment	1/1/97 – 31/12/97
UNITEL	Unified architectural specification for the Set-Top Box	1/1/96 – 31/12/96
UNITEL-2	Set-top Functionalities in the Multimedia Chain	1/1/97 – 31/12/98
BINTERMS	Basic Interoperability for Terminals for Telematic Services	1/1/97 – 31/12/98
SHOW	Standards for H ome W orking	1/1/97 – 31/1/98
KALIMEDIA	Regional promotion of electronic commerce standards for SMEs	1/1/96 – 31/12/96
SPAN	Regional promotion of electronic commerce standards for SMEs	1/1/96 – 31/12/96
C-SET	Interoperable C hip-Secured E lectronic T ransactions	1/1/97 – 31/10/97
MEDSEC	Healthcare Security and Privacy in the Information Society	1/1/97 – 31/12/98
SEMRIC	S ecure M edical R ecord I nformation C ommunication	1/1/97 – 31/5/98

SPRITE-S²
SUPPORT AND GUIDANCE TO THE PROCUREMENT OF INFORMATION AND
TELECOMMUNICATION SYSTEMS AND SERVICES

1. Title and description of the programme

The SPRITE-S2 pilot action is primarily aimed at the application, validation and demonstration of existing and new methodologies and tools, which support and guide in the procurement of ICT systems and services conforming to open specifications, and at the promotion and dissemination of best practice.

2. Period covered by the notification

1997-1998

3. Policy objective:

Among the specific objectives of SPRITE-S2 are:

- * promoting the knowledge and application of existing international and European ICT standards (de jure as well as widely supported industry standards) and to identify requirements for the development of new standards, in response to emerging user needs,
- * strengthening the role of ICT suppliers and users organizations in initiatives related to standardization and procurement practices
- * identifying advantages and drawbacks of, and possible synergies between, methodologies and tools currently in use by private and public procurers
- * simplifying / optimising existing methodologies and tools, and developing new, innovative instruments
- * designing and applying comparative analysis, to measure the effectiveness and efficiency of procurement practices.

4. Background and authority for the subsidy (including identification of the legislation)

Council Decision 87/95/EEC of 22.12.1986 on standardization in the field of information technology and telecommunications (ICT), in particular the annex, 'measures for standardization in the field of ICT'.

5. Form of the subsidy

1998 projects: 50 per cent reimbursement of project costs

6. To whom and how the subsidy is provided

The consortia of partners from 2 or more member states of the European Union provide information fiches with cost statements. The costs are reimbursed conforming to the payment plan defined in the contracts.

7. Subsidy per project

C O D E	T I T L E	E C U
T1.8	Assessment and extension of SOTIP Methodology in Procurement Planning of Integrated Communication Services (ASPIS)	250.000
T2.1	Accessibility in ICT Procurement (ACCENT)	71.000
T2.2	Government Process Phone Method (GOPROPHO)	120.000
T3.1	Guidelines for the Provision of Source Code Escrow Services and the Assessment of Escrow Providers (ESCROWGUID)	36.000
T3. ⁶ T2.3	A Methodology for Assessment and Benchmarking of Procurement Processes (PULSE) Organisational methods for improving ICT procurement (TEAM)	500.000
T3.3	Comparison and Validation of Best Practices for IT Procurement (VALIDATE)	350.000
T5.2	Convergence of EPHOS material with STEP (CEMS)	40.000
T5.3	Setting up the ISPL Library (ISPL) ⁷	429.000
T5.6	Application pf ICT Procurement Improvement Techniques for Small to Medium Enterprises (ASSIST)	260.000

⁶ T3.2 & T2.3 have been merged
⁷ Including work from Proposal T1.9 (AMTS)

8. Duration of projects

C O D E	T I T L E	D U R A T I O N
T1.8	Assessment and extension of SOTIP Methodology in Procurement Planning of Integrated Communication Services (ASPIS)	1/1/98 - 31/12/98
T2.1	Accessibility in ICT Procurement (ACCENT)	1/1/98 - 31/12/98
T2.2	Government Process Phone Method (GOPROPHO)	1/1/98 - 31/12/98
T3.1	Guidelines for the Provision of Source Code Escrow Services and the Assessment of Escrow Providers (ESCROWGUID)	1/1/98 - 31/12/98
T3. ⁸ T2.3	A Methodology for Assessment and Benchmarking of Procurement Processes (PULSE) Organisational methods for improving ICT procurement (TEAM)	1/1/98 - 31/12/98
T3.3	Comparison and Validation of Best Practices for IT Procurement (VALIDATE)	1/1/98 - 31/12/98
T5.2	Convergence of EPHOS material with STEP (CEMS)	1/1/98 - 31/8/98
T5.3	Setting up the ISPL Library (ISPL) ⁹	1/1/98 - 31/12/98
T5.6	Application of ICT Procurement Improvement Techniques for Small to Medium Enterprises (ASSIST)	1/1/98 - 31/12/98

⁸ T3.2 & T2.3 have been merged
⁹ Including work from Proposal T1.9 (AMTS)