

## CHAPTER XXV

### ACCESS TO COMMUNITY FINANCE

Whilst the Member States have to contribute to the Community budget they also enjoy access to Community financial resources. This is an important benefit of the membership especially in the cases of the less affluent countries.

The Community budget comprises a number of funds which promote Community objectives by financing suitable projects. In addition, finance is available from specialised Community institutions such as the European Investment Bank. Community finance can take the form of grants, low-interest loans, or participation in contracts funded by the Community<sup>1</sup>.

The following are the sources of Community finance :

#### 1- STRUCTURAL FUNDS

Structural Funds, reformed under the impact of the Single European Act<sup>2</sup> consist of the European Regional Development Fund, the European Social Fund and the European Agricultural Guidance and Guarantee Fund - Guidance Section. Their main objectives are:

- (a) promoting the development and structural adjustment of the regions whose development is lagging behind;
- (b) converting the regions seriously affected by industrial decline;
- (c) combatting long-term unemployment;
- (d) facilitating the occupational integration of young people; and
- (e) (with a view to reform to Common Agricultural Policy) speeding up the adjustment of agricultural structures; and promoting the development of rural areas.

It should be observed that a particular objective may be assisted by more than one Fund.

The plans provide a starting point for discussion with the Commission and the basis for financial assistance for a period from 3 to 5 years. They should cover the socio-economic situation of the region and should help to explain the proposed strategy. The procedure comprises:

- (1) the drawing up of plans by Member States,
- (2) the Commission's response in the form of Community Support Frameworks (CSF);
- (3) the operational phase;
- (4) follow up and assessment.

The Commission's response by means of a CSF consists of an agreement with the Member State to provide finance for the specific development in a region.

An operational programme comprises a series of multi-annual measures which may be financed by one or more Funds as well as other financial instruments, e.g. loans. Such programmes can focus on one sector or on the development of the region. They must identify the projects to be funded, the proposed beneficiaries and an estimate of the costs as well as the evaluation methods.

Other forms of Community participation include part financing of national aid schemes; provision of global grants managed by an intermediary in the Member State; part financing of major projects; and support for technical assistance and studies in preparation for specific operations.

Member States are obliged to see that operations are carried out properly and to deal with irregularities. Funds lost through irregularities or negligence have to be recovered by the Member State. The Commission can carry out checks. Monitoring committees are to be set up by agreement between the Member State and the Commission and the Commission reports annually on the implementation of the operations under the Funds.

Turning now to specific Funds:

(a) The Regional Development Fund:

If the objective encompasses backward regions the emphasis will be made on the development of economic infrastructures such as transport, ports and airports; telecommunications; vocational training; research and technological development; the exploitation of local energy sources; basic services relevant to the environment such as sewage treatment and water supply and the development of rural areas.

If the objective concerns regions affected by industrial decline the emphasis will be on more specific projects especially those involving investments for production with a view to creating new jobs to replace the jobs lost through decline of the existing industries. In this respect the Regional Fund operations will be co-ordinated with the Social Fund. Infrastructure support will be directed mainly towards the regeneration of the areas of industrial decline, and rehabilitation of inner cities.

If the objective concerns rural development the action will comprise the preparatory and complementary measures in advance of investments in production to protect or create long-term jobs; infrastructure directly affecting the creation of non-agricultural jobs (including developments on which these activities would depend) and the development of the potential of the regions by stimulating local initiatives and the activities of small and medium-sized firms.

(b) The European Social Fund:

The fund is available to assist certain categories of persons in an order of priorities depending also upon the type of the region and its needs following the objectives of the operation. The main thrust is on helping long-term unemployment, persons in need of vocational training, integration of handicapped persons into the open economy, integration of women into occupations where they are underrepresented and training of migrant workers or facilitating their return home.

Rural development plans may also include training of farmers whose livelihood is under threat from the reforms of the CAP.

(c) The EAGGF - Guidance Section:

Article 5 of the EAGGF regulation provides for the participation of the Fund in pursuance of the objective directed towards the development of rural areas in the following manner:

(1) encouraging farmers to give up farming in order to restructure the agricultural sector and to make land available for young farmers;

(2) providing for conversion, diversification, re-allocation and adjustment of production potential;

(3) improving rural infrastructures essential to the development of agriculture and forestry;

(4) building and improving farm roads and local roads mainly used by those who work in agriculture and forestry;

(5) providing electricity and drinking water for farms;

(6) re-parcelling of land and of associated works;

(7) taking environmental protection measures;

(8) rehabilitating the agricultural production potential which has been destroyed by natural disasters;

(9) developing and exploiting forests;

(10) developing agricultural and forestry services;

(11) developing specific short-term agricultural information programmes;

(12) taking measures to encourage the use of agricultural resources for purposes other than food production;

(13) encouraging investments in the tourist and craft industries, including the improvement of facilities in farmhouses;

(14) improving livestock by combatting animal diseases and by using genetic improvement methods and controlled yields.

Article 10 of the EAGGF regulation provides that operational programmes may include measures to improve the marketing and processing of agricultural, fishery and forestry products.

The wide range of the application of the EAGGF Guidance Section should not conceal the fact that this Fund constitutes only a small proportion of the Agricultural Fund, the Guarantee Section (which finances Community expenditure arising from the policy on markets and prices) taking the lion's share. A reform of the CAP resulting in the reduction of the Guarantee Fund would benefit the Guidance Fund.

## 2- EUROPEAN INVESTMENT BANK

The European Investment Bank (EIB) was established under the EEC Treaty as the Community's "own bank" to provide long-term finance for capital investments to support the Community economic policy objectives. Its capital is subscribed by the Member States and its management structure reflects their participation. However it is an autonomous body capable of raising funds on capital markets and administering the capital according to banking principles. Its lending activities are limited to projects meeting certain defined criteria.

### (a) Loans:

The EIB finances projects which contribute to the development of the common market. It makes loans for investment projects, principally in industry, infrastructure and energy, which:

(1) contribute to the economic development of the so-called "assisted areas" which are eligible for funds under national regional aid schemes;

(2) help the Community's energy policy objective of reducing dependence on oil imports through the development of indigenous resources, more rational use of energy, diversification of energy imports, and conversion to alternative energy sources;

(3) involve the modernization or conversion of enterprises, improve the competitiveness of Community industry by developing or introducing innovative advanced technology, and projects promoting technical and economic co-operation between enterprises in different Member States;

(4) contribute towards European integration by improving communications between Member States (transport and telecommunications) and projects helping other Community objectives such as protection of the environment.

Both public and private sectors qualify for EIB loans. Projects meeting the regional development objectives may include agriculture, tourism and services of direct benefit to industry but health, general education and welfare, being in the nature of social infrastructure, may not be included.

Normally the EIB finances up to 50% of the fixed capital investment of a project so that the rest has to be found from other sources. Loans range normally from 5 to 12 years but exceptionally may extend up to 20 years for infrastructure projects.

The EIB's lending interests depend on the currency or currencies borrowed and are geared to the movements on the capital markets reflecting the EIB's borrowing

costs and a small operating margin amounting at present to 0.15%. Loans are expressed in a single currency, a "cocktail" of currencies or the ECU.

(b) New Community Instrument (NCI) :

In addition to making loans from its own resources the EIB manages NCI funds which are funds raised by the Commission on capital markets to support certain priority projects. At present the priority of the NCI finance is to support small and medium-sized enterprises in industry and other production sectors.

The aim of the NCI is to finance through loans investment projects which contribute to a greater convergence and integration of the Member States' economic policies and strengthen the competitiveness of the Community economy<sup>3</sup>. The Council provides guidelines for the granting of such loans.

These guidelines, in accordance with Decision 84/383, have identified the following priorities:

(1) investment projects, mainly of small and medium-sized enterprises, designed in particular to promote the dissemination of innovation and advanced technology contributing to job creation;

(2) the rational use of energy, the substitution of other energy sources for oil and infrastructure projects to facilitate such substitution;

(3) infrastructure projects associated with productive activities contributing to regional developments or of a particular interest to the Community such as telecommunications, information technology and transport.

Loans applications are submitted simultaneously to the Commission and the EIB. Where the Commission approves the project the EIB deals with the loan aspects in accordance with the principles and procedures laid down in its statute. The Commission and the EIB sign the loan contracts on behalf of the Community.

The funds are raised by the Commission on the capital markets and deposited with the EIB to be used for loans or invested on a temporary basis.

### 3- EURATOM LOANS AND ENERGY PROJECTS

#### (a) Loans:

Under the Euratom Treaty the Commission is authorized to make loans for projects which may reduce the Community's dependence on external supplies of energy. Such projects cover nuclear power stations and industrial establishments based on the nuclear fuel cycle. Whilst the Commission decides upon the application, the EIB administers the loans granted.

#### (b) Nuclear Energy Programmes:

Under the Euratom Treaty finance is provided for research and development programme on the management and storage of radioactive waste; research programme on the decommissioning of nuclear installations; on remote handling in hazardous or disordered nuclear environments; on controlled thermonuclear fusion for the construction of prototype reactors; and a research and training programme on the protection of man in his environment from ionising radiation and radioactivity.

#### (c) Non-nuclear Energy Research and Development:

The Community provides support for research and development projects on energy conservation, renewable energy sources, solid fuels, hydrocarbons and synthetic liquid fuels.

As from 1989 new research and development programme on unconventional and long term energy supply (Joule) continues with a particular attention to models for energy and environment; rational use of energy; energy from fossil sources; and renewals and geothermal energy. Another programme called VALOREN concerns the exploitation of the indigenous energy potential and aims to improve the supply of energy to disadvantaged regions from local sources. A project, in operation from 1990-1994, called THERMIE concerns new energy technologies involving a considerable risk. It covers the exploitation of solar energy, biomass, geothermal energy, hydro-power, wind energy; the exploration of oil and gas fields, transport and storage of oil and gas and the use of environmentally benign techniques of exploiting coal and other solid fuels.

### 4- COAL AND STEEL COMMUNITY LOANS AND GRANTS

Under the ECSC Treaty loans are available for the following:

(a) projects which contribute directly and primarily to the coal and steel industries, i.e. to increase production, reduce costs and to facilitate the marketing of products.

(b) conversion loans, i.e. loans for projects which create new employment opportunities for coal and steel workers made redundant.

(c) grants to coal and steel workers affected by closures or changes in the industry which, in agreement with the government concerned, take different forms. Depending on the age and abilities of the individual concerned the assistance may take one of the following forms:

(aa) additional income either as a guaranteed wage or supplement to unemployment benefit during the period of transition from redundancy to retirement or new employment;

(bb) enhanced pension for older workers;

(cc) vocational training for redeployed workers or those seeking employment outside the industry;

(dd) severance payment up to 2,000 ECU;

(ee) consessionary coal for miners made redundant;

(ff) help towards the cost of removal to another area.

The ECSC does not provide a 100% assistance but simply matches the government contributions. Individuals do not apply for assistance directly to the Commission, because the assistance is for the employers who have to apply through their government.

(d) loans for low-cost housing, i.e. loans for the construction, purchase or modernisation of homes for workers in the coal and steel industries. These loans are available for housing schemes as well as the purchase by individual workers provided they are employed in the industry and are eligible under the terms of the particular house purchase scheme. Individual loans are limited to 20% of the cost to first-time buyers and 25% to transferees subject to a limit in each case of 6,000 ECU and 8,000 ECU, respectively.

(e) grants for research in coal and steel industry are available to anyone, subject to guidelines drawn up by the Commission, but the projects have to be concerned with the use of coal and steel or the operational safety in the mining and steel industry. There is also assistance for research programmes in the field of medicine, safety and health for workers in the coal and steel industries.

(f) Paul Finet Foundation provides scholarships for orphans of coal miners and steel workers.

## 5- INTEGRATED MEDITERRANEAN PROGRAMMES (IMP's)

In order to improve the living conditions in the Mediterranean area the Community finances special programmes from which, in the past, France, Italy and Greece have profited most. The main object is to aid the poorer regions by improving the conditions in agriculture, and fisheries and by assisting with the development of energy, communications, transport facilities, training and the protection of the environment.

In addition a special development programme for Portugal for the period 1988-1998 has been devised.

## 6- COMMUNITY AID TO DEVELOPING COUNTRIES

Determined by the particular relations the aid benefits three groups of countries, i.e.:

(a) the 68 African, Caribbean and Pacific (ACP) countries which have an association agreement with the EC (Lome Convention);

(b) the Mediterranean countries grouped in the Magreb and Mashreq organizations as well as Turkey (Association), Yugoslavia, Israel, Malta and Cyprus with which the EC has concluded five-year bi-lateral agreements in respect of trade and financial and technical co-operation.

(c) Some 20 developing Latin American and Asian countries to which the EC provides aid on an annual basis and helps financing development projects.

## 7- AIDS FOR RESEARCH AND DEVELOPMENT

(a) European Community Research and Development (ECR & D) programmes are planned and managed by the Commission. Their object is to assist industry in improving Europe's technology and to enable firms to exploit the internal market. These programmes are largely international in nature and involve the industry, universities and various organizations.

The present strategy covers the 1987-1991 period leading up to the completion of the internal market and it is characterised by a "European dimension" in so far as research in high technology (to match the developments in the USA and Japan) ought to turn Europe into a research and technology community.

(b) The European Regional Development Fund (ERDF) purports to provide assistance for the Community's less favoured regions. The programmes it assists include STAR and VALOREN which are concerned with advanced telecommunications equipment and local energy resources, respectively

(c) EUREKA is not strictly EC for it includes also other countries notably Austria, Finland, Norway, Ireland, Sweden, Switzerland and Turkey. It provides a framework for co-operation in industry-led projects with the object of producing high technology goods and services capable of competing in the world markets with Japan and the USA. These projects are proposed and carried out by firms and research institutes. Public funding is provided by the national governments.

(d) Co-operation on Science and Technology (COST) reflects an action programme comprising the EC and several third countries. It is administered by the Commission but the research costs are covered either by the participating firms or their national governments.

(e) European Space Agency (ESA) was set up to promote co-operation in space research and technology for peaceful purposes. It comprises the EC Member States (except Greece, Luxembourg and Portugal) and Austria, Norway and Sweden.

(f) The European Science Foundation (ESF) is an international, non-governmental organization consisting of academies and research councils supporting scientific research. It represents at present 18 European countries and its interests comprise all fields of research including humanities and social sciences. Funds are provided by the member organizations.

(g) The Council of Europe is also interested in European research activities which are organized under the aegis of its Parliamentary Assembly. It has focused attention on such areas as the scientific and technological exchange between Europe and Japan; radioactive waste management; the use of human embryo in research; and European scientific and technological co-operation which are topical issues at present.

## 8-INDIVIDUAL RESEARCH AND DEVELOPMENT PROGRAMMES

We have so far summarized schemes of a general nature. These have to be complemented by a list of individual programmes simply to show the wealth of opportunities offered by the European Community. The list is quite impressive and includes:

- 1) European Strategic Programme for Research and Development in Information

Technology (ESPRIT).

2) Research and Development in Advanced Communications Technologies in Europe (RACE).

3) Basic Research in Industrial Technologies for Europe/ European Research in Advanced Materials (BRITE/EURAM).

4) The Biotechnology Action Programme (BAP).

5) EC Research Action Programme on Raw Materials.

6) Community Bureau of Reference Programme (BCR)

7) Forecasting and Assessment in Science and Technology (FAST).

8) Programme for Machine Translation System of Advanced Design (EUROTRA).

9) Strategic Programme for Innovation and Technology Transfer (SPRINT).

10) Dedicated Road Infrastructure for Vehicle Safety in Europe (DRIVE).

11) European Collaborative Linkage for Agriculture and Industry Through Research (ECLAIR).

12) Food-Linked Agro-Industrial Research (FLAIR).

13) Advanced Informatics in Medicine (AIM).

14) Developing European Learning Through Technological Advance (DELTA).

15) Science and Technology for Development Programme (STD)

16) Marine Science Programme (MAST).

17) Fisheries and Aquaculture Programem (FAR).

18) Scientific and Technical Co-operation Programme (SCIENCE).

19) Economic Science Programme (SPES).

20) Large-Scale Scientific Facilities.

21) Statistical Expert Systems Programme (DOSES).

22) Dissemination of Results Programme (VALUE).

23) European Co-operation in the Field of Scientific and Technical Research (COST).

All these programmes are funded in a variety of ways and are open to individuals and organizations.

## 9-OTHER FUNDS AND PROGRAMMES:

### (a) Education

Although there is no special Community education fund, scholarships are available under the various research programmes. We should also note the funding of vocational schemes. However there are programmes specifically related to education, i.e.

(1) The Community Programme in Education and Training for Technology (COMETT) aims to stimulate and strengthen co-operation between universities and industrial and other enterprises involved in technological training. It purports to give a European dimension to co-operation between universities and relevant enterprises; to optimize the use of training resources at Community level; to improve the supply of training at local, regional and national level; and to identify and develop priorities for supplementary action to existing training arrangements in response to technological and social changes.

The COMETT programme is now in its second generation (1990-1994) aiming at the development of partnerships in the field of education between universities and business; the cross-border exchange of students and university graduates, scientists and specialists; the promotion of continuing training in the technology sector and multimedia.

Academic institutions, research associations and industrial firms are eligible to apply for the funding of the appropriate schemes the COMETT providing up to 50% of the cost. In cases of trans-border exchange a flat rate per person, depending upon the nature of the exchange, is contributed.

(2) The ERASMUS Programme (now in the second generation covering the period 1990-1992) purports to build certain types of "intellectual" Europes, i.e. a "students' Europe" by promoting student mobility; a "universities' Europe" by promoting co-operation between universities and mobility of academic staff; and the "peoples' Europe" by establishing closer contacts between Europeans.

ERASMUS provides financial support to universities for the development of their activities outside the national frontiers, grants to academic staff and grants for various pilot schemes as well as for publications. It does not cover research.

(3) Youth Exchange Scheme (YES) encourages young Europeans (between the ages of 15 to 25 years) to come out of their own national environment and to familiarise themselves with socio-economic and cultural life in other Member States; to learn to communicate with people from different cultures; to become conscious of

the interests which they share with young people in other countries; and to perceive clearly the European identity.

The principal objectives of the Scheme are; to increase the number of youth exchanges in the Community, to turn the balance of exchanges in favour of disadvantaged regions; to improve the quality of exchanges by more effective preparation; to eliminate financial, legal and bureaucratic barriers, and to structure permanent links between young people or groups of young people in different Member States.

(4) The LINGUA programme aims at increasing the capacity of Community citizens to communicate among themselves by improving their understanding of the Community official languages and by improving language competence within enterprises by training workers in foreign languages. The programme (running from 1990 to 1994) benefits, in particular, schools and universities, technical colleges and workers.

#### (b) Culture

Certain pilot schemes funded by the Community have been initiated to improve vocational training in the cultural sector. There are also grants for the preservation of the Community's cultural heritage.

#### (c) Information

Since 1982 the Community has been endeavouring to improve and co-ordinate the information systems of the Member States and the Community institutions and to that end has financed certain initiatives, i.e.:

(1) the Inter-institutional Information System (INSIS) using new electronic technologies for the information exchange between the Member States and the Community institutions;

(2) the network programme on trade electronic data interchange system (TEDIS) aiming to co-ordinate the development of electronic data interchange for trade, industry and administration;

(3) the action plan for setting up an information services market (IMPACT) with the object of establishing a single market in information for services by the end of 1992;

(4) the telecommunication action programme for regional development (STAR) aiming to contribute to the development of certain disadvantaged regions of the Community by providing small and medium-sized enterprises with better access to advanced telecommunications services.

#### (d) Agriculture

In 1985 a programme for Co-operation in Automation Data and Documentation for Import/Export and the Management of Financial Control of the Agricultural Market (CADDIA) was established. It is to run till the end of 1992 and its object is to create an efficient electronic system of data exchange in the agricultural sector.

#### (e) Transport

This programme (running from 1990 to 1994) aims to develop a Community transport system (EURET) capable of coping with the increased demand in all types of transport. Provided a project is of a Community interest any investment in transport infrastructure may qualify for support.

#### (f) Health

A research and development co-ordination programme concentrating on major health problems (cancer, AIDS, ageing and environmental and life-style related health problems) has been initiated in 1987. It is co-ordinated by the Community while the work is financed by the Member States.

A further action programme aims at the use and improvement of new biotechnologies in the study of the human genome. It covers research on the improvement of advanced genetic technologies, and the improvement of the human genetic map. The results ought to lead to a better understanding of the mechanisms of genetic function, early diagnosis, risk-forecasting, prevention, prognosis, treatment of certain diseases and of the mechanisms of heredity.

#### (g) Environment

As we have noted earlier the Community has embarked on a policy for the environment with the object of preserving the natural heritage of Europe and preventing its deterioration. The main thrust in that direction is reflected in Community legislation. Corrolary to this is a series of programmes involving environmental research financed by the Community.

Council Regulation 1872/84 initiated the action by promoting:

(1) demonstration projects aimed at developing new "clean" technologies, i.e. technologies which cause little or no pollution and which may also be more economical in the use of natural resources;

(2) demonstration projects aimed at developing new techniques and new methods for measuring and monitoring the quality of the natural environment; and

(3) projects providing an incentive and aimed at contributing towards the main-

## CONCLUSIONS

We have endeavoured in this Report to analyse Turkey's relations with the European Community and to assess the probable impact of accession. The inescapable conclusion of the analysis of this relationship is that the Ankara Agreement has not achieved the anticipated progress towards the membership of the Community. It has not worked.

The unfavourable opinion of the EC Commission on the application for membership must have a sobering effect providing for a realistic appraisal of the situation and action appropriate to the geopolitical position and aspiration of Turkey as a major European power occupying a bridge between Europe and Asia.

An association status is more than the benefit of the best trade agreement though it is less than full membership. Being associated, there is no point in negotiating a new package agreement even if it offered an enhanced trade position. However there is no substitute for a position enabling a country to participate in the decision-making process which has been shaping the future of Europe and placing the Community on the world stage. In brief less than full membership will not satisfy Turkey if she is to continue laying stress on the priority of her European option.

Whilst the EC continued an integrating process leading to the spectra of the "Fortress Europe" Turkey, over the years advanced steadily, on her own, towards a modern industrial and socially conscious society. Yet one of the arguments offered in support of the Commission's unfavourable opinion was that she was not ready for membership. When, indeed, is a country ready?

An analysis of the developments of the Community shows that any country wishing to catch up is facing a formidable task. However the progress of a nation is not necessarily conditioned by the prospect, on a distant horizon, of joining an international organization. Such progress is an objective target, it is a virtue in itself. Thus irrespective of any prospect of membership in the near future Turkey has to continue developing whilst using the European model for her political, economic, social and legal progress.

In focussing attention on the most salient issues facing an applicant for the member-

ship of the Community we have endeavoured to summarize the Community position and enquired whether anything and, if so, what, has to be done to bring Turkey in line with the Membership of the Community. This, in a modest way, is an indication of the path to follow irrespective of whether or not an application will be renewed in the near future. Above all, Turkey must never be told again that she is unprepared.

NOTES :

1 "Finance from Europe - A guide to grants and loans from the European Community" published by the London Office of the Commission of the European Communities (1986) p.1

2 See Regs. 2052/88; 4253/88; 4254/88. 4255/88; 4256/88; 1610/89

3 See Council Decision 83/200.

4 Compiled with the aid of the Report by the EC Directorate to the Prime Minister and Minister of Foreign Affairs, regarding Malta's membership of the EC, J.Borg, 1990, p.51 et.seq.