COUNCIL REGULATION (EC) No 852/95

of 10 April 1995

on the grant of financial assistance to Portugal for a specific programme for the modernization of the Portuguese textile and clothing industry

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty establishing the European Community, and in particular the last paragraph of Article 130b thereof,

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

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

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

Having regard to the opinion of the Committee of the Regions (4),

Whereas Community action to achieve economic and social cohesion must be taken in compliance with the rules of free competition; whereas this programme is an exceptional measure and Community assistance must accordingly be limited to the necessary measures to enable the Portuguese textile industry to adapt to the new requirements of the international situation;

Whereas the Portuguese textile and clothing industry, which accounts for a third of the jobs in Portuguese industry and a third of the country's industrial exports. is highly vulnerable in the face of the increase in international competition resulting from the GATT agreements; whereas the implications thereof in this sector, which is of importance to the economic fabric of some Portuguese regions, might jeopardize the economic and social cohesion of the Community;

Whereas on 15 December 1993 the Council approved the Commission's intention to allocate ECU 400 million to the modernization of the Portuguese textile and clothing industry;

Whereas provision should be made for the possibility of interest subsidies for loans granted by the European Investment Bank or other financial bodies with a view to achieving the objectives of the specific programme;

Whereas the Commission has published in the *Official Journal of the European Communities* Notice 94/C 180/04 to the Member States laying down guidelines for the initiative concerning the modernization of the Portuguese textile and clothing industry (5);

Whereas the budgetary authority has agreed to enter the financing for this programme in one of the chapters of the budget covered by Section 3 of the Financial Perspective annexed to the Interinstitutional Agreement of 29 October 1993 on budgetary discipline and improvement of the budgetary procedure (6);

Whereas a financial reference amount, within the meaning of point 2 of the Declaration of the European Parliament, the Council and the Commission of 6 March 1995 is inserted in this Regulation for the whole duration of the programme without affecting the powers of the budget authority defined in the Treaty;

Whereas the provisions governing the use of these resources should be determined;

Whereas, in order to simplify the administration of these resources, which should be entrusted to the Commission, and to ensure consistency with the Community's other structural measures, the Commission should apply by analogy the appropriate provisions governing the Structural Funds, in particular Regulations (EEC) No 2052/88 (7), (EEC) No 4253/88 (8), (EEC) No 4254/88 (9), (EEC) No 4255/88 (10), and (EEC) No 1866/90 (11),

HAS ADOPTED THIS REGULATION:

Article 1

A specific programme for the modernization of the Portuguese textile and clothing industry (the 'programme') is hereby instituted for the period 1995 to 1999 in order to facilitate its adaptation to increasing international competition.

Article 2

The eligible measures, the conditions for granting Community assistance and the implementing provisions shall be those set out in the Annex hereto.

(1) OJ No C 373, 29. 12. 1994.
(2) Opinion delivered on 17 March 1995 (not yet published in the Official Journal).
(3) Opinion delivered on 22 February 1995 (not yet published in the Official Journal).
(4) Opinion delivered on 1 February 1995.
(5) OJ No C 180, 1. 7. 1994, p. 15.
(6) OJ No C 331, 7. 12. 1993, p. 1.
(7) OJ No L 185, 15. 7. 1988, p. 9. Regulation as amended by Regulation (EEC) No 2081/93 (OJ No L 193, 31. 7. 1993, p. 5).
(8) OJ No L 374, 31. 12. 1988, p. 1. Regulation as amended by Regulation (EEC) No 2082/93 (OJ No L 193, 31. 7. 1993, p. 20).
(9) OJ No L 374, 31. 12. 1988, p. 15. Regulation as amended by Regulation (EEC) No 2083/93 (OJ No L 193, 31. 7. 1993, p. 34).
(10) OJ No L 374, 31. 12. 1988, p. 21. Regulation as amended by Regulation (EEC) No 2084/93 (OJ No L 193, 31. 7. 1993, p. 39).
(11) OJ No L 170, 3. 7. 1990, p. 36. Regulation as amended by Regulation (EC) No 2745/94 (OJ No L 290, 11. 11. 1994, p. 4).

Article 3

The programme shall be jointly financed by the Portuguese Republic and the Community. The financial reference amount for implementing the programme for the 1995 to 1999 period shall be ECU 400 million at 1994 prices.

The annual appropriations shall be authorized by the budget authority within the limits of the financial perspectives.

Undertakings benefiting from loans granted by the EIB or other financial bodies for the purposes of this programme may qualify for interest subsidies, up to a total amount of ECU 100 million, paid from the allocation provided for in the first paragraph.

Article 4

The provisions of the Regulations governing the Structural Funds, particularly those concerning rates of assistance, eligibility of expenditure, monitoring, evaluation, financial execution and control and indexation shall apply.

Article 5

The Commission shall, by 31 December 1997 at the latest, submit to the European Parliament, the Council, the Economic and Social Committee and the Committee of the Regions a report on the implementation of this Regulation and, as soon as possible, a general assessment report.

Article 6

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

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

Done at Luxembourg, 10 April 1995.

For the Council

The President

A. JUPPÉ

ANNEX

1. When this Regulation comes into force, Portugal will submit to the Commission a detailed proposal for a programme.

   This programme will be examined by the Commission with a view to a decision to approve it.

   This examination will assess in particular the existence of a strategy of adaptation for the textile and clothing industry for the period 1995 to 1999, the approval of which by the Commission is a condition for the granting of Community assistance under the present programme. The strategy will also define rules governing aid for undertakings, in particular as regards compliance with the requirement that there is to be no overall increase in Portuguese production capacity in the textile and clothing industry in terms of volume.

I. ELIGIBLE MEASURES

2. The measures cover undertakings in the textile and clothing sector situated on Portuguese territory on 1 July 1994. The programme submitted by the Portuguese authorities must comprise a balanced set of measures consistent with the general framework of regional development in Portugal and the overall strategy for the adaptation of the textile and clothing sector, centring on the preparation and implementation of individual modernization plans of undertakings in the sector, the development of cooperation between undertakings, and an improvement in their environment in terms of services.

   Eligible measures may cover:

   (a) aid for the financing of external expert reports intended to assist undertakings in preparing their modernization plans and improving their know-how, for example, in the fields of design, quality policy, computer-assisted design and production, marketing, internal business organiaztion and employee health and safety;

   (b) vocational training measures linked to the preparation and implementation of modernization plans and retraining for personnel threatened by unemployment or already unemployed;

   (c) in the case of small and medium-sized enterprises which already have a modernization plan drawn up with the aid of external experts, a temporary contribution towards the financing of the salaries of engineers, technicians or management personnel employed to assist in the implementation of those plans;

   (d) the financing of business modernization plans to cover non-material investments, improvements in know-how or material investments, including equipment intended directly for production;

   investments in production equipment will be promoted only by means of providing access for undertakings to risk capital, by means of loans from the EIB or other financial bodies with interest subsidies and by means of guarantee funds;

   (e) the setting up of promotion and advisory teams for the textile and clothing sector responsible for making businesses more aware of the need to improve their know-how and helping them to develop cooperation amongst themselves and with their suppliers and clients;

   (f) aid for the adaptation of textile and clothing undertakings, in particular to Community environmental requirements, intended to reduce pollution by textile and clothing undertakings by facilitating the treatment and recycling of liquid effluents and industrial waste, and by providing technical assistance for the development of less polluting production or maintenance processes.

II. CONDITIONS FOR GRANTING COMMUNITY ASSISTANCE

3. When each decision on the financing of business modernization plans is taken, the Portuguese authorities, who are responsible for laying down rules governing the aid, must verify that the plans are consistent with the overall adaptation strategy agreed with the Commission. They must make the grant of aid conditional upon subsequent compliance with the agreed plan. The necessary provisions governing the examination of aid applciations, monitoring the implementation of the adaptation plans and the penalties to be applied in the event of failure to comply with the conditions for aid, shall be determined by joint agreement between the Portuguese authorities and the Commission of the European Communities.

Investment projects financed under this programme are part of the framework of existing horizontal aid schemes in Portugal. Thus, the projects must meet the eligibility criteria laid down for those schemes. Therefore, no specific aid scheme will be establihsed for the textile and clothing sector.

Undertakings receiving aid will have to prove that they comply with national legislation on working conditions.

III. IMPLEMENTATION

4. Every six months the Commission and the Portuguese authorities will check for compliance with the overall strategy agreed with the Commission, within the appropriate monitoring committee, on the basis of reports on the progress of programme implementation and, where appropriate, independent assessments.

5. The regional and local authorities and the social partners must be involved in the most appropriate manner in the preparation and implementation of the programme.

6. The proposal must include an assessment of the situation and indicate the objectives to be attained ; it will be accompanied by a timetable and criteria and procedures for implementation, monitoring and assessment. During and after the period coverd by the programme the Commission will assess, in partnership with Portugal, the results of the programmes submitted. The European Parliament, the Member States and the monitoring committee will be informed of the results of such assessments and the action taken in response to them.

7. Spending arising under this programme will be eligible from 1 January 1995.