

INFORMATION

REGIONAL POLICY

The European regional development fund

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For the first time since it was founded the Community has large resources which it will be able to place at the disposal of its less developed regions, thus achieving one of the basic objectives of the Treaty of Rome, i.e. "to strengthen the unity of the economies of the Member States and to ensure their harmonious development by reducing the differences existing between the various regions and the backwardness of the less favoured regions".

However, this does not imply that the European Community has been inactive in the field of regional development in the past. The loans from the European Investment Bank to help the less developed regions, those from the ECSC for conversion in the coal-mining regions, the aids from the European Agricultural Guidance and Guarantee Fund for the restructuring of agricultural regions and those from the European Social Fund for the vocational retraining of workers - all these have made a far from negligible contribution to regional development.

It must be admitted, however, that, despite the efforts made by both the Community and the Member States, the differences between the more and the less highly developed regions have remained virtually unchanged. Even if the disparities have been reduced within certain States, the disparities at Community level have remained just as great as before.

There is therefore scope for a more dynamic European regional policy than that implemented up to now.

The new regional policy is taking practical form in the creation of the European Regional Development Fund and the setting up of the Regional Policy Committee.

Nobody claims that these two new measures will provide a magic solution to all the Community's regional problems. The European Regional Development Fund is

only one further measure to be added to the efforts already made by the Member States to develop their regions. The purpose of the Regional Policy Committee is to ensure better coordination between national and Community measures. Yet, in spite of these reservations or limits, there is reason to think that the Community's regions can now hope for a better future.

The reasons for setting up the European Regional Development Fund

The purpose of the European Regional Development Fund is to eliminate the most serious regional imbalances existing in the Community : which are, principally :

- those resulting from the predominance of agriculture. Here it must be pointed out that the number of agricultural workers in the Community has fallen by ten million in twenty years, a fall of 50%. This trend will continue during the coming years and will obviously have the greatest impact on those regions which still largely depend on agriculture ;
- the second problem to be solved is that of industrial changes affecting certain regions which are still dependent to a large extent on declining industries. The coal industry is a typical example of such a declining industry, since it has lost one million workers, i.e. 60% of its manpower, in twenty years ;
- the third problem, insofar as it has not already been covered by the two problems described above, is that of structural underemployment, which is a sure sign of the inability of certain regions to adapt to the prevailing market conditions.

Financial solidarity at European level

The investment aids to be granted will come from the European Regional Development Fund, which has an appropriation of 1,300 m u.a. to spend over a period of three years : 300 m u.a. during the first year, and 500 m u.a. during each of the following two years.

As the underdeveloped regions are unequally distributed in the Community, it is only to be expected that those States with the most serious problems should proportionately receive the most aid from the Fund. Consequently, the following proportions have been fixed for the Member States : Italy 40%, United Kingdom 28%, France 15%, Germany 6.4%, Ireland 6%, Netherlands 1.7%, Belgium 1.5%, Denmark 1.3%, Luxembourg 0.1%.

This distribution of the resources of the Fund is the expression of financial solidarity between the most and the least highly developed regions in the Community :

(*) Ireland will also receive 6 m u.a., to be deducted from the relative shares of the other Member States, with the exception of Italy.

the Fund will also of course be of benefit to the prosperous regions which have reached saturation point in economic and industrial activity.

The regions receiving aid

The regions eligible to receive aid from the European Regional Development Fund are those recognized by the Member States of the Community as regions in need of aid.

However, those regions which are given priority for the grant of aid by the national Governments will also be given priority for aid from the European Regional Development Fund.

Thus the following regions are eligible to be given priority as regards the grant of aid from the Fund :

- in Italy : the Mezzogiorno ;
- in Ireland : the entire territory ;
- in the United Kingdom : Northern Ireland, Scotland, the development areas and special development areas in England and Wales ;
- in France : the West, the South-west and the mining areas (*);
- in Germany : the regions situated along the eastern border ;
- in Belgium and Luxembourg : the mining areas and certain agricultural areas ;
- in the Netherlands : the North ;
- in Denmark : Greenland.

These areas make up a large expanse of territory, most of which is situated around the periphery of the Community.

Aid from the Fund

Aid from the Fund is intended to promote investments exceeding 50,000 u.a. in economic sectors (industrial, craft and services sectors) and infrastructures. It generally takes the form of a subsidy representing a certain percentage of the investment.

In the case of the industrial, craft or services sectors, the aid to be granted must contribute to the creation or maintenance of jobs and will represent 20% of the cost of the investment, but not more than 50% of the aid granted by the State under its regional policy. The aid can either be added to that already granted by the public authorities in the State concerned, or be used by the latter as a partial repayment of the aid which it has granted.

(*) as well as France's overseas departments

Infrastructures, however, are defined as being either connected with the development of the economic sectors mentioned above, or contributing to the development of those mountain and hill farming regions or other less-favoured regions. The aid may represent 30% of the expenditure on investments of less than 10 m u.a., and 10 - 30% of the expenditure on investments exceeding 10 m u.a.

Thus it can be seen that the aid from the Fund is complementary to the expenditure by the Governments and does not replace it.

Terms on which the aid is granted

Apart from possessing the characteristics described above, the investments for which aid from the Fund is requested will have to satisfy a certain number of conditions.

The applications for aid will have to show how the investment dovetails with the other measures implemented by the Member State, and indicate the contribution which the investment will make to the economic development of the region, its implications for employment, the situation of the economic sector affected and whether or not the project is in a frontier region.

While meeting these specific requirements for each project, the investments for which aid from the Fund is requested will have to form part of a regional development programme. Such a programme must provide detailed information on the regional development objectives and the means to be employed. In addition to drawing up a programme for each region, the States will send the Commission an annual report containing information on the structure of the region and the proposed measures.

The Regional Policy Committee

The setting up of a Regional Policy Committee is the second measure launched in 1975 as part of the Community's new regional policy.

It is an advisory body composed of senior officials responsible for regional policy in the Member States.

The Committee's work will cover every aspect of regional policy : analysis of the development of the region, examination of regional programmes submitted by the Member States, harmonization of regional plans, coordination of the regional policies of the Member States and of the Community, the supply of information to investors.

Conclusion

With the European Regional Development Fund and the Regional Policy Committee, the European Community will from now on have two means of influencing regional policy more along Community lines. The European Community's aim is to define and apply, with the cooperation of the Regional Policy Committee, an overall European regional development policy within the broader framework of the march towards Community integration.