

INFORMATION

REGIONAL POLICY

COMMUNITY REGIONAL POLICY

153/77

The Community's regional problems

Regional differences in levels of economic development exist within all of the Community's member countries. But when one compares regions throughout the Community as a whole, the disparities are inevitably much, much greater. The poorest regions are in the South of Italy and the West of Ireland. The most prosperous regions - Hamburg, Paris, Brussels, and so on - have an income per head several times higher.

The main problem regions fall into two categories. First, there are the underdeveloped rural areas, largely dependent on agriculture and characterised by low levels of income, high levels of unemployment, underemployment and outward migration, and inadequate public infrastructure. Typically such areas are in the Italian Mezzogiorno, Ireland and parts of France.

Second, there are the once rich regions based on industries now in decline, like coal, steel, shipbuilding and textiles. Such regions are found in the older industrial regions of the United Kingdom in particular, but in parts of France, Belgium and elsewhere too. They are characterised above all by an outdated industrial structure and high levels of unemployment.

Many of the regions concerned are located at the periphery of both their national territory and the Community, which clearly aggravates the problems. And distance is an even more important factor for Greenland, with its special problems of sparse population and inhospitable climate, and the French overseas departments.

One must not forget either the problems faced by certain regions adjoining the Community's internal frontiers, and those of congestion, pollution and urban decay which face many big conurbations in richer and poorer areas.

Community action to date

From its inception the Community has acknowledged the existence of its regional problems and disparities. The Treaty of Rome permits various exceptions to normal Community rules in order to protect the less-favoured regions. And the Community has always had various financial instruments which make available loans and grants to help solve their problems.

The European Coal and Steel Community (ECSC) has made loans totalling nearly 4,000 million u.a. *) to help modernise the coal and steel industries or attract new job-creating industry in coal and steel regions. Such loans last year totalled over 1,000 million u.a.

The European Investment Bank (EIB) has made available over 6,000 million u.a. in loans, the bulk of it for regional development purposes. Last year 75% of the 1,000 mill. u.a. lent was for regional projects.

The European Social Fund (ESF) and the European Coal and Steel Community have together made grants totalling 1,400 million u.a. for training and retraining workers otherwise unable to obtain jobs.

And the Guidance Section of the European Agricultural Fund (FEOGA) has to date spent 1,800 million u.a. in grants to help modernise the structure of agricultural production and distribution.

The Community's total financial assistance has not therefore been negligible, and a considerable proportion has gone to the less prosperous regions. But its impact has not been sufficient in view of the scale of the problems faced.

The 1975 regional policy decisions

It was hoped from the beginning that the economic growth generated by the creation of the common market, plus the special efforts outlined above, would be sufficient to bring the Community's regional imbalances within reasonable limits. By 1975 it was clear that these hopes remained unfulfilled.

It was also clear that the persistence of the Community's regional disparities were a major obstacle in the path of continued economic integration. Further Community progress in this direction requires a much greater convergence of the economic policies of the Member States, and this is simply not possible while certain national economies and budgets have to bear such crippling burdens.

In recognition of these facts the Community therefore moved a stage further, with the creation of its first two specific regional policy instruments: the Regional Fund and the Regional Policy Committee.

1 unit of account = £ 0.42
 \$ 1.20

The Regional Fund to date

The European Regional Development Fund was established in March 1975, with a three-year budget of 1,300 million u.a. (300 m.u.a. for 1975, 500 m.u.a. for each of 1976 and 1977). The Fund makes grants to help industrial and service sector investments which create new or safeguard existing jobs, for infrastructure investments (roads, water supply, industrial estates, etc.) linked with these productive investments, and for infrastructure investments in certain less favoured rural regions. The investments must be located in areas which qualify for national regional aid and be supported by national public funds. The Fund's resources are shared out according to a special key fixed to reflect and extent of the regional problems in the different Member States:

Italy	40.0%	Netherland	1.7%
United Kingdom	28.0%	Belgium	1.5%
France	15.0%	Denmark	1.3%
Germany	6.4%	Luxembourg	0.1%
Ireland	6.0%		

Applications for grant are submitted by the national governments.

Up to April 1977 the Commission had approved grants totalling 946 million u.a. for 3,327 investment projects. The tables attached give the regional breakdown of the grants approved.

Grants are paid to the national authorities, who can either pass them on to the individual investor, or retain them as part reimbursement of national expenditure on the projects concerned. To date all governments have taken the second alternative as far as private sector investments are concerned, but in most cases grants for infrastructure projects are passed on to the regional or local authorities involved.

The retention of the grants by the national authorities is acceptable provided it does not lead to a reduction of national expenditure on regional development. In other words, the additional resources must be used for additional regional development projects which could not otherwise have been financed within the year in question so that the total regional development effort is increased by the amount of the receipts from the fund. How best to ensure that this is the case has perhaps been the main subject of public controversy concerning the Regional Fund.

The Regional Policy Committee

The second instrument of Community regional policy, set up at the same time as the Regional Fund, is the Regional Policy Committee, composed of senior national and Commission officials. Its task is to keep the development of the regions under constant review, to compare and assess national regional policies, which must clearly be compatible both with each other and with Community aims, and generally to examine all aspects of Community activity which affect the regions. It advises the Commission and the Council of Ministers where Community-level action is needed in order to protect regional interests.

The new Commission proposals

On 1 June 1977 the Commission proposed a series of measures aimed at developing a new active and comprehensive Community regional policy.

It had already decided, on 26 May, as part of the Community budget, to propose a figure of 750 million European units of account for the European Regional Development Fund in 1978. (In the same units of account the Fund has about 400 million available in 1977.)

Why a new regional policy

An active and comprehensive regional policy is necessary for four main reasons:

- the establishment of the common market did much to stimulate economic growth during the 1960s and brought benefits to both richer and poorer regions. But it did little to reduce the gaps between them;
- the economic crisis has aggravated the problems of the traditionally poorer regions and also created new problems;
- Community policy decisions in other fields can have unfavourable consequences for the regions;
- the persistence of major regional imbalances is a major obstacle to the convergence of national economic policies without which further progress towards economic integration is not possible.

This new situation requires the new Community regional policy to be more ambitious than in the past. Indeed, even at times of sustained growth the compensations to the less-favoured regions have not been sufficient to resolve the problem of regional disparities. A comprehensive approach to the problem of structural change is called for, to help both the regions which were underdeveloped even before the creation of the Community and those which face or are likely to face difficult problems or redevelopment.

The aims of regional policy

Regional policy must be conceived as a comprehensive policy concerning all Community territory and all Community activity. It must involve a variety of specific regional measures, bring a "regional dimension" to other Community policies and be closely coordinated with, and complementary to, national regional policies.

Community regional policy has two main aims: on the one hand, the reduction of the existing regional imbalances found in both the traditionally less-developed regions and those in the process of industrial or agricultural redevelopment; on the other, the prevention of new regional imbalances likely to occur as a result of the trends in world economic development or of policy measures adopted by the Community.

These aims must be achieved within the framework of an active employment policy. In the present economic situation of the Community the creation of new jobs in the regions suffering from the greatest structural unemployment must remain a major priority.

The means of regional policy

- Determining priorities

The first task is to establish an effective monitoring system which can regularly review the situation of all the Community's regions and define where Community action is required. Then, every two years beginning in 1979 the Council, on a proposal from the Commission, will set priorities and guidelines to be followed by both the Community and the Member States.

- Regional impact assessment

From now on, in preparing its proposals in all main fields of Community policy the Commission will take account of the regional consequences of those policies. The Community will thus be able to take into consideration the interests of the regions concerned and where necessary adopt specific measures to correct any negative effects.

- Coordination of national regional policies

Coordination will be based on the guidelines to be set by the Council and the regional development programmes of the Member States. The Commission is concerned in particular to bring about the coordinated use of disincentives to investment in developed regions and the coordination of infrastructure projects, especially in internal frontier regions and to ensure that Regional Fund and national resources are used in a complementary way.

- The Community's financial effort

The principal financial instrument of Community regional policy is clearly the Regional Fund. But the Community's effective contribution to regional development will be greatly increased by the coordinated use of all Community financial instruments, including its loan facilities.

As far as the Regional Fund itself is concerned, a number of important changes are proposed:

- i) the Fund is from now on a permanent instrument of Community regional policy, and its resources will be fixed each year as part of the general Community budget. The Commission has proposed 750 million EUA for 1978.
- ii) The Fund will be divided into two sections. The larger section (650 million EUA for 1978) will provide support for national regional policies as in the past and will be based on the existing system of national quotas (see p.3). The remaining 100 million EUA will be used to finance specific Community actions outside the quota system.

- iii) two categories of region will benefit under the quota section of the Fund: first the most seriously underdeveloped regions (the Mezzogiorno, Ireland, Northern Ireland, Greenland and the French Overseas Departments); and second the regions facing major problems of industrial or agricultural redevelopment (such as many industrial regions of the United Kingdom or agricultural regions of France). These regions coincide with the nationally aided areas currently eligible for Regional Fund assistance.
- iv) the non-quota section of the Fund will be used to combat specific problems which arise in either the regions eligible under the quota section, or in:
 - areas affected by Community policy decisions. These will be determined in the light of these decisions and may be inside the nationally aided areas or in other parts of the Community;
 - regions at the Community's internal frontiers which feel the effects of integration with particular sharpness.
- v) the rates of grant can be varied according to the categories of region and the nature of the problems. Infrastructure projects which contribute to regional development can receive grants of between 10 and 50% of their investment cost; for industrial and service sector projects the rate of grant will be closely related to the number of jobs created or safeguarded.
- vi) the specific actions to be financed by the non-quota section will be determined by the Council, on a proposal from the Commission. One specific action is proposed immediately, namely a system of interest rebates of 5 percentage points on loans from the ECSC, the European Investment Bank or new Community loan facilities. In addition, the Commission is examining the case for establishing a system for taking shares in the risk capital of companies, via existing national regional development bodies.
- vii) the proposals require the Member States to indicate clearly how Regional Fund resources are used.

- The implementation of the new regional policy

The scale of the task involved requires the creation of a mechanism capable of appreciating regional problems in all their aspects and indicating the guidelines for coordinated Community and national action. The Commission considers that consultation between the Community, the Member States, the employers' organisations and trade unions and representatives of regional and local authorities is needed. It will put forward proposals with this in view during the discussions to take place in the Council.

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JUNE 1977

C O R R I G E N D U M

Please note that the title of tables I and II should read

EUROPEAN REGIONAL DEVELOPMENT FUND

instead of EUROPEAN DEVELOPMENT FUND.

EUROPEAN DEVELOPMENT FUND

(million u.a.)

(October 1975 - April 1977)

Table I

National statistics: Aid granted in million units of account (rounded figures; in brackets: number of investment projects)

	I. Industrial, handi- craft and service activities	II. Infrastructure	III. Rural infrastruc- ture	IV. Totals
BELGIUM	3,67(16)	13,80(91)	-	17,47(107)
DENMARK	1,19(19)	12,46(86)	-	13,65(105)
GERMANY	17,67(227)	24,44(161)	-	42,11(388)
FRANCE	43,97(302)	74,64(133)	3,88(6)	122,49(441)
IRELAND	34,44(76)	27,94(128)	9,84(26)	72,22(230)
ITALY	115,05(227)	52,37(91)	22,08(276)	389,50(594)
LUXEMBOURG	-	0,75(1)	-	0,75(1)
NETHERLANDS	-	15,58(11)	-	15,58(11)
UNITED KINGDOM	102,71(298)	161,08(1093)	8,10(59)	271,89(1450)
TOTALS	318,70(1165)	383,06(1795)	43,90(367)	945,66(3327)

Exchange rates EDF : 1 u.a. = 50 FB
 = 7,5 KD
 = 3,66 DM
 = 5,55419 FF
 = 0,416667 £
 = 625 Lit.
 = 3,62 Fl.

EUROPEAN DEVELOPMENT FUND

(million u.a.)

(October 1975 - April 1977)

Table II

Regional statistics: Aid granted in million units of account (rounded figures; in brackets: number of investment projects)

	I. Industrial, handi- craft and service activities	II. Infrastructure	III. Rural infrastruc- ture	IV. Totals
<u>BELGIUM</u>				
Flanders	-	10,05 (64)	-	10,05 (64)
Wallonia	3,67 (16)	3,75 (27)	-	7,42 (43)
Total	3,67 (16)	13,80 (91)	-	17,47 (107)
<u>DENMARK</u>				
Greenland	-	11,13 (85)	-	11,13 (85)
Other regions	1,19 (19)	1,33 (1)	-	2,52 (20)
Total	1,19 (19)	12,46 (86)	-	13,65 (105)
<u>GERMANY</u>				
Schleswig-Holstein	2,34 (26)	3,60 (23)	-	5,94 (49)
Bremen	0,11 (1)	0,05 (1)	-	0,16 (2)
Niedersachsen	3,00 (35)	3,84 (29)	-	6,84 (64)
Nordrhein-Westfalen	0,68 (12)	-	-	0,68 (12)
Hessen	1,18 (30)	1,45 (14)	-	2,63 (44)
Rheinland-Pfalz	2,09 (64)	1,12 (13)	-	3,21 (77)
Saarland	3,14 (6)	1,32 (5)	-	4,46 (11)
Bayern	4,40 (46)	9,16 (67)	-	13,56 (113)
Baden-Württemberg	0,73 (7)	0,91 (7)	-	1,64 (14)
Berlin	-	2,99 (2)	-	2,99 (2)
Total	17,67 (227)	24,44 (161)	-	42,11 (388)

(million u.a.)

FRANCE

	I. Industrial, handicraft and service activities		II. Infrastructure		III. Rural Infrastructure		IV. Totals	
Alsace	1,09(8)	-	-	-	-	-	1,09(8)	
Aquitaine	2,82(11)	6,42(17)	-	-	-	9,24(28)		
Auvergne	0,32(5)	14,78(6)	0,74(1)	-	-	15,84(12)		
Basse-Normandie	1,82(10)	0,54(2)	-	-	-	2,36(12)		
Bourgogne	0,53(8)	-	-	-	-	0,53(8)		
Bretagne	2,89(20)	28,56(10)	-	-	-	31,45(30)		
Champagne	0,68(5)	-	-	-	-	0,68(5)		
Corse	-	6,06(20)	-	-	-	6,06(20)		
Franche-Comté	0,01(1)	-	-	-	-	0,01(1)		
Haute-Normandie	0,28(2)	-	-	-	-	0,28(2)		
Languedoc-Roussillon	2,02(12)	0,56(1)	0,32(1)	-	-	2,90(14)		
Limousin	1,38(10)	5,80(4)	1,33(1)	-	-	8,51(15)		
Lorraine	8,65(38)	-	-	-	-	8,65(38)		
Midi-Pyrénées	2,75(18)	1,69(9)	1,49(3)	-	-	5,93(30)		
Nord-Pas-de-Calais	3,54(19)	-	-	-	-	3,54(19)		
Pays de la Loire	4,63(28)	5,87(31)	-	-	-	10,50(59)		
Picardie	0,43(4)	-	-	-	-	0,43(4)		
Poitou-Charente	1,53(10)	-	-	-	-	1,53(10)		
Provence-Côte d'Azur	0,05(2)	-	-	-	-	0,05(2)		
Rhône-Alpes	2,24(14)	-	-	-	-	2,24(14)		
Guadeloupe	2,55(35)	1,31(13)	-	-	-	3,86(48)		
Guyane	0,43(4)	0,45(3)	-	-	-	0,88(7)		
Martinique	2,10(15)	1,23(12)	-	-	-	3,33(27)		
Réunion	1,23(23)	1,37(5)	-	-	-	2,60(28)		
Total	43,97(302)	74,64(133)	3,88(6)	-	-	122,49(441)		

(million u.a.)

	I. Industrial, handi- craft and service activities	II. Infrastructure	III. Rural infrastruc- ture	IV. Totals
<u>IRELAND</u>				
Donegal	(4)	(17)	(5)	(26)
North West	(2)	(6)	(3)	(11)
West	(18)	(16)	(10)	(44)
Mid West	(7)	(13)	-	(20)
South West	(13)	(12)	(7)	(32)
South East	(7)	(19)	-	(26)
Midlands	(9)	(18)	-	(27)
East	(7)	(17)	-	(24)
North East	(9)	(8)	(1)	(18)
Multiregional projects	-	(2)	-	(2)
Total	34,44 (76)	27,94 (128)	9,84 (26)	72,22 (230)
<u>ITALY</u>				
Abruzzi	3,05 (11)	5,65 (11)	0,72 (14)	9,42 (36)
Basilicata	2,20 (5)	2,61 (4)	3,84 (55)	8,65 (64)
Calabria	1,83 (4)	28,91 (6)	5,11 (87)	35,85 (97)
Campania	30,84 (67)	41,27 (16)	3,69 (67)	75,80 (150)
Lazio	32,23 (45)	18,86 (6)	2,41 (17)	53,50 (68)
Marche	1,16 (1)	2,47 (2)	-	3,63 (3)
Molise	3,08 (6)	0,76 (3)	1,90 (10)	5,74 (19)
Puglia	23,02 (42)	19,54 (11)	-	42,56 (53)
Sardinia	5,81 (15)	66,15 (15)	2,44 (12)	74,40 (42)
Sicilia	11,83 (31)	49,97 (16)	1,97 (14)	63,77 (61)
Multiregional projects (Basilicata-Puglia)	-	16,18 (1)	-	16,18 (1)
Total	115,05 (227)	252,37 (91)	22,09 (276)	389,50 (594)

(million u.a.)

	I. Industrial, handicraft and service activities	II. Infrastructure	III. Rural Infrastructure	IV. Totals
<u>LUXEMBOURG</u>	-	0,75(1)		0,75(1)
<u>NETHERLANDS</u>				
Groningen	-	7,43(3)		7,43(3)
Limburg	-	5,66(5)		5,66(5)
Friesland	-	2,49(3)		2,49(3)
Total	-	15,58(11)		15,58(11)
<u>UNITED KINGDOM</u>				
N. England	36,171(83)	38,685(229)	-	74,856(312)
N.W. England	7,009(32)	19,346(173)	-	26,355(205)
Yorkshire&Humberside	2,974(24)	6,702(134)	-	9,676(158)
E. Midlands	0,430(8)	1,360(24)	-	1,790(32)
S.W. England	1,222(18)	2,962(62)	-	4,184(80)
Scotland	21,944(58)	41,802(188)	7,018(41)	70,764(287)
Wales	10,373(47)	31,073(214)	-	41,446(261)
N. Ireland	22,588(28)	19,108(67)	1,088(18)	42,784(113)
W. Midlands	-	0,038(2)	-	0,038(2)
Total	102,711(298)	161,076(1093)	8,106(59)	271,893(1450)

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