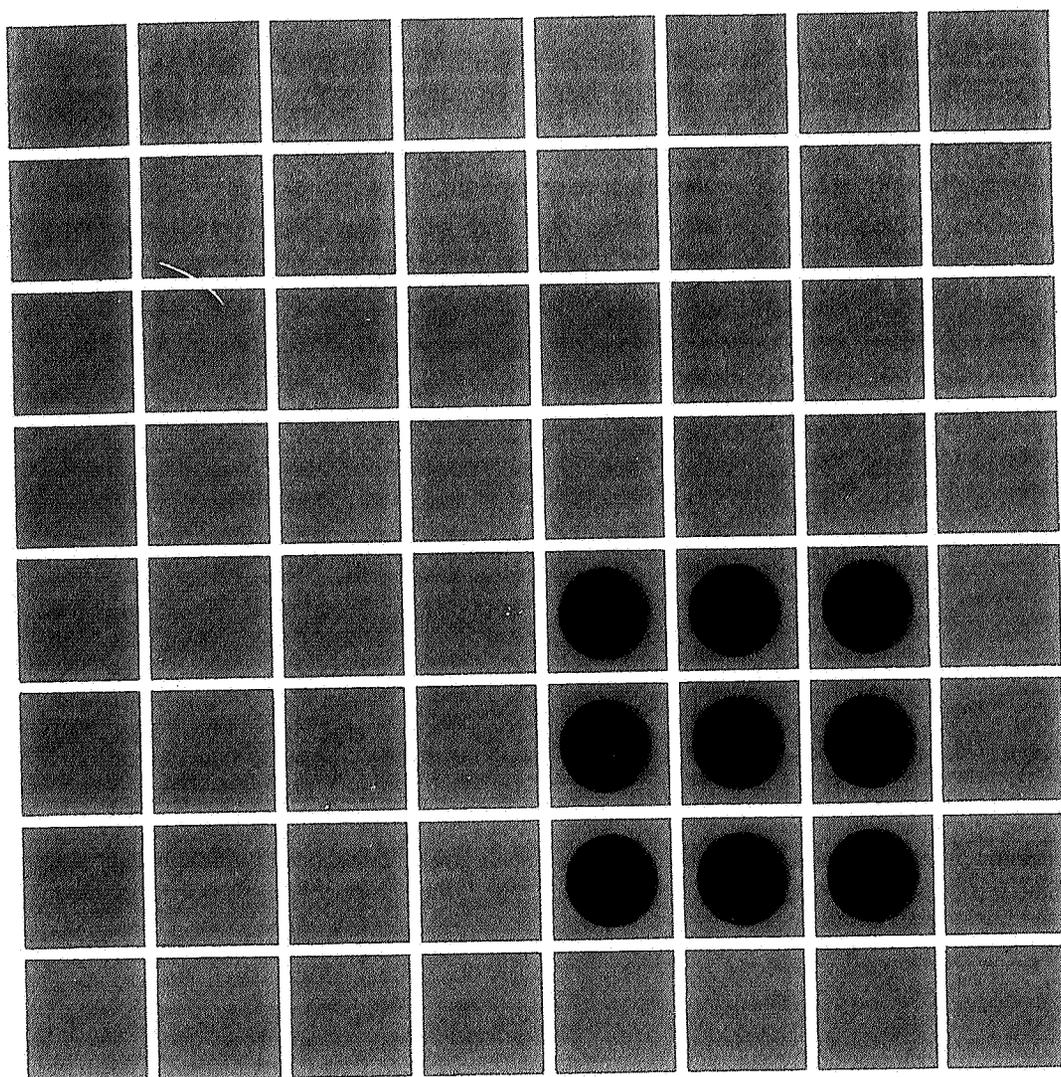


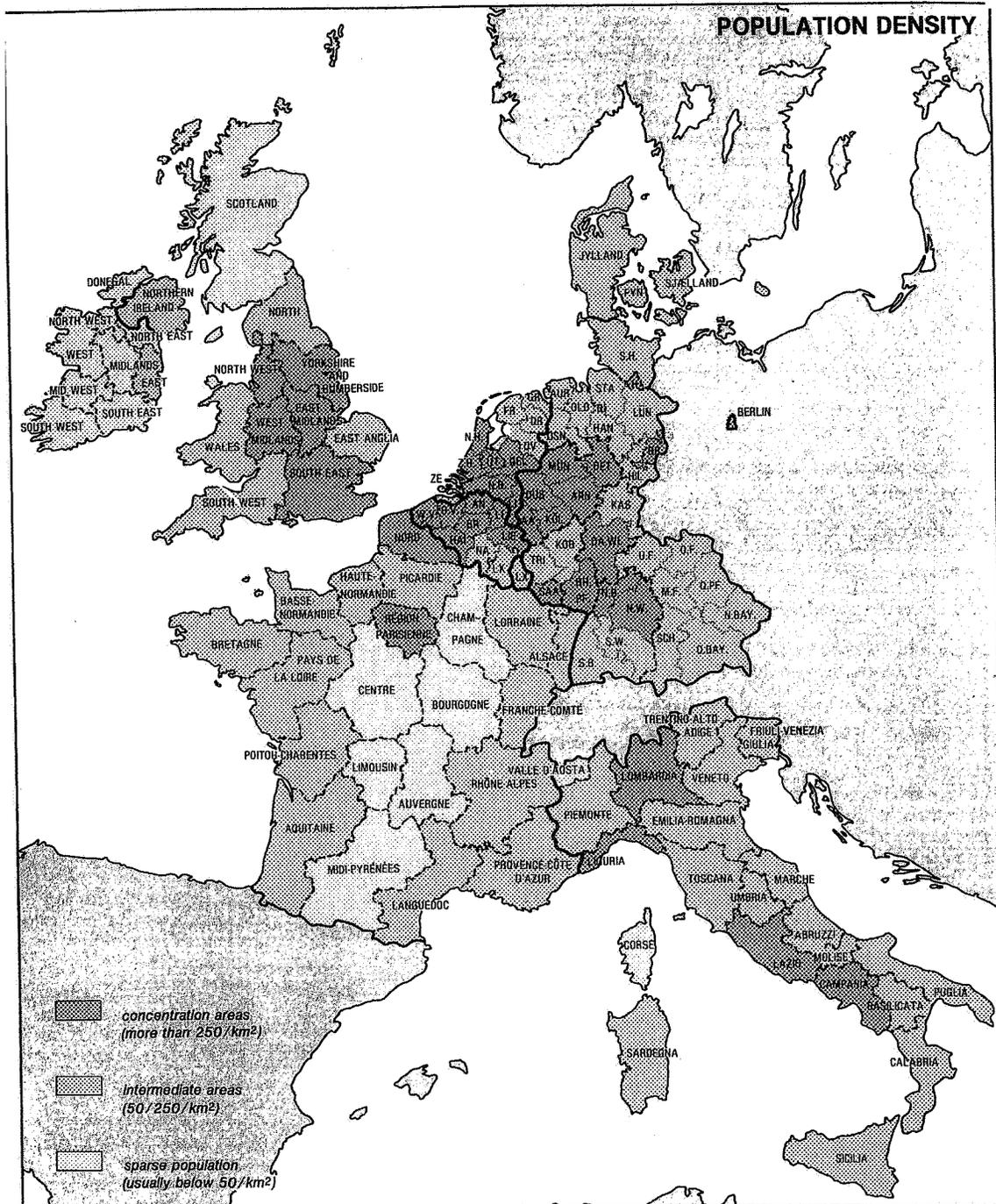
# A new regional policy for Europe



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# **A new regional policy for Europe**

## **The Regional Development Fund**

### **I. Europe's regions**

There are nine countries of Western Europe in the European Community: Belgium, Denmark, the Federal Republic of Germany, France, Ireland, Italy, Luxembourg, the Netherlands and the United Kingdom.

With a surface area of 618 000 square miles (not including Greenland) the Community is one-sixth of the size of the United States and one-twelfth the size of the Soviet Union. However its population of 250 million is larger than that of the United States or the Soviet Union. Population density is seven times greater than that of the United States and fifteen times greater than that of the Soviet Union.

#### **1. Europe is rich in regional diversity**

On a world scale, the European Community lives within comparatively narrow frontiers; yet it has a wide variety of climate, of landscape, of peoples and of activities. To appreciate these contrasts, the Community should not just be considered in terms of its nine Member States. Its full diversity shows up only at the regional level.

From Scotland to Sicily, from Aquitaine to the islands of Denmark, the Community includes a remarkably varied range of landscapes and ways of life. The broad farming plains of the Beauce or the Po Valley; industrial concentration in the Ruhr, the English Midlands or Lombardy; the coal mines of Lorraine, the Saar or Wales; the steel industry of Liguria, the Ruhr, Wallonia or Yorkshire; the textile areas of Lancashire, Munsterland, Twente, Flanders or the Rhone; the docklands of London, Hamburg, Rotterdam, Antwerp or Marseilles; the fishing regions of Jutland, Ireland, Brittany and Scotland, the tourist regions of the Atlantic and Mediterranean shores and of the Alps; the vast conurbations with twelve thousand inhabitants per square mile; the Alpine regions with 45 inhabitants per square mile; Greenland

and its frozen wastes. All these regions show a face of the Community which is diverse and changing, and give just as varied an image of European culture.

## **2. Europe has a wide variety of regional problems**

Economic progress in the Community will clearly depend on dealing successfully with a very wide variety of regional problems.

There are regions still greatly dependent on agriculture for employment; in these regions, which are situated mainly in France, Ireland and Italy, jobs in agriculture are between 20 per cent and 40 per cent of the total. Yet in the last two decades employment in agriculture inside the Community has fallen by 50 per cent—some 10 million workers—thus creating new problems for these same agricultural regions.

Other regions are characterised by the decline of traditional regional industrial activities, requiring widespread industrial change and re-equipment. In many cases the decline of traditional industries is due to the exhaustion of certain resources or to competition from rival products. The most notable example has been that of the coal industry; in the last two decades its production fell by nearly one half and its level of employment by 60 per cent—more than one million—in the Community as a whole. But this decline also affects many other branches of industry, especially in present circumstances. The regions which have suffered particularly badly in this respect are mainly in the United Kingdom, but there are others in Belgium, Holland, Germany and France.

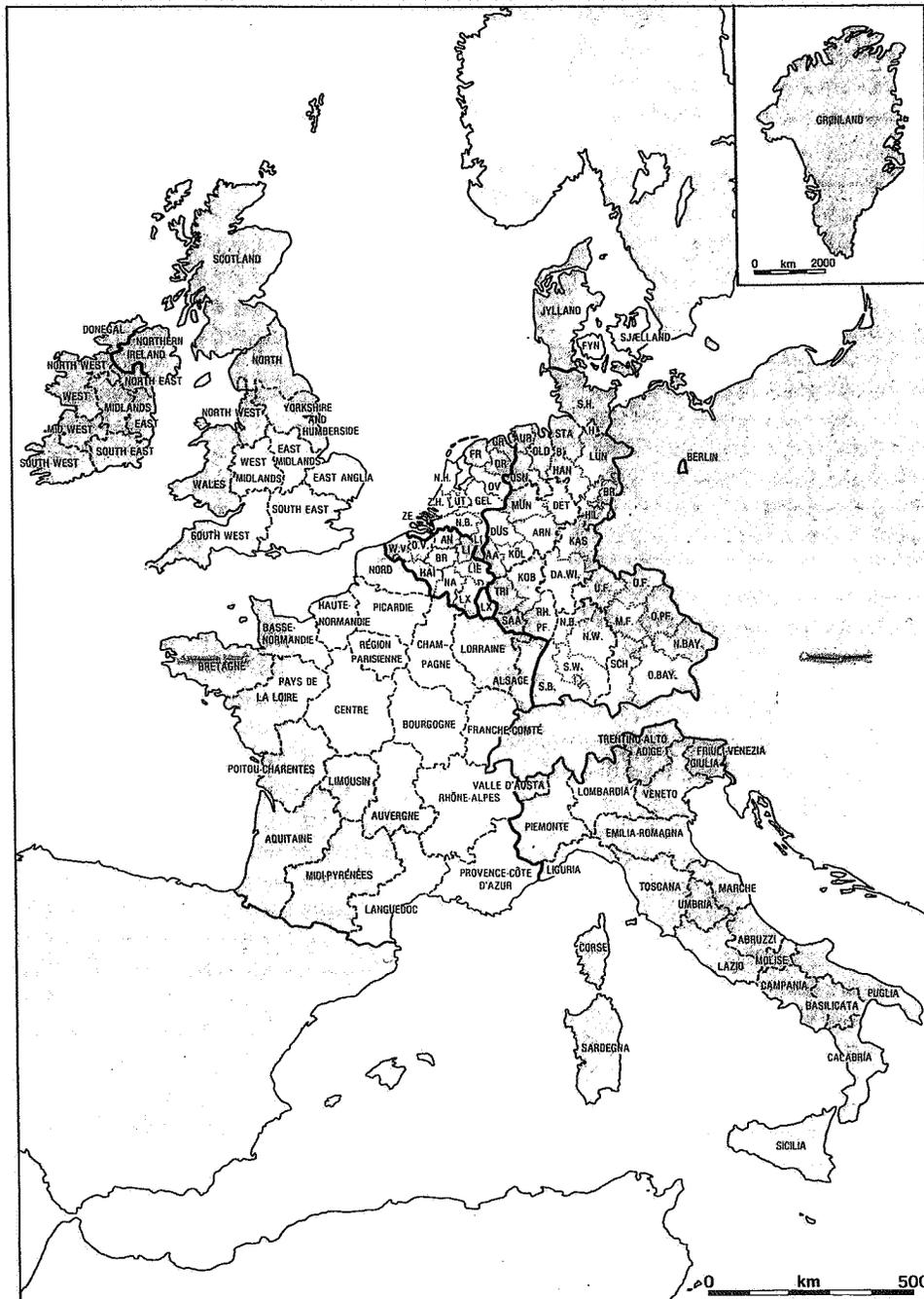
The symptoms of all these problems are similar: a high level of emigration, a high rate of unemployment or under-employment, a low level of, or rate of growth in, income. They are often accompanied by serious deficiencies in regional infrastructure.

But regional problems are not only those of under-development. At the other end of the scale are the major conurbations. Sometimes these involve very large proportions indeed of the population of Member States. For example, the Greater London area comprises 18 per cent of the population of Britain; Paris comprises 20 per cent of the French population, and Copenhagen 35 per cent of the Danish population. While these concentrations of people often reflect the most sophisticated and the most rewarding activities, the congestion which they create also leads to a continuous decline in their environment and quality of life. Thus the restoration of a better regional balance within the Community is necessary to help not only the under-developed regions but also those regions in process of expansion.

The problems of frontier regions lying between two or more Member States of the Community should also be noted. Some neighbouring



**ZONES AIDED BY MEMBER STATES OF THE EUROPEAN COMMUNITY**



6 Those regions which receive funds on the basis of national regional policies will be eligible for assistance from the European Regional Fund (see p. 10, under c).

regions are handicapped by inadequate cross-border infrastructure and by income, currency and legal differences between States.

### **3. European regions have very different standards of living**

Regional differences and problems are reflected in a great disparity in standards of living, even within a single country. In Italy, for instance, income per head in Liguria is two and a half times as much as in Calabria. As for the differences across the European Community—between Calabria in Italy or Donegal in Ireland, and Hamburg, Paris or Brussels—they are on the vastly greater scale of one to five.

A Community whose very existence implies a strong degree of mutual support between its members simply cannot accept major and lasting inequalities in living standards between its component peoples. Nor do considerations of economic efficiency render these inequalities any more acceptable; a real Common Market can only work if all the partners have equal opportunities.

### **4. National attempts to solve regional difficulties**

Every Member State of the European Community applies regional policies of one kind or another and has generally been doing so since well before the establishment of the Community. These policies could broadly be described as measures to aid the least prosperous regions of the national territory in order to create or re-establish a better balance of population, activity and prosperity. They generally centre on the promotion of regional infrastructure and the encouragement of economic activity by means of financial contributions to investment designed to provide employment.

National regional policies have produced encouraging results in some cases for the country as a whole or for certain regions of the country. But the financial resources made available to promote policies have not always been sufficient to correct the problems they have had to solve. Regional inequalities have generally been most effectively reduced in countries with the highest levels of economic development overall, whereas the poorer countries have been less successful.

### **5. European contributions to regional policy up to 1974**

The aim of the European Community's regional policy is to develop the regions located in Europe in a balanced way, or more exactly to narrow the gaps that there are between the levels of development of the various regions.

Until the end of 1974, the Community was able to use financial resources only in specific and limited fields in order to support national

regional policies. These resources were not in themselves insignificant. They comprised:

- 160 loans for the conversion of coal mining and steel producing regions amounting to £154.6 million;
- 419 loans from the European Investment Bank to the less prosperous regions totalling £1 652 million;
- 3 998 grants for the modernisation of agricultural areas of £428.7 million;
- grants for the retraining and resettlement of 3 500 000 workers amounting to £507 million.

Since 1971 the Community has also operated a scheme for co-ordinating national regional aids in order to avoid the abuse of financial incentives to attract investment. This co-ordination takes into account the respective problems of the various regions of the Community as well as their geographical situation. A ceiling to aid levels has been fixed on a sliding scale to correspond with the relative gravity of economic conditions in the different regions of the Community.

## II. The new policy

The Heads of Government of the European Community have now decided to take the first steps designed to make a direct contribution towards reducing the Community's regional imbalances. At the beginning of 1975 new measures were adopted as the basis of a new European regional policy.

The policy will centre round two new instruments: the European Regional Development Fund and the Regional Policy Committee.

*The European Regional Development Fund* is intended to be a source of grants to industrial, handicraft and service activity, and to infrastructure, and its resources will be spent in those areas which are covered by national regional policies.

*The Regional Policy Committee* is an advisory body which will have the task of considering problems of regional policy as a whole and in particular co-ordinating national and Community regional policies.

### 1. The European Development Fund

#### a) *Volume*

The European Regional Development Fund is to have £541 665 000 for its first three years, as follows: £125 million in 1975, £208 million in 1976, £208 million in 1977.

b) *Distribution by countries*

In order to take account of the respective regional problems of Member States, the resources of the Fund will be distributed as follows: Italy 40 per cent, United Kingdom 28 per cent, France 15 per cent, Federal Republic of Germany 6.4 per cent, Ireland 6 per cent<sup>1</sup>, Netherlands 1.7 per cent, Belgium 1.5 per cent, Denmark 1.3 per cent, Luxembourg 0.1 per cent.

c) *To which regions?*

Those regions which receive funds on the basis of national regional policies will be eligible for assistance from the Regional Fund. However, since the Fund's resources are limited, priority will be given to investment falling within national priority areas. In practice, therefore, aid from the Fund will go as a priority to the following regions: Southern Italy; Ireland; Northern Ireland, and the special development and development areas in Great Britain; the West and the South West of France; the regions on the eastern frontier of the Federal Republic of Germany, the mining areas and some farming areas of Belgium and Luxembourg; the North of the Netherlands; Greenland.

Investment in the French overseas departments (Martinique, Guadeloupe, French Guiana and Réunion) will also be eligible for the Fund's assistance.

d) *General rules of financing*

Of course the Regional Development Fund is not intended to be the only regional development mechanism inside the Community. Countries will continue to aid their own regions; the Fund is no substitute for their efforts. Its object is to help countries to do more than they can accomplish on their own. It is an additional aid to measures they initiate themselves.

Requests for contributions from the Fund are made not by investors themselves but by the Governments of Member countries on their behalf. This procedure has been decided on in order to make national regional policies and that of the Community consistent with each other.

The Fund is designed to act as an incentive to increase investment in respect of both economic activity and infrastructure. Each investment it contributes to must exceed £20 833.

<sup>1</sup> Further, a sum of £2 499 960 over three years will be granted to Ireland, to be deducted from the share of other Member States with the exception of Italy.

e) *Financing industry, handicraft, and the service sector*

In the first instance, contributions may be made from the Fund to investments in industrial, handicraft or service activities.

Investments assisted must benefit from State regional aids and must contribute to creating at least 10 new jobs or to maintaining existing jobs.

Service activities qualifying for aid must either be concerned with tourism or have chosen to settle in the region in question.

Investments may receive a contribution from the Fund of 20 per cent of the investment cost, or 50 per cent of the aid from public authorities under national regional policy, whichever is the less. In calculating the 20 per cent figure, only the first £41 667 of investment per job created and £20 833 of investment per job maintained will be taken into account. In calculating the 50 per cent figure, the national aids taken into consideration are grants and interest rebates or their equivalent.

The contribution from the Fund may, according to a decision of the Government concerned, either supplement or be substituted for aid granted to the relevant investment by public authorities.

f) *Financing infrastructure*

Infrastructure is the second field of activity qualifying for a contribution from the Fund.

The eligible categories of infrastructure are:

- items directly linked with the development of industrial, handicraft or service activity and totally or partially financed by public authorities. Industrial estates, for example, fall within this category;
- certain items required for mountain and hill farming and farming in certain less favoured areas.

In both cases, the contribution from the Fund may be:

- 30 per cent of expenditure incurred when the investment is less than £4 166 667;
- 10 to 30 per cent for investments of £4 166 667 or more.

The contribution from the Fund may consist wholly or in part of an interest rebate of three percentage points on loans made by the European Investment Bank.

g) *Criteria for assessing applications*

Applications submitted to the Commission for a contribution from the Fund will be assessed on merit.

Applications will need to indicate the consistency of the investment with the range of actions undertaken by the Member State, the contribu-

tion of the investment to the economic development of the region, its impact on employment, and the situation of the economic sector concerned. Among criteria for consideration of a request, special attention will be given, where appropriate, to an investment falling within a frontier area and therefore reflecting some form of collaboration between Member States.

Decisions or applications will also be taken in the light of any other financial contribution to investments in the region by either the public authorities concerned, or by the Community through its various mechanisms (Coal and Steel Funds, Agricultural Fund, Social Fund, the European Investment Bank). The effective co-ordination of these different kinds of assistance will be a key element in the conduct of the Community's regional policy.

#### *h) Regional programming*

Projects will have to fall within a regional development programme in order to qualify for assistance from the Fund. By a regional programme is meant precise indications of the planning objectives in the region, and the means available or required to further them.

The Regional Policy Committee will have to suggest methods for preparing these programmes before the end of 1975. The Commission will consult the Committee on programmes presented by Member States in support of their applications for contributions from the Regional Development Fund.

It has been agreed that Member States will make available to the Commission programmes in respect of all their assisted regions before the end of 1977. Until then Member States will send annual reports to the Commission describing the economic and social situation in the regions and the regional measures which they are applying.

## **2. The Regional Policy Committee**

The Regional Policy Committee is the second instrument of the new European regional policy.

This is a consultative body consisting of senior officials responsible for regional policy in Member States and in the Commission. The Committee may be assisted by experts. The Committee may also consult interested parties from the regions and from trade unions and business organisations.

The Committee will have a wide range of tasks and, generally speaking nothing of a regional character will be outside its scope. Nevertheless its task may be defined as one of comparing and co-ordinating regional policies, and defining regional objectives for the Community. The initial work of the Committee can be outlined as follows:

## European aids in Ireland

During its first two years of membership of the European Community, Ireland received a total in grants and subsidies from the Community of approximately £114 million. In addition, it received more than £36 million in low interest loans from the European Investment Bank and the European Coal and Steel Community. The bulk of the money came from the Guarantee Section of FEOGA (the Farm Fund) to support Intervention, but grants and subsidies were also approved from the Guidance Section (almost £4 million), from the European Social Fund (approximately £7.5 million) and for various regional studies, all of which went towards helping combat some of Ireland's regional problems.

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