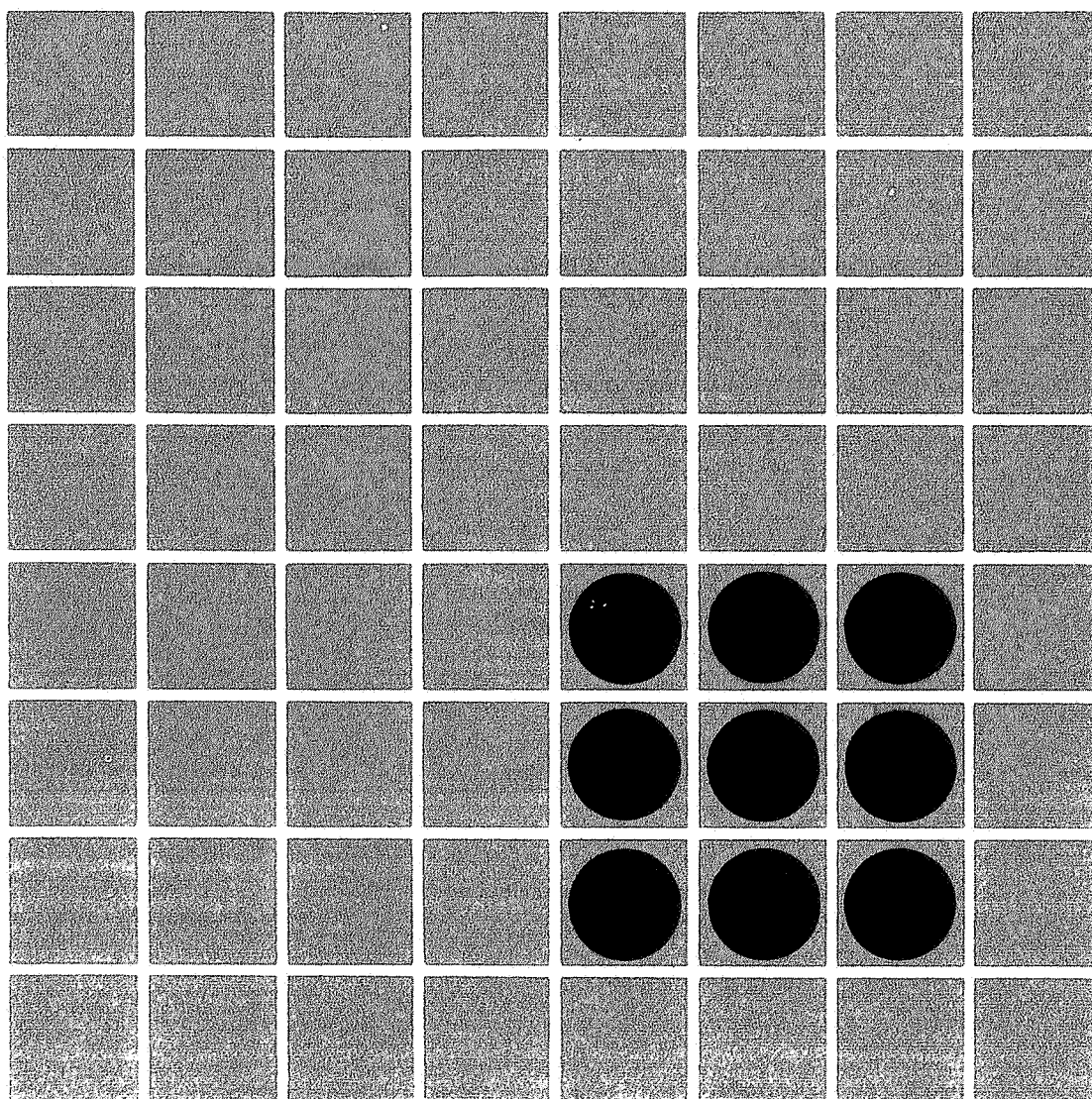


# The Community and its regions



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and its regions**

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## I — THE REGIONS AND THEIR PROBLEMS

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

With a surface area of 1.6 million square kilometres (not including Greenland) the European 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.

In the world-wide context, the European Community lives within comparatively narrow frontiers; yet it has a wide variety of climate, of landscape, of people 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 coalmines 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 Rhône; 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 4 000 inhabitants per square kilometre; the Alpine regions with fifteen inhabitants per square kilometre; 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.

### *... and in regional problems*

By world standards of economic development, the Community appears a relatively homogeneous and prosperous whole. But at regional level its disparities are glaring. Gross domestic product per person — the usual measure of relative prosperity — in the Community's richest regions, Hamburg and Paris, is some five or six times higher than in the poorest regions of Calabria in the south of Italy and Donegal in the west of Ireland. Exchange-rate fluctuations make precise comparisons difficult, but it is clear that the differences are enormous.

## **2. Rural underdevelopment**

The Community has two main types of problem region: agricultural and industrial. The former are underdeveloped rural areas where employment and prosperity are still largely dependent on farming which often provides 20 to 40% of all jobs — as against an average of some 8% for the Community as a whole. They are situated mainly in the south of Italy, the west of Ireland and the west and south-west of France, but similar problems exist, though on a lesser scale, in parts of Scotland and Wales, and in Bavaria.

Much of the farming in such regions is based on tiny holdings far too small and under-capitalized to be economically viable or even to provide really full-time occupation, let alone a reasonable level of income, for one person. Italy is the extreme case where for the country as a whole the average farm comprises around 8 ha of land. In the poorer regions it will be much smaller still. This compares with a Community average of just under 17 ha and at the other extreme, 65 ha in the United Kingdom.

In the last twenty-five years employment in agriculture inside the Community has fallen by over 60%, or more than 13 million workers. The exodus from farming, while necessary if agriculture is to be made economic, brings its problems however. It is always the younger elements who leave the land, with the consequence that the vast majority of those left in farming in the poorer regions are fairly old and less likely to accept change and new ideas. In earlier years many of those who left agriculture emigrated to the industrialized regions of their own countries, or of other Community countries, where there was a shortage of manpower. This clearly did not provide a satisfactory long-term solution, but at least helped in the short term. But since the economic crisis of 1973 has led to high rates of unemployment throughout the Community, even this temporary remedy has largely disappeared; indeed, lack of jobs in the richer areas has meant that many migrants have returned to their own regions, further aggravating unemployment there. The problem for these rural regions is not then just that of how to modernize agriculture, but how to create alternative job possibilities in other sectors.

Because of their poverty these underdeveloped agricultural regions usually suffer also from very inadequate public infrastructure: roads, schools, hospitals, water supply, and so on. In addition some of them suffer from major disadvantages of geography and climate. In Italy in particular, the southern regions are largely mountainous and suffer from chronic shortage of water. And all of them tend to be on the periphery of both the country concerned and the Community as a whole — and long distances from the main centres of economic activity and consumption make it even more difficult to attract new, non-agricultural investment. In short, these regions are characterized by an overdependence on farming which is often uneconomic, high levels of emigration, of unemployment and of under-employment, low levels of income, and inadequate infrastructure.

## **3. Industrial decline**

The other type of problem region is characterized by the decline of traditional industrial activities, requiring widespread industrial change and re-equipment. In many cases the decline of traditional industries is due to the exhaustion of raw materials or to competition

from other countries or from rival products aggravated now by the general economic crisis. The most quoted example today is perhaps that of the steel industry; between 1974 and 1977 its production fell by 11% and its level of employment by 10% — some 64 000 jobs lost — in the Community as a whole. But this decline also affects many other branches of industry such as coal, textiles and shipbuilding. The regions which have suffered particularly badly in this respect are mainly in the United Kingdom, in particular in west-central Scotland, South Wales, Northern Ireland and the north and north-west of England. Like many of the underdeveloped agricultural regions, these parts of the United Kingdom tend also to be near the periphery of the Community. Similar regions exist also in southern and eastern Belgium, in the Limburg province of the Netherlands, in parts of the Ruhr and the Saar in the FR of Germany, and in northern and eastern France.

The problems of this type of region are characterized above all by high unemployment but also by emigration, an inability to modernize infrastructures and daunting environmental problems stemming from the very success of uncontrolled industrial development in earlier years. These are aggravated by the fact that the accelerating pace of industrial and technological change and the general economic difficulties of recent years are now creating high unemployment in other industries and regions.

#### **4. Congested cities**

Linked with and to a considerable extent caused by the division of much of the Community between poor agricultural areas and highly industrialized ones, are the further problems of congestion, pollution and general environmental decline seen in the Community's more densely populated urban areas. Though major conurbations do exist in the poorer regions — Naples, in the predominantly agricultural south of Italy, Glasgow and Liverpool, in the declining industrial areas of the United Kingdom — most are to be found in richer and more central parts of the Community.

Sometimes these conurbations involve very large proportions indeed of the population and economic activity of Member States. The Paris region houses 19% of the French population, and produces 22% of the jobs, on about 2% of the national territory; it also produces 30% of the national product. The Rhine-Ruhr area of the FR of Germany also comprises 15% of the national population, the London metropolitan area 23%, greater Copenhagen 35% and the Randstad (the Amsterdam-Rotterdam-Utrecht triangle in the Netherlands) 46%.

While these concentrations of people often reflect the most sophisticated and the most rewarding activities, the congestion which they create also leads to continuous decline in their environment and quality of life, and within many of them there are major problems of inner-city decay and substantial pockets of poverty as older industries decline and the newer ones prefer to set up less congested and more agreeable surroundings.

There is then a double problem concerning such areas: how to divert new economic activity away from them both to reduce congestion there and to stimulate growth in the less-developed regions; but at the same time to redevelop the declining inner areas which many conurbations possess.

## **5. Frontier regions**

Finally there are the regions lying across the Community's internal borders. Some neighbouring regions are handicapped by inadequate cross-border infrastructure and by income, currency and legal differences between States. This problem can be particularly acute where large numbers of people cross from one country to another every day in going to and from their work. Other frontier regions are linked by their common problems, to which they feel they must find common solutions: for example the Saar in the FR of Germany, Lorraine in France and the southern part of Luxembourg are faced with the same problems because of their common dependence on the steel industry.

## **6. New regional problems**

The different problems referred to above are well-known; in many areas they have existed for many years, despite the efforts of the various authorities involved to overcome them. But two new factors now threaten both to aggravate existing difficulties and create new ones.

Firstly, despite the signs that economic growth is beginning to pick up in the Community generally, the trend is still extremely slow and likely to remain so over the next few years. One can certainly not simply hope that its impact will be sufficient to reduce the gaps between richer and poorer regions. This situation is made worse, on the one hand, because population growth — and consequently the need for new jobs — will be greatest over the next decade precisely in the peripheral rural regions where creating new jobs is the most difficult, and on the other, because the older industrial areas will face growing competition from outside the Community, especially as Third-World countries develop their own industries.

Secondly, the Community is on the threshold of expanding from its present nine members to become twelve. The Treaty which will bring Greece into the Community in 1981 has already been signed; and negotiations on Portuguese and Spanish membership are well under way. The differences in the gross domestic product per head of the richest and poorest regions — already of the order of 5 or 6 to 1 within the Nine — will increase to around 12 to 1. And the new member countries will not only bring their own major economic problems into the Community, they also threaten to aggravate those of the poorest regions of the present nine member countries, especially in the south of Italy, whose main products, such as wine and citrus fruits, will have to face the added competition of similar goods from the three new members.

## **II — WHY A COMMUNITY REGIONAL POLICY IS SO NECESSARY**

It is difficult to believe that the Community will develop much further towards a real European union of peoples unless its different levels of regional prosperity can be brought within reasonable limits. First, the underprivileged farm-worker of southern Italy or Ireland, the out-of-work steelworker or shipyard worker of Scotland — to mention but some of the extreme cases — none of them will have an interest in a Community which seems to condemn them and their families to perpetual poverty as second-class citizens.



Second, persistent and growing regional disparities mean that the governments cannot possibly follow the convergent, coordinated economic policies without which further Community integration simply cannot come about. And third, neither the national nor the Community economy can afford the continued wastage of resources — in terms of people, of money, and of skills — which the present regional inequalities have involved over long years.

So, in terms of hard economics and of its own future development and even existence, the Community has no choice but to accept responsibility, shared with national and regional authorities of course, for the extremely difficult task of bringing the economies of its various regions more closely into line.

### III — WHAT THE COMMUNITY CAN DO

Every Member State of the European Community uses regional development policies of one kind or another, and most have been doing so since long before the establishment of the Community. These policies aim generally to help develop the least-prosperous regions of the national territory by a transfer of resources from the richer regions in order to create or re-establish a better balance of population, activity and prosperity. This is done above all by the promotion of regional infrastructure and by financial aids (investment grants, tax incentives, low-interest loans, etc.) to attract new investments into the areas concerned, and in particular investments which will create jobs.

Certain governments, the French and British for some time, the Dutch and Italian more recently, also use disincentive measures to curb investment in highly-developed areas — partly to ease congestion there, partly to encourage the transfer of investment to the less-developed regions.

It is clear that the principal responsibility for helping the regions will and must remain with the regions themselves, and the national authorities. But the Community has a real role to play as well. It seeks to do three things:

- to ensure that all its policy decisions, in all fields which affect the regions, take proper account of the regional interest and wherever possible help to narrow the gap between regions;
- to add its own financial effort to that of national, regional and local authorities by effecting a transfer of resources to those Member States which have to face the greatest regional difficulties; but also to make a direct contribution to help solve certain regional problems for which it has to accept a special and direct responsibility;
- to compare and contrast national regional development policies, and where it is necessary and appropriate, to coordinate them by formulating guidelines and establishing priorities at Community level.

#### 1. The regional impact of Community decisions

Regional policy is concerned with everything which affects the development of the regions. While in certain of its aspects it is a separate policy, it must at the same time be seen as the regional dimension of all other policies.

Nearly all Community decisions — be they in the field of agriculture, fishing industrial policy, external trade, the entry of new member countries, or whatever — have their consequences for at least some of the less-favoured regions. Thus, for example, decisions on food prices affect not only the consumer but are crucially important to the poorer agricultural regions of Italy, France and Ireland; the common fisheries policy has a direct impact on those areas of Scotland particularly dependent on fishing; a more generous attitude to the import of textiles goods from Asia is of immediate concern to textile-producing areas like Northern Ireland; the entry of Greece, Spain and Portugal into the Community, and trade agreements with other Mediterranean countries, will bring into the Community wine and citrus fruits which compete directly with that produced in southern Italy.

In some instances Community actions in these various fields can be so designed as to bring positive advantages to the less-favoured regions. In other cases the regional consequences may be adverse, even if the measures involved are in the interest of the Community as a whole, or for example, in that of the developing countries overseas. Clearly, the interest of one region cannot determine what is good for the whole Community, but the Community must be aware of the regional consequences of its decisions, and if adverse effects are likely, must take appropriate action to ensure that the regions concerned do not alone bear the cost.

This sort of regional impact assessment is now undertaken systematically by the Commission in the preparation of the measures it proposes to the Council of Ministers, and the Council has in turn undertaken to take account of regional interests in its decisions.

## 2. The Community's financial effort to date

The principal Community instrument of regional development is clearly its Regional Fund, which was established in 1975 and spends all its money in the development regions. But other and older funds also exist which, though their aims are exclusively regional, have a significant impact on the regions and in some cases spend most of their money on schemes in the less prosperous areas. Taken together their resources are considerable. Up to the end of 1978 they had made the following loans and grants (the figures are only approximate due to exchange rate variations over the years):<sup>1</sup>

*The European Coal and Steel Community (ECSC)* has made loans totalling over 5 500 million EUA to help modernize the coal and steel industries or to attract new job-creating industries in coal and steel regions. Such loans totalled almost 800 million EUA in 1978. For example, in 1978 the Community made loans of 80 million EUA to Peugeot-Citroën for a new factory near Hagondange and the extension of an existing one at Metz,

<sup>1</sup> As at 1 October 1979 1 EUA =

BFR/LFR	40.2181	LIT	1,146.43
DKR	7.27003	HFL	2.76031
DM	2.48536	UKL	0.652555
FF	5.84164	USD	1.43125
IRL	0.669120		

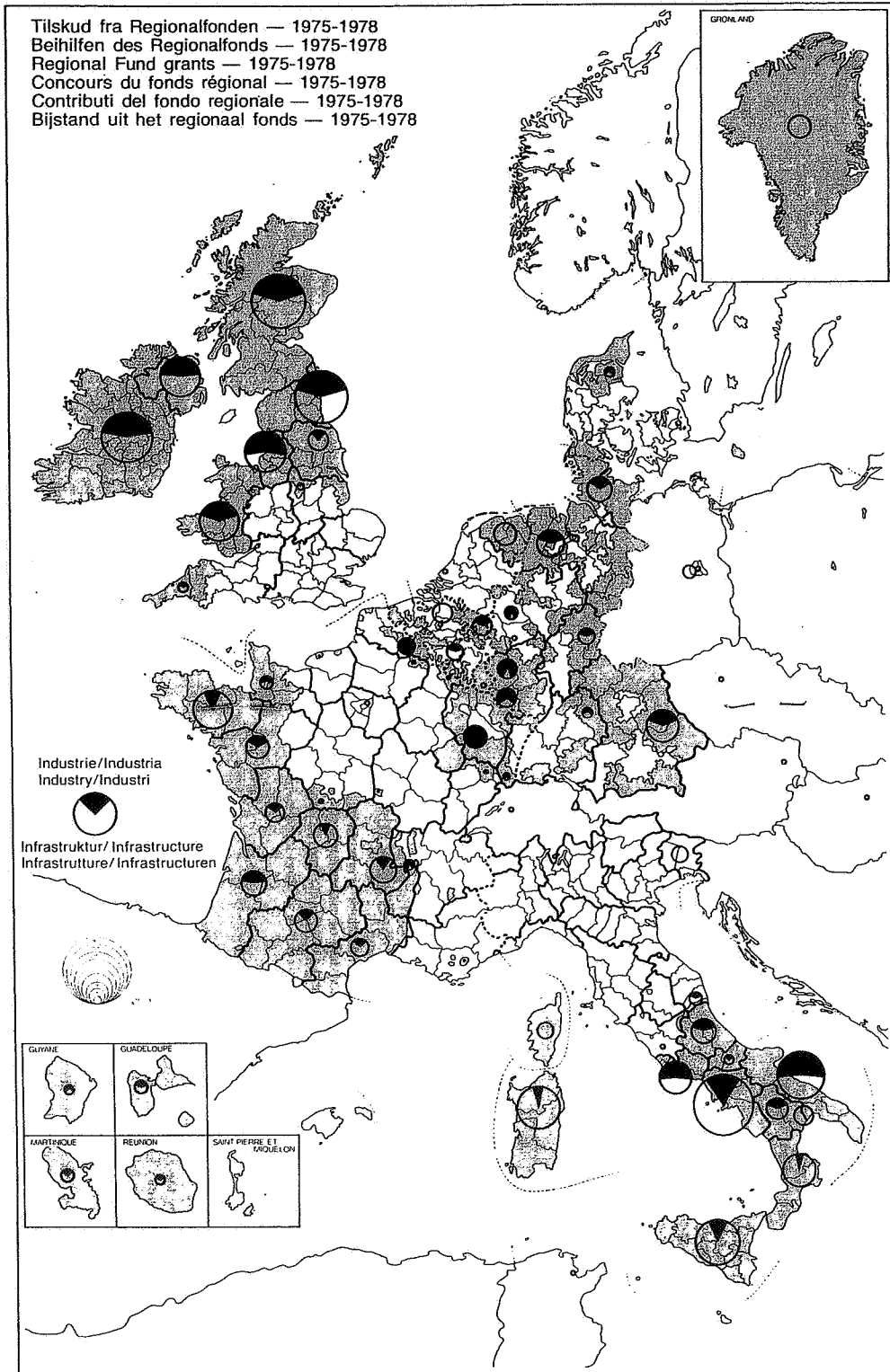
both in Lorraine. These new investments should create around 4 000 new jobs in an area where unemployment is very high because of the difficulties of the steel industry.

*The European Investment Bank (EIB)*, has made available over 10 500 million EUA in loans, the bulk of it for regional development purposes. In 1978 nearly 1 500 million EUA (74% of the value of all loans made during the year) went for regional development projects. The British Steel Corporation, for instance, has received loans of over 300 million EUA since 1973 for the modernization of various steel plants in different parts of the UK. In particular, the Ravenscraig steelworks at Motherwell in Scotland has benefited from loans totalling 98 million EUA. The Bank also lends money for improving public infrastructures: for example, a loan of 30 million EUA in 1977 towards the cost of the River Sinni dam and water supply system which will bring much needed water to some of the most parched parts of Apulia and Calabria.

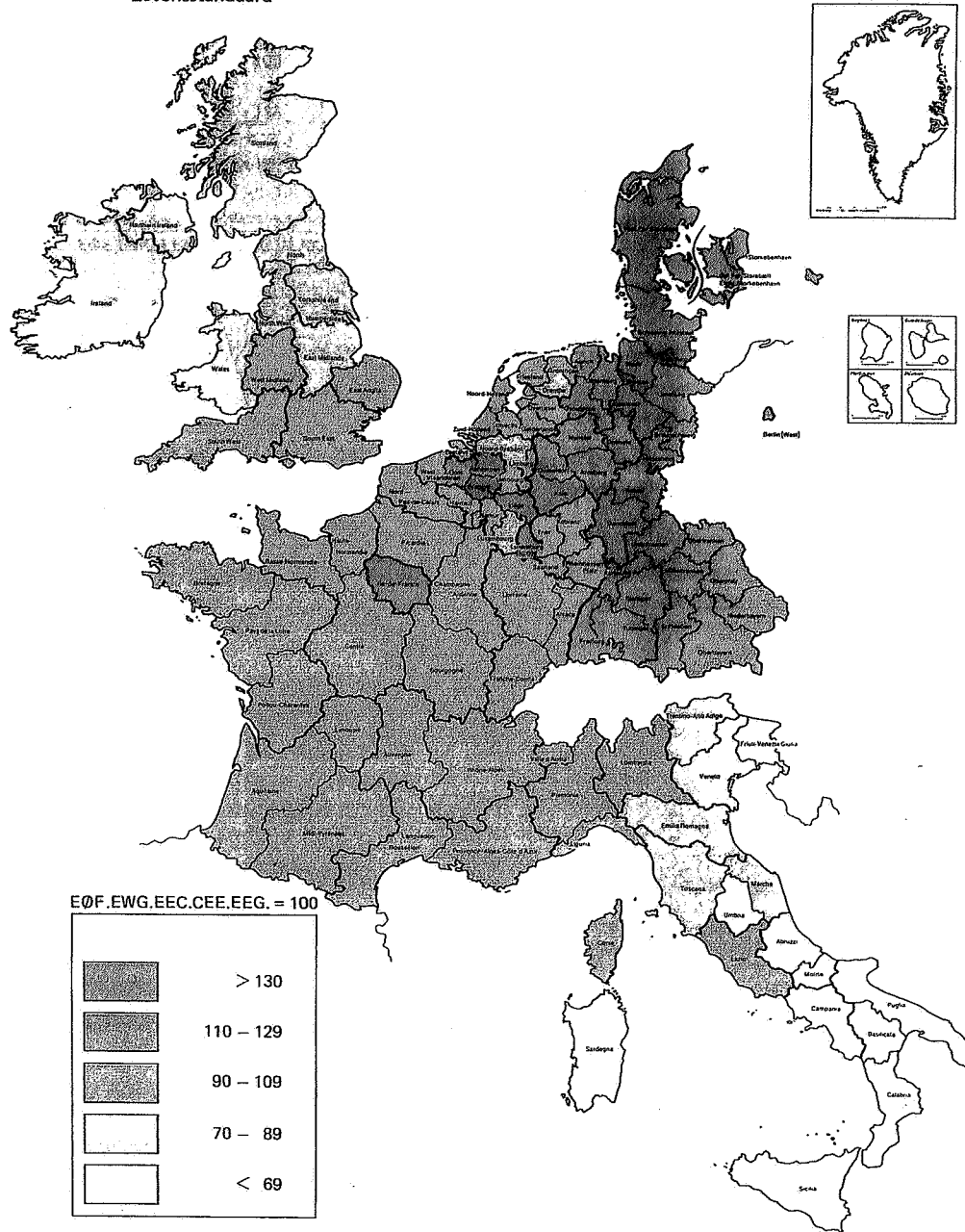
*The European Social Fund (ESF)* and the European Coal and Steel Community have together made grants totalling more than 1 600 million EUA for training and retraining workers otherwise unable to obtain jobs. Grants made in 1978 totalled over 600 million EUA of which three-quarters went for training schemes in the poorer regions; and since that year the Social Fund has been able to offer grants in the most disadvantaged regions at higher rates than elsewhere. Most of the money goes to help nationally-run training and retraining schemes, but local authorities and companies can receive assistance too. Thus, for example, the 47 million EUA granted in 1977 for schemes in Ireland ranged from a total of 23 million EUA for programmes involving the training of almost 23 000 people — run by the Industrial Training Agency, a national body, to a grant of 42 000 EUA for training forty-eight handicapped workers in a private firm in Sligo, in the north west. Social Fund help, like that of the Agricultural and Regional Funds (see below) is always in the form of non-repayable grants.

*The Guidance Section of the European Agricultural Fund (EAGGF)* has to date spent over 1 700 million EUA in the form of individual grants to help modernize the structure of agricultural production and distribution. In addition, grants are made, via the national authorities, for schemes designed to encourage the amalgamation of very small farms, the formation of cooperatives, training in modern management and production techniques and early retirement for those wishing to leave farming; negotiations are currently under way to modify the rules so that a greater share of the available resources can go to the poorer agricultural areas. Another scheme provides assistance for farmers who face special handicaps in hill-farming or other difficult areas. A variety of new programmes were begun in 1978, mainly to improve agricultural conditions in the Mediterranean regions, plus a special land drainage programme in the west of Ireland. And in early 1979 the Commission put forward more programmes to help certain areas of Italy and Ireland, Greenland, the Western Isles of Scotland, the Lozère département in France, and part of the Belgian Ardennes area. All in all, the resources available to the Agricultural Fund for agricultural improvement have increased substantially and now run to around 500 million EUA per year, with in recent years a much higher proportion going to the less prosperous areas.

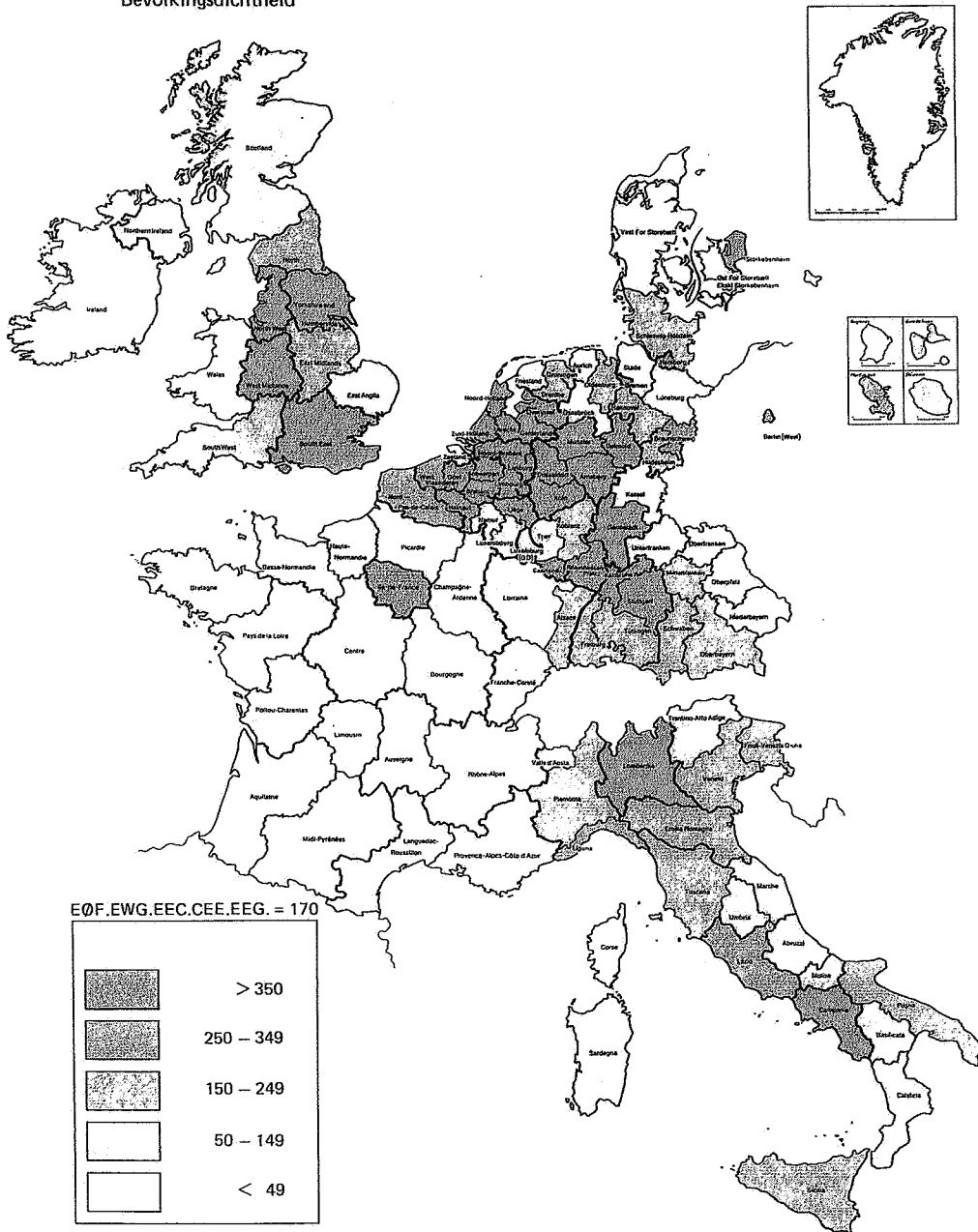
Over the four years from mid-1975 to mid-1979 *the European Regional Development Fund* has awarded grants totalling over 1 700 million EUA to help encourage new industrial investment and improve public infrastructures in the Community's problem regions. A



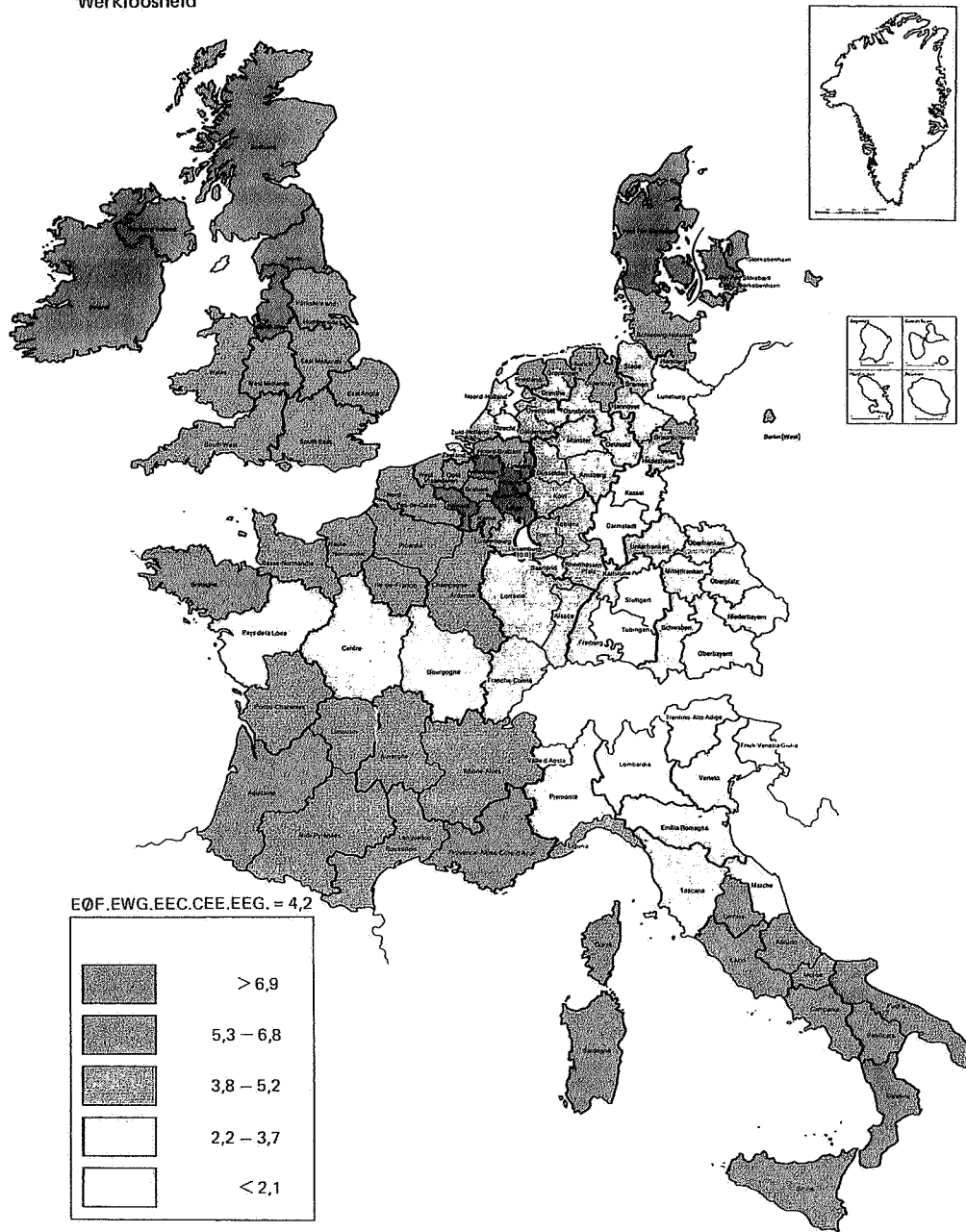
Levestandard  
 Lebensstandard  
 Living standards  
 Niveau de vie  
 Tenore di vita  
 Levensstandaard



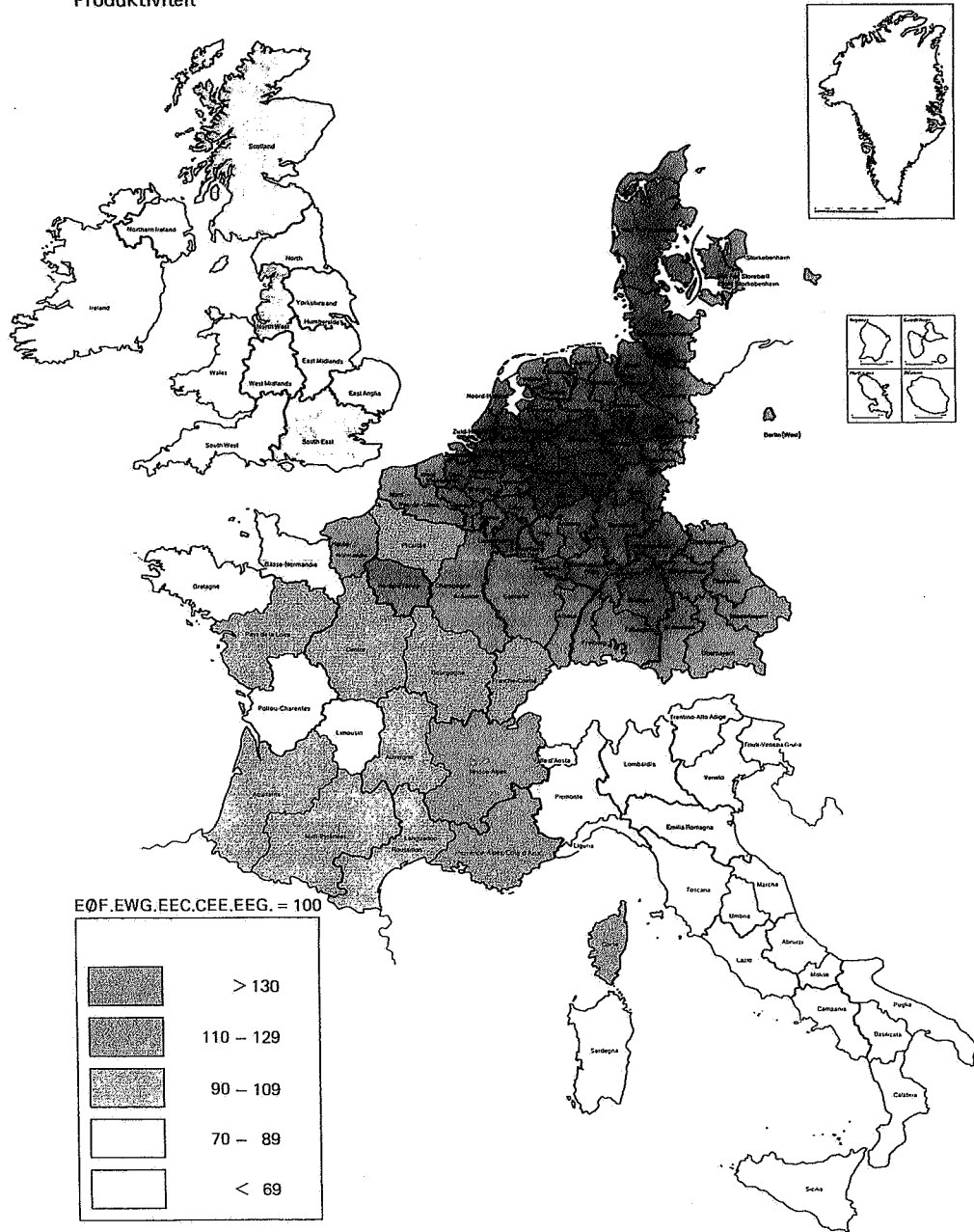
Befolkningstæthed  
 Bevolkerungsdichte  
 Population density  
 Densite de la population  
 Densità della popolazione  
 Bevolkingsdichtheid



Arbejdsløshed  
 Arbeitslosigkeit  
 Unemployment  
 Chômage  
 Disoccupazione  
 Werkloosheid



Produktivitet  
 Produktivität  
 Productivity  
 Productivité  
 Produktività  
 Produktiviteit





more detailed account of how the Regional Fund works, and examples of grants it has made are given below.

In addition to these various funds, the Community has just established two new financial instruments: a new loan facility, managed jointly by the Commission and the Investment Bank, which will concentrate initially on helping investments in the energy and energy-saving fields, though again with particular attention paid to regional needs; and the special Fund linked with the European Monetary System, which will help improve public infrastructure in the south of Italy and in Ireland.

Community resources are not therefore negligible, and a very large part of the total goes to help develop the less-favoured regions. Nevertheless, the impact to date has not been sufficient in view of the scale of the problems faced, and has been further reduced because many of the grants and loans have been scattered over a very wide field, rather than concentrated on the areas of greatest need. In addition, Community assistance can of course have a much greater beneficial effect on the regions if the operations of the various instruments are closely coordinated. In concrete terms this means, for example, ensuring that the training schemes supported by the Social Fund can provide the appropriate skills for the new jobs created with the aid of the Regional Fund, which might also, along with the Investment Bank, help pay for the roads, water and electricity supply and telecommunications network which the new factories will need. Much greater emphasis is now being placed on this form of coordination.

### **3. The European Regional Development Fund**

The Regional Fund was established in March 1975, and made its first grants in October of that year. It had an initial allocation of 960 million EUA for 1975-77. The allocation of 581 million EUA for 1978 alone was a substantial increase, and as a result of pressure from the European Parliament its budget for 1979 has been increased to 945 million EUA.

In early 1979 various changes were made to the rules of the Fund, which is now divided into two parts: the largest part continues to operate under a system of national quotas — though these quotas themselves have been slightly modified; and a new 'quota-free' section has been created.

#### *The 'quota section' of the Fund*

At present by far the larger part of the Regional Fund, the 'quota' section, is an instrument through which the Community provides additional financial support for regional development measures undertaken by the authorities of the Member States. To take account of the relative gravity of each country's regional problems the resources of the Fund, after the 1979 changes, are distributed as follows: Italy 39.39%, United Kingdom 27.03%, France 16.86%, Ireland 6%, FR of Germany 6.4%, Netherlands 1.58%, Belgium 1.39%, Denmark 1.2%, Luxembourg 0.09%.

Regional Fund priority areas are the same as nationally-defined priority areas. So aid goes mainly 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 FR of Germany; the older industrial areas and farming areas of Belgium and Luxembourg; the north of the Netherlands; Greenland. The map on pages 12 and 13 shows how this has worked out in practice so far.

It is clearly in the interest of the regions concerned that Community and national regional policy measures are properly coordinated. To ensure that this is done, the Regional Fund only helps investments which are also in receipt of national public funds. Under the 'quota' section, applications for Fund assistance are made by the governments, after they have done a pre-selection among the suitable projects. This procedure not only ensures coordination but makes sense since, at its present size, the Fund would have to turn down an enormous number of applications if they came direct.

The 'quota' section makes grants to two types of investment projects:

- industry and service sector investments which create new jobs or are necessary to guarantee existing ones; typically, this means a new factory or the extension or modernization of an existing one. Fund aid can go up to 20% of the investment cost or 50% of national public aid, but is also related to the number of jobs created.
- infrastructure investments which contribute to the development of the region. This usually involves roads, telecommunications, water supply, etc. Fund help normally goes up to 30% of the cost of the investment, but in exceptional circumstances can be 40%.

When the Commission has approved a project submitted for grant — this usually takes about two months — the money is then paid over to the government concerned. The government has the choice of passing on the grant to the investor concerned (industrialist, local authority, etc.), or using it as part reimbursement of the national aid or public expenditure on the project. In practice all governments use the second alternative for industrial investments. This is acceptable as long as the money received is then genuinely used for other regional development purposes. The Regional Fund's aim is after all not just to provide more generous help to a static number of investors; but to make a larger total sum available to encourage additional investment and thus to create more jobs. For infrastructure investments Fund grants are in most cases passed on to the authorities directly responsible.

By mid-1979 the Fund had made grants totalling 1 725 million EUA in respect of investment projects in the nine countries. The breakdown is given in the following table:

**Regional Fund grants to June 1979**

	No of investment projects	Regional Fund aid (million EUA)
Belgium	139	30
Denmark	191	27
FR of Germany	1 029	187
France	1 057	269
Ireland	425	112
Italy	1 606	612
Luxembourg	3	2
Netherlands	22	40
United Kingdom	2 320	446
Total	6 792	1 725

### *Examples of Regional Fund grants to date*

*Belgium:* a grant of 1.5 million EUA for improving the water-supply system in various parts of the central Ardennes area.

*Denmark:* 3.5 million EUA towards the cost of building a new airport at Godthåb, in Greenland.

*FR of Germany:* two grants totalling 1.7 million EUA for the extension of Schott-Zwiesel glassworks at Zwiesel in Lower Bavaria, a few kilometres from the German/Czechoslovak border.

*France:* grants totalling 46 million EUA to help finance different parts of the road development programme for Brittany.

*Ireland:* grants totalling over 10 million EUA for harbour development works and the related water-supply scheme at Cork, in the south of the Republic, and a grant of 2 million EUA towards building a new plastics factory in Donegal in the north-west.

*Italy:* grants of 28 million EUA for a new Fiat factory making diesel engines at Foggia in Apulia, and 26 million EUA towards the depollution of the Bay of Naples.

*Luxembourg:* two grants totalling 1.6 million EUA towards the cost of improved tourist facilities at Echternach.

*Netherlands:* grants totalling 7.3 million EUA towards the cost of various road improvement schemes in South Limburg.

*United Kingdom:* a grant of 4.6 million EUA for Hoover Ltd to help expand its factory at Merthyr Tydfil, South Wales, and a series of grants totalling almost 45 million EUA for the Kielder reservoir scheme, in Northumberland, which will bring additional water supplies needed in Newcastle and the other industrial towns of the north-east coast of England.

### *The new 'quota-free' section*

The 'quota-free' section of the Regional Fund was approved only in February 1979. The new section is seen as the beginning of an instrument of Community regional policy, rather than a mechanism which simply provides support for national regional development measures. It will be used to finance, jointly with the national authorities and in close coordination with the Communities' other financial instruments, specific Community regional development measures. These measures will seek to help overcome problems which are associated with Community decisions in other fields (agriculture or external trade, for example), or with changing world-wide economic circumstances, or with proximity to the Community's internal frontiers. The Community accepts that it has a special responsibility to provide help in such cases. The Commission will put forward, as and when necessary, special action proposals to meet the problems which arise.

At the time of writing, the Community had just proposed to the Council a first series of specific Community actions to be financed by the 'quota-free' section. The mechanisms differ from those of the quota section in that under these new actions the Fund will finance not just individual investment schemes but overall development programmes including a

variety of measures which were not eligible before, such as aids for management training, market research and industrial innovation designed to stimulate local small firms. At a cost of 220 million EUA, these actions are intended to help stimulate the development of certain specific areas:

- areas particularly affected by the enlargement of the Community (the south of Italy and the Aquitaine, Midi-Pyrénées and Languedoc-Roussillon regions in France);
- areas affected by the difficulties of the steel and shipbuilding industries in the United Kingdom (Strathclyde in Scotland, parts of north and south Wales, the Tyne and Wear, Cleveland, Merseyside and Corby areas in England, and Belfast in Northern Ireland);
- the mountainous areas of southern Italy which suffer from special energy-supply problems;
- the frontier regions of Ireland and Northern Ireland.

The national quota system has been abandoned for these new measures, since it is impossible to predict where the problems will arise. For the same reason the new section will be to grant assistance anywhere in the Community — outside nationally aided regions if necessary though it is likely, at least initially, that grants will concentrate on areas within these regions. Until 1980 expenditure under the 'quota-free' section is limited to 5% of total Regional Fund resources. This is clearly a very modest ceiling, and the Commission will have to be highly selective in the initial programmes it puts forward. But the important principle of direct Community responsibility has now been accepted by all; the foundation has been laid on which a real instrument of Community regional policy has to be built.

#### **4. Regional programmes**

Since 1978 Regional Fund grants have only been available to help investments in the seventy-five regions for which the Member States have submitted a regional development programme. The programmes have a triple role:

- to provide a reference framework within which the Commission can assess the schemes but forward for grants from the Regional Fund;
- to enable the Commission to define the priority fields into which Regional Fund assistance should go;
- and to permit the detailed comparison and coordination of the regional development policies of the Member States.

A first series of programmes were submitted by the end of 1977 for all the regions eligible for Regional Fund grants. Though they contained a mass of valuable information, they were very uneven and the Commission found many of them wanting in various ways. In May 1979 it therefore recommended a number of improvements which the governments are asked to take account of in preparing the next series of programmes, which should cover the period 1981-85.

## 5. Coordination of national measures

The Community is not in favour of coordination for its own sake, but only where it is clearly necessary. Indeed, any attempt to impose a uniform pattern of regional development measures would be pointless: it would not only be unacceptable to national and regional authorities concerned, who clearly have the first responsibility for dealing with their regional problems; it would also be meaningless because the wide variety of problems cannot all be tackled in the same way. Although the measures used to stimulate new investment in less favoured regions are fairly similar in all member countries, they are far from identical. Different countries put more emphasis on different measures, and there can be great variations in the way the same measures are used. The Community's first job is to compare, and here the regional development programmes are essential. Without such comparison it is impossible to judge whether a degree of coordination is desirable or not. Such coordination may be in the interest of the whole Community, or of the development regions or of both.

In the field of State aids to industry, for example, there is already a Community-wide system of upper limits, varying according to the needs of the different regions. This is necessary both to prevent one country giving its industry an unfair advantage by subsidies not justified for reasons of regional development, but equally in an effort to ensure that regional aid really goes where the need is greatest. Some degree of coordination may also prove desirable in the field of controls and disincentives to investment in highly developed, congested areas; otherwise, it may be possible for a company to evade regional policy controls in one country by investing in another. And some form of coordination seems essential if the Community is to help solve the problem of some of its internal frontier regions.

### *The Regional Policy Committee*

An important instrument of regional policy in this field is the Regional Policy Committee, a consultative body composed of senior regional policy officials from the Member governments and the Commission. It began work in the middle of 1975, and has a wide range of tasks. Indeed, generally speaking nothing which affects the regions is beyond its scope. Some of its work is linked with the Regional Fund, notably in deciding what types of infrastructure schemes should be eligible for assistance. One of its most important tasks is to examine the regional development programmes which are so central to the future development of Community regional policy. It also advises the Commission on its expanding research programme in the regional development field. But it can, and does, concern itself with all aspects of the general field of coordination.

## IV — THE FUTURE OF COMMUNITY REGIONAL POLICY

The Commission is currently preparing the first of a series of periodic reports on the Community's regional problems. This will analyse the economic and social situation and likely future trends in all of the Community regions, richer and poorer. And on the basis of this analysis, the Commission will propose the priorities and guidelines for future action. The first report will be ready in mid-1980, and will subsequently be updated every two to three years.

The rules of the Regional Fund are also due for revision before the end of 1980. It is to be hoped that this revision, while ensuring that the Fund continues to help member governments finance their own regional development measures, will also enable the Community to develop its own specific measures more fully.

Finally, the Commission is further developing its work in the field of assessing the regional implications of other Community policies so that they too can make the contribution to easing regional problems.

In all of this, of course, proper account has to be taken of not only likely future economic trends, but also of the enlargement of the Community to include Greece, Portugal and Spain. Indeed, Greece will become a member already in 1981.

Regional development is still a relatively new field of activity at Community level, and clearly much still remains to be done. But the Commission believes that it is now laying the foundations of a flexible regional policy which can develop over the years, taking due account of the very different nature of the problems of the various regions and also of changing future circumstances, so that the Community will be able to make a much greater contribution to helping to reduce the gaps between the regions. Indeed, it fully believes that unless Community regional policy can be developed in such a way there will be a very real danger that the process of integration within the Community will come to a halt.

*Further reading*

**I — Publications of the European Communities**

- (1) *A regional policy for the Community*. 1969, 241 pp.
- (2) *Regional development in the Community, analytical survey*. 1971, 316 pp.
- (3) *Report on the regional problems in the enlarged Community*. 1973, 289 pp.
- (4) *European Regional Development Fund*. Annual Reports for 1975 to 1978.
- (5) *Community regional policy. New guidelines*. 1977.
- (6) *Regional development atlas*. 1979, 17 pp.
- (7) *Principal regulations and decisions of the Council of the European Communities on regional policy*. 1979, 17 pp.
- (8) *Regional development programmes*. The regional development programmes for each Member State are published in the 'Regional Policy: studies and programmes' series; in addition, No 17 in this series contains a summary of all programmes together with the Commission opinion on them.

**II — Other publications**

- (1) G. McCrone. *Regional Policy in Britain*. Allen and Unwin, London 1969. 280 pp.
- (2) N.M. Hansen. *Public policy and regional economic development*. Ballinger, Cambridge 1974.
- (3) P.N. O'Farrell. *Regional industrial development trends in Ireland 1960-73*. Industrial Development Authority, Dublin 1975. 66 pp.
- (4) D. McLennan and J. Parr. *Regional Policy in Britain*. Martin Robinson, London 1978.
- (5) M. Rees and B. Walsh. *Regional policy and the full employment target*. ESRI, Dublin 1979. 53 pp.
- (6) *Regional problems and policies in OECD countries*. OECD Paris, Vol. I, 1975. 139 pp. Vol. II, 1976. 213 pp.
- (7) *Regional policies: the current outlook*. OECD, Paris 1977. 91 pp.

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**The Community and its regions**

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From Scotland to Sicily, from Aquitaine to the islands of Denmark, the European Community presents a rich variety of landscapes and lifestyles.

Europe is the richer for its regions. But the flagrant gaps between them cannot be tolerated in the long run.

This booklet deals with these problems. After describing the facts, it concludes that a Community regional policy is a necessity.

The efforts Member States are making to secure a more balanced development of the regions must be coordinated and completed at Community level.

The European Regional Development Fund has a major role to play in this process.