

**EUROPEAN COAL AND STEEL
COMMUNITY**

HIGH AUTHORITY

**Arrangements to facilitate the
Establishment of New Economic Activities**

**Legal and financial arrangements in force
in the member States of the Community and the United Kingdom**

1962

FOREWORD

The High Authority in 1959 compiled a digest, in Dutch, French, German and Italian, of the legal and financial arrangements in force in the member countries and the United Kingdom to assist the establishment of new economic activities in development and redevelopment areas.

It was planned to bring this up to date at regular intervals; the present publication represents the 1959 edition so revised, and now translated into English for the first time.

Under Article 46,4 of the Treaty establishing the European Coal and Steel Community, the High Authority must,

“at the request of the interested Governments, participate in the study of the possibilities of re-employing, either in existing industries or through the creation of new activities, workers unemployed by reason of the development of the market or technical changes,”

while under Article 56,2, a it may,

“in accordance with the methods provided for in Article 54, facilitate the financing, either in the industries under its jurisdiction or, with the agreement of the Council, in any other industry, of such programmes as it may approve for the creation of new and economically sound activities, or for the conversion of enterprises, which are capable of assuring productive re-employment to workers rendered redundant”.

Netherlands

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The term "arrangements" here means measures provided for by Act of Parliament, Order or other instrument emanating from the national or local authorities. The term "establishment of new economic activities", means all organized efforts directed to the reconversion or installation of enterprises with a view to creating productive employment for workers rendered redundant.

We are here concerned only with measures specifically in connection with the establishment of new activities: measures concerning the economy as a whole are as a rule not included, unless some account of them is necessary for the more specific measures to be understood.

The "economic activities" referred to are industrial only, and not agricultural or commercial; on the other hand, no hard-and-fast distinction is made between industry proper and "small" or craft industry.

By making this material widely available, the High Authority hopes to do something to facilitate the re-employment of workers becoming redundant as a result of industrial reorganizations and reconversions, and to further area development generally.

CLASSIFICATION OF ARRANGEMENTS

0 - GENERAL ARRANGEMENTS

(00, general economic measures; 01, legal and financial provisions; 02, competent authorities; 03, regional development programmes; 04, studies relating to particular areas.)

This Section describes the general measures from which proceed the more specific arrangements dealt with in the later Sections.

It also lists the organizations responsible for assembling and supplying information, conducting studies and surveys, and administering and supervising operations undertaken, together with the arrangements concerning official and quasi-official studies in connection with the projected establishment of new activities in particular areas.

1 - DIRECT ASSISTANCE TO ENTERPRISES

11 - Financial assistance

(Subsidies/grants loans; interest reductions; guarantees; financial participations; advances; co-operative trade associations.)

111 - Subsidies - Grants

Capital sums (non-repayable) furnished for the equipping and launching of new enterprises.

112 - Loans

Loans granted on advantageous terms by State or para-State institutions; it is mentioned in particular whether the rate of interest is the regular market rate or a reduced one.

113 - Interest reductions

Part-payment by official institutions of the interest chargeable on industrial loans, in order to reduce the cost of the capital required for the establishment of new activities.

114 - Guarantees

Guarantee by national, regional or local official institutions or bodies of loans contracted by enterprises for the purpose of creating new employment opportunities.

115 - Financial participations

Participations (of varying sizes) taken up by the public authorities in the floating of a private venture.

116 - Advances

Interest-free recoverable advances to help finance research on or development of prototypes, new products or new production processes.

117 - Co-operative trade associations

Non-profit-making trade associations set up at national or regional level to enable enterprises to conduct a joint rationalization or reconversion drive.

12 - Fiscal concessions

Tax exemptions or reliefs; accelerated depreciation; Customs and excise duties.

121 - Tax exemptions or reliefs

Temporary reduction or remission of taxes in respect of activities or areas whose development the authorities are anxious to promote; registration fees are also eligible for such reliefs.

122 - Accelerated depreciation

Arrangement whereby an enterprise may calculate the fiscal and the real value of its capital assets separately, rating these assets for fiscal purposes at a lower and more rapidly-diminishing value than their real value, in order to reduce the tax burden proportionately: this constitutes an incentive to enterprises to invest and to modernize their fixed assets.

123 - Customs and excise duties

Reduction of import duties on machinery and equipment, as an incentive to industrialists to set up or modernize.

13 - Differentiation in rates payable

Energy and transport

Authorization of preferential rates for industries of areas which the authorities are seeking to develop or which suffer from a disadvantageous location needing to be offset in some way.

14 - Assistance for research on new products

Special grants to aid scientific or industrial research.

2 - INDIRECT ASSISTANCE TO ENTERPRISES

(21, provision of basic services, preparation of industrial areas and sites; 22, pre-built factories; 23, decentralization of scientific institutes and research bodies; 24, workers' housing.)

21 - Provision of basic services, preparation of industrial areas and sites

Assumption of the whole or part of the cost of installing basic services; grants or loans for the construction of factories and workshops.

22 - Pre-built factories

Building of industrial premises by public institutions or joint public/private corporations, to be eventually sold, leased or rented.

23 - Decentralization of scientific institutes and research bodies

Efforts, in connection with the decentralization of industry, to promote the establishment of specialized laboratories and research workers in the neighbourhood of decentralized enterprises needing such specialists in the particular line concerned.

24 - Workers' housing

Concessions obtainable in respect of residential building.

3 - ARRANGEMENTS BENEFITING WORKERS

(31, vocational training; 32, occupational retraining; 33, transfer, removal and settling-in allowances.)

31 - Vocational training

Special assistance for the training of a suitable labour force for a particular enterprise which is prepared, provided this is done, to set up in an area hitherto lacking in skilled labour of the type required (e.g. in country districts).

32 - Occupational retraining

Teaching of fresh skills to workers whose previous skills are no longer in demand.

33 - Transfer, removal and settling-in allowances

Paid by the authorities to workers fulfilling specified conditions of eligibility.

4 - OTHER ARRANGEMENTS

(41, restriction on introduction or extension of industries in certain areas; 42, measures to facilitate foreign investment.)

41 - Restriction on introduction or extension of industries in certain areas

Measures to combat industrial congestion and encourage industrial decentralization.

42 - Measures to facilitate foreign investment

Special arrangements in connection with foreign exchange.

GERMANY

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GENERAL ARRANGEMENTS

Introductory Remarks

By and large, the Federal Republic has for quite some time been a country of full employment. Demand for labour is high and the labour market correspondingly tight. At the last winter unemployment peak, on January 31, 1965, the total of persons out of work was as low as 286,000, or 1.3 % of the labour force, and the total of unfilled vacancies 563,000: that is to say, even at the seasonal employment low there were two vacancies for every individual unemployed. Furthermore, the German labour force in the early months of 1965 included approximately one million foreign nationals, or one worker in twenty, a clear demonstration of the cross-frontier pull exerted by the demand for labour in Germany.

In these circumstances, it might fairly be asked whether there is still any point in specific public measures to create jobs, or whether the time has now come to reduce, or even discontinue, State aid for certain types of capital project in the industrial and business sector. However, the following points need to be borne in mind.

(1) The national totals just quoted conceal sizeable regional differences in the state of the labour market. Thus at December 31, 1964, the district of Cham in the Upper Palatinate had 3,456 unemployed, or 11.6 % of the labour force. In some parts of the country, therefore, at any rate in winter, there is still a definite shortage of jobs. It is true that this winter unemployment cannot be eliminated offhand by the creation of new industrial jobs: the men concerned are mostly highly paid seasonal workers in the building trade, who go back to their jobs in the summer, and so would not be prepared to work the year through in a new post were one available.

(2) For the purposes of German labour statistics workers are recorded as at their place of residence. Consequently, commuters—

even long-distance commuters—living in country districts but working in industrial areas many miles away are shown as employed persons in the country district concerned. As a result, the country districts appear from the statistics to be better off than they really are. (The social problems arising out of long-distance commuting fall outside the scope of this brief account.)

(3) To obtain an accurate picture of the regional structure of employment in the Federal Republic, the labour statistics should be read in conjunction with the returns made by industry. The latter give the numbers employed in industry as at their place of employment, thus showing the substantial differences in the sum of industrial jobs between one area and another. In many *Landkreise* the proportion of industrially-occupied persons is less than 50 per 1000, as compared with a national average of 143. This does not mean that such a proportion is in itself symptomatic of an unsatisfactory economic pattern. But it is regrettable in the case, for instance, of rural areas mainly occupied by small, low-yield farms and smallholdings. Generally speaking, these areas are marked by a relatively low social product per head of population.

(4) There has been a good deal of debate in Germany in the last few years concerning what have come to be termed the "problem areas," the regions whose economy is unduly dependent on a particular industry or activity. Many of these are not specially outstanding for their low income level or standard of living, but their economic development is lagging, if not stationary or actually in retrogression, more especially where the dominant industry is facing serious long-term difficulties, as for instance the mines.

Thanks undoubtedly in large part to the almost continuous all-round economic expansion since the currency reform of 1948, many of the problems mentioned have been pretty successfully coped with. Years of full employment and the extreme tightness of the labour market in the areas of major population density and industrial concentration have caused many entrepreneurs to set up subsidiaries in the economically backward areas in order to mop up any latent manpower reserves still existing, or even presumed to exist, there. Some indeed have moved their whole enterprise there lock, stock and barrel. However, these trends have not been on a sufficient scale to correct the unequal regional distribution that has developed since the early days of industrialization. Accordingly, the Federal and Land authorities consider it their duty, full employment or no full employment, to

support all efforts by the more poorly-off areas to strengthen their economy, more especially as regards working up and expanding the industrial enterprises already there and attracting new ones. Experience has shown that a high and sustained level of business activity offers the most promising conditions for a successful distribution of industry policy, because it encourages substantial capital expenditure by entrepreneurs, and where there is an general atmosphere of willingness to invest some will tend the more readily to consider investing outside the existing areas of industrial concentration. In such circumstances quite minor State incentives will suffice to get projects launched which would never have been undertaken if business had been slack.

At the same time, it is necessary to take account of certain of the implications of several years' full employment for the practical framing of regional economic policy. In particular, careful study needs to be made of the effect on the regional labour market of the establishment of a large industrial enterprise. At present the economically weak and undiversified areas are also short of skilled labour and entrepreneurs there complain that even such skilled workers as there are tend to migrate to other regions where more attractive jobs and—apparently sometimes even more important—better general conditions are to be had (educational and self-improvement facilities, promotion prospects, amenities for leisure-time occupations, public and private services of all kinds). They naturally do not unreservedly welcome the idea of a big firm settling in their neighbourhood with State aid and enticing away the few skilled workers available overnight.

German regional economic policy is thus faced with two seemingly conflicting requirements: on the one hand the disparities in prosperity and standards of living between one area and another demand the creation of more productive and hence more remunerative jobs, while on the other care has to be taken to see that this does not involve discrimination against local employers. Such an outcome would be particularly resented if the new firms moving in were subsidiaries of large and wealthy concerns. The objection would of course not be to the provision of more and better jobs for the workers in the area, but to the system of offering concessions to the incoming firms and withholding them from those already established.

The Federal and Land authorities have sought to overcome these difficulties as follows:

(1) The Land Governments, being best acquainted with the conditions on the spot, tailor the scale and phasing of each new State-aided industrial installation project as far as possible to the local or regional situation.

(2) State aid is going increasingly to modernization and rationalization in enterprises already established in the poorly-off areas as well as to efforts to attract and assist new ones there, in order to help make existing jobs more stable and less vulnerable.







(3) Infrastructure improvements, which benefit all enterprises in a given area alike, are coming more and more to the fore.

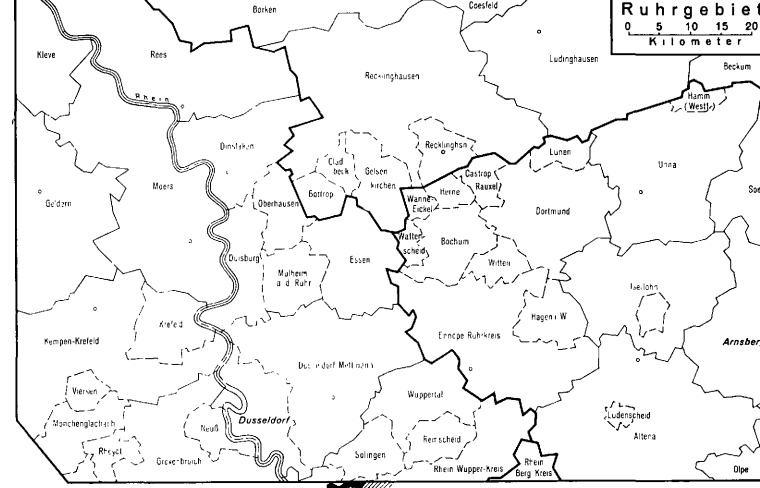
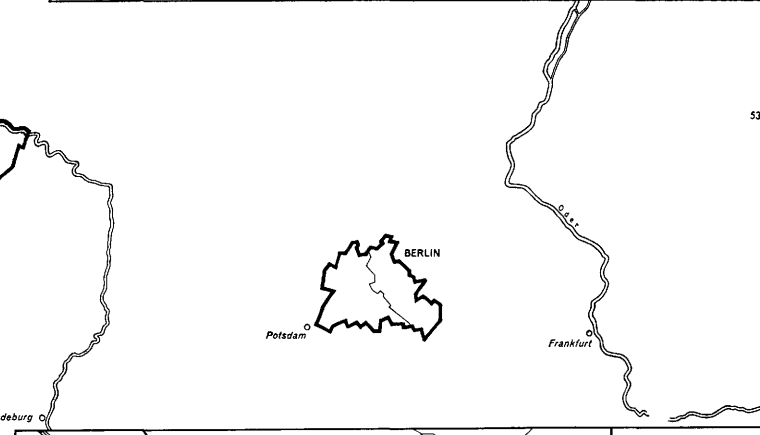
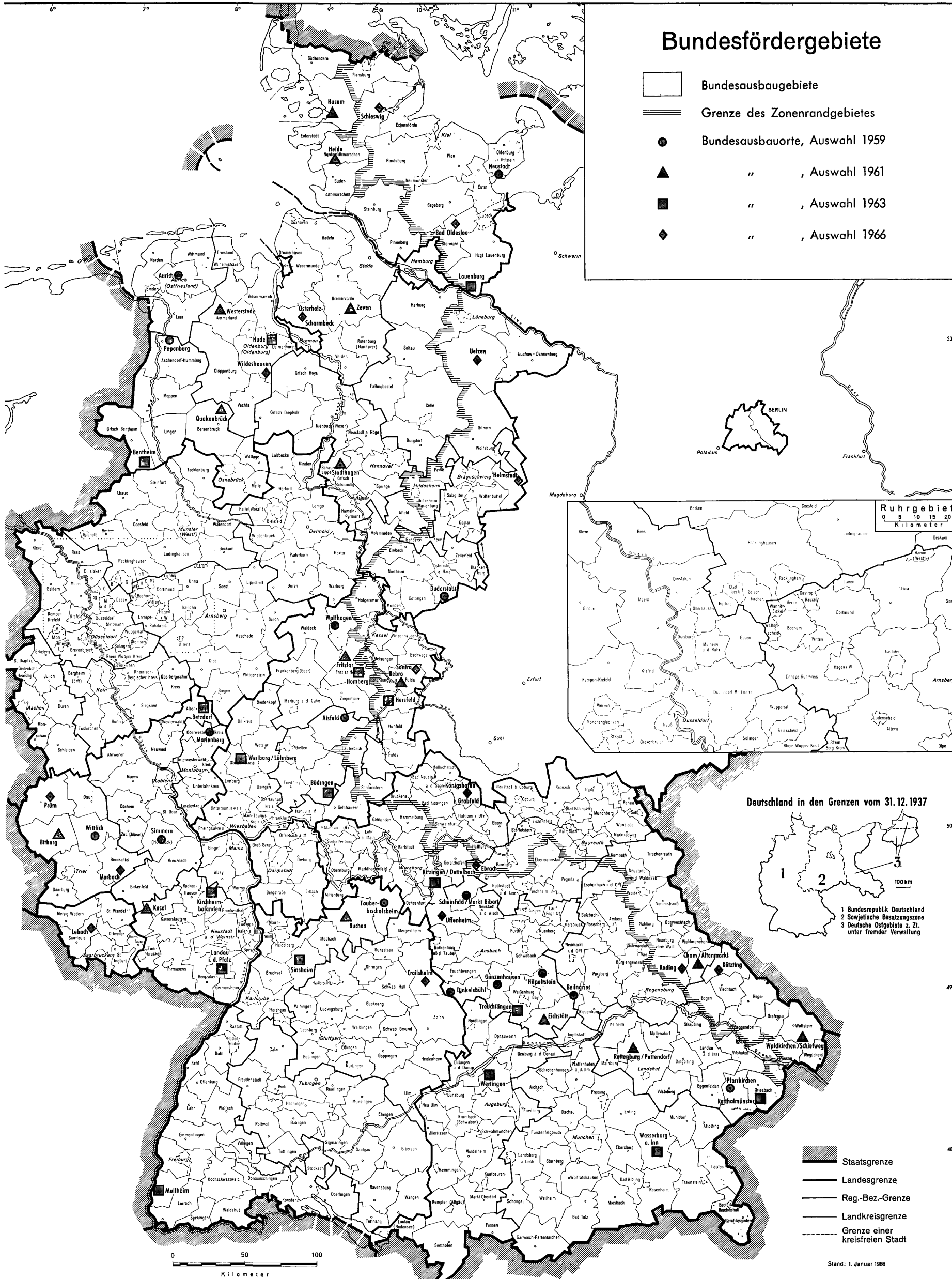
(4) Of these infrastructure improvements, increasing emphasis is being placed on those serving to make the region more attractive to live in all round (social, educational and cultural services), because they are an inducement to local people not to leave home. Also, more is being done to provide vocational training, both basic and advanced, in an endeavour to remedy the shortage of skilled labour.

These observations must of course not be taken as indicating that there are any serious objections to the establishment of new enterprises in the economically stunted or undiversified areas: in many cases without this it would not be possible to raise the standard of living or overcome the stagnation, at any rate within a reasonably short time. The point was merely to make it clear that in such projects existing local interests have to be taken into account.

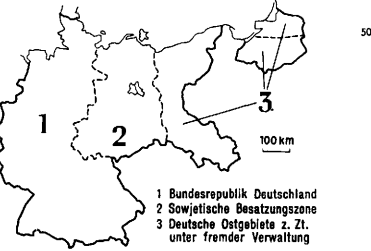
It is not the purpose of this paper to provide an exhaustive account of the efforts made to promote economic expansion and the structural policy followed. It is proposed to confine attention to measures being taken under special programmes or campaigns for the benefit of particular regions. This is felt to be preferable since, following the completion for all practical purposes of the process of post-war reconstruction, regional interests have latterly been coming very markedly to the fore. The Federal and Land programmes are making more and more of a point every year of fostering capital investment in particular areas. At the same time, it should be noted that the authorities in their efforts to promote economic activity have in recent years been focusing attention not only on the regional side but also, to a very considerable extent, on the "small man." The importance attached to improving the regional structure and improving the standing of the small entrepreneur is obvious from the fact that the financial assistance furnished from European Recovery Plan

Bundesfördergebiete






-  Bundesausbaugebiete
-  Grenze des Zonenrandgebietes
-  Bundesausbauorte, Auswahl 1959
-  " , Auswahl 1961
-  " , Auswahl 1963
-  " , Auswahl 1966



Deutschland in den Grenzen vom 31.12.1937



- 1 Bundesrepublik Deutschland
- 2 Sowjetische Besatzungszone
- 3 Deutsche Ostgebiete z. Zt. unter fremder Verwaltung

-  Staatsgrenze
-  Landesgrenze
-  Reg.-Bez.-Grenze
-  Landkreisgrenze
-  Grenze einer kreisfreien Stadt

(Marshall Aid) funds and Federal Budget appropriations to industry goes principally for these two purposes.

Both the Federal and the Land Governments have adopted the principle that it is up to the industrialist to decide when and where he wishes to invest. Hence no effort is made to compel him by laws or regulations to invest in particular sectors or areas. If the authorities attach importance to increased investment in a given industrial sector or area, they are empowered to offer certain incentives. In doing so they have of course to see to it that these do not exceed a properly-calculated limit. Any concession granted by them to an industrialist is bound to affect conditions of competition: if it is unduly generous, it is liable to produce effects which are sociologically or otherwise undesirable or even intolerable. A point must therefore always be made of so proportioning such measures that the desired effect is obtained as far as possible while the inevitable unintentional side-effects are kept to a minimum.

Theoretically it is possible not only to influence entrepreneurs' investment plans by offering inducements in respect of investments deemed to be desirable, but also to introduce legislative measures discouraging or forbidding investment in sectors or areas where it is held for any reason to be undesirable. In Germany—in contrast to a number of other Western European countries—this course has not so far been adopted, owing to the political and constitutional obstacles involved.

One further point in clarification of the position in the Federal Republic: regional economic policy there is primarily the affair of the individual Länder. The Federal authorities merely help out where a matter is too big for the Land to cope with unaided, or else of definite political importance for the country as a whole (as in the case of the zonal border areas). This being so, practically all the Länder are running individual programmes designed to improve the economic structure of particular portions of their territory. In many cases, to permit flexible adjustment to changing circumstances and changing tasks, the Land authorities have not specifically delimited the areas to be aided. Also, they have frequently framed their programmes to serve other aims at the same time (*e.g.* to encourage the small entrepreneur).

No attempt is made in this survey to include details of the assistance given to the zonal border strip, a 25-mile-wide tract along the Iron Curtain. The measures in question are intended to offset in part

the disadvantages resulting from the proximity of the zonal border: being specially tailored to conditions in that area, they are not really relevant to those elsewhere. Nor do we deal in detail with the assistance furnished by the Federal authorities to West Berlin, to which the same observations apply with even greater force.

The programmes referred to are schemes already undertaken or about to be undertaken by the Federal or Land authorities, based on definite directives, and financed or part-financed from the public purse (Budget appropriations of the Federal or Land Government or of public corporations). The expression does not include the long-term general development plans recently drawn up by a number of Länder, which are merely the framework for such schemes, consisting mainly of statements of objectives unaccompanied by details of the practical action involved.

Legal and Financial Provisions

1. Federal Budget Act 1965, of March 18, 1965.
2. Act concerning Administration of Special E.R.P. Funds, of August 31, 1953.
3. E.R.P. Act 1965, of March 30, 1965.
4. Federal Act concerning Expellees, dated August 14, 1957, as most recently amended on August 3, 1964.
5. Act concerning Equalization of War Burdens, dated August 14, 1952, as most recently amended by Amending Act 17, dated August 4, 1964.
6. Act concerning Provision of Securities and Guarantees in Aid of German Economic Development, dated December 6, 1954.
7. General Act concerning War Effects, dated November 5, 1957, as most recently amended on June 26, 1961.
8. Budget Acts of the individual Länder.
9. Directives of the Land Ministries of Economic Affairs and Finance concerning Land programmes for the promotion of economic activity.
10. Directives concerning outlay of Federal funds for the building of low-rent housing, recast version of March 30, 1965.
11. Directives concerning assistance to mineworkers covered by the terms of Article 56, 2 of the E.C.S.C. Treaty, recast version of August 7, 1964.
12. Act concerning Employment Exchange Arrangements and Unemployment Insurance, text of March 4, 1957, as most recently amended on April 14, 1964.
13. Act concerning Constitution and Administration of a Fund for the Improvement of Productivity (Productivity Act), dated April 22, 1965.

Competent Authorities

The Federal Government's town and country planning research centre, the *Institut für Raumforschung*, has assembled a large corpus of material relating to the distribution of industry, and has built up a card-index subdivided by localities and industrial sectors, providing comprehensive guidance on siting problems.

The Land Governments' planning departments also possess card-indexes, detailed lists and maps for reference in connection with the drawing-up of development schemes and the location of industrial enterprises under such schemes.

A registered association in Bonn, the *Gesellschaft für Regionale Strukturentwicklung e.V.*, has for some time been engaged in carrying out area studies, and a number of other economic research centres, some privately operated and others attached to various universities, have of late also been making such studies alongside their other work, at the instance of the Land Governments and of the larger communes and groups of communes.

The body in general charge of the Federal authorities' Regional Development Programme is the Interministerial Committee for Regional Economic Policy, on which all Federal departments dealing with economic and social questions are represented, central responsibility resting with the Federal Ministry of Economic Affairs. The Committee works in close liaison with the Länder, whose own economic affairs departments are responsible for the regular administrative work in connection with matters of economic development. The implementation of the Federal programme, as befits a federally-organized State, lies with the Länder; they select the individual projects—such projects as are on a fairly considerable scale, that is—and submit them for the approval of the Interministerial Committee or its authorized representatives, and in due course supervise the carrying-out of those which are approved. With regard to smaller-scale projects they can issue decisions themselves, provided they abide

by certain standing directives of the Committee. A number of Länder have further delegated certain powers of decision respecting very small-scale projects (e.g. loans of less than DM 20,000) to the Premier of the Land Government.

As regards the Federal authorities' other economic development programmes, varying arrangements are in force in accordance with the specific objectives of the particular programme concerned: thus the institution in charge of development operations financed from the E.R.P. Special Fund is the *Kreditanstalt für Wiederaufbau* (Reconstruction Bank), acting under directives laid down by the Federal Government.

The labour side is taken care of by the *Bundesanstalt für Arbeitsvermittlung und Arbeitslosenversicherung* (Federal Office for Employment Exchange Arrangements and Unemployment Insurance); it acts in agreement with the Federal departments concerned, as does the *Bundesausgleichsamt* (Federal Equalization Office) in making funds available for the promotion of new industrial activities.

The Land Governments have exclusive responsibility for the planning, preparation and implementation of economic development programmes financed from Land funds.

At local level, it is very commonly the authorities of the commune (*Gemeinde*) or administrative district (*Kreis*) which sponsor the individual projects, and in the case of infrastructure improvements also carry them out, except for large-scale interregional schemes. On industrial projects they are advised by the Chambers of Industry and Commerce, which in Germany are public bodies and in respect of major projects have a definite status of their own *vis-à-vis* the regional and Land authorities.

As a result of developments and of experience gained since the war, it has come to be felt in many parts of the country that the traditional administrative and organizational arrangements are inadequate to cope with all the needs of regional growth promotion. Accordingly, a number of Länder and groups of communes have established or are pressing for the establishment of special organizations to carry out particular tasks. These include the *Rheinland-Pfälzische Gesellschaft für Wirtschaftsförderung m.b.H.*, in Koblenz, the *Rheinische-Westfälische Industrie-Förderungsgesellschaft m.b.H.*, and the *Interessengemeinschaft Rhein-Ems*, whose activities consist principally in publicizing, canvassing and counselling.

In addition, special financing institutions have been set up to furnish loans and guarantees in connection with regional and/or sectoral development, partly out of public funds and partly from procurements of their own in the capital market. Examples are the *Landesgarantiekasse Schleswig-Holstein G.m.b.H.*, the *Wirtschaftsaufbaukasse Schleswig-Holstein A.G.*, and the *Bayerische Landesanstalt für Aufbaufinanzierung*.

The institutions recently established or in process of establishment for the furtherance of economic growth vary very considerably in organization and functions. The position is at present very fluid, and it is impossible to tell whether any particular type is likely to become predominant. As the Länder are administratively independent and under no special compulsion to line up their systems, it can be assumed that the existing medley will continue for some time.

A detailed description of these various arrangements lies outside the scope of this brief account. The reader is therefore referred to the proceedings of the Working Party on Regional Action Organizations which the High Authority has instructed to examine the subject more fully, and in particular to the paper by Ministerialrat Dr. Schlechtriemen.

Regional Development Programmes and Other Measures in Respect of Regional Economies

A. THE FEDERAL AUTHORITIES' REGIONAL DEVELOPMENT PROGRAMME

I. *General objectives and principles*

The object of the Regional Development Programme is to eliminate or reduce imbalances in economic structure as between one part of the Federal Republic and another, on the basis of properly-thought-out town and country planning.

Funds under the Federal programme are used to finance only such measures as may be expected to result in the direct strengthening of a structurally weak area, by opening up additional sources of income there. Expenditure in connection with these measures is in principle to be proportionate to the results envisaged.

Federal assistance is always complementary in character: that is, it is granted only after the fullest use has been made of all other sources, public and private. For example, Regional Development Programme funds will be made available towards an agricultural scheme only if either the so-called Green Plan, the general State programme for agriculture, makes no provision for such aid or the maximum aid allowed under the Green Plan for the project concerned is already being fully utilized. Similarly, they cannot be used to pay for projects that are in any case the responsibility of a Federal or Land department, *e.g.* construction of Federal or Land highways or of canals.

Regional Development is primarily the task of the Land Governments, which are therefore expected also to set aside funds under their own Budgets for the development areas. The applicant firm or organization is always required to furnish a proportion of the amount from its own resources.

The Federal programme covers only projects on which a start can be made right away as soon as the application for funds is approved. Federal funds cannot be applied for in respect of operations already completed.

All projects serving to create new jobs must be agreed with the Land Employment Office.

No enterprise or body is entitled to claim assistance under the Federal programme as of right.

II. *Allocation of Federal assistance by areas and industrial sectors*

Federal development funds are available only for development areas officially scheduled as such by the Interministerial Committee for Regional Economic Policy. These are:

- a) the zonal border area;
- b) the Federal growth zones;
- c) the Federal growth points.

As we mentioned earlier, it is not proposed to describe the assistance given to the zonal border area, since this comes in a category by itself. Our account therefore deals only with the Federal growth zones and growth points, in which efforts are being made to achieve a more balanced regional economy by promoting the installation and expansion of industrial enterprises.

1. *Federal growth zones*

The first "reorganization areas" (*Sanierungsgebiete*), as they were then termed, were designated in 1951, and included only areas in which more than one-third of the working population were unemployed, or in which agriculture was so uneconomic as not to offer a reasonable minimum livelihood. In its early days, therefore, the reorganization drive was not so much a development as an emergency relief programme, as is illustrated by the fact that the Federal body put in charge was given the title "Interministerial Committee for Matters concerning Distressed Areas" (*Interministerieller Ausschuß für Notstandsgebetsfragen*, known as "Imnos"). Since then, however, in line with changing circumstances, it has been renamed "Interministerial Committee for Regional Economic Policy." As time went on, the emergency conditions rated as criteria in 1951 (including in particular

the rate of unemployment) became less and less acute as the West German economy recovered and flourished, and other factors indicative not so much of degree of distress as of degree of development—concentration of industry, density of population, wastage by migration, tax revenues and so on—came increasingly to the fore. However, it was found that the major distressed areas, such as the Bavarian Forest, north-western Lower Saxony, the Eifel and other mainly hilly regions, which had been included under the reorganization programme in 1951 in view of their high unemployment figures or uneconomic agriculture, were below standard by the new criteria also. The present delimitation of the Federal growth zones, dating from 1963, is based on the social product per head of population of each *Landkreis*, plus its degree of industrial concentration and rate of migration per 1000.

Regional Development Programme funds can be employed in the growth zones in the following ways.

- a) *Loans (for 20 years at 2%) and grants for agricultural improvement (rationalization of farms and smallholdings; adjustments to water conservancy arrangements; improvements to central water supply and drainage systems in country districts; land reclamation; construction of wind-breaks and carriage roads; provision of co-operative farming facilities)*

Only projects calculated to be of genuine assistance in making agricultural more economic are eligible.

As a general rule, the assistance has to be applied for by one or other of the public authorities of the region. Loans are granted to individual farmers only if the application is supported by an official agricultural advisory body.

- b) *Loans to industrial enterprises*

Loans are granted only in aid of capital schemes, and must not exceed 50% of the total expenditure involved in any given case. Where a project is also being part-financed from another public source or sources, the combined public contribution must not exceed 50% of the total expenditure.

Before acceptance for inclusion in the programme each application must be scrutinized by the Land Government as to the entrepreneur's personal suitability, securities available, use made of other possible sources of capital and so on, where this can be done without incurring considerable extra expense.

Loans can be granted to small business or craft enterprises only where these are either:

(i) industrial enterprises selling most of their production outside the local market;

(ii) sub-contractors and suppliers to industry (in which case there must be indirect extra-local sales);

(iii) industrial enterprises in rural areas, serving a useful purpose in connection with the mechanization and rationalization of agriculture.

aa) Loans (for 15 years at 3 1/2 %) to industry and craft enterprises

These loans are reserved for industrial enterprises setting up in growth zones. The enterprise must definitely be a newcomer to the zone: projects by existing firms for constructing extra workshops or launching new production lines, and moves from one growth zone or part of a growth zone to another, are not eligible.

bb) Loans (for 10 years at 4%) to industry and craft enterprises. These loans are available to industrial producer enterprises, already established in growth zones for purposes of rationalization and modernization and/or building or extension. Care has to be taken in the selection of projects to see that the amount of assistance to any one enterprise is kept within reasonable limits; any loans, interest reductions or other facilities extended to enterprises in previous years must be taken into account.

cc) Loans (for 15 years at 4 %) to the tourist industry

These loans are granted to enable the neighbourhood to accommodate larger numbers of visitors and to offer them greater comfort.

In agricultural country where the local people can make quite a sizeable additional income by putting up holidaymakers and tourists, loans may also be furnished for the provision and improvement of guest rooms, on condition that these rooms really are to be permanently used for this purpose. The Land Government in submitting such applications must indicate how it proposes to ensure that this condition will be complied with.

c) *Loans (for 20 years at 2 %) and grants for other economic development measures*

Federal funds may also be used to finance projects designed to establish suitable conditions for the installation of industrial enter-

prises in growth zones, or otherwise calculated to speed up the process of economic development there. These include general extensions and improvements to communications, public utility services, drainage and tourist amenities, were calculated to facilitate the installation of new enterprises, to make existing ones more economic, or to encourage tourism.

Preparation of industrial sites may be aided only in connection with definite installation projects in suitable communes.

Federal funds may also be obtained for the purpose of building, enlarging or re-equipping vocational-training centres; the improved facilities planned must, however, meet a felt want of skilled workers in the local economy.

Only district and local authorities, local improvement corporations and other public bodies are recognized as competent to undertake these various operations.

2. *Federal growth points*

The Federal growth points are small and medium-sized towns selected by the Federal Government, on proposal by the Land Governments, for assistance with a view to promoting the installation of new industrial enterprises. They are at present 48 in number and form part of the Federal authorities' Regional Development Programme. Selection was effected in accordance with the following criteria. The localities must be in rural areas without any industry to speak of and unable to offer sufficient employment opportunities to their population (including not only those currently of employable age, but also the adolescent age-groups). Special attention is being given to the problem of persons whose employment consists in helping on the family smallholding, and who will probably find themselves redundant in the near future owing to the structural change in the agricultural sector. These are the people whom it is hoped in particular to prevent from migrating to the big agglomerations by creating industrial jobs in the rural areas. Further, the locality must lie outside the immediate vicinity of any large concentration of population or industry. This point has come of late to be of major importance. There could be no possible object in using State funds to promote the installation of industry within easy reach of an industrial city, and so draw labour away from the city.

The two criteria with respect to the areas in which growth points should be situated are considerably broader and more flexible than the

criteria for the Federal growth zones. This is due to the special objectives of the Growth Points Programme. The scheme is aimed primarily at preventing any further concentration of persons and enterprises in the big agglomerations. But it would do more harm than good to seek to restrict the establishment of industry to areas in particular difficulties. Experience in the last two years has shown that quite a number of employers are prepared to set up branches outside the agglomerations, in the growth points, provided they can obtain a reasonable amount of assistance from the public purse; on the other hand, they would probably not be willing to embark on capital schemes outside the agglomerations if such aid were forthcoming only in respect of the most poorly-off areas right at the farthest ends of the Federal Republic.

Finally, the proposed localities themselves must fulfil certain requirements. Thus,

each locality should be the *central point of an area* in which there are a specified minimum number of unemployed or underemployed workers;

communications should be such that these workers can travel there daily without spending more than one hour on the journey either way (*i.e.* two hours a day in all);

the locality should be already equipped with certain minimum health and educational facilities (*e.g.* secondary or grammar school). This is likely to be the case in towns with over 10,000 inhabitants;

the locality must have definite possibilities of some kind as a future *focus of industrialization*. Evidence of such possibilities has to be produced, since otherwise any and every town, even those quite unsuited for the purpose, would be applying to be scheduled as growth points under the new development scheme.

Types of assistance available in the growth points are as follows:

Industrial enterprises transferring to or setting up in a growth point can obtain low-interest loans on the same terms as are granted for new installation projects in the Federal growth zones.

Action by local authorities to prepare industrial sites may be aided by means of grants and loans: grants may range up to 50 % of the total cost of the operation, while 2 % loans may be obtained to cover a further 25 %. Otherwise the provisions with regard to these preparation schemes are the same as in the growth zones.

The terms for loans under the Regional Development Programme are tabulated on D 112 following.

For the past few years the Federal Government's annual budget appropriation under this head has averaged round about DM 140 million. Approximately 80 % of this total goes to infrastructure improvement, agriculture, tourism, etc. This leaves not much more than 20 % for the installation and extension of industry. However, these funds are supplemented by loans from the Bundesanstalt für Arbeitsvermittlung und Arbeitslosenversicherung out of its reserves; the total amount of these loans over the last five years works out at DM 100 million.

B. DEVELOPMENT ACTIVITIES BY THE LAND AUTHORITIES

Parallel with the Federal Government's activities, the Land Governments are conducting development programmes of their own, designed primarily though not exclusively to improve the regional economic structure. They employ the same methods as the Federal Government, *i.e.* they provide grants and loans to poorly-off local authorities and local improvement corporations to enable them to improve the infrastructure and so make the district attractive for industrialization, and they grant low-interest loans to industrialists for the installation and extension of enterprises.

A somewhat more flexible approach is adopted in many of the Land programmes than in the Federal programme as to the areas and industrial sectors to be assisted. Thus many Land programmes simply refer to "areas in need of aid" without actually defining them. This is due to the fact that the Land programmes are commonly intended to supplement the Federal measures: they may for instance cover needy areas for which no provision is made in the Federal programme owing to lack of funds, or they may offer concessions to small and medium-sized enterprises in sectors—*e.g.* commerce, service trades, etc.— which are also not included in the Federal programme. The terms laid down in the Land programmes (rates of interest, maturities, etc.) are sometimes in line with their Federal counterparts. In some cases they are rather less advantageous, *viz.* in the the case of areas which, while they could certainly do with assistance, are not in quite such a bad way economically as those qualifying for Federal aid. The co-ordination

of Federal and Land action in the field of economic development is based in large part on the principle that the Federal authorities concentrate on certain specified areas and tasks, and leave the rest to the Länder. The details have already been given in the preceding account of the Federal authorities' Regional Development Programme.

All Land programmes are based in law on the Budget Acts of the Länder concerned, by which appropriate sums are set aside for the various economic development schemes. The actual sums vary from year to year. There is little object in itemizing them, since as a rule the funds loaned to industrialists and the loans and grants made available to local authorities for infrastructure improvement are lumped together in a single amount; this therefore includes disbursements for roadmaking, public utility services and so on, which cannot be considered as economic development aid proper inasmuch as they form part of normal public expenditure. It should be noted that assistance is given only to local authorities which are exceptionally badly off financially, and hence unable to fulfil their normal responsibilities unaided.

C. *COMPLEMENTARY LENDING OPERATIONS BY THE BUNDESANSTALT FÜR ARBEITSVERMITTLUNG UND ARBEITSLOSENVERSICHERUNG*

As well as contributing funds to the Federal authorities' Regional Development Programme (see D 03), the Bundesanstalt provides loans for the installation and extension of industrial enterprises in needy areas not scheduled under the Federal programme, thus acting along the same lines as the Länder. Its loans have first to be approved by the Federal Government. They are granted at 5 % interest for a term of seven years. DM 40 million has been set aside for these operations, which may also include loans to areas affected by colliery closures.

This arrangement was to end in 1965.

DIRECT ASSISTANCE TO ENTERPRISES

Financial Assistance

Subsidies/Grants

In general no provision is made in either the Federal or the Land programmes for grants to individual industrial enterprises. Exceptions are made only where an entrepreneur finds himself obliged to incur special expenses which he should not be called upon to meet himself at all. Such cases are, however, extremely uncommon, and where they do occur usually concern only small enterprises with very little capital.

Subsidies and grants to local authorities and local improvement corporations for operations in connection with the infrastructure are dealt with in the foregoing account of the Federal authorities' Regional Development Programme (see D 03, 1) and the general observations concerning the Land Governments' economic development programmes (see D 03).

Loans

Low-interest loans are a major element both in the Federal Government's main Regional Development Programme, in other development programmes operated by the Federal authorities, and in the Land programmes.

A. The following table shows at a glance the terms and purposes of the loans granted under the Regional Development Programme proper:

Purpose	Interest payable by end borrower	Term for which granted
Loans to industry and craft enterprises for setting up in Federal growth zones and growth points	3 1/2 %	15 years
Loans to industry and craft enterprises	4 %	10 years
Loans to establishments in the tourist and hotel industry	4 %	15 years
Loans to aid the provision of occupational, advanced and refresher training facilities	2 %	20 years
Loans to aid the preparation of industrial sites (including roadmaking)	2 %	20 years ⁽¹⁾
Loans to aid action in the agricultural sector	2 %	20 years ⁽¹⁾

⁽¹⁾ An initial interest- and redemption-free period of three years may be allowed in exceptional cases

Aside from the facilities just indicated regarding interest and redemption, the Land Banks are empowered by their agreements with the Federal Ministry of Economic Affairs concerning implementation of the Regional Development Programme to allow an initial redemption free period of two years in respect of any loan operation.

B. Over and above the assistance it gives under the Regional Development Programme, the Federal Government grants loans out of Budget appropriations, out of the E.R.P. Special Fund and out of the Equalization Fund as follows:

(1) to small industry and trade (commerce, craft enterprises, small businesses, hotels and restaurants, etc.) for setting up, extension, rationalization and/or modernization operations in Federally-scheduled development areas (for a definition of these areas, see section "Regional Development Programme");

(2) to medium-sized enterprises in the manufacturing industries for extension, rationalization and/or modernization operations in Federally-scheduled development areas;

(3) to small and medium-sized industrial-type enterprises owned by expellees, refugees or other war victims, for extension, rationalization and/or modernization operations;

(4) to tradesmen and other small entrepreneurs setting up in new housing estates or rebuilt city centres, and young tradesmen wishing to start in business on their own;

(5) to medium-sized and small enterprises ranking as having suffered damage to their interests owing to reparation or restitution orders, and still genuinely feeling the effects, for reconstruction or extension operations;

(6) to medium-sized and small enterprises, and to professional persons, entitled to indemnification under the War Burden Equalization Act and other legislation on behalf of war victims (*e.g.* expellees);

(7) to enterprises producing evidence that they are employing a given number of expellees. Loans under this head are now granted only in the Saar, and will cease to be payable there too at the end of 1965.

Loans under headings 3-7 are subject to no restrictions as to area.

Loans are mostly granted for terms of up to 12 years; in certain cases, where the project is concerned with building operations, the period may be longer, up to 18 years. Rates of interest vary: the lowest rate (3 %) is allowed only to small entrepreneurs with very little capital of their own, while the highest (5 %) is charged only to those

who are in any case in a pretty soundly-established financial position. The total amount made available in the form of loans under 1-7 inclusive is about DM 200 million a year, and comes from the E.R.P. Special Fund, the Federal Budget, the War Burden Equalization Fund and the Bundesanstalt für Arbeitsvermittlung und Arbeitslosenversicherung.

The following are the major credit facilities offered by the different Land Governments for the setting-up, extension and rationalization of industrial activities.

(1) Baden - Württemberg

The Land grants loans to aid projects calculated to increase productivity and improve the economic structure of the Land, where economic or labour conditions are such as to make these urgently necessary. As a rule loans may be granted only to finance capital schemes.

The following are eligible:

a) industrial and business enterprises and in particular small business (craft enterprises, commercial enterprises, medium and small industry, hotels and restaurants, transport firms). In general it is required that borrower enterprises should be situated in the economically backward-parts of the Land, which include more especially the Hohenlohe-Härtsfeld, Horb-Münsingen, Odenwald, Oberrhein, Hotzenwald and Messkirch-Pfullendorf districts;

b) industrial and business enterprises operated by expellees, refugees or persons having suffered damage to their property or interests as a result of the war or of the post-war dismantling of German industry;

c) local authorities planning to prepare industrial sites.

The rate of interest and term of the loan vary from case to case, according to the nature of the project and the earning-capacity of the borrower.

The Land also has a loan scheme specifically for craft industries and small businesses and trades, and another to aid the economic absorption of refugees from East Germany, under which funds are advanced at 3 % for up to 12 years.

(2) B a v a r i a

The Land grants loans under the Bavarian Border Areas Assistance Programme (Grenzhilfeprogramm) for the rationalization, modernization, reconversion and/or installation of industrial enterprises; the loans are granted at 3.5 % p.a. for the last-named type of operation and 4 % for the first three, for terms of from years (for installation of new enterprises and for tourist schemes) to a maximum of 15 years. The conditions are thus in line with those offered under the Federal authorities' Regional Development Programme.

Loans can also be provided for similar projects and on similar terms to needy areas not coming within the zonal border regions and growth zones officially scheduled by the Federal Government.

(3) H e s s e

The Land grants loans under a structural improvement scheme the elements of which are as follows:

a) *Aims and objects*

The purpose of the scheme is to create permanent jobs in economically poorly-off parts of the Land. As a general rule loans are not granted to help finance the reorganization of enterprises in difficulties. The enterprises aided are almost exclusively small businesses.

b) *Areas assisted*

The structural improvement scheme is part of the Land Development Programme. The districts eligible for assistance under the latter are primarily the zonal border districts and districts part or all of which are scheduled by the Federal-level Committee on Regional Economic Policy as growth zones; in consequence of recent closures of iron-ore mines in the Lahn/Dill region, eligibility has now been extended to affected areas there.

c) *Sectors and persons entitled to priority*

The general aim is to aid small industrial enterprises, principally in labor-intensive sectors. Assistance is not specifically restricted to particular branches of industry, but as the scheme is primarily designed to create permanent jobs (more especially of expellees) and to promote small industry and trade, loans are not usually granted to the capital-intensive sectors.

d) *Terms*

Loans under the structural improvement scheme are ordinarily granted at 5 %; where they are to expellees or refugees, or where the project is one of exceptional economic value, the rate is 4 %. They are granted for 10 years, or in special cases 12, with an interest- and redemption-free period of one to two years.

(4) Lower Saxony

Loans are granted by the Land to industrial enterprises out of its Budget appropriations with the object of securing permanent improvements in the economic structure of the economically poorly-off parts of the Land, and are thus complementary to the Federal Government's operations under its Regional Development Programme. The development areas eligible for such loans are the zonal border region, the Federally-scheduled growth zones are one or two areas in economic difficulties. The loans go mainly in assistance to the zonal border region, for the purpose of offsetting disadvantages resulting from the proximity to the zonal border. They are available to:

- a) craft enterprises and small businesses in the zonal border region within Land Lower Saxony;
- b) industrial enterprises transferring to or setting up in development areas as just defined.

Terms

For borrowers under a): small loans up to DM. 10,000 (or in special cases DM. 20,000) at 4 % for 10 years.

For borrowers under b): loans at not less than 3 1/2 % for 15 years

(5) North Rhine/Westphalia

The Land grants loans to industrial and craft enterprises out of its Budget appropriations where:

a) The funds are to be used to finance capital schemes in "development areas", "border areas" and "colliery areas" officially scheduled by the Land authorities ;

b) the schemes are worth encouraging in the interests of the national economy and of a nature to balance and strengthen the economic structure of the particular area concerned.

Loans can also be granted from Land funds to small entrepreneurs and professional persons either to enable them to set up independently, to open and equip premises in new housing estates or to carry out reconversions, or, in cases of special hardship, simply to help them to keep going.

Terms

Loans are issued at 4% p.a. and, in accordance with normal banking practice, are granted for terms of up to 17 years (including a redemption-free period of two years), or, in the case of certain building projects, up to 30 years (including a redemption-free period of up to five years).

(6) Rhineland / Palatinate

The Land grants small and medium-sized loans to aid the establishment, extension and modernization of industrial activities in certain marginal areas in the Eifel, Hunsrück and Palatinate. The terms are the same as those under the Federal programme.

Similar facilities are also offered to other needy parts of the Land in the Westerwald, on the River Moselle, and in the Palatinate; there too the terms are in line with those under the Federal programme.

(7) Schleswig-Holstein

Out of the Budget appropriations for strengthening the economy of the Land, loans are granted to help finance worth-while capital schemes for the installation or modernization and rationalization of industrial enterprises, the aim being to reduce the persisting imbalance between the number of inhabitants and the number of employment opportunities and put industry in a better position to cope with economic ups and downs.

The Land Government is trying to promote the installation of new and extension of existing industrial enterprises not only in the bigger towns, which are locationally more suitable and have at present in many cases an insufficiently-diversified economy (concentrated almost exclusively on shipbuilding), but also in poor rural areas, particularly on the west coast and north of the Kiel Canal.

Land loans are available to independent industrial concerns, craft enterprises and small businesses.

*Terms*a) *Investment loans to industrial enterprises**Amount:* varies according to nature and size of project.*Interest:* ordinarily 5 %; in the case of installations of new enterprises, 3 1/2 %.*Period:* up to 15 years, usually including a redemption-free period of two years.b) *Investment loans to craft enterprises and small businesses**Amount:* not more than DM 50,000.*Interest:* 5 %.*Period:* up to 15 years, usually including a redemption-free period of two years.c) *Investment and equipment loans to enterprises run by expellees, refugees and other war victims, through the Wirtschaftsfonds für Flüchtlinge, Kiel**Amount:* ordinarily not more than DM 30,000.*Interest:* 5 %.*Period:* 8-10 years, including a redemption-free period of two years.

(8) S a a r

The Land Government makes grants out of its budget appropriation for the promotion of small-scale private business activity towards projects for the installation, extension, rationalization and modernization of small individual concerns in the industrial, commercial, craft, trade and tourist sections.

Amount: ordinarily not more than DM 75,000.*Interest:* ordinarily 5 %, in exceptional cases 4 %.*Period:* ordinarily up to 15 years.

Interest Reductions

Funds are made available by the Federal Government to banks to enable them to grant low-interest loans to industrial enterprises for capital schemes or rationalization operations, but as a rule such interest reductions are reserved exclusively for small concerns, and are allowed on a very limited scale at that. The Land Governments occasionally provide funds for the same purpose, also mainly for the benefit of medium and small entrepreneurs, and in particular of refugees and expellees.

Reductions usually amount to 2-3 % p.a. of the sum borrowed: that is, where the borrower would ordinarily have to pay the bank 7 %, he is by this arrangement charged only 4-5 %.

Guarantees

The Federal Government is empowered to furnish guarantees where no other mode of financing is possible and the project is of general economic interest. However, not much use has been made of this facility lately for the purpose of installing new enterprises.

All the Land Governments are similarly entitled to give guarantees in respect of projects of economic value to the Land. In the Länder priority is given to small enterprises and to certain specially favoured categories of persons, such as refugees and expellees. Applications for guarantees are decided largely with reference to regional considerations; this is one of the principles laid down in the relevant directives. The Länder also often guarantee loans granted under the Federal authorities' Regional Development Programme.

The Lastenausgleichsbank guarantees equipment loans to enterprises owned by expellees, refugees or other war victims which are short of working capital or are otherwise inadequately financed.

Fiscal Concessions

Neither the Federal nor the Land authorities at present grant tax advantages as an inducement to industrial enterprises to set up or expand in particular areas or sectors; such concessions generally tend to turn into regular subsidies. All incentives offered for the installation or extension of enterprises have to be definitely and unmistakably in the form of a non-recurring initial contribution to get the operation started.

Certain tax advantages are allowed in the case of Berlin, of the zonal border region and of special categories of persons such as expellees and refugees; as was noted in the Introduction, however, these are due to other considerations.

Differentiation in Rates Payable

Energy/Transport

The possibilities for differentiating energy rates are very limited. Occasionally, where local authorities exercise some control over an electricity company, they may arrange for special rates for large consumers.

Special transport rates are not granted for the purpose of encouraging the setting-up and/or extension of industrial enterprises.

INDIRECT ASSISTANCE TO ENTERPRISES

Provision of Basic Services, Preparation of Industrial Areas and Sites

As we have seen, the Federal, Land and local authorities are endeavouring to attract entrepreneurs to areas in need of industrial development by improving the infrastructure; however, they normally confine themselves to providing and maintaining the necessary roads, schools, public utilities, etc., the actual preparation of the site on which the factory is to be built being left to the entrepreneur. The latter can obtain a low-interest loan with which to effect the preparation, build his factory and install the necessary plant and equipment: for details of such loans, see sections on the Regional Development Programme and other Federal and Land development programmes.

Naturally, it is open to local authorities to sell or lease sites and/or buildings to enterprises on particularly attractive terms.

Pre-built Factories

It is the rule in the Federal Republic that the construction and equipment of industrial plants is the affair of the entrepreneur himself and not of the public authorities. Assistance from the latter is confined to the provision in special cases—*e.g.* where calculated to make for a more balanced economic structure in a given region—of financial incentives to prospective investors.

The practice of speculative industrial building, without any particular user in mind, does not exist in Germany. Nor, in principle, does the “classical” system whereby the authorities are commissioned by the future user to construct the factory on his behalf, though there have been isolated instances in the last few years where they have built premises for an entrepreneur and then turned them over to him.

In one Land the following arrangement was adopted in a few cases in 1954-56. The commune concluded a rent-purchase agreement with the entrepreneur in line with the capital service (round about 10 %) assumed by the commune, whereby the percentage in excess of the interest rate was to be set off as a redemption payment against the ultimate purchase price. The industrial premises constructed on this basis have meantime become the property of the entrepreneurs.

In a number of other cases in other Länder the commune and entrepreneur concluded regular rent-purchase contracts into which provisions were written ensuring that the entrepreneur would in fact be using the factory for production purposes over a considerable period of time. The premises were constructed in accordance with the entrepreneur’s plans, the only difference being that not he but the commune figured as the building contractors’ legal client.

No overall picture of the number of factories thus built with assistance from the local authorities, or of the technical and financial particulars, is possessed by either the Federal or the Land Governments, as the communes are free to act as they see fit, so far as their own financial means permit, in respect of industrial installation projects.

Workers' Housing

The Federal Government is endeavouring, in co-operation with the Länder, to see that the substantial public funds available for the provision of low-rent housing are laid out in conjunction with the various schemes for the creation of new employment opportunities. Thus the directives concerning expenditure of Federal funds on housing contain the following passage:

“Special efforts should moreover be made to promote the construction of housing in economically poorly-off areas, more especially in conjunction with structural-improvement measures already initiated, and in development and overspill localities at some distance from major agglomerations, inasmuch as it is often impossible to create jobs in these areas unless adequate accommodation is also provided. The same applies to housing operations in medium-sized and small localities suitable for development and in rural localities in the vicinity of towns, and also to the provision of housing for agricultural workers, including in particular dwellings of their own for married agricultural workers. By thus linking the expenditure of the funds reserved for housing with the creation of employment opportunities at suitable points, it should be possible to do a good deal to improve the structure of the areas in question in line with the requirements of town and country planning, and so help to ensure a more balanced distribution of population in the Federal Republic.”

The Bundesanstalt für Arbeitsvermittlung und Arbeitslosenversicherung also makes large sums available out of its reserve funds for building purposes, channeling these in such a way as to promote the building of houses more especially in areas where new jobs are coming into being as a result either of State encouragement or of general economic expansion. It lends at 2 % for 12 years, with a redemption-free period of two years; the amount lent is usually the fixed sum of DM 7,500 per dwelling.

ARRANGEMENTS BENEFITTING WORKERS

A. *Unemployment relief schemes of permanent practical value to the community*

The Bundesanstalt für Arbeitsvermittlung und Arbeitslosenversicherung makes funds available on advantageous terms, in the form of grants and loans, to bodies (*e.g.* local authorities) responsible for certain measures, thereby enabling them to undertake operations involving the employment of large numbers of workers; it is made a strict condition that, apart from a small nucleus of skilled men, the labour engaged for this purpose must consist exclusively of unemployed persons on public assistance. The operations in question consist in building roads, installing sewerage and water-supply systems and so on: that is to say, they constitute infrastructure improvements, and as such part of the public authorities' regular duties, though they serve at the same time to make certain areas more attractive for industrialization. However relief schemes of this kind do not play much part in these times of full employment.

B. *Assistance in taking up employment; vocational training*

I. *Assistance in taking up employment*

Arrangements exist to help eliminate residual unemployment by getting unemployed persons to the spot where vacant jobs are available; thus the Bundesanstalt is prepared to pay costs in connection with interviews for new jobs, travel and removal expenses, separation allowances for the maintenance of dependants where the new job obliges the breadwinner to live apart from his family, training allowances and so on.

II. *Vocational training*

1. The Bundesanstalt part-finances a number of vocational-training arrangements, and operates certain others direct, with the object of

enabling persons not in work to acquire occupational skills on the strength of which they can obtain permanent employment. The facilities provided are of various kinds, so as to meet the particular requirements of the individual persons concerned: thus advanced, refresher and retraining courses are organized for a range of different occupations, and more general training courses, etc., are also given to develop the broader occupational qualifications and abilities of those attending.

2. By the Act of April 22, 1965, a special fund of DM 560 million was instituted in order (a) to assist the establishment, extension and equipment by industrial enterprises and associations, foundations, trade federations and so on of extra-enterprise adult and apprentice training centres and facilities and (b) to facilitate attendance by employed workers at advanced training or sandwich courses.

III. Assistance to miners leaving the coalmining and iron-ore industries following closures or production cutbacks

In accordance with the directives agreed between the High Authority and the Federal Government as a basis for the implementation of Article 56,2 of the E.C.S.C. Treaty, miners leaving their industry as a result of enterprises' finding themselves obliged to discontinue, curtail or change their activities are entitled to assistance to relieve hardship and ease the process of adaptation to a new job. The arrangements are on the same lines as those described under I and II above, but also include special provision for compensatory allowances to miners whose new job brings them in a substantially lower wage than they earned in the mines.

BELGIUM

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GENERAL ARRANGEMENTS

Introductory Remarks

Various measures have been introduced in Belgium since 1939 for the general encouragement of investment by industry, both large and small, in buildings, plant and equipment.

The first was the Royal Decree of November 28, 1939, providing for a system of assistance to new industries, a State guarantee being offered for the repayment of loans granted by public credit institutions for the purpose of making possible or facilitating the establishment in Belgium of new industries, or calculated to afford decisive encouragement to major economic and social interests .

The provisions of the Decree were actually applied only in a few instances, and were superseded up to 1959 by the Act of August 7, 1953, concerning financial assistance for the establishment, extension, rationalization and re-equipment of enterprises in the industrial and craft-industry sectors. The practical details of its implementation were laid down in the Royal Decree of October 12, 1953.

A subsequent Act, of May 31, 1955 (details of implementation contained in Royal Decree of September 5, 1955), also provided for State aid for the building and acquisition of factories and workshops; this was superseded by the Act of July 10, 1957 (details of implementation contained in Royal Decree of February 10, 1958), placing a number of temporary provisions in the earlier Act on a permanent basis.

The 1953 and the 1957 Acts were replaced in their turn in 1959 by two new enactments concerning economic expansion.

1. The Act of July 17, 1959 (details of implementation contained in Royal Decree of August 17, 1959), instituting and co-ordinating measures for the promotion of economic expansion and establishment of new industries;

2. The Act of July 18, 1959 (details of implementation contained in Royal Decree of August 18, 1959), instituting special measures to deal with the economic and social difficulties of certain areas. The "General" Act of July 17, 1959, so called because it applies throughout the country, was passed with four distinct aims in view:

(1) to afford a fresh impetus to the economy, and in the longer term to combat structural unemployment;

(2) to promote the rationalization of enterprises and the raising of production;

(3) to encourage the adaptation of production lines to the new prospects opened up by the Common Market;

(4) to stimulate launching out by growth industries in place of enterprises now seen to have little future.

The Act of July 18, 1959, known as the Regional Act, is designed to bring about a more balanced distribution of economic activity and prosperity as among the different parts of the country, and to help to deal with the specific economic and social problems confronting some of these, termed the "development areas." To be scheduled as a development area, a region must be suffering in serious degree from one or more of the following difficulties:

a) persistent and substantial unemployment both absolutely and in per cent of the working population, or permanent lack of employment opportunities;

b) permanent migration elsewhere of a considerable proportion of the population, bringing the number of inhabitants below the minimum which is essential for the economic maintenance of the public and social services necessary to progress;

c) economically and socially disadvantageous seasonal, weekly or daily movement away from the area of a numerically and proportionally substantial part of the labour force;

d) actual or imminent decline of important economic activities, expected to result in the loss of a considerable proportion of the area's revenue and of substantial social investments, and in unfavorable repercussions on other activities there, *e.g.* the public services and commercial enterprises.

A development area must form a single connected whole, whose inhabitants are faced with common problems of economic growth

which could be resolved by steady expansion based on a fully adequate infrastructure. Fifteen development areas were marked off in accordance with these criteria at the end of 1959 for a provisional period of three years. (For map of development areas, see Annex.)

1959 also saw the promulgation of an Act specially on behalf of small businesses, the Act of May 24, 1959, enabling small tradesmen and craftsmen to obtain capital loans more easily for the purpose of establishing, extending, reconverting, re-equipping or rationalizing their enterprises.

In addition to this legislation providing for financial assistance to industrial and commercial enterprises, three Acts relating to fiscal aspects were passed on July 15, 1959, one of which, containing amendments to the system of taxes on capital gains, may be regarded as a measure to promote the establishment of new activities in certain parts of the country.

More recently, some of the provisions of the Acts of July 17 and 18, 1959, were amended by the Acts of February 14, 1961, November 20, 1962, and July 30, 1963.

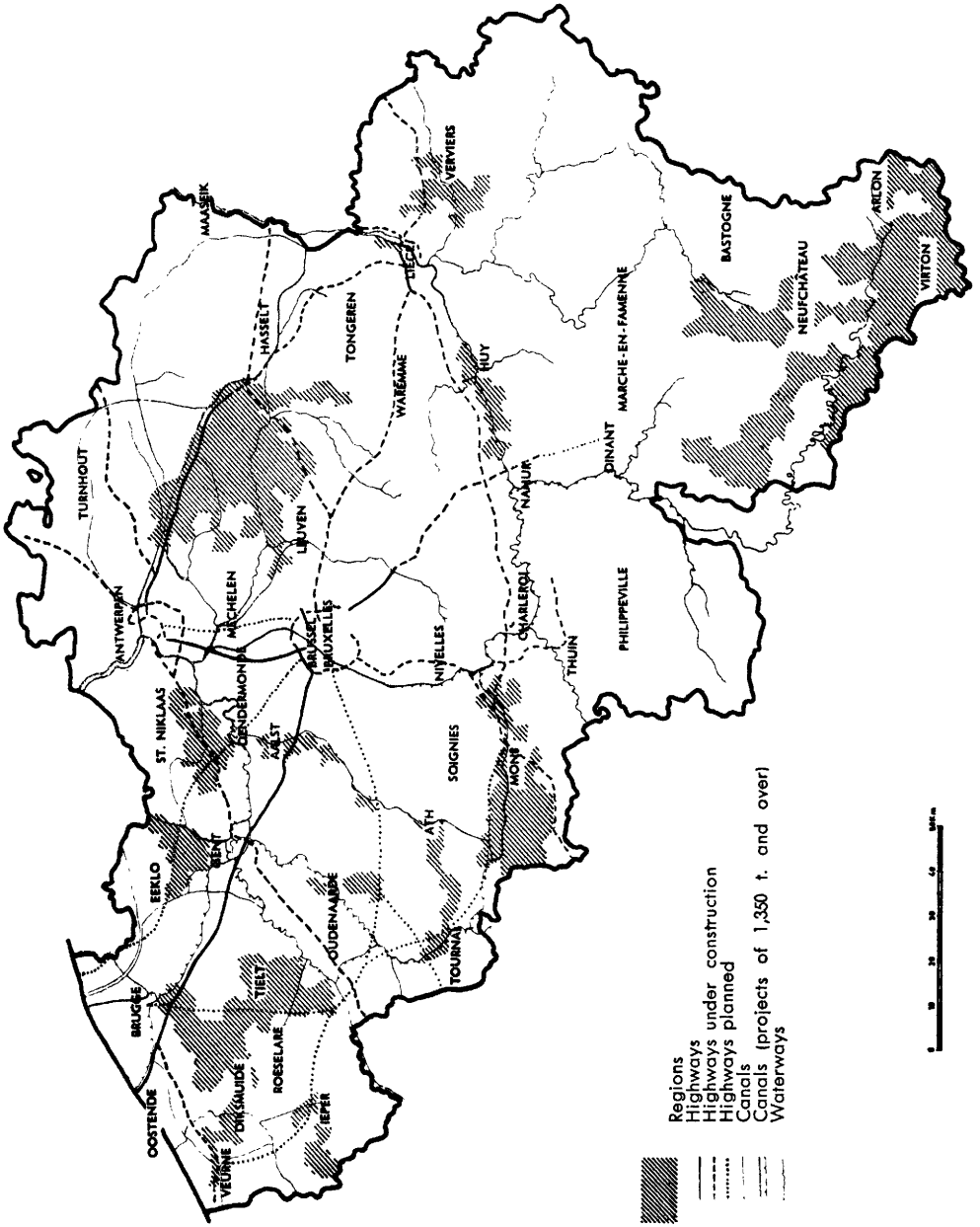
Over and above this legislation on economic expansion as such, certain special measures were introduced for the benefit of the labour force: by two Royal Decrees of March 20, 1961, and another of March 24, 1961, it was provided that State aid was to be available for the selection, training and/or resettlement of personnel recruited in connection with the establishment, extension or reconversion of enterprises, for contributions towards the pay of workers affected by reconversion of the enterprise employing them, and for contributions to the resettlement expenses of workers thrown out of employment and obliged to move house from one area to another. These various provisions were subsequently consolidated in the Royal Decree of December 20, 1963.

The Act of April 2, 1962 (since amended on some points by the Act of April 14, 1965), provides for the setting-up of one national and a number of regional investment corporations. Up to now only the national corporation has been established.

In connection with its policy of assisting the establishment of new activities, the Government is seeking to work out in greater detail an effective regional policy for dealing with the problems of the areas now in difficulties (and more especially the coalfields), and to institute appropriate institutional means of action.

Development areas

Royal Decree 27-11-1959



Legal and Financial Provisions

November 28, 1939

Royal Decree instituting assistance for new industries.

October 31, 1951

Ministry of Finance Memorandum permitting accelerated depreciation.

December 31, 1951

Royal Decree granting loans to agricultural co-operative societies.

August 7, 1953

Act concerning State financial aid for the creation, extension rationalization and/or re-equipment of enterprises in the industrial and craft-industry sectors.

October 12, 1953

Royal Decree concerning implementation of the Act of August 7, 1953.

May 31, 1955

Act concerning State financial aid for the building or acquisition of factories and workshops.

September 2, 1955

Ordinance of the Province of Namur making available a grant in aid.

September 5, 1955

Royal Decree concerning implementation of the Act of May 31, 1955.

July 10, 1957

Act placing on a permanent basis certain temporary provisions of the Act of May 31, 1955.

February 10, 1958

Royal Decree concerning implementation of the Act of July 10, 1957.

January 27, 1959

Royal Decree instituting a Regional Action Assistance Fund.

May 24, 1959

Act making capital loans more easily obtainable by small business.

July 13, 1959

Ministerial Decree approving the setting-up of Provincial and regional economic-expansion committees.

July 15, 1959

Acts instituting temporary fiscal advantages (complementary investment, capital gains, take-overs and mergers).

July 17, 1959

Act instituting and co-ordinating measures to promote economic expansion and the establishment of new industries.

July 18, 1959

Act instituting special measures to combat the economic and social difficulties confronting certain areas.

August 17, 1959

Royal Decree concerning implementation of the Act of July 17, 1959.

August 18, 1959

Royal Decree concerning implementation of the Act of July 18, 1959.

November 27, 1959

Royal Decree designating the development areas.

February 14, 1961

Act concerning economic expansion, social progress and financial recovery.

February 25, 1961

Royal Decree concerning contribution by the National Employment Office to the payment of workers formerly unemployed and difficult to place, who have nevertheless been found jobs through the Office.

March 20, 1961

Royal Decree concerning contribution by the National Employment Office to the covering of the resettlement expenses of unemployed workers moving elsewhere to take up employment.

March 20, 1961

Royal Decree concerning contribution by the National Employment Office to the payment of workers affected by the reconversion of their enterprise.

March 22, 1961

Royal Decree concerning implementation of Article 4 of the Act of February 14, 1961.

March 24, 1961

Royal Decree concerning contribution by the National Employment Office to the covering of expenses incurred in the selection, training and/or resettlement of personnel recruited in connection with the establishment, extension or reconversion of enterprises.

March 24, 1961

Royal Decree concerning accelerated occupational training for adult workers and occupational retraining for unemployed workers.

April 2, 1962

Act providing for the setting-up of one national and a series of regional officially-authorized investment corporations.

April 10, 1961

Royal Decree concerning implementation of the Act of July 18, 1959, as amended by the Act of February 14, 1961.

September 19, 1962

Royal Decree bringing certain commercial enterprises within the terms of the Act of July 17, 1959.

November 20, 1962

Act remodelling the income-tax system.

July 30, 1963

Act amending the Acts of July 17 and 18, 1959, concerning economic expansion.

December 20, 1963

Royal Decree concerning employment and unemployment, *inter alia* consolidating the provisions of the Royal Decrees of March 20 and 24, 1961.

April 14, 1965

Act amending the Act of April 2, 1962, setting up national and regional investment corporations.

Competent Authorities

AT NATIONAL LEVEL

Information on the provisions in force

The Ministry of Economic Affairs has been working since 1952 to promote the balanced economic development of the different parts of the country. It has a special department acting as the central national body in this field, while in addition there are regional offices responsible for establishing and maintaining contact with the authorities and with industry in the different Provinces for the purpose of stimulating economic development projects at regional level. One of the main tasks of these offices is to make the arrangements existing for assistance in connection with the development of new activities known within their areas. The central department and the regional offices co-operate in the provision of such assistance; the department co-ordinates operations and makes all appropriate suggestions.

Examination as to applicability of provisions

Applications for assistance under the provisions in force are examined for eligibility by the departments responsible in the Ministries concerned, principally the Ministry of Economic Affairs and Energy, the Ministry of Finance, the Ministry of Middle-Class Affairs and the Ministry of Labour and Employment.

Action open to the competent authorities

The Minister of Economic Affairs and Energy and the Minister of Middle-Class Affairs may grant loans at reduced interest to industrial and craft enterprises for purposes of economic expansion (Acts of July 17 and 18, 1959, and Act of February 14, 1961).

The Minister of Finance and, according to circumstances, either the Minister of Economic Affairs and Energy or the Minister of

Middle-Class Affairs decide as to whether a State guarantee may be granted (Article 4 of the Act of July 17, 1959, and Article 7 of the Act of July 18, 1959).

The Minister of Finance may, at the proposal of the Minister of Economic Affairs and Energy or of the Minister of Middle-Class Affairs, grant certain tax exemptions (Article 8 of the Act of July 17, 1959, and Articles 11-13 of the Act of July 18, 1959).

The Minister of Economic Affairs and Energy and the Minister of Middle-Class Affairs may grant capital subsidies to industrial and craft enterprises (Article 5 of the Act of February 14, 1961).

The Minister of Middle-Class Affairs may also authorize loans at reduced interest to craft enterprises (Article 17 of the Act of May 24, 1959).

The Minister of Employment and Labour authorizes grants in aid of the training, retraining and resettlement of workers under the Royal Decree of December 20, 1963.

The Minister of Works is responsible for the issuing of building permits and for town and country planning.

The Minister of Finance authorizes accelerated or degressive depreciation.

The Minister of the Interior, in two official circulars of January 30, 1961, and September 17, 1963, issued directives fixing the terms and conditions for action by the Provincial and local authorities, inter-Commune boards and regional economic equipment corporations to promote economic expansion (notably as regards conveyance of sites and premises to industrial enterprises).

The Institute for the Encouragement of Scientific Research in Industry and Agriculture (I.R.S.I.A.) may grant direct subsidies for fundamental and applied research.

Revenue inspectors may grant allowances in respect of accelerated depreciation (Ministry of Finance Memorandum of October 31, 1951).

Supervision and control

Carried out in the ordinary manner by the Ministries responsible.

AT REGIONAL LEVEL

Information on provisions and examinations as to applicability

Official bodies have not been set up in all nine Provinces with the object of promoting the development or revival of economic activities there.

Under the Ministerial Decree of July 13, 1959, the Minister of Economic Affairs may authorize the establishment of one "Provincial Committee for Economic Expansion" in each Province, for the purpose of centralizing relations with the various existing regional bodies. The official Committees may be consulted on all matters of importance connected with the economic development of their particular Province, and may on their own initiative put forward any proposals or suggestions calculated to further such development.

The corporations (whose activities are described more fully in the pages following) also serve as information centres concerning eligibility for concessions under the arrangements for assistance to new industries.

The Provincial branches of the National Employment Office supply all particulars concerning welfare improvement activities and manpower reserves.

There are in addition two important economic research, information and stimulation organizations operating in the same field on a private basis, the Conseil Economique Wallon and the Economische Raad van Vlaanderen, covering the French-speaking and the Flemish-speaking area of the country respectively.

Two other bodies of a more technical character, Socorec on the French-speaking side and Venex on the Flemish-speaking, also offer assistance to industrial enterprises effecting changes or extensions or planning to set up.

Action open to the competent authorities

The Act of July 18, 1959, contained provision for the setting-up of regional economic equipment corporations to be responsible for making sites available for industrial purposes, preparing and equipping these, building factories or workshops on them, and selling, leasing or renting these sites and/or premises to private companies or individuals on the strict understanding that they are to be employed for the purpose for which they were prepared.

The corporations' main function is to give impetus and co-ordination to all action to overcome the on-the-spot problems involved in the establishment of new enterprises. Many local authorities have been trying to do this, but the large-scale operations needed for successful industrialization are outside the competence and beyond the means of most of them; moreover, the smaller the number of authorities taking part in the process the greater their efficiency, and the less the risk of several local authorities seeking to outbid one another in the hope of attracting industry to their particular area.

The various Provincial and communal authorities in a position to give assistance decide for themselves what action they will take in this way to help establish new or develop existing activities; such action is, however, for the most part on a very limited scale. It should be noted that approval at a higher level has to be secured before they can grant financial aid: the Provincial authorities must obtain authorization from the Ministry of the Interior, and the communal authorities from the Province.

Regional Development Programmes

1. *Economic and social development*

A Planning Office was set up in 1959 to draw up a programme of economic development. It is supposed to do this at regional as well as at national level: the first plan, for 1961-65, was national in scope only, but in the second, for 1966-70, now in preparation, a regional breakdown is to be attempted.

In 1961, the Ministry of Economic Affairs and Energy submitted a redevelopment plan for the Borinage and Centre areas, which was duly approved by the Government. The plan is aimed at concentrating all efforts, public and private, on the establishment of new economic activities in these regions, which have been hard hit by colliery closures, and important Government schemes have been adopted as part of a co-ordinated drive to make them more attractive to industrial investors (roads, waterways, railways, industrial estates, housing, etc.).

A similar plan was issued in 1962 for the Southern Campine, a little-developed rural area in the north of the country. Here the aim is to work up a variety of industrial activities in order to raise the region's revenues and living standards, while at the same time carrying on a series of major projects for infrastructural improvements, the installation of industrial estates, provision of better housing and so on.

A third regional plan was recently approved for the portion of the Province of West Flanders known as the Westhoek or "western corner," a backward part of the country with a high rate of permanent departures among the population.

For the Province of Luxembourg the Government has further approved a programme for the installation of industrial estates, to serve as initial bases for the establishment of new activities in this mainly rural and wooded region, from which there is at present a

considerable annual drift of population for want of sufficient employment opportunities locally.

2. Town and country planning

Though they are not strictly speaking regional development programmes, mention may be made here of the arrangements under the Town and Country Planning Act of March 29, 1962.

The local authorities are required to draw up a master plan and a set of individual plans, which have to have the Royal approval; also, the King is to designate the regional sectors to be covered by overall plans, while in addition the Act provides for regional plans, the King to designate the regions in question.

Most of the local authorities have by now worked out their plans, and a large number of sectoral plans are also in process of being drawn up. Some regional plans were prepared earlier, but none of them received the necessary approval.

Studies

In the course of the last few years, a series of regional economic and social studies has been carried out covering in combination the whole of the country.

Under the Acts of May 31, 1955, July 10, 1957, and July 17, 1959, the Minister of Economic Affairs and the Minister of Middle-Class Affairs are empowered to arrange for the effecting of economic and social studies and surveys relevant to the implementation of the Acts. Accordingly, the Minister of Economic Affairs has had a country-wide series of studies conducted by university research centres. These have furnished a picture of conditions and problems in the different regions, and so provided the essential basic data for the framing of development and redevelopment programmes; in particular they were substantially drawn upon in working out the schemes for the redevelopment of the Borinage and Centre, the Southern Campine and the Westhoek.

In addition, the Minister of Works has had preparatory surveys carried out as a basis for regional and sectoral town and country planning projects. These surveys, many of which have now been completed, contain very full and detailed information on the economic, social and cultural conditions in the areas concerned: among their stated objects is to indicate, from a study of the area's past and present, what seem to be the lines on which its potentialities can best develop, so that the authorities can take the requisite decisions. The decisions themselves are prepared as part of the work of town and country planning proper.

DIRECT ASSISTANCE TO ENTERPRISES

Financial Assistance

Subsidies/Grants

National legislation

Article 5 of the act of February 14, 1961, provides that, to promote the expansion of industrial employment calculated to result from operations in line with the sector-by-sector objectives laid down in the Government's five-year programme, grants may be made available to enterprises to cover part of the cost of their investments in buildings, plant and equipment.

By the terms of the Royal Decree of April 10, 1961, specifying the practical details as to the provision of such grants, the amounts payable in respect of industrial buildings may not exceed 20 % of the value of such buildings at times when the general economic situation is satisfactory or 30 % at times of officially-recognized recession, and in respect of industrial plant and equipment 7.5 % when the economic situation is satisfactory or 10 % at times of recession.

Only "development areas" within the meaning of the Act of July 18, 1959, are eligible for these grants.

Not much use has been made of the facilities so offered: at January 1, 1965, 15 grants in all had been made, representing a total of Bfr. 12,900,000.

Regional legislation

Province of Namur

Grants are payable:

(1) To new enterprises or divisions of enterprises, for *preparation* of the site:

amount: 50 % of cost of operations, up to a maximum of Bfr. 100,000;

(2) To new enterprises or divisions of enterprises, for *purchase of industrial premises* which have been *disused* for 2 years or more:

amount: 10 % of the purchase price, to a maximum of Bfr. 100,000;

(3) To new enterprises or divisions of enterprises, after 36 months in operation:

amount: Bfr. 1 times the number of man-days worked declared to the Office National de la Sécurité Sociale, to a maximum of Bfr. 100,000;

(4) To any enterprise commissioning a firm of efficiency experts to conduct an *investigation* for the purpose of improving its internal organization, production processes or selling methods:

amount: 40 % of the cost of this evaluation, to a maximum of Bfr. 30,000;

(5) To any enterprise engaging in the *systematic exploration of an export market* to promote its sales there:

amount: 25 % of the expenses incurred, to a maximum of Bfr. 50,000.

Grants under (4) and (5) may be paid more than once to the same enterprise, provided they are in respect of a different project in each case and do not exceed a total of Bfr. 150,000 in five years. The Provincial authorities, however, may in individual cases, at their discretion, allow larger grants than those specifically provided for by the above Order. A budget appropriation of Bfr. 5,000,000 was authorized for 1965.

For 1966 no decision has yet been taken, but it seems probable that the arrangement will be renewed as before.

Loans

Acts of July 17 and 18, 1959

Private or public credit institutions authorized to do so by Royal Decree may grant to industrial or craft enterprises, or other physical or legal persons directly concerned in the activity of these, loans at reduced interest with or without a State guarantee, or loans with a State guarantee only.

Act of May 24, 1959

The Caisse Nationale de Crédit Professionnel, the Société Nationale de Crédit à l'Industrie and the Caisse Générale d'Épargne et de Retraite, and also the institutions subject to control by the Bankers' Control Committee, may grant loans at reduced interest to small businessmen, tradesmen and craftsmen, and to persons in the liberal professions. Such loans may or may not be State-guaranteed through the guarantee fund of the Caisse Nationale de Crédit Professionnel.

Interest Reductions

Act of July 17, 1959, as amended by the Act of February 14, 1961

Under the "General Act" referred to earlier, the following interest reductions may be allowed.

General assistance

This is intended to promote investment in the industrial and craft-industry sectors in general, and to stimulate the expansion of the Belgian economy as a whole. The maximum rebate is 2 %.

Special assistance

Special assistance may also be extended:

(1) to enable existing enterprises to ensure, by carrying out substantial investment programmes, that their activities are properly organized to meet the changed conditions of international competition: assistance under this head is available up to December 31, 1961;

(2) in respect of operations in line with the sector-by-sector objectives laid down in the Government's five-year programme: assistance under this head consists of an additional reduction of 2 %, provided that the rate of interest so reduced is not lower than 1 %.

The total reduction (general and special assistance together) may therefore amount to a maximum of 4 %.

Supplementary assistance

In the event of a recession officially recognized as such in a Royal Decree deliberated by the Cabinet, reduced rates of interest may be lowered to 3 % in cases coming under general assistance and 1 % in cases coming under special assistance. Applications submitted in 1959 have been declared eligible for supplementary assistance.

Act of July 18, 1959

The regional Act provides for only two categories of financial assistance in comparable cases.

Regional assistance

Interest reductions amounting to not more than 4 % may be granted to both existing and future enterprises.

Supplementary assistance

In the event of an officially-recognized recession, rates of interest may be reduced to 1 %.

Under neither regional nor supplementary assistance may the rate payable be less than 1 %. Applications submitted in 1959 have been declared eligible for supplementary assistance.

Act of May 24, 1959

The Minister of Middle-Class Affaires may grant subsidies up to an amount which may in no circumstances exceed either the amount of the interest payable by the borrower, or an interest of 3 % on the principal lent.

REMARKS

The credit institutions must be specifically approved in advance by a Royal Decree deliberated by the Cabinet.

Interest reductions are granted following individual examination of each application, which is submitted to an officially-authorized credit institution.

At January 1, 1965, a total of 1,861 loans had been made available at rates reduced in accordance with the Acts of July 17 and 18, 1959, the aggregate amount involved coming to over Bfr. 47,000,000,000.

Regional legislation

The authorities of the Province of West Flanders set aside a sum each year to enable small enterprises carrying out capital investment projects to raise loans for the purpose at reduced interest. This appropriation is administered by the Chambre Provinciale de l'Artisanat et du Négoce. The reduction of interest may not, however, be claimed simultaneously with other concessions from other public bodies.

The Province of East Flanders similarly makes an annual appropriation to enable lower interest to be charged on loans obtained by

small businesses from a para-Governmental credit institution for the purpose of improving productivity. This concession may not be combined with aid of the same kind from other public sources.

The Province of Luxembourg arranges for interest reductions of up to 2 % to new enterprises or enterprises setting up new divisions where the project is calculated to make for fuller and more technical employment and/or to increase productivity, or concerns the launching of new products or introduction of new processes.

Guarantees

Acts of July 17 and 18, 1959, as amended by the Act of February 14, 1961

The competent Ministers may give the State's guarantee in respect of the repayment of the principal interest and service charges of the loans described in the preceding section.

If the loan was not contracted with a public credit institution, however, the State guarantee must not cover more than 50 % of the amount outstanding after realization of any securities lodged for the benefit of the lender.

The aggregate maximum amount guaranteeable by the State is fixed at Bfr. 18,000 million (Bfr. 12,000 million under the Act of July 17, 1959, and Bfr. 6,000 million under the Act of July 18, 1959), inclusive of guarantees given under the earlier Acts of August 7, 1953, and July 10, 1957.

The ceiling for State guarantees in respect of loans granted by private credit institutions is Bfr. 2,000 million, to come from the overall total just referred to. This ceiling may be altered by a Royal Decree deliberated by the Cabinet.

By the terms of the Act of February 14, 1961, the State's guarantee is given subject to the payment, by the lender institutions or the borrower enterprises, of an insurance premium on the sums so guaranteed, to cover the guarantee. The practical details of the arrangement are laid down in Royal Decree of March 22, 1961.

Under the present system, the credit institutions must be specifically approved in advance by a Royal Decree deliberated by the Cabinet before they can either grant reductions in interest rate or qualify for a State guarantee. This puts private financing bodies on the same footing as their public counterparts, which they were not under the earlier legislation.

The State's guarantee is given following individual examination of each application.

REMARKS

At January 1, 1965, a total of 410 loans had been granted with State guarantees under the Acts of July 17 and 18 1965, the aggregate amount involved coming to close on Bfr. 18,000,000,000.

Act of May 24, 1959

All commitments from the Fund are backed by the State's guarantee.

Financial Participations

The Act of April 2, 1962, provides for the establishment of one national and a number of regional investment corporations; so far only the national corporation has been set up, though preparations for the others are in progress.

The Act's provisions for the corporations' articles and operation are as follows:

A. *The national investment corporation*

The function of the national investment corporation is to encourage the establishment or extension of industrial and commercial enterprises by taking up temporary participations in public companies registered under Belgian law and having their head office in Belgium.

The corporation is organized as a public joint-stock company.

At least 75 % of its capital must be furnished by the State and by public financing establishments.

The corporation's participation in any one public company must not exceed 80 %, except where the company is being newly formed, when the corporation may acquire a larger holding if specially authorized to do so by Royal Decree deliberated in the Council of Ministers.

The corporation may issue debentures having a minimum lifetime of 5 years to a value not exceeding the amount of the capital and reserves, unless a larger issue is specially authorized by Royal Decree deliberated in the Council of Ministers.

A State guarantee may be granted in respect of interest on and redemption of the debentures issued by the corporation.

B. *The regional investment corporations*

The national corporation gives official approval to regional corporations in accordance with a general code of rules.

The State, provincial authorities, local authorities, the national corporation and public financing establishments authorized by the King may take up participations in an approved regional investment corporation; such participations must together represent not less than 75 % of the latter's total capital, while participations by provincial and local authorities must not exceed one-half of the percentage so represented.

The regional corporations are public companies organized as joint-stock companies.

Their function is to encourage at regional level the establishment or extension of industrial and commercial enterprises by taking up temporary participations in public companies registered under Belgian law and having their head office in Belgium. Their participation in any one public company must not exceed 80 %, except where the company is being newly formed, when the corporation may acquire a larger holding is specially authorized to do so by Royal Decree deliberated in the Council of Ministers.

The national corporation is empowered to buy in participations taken up by approved regional corporations; it is further empowered to grant loans and advances to approved regional corporations, and also to private investment companies having the same aims and objects.

Approved regional corporations may issue debentures having a minimum lifetime of 5 years to a value not exceeding the amount of their own capital and reserves, unless a larger issue is specially authorized by Royal Decree deliberated in the Council of Ministers.

The national corporation is empowered to give its guarantee to third parties in respect of interests on and redemption of debentures issued by an approved regional corporation.

Provisions applying to both types of corporation

The national and approved regional corporations are free to dispose of the shares in their possession to all comers, after they have offered first refusal of them to the shareholders of the company

concerned. They may, however, conclude an agreement with the company whereby they undertake to allow the shareholders the right to acquire such shares during a period of not less than three years.

The national and approved regional corporations are exempt, subject to certain conditions, from business tax on capital gains arising from the disposal of shares in accordance with the above provision, and on capital arising from the participations where these have been held for not less than three years.

Changes introduced by the Act of April 14, 1965

An Act was passed on April 14, 1965, amending the original 1962 Act so as to allow the national investment corporation more flexibility in operation, while continuing to offer all possible safeguards to its associates. Its voting power is, as before, restricted to one-fifth of the total votes of stockholders in the company in which it has an interest, or two-fifths of the votes of stockholders present at the general meeting, whichever is the lower.

The new Act permits the national corporation to take up participations not only in public companies registered under Belgian law, but also in planning and research bodies, groups or consortia set up in preparation for the establishment or reorganization of enterprises.

In addition, the corporation may now, subject to certain conditions, acquire participations by direct purchase, and not, as previously, only in connection with the initial launching of the company or of capital increases by it.

It may also subscribe convertible bonds, if its Boards so decides by a qualified majority.

The Act further provides that the corporation's participations are to be temporary in character unless it is specially decided to the contrary by a qualified majority of the Board.

Lastly, the corporation is to be entitled to make over its holding if explicitly authorized to do so by the general meeting of the company voting independently of it.

REMARKS

At January 1, 1965, the national investment corporation had taken up a total of 62 participations in various companies, the aggregate amount involved coming to approximately Bfr. 1,100,000,000.

Advances

The General Act provides for the granting of interest-free repayable advances for the purpose of research on or development of prototypes, new products or new production processes intended to be launched in Belgium.

Such advances may not exceed 50 % of the total amount to be expended in this connection by any single company or individual.

They are repayable as soon as the new products or production processes have been successfully introduced in industry or commerce. Should these prove a failure, repayment is waived.

REMARKS

Advances are authorized following individual examination of each application.

Fiscal Concessions

Exemptions or Reliefs

General Act (of July 17, 1959)

All enterprises carrying out capital schemes for the construction of industrial buildings within the meaning of the provisions relating to special or supplementary assistance may be exempted from paying the *précompte immobilier* (prepayment tax on income from property) in respect of such buildings for a period of five years from January 1 of the year following the date of occupation. Exemption is automatic if the capital scheme has been carried out with State assistance, and may be granted individually in other cases provided the Minister of Economic Affairs or the Minister of Middle-Class Affairs is satisfied that the criteria for the granting of special or supplementary assistance are fulfilled.

The Act of July 30, 1963, amending the above exempts from the *précompte immobilier* not only the buildings, but also the site considered for assessment purposes as forming with them a single parcel of land, as recorded in the cadastral register, and plant and equipment representing or designed to represent fixed assets.

Regional Act (of July 18, 1959)

All enterprises carrying out capital schemes for the construction of industrial buildings within the meaning of the provisions relating to special or supplementary assistance may be exempted from paying the *précompte immobilier* (prepayment tax on income from property) in respect of such buildings for a period of five years from January 1 of the year following the date of occupation. Exemption is automatic if the capital scheme has been carried out with State assistance, and may be granted individually in other cases provided the Minister of

Economic Affairs or the Minister of Middle-Class Affairs is satisfied that the criteria for the granting of special or supplementary assistance are fulfilled.

The Act of July 30, 1963, amending the above exempts from the *précompte immobilier* not only the buildings, but also the site considered for assessment purposes as forming with them a single parcel of land, as recorded in the cadastral register, and plant and equipment representing or designed to represent fixed assets.

Capital grants and subsidies are exempt from business tax and surtax. Also, for depreciation purposes they are deductible from the investment value or cost price of the buildings.

Special fiscal legislation

1. The Act of July 15, 1959, instituting certain temporary fiscal advantages in order to promote complementary investment, has now expired. Its place is to some extent taken by the Act of November 20, 1962, remodelling the income tax arrangements (see subsection 9 below and B 122), which provides for an optional reducing-balance method of depreciation.

2. The Act of July 15, 1959, making temporary changes in the taxation of capital gains in order to promote reinvestment, has also expired, and has been superseded by certain passages in the Act of November 20, 1962, relating to capital gains, the gist of which is as follows:

A. Capital gains in respect of unrealized assets shown in the enterprise's accounts and inventories: total exemption provided they are not treated as profits.

B. Capital gains accruing during the business year from:

a) built-land, plant and equipment, participations and portfolio holdings:

owned for less than five years, no exemption;

owned for more than five years, exemption in respect of the trade and portfolio investments and taxation of the rest at 15 %, provided the capital gain is wholly retained in the enterprise;

b) unbuilt land: unconditional total exemption; in the case of companies, however, only in proportion to the reduction in the pur-

chasing power of the money, and provided the capital gains are wholly retained in the enterprise;

c) compensation for losses by fire or other disaster, expropriation, compulsory requisition, etc.: total exemption provided the amount of compensation received is reinvested in tangible and for intangible assets other than raw materials, products of merchandise;

d) disposals on termination of activity by enterprises owned by individuals: unconditional exemption in respect of trade and portfolio investments and taxation of the rest at 15 %.

3. The Act of July 15, 1959, designed to promote take-overs or mergers and the introduction of new branches of activity, has expired, but its provisions have served as a basis for further portions of the Act of November 20, 1962. This provides that the depreciations and capital gains or capital losses on the assets to pass to the company operating the take-over or resulting from the merger, and the registered capital for purposes of subsequent apportionment of that company's shares, are to be calculated as if the operation had not taken place.

This applies provided:

a) that the company operating the take-over or resulting from the merger has its head office or principal establishment in Belgium;

b) that the assets passing to that company are exclusively remunerated in shares in that company;

c) that where the decision to wind up the other company was not taken specifically for the purpose of enabling a take-over merger to be effected, the liquidators have not already apportioned part of the assets on a tax-free basis.

Capital gains accruing in connection with the conveyance by persons or bodies liable to individual income tax, company tax or non-residents' tax of one or more branches of their business or professional activity to an existing or projected company having its head office or principal establishment in Belgium are exempt from these taxes provided the assets so conveyed are exclusively remunerated in shares.

It should be added that in the case of companies undergoing conversion by the adoption of a different legal form the above provisions does not apply where the valuation of the assets and liabi-

lities, including capital and reserves, remains unchanged and the paid-up capital outstanding at the time of the change-over and any reserves incorporated therein are shown separately in the new company's balance-sheet.

4. *Changes in the system of registration taxes*

Under the regular arrangements concerning registration taxes, a tax of 1.6 % is levied on the gross value of the assets brought in, without deduction of debts.

In the case of mergers and take-overs, however, the tax of 1.6 % is payable on the value of the assets brought in after deduction of liabilities outstanding at the time and assumed by the company resulting from the merger or operating the take-over.

Similarly, in the case of companies changing their legal form or extending their business life, the tax of 1.6 % is charged on the value of the company's assets at the time after deduction of its debts.

5. *Relief in connection with construction of housing or other facilities for the company's workers (Act of July 7, 1930)*

Individual income tax, company tax and non-residents' tax are payable on only one-half of profits laid out within twelve months of the end of the business year on the construction in Belgium of housing or other facilities for the company's workers.

6. *Enterprises working hydrocarbon deposits in Belgium (Act of July 11, 1960)*

Enterprises working deposits of liquid or gaseous hydrocarbons in Belgium are entitled to tax exemption on sums set aside out of profits for the purpose of building up a special reserve fund, in so far as these sums do not exceed 50 % of the taxable profits on the sales of these hydrocarbons in natural or processed form.

7. *Research*

Under a Revenue Authorities Directive of October 19, 1964, taxpayers may apply for a uniform straight-line depreciation rate of 33 1/3 % p.a. on depreciable assets (exclusive of the buildings housing them) invested in research departments, costing offices, laboratories or testing stations owned by enterprises and employed solely for research purposes.

8. *Losses*

An earlier Act of February 18, 1954 (*Moniteur Belge* of March 6, 1954) allowed losses on a given business year to be carried forward for five years instead of two as previously. The November 1962 Act remodelling the fiscal system allows the same period, specifying that the deduction is to be made successively from the business earnings of each of the following tax periods.

9. *Depreciation*

Under the consolidated Income Tax Acts as amended by the Act of November 20, 1962, enterprises may deduct from their profits declarable for purposes of company tax the necessary depreciation of plant, equipment, buildings furniture and fittings used for business purposes which has taken place in the course of the relevant tax period (subject to the exceptions listed below). Depreciation is calculated on the basis of the cost of construction or acquisition, the annual rates being determined by taking into account the wear and tear or physical depreciation and obsolescence or economic depreciation.

Until 1962 the rate was as a general rule calculated on a straight-line basis. For items acquired or produced on or after January 1, 1963, however, enterprises may opt, under the conditions set forth in the Royal Decree of October 8, 1963, for the reducing-balance method of depreciation.

The reducing-balance method does not apply to items whose useful life is less than six or more than 19 years, or to patents, trade marks, goodwill or other similar intangibles.

The annual allowance for the reducing-balance method applicable to each group of items written down at the same rate is determined as follows:

a) for the tax period current at the date of acquisition or production by applying a rate not greater than twice the corresponding straight-line rate based on the normal useful life of the items in question;

b) for each subsequent tax period, by applying the same rate to the residual value of the said items, *i.e.* to their cost price less the depreciations already written off and allowed up to the end of the preceding tax period. The reducing-balance rate so calculated cannot, however, exceed 20 %.

Commencing with the tax period for which the amount written off under the reducing-balance method no longer exceeds that under the straight-line method, the taxpayer has the option of applying each year a fixed rate not exceeding the straight-line rate until the cost of construction or acquisition is entirely written off.

Regional legislation

The Province of Antwerp grants a three-year exemption from property tax and power-rating tax in respect of all new capital projects calculated to lead to an increase in the number of workers employed. There is no Provincial payroll tax.

The Province of West Flanders does not levy a payroll or power-rating tax. It allows exemption from property tax for five years to new enterprises setting up within the Province.

The Province of East Flanders refunds property, payroll and power-rating tax to enterprises established after January 1, 1960, and to existing enterprises carrying out extensions after that date.

The Province of Hainaut has since January 1, 1959, allowed five years' exemption from property tax, payroll tax, power-rating tax and tax on scheduled works to new enterprises setting up within the Province and to sections of existing enterprises entering new activity.

The Province of Namur grants five years' exemption from property tax, power-rating tax and tax on scheduled works to all new enterprises setting up within the Province.

The Province of Liège grants five years' exemption from payroll tax, power-rating tax and tax on scheduled works to new enterprises setting up within the Province which have secured or are eligible for State assistance.

The Province of Limbourg grants five years' exemption from payroll and power-rating tax to all new enterprises carrying out capital expenditure above a specified minimum.

The Province of Luxembourg imposes no taxes on industrial enterprises.

Accelerated Depreciation

Rates of depreciation are negotiated by the industrialist with the revenue authorities. The depreciation period is usually 10 years for fixed plant and equipment and 30 years for buildings. Revenue inspectors were requested in a Ministry of Finance memorandum of October 31, 1951, to base the rates on

- a) the wear and tear or physical depreciation;
- b) obsolescence or economic depreciation.

The memorandum specifies that in the case of newly acquired assets of a nature to become unserviceable in the course of a few years accelerated depreciation is to be allowed, over a period of, say, only three years. Enterprises wishing to take advantage of these special arrangements are required to apply in writing to the revenue authorities, listing their reasons and adding all relevant details.

See also B 121, "Fiscal Concessions," subsection (9), "Depreciation."

Customs and Excise Duties

Where the international agreements in force allow, it is theoretically possible to secure a temporary increase in the import duties on a particular product or products, in order to facilitate the launching of a new manufacture. Very little use has been made hitherto of this possibility, and the implementation of the Common Market Treaty is making it of even less account than before.

Assistance for Research on New Products

Substantial assistance for applied research is provided by the Ministry of Economic Affairs and Energy in connection with the work of the Institut pour la Recherche Scientifique et Appliquée dans l'Industrie et l'Agriculture (I.R.S.I.A.), a paragonmental body consisting of representatives of the Government, of research centres and of economic interests, which furnishes contributions of up to 50 % to the financing of research of general economic importance.

Mention should also be made of the assistance given for research on or development of prototypes, new products and new production processes (see Section "Advances", B 116, 1). Under the Act of July 17, 1959, repayable advances may be made for this purpose, amounting to up to 50 % of the total estimated expenditure involved.

The Act also permits interest reductions and State guarantees in respect of loans contracted for the same purpose from officially-approved credit institutions.

Under a Revenue Authorities Directive of October 19, 1964, taxpayers may apply for a uniform straight-line depreciation rate of 33 1/3 % p.a. on depreciable assets (exclusive of the buildings housing them) invested in research departments, costing offices, laboratories or testing stations owned by the enterprises and employed solely for research purposes.

INDIRECT ASSISTANCE TO ENTERPRISES

Provision of Basic Services, Preparation of Industrial Areas and Sites

One form of assistance often afforded to new enterprises is for the authorities (at State, Provincial, communal or intercommunal level) to place at the disposal of the enterprises concerned industrial sites either belonging to them (the authorities) or acquired for this purpose by compulsory purchase under the Act of July 18, 1959. Thus for instance in the Borinage and in the Hageland area, Southern Campine, large tracts of land have been taken over and major improvements begun on the infrastructure, with a view to making these sites more attractive to potential industrial investors.

Under Article 5 of the Act of July 17, 1959, and Article 15 of the Act of July 18, 1959, the State may build or purchase factories and workshops to be rented or, if preferred, sold to industrial or craft enterprises which have previously signed a contract with it for the utilization of the premises.

Under Articles 16-18 of the Act of July 18, 1959, the public authorities and public companies are empowered to set up in any part of the country regional economic-equipment corporations to make available industrial sites, prepare and equip these, and build factories or workshops on them with the object of selling, leasing or renting them to individuals or private companies.

Such corporations, each covering a number of communes and comprising representatives of the communal authorities and of business a trade-union circles within the region, or in many instances the Province, now exist in practically every part of Belgium. Most of them are busily engaged in establishing and preparing industrial estates and sites and seeking to overcome the problems of attracting new industries. Their efforts are increasingly superseding those of the

communes themselves, which were often unable, with the best will in the world, to cope with the task on an unco-ordinated local basis.

The Regional Action Assistance Fund of Bfr. 100 million set up in 1959 was exhausted some time ago. The Ministry of Works, however, has a special annual budget appropriation of Bfr. 450 million for financing infrastructure operations for industrial estates, disbursements from which are decided by an Interministerial Board upon proposal by the Minister of Economic Affairs. Grants from this source usually cover a large part (about two-thirds) of the expenditure on the infrastructure improvements; to meet the remainder the lower-level public authorities can contract from the *Crédit Communal de Belgique* supplementary loans at the reduced interest rates, and if necessary with the State guarantee, provided for by the 1959 Acts on economic expansion.

Regional Legislation

The Province of West Flanders makes an appropriation each year to finance priority projects for the improvement of the basic services, where such improvement is deemed essential if industry is to be attracted to the area concerned and the local authorities have not sufficient funds to pay themselves for the work involved.

Workers' Housing

There is only one enactment *specifically* intended to facilitate the building of workers' housing, namely the Act of July 13, 1930, whereby net profits employed within the country and within twelve months of the end of the financial year to build housing or other premises for the enterprise's personnel are taxable in respect of only one-half of the amount concerned.

Mention should, however, be made of a number of arrangements to provide financial aid for the purpose of

- a) helping persons of slender means to acquire ownership of their houses;
- b) assisting the building of houses to be rented to persons in modest circumstances;
- c) promoting slum clearance.

Ownership

a) Since the Act of August 8, 1889, the Caisse Générale d'Épargne et de Retraite has evolved a special type of "social" mortgage for the poorer classes (interest 4.5 % per annum).

b) The Act of May 29, 1948 (known as the De Tave Law) permits the provision, in certain circumstances, of non-repayable grants for the building of low-cost one-family houses. The actual building may be done either direct by private individuals or through building companies officially approved by the Société Nationale du Logement, the Société Nationale de la Petite Propriété Terrienne, the local authorities or the public-assistance boards.

c) The Ligue des Familles Nombreuses has a housing fund from which credits are made available to large families on exceptionally advantageous terms to help them to become owner-occupiers.

d) Orders were passed on April 14, 1945, and December 12, 1945, setting up a special system of low-interest loans for miners.

e) There are quite a range of tax reliefs to encourage acquisition of low-cost property.

Property for renting

Action in this connection is co-ordinated by the Société Nationale du Logement, which was instituted by the Act of October 11, 1919. The Société works as a rule through a number of officially-approved housing associations in the different parts of the country; its object is to provide good accomodation on moderate terms for the "little people" who cannot afford to buy.

Slum clearance

Slum-clearance arrangements were reorganized by the Act of December 7, 1953, which provides for the payment of funds for the demolition of substandard property, and for the granting of removal allowances.

ARRANGEMENTS BENEFITTING WORKERS

Occupational Training

1. The Royal Decree of December 20, 1963 (*Moniteur Belge* of January 18, 1964), Articles 76-81, concerning contribution by the National Employment Office to the covering of expenses incurred in the selection, training and/or resettlement of personnel recruited in connection with the establishment, extension or reconversion of enterprises, empowers the National Employment Office:

a) to assist the enterprises in question with personnel selection, ordinarily through its own employment bureaux, or if necessary financially (Section 77);

b) to have such personnel admitted on a priority basis to the accelerated-training centres, and to allow them to benefit by the financial aids listed under 2 below;

c) to provide financial assistance to the employer where the training is given within the enterprise;

d) to pay up to 50 % of the employer's declared costs of training personnel abroad, and/or of recruiting foreign instructors for a specified period;

e) to pay part of the resettlement costs of skilled workers or specialized tradesmen not initially unemployed, the Office's share to cover only the travel expenses of the man and his family and the cost of moving his household effects (Article 79, + Ministerial Decree of May 22, 1964 (*Moniteur Belge* of the same date), listing the regional bureaux referred to in the Article).

These provisions apply, as stated to personnel recruited in connection with the establishment, extension or reconversion of enterprises.

2. The Royal Decree of December 20, 1963 (*Moniteur Belge* of January 18, 1964), Articles 82-117, concerning accelerated occupational training for adult workers and occupational retraining for unemployed workers, as amended by the Royal Decree of July 29, 1964 (*Moniteur Belge* of August 26, 1964), by the Ministerial Decree of May 5, 1964 (*Moniteur Belge* of May 27, 1964), the Ministerial Decree of May 14, 1964 (*Moniteur Belge* of May 27, 1964), the Royal Decree of May 19, 1964 (*Moniteur Belge* of May 29, 1964), and the Ministerial Decree of May 22, 1964 (*Moniteur Belge* of May 30, 1964), amended by the Ministerial Decree of August 31, 1964 (*Moniteur Belge* of September 12, 1964), empowers the National Employment Office:

- a) to open training centres;
- b) to subsidize approved centres;
- c) to grant to workers contracting to undergo accelerated occupational training

- (1) an allowance in lieu of wages,
- (2) lump sums or benefits in cash or kind supplementary to the allowance,
- (3) an allowance for travel and subsistence expenses.

These provisions apply:

a) to wage-paid and self-employed workers aged not less than 21 and having been actively employed for not less than two years out of the three immediately preceding their application (military service to count as part of the two years);

b) to workers aged not less than 18 and not more than 21 and having either:

- (1) worked for not less than 12 months under an employment or apprenticeship contract, or
- (2) been registered for not less than 12 months as in search of employment, or
- (3) discontinued their technical studies or completed their apprenticeship contract, and thereafter worked for not less than 6 months under an employment contract, or alternatively been registered for 12 months as in search of employment;

c) to unemployed workers in receipt of benefit.

Occupational Retraining

1. The Royal Decree of December 20, 1963 (*Moniteur Belge* of January 18, 1964), Articles 68-75, concerning contribution by the National Employment Office to the payment of workers affected by the reconversion of their enterprise, empowers the Office to make up to 90 % of the worker's regular gross wages and such other payments as may be necessary to maintain the statutory and contractual benefits thereto attaching.

These provisions apply to all wage-paid workers temporarily stood off, placed on short time or put on less remunerative jobs owing to the reconversion of their enterprise.

2. Articles 53-58 of the same Decree, concerning contribution by the National Employment Office to the payment of workers formerly unemployed and difficult to place, who have nevertheless been found jobs through the Office, empowers the Office to cover a proportion of the wages of such workers for a period of not less than one month and not more than 12 months, in accordance with the following scale:

employment lasting less than six months	20 %
employment lasting six months or over	25 %
employment lasting one year or over	30 %

These provisions apply, as a general rule, to

a) persons having been on full unemployment assistance for not less than one year and having reached the age of 55 in the case of wage-paid workers or 40 in the case of salaried employees;

b) persons having been on full unemployment assistance for not less than six months and suffering from a diminution of 30 % or more in earning capacity owing to physical disability of a diminution of 20 % or more owing to mental disability.

N.B. For persons eligible under both a) and b) the percentages given under 2. above, are increased to 25 %, 30 % and 35 % respectively, or if their unemployment has lasted over three years to 30 %, 35 % and 40 %.

Transfer, Removal and Settling-in Allowances

The Royal Decree of December 20, 1963 (*Moniteur Belge* of January 18, 1964), Articles 59-75, concerning contribution by the National Employment Office to the covering of the resettlement costs of unemployed workers moving elsewhere to take up employment, in conjunction with the Ministerial Decree of May 6, 1965 (*Moniteur Belge* of May 23, 1964), specifying the amount payable in respect of such workers' removal costs, empowers the Office:

- a) to refund the travel expenses of the worker and his dependents;
- b) to refund the cost of moving the worker's household effects;
- c) to grant a fixed sum in respect of other expenses.

The travel expenses and one-half of the removal costs are refunded upon the worker's obtaining full-time employment within the six months following his change of residence. The second half of the removal costs are refunded and the fixed grant made available when he completes six months' full-time employment within the twelve months following his change of residence.

These provisions apply to unemployed workers aged not less than 18, and having been registered for not less than one month as in search of employment, who either:

- a) are moving to a point not less than 30 kilometers from their former place of residence, or
- b) would otherwise have to be away from home more than 12 hours a day in order to perform their new job or undergo occupational retraining, or
- c) would otherwise be obliged by their job or retraining to incur travel expenses working out Bfr. 20 or more higher per day than those incurred before they became unemployed.

In all three cases, the change of residence must be such as to reduce by at least one hour the length of time which the worker has to spend away from home each day.

OTHER ARRANGEMENTS

Measures to Facilitate Foreign Investment

The Ministry of Economic Affairs has a department, the *Service des Investissements Etrangers*, specially responsible for co-ordinating the efforts of the various official bodies to promote foreign investment in Belgium.

Thanks to this department's co-ordinatory activities, foreign investors are able to obtain from one Government office all the information which has usually to be laboriously assembled from many different sides of the Civil Service (the Treasury, the Inland Revenue, the various bodies concerned with economic affairs as such, the Customs authorities, and so on).

The department negotiates with foreign firms or groups the conditions for their establishment in Belgium. It also acts as intermediary in negotiations for co-operation agreements, whether originating in applications to it by Belgian companies wishing to find associates abroad or by foreign firms seeking Belgian opposite numbers interested in some form of co-operation or partnership.

In addition, it gives prospective investors from abroad the opportunity to select the industrial sites best suited for their particular purposes, and puts them in touch with the regional authorities responsible.

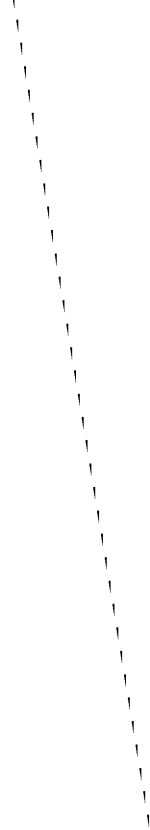
Foreign contacts are established and regularly maintained through the Belgian diplomatic and consular services abroad.

Concessions

Foreign companies have in Belgium precisely the same status as any other, and are therefore entitled to all the benefits of the various enactments in force relating to economic expansion.

There are no restrictions on the movement of capital, as regards either the introduction of funds into Belgium, the transfer of dividends, or even the repatriation of the capital.

11-11-11



FRANCE

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GENERAL ARRANGEMENTS

Introductory Remarks

Such efforts as were made to establish new activities in France in the nineteenth and early twentieth centuries were dictated for the most part by the industrialists' overriding desire to secure the conditions they deemed most favourable to the prosperity of their own enterprise. Practically no action was taken by the authorities to influence the location of such projects. The result, given the natural tendencies of a liberalist economy and a centralizing administrative set-up, has been the steady geographical concentration of enterprises either close to sources of energy or raw materials, or round centres offering a plentiful supply of skilled workers, or along the main lines of communication. This has caused an alarming disequilibrium among the economies of the different regions of the country, with the population position worsening in the less-developed regions owing to migration by workers to the centres of expanding activity.

Regional development is therefore by no means a new problem in France; for a good many years the authorities struggled to remedy industrial overconcentration by protecting the regions and activities adversely affected thereby, but never managed to produce a consistent policy or institute effective measures. In the years before the Second World War they did admittedly impose various obligations and offer financial inducements to Paris firms engaged in armaments production (particularly aircraft manufacturers) to set up in central, southern and western France, with the consequence that industrial plants were established in these regions which have remained ever since: their concern in this case was, however, more with considerations of national defence than with a real policy of regional development.

Such a policy was not actually adopted until after the conclusion of hostilities, when it was decided that war-damage reconstruction

should be carried out under broader town and country planning programmes, and the system of building licences was instituted in October 1945. Later, in 1950, an Act was passed setting up a national town and country planning fund, the Fonds National d'Aménagement du Territoire, the original intention being to enable the State to grant loans to communities and public bodies assisting in the carrying-out of these programmes.

To facilitate operations for the economic improvement of specified regions, an Act of May 24, 1951, permitted these to be entrusted to joint public/private corporations; then came a further Act of August 6, 1954, allowing the State the right of compulsory acquisition of land and buildings.

In implementation of an Act of August 14, 1954, dividing the country into regions for the purpose of promoting economic expansion and increasing the national revenue, a Decree was issued on September 14 of that year setting up a special section of the Fonds National d'Aménagement du Territoire to grant financial assistance to enterprises transferring their activities or starting new ones as part of the process of industrial decentralization. The Decree at the same time instituted a Fonds de Conversion de l'Industrie to make available to enterprises the funds required to effect reconversion, concentration and specialization operations, and a Fonds de Reclassement de la Main-d'œuvre to aid the occupational retraining and re-employment of wage-earning workers finding themselves in a changed situation either owing to reconversion, concentration, specialization or decentralization, or because their enterprise is having to close or to curtail its activities.

A few weeks later, on November 10, two more Decrees were promulgated. the first providing for the establishment of joint public. private corporation responsible for laying out residential and industrial belts, and the second for the granting of loans and interest reductions to local communities, chambers of commerce, public bodies and joint corporations to enable them to acquire or construct premises for industrial use to be either resold or let.

Over and above these activities on the part of the authorities, the country at large was coming to realize the need for regional development. Planning committees sprang up at regional and Departmental level for the purpose of defining the economic, social and cultural patterns of their particular sector, working out the lines along which these could most usefully be developed, and mobilizing

all appropriate means for doing so. A certain official status was conferred on such committees—hitherto purely the result of private initiative—by a Decree of December 11, 1954, which provided for their official approval and, where appropriate, their consultation.

At the beginning of 1955 came a further Decree designed to promote better distribution of industry over the country as a whole, and to that end prohibiting the construction or extension of industrial premises above a certain scale in the Paris area without prior authorization.

In implementation of the Act of April 2, 1955, empowering the Government to take every action to promote the improvement of regions suffering from underemployment or inadequate economic development, a series of Decrees were issued on June 30, 1955, reducing to a co-ordinated whole the various measures for encouraging regional development, by rearranging and supplementing previous provisions adopted. These Decrees, and the orders and regulations thereafter published concerning their implementation, have governed most of the arrangements made in each individual case, and in particular the system of State aid through a single Economic and Social Fund set up in place of the former array of separate funds with separate objectives.

Since the change of régime in 1958, new measures which have been introduced supplementing, reinforcing and amending the existing arrangements have been aimed more specifically at the establishment of a national area-development policy. The latest step in this direction has been the setting-up early in 1963 (Decrees of February 15) of a Délégation à l'Aménagement du Territoire et à l'action Régionale (Town and Country Planning and Regional Action Commission), whose function is primarily that of co-ordinator and stimulator.

I

Decree No. 55/875, of June 30, 1955, and Decree No. 55/1367, of October 18, 1955, concerning the institution and organization of the Economic and Social Development Fund

To finance the projects provided for in the Modernization and re-equipment Plan and the regional action programmes—more particularly operations to do with building, rural equipment and economic expansion and with improvement of productivity, industrial and agricultural reconversion, re-employment of workers and industrial decen-

tralization—this Decree instituted a single fund, the Fonds de Développement Economique et Social, to replace the different funds previously available for these various purposes, and to have the same financial resources.

The Fonds is administered by the Minister of Finance, assisted by a Board of Management. The Board may delegate some of its duties to specialized committees.

The Fonds, which represents a special appropriation account in the Treasury's books, comprises four subsidiary accounts:

- (1) for re-equipment aid for industry, agriculture, commerce and the tourist trade in the form of loans to enterprises, organizations and communities carrying out investments in accordance with the Modernization and Re-equipment Plan and regional action programmes.
- (2) for aid for industrial and agricultural adjustment and industrial decentralization, in the form of
 - a) loans to enterprises to enable them to undertake reconversion, concentration or specialization operations,
 - b) loans to industrial enterprises to enable them to start, extend or transfer activities in line with the process of industrial decentralization;
- (3) for productivity aid, in the form of loans to finance projects calculated to increase enterprises' productivity;
- (4) for aid for building, out of which come State loans for constructing residential accommodation of the types specified by Ministry of Finance and Ministry of Building Orders, and more particularly for the implementation of the legislation on low-rent housing (*habitations à loyer modéré*).

II

Decree No. 55/874, of June 30, 1955, concerning State guarantees, interest reductions in connection with industrial reconversions, industrial decentralization and regional development, and re-employment of workers

The Minister of Finance is authorized by this Decree to give the State's guarantee of grant reductions in interest rates in respect of loans raised to finance reconversion, concentration, specialization

of decentralization projects, and also operations of all kinds for purposes of regional development. Before taking a decision he is required to hear the views of the Board of the Fonds de Développement Economique et Social.

Special budget allocations are available to cover the difference between the normal and the reduced rates of interest, and any expenditure incurred in connection with the granting of State guarantees. These are also used to pay for studies and surveys relative to reconversion, concentration or specialization.

The Ministry of Labour is financially responsible for

- a) expenditure on the occupational retraining of personnel discharged by enterprises discontinuing, curtailing, reconverting, concentrating or specializing their activities;
- b) removal allowances to personnel so discharged and taking other employment in accordance with the conditions laid down by Government Order.

The views of the Board of the Fonds de Développement must be heard before such payments are authorized.

III

Decree No. 55/886, of June 30, 1955, concerning the membership and operation of the Board of the Fonds de Développement Economique et Social.

The Chairman of the Board is the Minister of Finance, and the Vice-Chairman the Secretary of State for Economic Affairs.

The members include the Ministers of the principal Ministries concerned (Finance and Economic Affairs, Commerce, Agriculture, Public Works and Transport, Tourism, Building, Labour), the Governor of the Bank of France, the President of the Crédit National, the Governor of the Crédit Foncier, the Commissioner-General for Planning and Productivity, the Director-General of the Caisse des Dépôts et Consignations, the Director-General of the Caisse des Dépôts et Consignations, the Director-General of the Caisse Nationale du Crédit Agricole, and the heads of the Treasury Department and the Budget Office.

Ministers who are not members of the Board attend its meetings when matters affecting their departments are being dealt with.

The head of the Treasury Department at the Ministry of Finance and Economic Affairs acts as Secretary to the Board.

The Ministry of Industry runs an Interministerial Information Centre, which furnishes information to industrialists planning to carry out investments entitling them to the concessions which may be granted with the approval of the Board of the Fonds de Développement, receives applications and arranges for their examination by the appropriate departments.

IV

Decree No. 55/1368, of October 18, 1955, concerning the functions of the Board of the Fonds de Développement

The Board of the Fonds de Développement Economique et Social examines the re-equipment programmes to be carried out by official bodies and public corporations, as well as all re-equipment programmes which are directly or indirectly State-aided. Having taken into consideration the directives of the Modernization and Re-equipment Plan, the state of the public purse, the resources of the capital market and the availabilities of raw materials, manpower and foreign currency, it gives its views as to priorities, timing and financing.

September 30 of each year is the closing date for submitting to the Board programmes intended to be carried out during the year following. In the course of the year it examines any planned changes in such programmes. It is kept periodically informed of progress with the programmes on which it has been consulted.

V

Functions of the Specialized Committee on the portion of the Fonds reserved for industrial and agricultural adjustment and industrial decentralization, and on the portion reserved for aiding productivity

This Committee replaced the Committee on adjustment of industry, re-employment of workers and industrial decentralization which was instituted by the Decree of September 14, 1954, and also, in June 1960, took over the work of the Specialized Committee on productivity operations.

It is required to state opinions concerning the authorization of the following concessions:

a) special development and equipment grants to enterprises starting, restarting or expanding industrial activities in localities or areas which can be shown to present certain specified features;

b) loans, interest reductions and State guarantees to facilitate industrial reconversion, specialization or decentralization projects, and operations of all kinds designed to promote regional development;

c) tax reliefs, including reductions in conveyancing tax, exemption or part-exemption from local licence or business tax, special 25 % depreciation on new buildings, non-taxation of capital gains on real estate;

d) removal allowances and occupational-retraining grants;

e) official approval of regional-development companies, State guarantees in respect of loans issued by such companies;

f) official approval of co-operative trade associations;

g) grants for studies and surveys in connection with reconversion, concentration or specialization projects;

h) productivity and organization loans;

i) loans to improve tourist facilities;

j) loans from the special combined local communities fund to district authorities to enable them to acquire industrial sites and/or build factory premises.

VI

Decree No. 55/876, of June 30, 1955, as supplemented by Article 78 of the Finance Act of December 29, 1956, concerning regional development companies

To encourage private investors to put money into economically backward regions, a number of financial concessions can be granted to regional development companies formed to take up capital participations in or extend long-term loans to industrial enterprises in regions suffering from underemployment or inadequate economic development.

These concessions, details of which are given below, are available to companies

a) having a minimum fully paid-up capital of Ffr 2,500,000;

b) agreeing that their participation shall not represent more than 25 % of their own capital in the case of any one enterprise, or more than 35 % of such enterprise's capital;

c) signing an agreement with the Minister of Finance accepting the appointment of a Government auditor.

Such companies are exempt from company tax in respect of that portion of their profits derived from the net earnings of their stock and share holdings and/or the capital gains accruing to them by the sale of these (see F 121, 2). Similarly, profits distributed by them are exempt from the proportional tax where derived from such earnings or capital gains.

Also exempt from the proportional tax are the proceeds of loans raised by regional development companies.

The Minister of Finance and Economic Affairs may guarantee a minimum dividend on the shares of these companies, after hearing the views of the Board of the Fonds de Développement. This requires the conclusion of a supplementary agreement between the Minister and the company, specifying the amount and conditions of the guarantee and the obligations on the company in the event of the guarantee being invoked.

In support of its application the company must submit its programme to the Minister; this must be in line with the objectives of the broader regional programmes. The Government auditor hears the views on the programme of the Prefects and Inspectors-General of the National Economy of the Departments and regions in which the company intends to operate, and the officially-approved economic expansion committees are also consulted. The opinions so obtained are passed to the Board of the Fonds de Développement.

Alterations and additions may be made to the company's programme subject to the Minister's agreement. Here again the auditor obtains opinions in advance from the appropriate quarters.

The Government auditor has to see to it that the company's participations and loans are in fact effected in accordance with its programme. He submits periodic reports to the Board of the Fonds de Développement and to the Prefects and Inspectors-General concerned. The economic expansion committees are also kept informed (Order of October 5, 1955, laying down the conditions of implementation in respect of Decree No. 55/876 of June 30, 1955).

VII

A number of arrangements have also been introduced concerning town and country planning.

Most of these have no particular bearing on the establishment of new activities, but mention should be made of those in connection with the institution of the Fonds National d'Aménagement Foncier et d'Urbanisme (formerly the Fonds National d'Aménagement du Territoire) and the details of its operation, since their object is to facilitate the siting of industrial enterprises by providing an adequate infrastructure.

Assistance from the Fonds National d'Aménagement Foncier et d'Urbanisme is not available to private enterprises, but is reserved for local and regional authorities and public corporations, or bodies set up by them, for the purpose of carrying out town and country planning projects.

Fonds National d'Aménagement Foncier et d'Urbanisme (Decree No. 54/766, of July 26, 1954, as amended by Decree No. 56/620, of July 23, 1956, and Decree No. 57/526, of April 19, 1957)

The Fonds National d'Aménagement Foncier et d'Urbanisme is an appropriation account in the Treasury's books, covering advances to local and regional authorities and public corporations taking part in the execution of town and country planning schemes, and expenditure on the acquisition or preparation of land or building required for these schemes where this is not effected by the authorities or corporations themselves.

The Minister of Building is in overall charge of operations under this appropriation. The details of these, and in particular the conditions on which advances may be made and real-estate transactions conducted, are laid down in a Council of State Decree.

The appropriation also covers

a) expenditure incurred by State participation in town and country planning operations involving the acquisition or preparation of land or buildings effected either jointly by the State and the local or regional authorities or public corporations, or by the authorities or corporations alone;

b) the difference between normal interest rates and the reduced rates allowed to local or regional authorities, public corporations and

joint public/private corporations on loans raised for town and country planning operations. The conditions on which interest reductions may be granted are laid down in a Council of State Decree.

Finally, the Minister of Building may authorize assistance from the Fonds to public corporations, public/private corporations, property-owners' association ⁽¹⁾ and other public and private bodies ⁽¹⁾ undertaking projects coming under the head of town and country planning.

Loans to local authorities by certain credit institutions

Funds help finance infrastructure projects launched by local authorities may be contributed not only by the Fonds National d'Aménagement Foncier et d'Urbanisme, but also by institutions specializing in loans to local authorities (the Caisse des Dépôts et Consignations and the Crédit Foncier). If the authorities in question can obtain the necessary administrative approval, they can also seek loans from private bodies such as banks and insurance companies, and in addition they are allowed to float public loans in the capital market through the Fonds des Emprunts Unifiés pour l'Équipement des Collectivités Locales.

Town and Country Planning Fund (Fonds d'Intervention pour l'Aménagement du Territoire)

To enable the Town and Country Planning and Regional Action Commission to operate more effectively, the establishing Decree No. 63/112, of February 14, 1963 (*Journal Officiel* of February 15, 1963), in Article 8 provides for the Prime Minister to have at his disposal a special fund to help finance additional infrastructural projects deemed necessary for the purposes of town and country planning policy. The Commissioner thus has greater scope in working for better geographical distribution and co-ordination of infrastructure programmes.

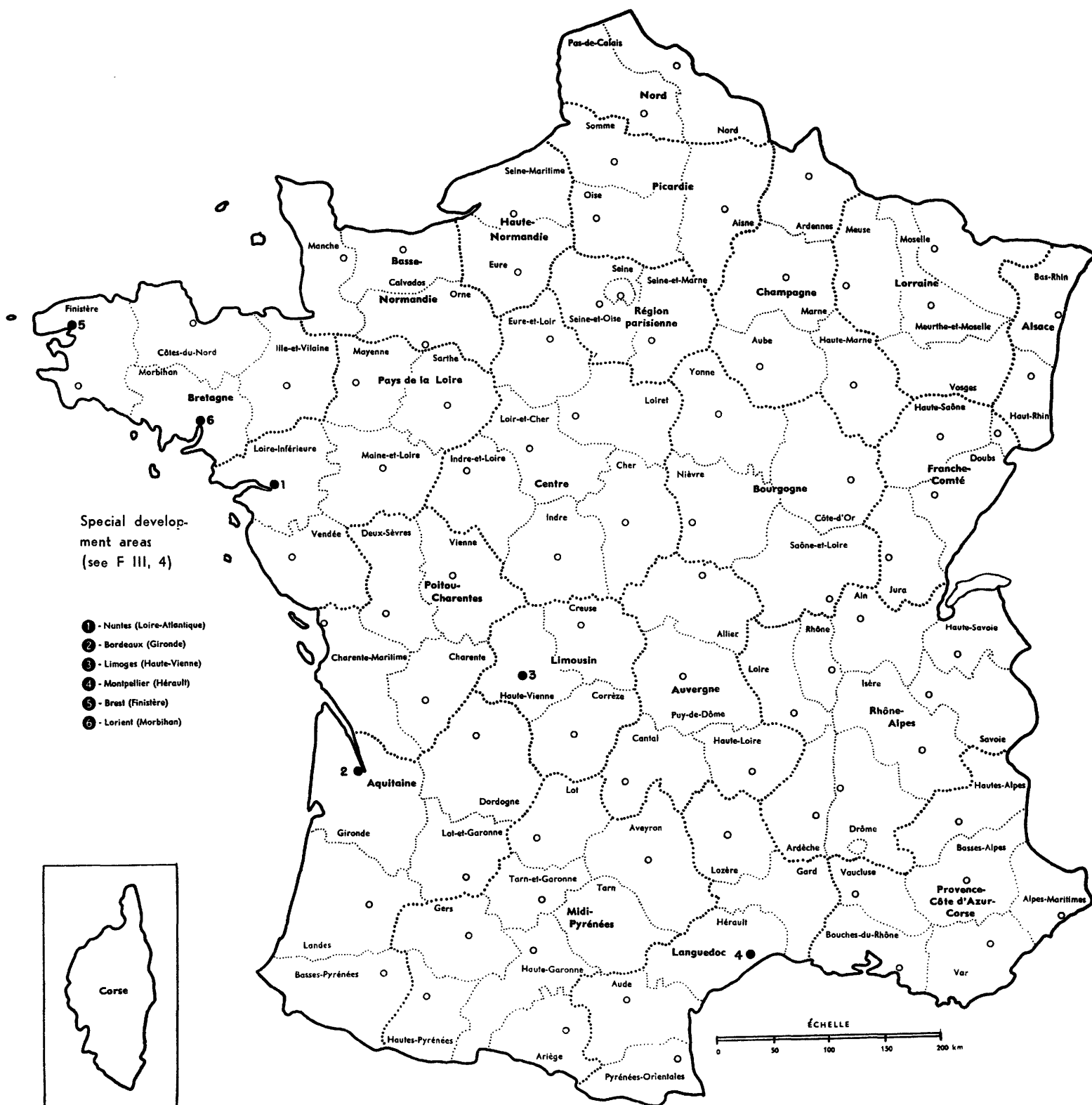
The Commissioner is responsible for submitting to the Inter-ministerial Committee on Regional Action and Town and Country Planning capital schemes relating to area infrastructure (communications, improvements to public utilities in town and country, industrial building and provision of basic services for industry, etc.).

The moneys for the operation of the fund come from the appropriation account of the Prime Minister's Department.

⁽¹⁾ Departments and communes are empowered to give their guarantee on loans contracted by property-owners' associations and other public and private bodies.

Division into programming regions

(Decree No. 60-516 of June 2, 1960 - "Journal Officiel" of June 3, 1960)



Legal and Financial Provisions

1950

Act of August 8, 1950, instituting the Fonds National d'Aménagement du Territoire.

1953

Act No. 53/79, of February 7, 1953: Finance Act for the financial year 1953.

Act No. 53/1336, of December 31, 1953, concerning special Treasury appropriation accounts for 1954.

1954

Decree No. 54/951, of September 14, 1954 (*Journal Officiel* of September 23) concerning adjustment of industry, re-employment of workers and industrial decentralization.

Decree No. 54/1122, of November 10, 1954, designed to facilitate the building of industrial premises.

Decree No. 54/1212, of December 6, 1954, laying down with respect to the labour force the conditions of implementation of Decree No. 54/95, of September 14, 1954, concerning adjustment of industry, re-employment of workers and industrial decentralization.

Decree No. 54/1231, of December 11, 1954, concerning the institution of economic expansion committees.

1955

Decree No. 55/36, of January 5, 1955, designed to encourage the better distribution of industry over the country as a whole.

Act No. 55/349, of April 2, 1955, granting the Government special powers in the economic, social and fiscal fields.

Decree of May 31, 1955, setting up a National Economic Planning Committee (*Journal Officiel* of June 1, 1955).

Orders of May 17, 1955 and June 9, 1955, concerning payment of removal allowances under Decree No. 54/951, of September 14, 1954.

Decree No. 55/873, of June 30, 1955, concerning the drawing-up of regional action programmes.

Decree No. 55/874, of June 30, 1955, concerning State guarantees, interest reductions in connection with industrial reconversion, with industrial decentralization and with regional development, and re-employment of workers.

Decree No. 55/875, of June 30, 1955, instituting the Fonds de Développement Economique et Social.

Decree No. 55/876, of June 30, 1955, concerning regional development companies.

Decree No. 55/877, of June 30, 1955, concerning concessions to certain co-operative trade associations.

Decree No. 55/878, of June 30, 1955, instituting a system of special equipment grants.

Decree No. 55/880, of June 30, 1955, concerning joint public/private corporations set up to build or prepare industrial premises for subsequent resale.

Decree No. 55/881, of June 30, 1955, concerning various operations to prepare and improve land and property.

Decree No. 55/883, of June 30, 1955, designed to facilitate the decentralization of scientific and technical institutes and research bodies.

Decree No. 55/886, of June 30, 1955, concerning the membership and operation of the Board of the Fonds de Développement Economique et Social.

Order of October 7, 1955, laying down the conditions of implementation in respect of Decree No. 55/876, of June 30, 1955, concerning regional development companies.

Official approval of economic expansion committees; head offices of economic expansion committees (*Journal Officiel* of October 15 and 26, 1955).

Order of October 18, 1955, concerning tax arrangements in respect of membership fees of certain co-operative trade associations.

Decree No. 55/1367, of October 18, 1955, concerning the organization of the Fonds de Développement Economique et Social.

Decree No. 55/1368, of October 18, 1955, concerning the powers and responsibilities of the Board of the Fonds de Développement Economique et Social.

Decree No. 55/1369, of October 18, 1955, containing official regulations respecting the implementation of Decree No. 55/877, of June 30, 1955, concerning concessions to certain co-operative trade associations.

1956

Order of July 13, 1956, relating to the implementation of Decree No. 55/873, of June 30, 1955, concerning the drawing-up of regional action programmes.

Order of July 13, 1956, endorsing the regional action programme drawn up under Decree No. 55/873, of June 30, 1955, in respect of the Brittany Region. (*Journal Officiel* of July 14, 1956.)

Order of November 28, 1956, laying down the general framework for the regional action programmes.

1957

Decree No. 57/526, of April 19, 1957, setting forth the details of the operation of the Fonds National d'Aménagement du Territoire.

Order of April 2, 1957, endorsing the regional action programme drawn up under Decree No. 55/873, of June 30, 1955, in respect of Corsica (*Journal Officiel* of April 19, 1957).

Decree No. 57/925, of August 14, 1957, modifying the tax regulations in respect of parent companies, and subsidiaries.

Decree No. 57/967, of August 29, 1957, concerning certain deductions for purposes of company-tax assessment, implementing Article I, Section II, 3, of Act No. 57/716, of June 26, 1957, relating to economic and financial reorganization.

Order of October 12, 1957, endorsing the regional action programme drawn up under Decree No. 55/873, of June 30, 1955, in respect of the Lorraine Region (*Journal Officiel* of October 29, 1957).

1958

Order of November 14, 1958, endorsing the regional action programme drawn up under Decree No. 55/873, of June 30, 1955, in respect of the Midi-Pyrénées Region (*Journal Officiel* of November 18, 1958).

Decree No. 58/1459, of December 31, 1958, concerning the drawing-up of regional economic and social development plans and town and country planning programmes, amending and supplementing Decree No. 55/873, of June 30, 1955 (*Journal Officiel* of January 4, 1959).

Decree No. 58/1460, of December 31, 1958, designed to facilitate decentralization of non-State-operated industrial plants and scientific and technical establishments, amending and supplementing Decree No. 55/36 of January 5, 1955 (*Journal Officiel* of January 4, 1959).

Decree No. 58/1461, of December 31, 1958, concerning decentralization of State-operated or State-controlled plants and establishments, amending and supplementing Decree No. 55/883, of June 30, 1955 (*Journal Officiel* of January 4, 1959).

Decree No. 58/1462, of December 31, 1958, concerning equipment grants to establishments conducting study, research, experimental or control work in economic, scientific or technical fields (*Journal Officiel* of January 4, 1959).

1959

Decree No. 59/171, of January 7, 1959 concerning the division of the territory of Metropolitan France into programming regions (*Journal Officiel* of January 12, 1959).

Orders of December 31, 1958 (*Journal Officiel* of January 13, 1959), endorsing the regional action programmes drawn up under Decree No. 55/873, of June 30, 1955, in respect of the Languedoc Region (*Journal Officiel* of January 27, 1959) and the Alsace Region (*Journal Officiel* of February 10, 1959).

Decree No. 59/483, of April 2, 1959, endorsing the regional action programme drawn up under Decree No. 55/783, of June 30, 1955, in respect of the Nord Region (*Journal Officiel* of April 17, 1959).

1960

Decree No. 60/516, of June 2, 1960, concerning the division of the territory of Metropolitan France into programming regions (*Journal Officiel* of June 3, 1960).

Decree No. 60/703, of July 15, 1960, concerning arrangements in connection with the special appropriation account for loans from the Fonds de Développement Economique et Social (*Journal Officiel* of July 21, 1960).

Act No. 60/790, of August 2, 1960, placing restrictions on the extension of office and factory premises in the Paris area (*Journal Officiel* of August 4, 1960).

Decree of August 6, 1960, endorsing the regional social and economic development and town and country planning programme for the Rhône-Alps Region (*Journal Officiel* of August 24, 1960).

Order of August 25, 1960, amending the Order of October 7, 1955, laying down the conditions of implementation in respect of Decree No. 55/876, of June 30, 1955, concerning regional development companies (*Journal Officiel* of September 3, 1960).

Decree No. 60/941, of September 5, 1960, containing official regulations respecting the implementation of Act No. 60/790, of August 2, 1960, placing restrictions on the extension of office and factory buildings in Paris (*Journal Officiel* of September 8, 1960).

Decree No. 60/942, of September 5, 1960, implementing Articles 1, 3, and 4 of Act No. 60/790, of August 2, 1960, placing restrictions on the extension of office and factory premises in the Paris area (*Journal Officiel* of September 8, 1960).

Order of September 12, 1960, concerning collection of charges and allocation of grants under Act No. 60/790, of August 2, 1960 (*Journal Officiel* of September 27, 1960).

Decree No. 60/1219, of November 19, 1960, setting up a Permanent Interministerial Committee on problems in connection with regional action and town and country planning (*Journal Officiel* of November 20, 1960).

1961

Decree of January 9, 1961, endorsing the economic and social development and town and country planning programme in respect

of the Provence-Côte d'Azur Region (*Journal Officiel* of January 14, 1961).

Decree No. 61/72, of January 20, 1961, amending Decree No. 54/1231, of December 11, 1954, concerning the institution of economic expansion committees (*Journal Officiel* of January 21, 1961).

Decree No. 61/728, of July 6, 1961, supplementing Decree No. 60/1219, of November 19, 1960, setting up a Permanent Inter-ministerial Committee on problems in connection with regional action and town and country planning (*Journal Officiel* of July 13, 1961).

Decree of September 16, 1961, endorsing the economic and social development and town and country planning programme in respect of the Auvergne Region (*Journal Officiel* of September 20, 1961).

Order of September 27, 1961, supplementing the Order of May, 17, 1955, concerning payment of removal allowances (*Journal Officiel* of September 29, 1961).

Decree of October 31, 1961, endorsing the economic and social development and town and country planning programme in respect of the Franche-Comté Région (*Journal Officiel* of November 4, 1961).

1962

Order of January 15, 1962, giving official recognition to regional economic expansion committees (*Journal Officiel* of January 17, 1962).

Order of January 17, 1962, designating the Lorient area (including in particular the commune of Hennebont) as a special redevelopment area (*Journal Officiel* of January 24, 1962).

Decree of August 6, 1962, empowering the prefects of the Departments of Seine, Seine-et-Oise, Seine-et-Marne and Oise to implement the Act of August 2, 1960, placing restrictions on the extension of office and factory premises in the Paris area (*Journal Officiel* of August 8, 1962).

Decree No. 62/1160, of October 4, 1962, endorsing the development and town and country planning programme for the Champagne Region (*Journal Officiel* of October 12, 1962).

1963

Decree No. 63/125 of February 14, 1963, amending Decree No. 57/526 of April 19, 1957, laying down details as to the operation of the Fonds National d'Aménagement du Territoire (*Journal Officiel* of February 15, 1963).

Decree No. 63/112, of February 14, 1963, instituting the Town and Country Planning and Regional Action Commission and specifying the powers of the Commissioner (*Journal Officiel* of February 15, 1963).

Decree No. 63/113, of February 14, 1963, amending the powers of the Commissariat Général du Plan d'Équipement et de la Productivité (*Journal Officiel* of February 15, 1963).

Decree No. 63/114, of February 14, 1963, amending Decree No. 61/728, of July 6, 1961, concerning the powers of the Interministerial Committee on Regional Action and Town and Country Planning (*Journal Officiel* of February 15, 1963).

Decree No. 63/115, of February 14, 1963, making changes in the membership of the Economic and Social Development Planning Board (*Journal Officiel* of February 15, 1963).

Decree No. 63/116, of February 14, 1963, amending Decree No. 58/1459, of December 31, 1958, concerning the drawing-up of regional economic and social development plans and town and country planning programmes (*Journal Officiel* of February 15, 1963).

Decree No. 63/117, of February 14, 1963, amending Decree No. 58/1461, of December 31, 1958, concerning decentralization of State-operated or State-controlled industrial plants and scientific and technical establishments (*Journal Officiel* of February 15, 1963).

Decree No. 63/118, of February 14, 1963, amending Decree No. 58/1460, of December 31, 1958, designed to facilitate decentralization of non-State-operated plants and establishments (*Journal Officiel* of February 15, 1963).

Decree No. 63/119, of February 14, 1963, amending Decree No. 61/72, of January 20, 1961, concerning the institution of economic expansion committees (*Journal Officiel* of February 15, 1963).

Decree appointing the Commissioner for Town and Country Planning and Regional Action (*Journal Officiel* of February 15, 1963).

Order of February 14, 1963, instituting a National Town and Country Planning Committee of the Commissariat Général du Plan d'Équipement et de la Productivité, and Order appointing its members (*Journal Officiel* of February 15, 1963).

Order of February 14, 1963, concerning the membership of the committee provided for by Article 1 of Decree No. 58/1460, of December 31, 1958, designed to facilitate decentralization of non-State-operated industrial plants and scientific and technical establishments (*Journal Officiel* of February 15, 1963).

Decree No. 63/580, of June 18, 1963, instituting an inter-ministerial commission for the improvement of tourist facilities on the Languedoc-Roussillon coast, and Order appointing its chairman and general Secretary (*Journal Officiel* of June 19, 1963).

Decree No. 63/795, of August 3, 1963, amending Decrees No. 58/1459, of December 31, 1958, and No. 63/116, of February 14, 1963, concerning the drawing-up of regional economic and social development plans and town and country planning programmes (*Journal Officiel* of August 5, 1963).

1964

Decree No. 64/10, of January 3, 1964, endorsing the development and town and country planning programme for the Burgundy Region (*Journal Officiel* of January 9, 1964).

Decree No. 64/9 of January 7, 1964, concerning the general regional town and country planning programmes for the Languedoc-Roussillon coast (*Journal Officiel* of January 8, 1964).

Decree No. 64/109, of January 21, 1964, endorsing the development and town and country planning programme for the Centre Region (*Journal Officiel* of February 6, 1964).

Decree No. 64/250, of March 14, 1964, concerning Prefectorial powers in the organization of State services in Departments scheduled for administrative deconcentration (*Journal Officiel* of April 1, 1964).

Decree No. 64/251, of March 14, 1964, concerning organization of State services in districts scheduled for regional action (*Journal Officiel* of April 1, 1964).

Decree of March 17, 1964, concerning agricultural orientation grants (*Journal Officiel* of March 18, 1964).

Decree No. 64/413, of May 5, 1964, concerning extension of the field of operations of the regional development corporations, supplementing Article 1 of the Decree of June 30, 1955 (*Journal Officiel* of May 12, 1964).

Decree No. 64/440, of May 21, 1964, instituting a system of industrial development grants and industrial adjustment grants (*Journal Officiel* of May 26, 1964).

Decree No. 64/441, of May 21, 1964, instituting a system of decentralization grants (*Journal Officiel* of May 26, 1964).

Decree No. 64/442, of May 21, 1964, laying down details as to the implementation of Section 49,1 of Act No. 63/254, of March 15, 1963, remodelling arrangements in respect of registration fees, stamp duties and property taxation (*Journal Officiel* of May 26, 1964).

Order of May 21, 1964, issued in implementation of Articles 2 and 9 of Decree No. 64/440, of May 21, 1964 (definition and delimitation of agglomerations and zones) (*Journal Officiel* of May 26, 1964).

Circular of May 21, 1964, containing details as to the application of the tax reliefs designed to assist regional development and more streamlined enterprise structure (*Journal Officiel* of May 26, 1964).

1965

Decree No. 65/99, of February 11, 1965, concerning the powers of Prefects of regions in respect of prior scrutiny and notification of certain grants (*Journal Officiel* of February 12, 1965).

Circular of April 23, 1965, concerning prior scrutiny, issuance and notification of decisions authorizing State grants to private enterprises (*Journal Officiel* of April 28, 1965).

Circular of April 23, 1965, concerning industrial development grants (*Journal Officiel* of April 28, 1965).

Decree No. 65/357, of May 11, 1965, amending Decree No. 58/1461, of December 31, 1958, concerning decentralization of State-operated or State-controlled industrial plants and scientific and technical establishments (*Journal Officiel* of May 13, 1965).

Decree No. 65/358, of May 11, 1965, amending Decree No. 58/1460, of December 31, 1958, concerning decentralization of non-

State-operated plants and establishments (*Journal Officiel* of May 13, 1965).

Decree No. 65/585, of July 15, 1965, amending Decree No. 64/441, of May 21, 1964, instituting a system of decentralization grants.

Decree No. 65/607, of July 20, 1965, endorsing the development and town and country planning programme for the Aquitaine Region (*Journal Officiel* of July 27, 1965).

Decree No. 65/820, of September 21, 1965, endorsing the development and town and country planning programme for the Lower Normandy Region (*Journal Officiel* of September 28, 1965).

Competent Authorities

AT NATIONAL LEVEL

Basic planning

The Commissioner for Town and Country Planning and Regional Action assists in the drawing-up of the economic and social development plan, follows all aspects of its implementation which more especially concern him, in consultation with the Ministries responsible, and prepares the appropriate measures in line with progress reports on the regional programmes and disbursements of funds allocated. He co-ordinates operations to foster industrial and rural expansion, and sees to it that the various Ministries' yearly equipment programmes do not clash from the point of view of town and country planning.

Information service

There is a special office responsible for:

a) providing information, both economic and financial and concerning locational factors, to industrialists intending to carry out capital schemes entitling them to the concessions which may be granted with the approval of the Board of the Fonds de Développement Economique et Social;

b) receiving applications from industrialists for such concessions, helping them to compile the necessary supporting documents, and having these examined by the appropriate departments.

After examination, the applications and supporting documents are referred to the Specialized Committee of the Board of the Fonds de Développement.

Decision and administration

a) Financial assistance to enterprises

The Minister of Finance and Economic Affairs is authorized to approve loans, capital grants, State guarantees or interest reductions

to aid reconversion, concentration, specialization or decentralization operations, and operations of all kinds in connection with regional development. Before taking a decision he is required to hear the views of the Specialized Committee of the Board of the Fonds de Développement.

All decisions concerning the organization and allocation of State financial aid to enterprises emanate from him.

b) Financial assistance of the re-employment of workers

The views of the Specialized Committee of the Board of the Fonds de Développement must be heard before such payments are authorized. Subject to its agreement, they are made by the Minister of Labour.

c) Assistance from the Fonds National d'Aménagement Foncier et d'Urbanisme

Applications for advances or interest reductions through the Fonds National d'Aménagement Foncier et d'Urbanisme have to be submitted to the Ministry of Building, which examines them and then passes them for decision to the Board of the Fonds.

The requisite agreements with the enterprises concerned are signed, in the case of advances, by the Minister of Building, and in the case of interest reductions, by the Minister of Building and the Minister of Finance and Economic Affairs.

Supervision

The usual administrative supervision is exercised by the Ministries concerned. No special provisions exist in this connection.

AT REGIONAL AND LOCAL LEVEL

Consultation

a) Economic Expansion committees

Economic expansion committees may receive official approval by Orders of the Prime Minister, the Minister of Finance and Economic Affairs, the Minister of the Interior and other Ministers concerned, upon proposal by the Prefects and Inspectors-General of the National Economy.

They may be consulted more particularly in connection with measures designed to promote the economic development of their area or locality in line with the general policy of the Government.

These committees are made up of qualified representatives of banks, agriculture, commerce and industry, the fisheries, the transport sector, the craft-industries sector and the most representative trade unions, and also delegates from local communities, chambers of commerce, of industry and of agriculture, employers' associations, and the regional export trade advisory councils. Each committee elects its own chairman.

Prefects and Inspectors-General of the National Economy are entitled to attend the proceedings of committees within their territory. Inspectors-General in other branches may sit with the Prefects as technical advisers, and the prefects may call in senior officials for the Department or region from the Government bodies concerned.

The committees may work on a Departmental or inter-Departmental basis according as local considerations may dictate.

Problems relating to a larger geographical area than can be adequately covered by one or more committees may be studied by the *regional economic expansion committee* for the Region as defined in Decree No. 60/516, of June 2, 1960 (see map).

These regional committees are consulted in the drafting of regional economic and social development and town and country planning programmes, and on any changes subsequently made in these.

They may obtain grants to cover their operating expenses from the Prime Minister, upon proposal by the Commissioner for Town and Country Planning and Regional Action following consultation with the Prefects and Inspectors-General of the National Economy.

b) Regional Development Boards

Decree No. 64/252, of March 14, 1964 (*Journal Officiel* of March 20, 1964), set up in each of the programming regions established by Decree No. 60/516 a Regional Development Board, to have a membership of not less than 20 and not more than 50, made up as follows:

at least one-quarter to be Departmental Councillors and Mayors, designated by the Departmental Councils;

one-half to be representatives of employers' associations, trade unions, chambers of commerce and industry, *chambres des métiers* and chambers of agriculture, designated by their organizations, the chairman of the regional expansion committee mentioned in a) above sitting as of right;

the remainder to be persons designated for their special qualifications by Order of the Prime Minister.

The number of members on each Board and the allocation of seats among the different groups represented are laid down by Prime Ministerial Order. The Board chooses its own chairman and two vice-chairmen from among its members. The prefect of the region fixes the agendas and dates of the Board's meetings, appoints the secretary and secretarial staff, and arranges for the preliminary investigation of the matters coming up for its consideration. The Board's working expenses are met out of the prefect's budget appropriation.

c) Prefectorial powers

In recent years, there has been a trend towards the strengthening of prefects' powers in the economic sphere. Decree No. 64/251, of March 14, 1964, makes the prefect of the programming region responsible for implementing the Government's development and town and country planning policy there; in particular, he has to deal with the preparation of his region's portion of the national economic and social development programme, and with public capital schemes at national or regional level.

The prefect is assisted by a *regional administrative conference* of civil servants, of which he is chairman; the conference takes cognizance in particular of matters arising in connection with public investment and with its impact on the economic and social affairs of the region.

d) National Town and Country Planning Committee

The National Town and Country Planning Committee was set up by Prime Ministerial Order of February 14, 1963 (*Journal Officiel* of February 15, 1963). It comprises a number of members sitting as of right, including the Delegate-General for the Paris area and the heads of the Ministerial departments responsible for the matters concerned, together with 50 members appointed by Prime Ministerial Order. It elects its chairman from among its members; the Commis-

sioner for Town and Country Planning sits as of right as one of its vice-chairmen.

The Committee's function is to ensure a co-ordinated national approach to town and country planning, to assist the Commissioner-General for Planning and Productivity, who has to conduct the studies in this connection, and to embody the findings in the regional economic and social and town and country planning programmes.

Regional Development Programmes

A series of regional economic development and town and country planning programmes, to supplement the National Economic and Social Development Plan, has been drawn up (under Decree No. 55/873, of June 30, 1955, and Decree No. 58/1459, of December 31, 1958) with the object of promoting the economic and social development of the different regions, and in particular of those suffering from under-employment or inadequate economic development, by co-ordinating the operations of the various Government authorities and organizations with local-level official projects and private schemes backed by financial assistance from the State or from a public authority.

In addition to giving both the circles concerned and the country in general a better picture of the economy of the region in question, each programme has three specific aims:

- a) to orient the economic and social development of the region in accordance with a common viewpoint and consistent pattern;
- b) to co-ordinate the activities of the different official bodies to that end, and to ensure in particular that in the selection of public investment projects for implementation in the comparatively near future in the Departments concerned priority is given to those best calculated to further such development;
- c) to afford guidance to those concerned (private individuals, trade associations, local authorities, economic expansion committees, *etc.*) as to the best use to be made of the various aids offered by the Government for regional economic development.

Since the promulgation of Decree No. 58/1459, of December 31, 1958, providing that all relevant regional plans and projects should be combined into a single „Regional Economic and Social Development and Town and Country Planning Programme,” each programme has been drawn up in four parts, namely:

- (1) a description of the situation and problems in the region;
- (2) a section on the objectives of the programme, recommending the main lines of action to be adopted for turning the region's resources to account;
- (3) details of the action to be taken by the different Ministries in the light of these indications: this may take the form of a decision to go ahead, or of specification of the assistance which may be granted in respect of operations passed as desirable, or of the reference back for examination of matters on which it is not yet possible to give a final ruling;
- (4) a section dealing with the geographical distribution of the population and its activities, and in particular with the locational planning or re-equipment operations, both public and private.

The programmes are required to schedule for each region the various projects to be undertaken, priority being given to those of outstanding importance to the economic expansion and improvement of the areas in question.

Expenditure incurred in the implementation of the programmes is covered by the budget appropriations of each of the Ministries concerned. Loans may be granted from the Fonds de Développement Economique et Social.

For the purposes of the regional development programmes the territory of Metropolitan France has been divided into 21 Regions, as shown below.

Regions	Departments
Nord Region	Nord, Pas-de-Calais
Picardy Region	Aisne, Oise, Somme
Paris Region	Seine, Seine-et-Marne, Seine-et-Oise
Centre Region	Cher, Eure-et-Loire, Indre, Indre-et-Loire, Loir-et-Cher, Loiret
Upper Normandy Region	Eure, Seine-Maritime
Lower Normandy Region	Calvados, Manche, Orne
Britanny Region	Côtes-du-Nord, Finistère, Ille-et-Villaine, Morbihan
Loire Region	Loire-Atlantique, Maine-et-Loire, Mayenne, Sarthe, Vendée
Poitou-Charentes Region	Charente, Charente-Maritime, Deux-Sèvres, Vienne
Limousin Region	Corrèze, Creuze, Haute-Vienne
Aquitaine Region	Dordogne, Gironde, Landes, Lot-et- Garonne, Basses-Pyrénées
Midi-Pyrénées Region	Ariège, Aveyron, Haute-Garonne, Gers, Lot, Hautes-Pyrénées, Tarn, Tarn-et-Garonne
Champagne Region	Ardennes, Aube, Marne, Haute-Marne
Lorraine Region	Meurthe-et-Moselle, Meuse, Moselle, Vosges
Alsace Region	Bas-Rhin, Haut-Rhin
Franche-Comté Region	Doubs, Jura, Haute-Saône, Territoire de Belfort
Burgundy Region	Côte-d'Or, Nièvre, Saône-et-Loire, Yonne
Auvergne Region	Allier, Cantal, Haute-Loire, Puy-de-Dôme
Rhône-Alps Region	Ain, Ardèche, Drôme, Isère, Loire, Rhône, Savoie, Haute-Savoie
Languedoc Region	Aude, Gard, Hérault, Lozère, Pyrénées- orientales
Provence - Côte d'Azur - Corsica Region (1)	Basses-Alpes, Hautes-Alpes, Alpes-Mari- times, Bouches-du-Rhône, Var, Vaucluse, Corsica.

(1) A separate programme has been drawn up for Corsica.

The Regional Programmes Committee under the chairmanship of the Commissioner-General for Planning and Productivity draws up the programmes and co-ordinates them with the requirements of the National Economic and Social Development Plan and of town and country planning policy. The programmes go through a consultation stage at regional level, which is organized through the Prefects, the co-ordinating body being the Interdepartmental Conference instituted in each programming region under Decree No. 59/171, of January 7, 1959. Before the consultation, the Conference may submit to the

Regional Programmes Committee any suggestions felt to be relevant for the drafting.

When the programmes have been finalized by the Committee in the light of the consultation, they are passed for comments to the Comité National d'Orientation Economique, and then approved by Decree.

The Prefects are responsible for the implementation in their Departments of the measures provided for in the programmes. The Interdepartmental Conference is required to study and co-ordinate the measures; it must also report annually on progress with the implementation of the regional programme, adding any suggestions as to adjustments to the original provisions.

The Prefect of the region and the Inspector-General of the National Economy co-ordinate the measures provided for in the regional programmes relating to their zones of competence.

The commissioner-General for Planning and Productivity, on behalf of the Minister of Finance and Economic Affairs, draws up an annual progress report on each regional programme, giving details of action taken, problems encountered and amendments deemed to be desirable. This report, after going to the Comité National d'Orientation Economique for its comments, is submitted for the approval of the Interministerial Committee on regional action and town and country planning.

Membership of the regional programmes committee

Decree No. 63/795, of August 3, 1963, making changes in the membership of the Regional Programmes Committee:

“The Regional Programmes Committee shall be composed as follows:

the Commissioner-General of Planning, or his permanent representative, as Chairman;

the Commissioner for Town and Country Planning and Regional Action, as Vice-Chairman;

the Delegate-General for Paris and the Paris area, as Vice-Chairman;

the Commissioner for Tourism;

representatives to the Ministries concerned;

two representatives of the Board of the Fonds de Développement Economique et Social;

two representatives of the Comité National d'Orientation Economique;

two representatives of the Commission Nationale d'Aménagement du Territoire.

The Prime Minister shall appoint the members and alternates, upon proposal by the Ministers concerned, and also a General Secretary.

Representatives of other Ministers may be invited to sit in with the Committee in a consultative capacity for the examination of matters concerning them.

The Committee shall be responsible for drawing up regional programmes and co-ordinating them in line with the National Economic and Social Development Plan and with town and country planning policy."

Studies

Economic studies

The economic expansion committees, being private bodies, can undertake, within the framework of their articles of association, whatever economic studies they see fit: no enactments or regulations have been introduced specifying what they shall and shall not do, or how they are to be financed.

The drafters of the regional programmes draw upon all economic studies available.

Studies in connection with reconversion, concentration and specialization

Under Decree No. 55/874, of June 30, 1955, which provided for budget appropriations to cover charges in respect of interest reductions and of the honouring, if required, of the State's guarantee, expenditure on studies concerning reconversion, concentration and specialization may also be charged against these appropriations. Proposals as to the credits to be made available for such studies are examined by the Specialized Committee of the Fonds de Développement Economique et Social, and submitted by it to the Minister of Finance and Economic Affairs for decision.

In September 1960, the Government caused a private industrial reconversion and development company, S.O.D.I.C., to be set up as a joint subsidiary of the principal public and semi-public financing corporations in this field. S.O.D.I.C.'s duties include in particular the carrying-out of all economic, technical, legal and financial studies for the purpose of establishing, reconverting or expanding industrial and commercial enterprises; it may undertake these at the request either of the Government, of enterprises (public or private), or of trade associations, or for its own account.

Studies relative to particular areas

A number of regional programmes drawn up under Decree No. 55/873, of June 30, 1955, and Decree No. 58/1459, of December 31, 1958, have been officially endorsed and published in the *Journal Officiel*.

Region	Departments	Date of endorsing Order and of its publication in <i>Journal Officiel</i>	Date of publication of annexed programme in <i>Journal Officiel</i>
BRITTANNY	Côtes-du-Nord, Finistère, Ille-et-Vilaine, Morbihan	July 13, 1956 (<i>Journal Officiel</i> of July 28)	July 28, 1956
CORSICA	Corsica	April 2, 1957 (<i>Journal Officiel</i> of April 19)	April 19, 1957
POITOU-CHARENTES	Charente, Charente-Maritime Deux-Sèvres, Vienne	April 2, 1957 (<i>Journal Officiel</i> of April 20)	April 20, 1957
LORRAINE	Meurthe-et-Moselle, Meuse, Moselle, Vosges	October 12, 1957 (<i>Journal Officiel</i> of October 29)	October 29, 1957
MIDI-PYRÉNÉES	Ariège, Aveyron, Haute-Garonne, Gers, Lot, Basses-Pyrénées, Hautes-Pyrénées, Pyrénées-Orientales, Tarn, Tarn-et-Garonne		
ALSACE	Bas-Rhin, Haut-Rhin	December 31, 1958 (<i>Journal Officiel</i> of January 13, 1959)	February 10, 1959
LANGUEDOC	Aude, Gard, Hérault, Lozère	December 31, 1958 (<i>Journal Officiel</i> of January 1, 1959)	January 27, 1959
NORD	Nord, Pas-de-Calais	April 16, 1959 (<i>Journal Officiel</i> of April 17)	April 17, 1959
RHONE-ALPS	Ain, Ardèche, Drôme, Isère, Loire, Rhône, Savoie, Haute-Savoie	August 6, 1960 (<i>Journal Officiel</i> of August 24)	August 24, 1960
PROVENCE-COTE D'AZUR	Basses-Alpes, Hautes-Alpes, Alpes-Maritimes, Bouches-du-Rhône, Var, Vaucluse	January 9, 1961 (<i>Journal Officiel</i> of January 14)	January 14, 1961

Region	Departments	Date of endorsing Order and of its publication in <i>Journal Officiel</i>	Date of publication of annexed programme in <i>Journal Officiel</i>
AUVERGNE	Allier, Cantal, Haute-Loire, Puy-de-Dôme	September 16, 1961 (<i>Journal Officiel</i> of September 20)	September 20, 1961
FRANCHE-COMTE	Doubs, Jura, Haute-Saône, Territoire de Belfort	October 31, 1961 (<i>Journal Officiel</i> of November 4)	November 4, 1961
CHAMPAGNE	Ardennes, Aube, Marne, Haute-Marne	October 4, 1962 (<i>Journal Officiel</i> of October 10)	October 10, 1962
BURGUNDY	Côte-d'Or, Nièvre, Saône-et-Loire, Yonne	January 3, 1964 (<i>Journal Officiel</i> of January 9)	January 9, 1964
CENTRE	Cher, Eure-et-Loir, Indre, Indre-et-Loire, Loir-et-Cher, Loiret	January 31, 1964 (<i>Journal Officiel</i> of February 6)	February 6, 1964
PICARDY	Aisne, Oise, Somme	May 12, 1964 (<i>Journal Officiel</i> of May 26)	May 26, 1964
LIMOUSIN	Creuse, Corrèze, Haute-Vienne	November 5, 1964 (<i>Journal Officiel</i> November 16)	November 16, 1964
LOIRE-side	Loire-Atlantique, Maine-et-Loire, Mayenne, Sarthe, Vendée	May 19, 1965 (<i>Journal Officiel</i> of May 24)	May 24, 1965
AQUITAINE	Dordogne, Gironde, Landes, Lot-et-Garonne, Basses-Pyrénées	July 20, 1965 (<i>Journal Officiel</i> of July 27)	July 27, 1965

DIRECT ASSISTANCE TO ENTERPRISES

Financial Assistance

Various types of financial assistance are available to enterprises under the legislation in force concerning the Fonds de Développement Economique et Social and the regional development companies and trade associations.

As a rule, State aid is supplementary in character, and it is therefore in the applicants' interest to plan to provide their own share and to make arrangements with their usual bankers.

Assistance from the Fonds de Développement may be granted, for the purpose of facilitating the establishment of new activities, to enterprises

- a) carrying out capital schemes provided for in the Modernization and Re-equipment Plan and the regional programmes;
- b) carrying out reconversion, concentration and specialization operations;
- c) starting, extending or transferring activities in line with the process of industrial decentralization;
- d) carrying out projects calculated to raise their productivity.

Possible types of assistance include special equipment grants, loans, interest reductions and State guarantees, the objective being to promote economic expansion in general, and more particularly to reactivate the less flourishing regions by encouraging new or decentralized enterprises to set up there, and by expanding existing enterprises or adjusting them to present market trends.

In view of the wide range of different cases likely to require such assistance, and the fact that selection has to be exercised against a changing background, it has been found necessary to eschew auto-

matic measures and strict rules as to the action to be taken: the bodies conducting the studies and submitting the proposals concerning financial aid have been allowed considerable latitude in making their assessments on the basis of individual examination of applications.

With regard to specific measures to facilitate industrial adjustments (*viz.* reconversion, concentration or specialization), decentralization and regional economic expansion, over 2,000 applications were examined between January 1, 1955, and December 31, 1964, of which 1,826 were approved. These represent an aggregate capital value of nearly Ffr. 5,225,000,000, the State furnishing

Ffr. 317,000,000 in loans,

Ffr. 437,000,000 in special equipment grants,

interest reductions on loans totalling over Ffr. 171,000,000.

Thanks to these various forms of financial aid more than 165,000 new jobs have been created, to say nothing of the workers who have been kept in employment as a result of State-aided operations.

In addition, the regional development companies had by December 31, 1964, floated in all 70 loans representing a total of Ffr. 1,177,000,000 which made it possible to carry out capital schemes to a value of over Ffr. 3,500,000,000 and resulting in the creation of over 60,000 new jobs.

Subsidies/Grants

Special equipment grants

In recognition of the need to get new industrial activities started in certain areas and localities, a system of "special equipment grants" is in operation, under Decrees (since amended) of June 30, 1955, and April 15, 1960. These are capital sums which are made available to enterprises setting up new plants or extending existing ones in areas or localities where there is serious and persistent unemployment or which are economically backward.

Investment projects eligible for grants include installation of new plant, restarting of disused plant and extension or reconversion of existing plant with a view to launching new production lines or expanding production capacity on a considerable scale. Grants cannot exceed 20 % of the capital costs to be borne by the enterprise.

Since these grants were originally instituted in 1955, the system has undergone numerous changes.

Initially, the maximum amount was Ffr. 10,000 per new job created, up to a total of 20 % of the enterprise's capital costs, in the case of the construction of a new works or complete reconversion of an existing one, and Ffr. 7,500 and 15 % respectively in the case of extensions and partial reconversions.

In certain "special development areas" (Nantes-St-Nazaire, Bordeaux, Limoges, Montpellier-Sète-Béziers, Brest, Lorient), grants were made on a flat-rate basis; in the north-western Departments (Ille-et-Vilaine, Morbihan, Finistère, Côtes-du-Nord, Manche, Mayenne, Loire-Atlantique and Vendée) grants were not allowed, except in special cases, to be less than 10 % of the capital costs of the project. In the rest of the country the amount of the grant was fixed case by case, in accordance with a procedure allowing a good deal of latitude in line with local circumstances. Decision rested with the Minister of Finance following consultation with Committee I,2 of the Fonds de Développement Economique et Social.

A number of changes have since been made in these basic arrangements.

An Order of April 14, 1962, increased the maximum amount grantable per job created from Ffr. 7,500 to Ffr. 8,500 in the case of extensions and partial reconversions, and from Ffr. 10,000 to Ffr. 11,000 in the case of entirely new works or complete reconversion.

A Decree of October 20, 1962, allowed grants also to be made available to building societies and building corporations constructing premises to be rented to enterprises in the special development areas or in certain mining districts specified in the implementing Order of the same date, namely St-Eloy-des-Mines (Puy-de-Dôme), Brassac-Mines (Puy-de-Dôme), Ste. Florine (Haute-Loire), Decazeville, Aubin and Gransac (Aveyron), and Graissessac and Le Bousquet d'Orb (Hérault).

A Decree of August 14, 1962, extended up to January 1, 1964, the special temporary assistance to shipyards instituted by a Decree of October 27, 1960.

A circular of May 2, 1962, introduced a certain decentralization and simplification of the procedure for authorizing equipment grants by empowering Prefects in certain scheduled regions to act for the Minister of Finance in dealing with applications for such grants where (a) the capital expenditure involved did not exceed one million francs before tax, and (b) the grant applied for was to help finance an investment programme either in one of the six special development areas, or in one of the Departments coming under the special arrangements for Brittany, or in the rural development zone of the Department of Lozère. Applications fulfilling these two conditions were to be lodged at the Prefecture of the Department in which the capital scheme concerned was located; the Prefect was to accept or reject them in accordance with the findings of a committee set up to advise him on behalf of the Fonds de Développement Economique et Social, and consisting of the regional representatives of the Ministries concerned.

Most of this legislation concerning equipment grants lapsed with effect from December 31, 1963. A new system was introduced by Decree No. 64/440, of May 21, 1964 (*Journal Officiel* of May 26, 1964), in conjunction with a Prime Minister's Order and two implementing circulars. Under the new arrangement, the former type of grant was replaced by two separate ones, the "industrial development grant" and the "industrial adjustment grant."

Industrial development grants are available to enterprises setting up or expanding in Departments, *arrondissements* or *cantons* of western, south-western and central France and Corsica, these being grouped to form Zone I (see map). A number of growth points within the zone—Bordeaux, Brest, Cherbourg, La Rochelle and Rochefort, Limoges, Lorient, Nantes and St. Nazaire, and Toulouse—are entitled to special preferential treatment.

The requirements as to jobs created and capital expenditure involved are stricter than those under the 1960 Decree. The capital costs of the project must be at least Ffr. 300,000; the number of permanent jobs created must be not less than 30 and in the case of extensions of existing activities these new jobs must represent not less than 30 % of the enterprise's total personnel, exceptions being allowed only where the number is 100 or more.

The amount of the grant is calculated as a fixed percentage of the capital costs, except in the case of projects involving over Ffr. 10,000,000, for which the rate may vary from 0 to 20 %:

a) for launching or relaunching operations, 20 % in the growth points, 12 % in the Departments of Côtes-du-Nord, Finistère, Ille-et-Vilaine, Loire-Atlantique, Manche, Morbihan and Vendée, and 10 % elsewhere in Zone I;

b) for extensions, 12 % in the growth points and 5 % elsewhere in Zone I. The grant may not as a rule exceed Ffr. 11,000 per new job in the case of initial launchings and Ffr. 6,000 in the case of extensions. Exceptions are, however, permitted in the growth points if the amount would otherwise work out at less than 10 % of the capital cost to the enterprise of a launching or relaunching, or at less than 6 % of that of an extension: in such cases, the figure may be fixed somewhere between these ceilings per job and the equivalent of 6 % or 10 % of the capital costs, as the case may be.

Industrial adjustment grants are available in areas where the decline of traditional activities is resulting in serious re-employment problems. These include, roughly, the western portion of the Nord/Pas-de-Calais coalfield, the Lorraine coal- and iron-bearing districts, parts of the Centre/Midi coalfield (the Decazeville, Blanzay, St-Eloy-des-Mines and Graissesac areas), the textile area in the Vosges, and certain individual localities such as Montluçon, Béziers, Châteauroux and Le Boucau, the whole being collectively treated as forming Zone II (see map).

To qualify for a grant, a project must be calculated to reabsorb or retain in employment at least 20 persons, and to involve a capital expenditure of not less than Ffr. 300,000: the amount of the grant may range, according to the project's economic value, up to 20 % of the capital costs of constructing a new plant or entirely reconverting an existing one, with a ceiling of Ffr. 11,000 per new job created, or to 12 % of the cost of an extension or partial reconversion, with a ceiling of Ffr. 6,000 per new job.

Decree No. 65/99, of February 11, 1965 (*Journal Officiel* of February 12, 1965) lays down in detail the powers and responsibilities of the Prefects concerning scrutiny of applications and notification of decisions concerning some categories of State grants.

The Decree provides that

“enterprises seeking State assistance in the form of grants or subsidies ... shall address their application and supporting documents to the Prefect of the area in which the capital project concerned is located;

where the capital project eligible for an industrial development grant under the Decree of May 21, 1964, is of an untaxed value not exceeding Ffr. 1,000,000, the Prefect shall decide on behalf of the Minister of Finance and Economic Affairs whether to endorse or reject the application;

where it is not within his terms of reference so to decide, the Prefect shall forward the application within five days of receiving it to the central office responsible, to which he shall also send a reasoned statement of his opinion thereon so soon as he shall have assembled the relevant particulars;

all decisions endorsing or rejecting applications for grants or subsidies shall be notified by the Prefect to the enterprises concerned.”

In further confirmation, a circular was issued on April 23, 1965 (*Journal Officiel* of April 28, 1965), to the regional Prefects for action and to all Prefects for information, setting forth in more detail the requirements and procedure in respect of industrial development grants, and restating the regional Prefect's function as being

a) to receive all applications from enterprises seeking industrial development grants;

b) to formulate an opinion on these where the untaxed value of the project was above one million francs, and to forward them to the central office responsible for consideration and decision;

c) to rule on behalf of the Minister of Finance, after hearing the views of the Regional Administrative Conference, as to the endorsement or rejection of applications in respect of capital projects having an untaxed value of less than one million francs;

d) to notify all decisions concerning applications for industrial development grants to the enterprises concerned.

Decentralization grants

Decree No. 64/441, of May 21, 1964 (*Journal Officiel* of May 26, 1964), provides for a system of decentralization grants to enterprises moving industrial equipment out of the Paris area. The amount of the grant is fixed at 60 % of the removal costs, though exceptions may be made where this would work out at a sum of over Ffr. 500,000.

Such grants are payable to enterprises vacating not less than 500 square metres of industrial floor-space in the Paris area proper and transferring to localities outside the so-called Paris Basin, which comprises the Departments of Seine, Seine-et-Oise, Seine-et-Marne, Oise and Loiret and the *arrondissements* of Rouen (Seine-Maritime), of Evreux and Les Andelys (Eure), of Chartres, Châteaudun and Dreux (Eure-et-Loir), of Blois and Vendôme (Loir-et-Cher), of Sens (Yvonne) and of Château-Thierry and Soissons (Aisne), the whole being treated as forming Zone V (see map).

Applications for decentralization grants are submitted by the enterprises to the central office responsible for scrutiny.

Departure bonuses

As an incentive to industrial enterprises to move away from Paris and its environs and so release industrial sites and premises there for other uses, Act, No. 60/790, of August 2, 1960, provides that in portions of the Paris area ⁽¹⁾ to be delimited by Council of State Decrees financial inducements are to be offered for the vacation of office and factory premises and annexes.

Such bonuses are payable to the person or company owning the property concerned at the time of application, and are calculated in proportion to the floor-space vacated. The rate is Ffr. 200 per sq. m. of useful floor-space in the case of offices and Ffr. 50 in the case

⁽¹⁾ Article 48 of the Code de l'Urbanisme et de l'Habitation defines the Paris area as covering the Departments of Seine, Seine-et-Oise and Seine-et-Marne, together with five cantons of the Department of Oise.

of factories; the latter figure may, however, be raised to a maximum of Ffr. 200 in certain areas specified by Council of State Decrees.

The bonus is payable as soon as either the site has been cleared altogether or the office or factory buildings have been converted into residential accommodation or school premises. The amount is decided by the Minister of Building or his authorized representative on the basis of the supporting documents furnished by the applicant, and is charged to the Ministry's budget appropriation for the purpose.

Decree No. 60/641, of September 5, 1960, lays down the conditions of implementation in respect of these provisions, while Decree No. 60/642, of the same date, defines the zones and rates. An Order of September 12, 1960, contains the procedural details.

Loans

A. The Fonds de Développement Economique et Social exists for the purpose of financing the projects provided for in the Economic and Social Development Plan and the regional action programmes, and also operations in connection with industrial adjustment and decentralization, improvement of productivity, and building.

It comprises four subsidiary accounts:

Account No. 1 (re-equipment aid for industry, agriculture, commerce and the tourist trade) supplies loans to enterprises, organizations and communities carrying out investments in accordance with the Modernization and Re-equipment Plan and regional action programmes.

Account No. 2 is more particularly concerned with loans to enterprises to facilitate, firstly, conversion, concentration and specialization operations, and secondly, the establishment, extension or transfer of activities in line with the process of industrial decentralization.

Account No. 3 (productivity) furnishes loans to finance projects calculated to increase enterprises' productivity.

From Account No. 4 (building) come State loans for housing, and more particularly for the implementation of the legislation on low-rent housing.

The terms for loans in respect of operations under the Economic and Social Development Plan and the regional action programmes are usually those laid down by the financing houses, which are brought in, to study the projects.

The Fonds de Développement is administered by the Minister of Finance, assisted by a Board of Management, which may delegate some of its duties to specialized committees. One of these committees is responsible for proposing loans from the Account for industrial and agricultural adjustment and industrial decentralization (see Section F 00, 6, V above).

B. In parts of the country affected by pit closures, Regional Colliery Boards needing to find employment for redundant mining personnel may grant long-term loans for up to 15 years at 4.5 % to enterprises which are carrying out investment projects and undertake to engage a number of these men. The amount of the loan is in proportion to the number so recruited, and the amount per man recruited is calculated in accordance with the difficulty of the reconversion operation to be carried out.

C. Regional development companies (see Section 00, 7, VI) may grant long-term loans to enterprises in which they acquire capital holdings. They may also float industrial loans for the benefit of companies in their Region whether they hold a financial interest in these or not.

As a rule these loans are granted at rates close to those ruling in the capital market, the lifetime being that normally allowed for the type of investment in question.

D. The Fonds National d'Aménagement Foncier et d'Urbanisme furnishes advances to local and regional authorities and public corporations taking part in the execution of town and country planning schemes, in particular where these schemes involve the acquisition and/or preparation of land or buildings. The advances are granted by the Board of the Fonds, which consists of three members representing the Minister of Finance, the Minister of the Interior and the Minister of Building. The terms and procedural details are laid down in an agreement signed between the Minister of Building and the beneficiary.

Assistance from the Fonds is not available to private enterprises, but is reserved for local and regional authorities and public corporations, or bodies set up by them, for the purpose of carrying out town and country planning projects.

E. Local communities have been making efforts in the last few years, directly or through joint public/private corporations, to back up the Government's policy of attraction by means of various additional incentives, of which the most important and certainly the most effective is the construction of industrial premises for subsequent sale or leasing to enterprises. In order to co-ordinate these facilities with the State's own inducements, a Ministry of the Interior circular of September 23, 1965, sets forth Government directives on the subject for the supervising authorities, the Prefects.

Interest Reductions

Under Decree No. 55/874, of June 30, 1955, the Minister of Finance may, after hearing the views of the Board of the Fonds de Développement Economique et Social, grant reductions in interest rates to enterprises carrying out operations in connection with reconversion, concentration, specialization or decentralization, or with regional development. The object of such reductions is to assist operations of undoubted economic value but offering a comparatively small profit margin, which it would hardly be possible to carry out if interest had to be paid at the regular rates.

Reductions are granted in respect of loans raised either in the open capital market or from banks or credit institutions.

Certain other interest reductions provided for in the Code de l'Urbanisme et de l'Habitation may be granted to local and regional authorities and public corporations by the Board of the Fonds National d'Aménagement Foncier et d'Urbanisme. The amounts of the loans on which interest may be thus reduced, and the reduction percentages themselves, are fixed by an Order of the Minister of Finance. In each individual case an agreement is concluded between the Ministers concerned and the beneficiaries.

The difference between the regular and the reduced rates of interest is made up out of the budget appropriations for the purpose.

Guarantees

The Minister of Finance, after hearing the views of the Board of the Fonds de Développement Economique et Social, may give the State's guarantee in respect of operations in connection with reconversion, concentration, specialization or decentralization, or with regional development.

The guarantee may cover all or part of a loan contracted by an enterprise either in the money market or from a bank or other lender.

Under Decree No. 55/874, of June 30, 1955, any expenditure incurred as a result of the invocation of the State's guarantee is chargeable against the budget appropriations for the purpose.

Guarantees are given on a selective basis after individual examination of each application.

The Committee in charge of the Account for industrial adjustment and decentralization of the Fonds de Développement Economique et Social is empowered to propose the granting of State guarantees on loans raised to finance operations under this head.

Regional development companies may guarantee loans of five years and over contracted by industrial enterprises.

Financial Participations

Regional development companies may take up, in industrial enterprises within their Region, participations representing not more than 25 % of their own capital for any one enterprise, and not more than 35 % of that enterprise's capital.

The Government auditors to the companies are required to make sure that these participations are in line with the companies' programmes.

Co-operative Trade Associations

In order to bring certain sectors of industry on to a sounder economic footing, Decree No. 55/877, of June 30, 1955, provides for the official recognition of non-profit-making national or regional associations of industrial enterprises set up for the purpose of jointly rationalizing reconverting and/or reorganizing their activities.

To encourage the formation of such associations, the Decree authorizes enterprises belonging to them to include their membership fees among the deductible expenses in their company-tax returns.

Recognized associations are entitled to obtain loans, State guarantees and interest reductions.

Recognition is granted by joint Order of the Minister of Finance and Economic Affairs and the Minister of Industry, after the Ministers have heard the views of the Board of the Fonds de Développement Economique et Social and examined the association's articles and its aims and objects. The latter must indicate in detail the activities which the association intends to undertake, more especially as regards rationalization and reconversion with a view to reducing production costs, and the steps it will take to maintain employment or ensure re-employment of personnel in its members' present and future plants and factories.

Recognition is given for a specified period of not more than three years; it may be renewed, and may also be withdrawn, and is conditional on the association's observance of its undertaking to maintain or improve the employment conditions of the workers.

A Government auditor is appointed to each recognized association by joint Order of the Minister of Finance and Economic Affairs and the Minister of Industry, to keep a watch on its economic activities and financial administration. He has full power to request production of all books and records and to examine accounts on the spot. He is also empowered to hold in abeyance all decisions by the association's

General Meeting, Executive Council or Management Committee while he refers the matter in question to the Minister of Finance and Economic Affairs and the Minister of Industry: should they not uphold his action within thirty days, the original decision then takes effect.

Where there is an officially-approved economic expansion committee in the association's area of operations, it must be kept informed of the association's activities .

The Government auditor may propose to the Minister of Finance and Economic Affairs and the Minister of Industry that recognition should be withdrawn.

Fiscal Concessions

Exemptions or Reliefs

I. Operations in line with town and country planning policy entitle the enterprises effecting them to claim one or more of the following reliefs:

- a) reductions in conveyancing tax;
- b) exemption or part-exemption from local licence or business tax;
- c) special 25 % depreciation on new buildings;
- d) non-taxation of capital gains on real estate.

Reductions in conveyancing tax

The State tax on sales of real property may be reduced from 13.2 % to 1.4 %: to this reduced figure are then added a supplementary Departmental tax of 1.6 % and a supplementary Communal tax of 1.20 %, making 4.20 % in all.

Exemption from local licence or business tax

Enterprises may be allowed exemption or part-exemption from the local licence or business tax (*patente*) for a period of not more than five years. In most cases the exemption is either 50 % or 100 %. Full exemption for five years counts as a concession equivalent to a grant-in-aid.

Special depreciation

Enterprises building industrial or commercial premises may be authorized on completion of these to effect special depreciation

equal to 25 % of the building costs involved, the balance to be written off over the whole of the premises' normal useful life.

This concession amounts on average to 5 % of the capital invested.

Non-taxation of capital gains on real estate

Under this arrangement, capital gains accruing on the conveyance of building sites or titles thereto need not be assessed for tax purposes. For enterprises liable to company tax (50 %), therefore, this represents a concession amounting to one-half of the capital gain concerned.

Eligibility for these reliefs varies according to location and type of project.

Location

The country is divided into four main areas:

Area A, co-extensive with Zone I (industrial development grants);

Area B, comprising Zone II (industrial adjustment grants) together with certain districts where employment opportunities do not balance labour availabilities;

Area C, covering the rest of the Country less the Paris Basin;

Area D, the Paris Basin.

Type of project

Apart from special cases indicated in the Ministry of Finance official notice of June 17, 1964 (*Journal Officiel* of June 24, 1964), the categories of projects eligible for tax reliefs are three in number:

- a) initial establishment or extension operations;
- b) decentralizations by extension or transfer to the provinces of a plant in the Paris area;
- c) organizational improvements within enterprises, e.g. streamlining, reconversion, transfer to an industrial belt.

	Establishment or extension	Decentralization	Organizational improvement
AREA A	<ul style="list-style-type: none"> — exemption from local licence or business tax — reduction in conveyancing tax — special depreciation 		reduction in conveyancing tax
AREA B	<ul style="list-style-type: none"> — exemption from local licence or business tax — reduction in conveyancing tax 		reduction in conveyancing tax
AREA C	—	<ul style="list-style-type: none"> — reduction in conveyancing tax — also exemption from local licence or business tax for transfers 	reduction in conveyancing tax
AREA D	—	—	—

The official notice of June 17, 1964, lays down the conditions qualifying enterprises for tax reliefs. These relate in particular to

a) *Type of enterprise*

Tax reliefs are as a general rule granted only to industrial enterprises. Commercial and services enterprises are, however, eligible for reductions in conveyancing tax in respect of organizational improvements; exceptions may also be made in their favour with regard to both exemption from local licence or business tax and reductions in conveyancing tax where the project concerned is of outstanding value to regional development.

b) *Number of jobs created*

With certain special exceptions, indicated in the official notice of June 17, 1964, tax reliefs can be granted only if the project is calculated to result in the creation of not less than 10 permanent jobs within a maximum period of three years; in the case of extensions on the spot, the resulting increase in personnel employed must be either 20 % or 50 persons.

All exemptions are subject to official approval, which may be coupled with special obligations or restrictions. Non-taxation of

capital gains on real estate is, however, enjoyed as of right if the gains accruing are ploughed back into capital schemes in respect of which the enterprise has already qualified for a grant-in-aid, reduction in conveyancing tax, exemption from local licence or business tax, or special depreciation. If none of these concessions has been granted, applications for non-assessment require individual endorsement.

The endorsing authority is either the Minister of Finance or the head of the Inland Revenue office for the area concerned, according to the scale of the project.

II. *EXEMPTIONS IN RESPECT OF REGIONAL DEVELOPMENT COMPANIES* (see F 00, 1)

The object of these exemptions is to prevent the regional development companies from being taxed twice over on the earnings of their stock and share holdings, placing them in this respect on the same footing as the investment corporations. Thus the net earnings of their stock and share holdings are exempted from company tax and when distributed from proportional tax, while loans floated by these companies are likewise exempted from proportional tax so as to reduce the cost of the capital to be obtained (see F 00, 8).

III. *TAX REGULATIONS IN RESPECT OF MEMBERSHIP FEES OF CO-OPERATIVE TRADE ASSOCIATIONS* (see F 117, 1 ff.)

Membership fees paid by industrial enterprises belonging to recognized trade associations are deductible for purposes of personal income-tax and company-tax assessment.

IV. There are also certain other forms of tax exemption by official authorization of the Minister of Finance, concerning which geographical considerations, though not the sole criterion, are very definitely borne in mind.

Thus, in certain circumstances:

a) partial mergers may be afforded the same preferential fiscal treatment as full mergers;

b) in company mergers, deficits incurred earlier either by the absorbing company or by the company absorbed may be carried forward against subsequent profits earned by the former;

c) to avoid double taxation of dividends paid by a public or private limited-liability company (*société par actions* or *société à responsabilité limitée*) owning registered shares in a French public company or capital stock in a French private company, Article 145 of the Code Général des Impôts exempts from proportional tax dividends paid by the first company up to the amount of the net earnings of its participation in the second company, provided this participation represents not less than 20 % of the latter's capital;

d) in the floating of a new company or capital increase, dividends paid on shares issued in return for new capital subscribed in cash may be deducted, for a period of seven years, in the computation of profits for purposes of company-tax assessment. This is, however, allowed, in the case of companies formed more than three years earlier and carrying out a capital increase, only during each of the first seven years following the capital increase, and in the case of companies formed less than three years previously, and effecting a capital increase, or of new companies, only from the fourth up to and including the tenth financial year following the company's formation.

Moreover, the deduction in respect of the dividends distributed in any one of these financial years must not exceed 5 % of the capital called in and not reimbursed, representing capital subscribed plus any issuing premiums paid by the shareholders and shown in the company's balance-sheet.

These provisions apply on condition that

(1) the company is to carry out projects under the Economic and Social Development Plan and/or regional development programmes, and its formation or the capital increase has received prior approval by joint Order of the Minister of Finance and Economic Affairs and the Secretary of State for the Budget, after the views of the Board of the Fonds de Développement Economique et Social have been heard;

(2) the whole of the company's shares have been admitted for quotation on the stock exchange or for trading across the counter within three years of the capital increase in the case of companies formed more than three years earlier, and within six years of formation in the case of more recent and entirely new companies. No latitude is allowed: if this second condition is not fulfilled, the company forfeits its entitlement to benefit under these provisions, as from the first day of so benefiting.

With regard to capital increases by subscriptions in cash the transaction is considered to have been effected upon the date of the notarial act authenticating subscription and payment (Articles 1 and 24 of the Act of July 24, 1867, as amended by Act No. 53/148, of February 25, 1953).

Should a company, prior to effecting a capital increase in the manner indicated, first reduce its capital for reasons other than operating losses, dividends on the shares issued in respect of the increase, in return for the new capital subscribed in cash, benefit by these provisions only to the extent that the new capital exceeds the amount of the reduction.

Similarly, the provisions do not cover dividends on shares issued in respect of such an increase, in return for new capital subscribed in cash, where the new capital does not exceed the amount of a capital reduction, not due to operating losses, effected after the increase (Decree No. 57/967, of August 29, 1957, concerning certain deductions for purposes of company-tax assessment, implementing Article 1, Section 11, 3, of Act No. 57/716, of June 26, 1957, relating to economic and financial reorganization).

These facilities are granted on a selective basis after individual examination of each application.

Depreciation

The arrangements concerning depreciation of fixed assets were radically altered by Section 37 of the Act of December 28, 1959, which introduced the reducing-balance method of depreciation in place of the various former systems of accelerated depreciation.

The straight-line method of depreciation (by equal yearly amounts from the beginning to the end of the depreciation period, with acquisitions or disposals during a particular financial year entitling to *pro rata temporis* reduction) is applied where fixed assets cannot be treated either under the old schemes of accelerated depreciation during the transition period, or under the new system of degressive depreciation ⁽¹⁾.

By the terms of the Decree of May 9, 1960, the new reducing-balance method is applicable in respect of assets acquired, either new or reconditioned by the original manufacturer, since January 1, 1960, in the following categories:

- a) equipment for industrial fabrication, processing or transport operations;
- b) handling equipment;
- c) water and air purification plant;
- d) steam, heat and power generating plant;
- e) safety, medical and welfare installations;
- f) office machines, exclusive of typewriters;
- g) equipment for scientific or technical research;
- h) stores and warehouses, exclusive of regular business premises;
- i) hotel buildings and equipment.

⁽¹⁾ Under the earlier legislation exceptions were frequently made allowing particular business (*e.g.* ship-owners, steel companies, collieries) special arrangements or special rates, some of them in a sense of the reducing-balance type.

The yearly amount deductible is calculated by applying a constant rate to the residual value of the item to be written off, *i.e.* its original cost less previous depreciations.

Under Section 51 of the 1959 Act, however, enterprises still have, for the time being, the option of applying the old methods of straight-line and accelerated depreciation in respect of assets other than dwelling houses and business premises, acquired or constructed prior to December 1, 1964.

The two methods are in principle mutually exclusive, and cannot be employed in conjunction with respect to any one asset.

The Act of July 31, 1962, also allows

a) special 50 % depreciation on investment in buildings (other than building sites) to be used for purposes of scientific and technical research;

b) reducing-balance depreciation on industrial buildings completed after July 31, 1962, with a normal useful life of not more than 15 years;

c) special 25 % depreciation on buildings constructed as part of officially approved projects for setting up enterprises in under-developed areas or vital sectors of the economy or transferring them thereto.

All these special depreciations can be effected irrespective of the regular depreciation arrangements governing the enterprises' equipment.

In addition there are the following concessions as to financing:

(1) special 50 % or 25 % depreciation on shares acquired in approved building societies;

(2) special 100 % depreciation on shares in approved industrial, commercial or agricultural development corporations;

(3) special 50 % depreciation on shares in recognized research associations.

Customs Duties

The Government's economic powers entitle it to exempt certain products and items of equipment from import duty. This has been done more particularly in respect of mass consumer goods, as part of general price policy (imports for the purpose of influencing price trends), but exemptions have also been granted for certain capital goods not produced on a sufficient scale, or at all, in France. In such cases the aim has been to assist the modernization or re-equipment of various sectors of industry, the measures being taken purely to ease the financing of operations deemed to be essential to the maintenance of existing activities. Exemptions have always been granted on a selective basis and for a limited period.

Differentiation in Rates Payable

Energy/Transport

There are no enactments or regulations requiring energy or transport rates to be specifically scaled so as to promote the establishment of new activities.

With regard to energy rates, however, it may be noted that

a) the nationalized electricity authority, Electricité de France, has concluded with certain Departments in which it has carried out hydro-electric schemes necessitating transfers of village populations agreements which in some cases allow preferential electricity rates to enterprises transferred to or set up in the communes concerned. These arrangements are not strictly relevant to the terms of reference of this publication, inasmuch as they are laid down in contracts concluded by national or private enterprises, and not in State enactments or regulations.);

b) the schedule of rates for natural gas from the Lacq deposit, operated by the Société Nationale des Pétroles d'Aquitanie, allows preferential rates to enterprises located close to the deposit and agreeing to take a specified minimum amount of the gas produced (subject to the approval of Committee I, 2 of the Board of the Fonds de Développement Economique et Social);

c) there is a preferential tariff for certain electricity consumers in the Brittany region (subject to the approval of Committee I, 2 of the Board of the Fonds de Développement Economique et Social).

Assistance for Research on New Products

The Scientific Research and Technical Progress Board which was set up under Decree No. 54/918, of September 14, 1954, and directly attached to the Prime Minister's office by the terms of Decree No. 55/530, of May 13, 1955, was required, *inter alia*, to study ways and means of "steering" or guiding the activities of research bodies along the lines most useful to the economy, more particularly by defining objectives for their research.

Decree No. 58/1144, of November 28, 1958, abolished the Board and set up in its place an Interministerial Committee on Scientific and Technical Research to propose to the Government ways and means of promoting such research. The Committee submits to the Government re-equipment programmes and proposals as to the allocation of resources and funds (particularly the budget appropriations of the various Ministries concerned) in line with the National Economic and Social Development Plan.

Various experts selected for their special experience in scientific and technical research or in the economic field sit in with the Committee in an advisory capacity, and themselves meet as an Advisory Scientific and Technical Research Committee to prepare the proceedings of the Interministerial Committee. The two Committees have a joint Secretariat under the ultimate authority of the Prime Minister. It is headed by a Delegate-General appointed by Decree, who works in co-operation with the Commissioner-General for Planning; he may set up working parties on particular subjects and co-opt as members of these whatever experts he considers can most usefully contribute.

The Delegate-General for Scientific and Technical Research is thus competent to examine and propose measures of all kinds to aid research on new products, new techniques and new uses for products or techniques.

His job is, with the aid of the Advisory Research Committee, to work out certain major possible lines of research of value to the

country, which can be subsidized through the Fonds National de la Recherche Scientifique et Technique.

A Committee of the Fonds de Développement Economique et Social, of which the Delegate-General is a member, is responsible for allocating loans and subsidies for operations in connection with development research, which include investment in research installations, construction of prototypes and development of new products and processes at pilot plants.

INDIRECT ASSISTANCE TO ENTERPRISES

Provision of Basic Services, Preparation of Industrial Areas and Sites

Financial assistance is available to local and regional authorities and public corporations carrying out operations in this connection, through the Fonds National d'Aménagement Foncier et d'Urbanisme.

The Fonds National furnishes advances to such authorities and corporations taking part in the execution of town and country planning schemes, and covers expenditure on the acquisition of land or buildings required for these schemes where this is not effected by the authorities or corporations themselves. It also assists other operations involving the acquisition or preparation of land or buildings in connection with town and country planning programmes.

The resources of the Fonds may be used to assist the establishment of industrial enterprises and the preparation of residential areas, in accordance with Communal or inter-Communal improvement projects officially approved or under consideration, or failing such projects, in areas specially defined by joint Orders of the Minister of Building and the Minister of the Interior, issued after the Ministers have heard the views of the Comité d'Urbanisme.

Where the preparation of residential or industrial belts involves real-estate transactions and re-equipment or construction work affecting several local authorities, corporations of public services, and drawing upon a number of different sources of finance, a Council of State Decree may be issued requiring a public or joint public/private corporation to carry out the preliminary studies, co-ordinate the operations, execute them in full or in part in agreement with the various parties concerned, and where appropriate to be responsible for the running and maintenance of certain completed schemes.

An official regulation lays down details with regard to the constitution and functioning of the various bodies set up, and also the terms on which they may contract loans. It specifies the arrangements whereby these bodies may be empowered by the Ministers, local and regional authorities and public corporations concerned to carry out operations within their respective terms of reference, and indicates how the State is to be represented in the public/private corporations even though it may have no capital participation in these.

Assistance is granted on a selective basis after individual examination of each application.

The Prime Minister also has at his disposal a Town and Country Planning Fund (Fonds d'Intervention pour l'Aménagement du Territoire) which the Commissioner for Town and Country Planning and Regional Action can draw upon in working for better regional distribution and co-ordination of infrastructure programmes.

With regard to industrial belts, an appendix to the Finance Act for 1964 emphasizes the importance of adjusting plans to future needs and co-ordinating financing facilities. On June 2, 1964, the Government listed the criteria to be adopted in planning industrial belts, and decided that this work should be undertaken by an Interministerial Working Party. In future the establishment of new industrial belts is to be restricted to 1,200 hectares (approx. 3,000 acres) a year, while financing concessions are to be tailored to the objectives of regional industrial expansion and based geographically on the new arrangements introduced by the Decrees of May 21, 1964.

Pre-built Factories

1. Loans and interest reductions similar to those granted to industrial enterprises for installation, extension and transfer operations in line with the process of industrial decentralization can also be granted by the Fonds de Développement Economique et Social to chambers of commerce and industry, to public and joint public/private corporations and to local and regional authorities to enable them to acquire or construct industrial buildings to be subsequently sold, leased or rented.

In localities and areas suffering from serious and persistent under-employment or inadequate economic development, as defined for the purposes of industrial development and industrial adjustment grants (see F III, 1), joint public/private corporations may be set up, with State participation, firstly to acquire, construct or prepare industrial buildings, and secondly to let or sell these or make them available on leasehold or rent-purchase terms.

These facilities are granted on a selective basis after individual examination of each project.

2. The Société Centrale d'Equipement du Territoire, a subsidiary of the Caisse des Dépôts et Consignations, as an experiment in 1962 set up a number of industrial building corporations, mostly of a joint public/private character, and launched a programme for supplying pre-built factories. The object of the scheme is to create employment in the economically-handicapped parts of the country, principally Brittany and the areas facing the problem of alternative jobs for workers laid off from local industries, as for instance at Le Boucau and in the Decazeville district.

Decentralisation of Scientific Institutes and Research Bodies

1. Decree No. 55/883, of June 30, 1955, as amended by Decree No. 58/1461, of December 31, 1958, concerning decentralization of State-operated and State-controlled plants and establishments, instituted a Decentralization Committee to be responsible for

a) inventorizing State-operated and State-controlled services and establishments, both civilian and military, currently carrying on administrative, industrial, commercial, scientific, technical, cultural or social activities in the Paris area;

b) listing those of them which are not absolutely obliged by the nature of their activities or by the requirements which they meet to be wholly or partly located in the Paris area;

c) proposing to the Government all appropriate measures for securing the gradual transfer elsewhere of the departments and establishments coming under b), in accordance with a programme to be carried out in stages as may be dictated by what is materially and financially practicable;

d) studying projects for the establishment or extension in the Paris area of departments and establishments in this category generally, and advising the Government as to their desirability or otherwise.

The Committee has drawn up a series of proposals listing a number of establishments whose transfer to the provinces is recommended, and indicating others which it considers should be allowed to remain in the Paris area provided that they do not increase in size, or that they set up branch establishments in the provinces.

It has also urged that more be done to encourage the setting-up or expansion of colleges of advanced technology and technical management training in the provinces.

2. Article 4 of Decree No. 64/440, of May 21, 1964, specifies that the industrial development grants instituted by the Decree may be made available to establishments for study, research, experimental or control work in scientific or technical fields which are set up or extended within the zone indicated in Article 1 of the Decree, upon recommendation by the Board of the Fonds de Développement Economique et Social.

Workers' Housing

1. Volume II (*Habitation*) of the Code de l'Urbanisme provides for the institution of building societies to be specially responsible for the construction of low-rent houses (H.L.M.).

These societies may obtain

a) State loans of up to 75 % of the building or purchase costs of such houses or up to 90 % where repayment is guaranteed by a Department, Commune or chamber of commerce and industry: the moneys come from the building account of the Fonds de Développement Economique et Social;

b) interest reductions in respect of loans contracted or floated by them for the purpose of building, acquiring, preparing, improving, repairing and managing dwellings fulfilling certain requirements as to construction and cost and intended for occupation by persons and families of slender means.

In addition, the Departmental and Communal authorities may

- a) grant loans and/or subsidies to the H.L.M. societies;
- b) underwrite bonds issued by them;
- c) subscribe or acquire shares issued by them;
- d) make sites or buildings available to them.

Welfare organizations, charitable institutions and hospitals may, with the authorization of the Prefect, invest part of their funds either in loans to H.L.M. and other building societies, or in bonds and shares issued by them.

2. The following general incentives for housing and building exist in addition to the H.L.M. arrangements:

a) building grants payable for 10 or for 20 years, as the grantee prefers, provided the premises so constructed satisfy the requirements of existing legislation as to floor-space and building costs;

b) grants convertible into deferred interest reductions, and coupled with a special deferred building loan which will be forthcoming provided the operations are duly completed;

c) grants convertible into interest reductions, coupled with a special building loan on the further condition that the ultimate occupants of the dwellings fall within a specified income bracket.

The special building loans are computed on a flat-rate basis they are granted in the case of intended owner-occupation for 20 years at 5 %. The loans under c) are larger than those under b), and in addition allow a period of grace of 4.5 years in redemption.

Local authorities are permitted to give guarantees, and in special cases to advance funds, to bodies established for the purpose of building and selling dwelling houses and blocks of flats.

Employers are required, as part of their obligation to co-operate in the building drive, to invest each year in housing schemes not less than 1 % of the wages paid in the course of the preceding financial year.

3. Advances may be made from the Fonds National d'Aménagement, Foncier et d'Urbanisme in respect of operations by regional or local authorities or public corporations to prepare residential belts prior to the actual building work.

ARRANGEMENTS BENEFITTING WORKERS

Vocational Training

Adult vocational training in general is carried out at vocational-training centres instituted.

a) to provide workers with accelerated training enabling them to follow a trade, to adapt themselves to a new trade, or to acquire a higher occupational skill;

b) to train instructors able to give such training, and interviewing officers for employment offices.

A Decree of November 9, 1946, lays down the conditions to be satisfied for such centres to be established and to receive subsidies from the Ministry of Labour's budget appropriations for the purpose.

Adult vocational training has been geared to the needs of the economy in three ways:

a) subsidies go principally to the vocational-training centres for the sectors of industry given official priority by the terms of a Decree of January 11, 1949, *viz.* the building trade and metal-working industries, though centres for other sectors may also, as an exception, be officially approved and subsidized;

b) the regional development programmes (see Section F 03, 1) make provision for the establishment of centres for the types of activity which it is planned to develop at regional level;

c) under the measures to facilitate re-employment of workers (see below), it is planned to earmark for the establishment of adult-vocational-training centres a portion of the funds set aside by Article 3 of Decree No. 55/874, for occupational retraining.

These are general measures in respect of sectors and regions, of which individual enterprises may take advantage.

Reabsorption and Development Facilities

Fonds National de l'Emploi

A Fonds National de l'Emploi was instituted by Act No. 63/1240, of December 18, 1963, to help ensure continuity of employment for wage-earning workers notwithstanding the changes involved by economic development, and with that object to encourage their retraining for other wage-paid jobs in industry and commerce. Particulars concerning the implementation and applicability of the Act were supplied by, *inter alia*, Administrative Ordinance No. 64/164, of February 24, 1964, and Decrees Nos. 64/166 and 64/1099, of February 24 and October 28, 1964.

The purpose of the Fonds National de l'Emploi is to promote an active employment policy, in the conduct of which the Minister of Labour is assisted by a tripartite advisory board representing the Government departments concerned, the employers' federations and the trade unions.

Action in this connection is of five kinds.

1. *Occupational retraining allowances*

These are payable to workers who, on losing their employment, elect to take up another wage-paid job in respect of which there is a definite shortage of manpower, and accordingly attend an occupational training course at a centre run or approved by the Ministry of Labour.

The allowance is designed, in conjunction with any payments to which the man is entitled under legal or contractual compensation or assistance schemes, to make up his income to 80 % of the hourly wage paid him during his last three months in employment, exclusive of overtime and of bonuses and allowances not directly connected with

his regular pay, or to 90 % in the case of training considered to merit special encouragement.

Trainees wishing to claim the allowance are required to apply to the Director of Labour in the Department in which the training is given; decision in the matter rests with the Divisional Inspector of Labour.

The allowance may also be paid to youths accepted for training in the year following completion of military service, and to non-wage-paid workers who fulfil the requirements of the Decree of October 28, 1964, and are neither farmers nor farmers' sons.

2. Transfer allowances

Transfer allowances are payable to workers out of a job who, after either undergoing occupational training or being officially excused from doing so, leave an area of underemployment or expected underemployment to take up jobs they are qualified to perform in an area of manpower shortage.

All parts of the country qualify both as permitted departure and permitted receiving areas, except certain districts in and about Paris, which do not rate as receiving areas.

The transfer allowance (which cannot be combined with similar concessions extended on other grounds) is made up of (1) a transfer and settling-in grant, the total amount of which varies according to size of family, distance from home and nature of new accommodation, (2) travelling expenses, and (3) household removal expenses, in accordance with the schedule of payments laid down in the Decree of April 20, 1964. It is a condition that the employment exchange authorities should endorse the proposed move. Application for the allowance must be made to the Departmental Directorate of Labour in the receiving area; the decision rests with the Divisional Inspector.

3. Special allowances

These are for the benefit of wage-earning workers over sixty years of age who are included in a large-scale lay-off of personnel in an officially-scheduled "zone of labour imbalance," and considered to have no prospect of useful re-employment. They are granted only where a co-operation agreement has been concluded between the Fonds National de l'Emploi and the man's former employers.

The special allowance usually comprises (1) statutory unemployment benefit, (2) contractual UNEDIC* allowance, (3) a contribution from the Fonds National de l'Emploi, and (4) the employer's contribution. It affords the man concerned the prospect of an assured income up to the age of 65, and enables him to continue increasing his entitlement under supplementary retirement schemes.

It ceases to be payable if the man asks to cash old-age pension entitlements, or manages to find employment which brings him in a larger income than that guaranteed him by the special allowance.

4. *Decreasing allowances*

Allowances on a descending scale are paid in order to offset the hardship to a discharged worker who is obliged to accept a job paid at rates more than 10 % lower than his previous one. As in the case of the special allowance, the original dismissal must have been one of a series in a zone of labour imbalance, and the enterprise effecting it must have a co-operation agreement with the Fonds National de l'Emploi.

The allowance is a temporary arrangement guaranteeing the man 90 % of his former wage for six months and 75 % for the subsequent six months the division of the amount involved being fixed between the enterprise and the Fonds National de l'Emploi case by case.

Application must be made to the Departmental Director of Labour for the area in which the discharging enterprise is located; the decision rests with the Divisional Inspector of Labour.

5. *Training agreements*

The Fonds National de l'Emploi can assist enterprises which are effecting reconversions, whether or not involving dismissals of personnel, to institute Ministry of Labour-supervised courses of training for new jobs, or of retraining, in special temporary at-works training departments within the enterprises.

Where this is envisaged, the Fonds and the enterprise conclude an agreement as to the type of training, the accommodation and equipment for these departments, and the apportionment of expenditure.

Basically, the Fonds is responsible for supplying whatever necessary equipment the enterprise does not possess, and for training

* Union Nationale pour l'Emploi dans l'Industrie et le Commerce.

and paying the instructors, while in addition it makes up to 80 % or 90 % of their former wage, as the case may be, the assistance already drawn by the trainees under the regulations in force.

Similar agreements can in certain cases also be concluded with employers' federations.

The training departments may be set up actually within the enterprise, in which case they constitute outside sections of a centre of the Association Nationale Interprofessionnelle pour la Formation Rationnelle de la Main-d'Œuvre, which then has to sign the agreement. Alternatively, they can be organized at existing recognized centres, the agreement specifying the particular facilities to be provided and the pay conditions for the instructors and the trainees.

Re-employment Fund

Decree No. 54/951, of September 14, 1954, designed to promote adjustment of industry, re-employment of workers and industrial decentralization, instituted a Fonds de Reclassement de la Main-d'Œuvre administered by the Minister of Labour, to facilitate the occupational retraining and re-employment of workers finding their situation changed as a result of their enterprise either discontinuing, curtailing or reconverting its activities, or engaging in concentration of specialization operations.

The resources of the Fonds de Reclassement come from an appropriation under the State Budget and are required to cover

- a) expenditure on the occupational retraining of personnel discharged by enterprises discontinuing, curtailing, reconverting, concentrating or specializing their activities;
- b) removal allowances to personnel so discharged and accepting fresh employment elsewhere.

Also chargeable to the Fonds de Reclassement is expenditure under Article 56 of the Treaty establishing the European Coal and Steel Community, in accordance with joint orders of the Minister of Finance and Economic Affairs, the Minister of Labour and the Minister of Industry.

Decree No. 54/1212, of December 6, 1954, as amended by Decree No. 60/338, of April 8, 1960, specifies the manner in which the resources of the Fonds de Reclassement are to be employed with regard to occupational retraining and re-employment of workers.

Decree No. 55/874, of June 30, 1955, concerning State guarantees, interest reductions in connection with industrial reconversion, industrial decentralization and regional development, and re-employment of workers, incorporates the provisions of Decree No. 54/951, of September 14, 1954.

Occupational Retraining

Enterprises which find themselves obliged, owing to the discontinuance, curtailment or reconversion of their activities or to concentration or specialization, to have their personnel trained for jobs other than those on which they were previously employed may, if they engage in specially vigorous and costly efforts in the matter of training, obtain financial assistance from the Fonds de Reclassement. The amount of assistance furnished depends partly on any exemptions from apprenticeship tax granted in consideration on the same fact.

Assistance may similarly be granted to enterprise which over and above their own regular training programme agree to provide, even on behalf of other enterprises, such occupational retraining as may be necessary for their re-employment to workers laid off owing to personnel cuts at other enterprises. The employment offices will put these workers into touch with such enterprises as are prepared to retrain them or short-list them for consideration.

Enterprises intending to have the retraining carried out by managerial personnel or skilled workers of their own may have the latter trained as instructors under the supervision of bodies designated by the Minister of Labour.

Enterprises are eligible for assistance only where it actually is impossible for the workers to be re-employed without undergoing such training: the rule is that the training period should last not less than three weeks and not more than six months.

Such enterprises must also be able to show

(1) that they are running an occupational retraining scheme either on a larger scale than or of a different character from their usual personnel training schemes, which involves them in additional expense;

(2) that this retraining is systematically organized under the supervision of technical bodies designated by the Minister of Labour.

Assistance takes the form of assumption of liability by the State for all or part of the wages payable to the instructors and retrainees

during the retraining period, for the social charges involved, and for expenditure on necessary equipment and materials. The amount of the liability is calculated separately for each individual enterprise, taking into account such points as the trade taught, the previous and aimed at levels of skill, the length of the retraining period, the amount of productive work done by each man during retraining, and the action taken by the enterprise to see that effective training methods are employed, as well as the local manpower situation.

Workers about to change their employment may have to undergo medical and psychotechnical examinations organized by the medical services of the Departmental labour inspectorate.

Overall technical supervision of the retraining operations and financial supervision of the expenditure entitling enterprises to State aid are exercised by bodies designated by the Ministry of Labour. Expenses incurred by the enterprises in connection with supervision, training and selection are refunded to them.

Expenditure on the equipment and running of specialized sections to be set up in existing training centres, and of any new adult-vocational-training centres which it may be decided to open, may under the Decree of December 6, 1954, be met from the Fonds de Reclassement de la Main-d'Œuvre.

Assistance is granted on a selective basis after individual examination of each application.

Applications for subsidies or reimbursements are submitted to the Director of Labour of the Department in which the enterprise is located.

The Minister of Labour takes the final decision after hearing the views of the appropriate working parties of the regional and national advisory committees on manpower, and obtaining a favourable opinion from the Board of the Fonds de Développement Economique et Social.

Transfer, Removal and Settling-in Allowances

These allowances now come under two separate enactments, the Decree of December 6, 1954, Part II, concerning the Fonds de Reclassement de la Main-d'Œuvre, and the Act of December 18, 1963, concerning the Fonds National de l'Emploi, which incorporated the provisions of the 1954 Decree and extended them to apply also to newly-released members of the armed forces.

At the same time, the 1963 Act restricted the application of the 1954 Decree to workers accompanying their enterprise to its new location (decentralizations and decentralized extensions). Apart from these cases, workers who have been or expect to be laid off and accordingly have to move elsewhere to take up jobs offered them through, or officially approved by, the employment offices, now come under the Act of December 1963.

For both categories the concessions offered are the same:

- a) refund of travel expenses from the old to the new place of residence for themselves and their dependants;
- b) refund of the cost of transporting their household effects where the removal has taken place within six months of their arrival in their commune of future residence (employment offices may, however, grant extensions in exceptional cases);
- c) a settling-in allowance varying in amount according to size of family, distance of removal, and conditions of adaptation in the place of destination.

An Order of July 15, 1964 (*Journal Officiel* of August 2, 1964), amending the Order of May 17, 1955, brought the allowances payable under the Decree of December 6, 1954, into line with the rates laid down in the Order of April 20, 1964, issued in implementation of the Decree of February 24, 1964, concerning the Fonds National de l'Emploi. By the terms of these enactments, the workers concerned are entitled to refunds of

a) the second-class railway fare for themselves and their dependants from the old to the new place of residence, less any reductions to which they may be personally entitled;

b) transport costs in respect of household effects to a maximum of three tons over the distance between the two localities.

The legislaion referred to also contains a scale of settling-in allowances in accordance with the size of the worker's family and according as he is or is not provided with accommodation by his new employer, together with directions as to the payment of these allowances.

Procedure

The Act of 1963 introduced a simplified procedure whereby the decision to grant or to withhold the allowances is taken by the Divisional Inspector of Labour after consulting the Departmental Directorates of Labour at both ends of the worker's journey.

The same arrangement is also to be employed under the Decree of December 6, 1964, for allowances to workers accompanying an enterprise which is moving to the provinces but until the relevant Order is issued the decision continues to rest with the Minister of Labour, who gives his ruling with the approval of the Board of the Fonds de Développement Economique et Social.

OTHER ARRANGEMENTS

Restriction on Introduction or Extension of Industries in Certain Areas

1. Decree No. 54, of January 5, 1955, as amended and supplemented by Decree No. 58/1460, of December 31, 1958, and Decree No. 60/279, of March 28, 1960, concerning decentralization of non-State-operated industrial plants and scientific and technical establishments, places restrictions on the introduction of such plants and establishments in certain areas (so far only the Paris area ⁽¹⁾).

No operations to install or extend industrial plants or ancillary premises in which more than fifty persons would be employed, or which would occupy a floor space of more than 500 sq. m., may be undertaken, either in buildings to be constructed or in buildings already existing, without prior authorization from the Minister of Building, who must first hear the views of a committee including representatives of the Minister of Industry, the Minister of the Interior, the Minister of Finance and Economic Affairs, the Minister of Labour and the Minister of Agriculture.

For the purposes of the Decree, operations to start an industrial activity in an existing building in place of a non-industrial activity hitherto exercised there rank as "operations to install a new plant."

Ministerial authorization is also required for the erection of any private building with a floor space of more than 500 sq. m. to be used primarily as offices.

⁽¹⁾ Article 48 of the Code de l'Urbanisme et de l'Habitation defines the Paris area as covering the Departments of Seine, Seine-et-Oise and Seine-et-Marne, together with five southern cantons of the Department of Oise, by Decree no. 65/459, of June, 18, 1965 (*Journal Officiel des Communautés Européennes* of June, 19, 1965), however the Five Oise cantons are no longer included within the area of application of the 1955 Decree as amended above.

Numerous enterprises have already been deflected to the provinces as a result of these measures.

Procedure

Each case is examined individually, and the provisions are observed with the greatest strictness, applications being granted only if the activities in question are definitely deemed to be essential.

2. Act No. 60/790, of August 2, 1960, lays down that enterprises receiving the prior authorization referred to above are liable within the portions of the Paris area defined by Council of State Decree to payment of an additional charge. This charge, which is payable by the person or company owning the premises concerned, is proportional to the amount of floor space constructed. The rate is Ffr. 200 per sp. m. of useful floor space constructed in the case of office premises, and Ffr. 50 in the case of industrial premises: the latter figure may, however, be increased up to a maximum of Ffr. 200 in certain areas defined by Council of State Decree.

The amount of the charge is decided by the Minister of Building or his representative; it is collected by the Administration des Domaines (Estate Commissioners), and credited to the General Budget.

Decree No. 60/641, of September 5, 1960, lays down the conditions of implementation in respect of these provisions, and Decree No. 60/642, of the same date, indicates the areas in which the charge is payable, and the rates applicable.

An Order of September 12, 1960, contains the procedural details concerning collection of the charge.

3. Decree No. 61/1248, of November 30, 1961, provides that building permits may be refused, or granted subject to compliance with the special regulations relating to building projects not in line with town and country planning policy as reflected in the regional economic and social development plans and town and country planning programmes and in Government directives on the subject.

A Ministry of Building circular of April 15, 1964, specifies that in future applications for buildings permits or for prior endorsement submitted to the Departmental authorities in respect of industrial premises comprising over 2,000 sq. m. of useful floor space must be

referred by the Minister to the Commissioner for Town and Country Planning for his opinion.

The Decree applies both to actual factory premises and to ancillary property (workshops, warehouses). It does not cover projects in the Paris area, for which it remains necessary to obtain official authorization under amended Decree No. 58/1460, of December 31 1958.

Measures to Facilitate Foreign Investment

The regulations of the Office des Changes allow the repatriation by foreign nationals and companies of profits accruing to them from participations in enterprises operating in France.

All enterprises constituted in accordance with the laws of France and fulfilling the stated requirements are entitled to the benefit of the various provisions designed to promote the establishment of new activities which are listed in the preceding pages.

ITALY

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GENERAL ARRANGEMENTS

Introductory remarks

Up to the Second World War, the only special Government measures to promote industrial development were in connection with the establishment of „industrial zones” (see I 00, 2), a plan dictated not so much by an overall grasp of the problem of economic development as by the need to tackle certain particularly disquieting local economic and social situations.

The fact that the State's general attitude was, except for its policy of protectionism, one of aloofness is not negated by the action which it did take during the Great Depression of 1929-34. Its interventions were not intended to set in motion a new stage in the process of industrialization, through measures by public bodies and the public authorities, but rather, given the general economic recession, to resolve the crisis in the relations between the banks and industry. This is demonstrated by the fact that the main function of the Istituto per la Ricostruzione Industriale (I.R.I.) established in 1933 following the remodelling of other public bodies with similar objectives was to take over from the major banks blocks of shares in large enterprises in various sectors of industry. Indeed, even the establishment in 1931 of a financing institution specializing in long-term secured credits, the Istituto Mobiliare Italiano (I.M.I.), can be taken in the final analysis as representing not a policy of activating industrial development by State intervention, but a policy of shoring up the existing industrial structure with the extra credit so afforded.

Only from 1944-45 onwards can the State be said to have taken specific action to promote the establishment of new industries and the expansion of existing ones.

During these years, the State, acting under a number of legislative enactments, has intervened with aids of various kinds, principally financial, on behalf of industry, and has promoted the levelling-

up of environmental conditions generally in certain parts of the country (notably in the Mezzogiorno, or Deep South) by means of public works schemes ("infrastructure operations") necessary to the establishment and expansion of industrial activities. Also, it has offered concessions, mainly financial and fiscal, to enterprises intending to set up in the less-developed areas without waiting for the levelling-up process to be completed (which is bound to take quite a number of years).

The establishment of "industrial zones" in particularly backward regions is a form of State intervention in the economic sector based on the same considerations as those underlying the legislation and regulations in force in various other countries.

Legally, the term "industrial zone" means a portion of a Province, defined beforehand by Act of Parliament, in which special facilities are offered for a specified period—usually ten years—in respect of projects for the introduction, reconversion or extension of industrial activities. The object of these facilities is, of course, to influence the siting of industry in such a way as to bring into being a compact industrial nucleus representing a substantial improvement in social conditions.

No rules are laid down as to the size of the zone: in most cases it is co-extensive with the chief town of the Province, but it may be either rather larger or rather smaller.

The provisions concerning the establishment of industrial zones are in outline much the same for all, and are based on the old Act No. 351 of July 31, 1904, establishing the industrial zone of Naples. The facilities offered to promote the installation of new and the extension and modernization of existing enterprises are of various kinds—tariff concessions, tax advantages (exemption from income tax, reductions in land and property taxes, in registration and mortgage fees, in war profits tax and in rates), reductions in railway rates, procurement of raw materials and fuels, State subsidies, and loans.

In many cases responsibility for organizing infrastructure operations and granting specific concessions to enterprises moving in is delegated to a zonal corporation, either public (*e.g.* Apuania) or private (*e.g.* Leghorn).

Industrial zones have been established at different times at Bolzano, Ferrara, Leghorn, Massa and Carrara, Messina, Naples, Palermo, Pola, Reggio Calabria, Rome, Trieste, Venice (Porto Marghera), Verona and Villa S. Giovanni. Some, for various reasons which need

not be detailed here, never in fact materialized (Messina, Palermo, Reggio Calabria, Rome, Villa S. Giovanni); in others the tax concessions in due course expired (Bolzano, Ferrara, Leghorn, Massa and Carrara, Naples, Venice, Verona) and were not renewed on the grounds that the zone should by this time have achieved a satisfactory rate of industrial development, resulting in the emergence of agglomeration factors rendering the continuance of special facilities unjustified. In these cases, the zonal corporation, where there was one, of course continued its activities in connection with the general improvement and industrial equipment of the area.

At present, the concessions are in force only in the industrial zone of Trieste.

Under Act No. 634 of July 29, 1957, "industrial-development areas" may be established in Southern Italy and the islands. These will be dealt with on a later page.

Post-war legislation is concentrated mainly on Southern Italy and the islands, referred to collectively as the Mezzogiorno. It is principally in these economically and socially very backward regions that the State is endeavouring, by direct and indirect actions, to launch a process of all-round industrial and economic development. There are, however, also a number of arrangements for certain localities in the Centro Nord (Apuania, Verona, Trieste, Polesine, Monfalcone).

Post-war legislative activity for the benefit of the Mezzogiorno began at the end of 1944 with two enactments relating respectively to Sicily and Sardinia, Decree No. 416 of December 28, 1944, concerning Sicily, and Decree No. 417, of December 29, 1944, concerning Sardinia.

The two Decrees—now outrun by subsequent preferential legislation, and in part abrogated—lay down certain directives concerning the development and reconstruction of the industrial structure of the two islands, based on the granting of tax and transport-rate concessions of the type provided for in the arrangements for the industrial zones.

With regard to the financing of industrial investment, Decree No. 416 provides for the setting-up in the Bank of Sicily of a special Industrial Credit Section to furnish medium and long-term loans for the purpose of promoting not only the revival of the industrial activities brought to a halt by the hostilities, but also the installation and development of new ones.

The Industrial Credit Section is empowered to take up participations in organizations, companies, financial syndicates and consortia of public and private enterprises, the sole condition being that such participations should have as their object the reconstruction, repair or reconversion of industrial plants or the construction, organization or equipment of new plants, preferably in labour-intensive industries and in industries concerned with processing Sicilian mining and agricultural products.

Decree No. 417, concerning Sardinia, is very similar; in addition, however, it provides for the setting up of the Bank of Sardinia, an incorporated public credit institution to be responsible for fostering the production potential of Sardinia and encouraging the utilization of its resources. Attached to the Bank is a special Industrial Credit Section with the same powers as its Sicilian counterpart.

In 1946, the Bank of Naples, an old-established credit institution of the traditional type, operating in the Mezzogiorno, was authorized to set up a similar Industrial Credit Section for operations in connection with the financing of industrial investment; the Section was subsequently vested with powers under Decree No. 1598 of December 14, 1947, respecting financial contributions towards the industrialization of Southern Italy and the islands.

The foundations were thus laid for the institution in the Mezzogiorno of a special credit system calculated to afford sound financial support for the process of industrialization which it was planned to start.

Since, to be effective, direct Government action to promote industrial development must be accompanied by measures to level up general conditions in the area to be industrialized, it was not long before further arrangements were introduced. Land reform legislation was passed, *viz.* Act No. 851 of October 21, 1950, with the object of remodelling the pattern of Southern agriculture by breaking up the big estates, and a Development Fund for the South, the Cassa per il Mezzogiorno, was established, under Act No. 646 of August 10, 1950, to finance a special programme of public works, land improvement, roads, water-mains, and so on, intended to effect a thorough going transformation in economic conditions in the South. The total sum placed at the disposal of the Cassa for the years 1950-65 was Lit.2,069,000,000,000.

The original provisions concerning the Cassa had no direct bearing on industry and Southern industrialization as such: the object of

the scheme has all along been to create the best possible environmental conditions for the installation of industrial enterprises, yet the relevant enactments make reference to the industrial side only in connection with plants for processing agricultural produce.

However, it quickly became apparent that the industrial sector must not be left to shift for itself, and that it would have to be dovetailed into the broader framework of the Cassa's activities.

Accordingly, quite early on came Act No. 166 of March 22, 1952, authorizing the Cassa to mobilize additional funds, over and above its initial endowment, by recourse to foreign loans, and extending its field of industrial activity to include the financing of particular projects relating to the industrial development of the Mezzogiorno.

At the same time, the State furnished the Industrial Credit Sections of the Bank of Naples, the Bank of Sicily and the Bank of Sardinia with further funds additional to those provided under Decree No. 1958 of December 14, 1947, and Act No. 1482 of December 29, 1948, from which to grant loans in respect of industrial projects (Act No. 261 of May 9, 1950, and Act No. 763 of June 30, 1952).

The requisite funds having been thus put up, it became necessary to remodel the credit arrangements in the South. Act No. 298 of April 11, 1953, was accordingly passed providing for the complete reconstruction of this sector, by the establishment or reorganisation of specialized institutions whose function it would be to sustain the process of industrialization with financial aids. By virtue of subsequent enactments, which will be described further on, the State intervened to increase the funds at the disposal of the three institutions.

Lastly, Act No. 634 of July 29, 1957, later amended and supplemented by Act No. 555, of July 18, 1959, provided for additional incentives to industrial enterprises to set up in the Mezzogiorno and broadened the field of operation of the Cassa per il Mezzogiorno in the industrial sector, thus affording a further impetus to the drive to promote the industrial development of the South.

Italy - Regions



Legal and financial provisions

NATIONAL LEGISLATION

1904

Act No. 351 of July 31, 1904, establishing the industrial zone of Naples

1933

Royal Decree No. 215 of February 13, 1933, containing new directives concerning comprehensive land improvement

1944

Regent's Decree No. 416 of December 28, 1944, containing directives concerning development and reconstruction of the industrial structure of the Island of Sicily (tax and transport-rate concessions as laid down in the provisions concerning industrial zones)

Regent's Decree No. 417 of December 29, 1944, containing directives concerning development and reconstruction of the industrial structure of the Island of Sardinia (tax and transport-rate concessions as laid down in the provisions concerning industrial zones)

1947

Provisional Head of State's Decree No. 1598 of December 14, 1947, containing provisions concerning the industrialization of Southern Italy and the Islands

Decree No. 1419 of December 15, 1947, containing provisions concerning credit to medium-sized and small industrial enterprises

1948

Decree No. 579 of April 24, 1948, instituting an agricultural/industrial zone in the Commune of Verona

Act No. 1482 of December 29, 1948, supplementing Decrees Nos. 1598 of December 14, 1947, and 121 of March 5, 1948, and Decree No. 1419 of December 15, 1947, in respect of the industrialization of Southern Italy and the Islands

1949

Act No. 165 of April 23, 1949, concerning utilization of E.R.P. (Marshall Aid) funds to step up State financial action in aid of activities relating to agricultural development, and containing directives as to the form to be taken by such action

1950

Act No. 261 of May 9, 1950, concerning loans in respect of the industrialization of Southern Italy and the Islands

Act No. 445 of June 22, 1950, setting up regional institutions to grant loans to medium-sized and small enterprises

Act No. 646 of August 10, 1950, setting up a Fund for special public works schemes in Southern Italy (the Cassa per il Mezzogiorno)

Act No. 835 of October 6, 1950, requiring State authorities to obtain part of their supplies and services from industrial enterprises in the South and Latium, and defining the zones to be included in Southern Italy and the Islands

Act No. 851 of October 21, 1950, providing for land reform

Order No. 206 of December 1950, published in the Official Gazette of the Allied Military Government, British/American Zone, Free Territory of Trieste, Vol. III, No. 31, concerning measures for the industrial development of the British/American Zone of the Territory of Trieste

1952

Act No. 166 of March 22, 1952, setting up an Executive Committee of the Cassa per il Mezzogiorno, and containing new directives concerning foreign loans

Act No. 763 of June 30, 1952, containing directives concerning provision in the Budget for the expenditure of Lit.10,000,000,000 on the industrialization of Southern Italy and the Islands

Act No. 949 of July 25, 1952, concerning measures to promote economic development and fuller employment

Act No. 991 of July 25, 1952, concerning measures for the benefit of mountain areas

1953

Act No. 298 of April 11, 1953, concerning development of industrial credit operations in Southern Italy and the Islands

Act No. 955 of December 22, 1953, containing provisions concerning export credits bearing special risks, and concerning the financing of medium-term credits in respect of exports of special commodities

1954

Act No. 135 of April 16, 1954, concerning credit facilities for medium-sized and small industrial enterprises and the promotion of industrial credit operations

Act No. 626 of July 31, 1954, concerning projects calculated to raise productivity

1955

Act No. 38 of February 12, 1955, concerning loans in respect of industrial projects in Southern Italy and the Islands

Act No. 908 of October 18, 1955, setting up an Operating Fund for the development of new economic activities in the Territory of Trieste and the Province of Gorizia

1956

Act No. 43 of February 7, 1956, containing provisions concerning investment of foreign capital in Italy

Act No. 296 of March 23, 1956, concerning loans and concessions to assist the absorption of discharged steelworkers

Presidential Decree No. 758 of July 6, 1956, containing directives as to the implementation of Act No. 43 of February 7, 1956, concerning investment of foreign capital in Italy

1957

Act No. 48 of February 15, 1957, concerning utilization of part of the loan provided for by the agreement of May 23, 1955, with the United States of America for relending in aid of industrial projects in Southern Italy and the Islands

Act No. 605 of July 15, 1957, concerning utilization of part of the loan provided for by the agreement of May 23, 1955, with the United States of America for relending to the hotel industry

Act No. 634 of July 29, 1957, concerning measures for the benefit of the Mezzogiorno

Act No. 635 of July 29, 1957, supplementing Act No. 647 of August 10, 1950, concerning execution of special public works schemes in Southern and Central Italy

1959

Act No. 555 of July 18, 1959, amending and supplementing Act No. 634 of July 29, 1957, concerning measures for the benefit of the Mezzogiorno

Act No. 622 of July 24, 1959, concerning action for the benefit of the national economy

Act No. 623 of July 30, 1959, providing for further incentives for medium-sized and small industrial enterprises and craft enterprises

1960

Act No. 657 of June 29, 1960, concerning loans for industrial projects in Southern Italy and the Islands

1961

Act No. 649 of July 25, 1961, amending and supplementing Act No. 623 of July 30, 1959

REGIONAL LEGISLATION

Sardinian Region

1950

Regional Act No. 63 of November 23, 1950, concerning measures for the benefit of the hotel industry in tourist areas

Regional Act No. 65 of November 28, 1950, concerning measures for the benefit of the boatbuilding and fishing trades

Regional Act No. 68 of December 14, 1950, concerning measures to promote the development of craft enterprises

Regional Act No. 70 of December 15, 1950, setting up a fund for advances to aid craft enterprises

Regional Act No. 74 of December 29, 1950, concerning measures for the benefit of the wine-growing and cheesemaking industries

1952

Regional Act No. 16 of June 28, 1952, amending Regional Act No. 68 of December 14, 1950

Regional Act No. 19 of July 10, 1952, concerning measures to assist prospecting operations in Sardinia

1953

Regional Act No. 22 of May 7, 1953, concerning measures to promote and favour the development of industrial and commercial activities in Sardinia

1954

Regional Act No. 5 of April 6, 1954, concerning measures to promote and favour studies, research and publications in connection with industry and commerce

Regional Act No. 6 of April 6, 1954, concerning measures to promote and favour studies, research and publications in connection with mining and with the valorization of the products mined

Regional Act No. 14 of July 16, 1954, concerning measures to facilitate the setting-up of industrial, transport, tourist, hotel and mineral-springs exploitation enterprises

1955

Regional President's Decree No. 3 of March 5, 1955, containing directives as to the implementation of Regional Act No. 22 of May 7, 1953, concerning measures to promote and favour the development of industrial and commercial activities in Sardinia

1957

Regional Act No. 10 of April 12, 1957, authorizing the new Sardinian industries to issue bearer stock

Regional Act No. 23 of May 18, 1957, setting up with the Credito Industriale Sardo (C.I.S.) a fund to provide operating credit to Sardinian industrial enterprises

1959

Regional Act No. 20 of December 19, 1959, containing directives concerning studies in connection with the prospecting and working of hydrocarbon deposits

Sicilian Region

1948

Regional Act No. 32 of July 8, 1948, concerning issue of bearer stock

1949

Regional President's Decree No. 20 of June 14, 1949, concerning granting of facilities to promote the expansion of the mining industries

1950

Act No. 29 of March 20, 1950, concerning measures for the development of the industries in the Region

Act No. 30 of March 20, containing directives concerning prospecting and working of liquid and gaseous hydrocarbons

Presidential Decree No. 32 of June 30, 1950, amending the directives concerning shares issued by newly-formed companies in the Region

1952

Regional President's Decree No. 19, of October 15, 1952, extending the facilities provided for by Decree No. 20 of June 14, 1949, to loans for the purpose of improving the health and social conditions of workers in the mining and quarrying industries

1953

Act No. 21 of March 20, 1953, concerning grants to technical schools

Act No. 30 of April 21, 1953, concerning measures to improve the state of the roads, provide more low-rent housing and reinforce the economy of Sicily

Act No. 61 of December 7, 1953, supplementing Act No. 29 of March 20, 1950, concerning measures for the development of the industries in the Region

1954

Act No. 10 of April 9, 1954, concerning tax advantages for the improvement of facilities and amenities at tourist, health and mineral-spring resorts in the Region

Regional President's Decree No. 2 of May 4, 1954, defining the categories of industrial enterprises covered by Regional Acts No. 29 of March 20, 1950, and No. 61 of December 7, 1953

Act No. 47 of December 23, 1954, concerning measures to improve the installations and equipment of agricultural cooperatives

Act No. 50 of December 27, 1954, setting up a Regional Fund for credits to craft enterprises

1955

Act No. 3 of January 28, 1955, concerning measures for the benefit of the hotel and tourist industries

Regional President's Decree No. 8 of November 22, 1955, endorsing the co-ordinated-text of the Acts concerning the setting-up of the consolidated hotels fund

1956

Act No. 54 of October 1, 1956, containing directives concerning prospecting and working of mineral deposits in the Region

1957

Act No. 51 of August 5, 1957, concerning special measures for industrial development

Trentino/Upper Adige Region

1951

Act No. 11 of September 24, 1951, concerning facilities in respect of the construction, acquisition, extension and equipment of factories and warehouses for the storage, handling and processing of agricultural produce and byproducts *inter alia* for export

1952

Regional Act No. 20 of May 2, 1952, concerning measures for the benefit of the hotel and tourist industry of the Region

1959

Regional Act No. 10 of August 8, 1959, authorizing the issue of Trentino/Upper Adige bearer stock

Competent authorities

AT NATIONAL LEVEL

Interministerial Committee on Reconstruction (C.I.R.).—Prompts and co-ordinates activity by the Ministers concerned, in order to ensure a uniform approach to the country's economic problems. Divided into Sub-Committees.

Committee of Ministers on the Mezzogiorno.—Responsible for the drawing-up of the investment programme for the Mezzogiorno, and for the co-ordination of the activities of the various public bodies concerned with the development of the Southern economy; supervises the operations of the Cassa per il Mezzogiorno; determines the conditions for the granting of certain concessions to industry.

Interministerial Committee on Credit and Saving.—Determines the conditions and practical arrangements for preferential lending operations conducted by the specialized institutions.

Ministry of the Budget.—Responsible for the drawing-up of the country's economic policy, and in particular of investment policy. At the time when Sig. Vanoni was Minister, the Ministry secured the adoption of the "ten-year plan for fuller employment and larger earnings".

Ministry of Industry and Commerce.—Responsible for the progression of the industrial economy, both overall and by sectors. Has special powers regarding the granting of concessions as provided for in the directives concerning industrial development.

Ministry of Finance.—In agreement with the Ministry of Industry, grants tax advantages to industrial enterprises setting up in the Mezzogiorno.

Ministry of Transport.—Responsible for transport-rate concessions to industrial enterprises setting up in the areas concerned.

Ministry of Agriculture.—Makes grants on behalf of agricultural enterprises.

Ministry of Labour and Social Insurance.—Responsible for State activities in connection with vocational training and occupational re-training of workers.

Ministry of State Participations.—Supervises and directs the activities of all corporations and companies in which the State has a majority or controlling holding.

Prefects.—Represent the Central Government in each Province. Responsible for compulsory-purchase operations needed for the purpose of industrial projects in the Mezzogiorno.

AT REGIONAL LEVEL

There are four regional development organizations, one for each of the four “Special Régime Regions”, *viz.* the Sicilian Region, the Sardinian Region, the Valle d’Aosta Region and the Trentino/Alto Adige Region.

The Special Régime Regions differ from the other Regions (provided for by the Constitution, but not yet in existence as autonomous units) in that their autonomy is established by their Statutes as approved by a Constitutional Law. They have sole legislative authority in certain fields: in these cases the Regional enactments have, within the area concerned, the same force as national enactments, and the State cannot require directives of its own to be followed instead.

Of the four Special Régime Regions, only the Sicilian Region has sole authority in respect of the industrial sector: the Sardinian Region has restricted authority, and the other two Regions more limited authority still.

Each Region has its own legislature (the Consiglio Regionale) and executive (the Giunta Regionale); the head of the latter is the President of the Region, who is in overall administrative charge. Within the Giunta, administration is divided among a number of Assessors responsible for the individual departments, *e.g.* an Assessor of Industry, an Assessor of Finance, an Assessor of Public Works, and so on.

In the case of Sicily, certain powers and responsibilities are in the hands of boards or committees (*e.g.* the Regional Committee for Credit and Saving) within the Regional Government.

The Sardinian Region has a special Department, the "Assessorate of Revival", responsible for action to implement the Organic Plan (see subsection "Studies") and related programmes (Regional Act No. 7 of March 21, 1959).

AT LOCAL LEVEL

The local authorities (Provinces and Communes) have no specific competence in industrial matters, and no direct means of promoting the industrialization of the areas under their jurisdiction. The only action they can take to encourage any particular process of industrial development is indirect, *viz.* by making industrial sites available to entrepreneurs on advantageous terms, or by allowing concessions in respect of local rates and taxes.

The Chambers of Commerce, Industry and Agriculture have general competence in this regard; these are public corporations established in each Province to follow and encourage the development of that Province's economy.

Also coming under the head of local organizations concerned with industrial development are the "Consortia for the development areas and industrialization nuclei of the Mezzogiorno", set up under Act No. 634 of July 29, 1957. Their specific functions and powers are dealt with on a later page.

Consortia may be established between Communes, Provinces, Chambers of Commerce and other interested organizations or authorities, for the purpose of carrying out and supervising operations to equip the area with such necessities as road and rail communications, industrial water and energy supplies, lighting and sewerage.

A Consortium may arrange for the compulsory purchase of property not only for purposes of infrastructure improvement but also for resale to house new enterprises.

The articles of association of the Consortia, together with the relevant town and country planning schemes, are approved by the President of the Republic upon proposal by the Minister of the Interior, in agreement with the Minister of Industry and Commerce and the Minister of Public Works.

Regional development programmes

a) One example of a regional development programme is to be found in Act No. 646 of August 10, 1950, subsequently amended and supplemented, as will be described. This Act set up as a standing body within the Government a Committee of Ministers to draw up a plan of official action in the seven Regions of the Mezzogiorno (Abruzzi and Molise, Campania, Apulia, Lucania, Calabria, Sicily and Sardinia), in that portion of Latium which includes the Provinces of Frosinone and Latina, in parts of the Provinces of Rome, Rieti and Ascoli Piceno, and in the Islands of Elba and Capraia (Province of Leghorn) and the Island of Giglio (Province of Grosseto), for the purpose of improving the especially depressed economic conditions prevailing there by means of a thorough all-round levelling-up, the indispensable prerequisite to industrialization. The organization responsible for implementing this plan—originally envisaged as extending over ten years, later over twelve (Act No. 949 of July 25, 1952) and then over fifteen (Act No. 634 of July 29, 1957)—is the Cassa per il Mezzogiorno, a public institution having financial and administrative autonomy. The total sum placed at the disposal of the Cassa for the execution of the 15-year programme is Lit.2,040,000 million.

b) Further provisions concerning regional development are contained in Act No. 634 of July 29, 1957, Article 2, with reference to the investment programmes drawn up each year by the institutions and enterprises coming under the supervision of the Ministry of State Participations. The Act lays down that these programmes must “make for a territorial distribution of investment calculated to result in a progressive improvement in the economic balance as among the different Regions”. In particular, up to June 30, 1965, not less than 60% of all capital schemes for the installation of new industrial enterprises undertaken by institutions and enterprises operating with State participation must be located in areas coming within the purview of the Cassa per il Mezzogiorno.

Furthermore, capital schemes in general by such institutions and enterprises within the field of operation of the Cassa per il Mezzogiorno must account for not less than 40% of the institutions' and enterprises' total investment in the country as a whole, and "must be calculated to result in balanced action by the institutions in all the Regions of the Mezzogiorno".

c) Act No. 6 of January 11, 1957, containing directives concerning prospecting and working of liquid and gaseous hydrocarbons, lays down (Article 22) that concessionaires must make over to the State a specified percentage of their production, based on the average daily output per well over the calendar year.

The Act further provides (Article 24) that in the case of deposits in the area of operation of the Cassa per il Mezzogiorno one-third of the percentage in kind so made over shall be assigned to the Region in which the deposit is located, to be used for economic development and industrialization purposes.

Accordingly, the State annually pays the Cassa the value of one-third of the percentage in question, and the Cassa arranges for this sum to be laid out for the benefit of the Region concerned, by means of measures outside its regular scope in the field of industrialization.

Any funds not so employed are allocated by the Cassa—likewise for the benefit of the Region concerned—to help finance its own special public works schemes.

d) Under Act No. 825 of August 14, 1960, the percentage referred to in c) above need not be made over in the case of such hydrocarbons extracted in the Province of Matera as are employed for industrial activities in the Valle del Basento area (see subsection „Arrangements Benefiting Enterprises”).

Studies

Article 13 of the Special Statute of the Sardinian Region, endorsed by Constitutional Act No. 3 of February 26, 1948, lays down that the State "shall with the co-operation of the Region frame an Organic Plan to promote the economic and social revival of the Island".

Accordingly, in December 1951, by order of the Chairman of the Committee of Ministers on the Mezzogiorno, an "Economic Study Commission on the Revival of Sardinia" was set up to investigate the island's potentialities and see how they could be utilized in the fields of agriculture, mining, industry, commerce, communications, credit, social conditions and education. Upon the completion of its studies, in October 1958, the Commission laid before the Committee of Ministers a Sardinian economic development programme, *complementary* to the measures being carried out by the Cassa per il Mezzogiorno, the land reform executives and the various individual Ministries within their Budget appropriations.

The objectives of the programme may be summarized as follows:

- a) to work up the agricultural resources of Sardinia, principally by land improvement and land reform;
- b) to deal with the problem of transport and communications;
- c) to improve conditions for the population generally;
- d) to draw up a policy for the balanced industrialization of the island.

The implementation of the main elements in the programme is planned to take ten years, of the remainder a period of up to thirty.

The programme provides for very substantial participation by private enterprise; at the same time, official assistance of one kind and another is deemed a prerequisite to private investment.

Some of the conclusions and observations noted in the course of the studies have been embodied in the Sardinian Revival Bill now before Parliament.

The President of the Sicilian Region, by Decree No. 38/A of January 4, 1956—"having regard to the desirability of drawing up an organic study programme to serve as a basis for a special public works scheme enabling the economic and social development of the Region to be rationally effected", and "having regard to the fact that for the aforementioned purpose the various sectors of economic activity should be carefully investigated and studied from the technical and financial standpoints"—set up four study commissions to work out a "special five-year plan for the economic and social development of the Sicilian Region". The commissions completed their work in May 1956.

A further Sicilian Presidential Decree No. 8486 of November 23, 1958—"having regard to the desirability of extending and intensifying the studies in connection with the implementation of the Plan"—appointed a Secretary-General, directly answerable to the President of the Region, to be responsible for the co-ordination of the material assembled (with reference, *inter alia*, to the repercussions of the introduction of the Common Market), and for the drafting of the legislative and administrative provisions required for the practical implementation of the Five-Year Plan.

DIRECT ASSISTANCE TO ENTERPRISES

Financial assistance

Subsidies/Grants

NATIONAL LEGISLATION

A. Grants to industrial enterprises

It is only of late years that non-repayable grants-in-aid have been included among the various forms of assistance to promote the establishment of industrial activities. Act No. 634 of July 29, 1957, Articles 18 and 19, empowers the Cassa per il Mezzogiorno, within its area of operation, to meet up to 20% of the initial costs of small and medium-sized enterprises setting up in Communes with not more than 200,000 inhabitants and little or no industry.

Such grants are payable in respect of

- a) building work on factory and ancillary premises, including installation and bedding of machinery and construction of social facilities;
- b) operations to link factories with the regular road networks;
- c) construction of rail connections;
- d) construction of connections with water-supply and sewerage systems, sinking of wells and laying of water-mains, and removal of débris and restitution of any damage caused by the operations;
- e) provision of connections with electricity distribution network, installation of transformers, and construction of connections with natural-gas and oil pipelines, natural-gas and oil reception and storage tanks, and sources of terrestrial heat;

- f) acquisition of machinery for which exemption from import duty has not been granted and which is made by firms in the Mezzogiorno (in the case of machinery from Central or Northern Italy the grant may not exceed 10% of the cost).

The amount of the grant is proportionate to the size of the enterprise and the number of workers it expects to employ, and also to the benefit it will bring to the economy of the less-industrialized areas.

Enterprises in localities within the operating area of an industrial-development consortium (see subsection "Assistance to Enterprises") are entitled to grants only in respect of work not effected by the consortium. In such cases grants are also payable to enterprises in Communes with over 200,000 inhabitants.

Grants may be obtained in addition to financial assistance from the special credit institutions, but where this is so the amount of the grant must be so fixed that the aggregate contribution does not exceed 85% of the capital invested or to be invested in the new enterprise (Decision of the Committee of Ministers on the Mezzogiorno of December 16, 1958).

REMARKS

Article 18 of the Act provides that the conditions as to the localities to be eligible for such grants, the criteria as to what constitutes a small or medium-sized industry and the amount of the grant shall be fixed by the Committee of Ministers on the Mezzogiorno, upon proposal by the Cassa per il Mezzogiorno, after the views of the Ministry of Industry and Commerce have been heard.

By its Decisions of February 20 and December 16, 1958, the Committee of Ministers laid down as to location that to qualify for a grant an enterprise must be proposing to set up in a Commune "with little or no industry".

As to size, the Committee in subsequent Decisions specified that the enterprise must be "industrial" in the proper sense of the term (*i.e.* not a small craft or trade enterprise) and must not be above "medium-size": it was added that the term "medium-sized enterprise" was to be taken as meaning an enterprise with a capital not exceeding Lit. 6,000 million.

Lastly, as regards the amount of the grant, the Committee decided that the percentages mentioned in the Act (20% and 10%) represented the upper limit. The precise sum must be fixed case by case, with an eye to 1) the industrial development of the locality; 2) the contribution the project would make to the development of the area and to the raising of incomes in the Mezzogiorno; 3) the absorption of labour; 4) the efficiency of the plant.

REMARKS

Authorization is selective. Enterprises must apply individually, accompanying their application with the relevant plans and with supporting documents in respect of expenditure incurred.

B. *Grants for the benefit of industrial-development areas and industrialization nuclei*

Article 21 of Act No. 634 of July 29, 1957, provides that the Cassa per il Mezzogiorno may furnish grants to cover up to one-half of the costs incurred by industrial-development consortia equipping their zones and building factory premises for disposal to enterprises. Its assistance may also take the form of part-payment of the interest on any financial transactions entered into by the consortia; in such cases, if the amount contributed by the Cassa is, in terms of capital, smaller than the amount of the grant to which the consortium is entitled, the remainder may be made up in the form of a grant.

REMARKS

Authorization is selective. The Committee of Ministers on the Mezzogiorno fixes the amount of the grant, upon proposal by the Cassa per il Mezzogiorno, after hearing the views of the Ministry of Industry and Commerce.

C. *Grants to agricultural enterprises*

- a) Under Article 43 of the Royal Decree No. 215 of February 11, 1933, concerning intensive land improvement, agricultural enterprises run by the ground landlord are entitled to grants covering up to 38% of their costs.
- b) Article 9 of Act No. 165 of April 23, 1949, provides that such grants may also be made to land-settlement corporations and agricultural co-operatives in respect of the construction, acquisition, extension, reconversion and/or equipment of factories for the storage, handling and processing of agricultural produce and by-products.

REMARKS

Authorization is selective, by the Ministry of Agriculture and Forests. The authorizing Order fixes the amount of the grant.

D. *Grants to small businesses and craft enterprises*

By the terms of Act No. 634 of July 29, 1957, as amended and supplemented by Act No. 555 of July 18, 1959, the Cassa per il Mezzogiorno is empowered (Article 11) to furnish to small entrepreneurs in Southern Italy and the Islands, through the national craft- and small-industries organization E.N.A.P.I., grants covering up to 30% of expenditure on machinery and equipment incurred in connection with the reconversion, modernization and/or mechanization of the enterprise, and/or with building operations directly related thereto.

REMARKS

Authorization is selective. The Committee of Ministers on the Mezzogiorno is required, upon proposal by the Minister of Industry and Commerce, and after hearing the views of the Central Committee of Small Industry, to indicate which crafts and trades are capable of furthering the industrial development of the Mezzogiorno, and to lay down appropriate application procedures and criteria and fix the total amount of the grants payable.

The crafts and trades listed by the Committee comprise the following sectors: furniture; packing cases and crates; toys; technical articles; metal cages, wire netting, etc.; metal furnishings and fittings; phials and technical glassware; corks and articles made of cork; boxes and small containers; engineering, plumbing, electrical and radio workshops; artistic handicrafts; services, exclusive of transport.

Receipt of a grant does not debar the grantee from obtaining the credit facilities allowed by the relevant legislation in respect of the percentage of his costs which he has to meet himself.

REGIONAL LEGISLATION

I — *Sardinian Region*

A. *Grants to industry in general*

1. Regional Act No. 22 of May 7, 1955, permits the provision of non-repayable grants for the establishment of industrial activities in the industrial zones of recognized Regional importance.

Such grants, amounting to up to two-thirds of the expenditure involved, may be furnished in respect of

- a) acquisition of the necessary sites;
- b) construction of rail and road connections (not for general public use), and installation of electricity, water-supply and telephone systems;

- c) expenditure on consumption of electric current and water for industrial purposes (in the case of *new* activities only) for a period not exceeding 10 years;
- d) expenditure on transport of raw materials and finished products (in the case of *new* activities only) for a period not exceeding 3 years;
- e) some part of the social charges during the initial stages of operation (in the case of *new* activities only), where necessary;
- f) expenditure on industrial experimental projects, and expenditure on securing a better market for the Region's production both elsewhere in Italy and abroad;
- g) expenditure on improvement of workers' sanitary and health conditions, on acquisition or construction of workers' dwelling-houses, hostels and canteens, and on organization of transport services for workers.

The Act further provides that State-owned land needed for the installation of industrial enterprises may be made available, if necessary free of charge, and that, in special cases, in place of the above grants the actual work involved may be carried out at the expense of the Regional Government, where appropriate with assistance from private sources.

Facilities a), b), c), d) and e) above, and also the concession as to free grants of land, may in particular cases be extended to enterprises setting up outside the specified zones but of exceptional importance to the efficient utilization of the manpower and other resources of the Island (Article 2).

REMARKS

Authorization is selective; the Regional Government's decision is final (Article 11). The implementing Regulations set forth in the Regional President's Decree No. 3 of March 5, 1955, require that in the case of applications for grants in respect of expenditure on consumption of water and electric current for industrial purposes, or of other forms of power, enterprises must *itemize* the incidence of the expenses concerned in their production costs. The moneys are paid over periodically upon submission of the relevant expense vouchers and verification of these by the Regional authorities.

The Regulations further provide (Article 8) that for the purposes of grants in respect of c), d) and e) above the term *new activities* is to be taken as meaning the establishment of new factories or concerns or the reactivation of existing ones, or the complete reorganization and/or extension of existing activities where the operation entails additional capital expenditure.

Commitment to furnish grants must not be for more than three years ahead, unless a special extension is given.

2. Regional Act No. 14 of July 16, 1954, permits grants covering the registration and mortgage fees on the articles of association of companies operating industrial, transport, tourist, hotel and mineral-springs exploitation enterprises in Sardinia or proposing to revive such enterprises in order to reactivate, extend or convert them.

Similar grants may be made in respect of registration and mortgage fees on deeds relating to capital increases, to any assets in kind or capital brought into the company, to bond issues or to mortgage operations by such companies for these purposes.

REMARKS

Authorization is selective. In the case of industrial enterprises these concessions are now of very little practical importance, since the passage of National Act No. 634 of July 29, 1957, which exempted companies operating in the area of the Cassa per il Mezzogiorno from payment of any dues whatsoever on their articles of association, deeds, etc.

The concessions are, however, still of value to companies in the transport, tourist and hotel, and mineral-springs sectors, which are not entitled to benefit under the National Act as they do not come within the meaning of the term "organized industrial concerns".

3. Regional Act No. 5 of April 6, 1954, permits the payment of grants covering up to two-thirds of costs in connection with studies, research and publications calculated to further the scientific, technical and economic progress of the Island's industry and to increase trade between Sardinia and national and foreign markets.

REMARKS

Authorization is selective, the amount of the grant being specified in the authorization Order. Grants may also be made for the preliminary study and planning of new industrial projects to be undertaken in Sardinia.

B. *Grants for the working of hydrocarbon deposits*

Regional Act No. 20 of December 19, 1959, provides that concessionaires working deposits of liquid and gaseous hydrocarbons shall be entitled, for a period of not more than 10 years, to annual grants representing nine-tenths of the income and profits tax (*imposta di ricchezza mobile*) paid by them to the State.

C. *Grants for the mining industry*

1. Regional Act No. 19 of July 10, 1952, entitles holders of prospecting licences (except large enterprises sufficiently well off not to need extra funds) to grants covering up to 50% of their expenditure on

- a) mineralogical, topographical and geophysical studies and surveys;
- b) prospecting by means of surface digging and excavating, drilling, tunnelling and sinking of large and small shafts;
- c) road works, specified-standard lodgings for workers, sanitary installations, and other buildings necessary to the prospecting operations, in strict proportion to the actual importance of these;
- d) provision, or extension and modernization, of transformers and connections, air compressors, drilling rigs, haulage and winding installations, drainage and ventilation.

REMARKS

Authorization is selective, by Order of the President of the Region upon proposal by the Assessor of Industry, who is responsible for examining applications.

The Assessor of Industry may stipulate, by Order, that grants be payable only in respect of prospecting for particular minerals or in particular parts of Sardinia; alternatively, he may lay down priorities.

2. Regional Act No. 6 of April 6, 1954, provides that grants, the amount of which may vary from case to case but must not exceed two-thirds of the expense in fact incurred, may be furnished to private firms for legal and market research in the mining sector, for the purchase of experimental plant and equipment, for the publication of findings, and for any other action calculated to further scientific and technical progress or enable mining projects to be undertaken.

REMARKS

Authorization is selective, the amount of the grant being fixed in the authorizing Order. Grants may be furnished, *inter alia*, for study and planning work in connection with the undertaking of new industrial projects.

D. *Grants for craft enterprises*

Regional Acts No. 68 of December 14, 1950, and No. 16 of June 28, 1952, empower the Regional Government to furnish to craftsmen, craft co-operatives, and corporations and other organizations carrying on craft production of any kind, grants designed to result in the expansion and intensification of the activities in question.

REMARKS

Authorization is selective. The Acts referred to do not specify the amounts payable.

II — *Sicilian Region*

A. *Grants to agriculture*

Regional Act No. 47 of December 23, 1954, provides that grants covering up to 50% of the expenditure involved may be furnished to agricultural co-operatives for the building (including acquisition of the site), improvement, extension and equipment of co-operative cellars, of installations and warehouses for the storage, handling and processing of agricultural produce, and of sheds for agricultural machinery.

REMARKS

Authorization is selective, the amount of the grant being fixed in the authorizing Order.

B. *Grants to the hotel and tourist industry*

Regional Act No. 3 of January 28, 1955, as amended and supplemented by subsequent enactments, provides that enterprises in the tourist, hotel, health resort and mineral-springs exploitation sector may apply for grants, payable in instalments of 3% each of the amount of the loans contracted, up to 50% of capital expenditure on buildings and up to 25% of capital expenditure on equipment and furnishings.

REMARKS

Authorization is selective. Grantees are not debarred from also receiving loans, provided the total amount obtained does not exceed 50% of the expenditure involved, or, in the case of equipment and furnishings, 25%.

Regional Act No. 8 of November 22, 1955, permits grants to be furnished covering up to 50% of expenditure incurred in the construction of small hotels, hostels and refreshment posts.

REMARKS

Authorization is selective, the authorizing Order fixing the amount payable.

C. *Grants for mining research*

Regional Act No. 45 of August 5, 1949, Article 2, and Regional Act No. 20 of July 29, 1958, Article 5, provide that grants may be

furnished covering up to 20% of the necessary expenditure in respect of research and experimentation with a view to the introduction of more efficient mining methods.

REMARKS

Authorization is selective.

D. *Subsidies for the construction of dry docks and related installations*

Regional Act No. 51 of August 5, 1957, Article 24, provides for the payment of a regular 35-year subsidy, at the rate of 5% of the expenditure involved, to private companies established and operating in Sicily and planning to construct and operate dry docks, on condition that the companies undertake to invest in the construction of ship repair shops in the port in which the dock is to be installed capital sums equal to not less than thirty times the amount of the subsidy in question.

REMARKS

Authorization is selective.

E. *Grants to co-operative craft enterprises*

Regional Act No. 21 of March 20, 1953, provides for grants to craft co-operatives to cover up to 50% of expenditure for the purpose of installing, extending and/or improving craft workshops.

REMARKS

Authorization is selective, the authorizing Order fixing the amount payable.

III — *Trentino/Upper Adige Region*

Grants to agriculture

Regional Act No. 11 of September 24, 1951, provides for grants covering up to 50% of the cost of operations by agricultural co-operatives for the construction, acquisition, extension and/or equipment of installations and warehouses for the storage, handling and processing of agricultural produce and timber by-products, and for the working-up of these, more particularly for export.

REMARKS

Authorization is selective, the authorizing Order fixing the amount payable.

Loans

NATIONAL LEGISLATION

A. *Establishment loans for Central and Northern Italy*

a) Act No. 445 of June 22, 1950, authorized the setting-up in each region of an institution specially responsible for providing medium-term loans to medium-sized and small industrial enterprises within that region. These institutions derive their operating funds mainly from rediscount transactions with the Istituto Centrale per il Credito a Medio Termine per le Medie e Piccolo Imprese Industriali ("Medio-credito"), which was set up by Act No. 949 of July 25, 1952, with an endowment of approximately Lit.100,000,000,000 provided by the State, and which operates purely as a rediscount establishment. The maximum amount for any one loan which the regional institutions may grant is Lit.50,000,000. The interest rate charged is in the neighbourhood of 7.5%.

b) However, under Act No. 623 of July 30, 1959, as amended and supplemented by Act No. 649 of July 25, 1961, the regional institutions, and also the Istituto Mobiliare Italiano (I.M.I.), the Banca di Credito Finanziario ("Medio-Banca"), the Banca Centrale di Credito Popolare ("Centrobanca"), the Ente Finanziario Interbancario ("Efi-Banca") and the special medium and small enterprises section of the Banca Nazionale del Lavoro, may grant special loans at preferential rates (thanks to an interest-subsidy by the State) for the establishment, modernization, reconversion or extension of industrial enterprises.

Interest on these loans must not exceed 5%, inclusive of service and any additional charges. To make this possible, the Ministry of Industry and Commerce will furnish to these institutions a deferred annual payment covering the difference between the redemption instalments computed at the rate of interest normally charged by them

on such operations and the instalments laid down in the redemption table and computed at the preferential interest rate referred to above.

For the Polesine area (see I 121, 3), the rate of interest is fixed by Act No. 1427 of December 20, 1961, at 4%.

The terms and conditions for the loans, and the principles to be observed by the institutions in granting them, are laid down by the Ministry of Industry and Commerce after the views of the Inter-ministerial Committee on Credit and Saving have been heard. The present position is as follows.

Definition of small and medium-sized industrial enterprises. The Ministry of Industry has specified that, in the absence of any indication in the Act, the term "small and medium-sized industrial enterprises" is to be understood as meaning enterprises having an invested capital (fixed assets plus working capital) of not more than Lit. 1,500,000,000, and employing not more than 500 persons.

Enterprises fulfilling the conditions laid down by Act No. 860 of July 25, 1956, defining craft enterprises, do not rank as "small industrial enterprises".

Scale of operations.—The maximum amount for any one loan is laid down in Article 1 of the Act, which provides that the capital expenditure budgeted for in respect of the projects in question must not exceed Lit. 500,000,000 in the case of new enterprises, or Lit. 250,000,000 in the case of modernizations, reconversions or extensions.

In special cases (concerning the construction of new plants only), the ceiling may be raised to Lit. 1,000,000,000, by reasoned decision of a Committee set up within the Ministry of Industry under Article 5 of the Act to deal with such matters.

Maturity of loans.—No loan may have a lifetime of more than 15 years.

Relation of loan to capital expenditure involved.—The amount of the loan may not exceed 70% of the total expenditure required to carry out the project. Of the "expenditure required." up to 30% may be expenditure on the building-up of stocks necessary to the particular working cycle and production lines concerned.

Enterprises eligible.—Under Article 6 of the Act, the following types of enterprise are entitled to preferential treatment with regard to part-payment of interest:

- a) enterprises whose capital is independently subscribed by medium and small entrepreneurs;
- b) enterprises engaged in working up local economic resources, including agricultural production;
- c) enterprises providing employment for a larger number of workers for the same amount of capital invested;
- d) enterprises with prospects of higher net returns for the same amount of capital invested;
- e) enterprises operating in sectors auxiliary or ancillary to those in which enterprises with State participation are operating.

State guarantee.—Article 8 of Act No. 649 of July 25, 1961, provides for a State guarantee, of up to 50% of any losses incurred, in respect of loans for the construction of new industrial plants involving a capital expenditure of not over Lit. 50,000,000, on condition that the entrepreneur can show that he is in a position to carry out the project so far as the technical and organizational side is concerned, but cannot offer any security other than the plant for which the loan is to be granted.

Tax advantages.—The same Article extends to all financial institutions lending to medium and small industry, with respect to loans supported by interest subsidies by the State, the benefit of the tax advantages already allowed to the regional institutions, *viz.* exemption from all turnover taxes and from income and profits tax on earnings from the credit operations.

In addition, all deeds, contracts and other official documents relating to the granting and service of loans benefiting by the above-mentioned State aid are exempt from stamp duty, and also, by Government concession, from registration and mortgage tax.

Time-limits for application.—Under Article 2,4 of the same Act, part-payment of interest may be authorized in respect of loans applied for to the credit institutions or to other financing houses prior to June 30, 1963. The loan contracts must be concluded by December 31, 1963.

REMARKS

Applications pass through a double selection process.—As soon as the financing institutions have decided to grant a loan, they submit to the Industrial Production Department of the Ministry of Industry and Commerce the following documents:

- a) the application for the state contribution;
- b) the relevant extract from the decision by the Board of Management of the institution, setting forth in full the terms and conditions on which the loan is to be granted;
- c) a detailed report, listing the credit institution's or financing company's reasons for granting the loan, and indicating the regular (unassisted) rate of interest charged for such transactions;
- d) the plans for the project, in duplicate.

The Ministry passes applications for part-payment of interest to the Interministerial Committee set up under Article 5 of the Act, and upon proposal by the latter decides accordingly, notifying its decision to the financing institution.

B. *Establishment loans for Southern Italy and the Islands*

Under Act No. 298 of April 11, 1953, providing for their establishment or reorganization, three industrial credit institutions are operating in the Mezzogiorno with the specific object of financially assisting the industrialization now in progress there.

They are: the Istituto per lo Sviluppo Economico della Italia Meridionale ("Isveimer"), covering the Provinces of Latina and Frosinone, Campania, Abruzzo and Molise, Apulia, Calabria and Basilicata; the Istituto Regionale per il Finanziamento delle Industrie in Sicilia (I.R.F.I.S.), covering Sicily; and the Credito Industriale Sardo (C.I.S.), covering Sardinia, which was set up following the reorganization of the Bank of Sardinia and its Industrial Credit Section (see Section "General Arrangements").

The funds of the three secured-credits institutions were initially furnished by the Cassa per il Mezzogiorno, either by capital participation or by payments into a "Special Fund" of the institutions' own. These funds were subsequently increased by State contributions under Acts No. 38 of February 12, 1955, and No. 48 of February 15, 1957, totalling Lit. 20,000,000,000, in the proportion of 61% to Isveimer, 29% to I.R.F.I.S. and 10% to C.I.S.

With these moneys (subsequently further augmented by Acts No. 102 of February 8, 1958, and No. 657 of June 29, 1960), each institution built up a permanent working fund from which to grant loans for the establishment of new industrial enterprises in the Mezzogiorno and the extension and modernization of existing plants.

Into these working funds are paid the instalments and interest payments on the loans made from them, any anticipatory redemptions and the interest on the funds in hand. Any losses incurred are booked 30% to the institutions themselves and 70% to the working fund.

The directives concerning the granting of loans are laid down by the Interministerial Committee on Credit and Saving, in agreement with the Chairman of the Interministerial Committee for the Mezzogiorno.

Decisions to grant loans are submitted by the institutions to the Ministry of the Treasury, and take effect 30 days later unless the Ministry rules that they be rescinded, deferred or referred back for re-examination of the economic and social aims cited in the application.

Appropriate collateral security must be furnished.

A decision of the Interministerial Committee on Credit and Saving of December 23, 1958, stipulates that the term of the institutions' lending operations must not exceed 15 years (the first two years free of redemption, small instalments for the next three years, and normal redemption over the remaining 10 years); a later decision fixes the rate of interest at 4% p.a.

REMARKS

Authorization of loans is selective. Applications must be submitted to the institution for the area in question, together with a technical and economic description of the project and a financing programme.

The applicant enterprise must furnish capital covering up to 60% of the total cost of the project in the case of new installations, or approximately 70% in the case of extensions and modernizations, and must show that it has the necessary operating capital to launch the project.

C. *Special temporary facilities*

The three institutions just referred to, and those mentioned in subsection A above, may also avail themselves of the provisions of Acts No. 623 of July 30, 1959, and No. 649 of July 25, 1961 (see A (b) above), which allow the following additional facilities for areas in the Mezzogiorno:

- a) raising of the loan ceiling from Lit. 500,000,000 to Lit. 1,000,000,000 in the case of new installations, and from Lit. 250,000,000 to Lit. 500,000,000 in the case of renovations, reconversions or extensions. In special cases (new installations only), the ceiling may be further raised to Lit. 1,500,000,000;

- b) reduction of the interest rate to 3% where an interest subsidy by the State has been authorized.

REMARKS

See "Remarks" under A.

D. *Loans for acquisition of machinery by industrial enterprises in the Mezzogiorno*

Small and medium-sized industrial enterprises operating in the areas of Isveimer, I.R.F.I.S. and C.I.S. may obtain from these institutions special loans for the acquisition of plant and equipment.

These loans are granted at 5.5% p.a. for terms of two to six years.

A special feature of these operations is that the security is a special lien (retention of title) on the plant and equipment concerned, which are purchased direct by the institution or an organization authorized by it to do so. The enterprise itself must furnish not less than 25% of the total capital expenditure involved, which must not exceed Lit. 15,000,000.

Similar loans are granted to enterprises anywhere in Italy by S.P.E.I., a corporation operating on lines laid down by the I.M.I./E.R.P. Committee.

REMARKS

Authorization is selective.

E. *Medium-term loans to small and medium-sized industrial enterprises*

Decree No. 1419 of December 15, 1947, set up a special section for credits to medium and small industry at the Banca Nazionale del Lavoro and at the same time established within the industrial credit sections of the Bank of Naples and the Bank of Sicily (see Section "General Arrangements") separate departments for lending operations to small and medium-sized industrial enterprises in Southern Italy and Sardinia and in Sicily respectively.

The three departments so instituted are required by the Decree to conduct credit operations for the benefit of small and medium-sized industrial enterprises "in order to enhance their production capacity."

Substantial changes to the provisions of this Decree were later introduced by Act No. 135, of April 16, 1954, containing directives concerning credit facilities for medium-sized and small industrial enterprises and promotion of industrial credit operations, and by Article 25 of Act No. 634 of July 29, 1957.

Under these enactments, the Banca Nazionale di Lavoro's special section for credit to medium and small industry (for Central and Northern Italy), the Bank of Naples' special industrial credit section (for Southern mainland Italy), the Bank of Sicily's special industrial credit section (for Sicily) and the Credito Industriale Sardo (for Sardinia) may grant to small and medium-sized industrial enterprises in their respective areas:

- a) loans *complementary* to earlier loans for the installation, modernization and extension of industrial plants;
- b) medium-term loans of not more than Lit. 50,000,000 "for the purpose of working up economic resources and creating employment opportunities in the areas in question";
- c) loans of up to Lit. 50,000,000 (Article 26), for a period of not less than one year, for the building-up of such stocks of raw materials and finished products as may be necessary to the particular working cycle and production lines of the enterprises concerned. These loans may be granted over and above those under b) and c).

REMARKS

Authorization is selective. For the purposes of the relevant legislation, "medium-sized and small industrial enterprises" are those employing not more than 500 persons and having an invested capital of not more than Lit. 1,500,000,000.

In the case of the Bank of Naples and the Bank of Sicily, not less than 25% of the funds available must be set aside for loans under c). At least one-half of this amount must be reserved for loans to enterprises financed by Isveimer and I.R.F.I.S. respectively.

The rate of interest on loans under a), b) and c) is fixed annually for the Bank of Naples, the Bank of Sicily and the Credito Industriale Sardo by the Inter-ministerial Committee on Credit and Saving.

The Interest on loans by the Industrial credit section of the Bank of Sicily may be reduced to 4% where an interest subsidy is granted by the Sicilian Regional Government under Regional Act No. 51 of August 5, 1957.

Under Article 12 of Act No. 649 of July 25, 1961, part-payment of the interest on loans of types a) and b) may be assumed by the State. In such cases the interest charged may not exceed 3%; the other preferential terms described [see B(b) above] also apply.

Securities for loans of types a) and b) are constituted by mortgages on the buildings and plant; those for type c), by a preferential lien on machinery and stocks.

F. *Productivity loans*

Under Act No. 626 of July 31, 1954, loans may be granted to small and medium-sized industrial, commercial, agricultural and craft enterprises, and to co-operative societies and their associations, intending to work up economic resources and create employment opportunities by means of programmes for increased productivity.

The loans are granted by the Banca Centrale del Credito Popolare ("Centrobanca"), or, in the case of Sicily, by I.R.F.I.S. The amount loaned must not exceed Lit. 30,000,000 in any one case, repayable within from one to five years; the rate of interest is 5.5%, exclusive of any other charges on the borrower, whether payable in a single sum or continuing over a period.

Real or personal securities must be furnished.

REMARKS

Authorization is selective.

These loan facilities are open to small and medium-sized enterprises in the different production sectors, employing not more than 500 persons.

G. *Loans to the hotel industry*

- a) Act No. 605, of July 15, 1957, provided the Office of the Commissioner for Tourism with a working fund from which to grant loans for the building and equipment of new hotels.

The loans are granted at 4% against a mortgage on the buildings. Loans for new building projects may range up to a maximum of Lit. 500,000,000 and are repayable over 25 years, those for equipment projects up to Lit. 50,000,000 repayable over 10 years.

REMARKS

Authorization is selective.

- b) The Cassa per il Mezzogiorno, through the credit institutions conducting mortgage-loan activities in the South, grants loans for the building of hotels in its area.

The loan is paid over in instalments by the financing institution from funds supplied it by the Cassa, after the borrower has invested

his own share. The security is a first-rank mortgage or other collateral, proportionate to the scale of the loan and degree of risk involved.

The interest rate is 2%, plus 1% fixed commission; the principal is repayable over 20 years.

REMARKS

Authorization is selective.

Application must be submitted to the Cassa, with indication as to the location of the project and the bank to be approached for the loan (the Banca Nazionale del Lavoro's separate section for loans to the hotel and tourist industry, for the Mezzogiorno generally; the Bank of Naples, for Southern mainland Italy only; the Bank of Sicily, for Sicily only; the Bank of Sardinia, for Sardinia only).

The application must be accompanied by a general technical report describing the nature of the project and listing the main points as to the accommodation capacity, equipment and furnishings of the hotel to be built (number of rooms, number of beds, services and installations, sanitation, cost per cubic metre useful space).

Whichever credit institution is asked by the Cassa to examine the matter then decides whether the application should be passed, and specifies the maximum amount to be loaned.

Finally, the operation has to be approved by the Board of Management of the Cassa.

H. *Loans to craft enterprises*

a) Act No. 949 of July 25, 1952, as amended and supplemented by Acts No. 1524 of December 19, 1956, No. 5 of January 11, 1957, No. 232 of March 8, 1958, No. 200 of April 14, 1959, No. 622 of July 24, 1959, and No. 623 of July 30, 1959, reorganized the Craft Enterprises Loan Fund (Cassa per il Credito alle Imprese Artigiane), and made it responsible for supplementing the financial resources of the credit institutions furnishing loans for the installation, extension and modernization of craft workshops (including acquisition of plant and equipment), and for the building-up of stocks. Loans for stock-building must not exceed 20% of the amount lent for the other purposes listed.

The Loan Fund operates essentially as a rediscount institution. The credit institutions officially authorized to co-operate with it are the Bank of Naples, the Bank of Sicily, the Banca Nazionale del Lavoro, the Monte dei Paschi Bank in Siena, the Istituto San Paolo in Turin, the Bank of Sardinia, the Istituto Centrale delle Banche Popolari, the Istituto di Credito delle Casse di Risparmio Italiane,

the Savings Banks, People's and Co-operative Banks and Rural and Artisan Banks, and the credit sections of the Ente Nazionale dell'Artigianato e Piccole Industrie.

These credit institutions grant loans for the installation, extension and modernization of craft workshops (including acquisition of plant and equipment) at 3%, the remainder of the interest being made up by the State.

REMARKS

Authorization is selective. For the purposes of the relevant legislation, "craft enterprises" are those defined in Act No. 860 of July 25, 1956, *viz.* enterprises a) engaged in the furnishing of goods or services, b) employing workers trained for the purpose, and c) having a proprietor who bears full responsibility for the business and carries all the charges and risks involved by its management; subject to these requirements, "craft enterprises" may include 1) enterprises not engaged in mass production and not normally employing more than 10 persons, 2) enterprises engaged solely in mass production but not normally employing more than five persons, 3) enterprises in the traditional-handicrafts and bespoke-tailoring sectors, and 4) transport enterprises employing not more than five persons.

b) Act No. 991 of July 25, 1952 (Article 2), empowers the agricultural credit institutions to grant loans to craftsmen and associations of craftsmen for the establishment or development of enterprises processing raw materials from mountain areas.

The loans may cover up to 80% of the capital expenditure involved, and are repayable over 30 years in instalments (principal and interest) equal to 4% of the principal. This represents an interest rate of about 1.25%.

REMARKS

Authorization is selective. For definition of "craft enterprises" see "Remarks" under a) above.

I. *Financing of export credits*

Act No. 955 of December 22, 1953, empowers Mediocredito to rediscount bills of exchange discounted by credit institutions for industrial exporters in connection with referments of payment allowed by the latter to foreign importers on special consignments.

Rediscounting facilities may be granted for up to four years, or longer where the credits are backed for longer periods by a State guarantee.

J. *Loans to industry in Gorizia and Trieste*

Act No. 908 of October 11, 1955, set up a working fund to enable the Trieste and Gorizia Savings Banks to grant loans for the construction, reactivation, reconversion, modernization and extension of factories, craft workshops and shipyards in the Provinces of Gorizia and Trieste.

The loans, which must not exceed 50% of the capital expenditure needed for the project, are repayable over 15 years, at 5 % interest inclusive of charges and commissions.

REMARKS

Authorization is selective.

REGIONAL LEGISLATION

I — *Sardinian Region*

A. *Stockbuilding loans*

To augment the moneys furnished by the State to the Credito Industriale Sardo, Regional Act No. 23 of May 18, 1957, later amended and supplemented by Regional Act No. 7 of April 29, 1960, provided C.I.S. with a special working fund from which to grant loans to industrial enterprises in Sardinia for the purpose of building up stocks of raw materials and finished products.

The maximum amount loanable under this head to any one enterprise is Lit. 75,000,000. No loan may have a lifetime of less than one year. Interest, commission and service charges may not together amount to more than

- a) 3% p.a. for loans not exceeding Lit. 25,000,000;
- b) 4% p.a. for loans of from Lit. 25,000,000 to Lit. 50,000,000;
- c) 5% p.a. or loans of over Lit. 50,000,000 (up to a ceiling of Lit. 75,000,000.)

REMARKS

Authorization is selective. Other things being equal, priority is given to new industrial enterprises and to enterprises handling and processing local raw materials and products.

B. Loans to the hotel and tourist industry

Regional Act No. 53 of November 23, 1950, amended and supplemented by subsequent enactments, provides that C.I.S. may grant 3.5% loans, repayable over 12 years starting at earliest from the third financial year following full disbursement of the funds for the construction, reconstruction, extension and reorganization of hotels, the conversion of existing buildings for use as hotels, and the acquisition, renovation and/or modernization of the necessary equipment and furnishings.

The amount for any one loan is fixed at Lit. 15,000,000, increased to Lit. 30,000,000 or projects to be effected in Communes with over 10,000 inhabitants, and in localities of special attraction to visitors.

REMARKS

Authorization is selective.

C. Loans to the boatbuilding trade

Regional Act No. 65 of November 28, 1950, provides that C.I.S. may grant loans of up to Lit. 10,000,000 (the amount depending on the exact object of the operation) to Sardinian boatbuilding enterprises.

The loans are at 3.5%, repayable over periods varying from three to twelve years.

REMARKS

Authorization is selective.

D. Loans to agriculture

Regional Act No. 74 of December 29, 1950, provides that C.I.S. may furnish advances to co-operative societies and other associations of Sardinian wine-growers and breeders of dairy cattle.

- a) for the construction, reconstruction or revival of establishments equipped for these purposes;
- b) for the acquisition, renovation or modernization of equipment;
- c) for building up stocks and processing production.

The amounts advanced must not exceed 60% of the total allowable expenditure, and must in any event not exceed Lit. 20,000,000 in the case of a) and b) or Lit. 5,000,000 in the case of c).

REMARKS

Authorization is selective.

E. Loans to craft enterprises

Regional Act No. 70 of December 15, 1950, later amended and supplemented by Regional Act No. 18 of November 7, 1960, set up a special fund to enable C.I.S. to grant loans to craftsmen and craft co-operatives

- a) for the acquisition, renovation or improvement of installations and equipment, including acquisition, construction or extension of requisite premises;
- b) as a general operating loan.

Loans under a) must not exceed 80% of the estimated total expenditure, and must in no case exceed Lit. 6,000,000; they are repayable in 12 annual instalments, starting one year from the full disbursement of the funds concerned.

Loans under b) must not exceed 80% of the estimated total expenditure, and must in no case exceed Lit. 2,000,000; they are repayable in eight annual instalments, starting from the sixth month following full disbursement of the funds.

Both types of loan are at 3%, inclusive of commission service charges.

REMARKS

Authorization is selective. In the case of associations or cooperatives, the above ceilings may be raised by 30 % per craftsman, up to an overall limit of three times the stated maximum.

II — *Sicilian Region*

A. Establishment loans

In order to enable the Istituto Regionale per il Finanziamento delle Industrie in Sicilia (I.R.F.I.S.) to extend the activities already conducted by it with moneys supplied by the State and the Cassa per

il Mezzogiorno, Regional Act No. 51 of August 5, 1957 (Article 11), set up a fund to be employed by I.R.F.I.S. to grant 4% loans for the installation, reconversion and extension of technically organized industrial enterprises in Sicily; the rate of interest is reduced to 3% where the State grants an interest subsidy under Act No. 623 of July 30, 1959.

Participation by private capital in the implementation of the project and launching of the industrial enterprise must cover not less than one-third of the total financial requirements (Article 28). In the case of small enterprises this minimum is reduced to one-quarter.

REMARKS

Authorization is selective. The conditions as to eligibility, maturities, and type and amount of loan are fixed annually by the Regional Committee on Credit and Saving.

The Committee is also responsible for defining the nature and size of "small enterprises" qualifying for loan facilities (Article 17).

B. Operating loans

a) To enable the industrial credit section of the Bank of Sicily to extend its activities in the matter of operating loans, Regional Act No. 51 of August 5, 1957 (Article 6), empowers the credit institutions in Sicily to grant loans to existing industrial enterprises in Sicily for the purpose of building up such stocks of raw materials and finished products as may be needed for the particular working process and production lines concerned.

The amount of such loans may cover the full value of the stocks. The minimum lifetime is one year, and the interest and service charges payable by the borrower may not exceed 4%.

REMARKS

The Regional Committee on Credit and Saving lays down annually the principles to be observed by the institutions in selecting the industrial activities to be aided, fixes the ceilings for the loans, and indicates criteria for the valuation of the stocks for the purpose of fixing the amount of the loan to be granted.

As a rule the loans are repayable over periods of from three to five years.

Authorization is selective.

b) Article 7 of the same Act set up a working fund to enable I.R.F.I.S. to grant loans for the purposes described in a) above.

The amount of such loans may cover the full value of the stocks; the minimum lifetime is one year, and the interest and service charges payable by the borrower may not exceed 4%.

REMARKS

Authorization is selective; see "Remarks" under a) above.

C. Loans to the hotel and tourist industry

Regional Act No. 3 of January 28, 1955, as amended by subsequent enactments, empowers the mortgage-credit section of the Bank of Sicily to grant mortgage loans in respect of hotel and tourist projects, the amount of such loans to range up to 50% of the capital expenditure on the land and buildings, and up to 25% of that on furnishings and equipment.

REMARKS

Authorization is selective.

D. Loans to craft enterprises

Regional Act No. 50 of December 27, 1954, set up a Craft Enterprises Regional Loan Fund (Cassa Regionale per il Credito alle Imprese Artigiane) to grant loans to Sicilian craft enterprises towards their operating expenses, the amounts, lifetimes and interest rates to be fixed by the Regional Committee on Credit and Saving.

REMARKS

Authorization is selective

Interest reductions

NATIONAL LEGISLATION

a) Act No. 296 of March 23, 1956, provides that the State may make a contribution of 2.5% p.a. towards the interest payable on loans granted by public credit institutions or corporations for the establishment of new industrial plants or the extension or renovation of existing ones, on condition that not less than 50% of the personnel required is recruited from among workers previously employed in iron and steel enterprises and laid off owing to the reconversion of their enterprise or to closure of plants or departments thereof during the period February 10, 1953—May 16, 1956.

REMARKS

This concession is authorized on a selective basis. Enterprises "of any kind or size" are eligible.

The interest-subsidy is granted in respect only of a specified portion of the loan, *viz.* an amount equal to Lit. 6,000,000 in the case of the metallurgical industry, or Lit. 4,000,000 in the case of all other sectors, multiplied by the number of new workers to be recruited. The contribution is paid over annually to the lender institutions, the sum being in a fixed proportion to the original amount of the loan in question.

b) Act No. 634 of July 29, 1957 (Article 24), provides that in the case of enterprises carrying out industrial projects in the Mezzogiorno, the Cassa per il Mezzogiorno may make a contribution towards the interest payable on loans granted by Isveimer, I.R.F.I.S. and C.I.S. out of funds not supplied them by the State or the Cassa.

c) Under the same Article similar contributions may be made by the Cassa in respect of the interest on loans granted by credit institutions located outside its area of operation for the purpose of effecting industrial projects in the Mezzogiorno, provided the funds loaned were not initially furnished by the State or by the Cassa.

REMARKS

Authorization is selective. The amounts, limits and procedure in respect of interest-subsidies by the Cassa under b) and c) are laid down by the Interministerial Committee on Credit and Saving.

d) Article 21 of the Act empowers the Cassa to assume part-payment of the interest payable in respect of financial operations conducted by the Consortia in the industrial zones for purposes of zonal equipment and organization (see I 111, 3).

REMARKS

Authorization is selective (see 111, 3).

e) Act No. 623 of July 30, 1959 (see I 112, 1) empowers the Ministry of Industry to assume part-payment of interest, in order to enable medium-term credit institutions to grant establishment loans at rates of interest not exceeding 5% for Central and Northern Italy and 3% for the specially favoured areas.

REMARKS

Authorization is selective.

REGIONAL LEGISLATION

I — *Sicilian Region*

Regional Act No. 22 of May 7, 1953 (Article 3), empowers the Regional Government to assume part-payment (up to 2.5%) of the interest on loans contracted for the establishment, putting into operation, revival, reconversion or extension of industrial activities in Sardinia or the transfer of such activities to Sardinia.

This concession may be combined with others, provided that the interest remaining to be paid by the borrower is not less than 3.5%.

REMARKS

Authorization is selective, and is granted by Decree of the President of the Region after consultation with the Assessor of Industry and the Assessor of Finance.

II — *Sicilian Region*

a) Regional President's Decree No. 20 of June 14, 1949, and Regional Act No. 19 of October 15, 1952, provide for part-payment of interest (2% p.a.), for a maximum of 10 years, on loans contracted by *mining enterprises* for the purpose of

- i) carrying out building schemes, acquiring machinery, or reconverting or extending installations;
- ii) meeting operating costs during the redemption period;
- iii) carrying out projects to improve health and social conditions for the labour force.

REMARKS

Authorization is selective.

b) Regional Act No. 51 of August 5, 1957 (Article 1), empowers the Regional Government to assume part-payment (up to 2%), for a maximum of 10 years, of the interest on loans contracted for the establishment, extension and modernization of industrial enterprises.

Payment is made direct to the financing institution or corporation concerned.

REMARKS

Authorization is selective. The concession may be combined with others of a similar nature, at State or Regional level, provided that the interest charges remaining to be met by borrower are not less than 4%.

It is not granted in respect of loans by I.R.F.I.S. under the same Act for the operation or installation of industrial enterprises (see subsection "Loans", Sicilian Region).

c) The same Act provides (Article 8) for part-payment (up to 3%) of the interest on loans contracted by industrial enterprises for the building-up of stocks of raw materials and finished products (see I 112, 13).

REMARKS

Authorization is selective.

III — Trentino/Upper Adige Region

Regional Act No. 18 of November 16, 1956 provides for part-payment (3%), for a maximum of five years, of loans contracted from the Istituto di Credito a Medio Termine per il Trentino/Alto Adige by medium-sized and small industrial enterprises for construction, extension, renovation and development purposes and for

the acquisition of plant and equipment designed to ensure higher production, better quality or lower costs.

REMARKS

Authorization is selective, priority being given to projects likely to result in the employment of larger numbers of local workers, and aimed at working up local raw materials or finished products.

For the purposes of the Act, "small and medium-sized enterprises" are those employing less than 500 persons and having an invested capital of not more than Lit. 1,500,000,000.

The concession is granted direct to the financing institution, concerned by Decree of the President of the Giunta Regionale.

Guarantees

NATIONAL LEGISLATION

a) Act No. 908 of October 11, 1955, provides (Article 2) that 80% of any losses on loans from the working fund set up to aid industry in the provinces of Trieste and Gorizia (see subsection "Loans", National Legislation, I 111, 1, etc.) shall be covered out of the fund.

b) Act No. 38 of February 12, 1955 (Article 3), provides that any losses on a loan by Isveimer, I.R.F.I.S. or C.I.S. from their respective working funds shall be covered 30% by the institution itself and 70% out of its working fund.

c) Act No. 634 of July 29, 1957 (Article 26), provides that up to 60% of any losses by the industrial credit sections of the Bank of Naples, the Bank of Sicily or the Credito Industriale Sardo on loans by them to small and medium industry (see I 112, 5-8) shall be covered out of State funds.

d) Act No. 649 of July 25, 1961 (Article 8), provides for a State guarantee of up to 50% on loans granted in respect of projects to a value of not more than Lit. 50,000,000, where the entrepreneur is not able to offer any security other than the plant which the loan is to finance.

REMARKS

In the case of a), b) and c), the guarantee is automatic; in the case of d), authorization is selective.

REGIONAL LEGISLATION

I — *Sardinian Region*

Regional Act No. 22 of May 7, 1953 (Article 6), as amended by Regional Act No. 3 of March 12, 1958, and Regional Act No. 5

of March 22, 1960, empower the Regional Government, in individual cases, to guarantee up to 75% of the sums advanced by the State, by public corporations or by credit institutions or companies for the establishment or development of industrial activities in Sardinia.

A similar guarantee may be given in respect of issues of debenture bonds by corporations or companies planning to carry out industrial projects in Sardinia.

REMARKS

Authorization is selective. The implementing Regulation specifies (Article 3) that guarantees are to be given only in exceptional cases.

II — *Sicilian Region*

Regional Act No. 51 of August 5, 1957, in Article 6 empowers the Region to guarantee up to 30% of the total amount of any loan granted or credit allowed by credit institutions and financing companies in Sicily to industrial enterprises for the purpose of building up such stocks of raw materials and finished products as may be needed for the particular work cycle and production lines concerned.

REMARKS

Authorization is automatic.

Financial participations

AT NATIONAL LEVEL

a) The Istituto Mobiliare Italiano (I.M.I.), a public corporation engaging in long-term industrial credit operations, is empowered by its Articles of Incorporation (approved by Royal Decree No. 1955 of November 25, 1940, as amended by Order in Council No. 491 of June 2, 1946) to take up capital participations in Italian enterprises.

REMARKS

I.M.I. has not up to now availed itself of this possibility.

b) In 1956, four public credit institutions, I.M.I., the Banca Nazionale del Lavoro, the Bank of Naples and the Bank of Sicily, and one private, Mediobanca (founded by three national banks), jointly set up the Istituto per lo Sviluppo delle Attività Produttive (I.S.A.P.), with an initial capital of Lit. 2,000,000,000. A majority holding was subsequently acquired by the Istituto per la Ricostruzione Industriale (I.R.I.).

The object of I.S.A.P. is to promote and encourage the establishment of new industrial activities in the Mezzogiorno by taking up direct minority participations in individual enterprises, and at the same time to create a market for industrial stocks and shares in the Mezzogiorno in order to channel savings there towards this type of investment. The Istituto is not itself permitted to grant direct loans of any kind.

AT REGIONAL LEVEL

I — Sardinian Region

a) Regional Act No. 22 of May 7, 1953 (Article 4), empowers the Regional Government to take up capital participations in joint-stock companies, co-operatives or consortia of co-operatives set up

to carry out industrial projects in Sardinia. The Regional Government must have the right to appoint one or more of the directors and auditors of the company, according to the size of the holding acquired.

REMARKS

Authorization is selective. By the terms of the implementing Order, endorsed by Regional President's Decree No. 3 of March 5, 1955, participations by the Region are to be regarded as "exceptional measures, taken in special cases only" (Article 14). The decision is taken by the Giunta Regionale; the participation should in principle cover less than 50 % of the capital stock, "in order that the beneficiary enterprise should retain responsibility for the project" (Article 15).

Unless obliged to do so by outside circumstances, the Regional Government may not dispose of its shares at less than their par value (Article 17) and must in any case give first option to the holders of the majority of the shares.

b) The Banca Nazionale del Lavoro, the Credito Industriale Sardo and the Istituto Mobiliare Italiano in December 1960 jointly set up the Società Finanziaria Sarda ("Finsarda"), the object of which is to promote, co-ordinate and assist industrial projects in Sardinia by taking up participations in other companies.

II — *Sicilian Region*

By Regional Act No. 51 of August 5, 1957 (Article 16), the Regional Government was empowered to take action towards the setting-up of a financing company having as its object the promotion (where appropriate in co-operation with public corporations conducting economic activities, or with companies in which such corporations hold majority participations) of industrial development and expansion in the Sicilian Region, by

a) the setting-up of companies having as their object the establishment, extension and modernization of technically organized industrial enterprises, or the acquisition of participations in such companies and in companies for the working of deposits of liquid and gaseous hydrocarbons and the processing of these hydrocarbons and their derivatives;

b) other financial measures for the benefit of such companies.

The financing company's participation in the enterprises may not exceed 25% of the capital stock, either initially or later.

As a rule, its participations are in small and medium-sized industrial enterprises.

The ceiling of 25% is raised to 35% in the case of enterprises working sulphur and sulphur derivatives (Act No. 4 of March 13, 1959, Articles 30 and 31), where the installation process began, prior to March 28, 1962, and production is scheduled to start not later than March 28, 1964. This stipulation does not apply where the financing company is working in co-operation with public corporations or companies controlled by such corporations, nor where the participation forms part of a co-ordinated programme for the development of Sicilian industry (Regional Act No. 32 of December 28, 1961).

The articles of association of any company in which the financing company takes up a participation must provide for one or more director's and auditor's posts, according to the scale of the participation, to be held by representatives of the financing company.

The financing company may not itself either accept savings deposits or engage in lending operations.

The financing company is entitled to the tax advantages allowed for special credit institutions, and also to those granted to industrial companies in respect of capital increases (see I 121, 4).

REMARKS

Authorization is selective. The financing company was set up in May 1958, with the participation of the Region and of public corporations, and took the name Società Finanziaria Siciliana ("Sofis"). Its present capital amounts to Lit. 13,800,000,000.

Sofis participations are confined to joint-stock companies, partnerships limited by shares, and limited-liability companies established for the purpose of carrying on an industrial activity figuring among the categories listed by the Regional enactments in force (see I 121, 8, Sicilian Region).

Sofis may conduct real-estate and stockbroking operations of all kinds designed to promote social objectives. In particular, it may

- i) grant credit, subsidies, discounts and loans;
- ii) grant advances on securities;
- iii) do contango business in public and private securities;
- iv) give guarantees and sureties (also third-party sureties);
- v) take responsibility for issuing and disposing of shares and bonds on behalf of industrial companies;

vi) set up, participate in and manage issuing and disposal syndicates;

vii) buy and sell public and private securities, both on its own behalf and for third parties;

viii) buy and sell its own bonds in the market.

It can issue ordinary debentures; under Regional Act No. 51 of August 5, 1957 (Article 21), it can also issue special-series bonds, up to a maximum of five times the capital and reserves as shown in the last certified balance-sheet, in respect of specific industrial capital schemes to be specially administered.

The special-series bonds may be declared convertible into Sofis shares or into shares assignable to the special administration for the series. The specially-administered investments may not be transferred, separated or in any way diverted from that administration, except for the redemption of the corresponding bond series or as a result of the conversion operations referred to above.

Fiscal concessions

Exemptions or reliefs

NATIONAL LEGISLATION

A. *Exemptions for Central and Northern Italy*

Act No. 635 of July 29, 1957, as amended by Act No. 526 of June 13, 1961, provides (Article 8) that in economically-depressed localities outside the geographical area of activity of the Cassa per il Mezzogiorno new craft enterprises and small industrial enterprises setting up in Communes with less than 10,000 inhabitants are to be exempt for 10 years, starting from the date of coming into operation, from "all and any direct tax upon income".

Classification as a "depressed locality" is by decision of the competent Council of Ministers. Districts so classified as of right include the mountain and mountain-isolated areas, and areas coming under scheduled mountainland reclamation schemes and located in Communes with not more than 20,000 inhabitants. In these areas, the tax exemption referred to is granted also to new hotels and restaurants, and to new enterprises operating funicular railways and aerial cableways.

For the purposes of the Acts, "mountain areas" are those of which at least 80% lies 1900 ft. or more above sea level, or in which the difference between the highest and the lowest altitude in the Commune is not less than 1900 ft. In all cases the mean ratable value per registered hectare must not exceed Lit.2,400.

REMARKS

Authorization of exemptions is selective. For the purposes of the legislation in question, "small industrial enterprises" are those ordinarily employing not more than 100 workers; in the mountain areas the maximum is 500 workers.

The date of commencement of operations, from which the exemption period is calculated, is certified by the Chamber of Commerce.

B. Tax advantages for the industrial zone of Trieste

Under Orders of the Allied Military Government of Trieste, combined into Order No. 66 of April 18, 1953, itself later extended and supplemented by High Commissioner's Decrees Nos. 20 and 21 of May 10, 1958, industrial enterprises installed, reconstructed, extended or reconverted in the Trieste zone (Communes of Trieste, Duino, Aurisina, Monrupino, Muggia, S. Dorligo della Valle and Sgonico) are entitled up to July 31, 1964, to the following tax advantages:

a) exemption from Customs duties on machinery and materials, required for the construction or for the extension, reconstruction and/or reconversion of works or factories;

b) option to bond, *i.e.* permission for industrial enterprises to import the raw materials needed for their production free of duty, on the undertaking to pay duty on the finished products;

c) 15-year exemption from Customs and surveillance charges in respect of bonded goods (in the case of new enterprises only);

d) 10-year exemption from income and profits tax for the above works or factories;

e) exemption for the same period from tax and surtax on the property concerned (land and buildings);

f) exemption from the general sales or turnover tax on building machinery and materials needed to carry out industrial projects;

g) reduction to a flat rate of Lit.500 of registration tax and mortgage conveyance fees on first transfer of property needed for industrial projects;

h) reduction to a flat rate of Lit.100 of registration tax and mortgage conveyance fees where the operations concerned are declared to be in the public interest in the articles of association, deeds of conversion, deeds of inter-enterprise concentration or capital increases.

REMARKS

Authorization is selective.

C. Tax advantages for industrial enterprises in the Commune of Monfalcone and the port zone of Aussa-Corno

Act No. 1525 of December 16, 1961, grants the following tax concessions to organized industrial enterprises setting up prior to

May 31, 1971, in the Commune of Monfalcone and in a part of the port zone of Aussa-Corno, Udine, to cover an area of not more than 1,000 hectares and to be delimited in more detail by Decree of the Minister of Finance:

a) exemption from Customs duty on building materials, machinery and all other items needed for the installation of such (new) enterprises and not produced by Italian industry;

b) exemption from income and profits tax for the enterprises in question;

c) reduction to a flat rate of Lit.2,000 of registration tax and mortgage conveyance fees on first transfer of property needed for the installation of the enterprises.

REMARKS

Authorization is selective. The enterprise concerned must apply in advance to the Intendancy of Finance, which ascertains whether the enterprise fulfils the conditions required.

D. *Tax advantages for the Polesine*

Act No. 1427 of December 20, 1961, allows the following advantages to be granted to new craft and small industrial enterprises setting up after January 1, 1962, in the Polesine (Communes in the Province of Rovigo; Communes of Cavarese and Corra, in the Province of Venice; Commune of Merola, in the Province of Ferrara):

a) 10-year exemption, as from the date of commencing production, from "all direct taxes on income";

b) 50% reduction in the general sales or turnover tax on machinery needed for the installation, or the extension, modernization or reconversion, of industrial enterprises, up to a maximum value of Lit.500,000,000 in the case of installation or of Lit.250,000,000 in the case of extension, modernization or reconversion;

c) reduction to a flat rate of Lit.2,000 of registration tax and mortgage conveyance fees on first transfer of property (land and buildings) needed for projects of the nature indicated in b) above.

E. *Tax advantages for industry in Southern Italy*

1. *Advantages for industrial enterprises*

The tax advantages obtainable by industry in Southern Italy are laid down in Head of State's Decree No. 1598 of December 14, 1947 (Articles 2, 3 and 5), as amended and supplemented by Act No. 1482 of December 29, 1948, and Act No. 634 of July 29, 1957 (Articles 22, 29, 32, 33, 34, 35, 36, 37 and 38).

By the terms of these enactments, all industrial concerns setting up prior to June 30, 1965, in the area of operation of the Cassa per il Mezzogiorno (see Section "General Arrangements"), and existing concerns carrying out extensions and/or modernizations, are entitled to the following advantages:

a) exemption from import duty on building materials and machinery needed for the installation, extension, reconversion, activation or transfer of organized industrial enterprises (Article 29);

b) reduction from 3.3% to 1.65% of the general sales or turnover tax on building materials and machinery needed for the installation, extension, reconversion or modernization of industrial enterprises (Article 29);

c) 10-year exemption from income and profits tax for newly-established enterprises, and for extended, reconverted or modernized enterprises from tax on the additional income resulting from such extension, reconversion or modernization (Article 29);

d) reduction to a flat rate of Lit.2,000 of registration fees in respect of transfers of property and of mortgages contracted as security for indebtedness incurred in respect of machinery and/or material needed for the industrial projects in question (Article 37);

e) reduction as under d) in respect of deeds relating to the outright acquisition, hereditary leasehold or lease for over 20 years, with or without mortgage, of land to be radically converted by means of substantial capital investment, or to be reafforested, where the products to be obtained are to be employed wholly as raw materials and processed in the industrial enterprise for whose operation the land in question is intended to be used (Article 37).

REMARKS

These concessions are granted only to concerns qualifying as "technically organized industrial enterprises" (*i.e.* not to craft enterprises or to certain enterprises in the tertiary sector, *e.g.* theatres, cinemas, hotels, etc.).

Concession a) is authorized by Order of the Minister of Finance in agreement with the Minister of Industry.

Concession b) is authorized upon prior confirmation as to the eligibility of the project by the Intendancy of Finance for the area concerned (the Intendancies of Finance are the Provincial-level branches of the Board of Revenues).

Concession c) is granted after completion of the project, following a check-up by the district Tax Office (local offices of the Direct Taxes Board). Under Article 23 of Act No. 6 of January 11, 1957, enterprises engaged in prospecting and working hydrocarbon deposits are not entitled to this concession.

Concession d) is granted automatically where the enterprise concerned states the intention of claiming it at the time of concluding the contract. The enterprise must be able to show within three years that the project has in fact been completed and complies with the legal requirements.

Concession e) is granted in individual cases, by Order of the Minister of Finance in agreement with the Ministers of Industry and Agriculture.

f) Firms planning the installation, reconversion, extension or reactivation of organized industrial enterprises which they intend to operate themselves may be granted by the local authorities total or partial exemption for up to ten years from the business tax provided for under Head IX of consolidated Act No. 1175 of September 14, 1931 (Articles 161 ff.), and also from other taxes, including consumption tax (Article 33). In addition, contracts whereby Communes make sites available for industrial installations and/or buildings may be registered at a flat-rate charge of Lit.400 (Article 22).

REMARKS

Authorization is selective.

2. *Advantages for companies*

Enterprises in the form of companies are entitled under Act No. 634 of July 29, 1957 to the following additional tax advantages.

a) Reduction to a flat rate of Lit.200 (Articles 36 and 37) of registration and mortgage taxes on

i) articles of association of companies (including co-operatives) formed prior to August 18, 1967, for the purpose of carrying on industrial activities, provided their capital is to be expended on the installation and operation of technically organized industrial plants in the area of the Cassa per il Mezzogiorno (this concession is also granted to new companies planning to take over existing plants with a view to their extension, reconversion or reactivation),

ii) capital increases (cash, investment in kind or credits) calculated to result in a stepping-up of industrial activity, including those by companies which have been in existence since before August 18, 1957;

iii) debenture issues fulfilling the conditions laid down under paragraph ii) above;

iv) deeds connected with such debentures, *viz.* those in respect of the registration, reduction and cancellation of mortgages (including those furnished by third parties) as security therefor, and those recording the redemption of such mortgages;

v) deeds in respect of the reconversion, merger or concentration of companies registered or operating in the area of the Cassa per il Mezzogiorno.

REMARKS

Authorization is automatic if a statement of intention to claim the reduction is included in the relevant documents.

b) Exemption from Category B income and profits tax in respect of not more than one-half of the profits declared by companies, by corporate bodies assessable on their balance-sheets, or by taxpayers requesting that their taxable income be calculated on the basis of their accounts, where this portion of the profits is directly laid out on operations for the conversion or improvement of agricultural land, or alternatively for the construction, extension or reactivation of industrial plants (Articles 34 and 35).

Such exemption is authorized up to June 30, 1965, and may be granted in respect of up to 50% of the cost of the operations just referred to.

REMARKS

Authorization is selective. In order to claim reduction, the companies, corporate bodies or taxpayers referred to must expressly request it when submitting their annual income tax returns, at the same time specifying the proportion of their profits they intend to invest, and appending an outline of the investment projects concerned (including dates of commencement and completion of operations, and details of the financing arrangements).

Exemption is granted provided the project is "in line with the balanced development of the Southern economy". It is provisionally granted on the basis of the return, in respect of not more than 50 % of the profits declared, and subsequently confirmed on the basis of the supporting documents submitted, on the following conditions: the operations must be begun within one year of submission of the declaration and completed within three years of the same, and the dates of commencement and completion and the sums expended must be checked and certified by the Technical Department of the Exchequer Office (a subagency of the Board of Finance) for the area.

F. *Exemptions on industrial loans*

By the terms of Act No. 445 of June 22, 1950 (Article 6), on which are based all the other directives concerning special loans to industry, as well as Act No. 298 of April 11, 1953 (Article 17) and Act No. 135 of April 16, 1954 (Article 6), all transactions effected by Isveimer, I.R.F.I.S. and C.I.S., and by the Special Section of the Banca Nazionale del Lavoro and the industrial-credit sections of the Bank of Naples and the Bank of Sicily, together with all measures, contracts, deeds and formalities relating thereto, are exempt from taxes, charges and dues payable or to be payable either to the national exchequer or to local authorities.

This general exemption does not, however, apply to the stamp duty on any bills of exchange issued by the enterprises so aided, which is fixed at Lit.0.10 per thousand lire irrespective of the maturity of the bills in question.

REMARKS

Exemption is automatic.

REGIONAL LEGISLATION

I — *Sardinian Region*

a) Regional Act No. 14 of July 16, 1954, empowers the Regional Government to furnish grants equal to the amounts paid in registration and mortgage fees in respect of the articles of association of companies setting up for the purpose of carrying on industrial activities in the Region and establishing their head office there, where their capital is to be expended on the installation and operation in Sardinia of organized industrial plants, including economically complementary activities.

The same concession is granted to new companies planning to take over existing enterprises in Sardinia with a view to their reactivation, extension or reconversion.

The Regional Government may also furnish grants equal to the amounts paid in registration and mortgage conveyance fees in respect of deeds concerning capital increases by companies having their head office in Sardinia, where the proceeds of the operation are to be expended for one of the above purposes, or are to serve as operating

funds or as funds for the financial reorganization of technical enterprises in the Region.

Similar grants are made in respect of contributions of assets in kind or in the form of credits in connection with the formation or increase of the capital of companies having their registered offices and operating in Sardinia.

Grants under the Act may also be furnished to tourist, hotel and mineral-springs exploitation enterprises fulfilling the above requirements, and to transport enterprises having their head offices, fiscal domicile, principal installations and transport facilities, and in the case of shipping companies their port of registry, in the Region.

REMARKS

Authorization is selective; it is granted by individual Regional President's Decree following duly-documented application to the Assessorate of Industry and Commerce. The Decree lays down the conditions on which the grant is made and the date by which these must be fulfilled.

b) By Regional Act No. 16 of April 12, 1957, companies having their registered head office in the Region are permitted, notwithstanding the national system concerning registered shares, to issue bearer stock with the object of establishing and operating

i) new industrial enterprises located within the Region and organized and equipped for the production of goods and/or provision of services;

ii) new shipping enterprises based on Sardinia and run by companies having their registered head office and port of registry there.

REMARKS

Authorization is selective.

II — *Sicilian Region*

Regional Act No. 29 of March 20, 1950, together with the supplementary enactments referred to below, provided for a series of concessions on behalf of industrial enterprises and companies in Sicily. The date of expiry indicated in the relevant enactments having been reached, concessions a), b) and c) below are now no longer operative; they are, however, provided for by national legislation.

a) 10-year exemption from income and profits tax for new "organized" industrial enterprises setting up in Sicily and for enterprises undergoing extension, reconversion or reactivation: such exemption is in respect of all profits in the former case, and in the latter case of the additional profits resulting from the extension, reconversion or reactivation in question (Articles 2 and 3).

b) Exemption from income and profits tax on the interest on debentures issued by industrial companies in Sicily (Regional Act No. 61 of December 7, 1953, Article 6).

c) Reduction to a flat rate of Lit.200 of registration and mortgage fees in respect of deeds relating to the formation of or to capital increases or debenture issues by industrial companies established and operating in Sicily, to the transfer of land and/or buildings to be used for industrial activities, and to mortgages securing debts outstanding (Articles 4, 9, 10, 11 and 12).

REMARKS

Concessions a), b) and c) are granted by individual Order of the Assessor of Finance in agreement with the Assessor of Industry and Commerce, following duly-documented application to the latter.

The fact of having applied makes the enterprise provisionally eligible for the concessions.

Regional Act No. 61 of December 7, 1953, specified that these concessions were designed for "industrial enterprises possessing plant and equipment in the Region and organized and equipped for the industrial production of goods and/or the provision of services, exclusive of enterprises for the transport of passengers or freight, and exclusive of enterprises purveying services of a recreational character, such as cinemas and theatres".

The Act further directed the President of the Region to itemize the industrial activities to be considered eligible for the concessions in question. Regional President's Decree No. 2 of May 4, 1954, duly listed the following.

Extractive industry and allied activities

Extraction, grinding and refining of sulphur;
 extraction and preparation of asphalt;
 extraction and preparation of pumice;
 extraction and preparation of salt;
 extraction and preparation of marble;
 extraction and preparation of materials for the manufacture of cement, bricks and tiles, chinaware and ceramics;
 extraction and preparation of alkaline salts;
 extraction of mineral fuels;
 extraction of ores.

Timber and woodworking industry

Sawing, preparation, storage and seasoning of timber;
 manufacture of wooden furniture and fittings;
 constructional joinery;
 barrels and casks;

ship's carpentry;
wooden vehicles;
musical instruments;
chairs;
packing-cases, boxes and crates;
cork and articles made of cork.

Carob and rice industry

Foodstuffs industry

Vegetable preserves;
fish preserves;
jams and preserved fruits;
milk and dairy products;
preserved meat;
food extracts and concentrates;
honey;
liquorice;
production and refining of seed oil;
production and refining of oil.

Confectionery industry

Biscuits, cakes and pastries;
chocolate;
sweetmeats;
almond paste;
candied fruits;
ice-cream cornets;
semi-finished products for the confectionery industry;
nougat;
sugar;
coffee substitutes.

Wine and alcoholic beverages industry

Wines in general;
Marsala and vermouth;
vintage and bottled wines;
spirits and liqueurs;
Class II a distillates;
vinegar.

Building-materials industry.

Aerated-waters, beer and malt industry; refrigeration.

Glass, ceramics and terracotta industry.

Boot and shoe, leather and tanning industry.

Paper and cardboard-making industry.

Graphic arts and printing industry, including production of special papers (wallpapers, photogravures, etc.).

Iron and steel and metalworking industry.

Mechanical-engineering industry.

Textile industry, including cotton ginning.

Clothing industry.

Chemical industry.

Electricity industry.

Gas industry.

Film and photographic industry.

Rubber and plastics industry.

Radio, telephone and electrical-engineering industry.

Poultry-breeding industry.

Sponge industry.

Sumach industry.

Storage and handling of fruit and vegetables.

Tourist and hotel industry

Which for the purposes of the Act includes not only hotel and catering enterprises, but also operations and installations in connection with holiday, health and mineral-springs resorts, such as funiculars, skilifts, swimming-pools, *alberghi diurni* (rest-rooms with various facilities attached), and beach amenities (Regional President's Decree No. 6 of April 10, 1959).

Fishing industry

To qualify for concessions, fishing enterprises must fulfil the following conditions (Regional President's Decree No. 6 of April 10, 1959) :

- a) their fishing must be carried on from motorized vessels of not less than 20 gross register tons, and fitted with the necessary mechanical equipment;
- b) all their vessels must be registered in the maritime administrative districts of the Region;
- c) they must have their registered head office and port of registry in the Region;
- d) they must organize their fishing expeditions from ports of the Region, and must make these their normal ports of call as and when required by the nature of their operations;
- e) they must maintain within the Region fixed installations for the handling and processing of their catches, and other permanent ancillary equipment;
- f) their crews must be signed on in the port of registry without conditions or restrictions other than those imposed by the national legislation concerning employment of seamen.

Ship-owning industry

To qualify for concessions, ship-owning companies must fulfil the following conditions (Regional President's Decree No. 6 of April 10, 1959) :

- a) they must exist for the purpose not only of fitting out and maintaining but also of operating the vessels concerned;
- b) they must have their head office and port of registry in the Region, and also fixed installations for the fitting-out, maintenance and operation of the vessels;
- c) all their vessels must be of recent Italian construction, and must be registered in the maritime administration districts of the Region;
- d) they must conduct their fitting-out and maintenance activities in ports of the Region, and their ships must make these their normal ports of call as and when required by the nature of their operations, or, in the case of regular services, must ply from or via such ports;
- e) they must undertake to effect reclassification in ports of the Region, unless otherwise compelled by outside circumstances or by imperative chartering requirements;

f) they must undertake to establish a special rota comprising all the categories of personnel making up the crews of the vessels in respect of which concessions are applied for, this rota to contain only names figuring in the general rota of the port of registry, and must engage all their seagoing personnel from the two rotas (the special and the general), without conditions or restrictions other than those imposed by the national legislation concerning employment of seamen;

g) they must undertake not to transfer any vessel to another maritime administrative district for a period of twenty years from the date of registration.

Building industry

Regional President's Decree No. 2 of May 4, 1954, lays down that exemption from income and profits tax is, in the case of building firms, not to be granted on all profits from the firm's activities in general, but "shall be authorized case by case, in respect of profits from operations carried out within the Region, where in the course of the said operations building sites have been installed which are so equipped as to be deemed industrial enterprises".

Exemption from income and profits tax is granted in the case of the hotel and tourist industry and the ship-owning industry on condition that application is made by not later than November 7, 1962, and is for exemption for a period of not more than five years (Presidential Decree No. 6 of April 10, 1959, Article 5). These conditions are not imposed with regard to the other concessions.

For all the categories of industry listed, the concessions are in respect of both the industrial installations and the articles of incorporation of the companies installing them.

d) Regional Act No. 54 of October 1, 1956, containing directives concerning prospecting and working of mineral deposits in Sicily, lays down in Article 78 that a flat rate of Lit.200 is to be charged for the registration of articles of association and all other deeds drawn up in connection with the establishment and operation of the mining syndicates.

The same rate is charged for all formalities in connection with mortgage transactions by or on behalf of the syndicates, with the exception of the fees payable to the Land-Registry Office.

The individual enterprises forming a syndicate are entitled to claim exemption from income and profits tax in respect of any additional profit accruing to them as a result of the syndicate's operations, for a period of ten years from the date of completion of the operations in question.

REMARKS

Authorization is selective; it is granted by Order of the Assessor of Finance in agreement with the Assessor of Industry and Commerce, following duly-documented application to the latter.

e) Regional Act No. 32 of July 8, 1948, Regional President's Decree No. 32 of June 30, 1950, and Regional Act No. 10 of April 9, 1954, provide that newly-formed companies having their registered

head office in Sicily and either installing and operating new industrial enterprises or engaging in the shipping business may issue bearer stock, notwithstanding the national system concerning registered shares.

REMARKS

Authorization is selective. The concession (which may also be authorized in respect of subsequent capital increases) is granted by Order of the Assessor of Industry in agreement with the Assessor of Finance. The order stipulates that a proportion of the stock, representing not less than one-tenth of the capital subscribed, must be deposited as security; the stock so deposited is released, by Order of the Assessor of Industry, when evidence can be produced that all the conditions laid down in the Act and in the authorizing Order have been fulfilled.

III — *Trentino/Upper Adige Region*

Regional Act No. 10 of August 8, 1959, with a view to promoting the establishment and operation in the Region of new organized industrial enterprises and of tourist facilities, and to facilitating the extension, modernization or expansion of existing enterprises and facilities and their subsequent operation, provides that existing or newly-formed companies having their head office in the Trentino/Upper Adige may issue bearer stock.

REMARKS

Authorization is selective; it is granted by Decree of the President of the Giunta Regionale. The Decree stipulates that a security must be lodged equivalent to one-tenth of the total amount of the stock issue, for which it also fixes the maximum figure; this maximum has to be proportionate to the amount of capital needed to carry out the project in question. The security is subsequently released by another Regional President's Decree when it can be shown that all the conditions laid down in the Act and in the authorizing Decree have been fulfilled.

Accelerated depreciation

Article 98 of the consolidated Direct Taxes Act, endorsed by Presidential Decree No. 645 of January 29, 1958, provides that industrial enterprises may apply for the normal depreciation period in respect of new plant, or of extensions, reconversions or reconstructions of existing installations, to be reduced by up to two-fifths. The special allowance necessary to achieve this is added to the normal rate of depreciation and is spread over the financial year in which the expenditure was incurred and the three following years, subject, however, to a maximum of 15% in any year.

REMARKS

Authorization is granted automatically upon application by the taxpayer, who may apply for a reduction of the depreciation period by up to two-fifths.

Differentiation in rates payable

Energy

Under Act No. 825 of August 14, 1960, hydrocarbons employed for the purposes of industrial projects in the Valle del Basento area (see I 21, 5) are exempt from the manufacture tax (imposta di fabbricazione) imposed by Act No. 1110 of December 3, 1955.

Transport

NATIONAL LEGISLATION

In accordance with Article 7 of Head of State's Decree No. 1598 of December 14, 1947, as amended by Act No. 1482 of December 29, 1948, the following concessions in the matter of transport rates were granted by Order of the Minister of Transport of May 2, 1958:

a) reduction, by from 10% to 50% according to the distance covered, of the rates of carriage by ordinary goods train in respect of materials, machinery and all other items needed for the installation, extension, activation, reactivation, reconversion or reconstruction of organized industrial plants and ancillary structures in the area of the Cassa per il Mezzogiorno or their transfer thereto;

b) reduction by 20% of the rates of carriage for small consignments by ordinary goods train;

REMARKS

Authorization is selective. The concessions cease to be operative on June 30, 1965.

Reductions a) and b) are granted in the form of reimbursements upon submission of an application accompanied by the relevant consignment notes and by a statement from the Board of Finance certifying that the materials and machinery concerned have been passed as qualifying for reduction of the general sales tax (see 121, 4).

c) reduction by 20% of the freight rates for shipment by sea in respect of materials and machinery to be used or installed in plants to be set up, extended, activated, reactivated, reconverted or reconstructed in or transferred to Sardinia.

REMARKS

The reduction is granted in the form of a reimbursement, upon submission of an application accompanied by supporting documents as under a) and b) above.

REGIONAL LEGISLATION

Sardinian Region

Regional Act No. 22 of May 7, 1953 (Article 1), provides that concessions may be granted on behalf of new industrial projects in

respect of the transport of raw materials and finished products, by means either of preferential tariffs fixed in agreement with the carriers, or of grants to the firms concerned.

REMARKS

Authorization is selective. No Order has as yet been issued as to the implementation of the Act.

The Act itself in Article 3 specifies that the object of any such concessions must be to enable temporary difficulties to be overcome. The arrangement is therefore valid for a limited period only.

Assistance for research on new products

REGIONAL LEGISLATION

I — *Sardinian Region*

Regional Act No. 22 of May 7, 1953 (Article 3), empowers the Regional Government, for the purpose of promoting the installation, activation, reactivation, reconversion or extension of industrial activities in Sardinia or their transfer thereto,

a) to pay part of any expenses "in connection with industrial experimentation, the object of which is to work up the resources of the Island by such measures as the construction of pilot plants, the introduction of scientific methods of work organization in enterprises or in particular production processes, and so on";

b) to pay part of any expenses "the object of which is to secure a better market for Sardinian raw materials and products both elsewhere in Italy and abroad, or to improve the Island's supply position with regard to essential raw materials and products";

c) to grant "financial incentives, proportionate to the amounts produced and sold, for a maximum period of 10 years, to specified types of enterprise calculated to ensure better utilization of the Island's manpower and other resources".

REMARKS

The implementing regulations, endorsed by Regional President's Decree No. 3 of March 5, 1955, mention that the expenses referred to under b) above with reference to securing a better market are to be taken as meaning "expenditure on advertising, improved presentation and packaging, etc."; expenses in connection with the *improvement of the supply position* are to include "expenditure on the establishment of more efficient public trading organizations, on the installation of equipment auxiliary to trade (dockside warehouses, silos, refrigeration plant), or on any other project definitely calculated to aid productivity," and also "expenditure on the organization of collective information or trade-promotion services sponsored by bodies or associations of producers or distributors".

The financial incentives referred to under c) are payable to enterprises which as a result of *temporary circumstances* find themselves in a position of definite disadvantage

in the market *vis-à-vis* similar enterprises, either Italian or foreign, which have the benefit of particularly favourable conditions or arrangements; they are also payable in respect of new projects being launched.

Authorization is selective in all three cases. The funds are paid over on submission of the relevant invoices and consignment notes, or on verification by the Regional Government that all the conditions are duly fulfilled.

INDIRECT ASSISTANCE TO ENTERPRISES

Provision of basic services, preparation of industrial areas and sites

NATIONAL LEGISLATION

1. Act No. 634 of July 29, 1957 (Article 21), as amended and supplemented by Act No. 555 of July 18, 1959, provides that, for the purpose of encouraging industrial projects which it is planned to concentrate in a particular area, the local authorities and other bodies concerned may set up Consortia to equip the area with the necessary infrastructure (road and rail connections, water and energy supply systems, lighting and sewerage) and build "skeleton" factories.

The Council of Ministers for the Mezzogiorno, in its statement giving details as to the precise application of these provisions, laid down that the Consortia were intended to be the main instruments for the implementation of a policy of rationalizing, financially and technically, the installation and utilization of a proper infrastructure over the broader tract of territory within which the concentration was to be effected, *the "industrial-development area"*.

The industrial-development areas are intended to be the scene of sweeping and radical changes going well beyond the mere organization of public-works and utility-services schemes. Accordingly, they must be enabled to fulfil two requirements:

a) they must offer the combination of locational factors (man-power reserve, basic services, a certain initial degree of development) calculated to attract industry;

b) they must have in existence associations or syndicates with extensive responsibilities and substantial funds, and representing a broad range of local interests.

For purposes of smaller-scale industrial concentration, "industrialization nuclei" may be instituted, in which the principal objective is to provide an adequate infrastructure.

The Cassa per il Mezzogiorno is empowered to furnish to Consortia for industrial-development areas and industrialization nuclei approved by the Council of Ministers for the Mezzogiorno grants to cover not more than one-half of the expenditure required to carry out projects for the preparation of the zone or locality for industrial purposes (infrastructure), or to construct skeleton factories. Alternatively, the Cassa may assume part-payment of interest on loan operations by the Consortia (Article 21 of Act No. 634 of July 29, 1957; Article 6 of Act No. 555 of July 18, 1959; directive of the Council of Ministers for the Mezzogiorno of December 31, 1959; directive of the Council of Ministers for the Mezzogiorno of June 8, 1960).

The Consortia may arrange for the compulsory purchase of buildings for the purpose, *inter alia*, of reselling or leasing them to enterprises.

At December 31, 1961, the following were scheduled by the Committee of Ministers for the Mezzogiorno as industrial-development areas and industrialization nuclei.

A. *Industrial-development areas*

Bari (Committee's Decisions of December 22, 1959, and May 27, 1960)

The area comprises, in addition to the Commune of Bari, the Communes of Adelfia, Bitonto, Bitritto, Giovinazzo, Modugno, Mola di Bari, Molfetta, Noicattaro, Triggiano and Valenzano.

The Consortium responsible for the area was approved by Presidential Decree No. 804 of June 28, 1960, endorsing its articles of association.

Brindisi (Committee's Decision of December 22, 1959)

The area comprises, in addition to the Commune of Brindisi, the Communes of Carovigno, Ceglie, Messapico, Cellino San Marco, Cisternino, Erchie, Fasano, Francavilla Fontana, Latiano, Mesagne, Oria, Ostuni, San Donaci, San Michele Salentino, San Pancrazio Salentino, San Pietro Vernotico, San Vito dei Normanni, Torchiarolo, Torre Santa Susanna and Villa Castelli.

The Consortium responsible for the area was approved by Presidential Decree No. 805 of June 28, 1960, endorsing its articles of association.

Cagliari (Committee's Decision of October 26, 1960)

The area comprises, in addition to the Commune of Cagliari, the Communes of Assemini, Capoterra, Decimomannu, Decimoputzu, Delianova, Maracalagonis, Montasir, Nuraminis, Quartu, S. Elena, San Sperate, Selargius, Serdiana, Serramanna, Sestu, Settimo San Pietro, Sinnai, Ussana, Uta, Villasor and Villaspeciosa.

The Consortium responsible for the area was approved by Presidential Decree No. 1410 of November 4, 1961, endorsing its articles of association.

Caserta (Committee's Decision of December 2, 1961)

The delimitation of the area has not yet been completed.

Catania-Syracuse (Committee's Decision of July 13, 1961)

The delimitation of the area has not yet been completed.

Salerno (Committee's Decision of March 29, 1961)

The area comprises, in addition to the Commune of Salerno, the Communes of Cava dei Tirreni, Battipaglia, Baronissi, Fisciano, Mercato San Severino, Montecorvino Pugliano, Montecorvino Rovella, Palazzano, Pontecagnano Faino and Vietri sul Mare.

The Consortium responsible for the area was approved by Presidential Decree No. 1314 of October 20, 1961, endorsing its articles of association.

Taranto (Committee's Decisions of December 22, 1959, and May 27, 1960)

The area comprises, in addition to the Commune of Taranto, the Communes of Carosino, Castellaneta, Crispiano, Faggiano, Fragnano, Grottaglie, Leporano, Lizzano, Massafra, Monteiasi, Montemesola, Monteparano, Palagianello, Palagiano, Pulsano, Roccaforzata and San Giorgio Jonico.

The Consortium responsible for the area was approved by Presidential Decree No. 806 of June 24, 1960, endorsing its articles of association.

Valle del Pescara (Committee's Decision of December 2, 1961)

The area, the delimitation of which has not yet been completed, is to comprise a number of Communes in the Provinces of Chieti and Pescara.

B. *Industrialization nuclei*

Avezzano (Committee's Decision of December 2, 1961)

The nucleus comprises part of the Commune of Avezzano.

Crotone (Committee's Decision of December 2, 1961)

The nucleus comprises part of the Commune of Crotone.

Messina (Committee's Decision of July 13, 1961)

The nucleus comprises the Communes of Milazzo, Pace del Mela, San Filippo del Mela and Villafranca Tirrena, together with all the Communes along the coastal strip between Milazzo and Villafranca Tirrena, *viz.* Condrò, Monforte San Giorgio, Roccavaldina, Rometta, San Pier Niceto, Spadafora, Torregrotta, Valdina and Venetico.

Piana di Sibari (Committee's Decision of December 2, 1961)

The delimitation of the nucleus has not yet been completed.

Potenza (Committee's Decision of October 26, 1960)

The nucleus comprises the Commune of Potenza.

The Consortium responsible for the nucleus was approved by Presidential Decree No. 1013 of July 20, 1961, endorsing its articles of association.

Praia (Committee's Decision of December 2, 1961)

The nucleus comprises the Commune of Praia.

Reggio Calabria (Committee's Decision of December 2, 1961)

The nucleus comprises part of the Commune of Reggio Calabria.

S. Eufemia Lamezia (Committee's Decision of December 2, 1961)

The nucleus comprises the Commune of S. Eufemia Lamezia.

Sassari (Committee's Decision of March 29, 1961)

The nucleus comprises the Communes of Sassari, Alghero and Porto Torres.

Valle del Basento (Committee's Decision of July 13, 1961)

The nucleus comprises parts of the Communes of Ferrandina, Grottole, Pisticci, Pomarico and Salandra.

The Consortium responsible for the nucleus was approved by Presidential Decree No. 50 of January 30, 1962, endorsing its articles of association.

2. By the terms of Allied Military Government Order No. 66 of April 18, 1953, the Port of Trieste Authority is empowered to arrange for the compulsory purchase of land, acquire concessions of State-owned property, sell or lease buildings to industrial enterprises, see to the installation of public utilities, and take all other action deemed necessary to the industrial development of the Zone.

REGIONAL LEGISLATION

I — *Sardinian Region*

Regional Act No. 22 of May 7, 1953, in Article 1 empowers the Regional Government, for the purpose of encouraging the economic development of the areas scheduled by Regional President's Decree as lending themselves to the more effective utilization of the island's manpower and other resources ("zones of Regional value"), to carry out the necessary operations for the provision of port installations, railways, roads, sanitation, electricity and water supplies, telephone networks, etc.

REMARKS

At present scheduled as "of Regional value" are the industrial zone of Cagliari, the industrial zone of Sassari/Porto Torres, and the industrial zone of Macomer. The zones of Oristano and Sant'Antioco-Porto Vesme are in process of delimitation for scheduling.

II — *Sicilian Region*

Regional Act No. 30 of April 21, 1953, in Articles 21 and 22 empowers the Accessor of Public Works, in agreement with the Assessor of Finance and after hearing the views of the local authorities and the Chamber of Commerce, to have plans drawn up and passed for the establishment and expansion of industrial zones in Sicily.

Each such plan must indicate the sites required, including those to be acquired by compulsory purchase, and outline the operations for the provision of roads, sanitation, electricity networks and installations relating thereto, rail connections, discharging and loading installations, piers and quays, and also of such general services as are

deemed necessary to the full technical preparation and equipment of the zone.

The Assessor of Public Works is required to order compulsory purchases and to have operations undertaken in accordance with the degree of urgency of the particular plan concerned.

REMARKS

The industrial zones are in process of being established and organized.

Regional Act No. 51 of August 5, 1957, empowered the Regional Government to issue directives within three months with regard to the administration of the industrial zones; this has, however, not yet been done.

Assistance for building factories and workshops

NATIONAL LEGISLATION

a) Decree No. 1598 of December 14, 1947 (Article 4), Act No. 1482 of December 29, 1948 (Article 1), and Act No. 634 of July 29, 1957 (Article 29), provide that operations for the establishment, extension, activation, reactivation, reconstruction or reconversion of organized industrial enterprises in the area of the Cassa per il Mezzogiorno or for their transfer thereto (see Section "General Arrangements") shall legally be considered as being of public value. This entitles the parties concerned to a simplified procedure in respect of the compulsory purchase of the land and buildings necessary for the project.

Under the same enactments, operations for the above purposes rank as "urgent and non-postponable", which means that immediate possession can be taken of the property in question, even before the completion of the preliminaries for the compulsory-purchase order.

REMARKS

Authorization is selective. Compulsory purchase is ordered by the Prefect responsible (see Section "General Arrangements"), upon its being shown that the project concerned fulfils the legal requirements.

b) Act No. 634 of July 29, 1957 (Article 21), as amended by Act No. 555 of July 18, 1959, permits the Consortia for industrial zones to acquire property by compulsory purchase for the purpose of reselling or leasing it for the establishment of new industrial undertakings.

REMARKS

No further particulars are provided either by the Acts themselves or by any implementing Orders. As regards the sale price to be charged, it must presumably not be lower than the compensation paid for expropriation.

c) Act No. 634 of July 29, 1957, further provides, in Article 33, that local authorities may "facilitate" the purchase, leasing or renting by industrial enterprises of land and buildings belonging to the Commune and needed for the enterprises' projects.

REMARKS

Authorization is selective. The Act does not specify precisely what it intends should be understood by the term "facilitate", but it seems clear that the land and buildings are to be made available at low prices and on special easy terms (instalments over a long period at reduced interest).

REGIONAL LEGISLATION

I — *Sardinian Region*

Regional Act No. 22 of May 7, 1953 (Article 1) empowers the Regional Government, for the purpose of encouraging the development of "zones of Regional value",

a) to make State-owned land available, where necessary free of charge, for industrial purposes;

b) to furnish grants, covering up to two-thirds of the expenditure involved, for the acquisition of industrial sites in such zones.

Under Article 2 of the Act, these concessions may also be granted in respect of projects outside the specified zones (see I 111, 5).

REMARKS

Authorization is selective, and is granted by Regional President's Decree, "at the Regional Government's discretion".

II — *Sicilian Region*

a) Regional Act No. 29 of March 20, 1950 (Article 8), provides that operations for the establishment, extension, reconversion or re-

activation of organized industrial enterprises in Sicily are to be considered as "of public value" and "urgent and non-postponable" (see National Legislation above).

b) Regional Act No. 51 of August 5, 1957 (Article 3), rates as "urgent and non-postponable" all operations necessary to the completion of industrial projects in Sicily.

c) Regional Act No. 30 of March 20, 1950, containing directives concerning the prospecting and working of liquid and gaseous hydrocarbon deposits, provides in Article 14 that operations in connection either with the working of the concessions or with the construction and use of pipelines are to be rated as of public value by Order of the Assessor of Industry and Commerce after hearing the views of the Regional Mines Board. These operations *may* also be declared urgent and non-postponable.

d) Regional Act No. 30 of April 21, 1953, also provides that all building sites in the industrial zones set up under the Act, with the exception of such sites as are to be used for the installation of public utility services, are to be reserved for industrial plants and their ancillary and auxiliary installations.

The sites are taken over and sold by the Assessor of Finance, in agreement with the Assessor of Industry and Commerce. Under Regional Act No. 51 of August 5, 1957 (Article 34), the selling prices of sites in the industrial zones are fixed annually by Regional President's Decree.

The selling prices are so fixed that the total proceeds therefrom work out equal to the estimated total amount of the compensation payable for expropriation, calculated in advance on the basis of an estimate of the market value of the whole area to be so expropriated.

The sites thus made available must be brought into direct use by the parties acquiring them within a time-limit to be fixed at the time of sale. Should this not be done, for any reason, the sale is null and void, and 50% of the price paid is impounded by the Assessor of Finance.

REMARKS

Authorization in respect of a), b) and c) is selective. No authorization of concessions under d) has as yet been called for, as the industrial zones are still in process of establishment and preparation.

Workers' housing

NATIONAL LEGISLATION

None.

REGIONAL LEGISLATION

I — *Sardinian Region*

a) Regional Act No. 19 of July 10, 1952, entitles mining enterprises to grants covering up to 30% of their expenditure on the building of workers' houses.

b) Regional Act No. 22 of May 7, 1953 (Article 8), empowers the Regional Government, for the purpose of furthering industrial projects, to promote the building of workers' housing (enterprise-owned or co-operative) by furnishing grants up to a maximum of 50% of the expenditure involved.

REMARKS

Authorization is selective.

II — *Sicilian Region*

a) Regional Act No. 51 of August 5, 1957 (Article 1), provides that grants may be furnished covering up to 50% of the cost actually incurred in non-obligatory building operations designed to ensure better sanitary and health conditions in connection with the establishment, extension or modernization of industrial undertakings.

REMARKS

Authorization is selective. Projects eligible for grants include the construction of workers' housing.

b) Regional Act No. 19 of October 15, 1952, provides for financial assistance (amount unspecified) in connection with loans contract-

ed for operations designed to improve health and social conditions for workers employed in the mines and quarries.

REMARKS

Authorization is selective.

ARRANGEMENTS BENEFITING WORKERS

Vocational training

NATIONAL LEGISLATION

a) The State's role with regard to vocational training is defined by Acts No. 264 of April 29, 1949, No. 456 of May 4, 1951, and No. 28 of January 10, 1952.

Under this legislation, vocational training of juveniles is provided by a system of some 800 training centres, both publicly and privately run, some of which train workers of all kinds, while others specialize in particular branches of occupational training.

b) The Ministry of Labour is co-operating with employers' associations in organizing training courses in trades which are particularly in demand in the industries of the different areas. This enables workers to be taught those skills which the firms concerned specifically require them to know. The operating costs of the vocational-training centres are met from the Vocational Training Fund set up by Decree No. 1264 of November 7, 1947, and reorganized by Act No. 28 of January 10, 1952.

The training of the instructors at the centres is effected with the co-operation of international experts, in accordance with the technical-assistance agreements concluded in Rome on September 4, 1952, between Italy and the International Labour Office.

c) As regards apprenticeship, the State's responsibilities are defined in Act No. 25 of January 19, 1955, and in the implementing regulations embodied in Presidential Decree No. 1668 of December 30, 1956.

These require that apprentices shall be given practical in-works training and also supplementary instruction, which is compulsory and

free of charge. The courses may be conducted either by enterprises, by State colleges, or by vocational-training organizations; the costs are met from the Vocational Training Fund.

d) By Act No. 1349 of December 28, 1957, the Treasury was empowered to pay to the Cassa per il Mezzogiorno the sum of Lit.8,500,000,000 to be passed on in the form of grants "for the development of vocational training in Southern Italy and the Islands". The purposes for which such grants may be made further include the organization of preparatory, refresher and advanced courses for the heads, instructors and technicians of training colleges and centres, and the introduction of various special assistance arrangements for the trainees.

In accordance with these provisions, "inter-enterprise centres for vocational training within industry" are being established: the building and equipment costs are being met by the Cassa, while the operation of the centres when completed is to be financed by contributions from the Ministry of Labour, the Cassa and the enterprises taking part in the scheme.

REMARKS

The Vocational Training Funds comes administratively under the Ministry of Labour and Social Insurance.

REGIONAL LEGISLATION

I — *Sardinian Region*

Regional Act No. 6 of May 11, 1951, as supplemented by Presidential Decree No. 48 of October 21, 1957, provides that the Regional authorities must directly organize or authorize occupational training or retraining courses for unemployed workers, priority to be given to those under the age of 21 and to those seeking their first job.

To cover the costs of these courses and all other costs in any way arising out of the implementation of the Act, the Regional Government was required to institute a separate Sardinian Workers' Training Fund, under the general administrative supervision of the Assessorate of Labour.

REMARKS

Authorization is selective.

II — *Sicilian Region*

Regional Act No. 51 of August 5, 1957 (Article 1), provides for grants covering up to 50% of the actual costs of building schemes undertaken voluntarily in connection with vocational training.

REMARKS

Authorization is selective. No implementing regulations have, however, as yet been issued specifying in detail the extent of application of the Act and the type of scheme covered.



Occupational retraining

One of the objects of the Vocational Training Fund referred to in the preceding subsection is to finance training or retraining courses for unemployment workers, designed to familiarize them quickly with technical skills in line with the requirements of the home labour market and of potential employers abroad.

Such courses may be run either by the national or local authorities or by other bodies, institutions or associations.

They are organized only where there is definite evidence in advance that the trainees will have real opportunities of securing employment thereafter.

In-works retraining courses have also been arranged through the Fund for workers laid off owing to enterprises temporarily closing for reorganization. The cost of these courses is met from the "Cassa di integrazione dei guadagni degli operai dell'industria" (Industrial Wages Supplementation Fund), under Article 56 of Act No. 264 of April 29, 1949.

REMARKS

Authorization is selective. The Vocational Training Fund comes administratively under the Ministry of Labour and Social Insurance.



OTHER ARRANGEMENTS

NATIONAL LEGISLATION

Other measures affording indirect assistance include Act No. 835 of October 6, 1950, concerning allocation of contracts for supplies and services required by public authorities to industrial and craft enterprises in the Mezzogiorno and Latium. This makes it compulsory for Government departments to procure not less than one-fifth of the supplies and services they need from such enterprises.

REMARKS

Compliance with the Act is ensured by an arrangement whereby the public authorities are obliged to invite separate tenders in respect of one-fifth of the total supplies and services required, the right to submit such tenders being reserved solely for industrial and craft enterprises in the Mezzogiorno and Latium.

REGIONAL LEGISLATION

Sardinian Region

Regional Act No. 22 of May 7, 1953 (Article 1), provides that *new* industrial enterprises setting up in Sardinia may claim grants to help reduce their social charges for a period of not more than three years.

REMARKS

Authorization is selective.

**Restriction on introduction or extension
of industries in certain areas**

The restrictions earlier in force have been gradually lifted.

Prior authorization is still required in the case of certain sectors, including the prospection and working of mineral and hydrocarbon deposits, production of motor fuels and mineral oils, manufacture of *pasta*, processing of drugs, and some others.

Measures to facilitate foreign investment

NATIONAL LEGISLATION

Act No. 43 of February 7, 1956, altered the arrangements in this field completely, instituting a very much more liberal system than that previously in force.

It places no restrictions on foreign investment in Italy, and makes no conditions as to prior Government authorization.

It does not, on the other hand, treat all investment on precisely the same footing: preferential treatment is accorded to capital schemes for the establishment of new or the extension of existing producer enterprises, in that in such cases the profits and dividends and any subsequent capital gains may be freely transferred abroad "without restriction of any kind," as regards other investments, however, the following restrictions are imposed:

- a) not more than 8% of the interest, dividends and profits may be transferred;
- b) capital gains may not be transferred abroad for two years following the initial investment, and then only up to the amount originally brought into Italy;
- c) the amounts in excess of these limits may be used according to the currency regulations in force at the time.

Investments may also be in the form of capital goods, *i.e.* machinery, in which case the capital represented is taken as equalling the value given in the Customs certificate, and the amount concerned can, again, not be transferred abroad until two years have elapsed.

Producer enterprises set up in Italy with foreign capital participation may be registered either as foreign companies or concerns or as Italian companies. No distinction is made by the Civil Code (Articles 2505 and 2510), nor is there any differentiation as regards taxation.

Producer enterprises, however registered, are entitled to raise funds in Italy by contracting medium and long-term loans by means of debenture issues. They may also acquire share holdings in other companies provided they obtain Treasury authorization.

Transfers of capital to Italy can at present be made in the following currencies: U.S. dollars, Swiss francs, Danish crowns, Norwegian crowns, Swedish crowns, Dutch guilders, Belgian francs, French francs, sterling, German marks.

REMARKS

The implementing regulations, endorsed by Presidential Decree No. 43 of Juli 6, 1956, specify that the term "producer enterprises" is to be understood, for the purposes of eligibility for preferential treatment, as meaning "enterprises having as their object the production of goods or the provision of services, and enterprises the operation of which necessitates land reclamation or improvement, the installation of industrial premises, dockyards, generators and energy-transmission networks, shaft-sinking and tunnelling, the use of vessels or aircraft, and/or the construction of buildings (including hotels), and roads".

This enumeration is not exhaustive: for instance, enterprises set up in Italy with foreign capital for the purpose of furnishing technical and scientific assistance have also been recognized as "producer enterprises".

Official recognition of projects as "productive" is obtained from the foreign relations department of the Treasury (Ministero del Tesoro, Direzione Generale del Tesoro, Ispettorato per i Rapporti Finanziari con l'Estero), to which applications must be submitted, together with the plans and a covering memorandum containing all relevant particulars (plant and equipment required, personnel to be employed, etc.).

The Treasury, within thirty days of receiving the application, issues a provisional certificate concerning the characteristics of the project. The investor must subsequently be able to show officially that the project has been carried out in accordance with the plans submitted. The Treasury, after verifying that this is so, then issues a final certificate to that effect; this second certificate has to be produced before the enterprise can claim transferability of capital, interest and profits.

LUXEMBOURG

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GENERAL ARRANGEMENTS

Introductory Remarks

Up to 1962 the Grand Duchy of Luxembourg had no specific legislation designed to facilitate the establishment of new economic activities. Not that the Grand Ducal Government had until then turned a blind eye to these matters: on the contrary, action had been taken and results achieved. But the High Authority's publication of an inventory of legal and financial provisions in force in this connection in the Community countries, and the studies and discussions of the Intergovernmental Conference on Industrial Redevelopment, brought home to the Luxembourg authorities the manifest inadequacy of their powers in this field to date. They therefore sought to make good without delay a deficiency which was liable to place Luxembourg at a disadvantage *vis-à-vis* its economic partners.

Following the example of other countries, which as the establishment of the Common Market proceeded had already enacted new laws and co-ordinated existing provisions for granting their enterprises tax advantages and credit facilities, the Grand Duchy legislated also. The Act instituting and co-ordinating measures to improve the general structure and regional balance of the national economy and stimulate its expansion received the Grand Ducal assent on June 2, 1962.

The Act applies to establishment, extension, reconversion and rationalization projects "designed to improve the general structure or the regional balance of the national economy and to stimulate the expansion thereof *in the general economic interest.*"

Two implementing Orders have been issued. The Grand Ducal Order of August 18, 1962, sets forth the following criteria for the implementation of the Act.

“Effects rated as being in conformity with the general interest shall include:

- a) the employment of workers previously un- or underemployed;
- b) the establishment of new industries and manufacture of new products;
- c) the expansion of existing industries in line with new market conditions;
- d) the more efficient utilization of the country’s economic resources;
- e) the improvement of working or operating conditions in such a manner as to increase the productivity or profitability of enterprises or enhance the quality of products;
- f) the equipment of enterprises with new, improved or extended research facilities, or the institution of co-operation among enterprises on research.

The amount of the State aid to be granted shall be decided case by case, according, *inter alia*, to:

- a) the economic and social merits of the project;
- b) the capital contribution forthcoming from the applicant enterprise;
- c) the local or regional difficulties involved.”

Legal and Financial Provisions

Act instituting and co-ordinating measures to improve the general structure and regional balance of the national economy and to stimulate its expansion

Introduced before the Chamber of Deputies by Grand Ducal Order of April 27, 1961.

Endorsed by the Chambres Professionnelles (Chamber of Commerce and employers' and workers' associations); official opinion by the Council of State, July 25, 1961.

Grand Ducal Ordinance of July 31, 1962, prescribing the composition and functioning of the Special Commission to be set up under Article 2 of the above Act.

Grand Ducal Ordinance of August 18, 1962, implementing Articles 1, 3, 4, 5, 6, 7, 8 and 12 of the above Act.

Grand Ducal Ordinance of December 19, 1964, extending the time-limits laid down in Articles 6 and 7 of the above Act.

Special provisions relating to taxation

The following provisions from other Acts in force enable tax rebates to be granted to foreign investors:

- (1) Section 31 of the Income Tax Act;
- (2) Section 15 of the Local Trade Tax Act;
- (3) Section 10 of the Property (Capital Assets) Tax Act.

Budget credits

Credits available to the Ministry of the National Economy under the National Budget:

Budget items	1963 Provi- sional entry	1964 Appro- priation	1965 Credits
<i>Implementation of the Act of June 2, 1962, instituting and co-ordinating measures to improve the general structure and regional balance of the national economy and stimulate its expansion: expenditure and incidentals, and contributions thereto (non-limitative appropriation not allocated for specific financial years)</i>	3,820,408	20,000,000	18,000,000
Breakdown for 1965 :			
a) Interest reductions (Article 3 of the Act) Lfr. 9,000,000			
b) State guarantee (Article 4 of the Act) Lfr. 2,000,000			
c) Capital subsidies (Article 5 of the Act) Lfr. 5,000,000			
d) Acquisition and preparation of sites and premises (Article 8 of the Act) Lfr. 2,000,000			
Total Lfr. 18,000,000			
<i>Subsidies, grants, assumptions of or participations in costs, subsidization toward interest charges on certain industrial loans, for the purpose of maintaining and stimulating industrial activity, promoting the adaptation and development of small and medium-sized enterprises, or facilitating their establishment or extension (non-limitative appropriation not allocated for specific financial years)</i>	44,786,892	43,500,000	53,000,000
Breakdown for 1965 :			
1. General measures Lfr. 500,000			
2. Subsidies to enterprises Lfr. 27,000,000			
3. Assistance towards occupational training and retraining Lfr. 1,500,000			
4. Temporary reduction of interest charges payable by newly established industrial enterprises Lfr. 4,000,000			
5. Subsidization towards interest charges on certain industrial loans Lfr. 1,000,000			
6. Industrial development of sites and premises Lfr. 19,000,000			
Total Lfr. 53,000,000			
<i>Subsidies in the form of a fixed financial contribution to the running expenses and operations of the Office Luxembourgeois pour l'Accroissement de la Productivité; subsidies and assumptions of costs in connection with efforts to raise industrial productivity and improve the technical and commercial equipment of the small and medium industry sector, and in connection with industrial research</i>	1,390,000	1,300,000	1,500,000
<i>Subsidies to encourage market research and the sale of Luxembourg industrial products abroad (not allocated for specific financial years)</i>	1,299,553	1,800,000	1,600,000

Ordinances of the Treasury

Ordinance of May 5, 1948, instituting equipment credits for the benefit of small and medium industry;

supplemental clause thereto of April 20, 1950, extending the terms of the Ordinance to cover craft enterprises;

supplemental clause thereto of April 5, 1951, extending the terms of the Ordinance to cover the hotel industry;

supplemental clause thereto of December 18, 1953, amending the maximum amounts payable in equipment credits;

supplemental clause thereto of September 2, 1961, introducing reductions of interest charges for enterprises receiving equipment credits;

supplemental clause thereto of April 18, 1964, extending the terms of the Ordinance to cover the Luxembourg inland waterway transport industry.

Action by local authorities

This may vary from commune to commune: it generally takes the form of making sites available and building industrial premises.

Arrangements in this connection are based in law on decisions by the Communal Councils (in accordance with the independent financial status of each individual local authority), which must have received the approval of the Ministry of the Interior, the State having ultimate administrative jurisdiction over the communal authorities.

Competent Authorities

National and local bodies

At Government level the competent authorities are the Ministry of the National Economy and the Treasury.

At local level they are the Burgomaster and Councillors of the Commune.

Information on the provisions in force is supplied in the first instance by the Ministry of the National Economy.

The Ministry conducts preliminary studies in order to pinpoint such capital schemes as appear calculated to improve the structure and regional balance of the national economy, State aid being granted with an eye to the overall economic interest. The decision to grant such aid is taken by it jointly with the Treasury, other Government Departments, notably the Ministry of the Interior and the Ministry of Labour may also be associated with the arrangements, according as each individual case is deemed to come within their respective jurisdiction.

The administration and supervision of the measures introduced are the responsibility of the authority making the assistance available, apart from routine checks and audits carried out by the regular bodies such as the Official Auditor's department and the Communal Accounts Inspectorate. In the case of assistance from the communal authorities, the Ministry of the Interior may conduct checks and exercise supervision in virtue of its administrative jurisdiction over lower-ranking authorities.

The Act of June 2, 1962, set a Special Commission of representatives of the Ministry of the National Economy and the Treasury, and if desired of the Ministries of the Interior and of Labour, to examine the criteria for the granting of assistance, to study applica-

tions received, and to hear the grounds adduced by applicants in supports of these.

The commission's findings must be accepted by the Ministers concerned. The commission is entitled to demand all relevant information, and to call in experts for consultation.

Regional bodies

The communal administrations are the only subordinate authorities in the Grand Duchy. There are therefore no regional bodies in the full sense of the term. Mention should be made, however, of one venture at regional level.

The ten communes of the canton of Clervaux, which together cover the northernmost portion of the Grand Duchy, have set up a regional committee to promote the economic expansion of the area, in close co-operation with the Ministries responsible. One of their main aims is to help improve the regional balance of the national economy, more especially by attracting new industries to the area in an attempt to stem the flight from the land. The regional committee is to co-ordinate their efforts in this connection.

Industrial bodies

The employers' interest in connection with the establishment of new economic activities is taken care of by the Chamber of Commerce, which in addition to its other duties acts as the employers' representative body for industry as a whole, and the *Chambre des Métiers*, representing the craft enterprises.

Regional Development Programmes

Since the country has no regional administrative or economic authorities apart from the Communes, area development has had to be taken in hand by the Government.

The Act passed for this purpose on June 2, 1962, is fully compatible with the terms of the Treaty of Rome, since its main aim is to reduce regional imbalance. What it in fact amounts to is the co-ordination of regional programmes at national level.

The Grand Duchy is too small to be divisible into areas with specific economic problems of their own. Nevertheless, if we regard the whole country as forming a single economic area, we do find problem zones wherever farming is the main or only activity. The agricultural sector in Luxembourg, as elsewhere in the Community, is going through a process—in some cases a protracted process—of adjustment which will ultimately culminate in rationalization and specialization of production. The changes involved will in all likelihood accentuate the trend towards concentration. This will inevitably release numbers of workers who after undergoing occupational retraining could be usefully employed in industrial production without having to leave their home surroundings, provided new industries can be attracted to the country districts.

By instituting subsidies and tax exemptions and providing for sites and buildings to be made available, the new Bill affords special encouragement for the installation of industries in the problem zones, thus seeking to serve the double purpose of increasing the Grand Duchy's manpower resources and broadening the bases of its medium industry.

From the regional angle, economic balance can best be ensured by focusing operations on those parts of the country where there is a certain amount of unemployment, or at any rate underemployment, among the local population. It makes little odds whether this manpower surplus is due to the partial or even total disappearance of

traditional economic activities or to increased productivity in these. The establishment of new enterprises is a means not only of helping to place the economic structure of the country on a sounder basis, but also, more particularly, of safeguarding its regional balance by absorbing on the spot labour which is as present employed on unproductive and unremunerative work.

This improvement of regional balance, and with it of the whole structure of the national economy, can also be furthered by the introduction of new products over and above those traditionally manufactured by existing enterprises, or by the reconversion of enterprises in structural difficulties.

It was with these ends in view that the Grand Ducal Government secured the passage of this Act for the stimulation and implementation of regional development programmes.

Studies

General economic studies and surveys relevant to the establishment of new economic activities are drawn up by the Ministry of the National Economy. The Ministry also prepares, or if necessary arranges for outside experts to prepare, studies of a more specialized nature. Other Ministries may also co-operate on these where the individual cases comes within their technical purview.

Special appropriations under the Budget Act are made available each year to the Ministry of the National Economy to meet expenses and fees in connection with studies and appraisals carried out by persons not on its staff. Such studies may also be effected on the structure of the small and medium-industry sector and its component enterprises, in order to track down and inherent defects and thus facilitate the rationalization or reconversion of enterprises in structural difficulties.

The subsidies paid to the Office Luxembourgeois pour l'Accroissement de la Productivité are a fixed contribution to the latter's running expenses, enabling it to conduct the necessary studies in a field intimately affecting industrial reconversion and installation operations. Those studies which relate more particularly to the craft enterprises are carried out in co-operation with the Rationalization Department of the Chambre des Métiers.

The Office consists of representatives, in equal numbers, of the Chamber of Commerce, the Federation of Industrialists, the Chambre des Métiers, the General Confederation of Labour and the Confederation of Christian Trade Unions, so that both sides of industry are associated with its activities.

DIRECT ASSISTANCE TO ENTERPRISES

Financial Assistance

Subsidies/Grants

The Act of June 2, 1952

In order to facilitate operations directly contributing to the establishment, extension, reconversion and/or rationalization of industrial, craft and commercial enterprises and particularly calculated to improve the general structure or regional balance of the economy, the Ministries responsible may make available to enterprises:

grants to cover part of the capital costs involved by buildings, plant and equipment;

in the case of enterprises undergoing reconversion, grants to cover all or part of the cost of providing occupational retraining for the personnel;

in the case of new production activities, grants to cover all or part of the cost of providing vocational training for the personnel. This includes not only the installation of entirely new enterprises, but also the introduction of new production lines by existing firms.

The sum payable to any one enterprise in respect of capital costs must not exceed 15 % of the total capital costs involved by buildings, and 10 % of those involved by plant and equipment.

As a general rule, grants are paid over in one sum upon completion of the capital scheme; an advance of 50% of the grant approved in respect of the actual buildings may, however, be made as soon as the main structure has been erected.

Loans

Present means of action open to the Government under this head are, firstly, equipment credits, and secondly, reductions of interest charges.

Equipment credits

These are not granted either to heavy industry or to commercial undertakings. They were instituted by an Ordinance of the Ministry of Finance (now known as the Treasury) of May 5, 1948, for the benefit of small and medium industry. A number of amendments have since been made to the Ordinance.

Equipment credits may be granted, through authorized credit institutions, to the extractive industries and to enterprises processing raw materials or semi-finished products, whose own resources do not exceed Lfr. 50 million.

The credits granted, interest on which must not exceed 4 % inclusive of commission (the rate was reduced in 1961 from 4.5 %), must be expended on projects relating to production, of value to the national economy and, incidentally, to the building of industrial premises.

To be eligible for a credit an enterprise must also fulfil three further conditions:

- a) the works to be equipped must be located within the Grand Duchy;
- b) the majority of the personnel to be employed there must be resident in the Grand Duchy;
- c) the equipment paid for out of the credit must not be exported.

The credit applied for must amount to not less than Lfr. 250,000.

By a supplemental clause of April 20, 1950, craft enterprises were made eligible for equipment credits. The capital resources of the proprietor of the business must not exceed Lfr. 1,500,000, and the maximum credit payable per borrower is fixed at Lfr. 175,000. The maximum interest chargeable by the banks was originally fixed at 4.75 %, but was subsequently reduced to 4.5 %, and now stands at 4 %.

By a supplemental clause of April 5, 1951, the terms of the Ordinance were extended to cover the hotel industry. Credits are payable only to hotels serving meals as well as letting rooms. The ceiling per borrower is Lfr. 400,000, except where the hotel ranks as "of major importance to the tourist trade." The funds so advanced must be used for purposes of modernization and extension. The maximum rate of interest, originally fixed at 4.5 %, was reduced in 1964 to 4 %.

By a supplemental clause of April 18, 1964, equipment credits are available under the Ordinance to the Luxembourg inland waterway transport industry. The funds advanced at 4 % interest may be used solely for the acquisition of vessels by persons or companies domiciled in the Grand Duchy and undertaking to register their vessels in that country.

Interest Reductions

The Act of June 2, 1962

The Ministries responsible are empowered to allocate sums to authorized credit institutions to enable them to grant low-interest loans in respect of operations "directly contributing to the establishment, extension, reconversion and or rationalization of enterprises." Such loans must be employed for the direct financing either a) of the investments in land, buildings, plant and equipment needed to carry out the operations referred to or b) of intangible investments such as organization studies, research, and development of new products and manufacturing processes or for the reconstitution of cash reserves previously drawn upon for such financing.

The sums so allocated are to equal the difference between the regular rate of interest for this type of operation as fixed by Ministerial Order and the lower rate actually charged to the borrower.

The reduced rate must not be more than four points below the regular rate, and must in no case be less than 1 %.

Guarantees

The Act of June 2, 1962, contains the following provisions in this regard:

“The State’s guarantee may be given by the responsible Ministers with regard to the repayment of the principal, interest and service charges in respect of loans which carry interest reductions granted in accordance with the terms of the present Act.

“Such guarantee may not, however, exceed 50 % of any amount still owing, in the event of default, after the sale of the securities deposited in favour of the lender.”

Credit institutions applying for guarantees must inform the Ministries concerned what real or personal securities have been offered them. Should this not have been done, or should the details furnished be found to have been incorrect, the State guarantee will be automatically cancelled, although this will not in itself entitle the credit institution to terminate the loan contract. The institution concerned may, and if shown to have knowingly supplied false information, must be struck off the list of bodies approved for the purposes of the Act. The official declaration of failure to submit the necessary information, or of the submission of inaccurate information, will be made by the responsible Ministers after hearing the findings of the special commission set up to examine the criteria for granting assistance, studying applications and hearing the grounds adduced by applicants in support of these.

The total amount in respect of which State guarantees may be granted is fixed at Lfr. 200 million. Should the economic situation require, this may be increased to a maximum of Lfr. 400 million by an official Order promulgated at the specific request of the Council of State.

Fiscal Concessions

Exemptions and Reliefs

The Act of June 2, 1962. and implementing Order of August 18, 1962

The Act contains a number of important provisions concerning tax reliefs.

I. Production and social investments

The Act originally entitled taxpayers to deduct from their trading profits within the meaning of Section 2, 3, 2 of the Income Tax (Individuals) Act a proportion of the cost of acquisition or production of new investments in production plant and equipment, or of new social investments, effected in enterprises within the Grand Duchy during the financial years ending between 1962 and 1964 and intended to be of a permanent nature. This concession does not, however, include investments the cost of acquisition or production of which is below Lfr. 10,000 per item of capital goods.

By the Grand Ducal Ordinance of December 19, 1964, this period was extended for a further two years, *i.e.* to cover the financial years ending in 1965 and 1966.

The deduction is fixed at 30 % per enterprise per taxable year for the first tranche of new investments, up to Lfr. 2 million, at 20 % for the second tranche, from Lfr. 2 million up to Lfr. 250 million, and at 10 % for the third tranche, in excess of Lfr. 250 million.

II. Complementary investments

However, in the case of production investments amounting to over Lfr. 250 million per enterprise per taxable year, this deduction

may, at the enterprise's request, be replaced by the deduction of 20 % of the complementary investment should the amount of the latter percentage exceed that of the former. The term "complementary investment" is to be taken as meaning the difference between the cost of acquisition or production of the depreciable assets acquired or constituted during the taxable year (exclusive of assets acquired as the result of a transfer of ownership of an enterprise or independent portion of an enterprise) on the one hand, and depreciation during the year, plus the proceeds of disposals of depreciable assets during the year, on the other.

III. *Provisions relating to both categories of investments*

The deduction is made from the profits of the year of acquisition and the three subsequent years, at the rate of one-quarter in each.

In the case of assignments or transfers of ownership of an enterprise or independent portion of an enterprise, the new owner continues to be entitled to the relief, exactly as if no assignment of transfer had taken place.

IV. *Definition of investments*

The investment allowances referred to in I, II and III above can be claimed in respect only of new investments in production plant and equipment as defined in Article 12 of the Act of August 7, 1959, and of new social investments as defined by the Grand Ducal Order of July 30, 1960.

A. Article 12,7 ff. of the Act of August 7, 1959, remodelling certain provisions concerning the payment of income tax by individuals and by corporate bodies

"By 'production plant and equipment' is to be understood machines, tools and appliances, whether fixed or movable, and blast-furnaces, industrial furnaces and other similar installations, which constitute an industrial or craft enterprise's apparatus for extracting, processing, manufacturing, treating or evacuating its materials, products or wares, together with accessory machines, tools and appliances serving to connect such apparatus."

"The term does not include such items as

(1) plant and equipment serving solely or mainly for purposes of maintenance or repair;

(2) installations other than those listed in the foregoing paragraph, including shafts, roadways and other means of access to mineral deposits or workings;

(3) such facilities for the transmission, transport or distribution of energy or materials by land, air or water as do not form an integral part of the process of extracting, processing, manufacturing or finishing the enterprise's products as items of production apparatus within the meaning of the above paragraph or as connecting elements between such items;

(4) furniture, office equipment, portfolio holdings, patents, trade marks and similar assets."

"The term 'new investments' is to be taken as referring solely to investments in new production plant and equipment, or in plant and equipment so altered as to amount to a new item of production apparatus.

Details concerning the practical implementation of the foregoing provisions will be set forth in a Government Order."

B. Section 1 of the Grand Ducal Order of July 30, 1960, defining social investments eligible for investment allowances

"The term 'social investments' is to be taken as including ... investments in housing (one-family houses or blocks of flats) to be occupied by manual or office workers, or in other installations intended directly and primarily for the benefit of the enterprise's personnel, such as hospitals, dispensaries, dressing stations, canteens, cloakrooms, baths and sports facilities."

V. Procedure

Taxpayers wishing to claim the allowance must attach to their returns for the taxable year in which the relevant accounting period ends a statement concerning each of the assets acquired or produced as a production or social investment, giving

a) its exact designation, with a brief outline of its function in the enterprise's production process, or, in the case of a social investment, the purpose for which it is to be used;

b) the cost of acquisition or production;

c) its expected useful life.

Taxpayers whose new production and social investments represent an expenditure of over Lfr. 250 million during any one accounting year and who wish to claim the appropriate allowance must attach to their tax returns for that year a statement of the depreciable assets acquired, constituted or produced and depreciations effected therein; the term "depreciations" is to be taken as meaning ordinary and extraordinary depreciation, and deductions for wear and tear on depreciable assets.

VI. *New enterprises and new production lines*

Taxpayers launching during the period 1962-66 new enterprises or new production lines deemed particularly calculated to improve the general structure or regional balance of the national economy and stimulate its expansion may claim exemption from income tax and local trade tax in respect of one-quarter of the profits from the enterprise of production line for eight accounting years, provided this does not affect the profitability of existing enterprises not entitled to the same concession or to special tax reliefs under the present legislation.

The official ruling as to whether the enterprise of production line in question is in fact to be considered beneficial to the national economy is given by the Ministers responsible, on the basis of the recommendations of the Special Commission sitting with the addition of a delegate from the commune concerned.

To qualify for exemption, work on the investment project must have been started during the period 1962-66 and completed not later than 1967. If the operations have been held up by circumstances outside the entrepreneur's control, the Ministers may extend the time-limit. The exemption is for the financial year in which the project comes into service and the seven years following.

In the case of taxpayers launching a new production line as an extension to the production of an existing enterprise, the 25 % exemption is allowed in respect of profits only up to the value of 10 % of the cost of acquisition or production of the new fixed assets assigned to that production line. Moreover, where the net assessable capital assets exceed Lfr. 300 million, exemption will be allowed in respect only of 20 % of the enterprise's total profits.

To claim exemption, the entrepreneur must keep regular accounts; in the case of extensions to existing enterprises these accounts must

clearly show the profit accruing specifically from the new production line.

Special provisions concerning new enterprises attracted from abroad

With regard to direct taxes, the Treasury can allow fairly substantial reliefs to foreign enterprises establishing themselves in the Grand Duchy, provided:

- a) the enterprise's own capital is brought in from outside;
- b) that capital is deemed adequate to the enterprise's objectives;
- c) the new enterprise will not enter into competition with existing enterprises in the Grand Duchy.

These provisions are based in law on (1) Section 31 of the Income Tax Act, (2) Section 15 of the Local Trade Tax Act, and (3) Section 10 of the Property (Capital Assets) Tax Act.

Thus the Treasury may allow reductions in the rates of direct taxes for a period not exceeding the first ten years of the enterprise's operations, the amount of the reduction varying in accordance with the general economic value of the project in question.

The principle of annual taxation may be waived to the extent of permitting losses to be carried forward for the first ten operating years of the new enterprise.

Alternatively, the Treasury may allow such enterprises to write off special accelerated depreciation on their plant, itself fixing the duration and terms of the relief, as in the case of the reductions in direct taxes just referred to.

It should be emphasized that these provisions are applied only in very exceptional cases.

Assistance for Research on New Products

The Act of June 2, 1962

The provisions concerning reduction of interest charges also cover assistance for research.

As was noted in the relevant Section, low-interest loans may be granted in respect of operations designed "to promote the establishment, extension, reconversion and/or rationalization of enterprises." These provisions also apply to intangible investments such as organizational studies, research on and the development of new products and new manufacturing processes.

INDIRECT ASSISTANCE TO ENTERPRISES

Provision of Basic Services Preparation of Industrial Areas and Sites

The Act of June 2, 1962

The Act contains important provisions concerning acquisition, preparation and servicing of sites and buildings.

The Ministers responsible are empowered to make arrangements, if necessary with participation by the communal authorities, for buildings to be erected or for sites and buildings to be acquired and equipped for industrial, craft or commercial enterprises which are prepared to give the State certain undertakings as to the use to be made of these. The State is authorized to sell or rent the property concerned to such enterprises, if desired, by agreement.

The use to be made of the sites and buildings is to be clearly stated in the bill of sale or lease, as is the compensation to be paid should the enterprise fail to carry out its side of the contract.

Such acquisitions of sites and buildings rank as transactions in the public interest, which means that they will come within the terms of the Act of December 17, 1859, concerning compulsory purchase in the public interest.

Participation by local authorities

The State acts in this field in close co-operation with the authorities of the Communes concerned. The Government considers this co-operation most important, and the Act accordingly entitles the local authorities to participate in the investment operations not only administratively but also financially. Accordingly, the Communes are,

where necessary, to obtain capital subsidies or grants, which often enable them to give most useful assistance towards the establishment of new industries

Assistance at local level may take all kinds of forms: it is, however, mainly concentrated on the preparation of the sites and buildings which the incoming enterprises will need, and also, in particular, on the provision and improvement of the basic services so vital to all normal development.

Pre-built Factories

Assistance for the construction of industrial buildings

Action by the State and the Communes with regard to financial assistance for the building of factories and workshops is closely linked with that concerning the preparation of industrial belts and sites. No distinction is as a rule made among these various types of operation: in most cases combined action is taken on behalf of individual enterprises.

The relevant provisions are set forth in a single article of the Act of June 2, 1962, dealing with the acquisition and preparation of sites and premises.

Up to now, the system of pre-built factories is unknown in Luxembourg.

Workers' Housing

Mention should be made of the Luxembourg authorities' activity in the housing field, much of it directed to the provision of dwellings for workers.

The bodies mainly responsible for such building programmes are the Communal Councils and the Société Nationale des Habitations à Bon Marché. Purely private building activities, and also the building schemes of the iron and steel companies, fall outside the scope of this paper.

The official assistance provided by the State and the Communes takes the form of building grants, low-interest loans and interest subsidies.

Control of leases

In 1945, following the example of most of the neighbouring countries, Luxembourg made a start on legislation to control the housing market, in view of the imbalance between requirements and availabilities.

By the Grand Ducal Order of January 24, 1945, it was laid down that leases were to be automatically extendable and rents fixed by law. In essence, this Order, as confirmed and supplemented by a fresh Order of December 24, 1945, remained in force up to the promulgation of the Act of July 20, 1950. Under the present Leases and Rents Act of February 14, 1955, residential leases may still as a rule be extended by the magistrates at the request of the lessee, and rents must be fixed in accordance with a specified ceiling; control of commercial and industrial leases, however, has been pretty well dropped.

The landlord's legal rights to regain possession, even in the case of residential leases, was all along maintained both in law and in

practice, provided he or his family could prove that they needed the premises for themselves.

Building grants

State aid was essential to give the initial impetus to a housing drive, though at the same time it would obviously not be possible for such a drive to be launched at all until the war-devastated areas ceased to absorb the whole of the country's resources in this connection. Official action by the authorities took the form first and foremost of building grants under the Ministerial Order of February 19, 1949, subsequently supplemented by other legislation: the instrument now in force in the Ministerial Order of April 30, 1956, as amended and codified by the Ministerial Orders of June 15, 1959, January 2, 1963, June 1, 1963, and May 11, 1964.

Originally, under the 1949 Order, the object of the building grants was to promote the actual building of houses in order to remedy the existing shortage, but the present system as instituted by the 1956 and 1959 Orders is rather designed to assist the more poorly-off sections of the population to acquire ownership of their houses.

Apart from a supplementary grant, amounting to 50 % of the State grant, paid by some of the larger Communes, the minimum figure has since January 2, 1963, been Lfr. 28,000, plus a family supplement of Lfr. 6,000 for each of the first two children under 18 and Lfr. 9,000 for each younger child. The family supplement may also be claimed in respect of children born up 300 days after the making of the grant. In practice grants are allotted in favour of persons (who are as a rule required to be Luxembourg nationals) wishing to build one-family houses not exceeding a given value; persons already owning a house, or having a taxable income over a specified figure, or possessing sufficient means of their own, are not eligible.

Purchase grants

The 1959 Order provides that purchase grants may be made in respect of houses not covered by the regulations concerning building grants, but only to persons having three or more children under 18 at the date of the conclusion of the legally-authenticated deed of

purchase or within 300 days thereof, to widows with two or more children and to war casualties and victims of accidents at work drawing a pension for 50 % disability or over, irrespective of the number of children.

The amount of the purchase grant may not exceed 30 % of the value of the house in question.

Housing improvement grants

Since 1952 grants have also been available for the improvement of sanitary and other conditions in existing dwellings owned by persons whose means are below a specified limit.

Such grants are fixed at 25 % of the cost of the necessary work up to a total of Lfr. 50,000 and at 10 % thereafter: the total amount of the grant itself must not exceed Lfr. 24,000, plus a family supplement of 10 % for each child below the age of 18.

Subsidies for improvement of foreign workers' accommodation

Under the Ministerial Ordinance of July 1, 1963 (superseding the Ordinance of July 25, 1962, which originally instituted the arrangement), the State may pay subsidies up to a given amount to employers laying out funds to provide decent accommodation for foreign workers on their payroll, or to associations of employers formed for this purpose.

Subsidies under this head are payable towards expenditure on

- (1) the acquisition or construction of accommodation;
- (2) the fitting-out and improvement of existing premises, including those owned by third parties;
- (3) the purchase of furniture.

The amount of the subsidy is Lfr. 30,000 per worker so benefiting, to a total not exceeding 30 % of the aggregate expenditure directly involved in the provision of workers' employees' housing generally (Lfr. 28,000 for the building, acquisition or improvement of the actual premises and Lfr. 2,000 for furniture).

Applications for subsidies may be rejected, or met only in part, if the applicants are already in receipt of State subsidies for the purposes listed in the Act of June 2, 1962.

Low-interest loans and interest subsidies

By the law of July 13, 1949, the State Savings Bank was authorized to grant low-interest loans for the building of new houses for people in the lower income-brackets. This the Bank duly did, drawing for the purpose on long-term deposits lodged by the social-security institutions, and in particular by the Etablissement des Assurances Sociales.

In the case of large families (3 children under 18), of widows with two children, and of war and accident victims with a disability of 50 % or over, the State continues to pay a subsidy to enable the interest on loans contracted for the purpose of residential building or purchase of accommodation to be reduced to 2.5 %.

Mortgage loans at the regular rates of interest

In recent years the amounts advanced by the State Savings Bank on the regular terms for building purposes have reached considerable proportions. The Bank's share in the total sum made available for building is easily the largest: the contributions of the Private Employees' Pension Fund and the Small Businesses' Pension Fund (which are official bodies), and of the Central Farmers' Fund and other, smaller semi-public and private organizations, may be put at one-third of the whole.

If building activity can be continued at the present rate for some time to come, housing availabilities in Luxemburg should ultimately reach a satisfactory level, and a large and stable section of the working-class population should be able to live in one-family houses of their own.

ARRANGEMENTS BENEFITTING WORKERS

Vocational Training and Occupational Retraining

The Act of June 2, 1962

As was mentioned in the Section on financial assistance, the State is to be empowered to make available capital subsidies and grants to cover all or part of expenditure incurred in connection with the vocational training of workers (in the case of new enterprises being installed) or their occupational retraining (in the case of enterprises undergoing reconversion). The introduction of a new production line by an existing enterprise is to rank as a "new installation" entitling the enterprise to assistance under this head.

OTHER ARRANGEMENTS

Measures to Facilitate Foreign Investment

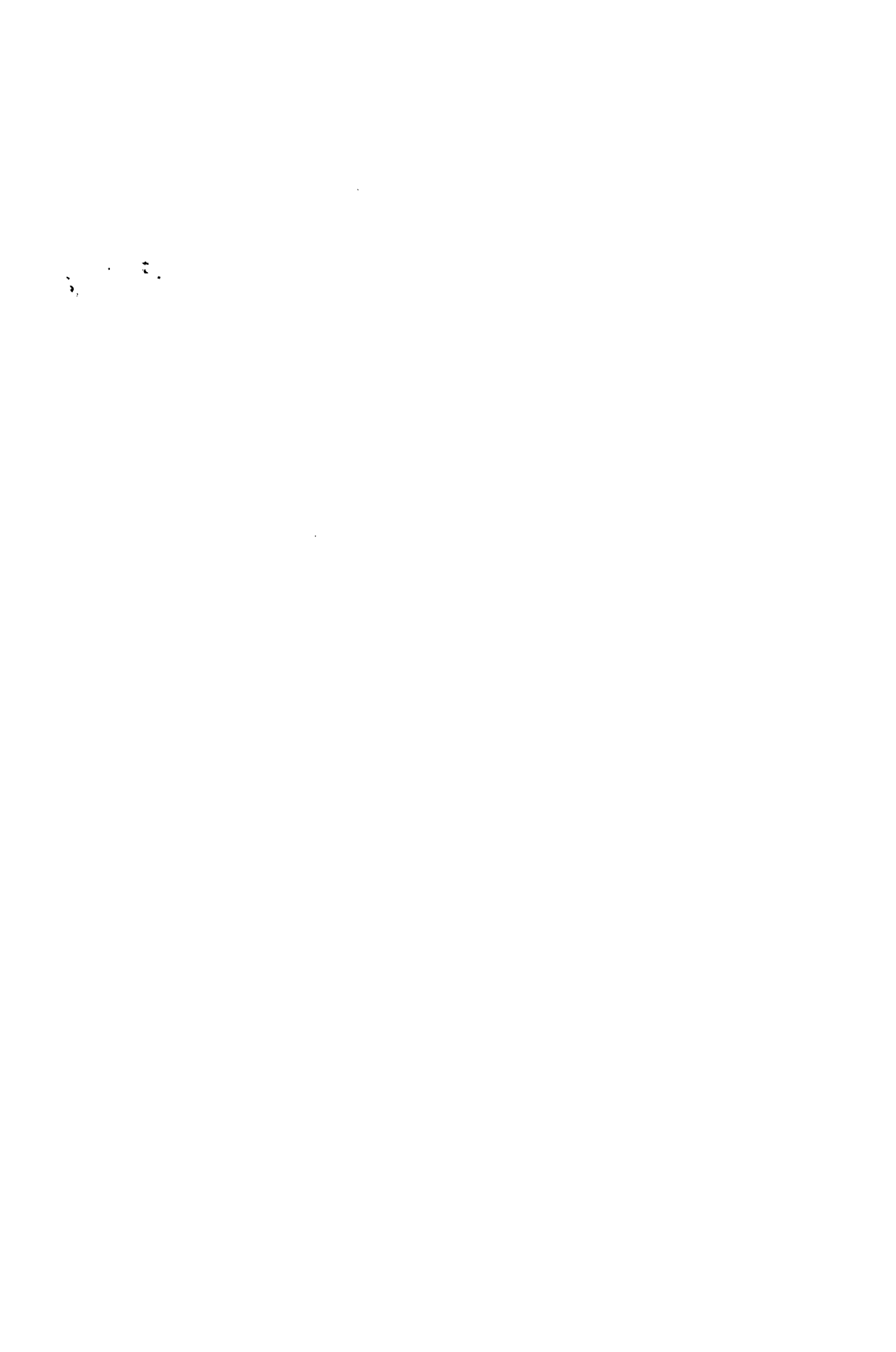
Fairly substantial rebates on direct taxes may be granted by the Treasury to new enterprises setting up in the Grand Duchy from outside. The enterprise must bring in capital of its own from abroad, and rebates will be granted only provided the capital is adjudged to be on a scale adequate to the enterprise's objectives, and provided the enterprise will not enter into competition with existing firms in the Grand Duchy.

In such cases, reliefs, in the form of reductions in the rates of direct taxation, may be granted for a period not exceeding the enterprise's first ten operating years.

The principle of annual taxation may be waived to allow the new enterprise to carry forward its losses for the first ten years of its activities.

The Treasury may also allow new enterprises setting up in the Grand Duchy from outside to effect special accelerated depreciations on their plant; as in the case of the rebates on direct taxes just referred to, the duration and terms of these reliefs are fixed by the Treasury case by case.

All the above arrangements are permitted only in exceptional cases.



NETHERLANDS

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GENERAL ARRANGEMENTS

Introductory Remarks

With the country's population increasing by leaps and bounds, it is necessarily one of the main concerns of Government economic policy to secure a high and stable level of employment. That policy is primarily aimed at promoting the healthy and balanced growth of the national economy. To this end the Government in 1949 launched a definite campaign of area industrialization: as developed over the years, this has throughout rested on the principles of

- (1) countering or preventing structural unemployment in particular parts of the country;
- (2) arresting the traditional drift of population away from certain regions and consequent impoverishment there;
- (3) encouraging dispersion of industry under the official town and country planning policy.

When the area-industrialization drive was first begun at the end of the nineteen-forties attention was concentrated more especially on 1; in course of time, however, the emphasis shifted to the other two, and particularly to 3.

In order to prevent excessive concentration of activity in the western Provinces—where half the country's population are living crowded into one-fifth of its territory—and to enable industrial employment to be spread more evenly, the Government is conducting an area industrialization policy, designed, by affording substantial incentives, to encourage enterprises to set up in other parts of the Netherlands.

The main purpose in this policy is to establish conditions more attractive to industrialists in the officially-designated "stimulation

areas" (primarily agricultural regions with less industry than the rest of the Netherlands), more particularly by the construction or improvement of communications ("infrastructure"). This is not, however, the sole object of the policy, which is aimed at the betterment of the whole environmental background. Special efforts are also being made to train more skilled workers by providing more and better technical-instruction facilities in these areas.

However, this will all take a good many years. Meantime, to encourage enterprises to set up now in the regions in question, the Government has instituted a system of grants and subsidies for industrial buildings and of price reductions for industrial sites. To avoid dissipation of money and effort, these concessions are not obtainable everywhere in the stimulation areas, only in the localities specified as "growth points."

Problem Areas and Individual Development Foci



Legal and Financial Provisions

1930

Act of October 30, 1930, establishing the Centrale Organisatie voor Toegepast Natuurwetenschappelijk Onderzoek (Central Organization for Applied Research).

1941

Decree concerning income tax, 1941 (Articles 8, 3 and 8a, 1).

1942

Decree concerning company and corporation tax, 1942 (Article 6, 1).

1944

Royal Decree No. E 51 of July 17, 1944, containing regulations concerning employment exchange and training, refresher-training and retraining facilities.

1948

Budget, Section X (Economic Affairs), item headed "Compensation to Maatschappij tot Financiering van het Nationaal Herstel N.V. (the national reconstruction corporation), or to institutions designated by the latter, in respect of losses of principal and interest incurred on special credits advanced with State guarantee for the establishment, extension or modernization of enterprises rated as necessary in the general interest."

1949

Memorandum concerning the industrialization of the Netherlands (Ministry of Economic Affairs, September 1949).

1950

Memorandum No. 2 concerning the industrialization of the Netherlands (September 1950).

1951

Budget Act of July 13, 1951 (*Staatsblad* No. 291), containing provisions in favour of the south-eastern portion of the Province of Drenthe.

Memorandum No. 3 concerning the industrialization of the Netherlands (September 1951).

1952

Budget Act of June 23, 1952 (*Staatsbladen* Nos. 358, 359 and 360), containing provisions concerning development programmes for growth areas.

1953

Memorandum No. 4 concerning the industrialization of the Netherlands (March 1953).

Ministry of Social Affairs and Public Health Directive No. 1803 of April 17, 1953, fixing the amount of the training allowance.

Government Paper No. 20649 of July 29, 1953 (*Nederlandse Staatscourant* No. 145 of July 30, 1953): *Premieregeling bevordering industrievestiging kerngemeenten* (System of grants to encourage industry to set up in communes scheduled for development).

Decree authorizing investment allowances (incorporation Article 8a, 1 of the 1941 Decree concerning income tax).

1954

Authorization of Enterprises Act of July 7, 1954 (*Staatsblad* No. 339).

1955

Ministry of Social Affairs and Public Health Directive No. 72 of January 13, 1955, fixing the amount of the training allowance.

Ministry of Social Affairs and Public Health Directive No. 4899 of July 26, 1955, concerning subsistence allowances.

Memorandum No. 5 concerning the industrialization of the Netherlands (September 1955).

Ministry of Social Affairs and Public Health (Division R.A.B.) Directive No. 5993, of October 14, 1955, concerning allowances for travel expenses.

1956

Government Paper No. 2496 NAP 103 of June 12, 1956 (*Nederlandse Staatscourant* No. 115 of June 15, 1956), superseding Government Paper No. 20649 of July 29, 1953.

1957

Ministry of Social Affairs and Public Health Employment Department, Directive No. 25830 of January 3, 1957, concerning compensation for loss of wages.

Government Paper No. 4186 NAP 103 of February 19, 1957 (*Nederlandse Staatscourant* No. 36 of February 20, 1957), supplementing Government Paper No. 2496 of June 12, 1956.

Ministry of Social Affairs and Public Health (Division R.A.B. 3c) Directive No. 28193 of April 1, 1957, fixing the amount of the training allowance.

Government Paper No. 11981 NAP 103 of April 25, 1957 (*Nederlandse Staatscourant* No. 81 of April 26, 1957), supplementing Government Paper No. 2496 of June 12, 1956.

Act establishing the Stichting Industrieel Garantiefonds (Industrial Guarantee Fund Foundation) (*Staatsblad* No. 295 of July 18, 1957).

Ministry of Social Affairs and Public Health (Employment Department) Directive No. 32189 of July 30, 1957, concerning compensation for loss of wages.

Act of July 31, 1957 (*Staatsblad* No. 288), suspending the regulations in respect of investment allowances.

1958

Report *De ontwikkeling van het Westen des Lands*, ("Development of the West of the Country"), submitted by the Rijksdienst voor het Nationale Plan (the national planning authority) to the Minister of Housing and Building in January 1958.

Government Paper No. 2167 NAP 103 (*Nederlandse Staatscourant* No. 22 of January 31, 1958), supplementing Government Paper No. 2496 of June 12, 1956.

Government Paper No. 6924 NAP 103 (*Nederlandse Staatscourant* No. 43 of March 3, 1958), supplementing Government Paper No. 2496 of June 12, 1956.

Memorandum No. 6 concerning the industrialization of the Netherlands (May 1958).

National Budget Act of September 1958, Section X, relating to the financial year 1959, item designating problem areas (*Staatsblad* No. 274, 1959).

Meerjarenplan voor ruilverkaveling en andere cultuurtechnische werken in Nederland (Phased Programme for Land Redistribution and Other Land-Improvement Projects in the Netherlands), submitted by the Centrale Cultuurtechnische Commissie (Central Commission for Land Improvement) to the Minister of Agriculture, Fisheries and Food, in October 1958.

Act extending certain temporarily increased direct taxes and regulations in respect of accelerated depreciation and investment allowances (*Staatsblad* No. 651 of December 31, 1958).

1959

Ordinance No. B 8/5780 of January 7, 1959 (*Nederlandse Staatscourant* No. 7 of January 12, 1959), amending the 1954 Directive concerning time-limits for accelerated depreciation.

Ministry of Economic Affairs Paper No. 1450 NA 185 (*Nederlandse Staatscourant* No. 75 of April 20, 1959), setting forth a system of grants and price-reduction facilities in connection with the "promotion of industrialization in growth points."

Ministry of Economic Affairs Paper No. 1849 NA 185 (*Nederlandse Staatscourant* No. 75 of April 20, 1959), designating localities for industrial promotion in problem areas.

Ministry of Economic Affairs Paper No. 3755 NA 185 (*Nederlandse Staatscourant* No. 140 of July 23, 1959), designating further localities for industrial promotion in problem areas.

1960

Nota inzake de ruimtelijke ordening (Memorandum on Town and Country Planning), submitted to Parliament by the Minister of Housing and Building in September 1960.

Memorandum No. 7 concerning the industrialization of the Netherlands (November 1960).

1962

A second Government Paper (*Nederlandse Staatscourant* No. 147 of August 1, 1962) concerning grants and price-reduction facilities in connection with the promotion of industrialization in growth points.

1963

Memorandum No. 8 concerning the industrialization of the Netherlands (April 1963).

Ministry of Finance Directive No. B 3/12492 concerning accelerated depreciation (*Nederlandse Staatscourant* No. 166 of August 28, 1963).

1964

Ministry of Finance Directive No. B 4/1544, concerning accelerated depreciation and investment allowances (*Nederlandse Staatscourant* No. 22 of January 31, 1964).

Nota inzake het te voeren industriepreidingsbeleid 1965 t/m 1968 (Memorandum on Distribution of Industry Policy 1965-68 inclusive), submitted to Parliament by the Secretary of State for Economic Affairs in July 1964.

Letter on distribution of industry policy from the Secretary of State for Economic Affairs to Parliament (October 26, 1964).

State Secretariat of Economic Affairs Paper No. 364/10500 NP'100 (*Nederlandse Staatscourant* No. 241 of December 10, 1964), concerning grants and price-reduction facilities in connection with the "promotion of industrialization in growth points."

In accordance with the suppression from January 1, 1965, of the 1941 Decree concerning income tax by the 1964 Income Tax Act, Ministry of Finance Directive No. B 4/1544 of January 31, 1964, was amended by the issuance of Ministry of Finance Directive No. B 4/17635 concerning accelerated depreciation and investment allowances (*Nederlandse Staatscourant* No. 253 of December 29, 1964), providing that:

(1) Plant and equipment acquired or modernized after December 31, 1964, shall cease to be eligible for accelerated depreciation under the Act;

(2) Capital projects for the construction of industrial premises after December 31, 1964, shall cease to be eligible for investment allowances under the Act.

Competent Authorities

At national level

The Ministry of Economic Affairs is the authority immediately competent to apply the relevant laws and regulations, and more especially those designed to stimulate the provision of suitably-prepared industrial sites and the construction of industrial premises on these, for which the scheduled growth points may claim price-reduction facilities and/or grants. The Ministry has a Directorate-General for Industry and Commerce.

Other Ministries may also take partial responsibility in the application of specific laws or regulations, e.g. the Ministry of Social Affairs and Public Health, the Ministry of Housing and Town and Country Planning, and the Ministry of Transport and Communications.

Co-ordination is ensured by two interdepartmental committees, the Problem Areas Industrial Development Committee, with its secretariat at the Ministry of Economic Affairs, and the Interdepartmental Committee on the Problem Areas, with its secretariat at the Ministry of Culture, Recreation and Welfare Work.

Town and country planning is the responsibility of the Rijksdienst voor het Nationale Plan.

At regional level

The Provincial and communal authorities have certain powers entitling them to take action to promote the establishment of new activities.

The Institutes of Economics and Technology, which were set up about 1930, may conduct studies on regional problems within their own Province with a view to the promotion of area development, and more particularly of industrialization.

Regional Development Programmes

The industrialization drive in the Netherlands is not aimed merely at the extension of industry already established in the traditional industrial centres, but also at creating new industrial centres in certain designated areas, mostly those where structural unemployment seems likely to occur in the future in consequence either of a very high birth/death ratio or of falling agricultural manpower requirements, and where there is not enough industry to absorb the surpluses.

The Government's "Memoranda on the Industrialization of the Netherlands," of which it has submitted eight to Parliament since 1949, go into these problems in detail and indicate ways and means of improving the economic structure of the areas in question.

Area industrialization policy as pursued since the early nineteen-fifties falls roughly into three periods.

Between 1952 and 1959 attention was focused directly on increasing the number of industrial jobs in nine selected "development areas" which had suffered for years from widespread structural unemployment. The policy was thus based primarily on social considerations: the fact that it did at the same time serve to spread employment more evenly was only a by-product, though an important one.

In the ensuing period, running from April 1959 to January 1, 1965, the efforts to combat structural unemployment and population drift in the "problem areas" were coupled with an active push to secure a better distribution of industrial employment over the country as a whole. This was undertaken for the following reasons. The western Netherlands are very densely populated indeed, with 760 inhabitants to the square kilometre overall, and in the great conurbation known as "Randstad Holland"—comprising the cities of Dordrecht, Rotterdam, Delft, The Hague, Leyden, Haarlem, Velsen, Amsterdam, Hilversum and Utrecht—2,600. As a result of this con-

centration of population, which is still increasing, problems are arising with regard to recreation, transport and water supply, and to air pollution by the steadily expanding industries of the region. Sites for industrial building are scarce, and are having to be reserved as far as possible for those industries which are tied geographically to the economic activities in and around the major seaports. With the advancing economic unification of Western Europe, these ports are playing a more and more important role as the gateway to the great Western European market. It is thus understandable that the Government should be anxious to encourage the industries not necessarily tied to the western region to settle in other parts of the country.

Under this policy, a number of regions which surveys had shown were likely to suffer from exceptionally high unemployment in the near future unless the Government took action were designated as problem areas. Thanks to the incentives offered to industry, and in part also to the continuing high level of economic activity generally, the employment situation there has noticeably improved; at the same time the Government's measures enabled useful progress to be made towards its objectives with regard to town and country planning.

This new approach to area industrialization—distribution of industry in line with town and country planning policy—was first outlined in Memorandum No. 6 on the Industrialization of the Netherlands, and elaborated in detail in Memorandum No. 8. In the Memorandum on Distribution of Industry Policy 1965-68 inclusive, of July 1, 1964, however, the focus is entirely on the town and country planning side. Various points arising in this connection are further elucidated in a letter of October 26, 1964, by the Secretary of State for Economic Affairs to Parliament.

The two latter documents set forth the policy to be followed in the third period of the industrialization process, after 1964. Generally speaking, it differs little from that of the second period, 1959-65, being merely adjusted here and there to altered economic circumstances. To beat structural unemployment is no longer the main aim, as it was in the two preceding periods, since this evil is now found to any real extent only in a few relatively small areas, most of them mainly agricultural and as yet hardly under way with industrialization. The Government is of course continuing to give them its attention, but the principal emphasis is now on the even distribution of industrial employment over the country in general.

In accordance with this shift in focus, the term "problem areas" has been changed to "stimulation areas."

The stimulation areas designated are

- a) the Provinces of Groningen, Friesland and Drenthe and adjacent portions of the Province of Overijssel;
- b) the northern portion of the Province of North-Holland;
- c) the Province of Zealand plus the south-western fringe of the Province of North Brabant;
- d) an area lying partly in the east of the Province of North-Brabant and partly in the north of the Province of Limburg.

Growth points

Within the stimulation areas, a number of localities are designated as "primary growth points" or "secondary growth points." There are 20 primary and 27 secondary growth points.

The primary growth points, on which the area development policy is chiefly concentrated, are places of some size, usually selected because, in virtue of their geographical location and position as the centre of a district, they are capable of being developed to a point from which they can carry on by their own momentum, taking the rest of the district with them. Their structure, good public services and utilities and position in local affairs offer the possibility that they will evolve into quite busy thriving little places suitable for further industrialization.

The secondary growth points are localities already scheduled for development prior to 1965, but playing a more limited role in the life of the area.

A number of special stimulation arrangements are in force in both categories, but in the case of most of the secondary growth points these are to expire by December 31, 1968.

Communications

Like its predecessors, the current industrialization policy for the stimulation areas and growth points devotes a good deal of attention to communications.

The infrastructure programme for the stimulation areas contains special provisions only, as a rule, in respect of projects which are of importance for purposes of area industrialization but which would have to be shelved or postponed unless special financial assistance was forthcoming. The term "infrastructure" includes all public works (roads, waterways, bridges, etc.) directly connected with industrialization in the stimulation areas. More indirect contributions, such as the construction of schools, houses and so on, are not provided for in the programme.

The programme represents a co-ordinated corpus of national-level and lower-level projects. The basis is constituted by the national highways to and in the stimulation areas, the aim being that this network should be extended by regional and local action. Such measures will undoubtedly also benefit the regions bordering on the Randstad.

The object is thus primarily to open up the stimulation areas to traffic, and at the same time to improve communications between the individual growth points within them. For the first purpose accelerated operations are in progress on selected national highways (first-class roads); for the second, selected second-class and third-class roads are also being laid or improved in cases where they supplement the highways (existing or planned). In addition, some existing roads within the growth points are having to be improved and new ones constructed, the latter mainly those calculated to make the growth point itself and/or its industrial sites more accessible.

The infrastructure programme also covers waterway projects and improvements and extensions to public utility services. The Provincial authorities have submitted programmes for the years 1965-68.

The Government, after considering the financial feasibility of the Provinces' recommendations, has authorized an appropriation of Hfl. 165 million to help cover the costs of projects undertaken as part of the phased 1965-68 infrastructure programme by the lower-level public authorities, plus Hfl. 40 million for the expedited implementation of national-level projects.

The Problem Areas Industrial Development Committee set up in 1959 advises the Minister of Economic Affairs both on the character and content of the programme as a whole and on the separate sub-programmes to be drawn up each year.

The agricultural sector

In most of the highly-developed countries agriculture including horticulture is at present passing through a transition period. The change-over to more mechanized production, coinciding with a general increase in prosperity, is causing serious complications in this sector: the expansion in agricultural production is well ahead of that in consumption, and the prices which farmers can obtain for their products are too low for them to meet the considerable expense necessitated by technological advance in agricultural methods. Such special devices as price subsidies and quota restrictions are quite inadequate to solve the structural problem involved. The real trouble is that the methods of cultivation as practised in the Netherlands do not always lend themselves to mechanization. The Government has therefore decided not merely to stimulate the creation of new employment opportunities in the rural areas by encouraging industry to move into specified growth points, but also to try to make existing employment opportunities more promising and attractive. With this object, it has introduced a phased programme of land redistribution and other land-improvement projects. This provides that each year approximately 40,000 hectares of land are to be scheduled for redistribution, while at the same time various allied projects are to be carried out, relating to such matters as means of access, size of, plots and drainage. By these means farms and holdings will be brought more into line with modern requirements. The Government may provide grants of subsidies covering up to 60 or 70 % of the total costs incurred, where responsibility for providing these cannot be transferred to other bodies.

Districts are assessed, in accordance with fixed criteria, as to the size and type of the farms there, and on the basis of this assessment particular districts may be given priority over the rest. Where a district lies within an officially-scheduled stimulation area, this is considered to entitle it to priority.

In this way it is possible to ensure proper co-ordination between the various land-improvement measures involving the mechanization of farming, and hence at the same time the displacement of agricultural workers, and the measures to attract industry to the foci of concentration in the areas concerned.

Compensation on cessation of farming activity

To assist agricultural rationalization, the Stichting Ontwikkelings- en Saneringsfonds voor de Landbouw (Agricultural Development

and Reconstruction Foundation) may in appropriate cases, upon application, pay compensation to farmers or smallholders who are going out of business. To be eligible, the applicant must, *inter alia*, be 54 years of age or more and have had an average income in the previous three years of not more than Hfl. 6,500 per annum, of which over 50 % was derived from his farm or holding.

Compensation rates range from Hfl. 225 per month where the beneficiary was aged 55 at the time of ceasing to work his land to Hfl. 392 where he was aged 59 and Hfl. 451 where he was between 60 and 65. These rates are payable up to the age of 65: thereafter the amount is reduced to Hfl. 95 per month, but this involves no actual loss of income as the beneficiary is from then on entitled to draw old-age pension in addition.

Studies

Approximately one-half of the population of the country lives and works in one-fifth of its territory, in the three western Provinces of North Holland, South Holland and Utrecht.

A study of the problems in connection with this concentration of population was made by the Working Party on the Western Netherlands set up in 1951, which in 1958 issued its report, *De ontwikkeling van het westen des lands* (The Development of the West). A section on this region, *Het westen en overig Nederland* (The West and the Rest of the Netherlands), was also included in the *Nota inzake de ruimtelijke ordening in Nederland* (Memorandum on Town and Country Planning in the Netherlands) submitted to Parliament by the Minister of Housing and Building on September 27, 1960.

More recently, ideas have changed somewhat concerning this approach of "the West *v.* the Rest" so much in evidence both in the Working Party's report and in the Memorandum. It has come to be felt more and more that dispersion alone will never be the whole answer: the aim must be to refocus town and country planning rather on establishing a better balance between the policy of stimulation for the less urbanized areas (the north and Zeeland with its environs) and the policy of improving the amenities of the areas of very marked urbanization.

The stimulation drive will be mainly concentrated on broadening the whole basis of existence of the areas concerned by progressive industrialization.

The Rhine-Maas-Scheldt delta contains three great urban complexes, the Ruhr, the Randstad Holland and the Belgian-North French agglomerations, all expanding vigorously and in process of convergence. If present trends continue, this region, with a population already totalling something like 20 million, will ultimately become one enormous built-up area. Under the influence of this international

movement, urbanization in the Netherlands is becoming concentrated in the southern half of the country, south of a line from Alkmaar to Arnhem. Some nine million out of a total population of about 12 million are already living there. The only part of this region still in a retarded stage in Zeeland, and even this will before long be caught up in the urbanization process, for the Scheldt basin will be very directly involved in the growth of the Randstad. Present estimates of population trends in the different parts of the Netherlands suggest for the year 2000 something like 8-9 million in the west (including Zeeland), 3-4 million in the east, 4-5 million in the south and 2-3 million in the north, *i.e.* a possible total of round about 20 million.

It is intended to issue a second Memorandum on Town and Country Planning in 1966, in which these matters will be further examined.

DIRECT ASSISTANCE TO ENTERPRISES

Financial Assistance

Subsidies/Grants

Government Paper No. 364/10500 NP'100, issued by the Directorate-General for Industrialization and Energy Supply (directorate of Regional Industrial Affairs) of the State Secretariat of Economic Affairs on December 10, 1964, under the title *Stimulering Industrievestiging Ontwikkelingskernen* (Stimulation of Industrialization in Growth Points), outlines a system of grants in aid of new industrial building. (See *Nederlandse Staatscourant* No 241 of December 10, 1964.)

Under this scheme, industrialists in the localities designated by the Secretary of State as primary and secondary growth points are eligible for Treasury assistance in the form of either grants or price reductions, or both.

The following are scheduled as primary growth points:

- a) Province of Groningen:
Delfzijl, Groningen, Hoogezand, Veendam;
- b) Province of Friesland:
Drachten, Heerenveen, Leeuwarden, Sneek;
- c) Province of Drenthe:
Assen, Emmen, Hoogeveen;
- d) Province of Overijssel:
Kampen, Zwolle;
- e) Province of North-Holland:
Den Helder, Hoorn;
- f) Province of Zeeland:
Terneuzen, Zuid Sloe (otherwise known as the Port of Flushing East);

- g) Province of North-Brabant:
Bergen op Zoom, Oss;
- h) Province of Limburg:
Weert.

The following are scheduled as secondary growth points:

- a) Province of Groningen:
Leek, Stadskanaal including the adjacent industrial site of Nieuw-Buinen, Ter Apel and Winschoten;
- b) Province of Friesland:
Bergum, Dokkum, Harlingen, Kootstertille, Lemmer, Oostervolde and Wolvega.
- c) Province of Drenthe:
Coevorden, Klazienaveen, Meppel and Roden;
- d) Province of Overijssel:
Hardenberg;
- e) Province of North-Holland:
Enkhuizen and Medemblik;
- f) Province of Zeeland:
Goes, St. Maartensdijk and Zierikzee;
- g) Province of North-Brabant:
Bladel, Cuyck, Etten and Uden;
- h) Province of Limburg
Panningen and Venray.

Grants for industrial building

A. Establishment

An entrepreneur setting up in a growth point and constructing new, permanent industrial premises on an industrial site designated by the Minister of Economic Affairs as eligible under the assistance scheme is entitled to a grant.

In primary growth points the scale of grants is as follows:
Hfl. 30 per sq.m. useful floor space for the first 2,000 sq.m.
Hfl. 45 per sq.m. useful floor space for the next 2,000 sq.m.;
Hfl. 60 per sq.m. useful floor space beyond 4,000 sq.m.

In secondary growth points the grant is payable at a flat rate of Hfl. 30 per sq.m. useful floor space.

In no case may the total amount of the grant exceed Hfl. 1,500,000.

B. *Extension*

An entrepreneur carrying out an extension for the first time is in principle eligible for a grant if he received or was promised one under the same or the previous system of grants in connection with the original establishment of his enterprise.

Extension grants, which are payable at a rate of Hfl. 30.— per sq.m. of useful floor space up to a maximum of Hfl. 300,000, must be applied for within two years of the completion of the enterprise's main premises.

For both types of grant it is a condition that the new buildings must contain a useful floor space of not less than 750 sq.m. in all (including upper storeys), and that at least 30 % of the total capital for the project must be furnished from the enterprise's own resources.

Grants may also be made where the local authorities are undertaking the construction and then selling the completed premises to the entrepreneur. The latter paying the purchase-price by instalments spread over not more than 20 years: in such cases the grant is paid over to the local council, which must deduct the corresponding amounts from the entrepreneur's instalments.

Price reductions for industrial sites

Concessions are also allowed to entrepreneurs purchasing property on a scheduled industrial site in a growth point for purposes of industrial building, or leasing such property from the local authorities (in which case the latter are paid the amount of the reduction, and the entrepreneur is charged a correspondingly lower rental for twenty years).

Where the actual ground to be built on covers 20 % or more of the site acquired, a 50 % reduction in the sale price or ground rent is allowed; where less, the reduction is proportionately smaller.

Similar concessions are available to entrepreneurs effecting a first extension, not only as regards further building (up to a maximum of 20 %) but also as regards purchase of additional ground. The total price reduction for the original building project plus any extension may in no case exceed Hfl. 1,500,000.

Entrepreneurs wishing to be considered for grants or price reductions must apply to the Minister of Economic Affairs through the council of the commune concerned, or in the case of the Zuid-Sloe area through the authorities of the Province of Zeeland.

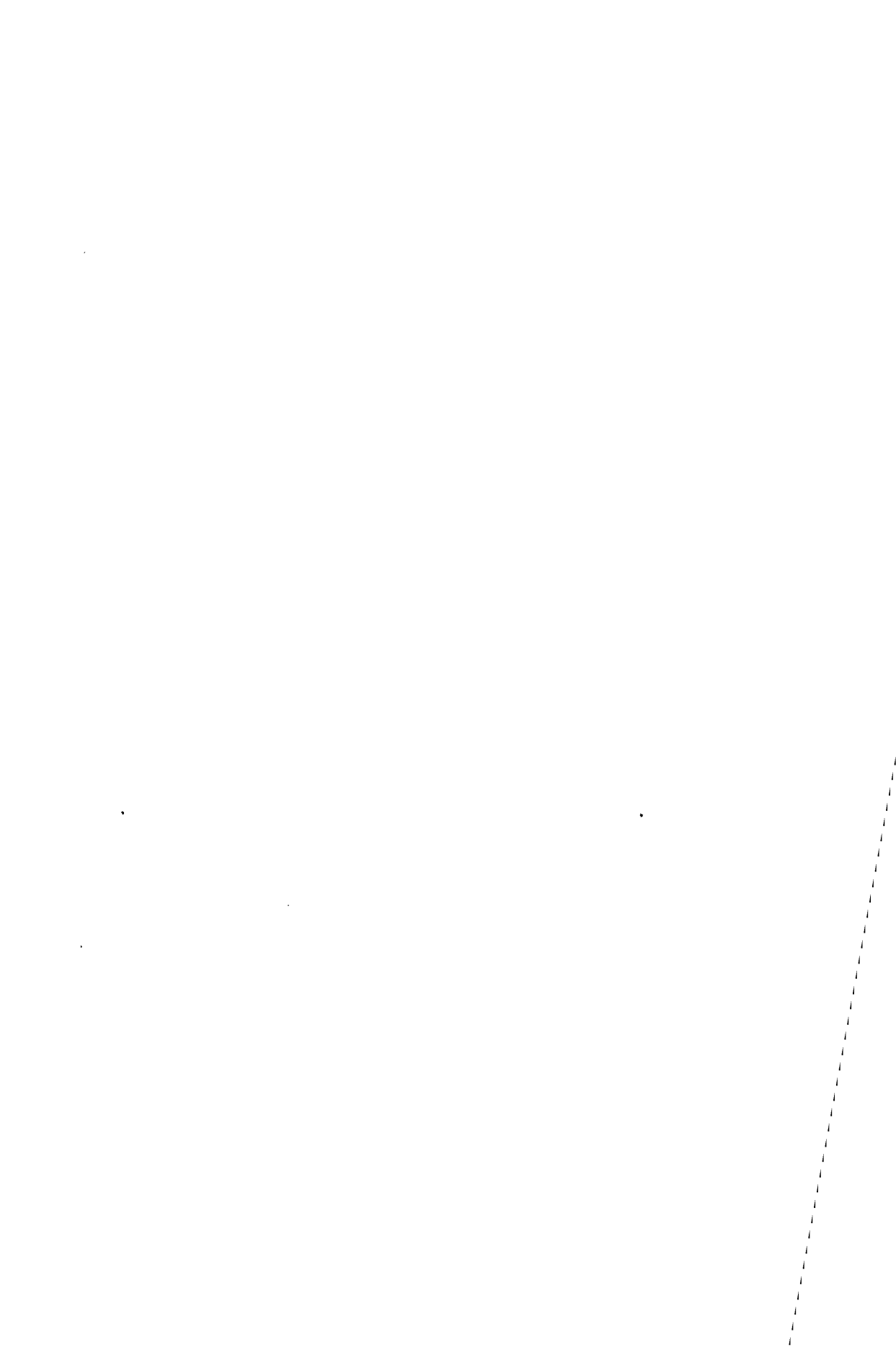
Loans

The State can extend credit facilities to enterprises which wish to develop new machines or processes, but are unable to finance their projects themselves because the expense (partly owing to the risk involved) is greater than they can sustain.

One condition which is insisted on before a credit can be granted is that the project must be of "sufficient general economic interest": this means, in particular, that the project must have good prospects of success from both the technical and the commercial point of view. The enterprise concerned must also be itself prepared to contribute a reasonable proportion of the capital required for its development work.

The maximum amount which can be made available for any one project is fixed at Hfl. 500,000; this may be exceeded only in exceptional cases. The assistance is provided in the form of interest-bearing loans, payable in instalments on the basis of periodic declarations of the development costs incurred during the period concerned. Redemption of the principal amount of the loan, plus the interest due, usually depends on the success or otherwise of the project: if it is a failure the indebtedness can be wholly or partly remitted after a certain time has elapsed.

Development loans are granted by the Ministry of Economic Affairs.



Guarantees

With regard to the furnishing of guarantees to facilitate the financing of industrial enterprises, there are in the Netherlands three official arrangements of general applicability, *viz.*

a) guaranteeing by the Ministry of Economic Affairs of "industrial credits" (certain loans obtainable by industrial enterprises from the Nederlandsche Middenstandsbank N.V.);

b) guaranteeing by the Ministry of Finance of "special financings," *i.e.*, certain loans obtainable by either industrial or non-industrial enterprises from the Nationale Investeringsbank N.V. (Herstelbank);

c) guaranteeing by the "Stichting Industrieel Garantiefonds" (Industrial Guarantee Fund Foundation) (set up under the Act of July 18, 1957) of

(i) loans contracted by financing corporations with the object of supplying the equity capital required by industrial enterprises established or to be established in the Netherlands, or

(ii) dividends from participations in industrial enterprises established or to be established in the Netherlands.

In special cases considered to be of exceptional importance to the industrial development of the country, the Government has now and then granted guarantees in respect of very large loans contracted by specified individual industrial enterprises. In each such case it is necessary to pass a special Act of Parliament. The enterprises concerned are generally very large firms in the basic industries, which the Government is prepared to assist because their establishment is considered to be highly desirable from the point of view of industrialization, and cannot be effected, or at any rate would have to be very long defined, were State assistance not forthcoming.

Guaranteeing by the Ministry of Economic Affairs of "industrial credits"

The object of the system of "industrial credits" introduced in mid-1952 is to meet the medium-term credit requirements of industrial enterprises. Such credits are intended in particular to finance the acquisition, replacement or improvement of plant and equipment, and also the reconstruction or extension of buildings where these operations are directly connected with the acquisition or improvement of installations. The credits, ranging up to a maximum of Hfl. 100,000, are made available by the Nederlandsche Middenstandsbank N.V., both principal and interest being guaranteed by the State. The maximum lifetime of such credits is fixed at 10 years, and the rate of interest is usually $1\frac{1}{2}\%$ above the official bank rate.

Guaranteeing by the Ministry of Finance of "special financings"

This system relates to credits advanced by the Maatschappij tot Financiering van de Nationale Investeringsbank N.V. (Herstellbank) and backed by a State guarantee in respect of principal and interest.

The arrangement was originally planned to assist enterprises which had suffered damage during the war but could not obtain funds for reconstruction in the normal way (under the Material War Damage Act), although their reconstruction was regarded as desirable in the general interest. As time went on, however, the main focus came to be on projects which were rated as being in the general interest but too risky for the Nationale Investeringsbank to finance without additional backing.

The credits are medium-term, and can be granted to non-industrial as well as to industrial enterprises.

They played an important part, in particular, in the years immediately following 1947, when they were first introduced; today, however, recourse is had to them—especially for industrial enterprises—only in very exceptional circumstances. They are not based on any special legislation: any losses which the State is called upon to make good are covered by drawing on a special appropriation under the Budget of the Ministry of Finance. The Ministry and the Nationale Investeringsbank have an agreement similar to that between the Ministry of Economic Affairs and the Nederlandsche Middenstandsbank in respect of industrial credits.

Guaranteeing by the Industrial Guarantee Fund Foundation instituted under the Act of July 18, 1957

The Industrial Guarantee Fund Foundation Act (*Staatsblad* No. 295 of July 18, 1957) set up a fund to help enable "equity capital" (participations) needed by industrial enterprises to be provided.

With this end in view, a system has been organized whereby money is raised against debentures, and laid out in the form of participations with backing from the Fund. The system is operated by two limited-liability financing corporations each with a small nominal share capital, at least 90 % of the shares being held by the Fund. One of the corporations, controlled by the Nationale Investeringsbank, takes up only participations of Hfl. 100,000 and over. The maximum amount of any one participation is fixed at Hfl. 1 million, but in special cases, with the written authorization of the Minister of Economic Affairs, this may be raised to Hfl. 2.5 million. The other corporation is controlled by the Nederlandsche Middenstandsbank, and takes up participations only in amounts below Hfl. 100,000. The arrangement has the advantage that the new financing corporations can make use, in taking up and administering their participations, of the special facilities available to the *Herstelbank* and the *Middenstandsbank* respectively.

The system operates only in respect of industrial enterprises, and is primarily designed to meet the need of small, medium-sized and new enterprises for permanent capital: that is to say, it is for the benefit of enterprises which cannot, or cannot for the time being, obtain funds in the open money market. Enterprises under State control or financed with State participation are not eligible.

The system operates as follows.

The financing corporations are required to make a preliminary examination of the projects to be financed, and to manage the holdings when acquired. They have also to satisfy themselves that the projects submitted fulfil certain general conditions laid down in this connection: in particular, the projects must be of sufficient importance from the general economic standpoint, and the enterprises must themselves contribute a reasonable proportion of the equity capital involved.

Projects passed by the corporations as worth financing must then be submitted to the Fund's board of governors, who are five in number, three Civil Servants and two representatives of industry. If the

board endorses the projects, then it can be assumed in principle that a guarantee will be forthcoming from the Fund in respect of the principal and interest of the loan required to finance the participations concerned.

The system is intended to assist the financing of industrialization in the Netherlands. It is therefore no part of its purpose to maintain its participations on a permanent basis: on the contrary, the policy is to sell out their interest as soon as circumstances permit.

In addition to full guarantees, the Fund can grant limited or dividend guarantees to bodies other than the two financing corporations. The minimum dividend to be guaranteed must not exceed 5 % per annum, and the guarantee may be granted for a maximum of ten consecutive years. These dividend guarantees are likely to prove particularly valuable in the case of new enterprises just setting up, since such firms frequently have serious difficulty in their initial financing operations, owing to the fact that the capital invested in the project often does not yield a return for some years.

Applications for limited guarantees, which can be submitted by any enterprise, organization or private individual, are dealt with solely by the administrators of the Fund.

Financial Participations

The operations of the financing corporations set up in connection with the Industrial Guarantee Fund Foundation (see subsection "Guarantees") may be included under this head.

All that needs to be added here is that the corporations participate in the financing of industrial enterprises by contributing equity capital, provided, of course, that the conditions for such participation are fulfilled in accordance with the Statutes of the Industrial Guarantee Fund Foundation. The corporations obtain the necessary funds by floating debenture loans, which are backed by the Guarantee Fund Foundation in respect of both principal and interest. The Fund also makes good any losses incurred by the corporations as a result of these participations.

In special cases considered to be of exceptional importance to the industrial development of the country, the State has occasionally itself taken up very large participations in specified individual enterprises in the basic industries. Such action necessitates a special Act of Parliament in respect of each case.

These participations were not taken because the Government desired in any way to influence the policy of the enterprises concerned, but because schemes which it considered to be highly desirable from the point of view of industrialization would otherwise have been shelved, since in view of the risks or of the very large amounts of capital involved the resources of private enterprise were insufficient for the purpose.

Enterprises in which the Government has such participations include Koninklijke Nederlandsche Hoogovens en Staalfabrieken N.V. and Breedband N.V.

Fiscal Concessions

Exemptions or Reliefs

The following arrangements are in force in the Netherlands.

a) "Offsetting of losses," whereby enterprises (industrial or otherwise) are allowed in computing their taxable profits for a given year to set off against the profits of that year losses carried forward or carried back from another given year. Under this system,

(1) net profits for a particular year may be written down by the amount of any losses carried forward over the six preceding years;

(2) net profits for a particular year may be written down by the amount of any losses carried back from the following year;

(3) in addition, in the case of new enterprises, losses arising in the first six years of operation may be carried forward indefinitely and set off against future profits.

b) "Investment allowances," whereby enterprises (industrial or otherwise) are allowed in computing their taxable profits for a given year to deduct from the profits of that year a percentage of the costs incurred by the large-scale acquisition or improvement of plant or equipment. At present the arrangement is as follows:

(1) where liabilities or costs of production exceeding Hfl. 2,000 have been incurred in connection with the acquisition or improvement of plant or equipment, 5 % of these may be deducted from the profits of the year in which they were incurred and the following year;

(2) where plant or equipment has been disposed of at a price exceeding Hfl. 2,000, 5 % of the proceeds from the disposals must be added to the profits of the year in which the assets were sold and the following year. (This applies only if liabilities or costs of production in connection with the acquisition of plant or equipment have been

incurred in the year in which the disposals take place or in the ten preceding years.)

The arrangement does not apply to sites not intended for industrial building, to residential accommodation, to holdings of stocks and shares, or to items of small value the acquisition of production of which is normally booked under operating costs.

By the terms of Ministry of Finance Directive No. B 4/17635, plant and equipment acquired or modernized after December 31, 1964, is not eligible for investment allowances under the Income Tax Act 1964 (see *Nederlandse Staatscourant* No. 253 of December 29, 1964).

Exemption from company or corporation tax

Where an enterprise established in the Netherlands has, from the beginning of the financial year, a permanent and substantial interest (to the extent of at least a quarter), in another enterprise established in the Netherlands, and where the capital concerned is entirely or partially in the form of shares, the dividend accruing from this participation is exempt from tax, provided it is not deducted from the book value of the participation.

Participations in enterprises established outside the Netherlands are similarly exempt only if the foreign enterprises are subject to an analogous tax in the foreign country.

Accelerated Depreciation

Both industrial and non-industrial enterprises can claim facilities for the accelerated depreciation of the cost of acquisition or production of plant and equipment.

Such depreciation does not, of course, result in the complete or partial elimination of profits tax. Its effect is to postpone tax payments to later years when the depreciations will be lower, in consequence of the higher rates of depreciation in the first few years.

The general rule is that one-third of the cost of acquisition or production may be written off in advance, at rates of up to $8\frac{1}{3}\%$ per annum. In the case of buildings, however, the maximum rate is 6% par annum.

Accelerated depreciation is not permitted on cars not used for business purposes, or on office furniture and equipment.

By the terms of Ministry of Finance Directive No. B 4/17635, of December 29, 1964, plant and equipment acquired or modernized after December 31, 1964, is not eligible for accelerated depreciation under the Income Tax Act 1964.

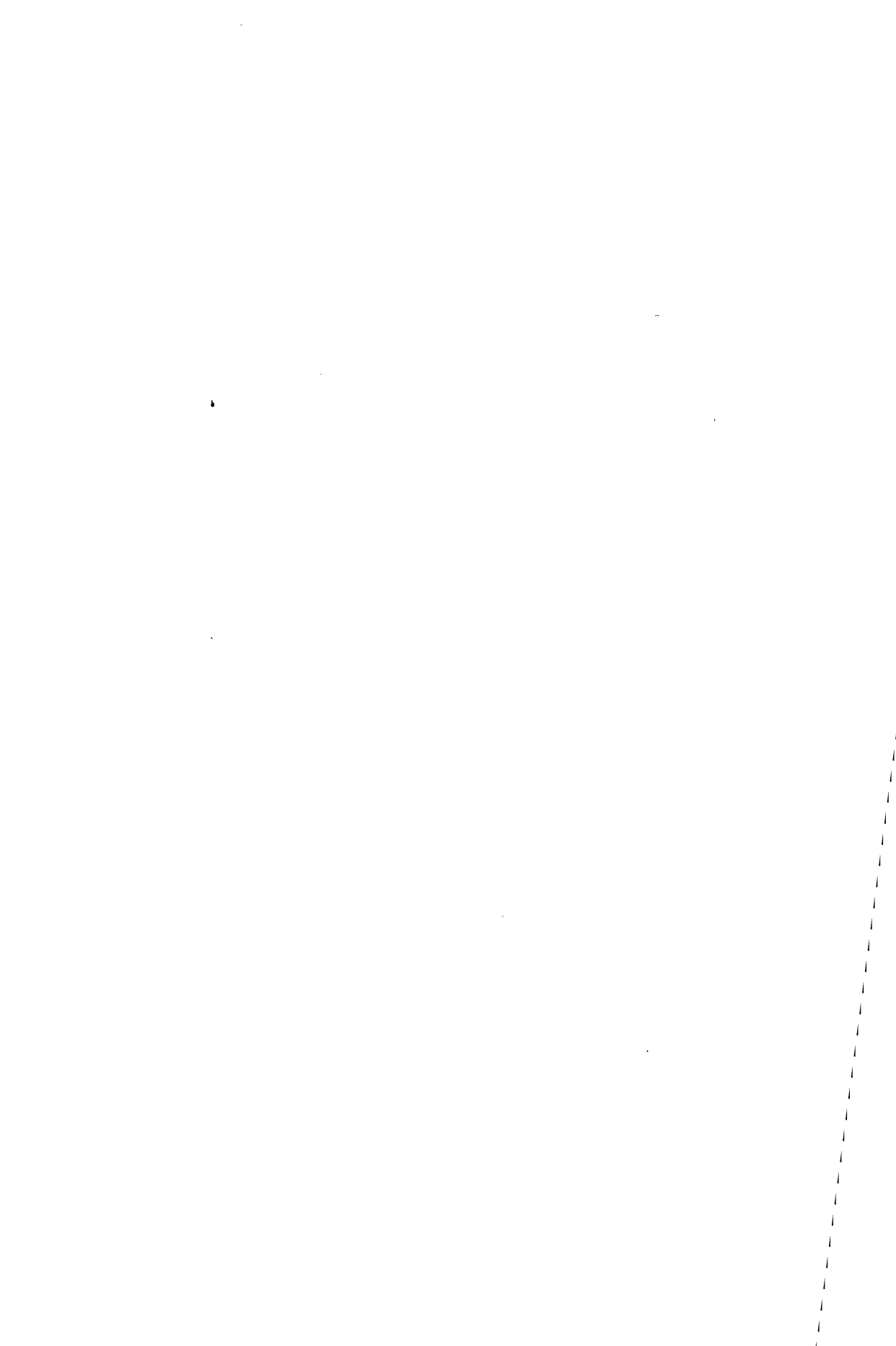
Assistance for Research on New Products

The Government is fully aware of the great importance of scientific research for industrial development. In particular, it is giving substantial financial assistance to the Central Organization for Applied Research (Centrale Organisatie voor Toegepast Natuurwetenschappelijk Onderzoek - T.N.O.).

The Central Organization is responsible for co-ordinating the work of its various sub-organizations, or "special applied-research agencies". *viz*, the Applied Research (Industry) Agency, the Applied Research (Food) Agency, the Applied Research (National Defence) Agency, and the Applied Research (Health) Agency.

The Industry Agency is the largest, with 27 research stations and laboratories. These undertake studies on future trends in industrial development, carry out commissioned research at costprice on behalf of medium and small industry, examine and test manufacturing, materials, and so on. If a full-scale commissioned study is not required, they also supply information free of charge.

It should also be noted that there are a growing number of research associations, to which most of the medium-sized and small industrial enterprises belong, and which in many cases work in close co-operation with the T.N.O. Agencies.



INDIRECT ASSISTANCE TO ENTERPRISES

Provision of Basic Services, Preparation of Industrial Areas and Sites

Preparation of industrial areas and sites

Particulars concerning the provision of basic services ("infrastructure") will be found in Section 03, "Regional Development Programmes," under "Communications."

Mention should be made first of all of the financial aid obtainable, in the form of grants and price-reduction facilities, by communes containing scheduled growth points (see Section on "Financial Assistance").

There is now an arrangement, applicable as an exception, for subsidizing the preparation of industrial sites in suitable localities not situated in stimulation areas: no limit is placed on the size of the site or the amount of the subsidy per square metre, but the total sum may not exceed 25 % of the direct capital costs of the project, up to a maximum of (usually) Hfl. 200,000 per project. Such subsidies are paid out of the annual appropriation for the promotion of regional industrialization.

This enables funds to be made available, in special cases, outside the scheduled growth points, for the preparation of industrial sites and other public investment schemes considered to be definitely valuable to the promotion of regional industrialization.

Assistance with construction of industrial premises

The direct and indirect assistance available to enterprises under this head have been dealt with in connection with the grants and price-reduction facilities described in detail in the Section on "Financial Assistance."

Workers' Housing

The success of projects for the establishment of new industrial enterprises, and often for the extension of existing ones, depends very largely on whether the necessary nucleus of personnel can be built up quickly. Trained engineers and skilled workers are not usually to be found within the problem areas themselves, yet it is absolutely essential, if the enterprise is to prosper, that they should be on the spot right from the start. The distribution of industry policy cannot therefore hope to be fully effective unless industry is assisted to attract the requisite key personnel by providing additional housing facilities.

The extra houses built for this purpose, however, in no way constitute a solution to the general problem of industrial housing in the growth points. The Provincial and communal authorities must therefore continue to make it their policy, in seeking to encourage industrialization, to allocate houses out of the regular quota as far as possible.

The quota fixed for the promotion of industrialization in the growth points was 2,000 housing units for each of the years 1960-64.

In the allocation of this quota, which was worked out in consultation with the Provincial authorities, a point was made of bringing it into line as far as possible with projects qualifying for grants under the industrial-development regulations, the criteria being the size of the new industrial complexes to be set up and the number of male workers expected to be taken on within a given time.

The 1965 quota has been fixed at 1,524 housing units, primary growth points being allocated 60 each and secondary growth points in principle 12.

ARRANGEMENTS BENEFITTING WORKERS

Vocational Training and Occupational Retraining

The Netherlands has in all 24 regional vocational-training centres for adults, each serving a particular area, and located where the need for such training is greatest. As a rule, the age-limits for admission are minimum 18 and maximum 50.

The instruction given is of three kinds:

a) training proper, for those who have not previously been taught any skill, and so have to acquire one to fit them for a particular occupation;

b) retraining, for those who have already received vocational training of some kind and been employed as skilled or semi-skilled workers, but for whom for certain reasons, general or personal (*e.g.* health), there are now no openings in the trade concerned;

c) refresher training, for those wishing to return to a trade which they were taught earlier but have not exercised for some time, and who therefore have to relearn the skill they have lost.

Training is given for occupations in which there are more vacancies than can be filled by recourse to normal recruitment of juveniles and firms' or industries' own training schemes. Training requirements are calculated from statistical data. Training at the adult training centres is thus always a supplementary device, resorted to only where the requirements are markedly structural in character.

Students are compensated for loss of earnings, on the basis of a scale varying according to their age, marital status and domicile. In addition, there are arrangements for the reimbursement of any travel and/or subsistence expenses incurred. In the case of students

not in paid employment who are not covered by the social-insurance system, compensatory arrangements are in force.

Workers applying to attend courses have first to undergo an aptitude test and medical examination.

Instruction is individual, and specifically designed for adults. The syllabuses are based on analyses of the occupation and worked out in co-operation with industry. The subjects, selected in order of increasing difficulty, are set in writing, accompanied by drawings. Theoretical instruction is combined with practical work. The latter is judged as to both the quality of the work and the time taken to do it. Students producing outstandingly good work receive money awards in accordance with a fixed scale.

Selection for employment goes on during training. In special cases training may be given with a view to employment in a particular company: the student is then considered as working for that company, and receives no compensation for loss of earnings or refund of travel and subsistence costs, while the training in question is provided at the company's expense. It can also be arranged for workers who are to be taken on by a particular company to undergo additional training on special lines after completing their course; such further training is also paid for by the company concerned.

Outgoing students are recommended to supplement their new skills by signing a training contract with a recognized national training body. Those who do so are then taken on at a teaching enterprise and given supervised follow-up training until they reach the standard set for the industry's official examinations. The enterprise receives an allowance roughly similar to that described in the subsection following ("Training Allowances"), though the maximum in this case is Hfl. 500.

Students who do not enter into such a contract can go up for examination at the adult training centre approximately one year after completing their course there. The tests which they are set are worked out in consultation with industry. Successful candidates receive a certificate. During the examinations candidates are paid the same compensation for loss of wages as during their training.

Training allowances

Employers willing to engage unemployed workers of 18 or over in their enterprises, and to train them for skilled jobs in accordance

with a training scheme approved by the National Employment Office, and supervised by or on behalf of that Office, are entitled to apply for a training allowance not exceeding Hfl. 750, to which a further 18 % is added to make up the social-security charges on the employer.

Applications for training allowances must be submitted by the employer to the Provincial Employment Office, which is responsible for the implementation of the allowance scheme. The Office investigates whether the worker concerned is suited for training. The training scheme is worked out between the Office and the employer, or alternatively use may be made of a programme drawn up by a body responsible for an approved apprenticeship scheme. The Office makes a recommendation concerning the granting of a training allowance to the head of the Department in The Hague: if this is approved, it then draws up a training contract for signature by the employer and the worker, and notifies the employer in writing that he is to receive the allowance, at the same time specifying the dates on which he is to submit his claims for the training allowance. As a rule he can claim 40 % of the allowance after the first quarter of the training period, 30 % after the second, 20 % after the third and 10 % after the fourth. His claim is endorsed by the Office if the training is progressing satisfactorily, as certified on the training record sheet which the Office issues to be kept and filled in at intervals by the trainee and countersigned by the employer. If the training is being supervised by a body responsible for an approved apprenticeship scheme, that body's regular terms of indenture and record booklet are used in place of the contract and record sheet described above.

For the purposes of the training allowance system the Provincial Employment Office may treat certain categories of workers threatened with unemployment as ranking with workers already unemployed.

In the case of intending migrants undergoing agricultural training, the trainee need not have reached the age of 18 by the beginning of his training, but must do so before the end.

If the training is liable to be interrupted by the trainee being called up for his first period of military service, no allowance is payable, nor can it be drawn in respect of training which can be obtained by attending courses at adult training centres.

Apart from the allowances payable in respect of training for skilled jobs within industry, allowances are payable also in respect of training for semi-skilled jobs, but only where the unemployed

worker is physically handicapped within the meaning of the Employment of Disabled Workers Act, or has been repatriated from Indonesia, or is resident in a scheduled problem area and is given employment either in that area or in a locality outside the actual area but nevertheless scheduled as a growth point, while it is further stipulated with regard to jobs in Category 2 of the Job Classification that allowances can be granted only if the worker is to be signed on in connection with the initial setting-up of an enterprise which has been in existence for two years or less. In such cases no training contract need be concluded between the employer and the worker, nor need a training record sheet be kept; also, the amount of the allowance may be claimed in full upon the completion of the training period. The employer is required to give a prior undertaking to afford all necessary co-operation with regard to supervision by the Ministry of Social Affairs and Public Health.

Building workers' bonus

In view of the shortage of workers in the building trade, a building workers' bonus was instituted in 1964. Under this arrangement, the sum of Hfl. 156 is paid to former students from the adult training centres who on completing their course there have taken employment in the building trade within the Netherlands in the occupation for which they received their training, and have continued working in that occupation for one year.

Transfer, removal and Settling-in of Workers

The Directorate of Labour may pay part of the cost of transfer, in the case of unemployed workers (male or female) for whom there are no early prospects of obtaining work in their own locality or area, whereas there are employment opportunities for them in other parts of the country. This system is geared to the distribution of industry policy, and for the purposes of the subsidy a distinction is therefore made between migration to the main urban complex, the "Randstad," to the growth points, and to other localities within the Netherlands.

The workers concerned fall into four categories:

- a) physically fit married workers moving to a locality not scheduled as a growth point;
- b) physically fit married workers moving to a growth point;
- c) married workers suffering from a physical disability;
- d) unmarried workers suffering from a physical disability.

Category a), except in the case of those migrating to the Randstad, are entitled to recover

- (i) the cost of the worker's first journey to the new place of employment;
- (ii) household removal costs where endorsed by the Removals Control Office of the Ministry of the Interior;
- (iii) on removal, the cost of one journey by the worker's family;
- (iv) on removal, the sum of Hfl. 240, plus Hfl. 40 for each dependent child, as a settling-in allowance.

Category b) are entitled, over and above these benefits, to 50 % of the cost of their board up to Hfl. 15 per week, or to 50 % of their daily travel expenses by the cheapest available route and mode

of transport to and from their place of employment, for so long as full-scale household removal has not taken place, up to a maximum of one year.

A similar arrangement applies to category c), with the difference that they are entitled to 80 % of the cost of board up to a maximum of Hfl. 24 per week, and to the whole of their daily travel expenses at the cheapest available rate.

For category d) the regulations are the same as for category b), except that the maximum settling-in allowance is Hfl. 160, and no refund can be claimed in respect of any dependents' journey.

In the case of industrial enterprises moving from the Randstad into development areas, key workers transferred to the new premises may claim the same benefits as category b).

Physically fit workers migrating to the Randstad are as a rule not eligible. The regulations as a whole apply exclusively to permanent transfers to a distance of at least 15 kilometres.

Further details of these arrangements are available, on request, from the regional employment offices, which are responsible for their implementation.

OTHER ARRANGEMENTS

Restriction on Introduction or Extension of Industries in Certain Areas

It is one of the basic principles of the Netherlands Government's economic and town and country planning policy that industrialists should be left entirely free to choose for themselves where they wish to set up. All official measures introduced in connection with regional industrialization are accordingly intended as positive incentives; incidental restrictions exist only where the utilization of the land available is regulated by the planning arrangements in force.

Thus under the plans worked out at Provincial and communal level certain plots or tracts may be designated for industrial building, while others are barred to it because they are specifically reserved for agricultural activities, residential building and so on. The industrialist is not prohibited from setting up in the area of locality of his choice: he is merely limited within that area of locality to the various plots there which are reserved—usually on grounds of special suitability—as industrial sites. This incidentally helps to ensure that factories and works are not erected in the middle of residential districts, *waterwingebieden* (drinking-water collecting areas) or other unsuitable locations.

Planning arrangements of this kind can of course also be introduced in industrial centres, and in stimulation areas which are making efforts to attract industry.



Measures to Facilitate Foreign Investment

The Directorate-General for Industry and Commerce of the Ministry of Economic Affairs has published, in English, a *Guide to the Establishing of Industrial Operations in the Netherlands*, concisely listing the principal relevant facts and figures with regard to conditions, circumstances, requirements and general background for foreign enterprises setting up in the Netherlands.

The information contained in the *Guide* is regularly brought up to date by the issue of amendments in loose-leaf form.

The *Guide* is as a rule supplied only to foreign businessmen or enterprises thinking of setting up in the Netherlands.

It may be added that foreign companies planning to set up in the Netherlands would be well advised to apply first of all to the Ministry of Economic Affairs for more detailed information. In particular, the Ministry is prepared to act as an intermediary in obtaining data, conducting discussions with other official bodies, and arranging any necessary introductions.

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UNITED KINGDOM

GENERAL ARRANGEMENTS

Introductory Remarks

Introductory Remarks: Regional Development Policies in the United Kingdom

It is more than 30 years since the first steps were taken to improve the regional plans of the United Kingdom—with the appointment of special commissioners for the depressed areas, the construction of large Government-owned industrial estates and so on. In the period of reconstruction after World War II one of the first pieces of major legislation to be introduced was an Act of Parliament designed to secure a better distribution of industry throughout the country.

The essence of this system (which is still in force) is a mixture of restraint and incentives applied to individual companies: control over industrial expansion where pressure of demand for labour is high and financial incentives for the development of new activities in places of high unemployment. This apparatus of controls and incentives has been extended and improved in the years that followed; and is fully described in the following sections of this handbook.

To this conception of policies designed principally to cure unemployment in certain parts of the country but also to restrain the further growth of industry in places where it had tended unduly to concentrate there has been added in the last two years, the newer concepts of regional, economic and physical planning. The objectives of this broader policy may be described as:

a) to ensure that each region of the country makes its maximum contribution to national growth, and to make the fullest use of the human potential of each region.

b) to ensure that land, particularly in the most congested areas of the country, is used in the best possible way so that the best provi-

sion is made of an efficient environment for people to work and live in.

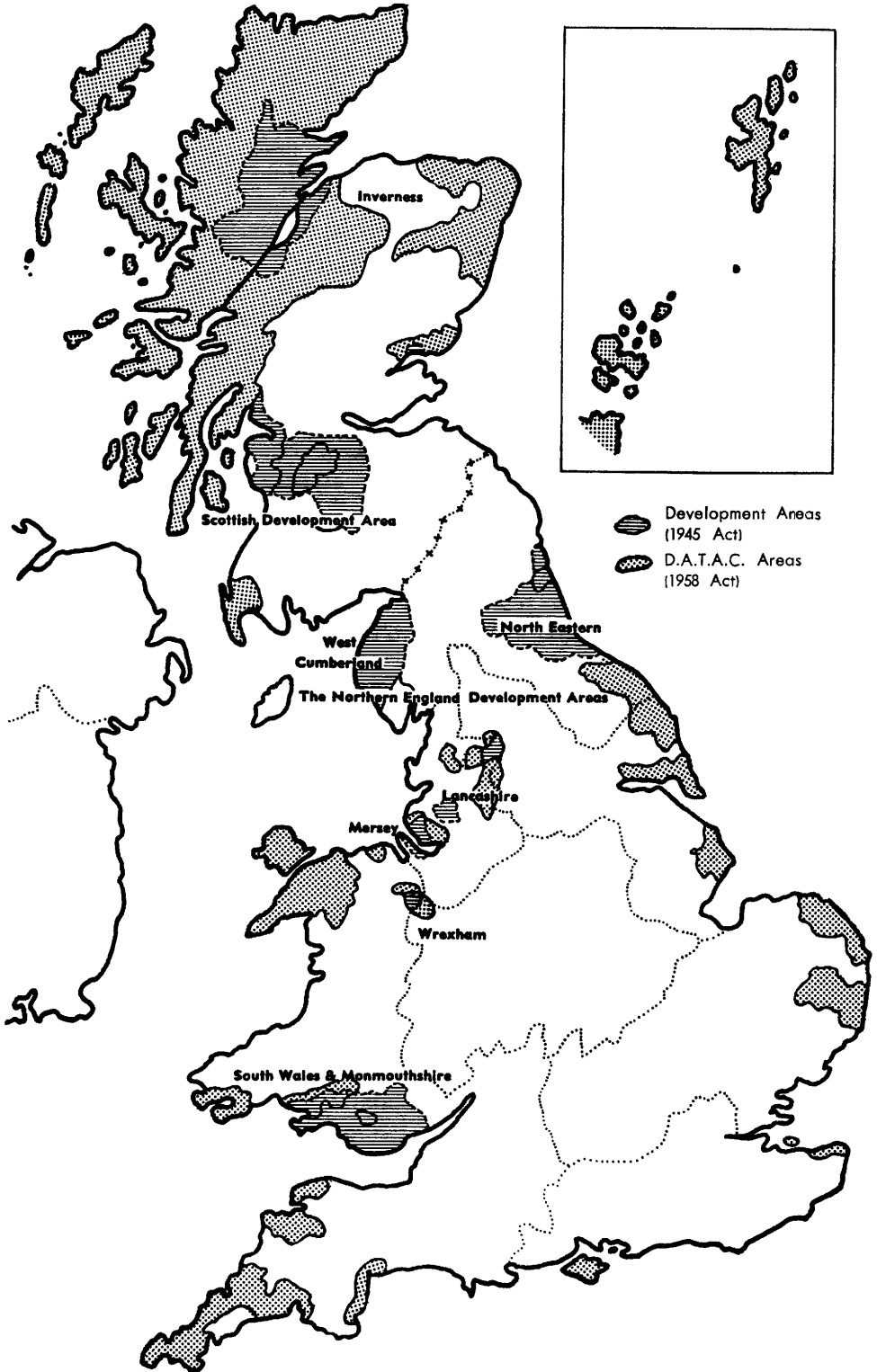
The first steps towards a comprehensive social and economic regional planning policy were taken in 1963 when a senior Cabinet Minister was given special responsibility for the North East of England and was assigned the task of preparing a comprehensive programme for the revival of the region, covering all sides of its economic and social life and its physical environment. Subsequently a senior Minister was appointed as Secretary of State for Industry, Trade and Regional Development. The new Government, which came into power in October, 1964 carried the process a big stage further with the transfer of regional work to a new Department of Economic Affairs and the establishment of new machinery in every region of Britain.

The first task which has faced the administration in this job has been to make comprehensive economic, physical and transport reviews of each planning region in turn. Reviews have been completed for Central Scotland, North East England and some parts of the South West region; and studies are about to be published on the North West region, the West Midlands, and the sub region of Cumberland and Westmorland. Other studies for the rest of the country will follow, but some, *e.g.* for the East Midlands, are in their initial stages and will clearly not be available for some time.

Meanwhile, work on the National Plan is proceeding, against which the needs and prospects of each of the regions can be measured and assessed.

Regional plans cover such matters as the structure of industry and how it might be improved, the communications network, the site of the airfields, the pattern of population growth and of industrial development, the location of new cities and major town expansions, and so on. They might provide a broad framework within which local authorities and other agencies concerned can make their own dispositions for the discharge of their respective functions.

Areas eligible for assistance



Legal and Financial Provisions

(Acts, White Papers, etc., connected with arrangements for new industrial developments)

Legislation to assist in the industrial development of those areas which had suffered most from under-employment was first introduced in the 1930's. This policy has been continued and developed and does not stop short at the measures listed below. The present policy is to ensure that *all* government policies contribute to a better balance of regional expansion.

1934

Special Areas (Development and Improvement) Act.

1936

Special Areas Reconstruction (Agreement) Act.

1937

Special Areas (Amendment) Act.

1944

Employment Policy. Cmd. 6527 (White Paper)

The Disabled Persons (Employment) Act

Location of Industry in Northern Ireland. Cmd 225 (White Paper)

1945

Distribution of Industry Act

Industries Development Act (Northern Ireland)

1946

New Towns Act

Distribution of Industry (Development Areas. Statutory Rules and Orders, No. 197, 1946)

1947

Town and Country Planning Act
Town and Country Planning (Scotland) Act

1948

Distribution of Industry. Cmd. 7540 (White Paper)
Industries Development (Amendment) Act (Northern Ireland)
Employment and Training Act

1949

Distribution of Industry (Development Areas). Statutory Instrument No. 692, 1949

Distribution of Industry (Development Areas). Statutory Instrument No. 693, 1949

1950

Distribution of Industry Act
Employment and Training Act (Northern Ireland)

1951

Re-equipment of Industry Act (Northern Ireland)

1952

New Towns Act
Town Development Act

1953

Distribution of Industry (Development Areas). Statutory Instrument No. 330, 1953

Re-equipment of Industry (Amendment) Act (Northern Ireland)
Industries Development (Amendment) Act (Northern Ireland)
Aid to Industry Act (Northern Ireland)

1954

Capital Grants to Industry Act (Northern Ireland)

1956

Capital Grants to Industry (Amendment) Act (Northern Ireland)

1958

Distribution of Industry (Industrial Finance) Act

1959

Capital Grants to Industry (Amendment) Act (Northern Ireland)

1960

Local Employment Act

1961

Aid to Industry Act (Northern Ireland)

1962

Town and Country Planning Act

Capital Grants to Industry. (Amendment) Act (Northern Ireland)

1963

Local Employment Act

Finance Act

1964

Aid to Industry (Amendment) Act (Northern Ireland)

Second Report from the Select Committee on Estimates, session 1955/56—Development Areas (House of Commons Paper 139/55).

Third Special Report from the Select Committee on Estimates, session 1956/57 - Development Areas (House of Commons Paper 135/57).

Second Report from the Select Committee on Estimates, session 1959/60 - Board of Trade (House of Commons Paper 258/60).

Seventh Report from the Estimates Committee, session 1962/63. Administration of the Local Employment Act, 1960 (House of Commons Paper 229/63).

Local Employment Acts. Annual Reports by the Board of Trade for the years ended 31st March, 1961, 1962, 1963, 1964.

Third Special Report from the Estimates Committee session 1963-1964 - Administration of the Local Employment Act. Departmental observations on the Seventh Report of the Estimates Committee in session 1962-63 (House of Commons paper 34 of 1963).

Competent Authorities

OFFICIAL BODIES CONCERNED (RESPONSIBLE FOR INFORMATION WORK, STUDY, ADMINISTRATION, SUPERVISION OF ARRANGEMENTS, ETC.)

Planning at the Centre

The Department of Economic Affairs is the central Government department responsible for regional policy and planning—economic and physical—including regional aspects of policies on industry, employment, land use, and transport, and for inter-departmental co-ordination in this field. It is also responsible for the national economic plan and one of its main tasks is to fit regional plans into the framework of the national plan and to secure the best order of priorities.

Planning in the Regions

Planning organizations have recently been set up in six economic planning regions in England, viz:

Northern
North West
West Midlands
East Midlands
Yorkshire and Humberside
South West

together with one each for Wales and Scotland (see map).

In each region there are two bodies: a Regional Economic Planning Board and a Regional Economic Planning Council. The Board co-ordinates the work of government departments, the Council provides a range of experience and opinion from within the region.

The Regional Economic Planning Boards consist of civil servants representing the main Government Departments in each region which are concerned with regional planning. In the English regions the Chairman is provided by the Department of Economic Affairs. In Scotland and Wales, the Chairmen are appointed by the Secretaries of State for Scotland and Wales respectively and the Department of Economic Affairs is represented by senior officials. The task of the Board in each region will be to prepare the draft plan (or plans) for the region and to co-ordinate the work of the various Government departments in implementing the final plan.

The membership of the Boards includes representatives from the following departments:

- Department of Economic Affairs
- Ministry of Agriculture, Fisheries and Food
- Ministry of Aviation
- Central Office of Information
- Ministry of Health
- Ministry of Housing and Local Government
- Ministry of Labour
- Ministry of Land and Natural Resources
- Ministry of Public Building and Works
- Ministry of Technology
- Board of Trade
- Ministry of Transport

Representatives of any other interested department may be co-opted as necessary.

The Regional Economic Planning Councils consist of part-time members, appointed on individual merit, and widely representative of experience in the regions in a variety of fields, for instance, local government, industry, commerce, trade unions, universities and research, community development, agriculture, rural affairs.

The Chairman of the Scottish and Welsh Councils are Ministers, with non-ministerial vice-chairmen serving on a part-time basis. The Chairmen of the English Councils are like the Council members, part-time, and drawn from the same fields of local experience. They will have direct access to Ministers.

The principal functions of the Planning Councils are:

a) to assist in the formulation of regional plans, having regard to the best use of the region's resources;

b) to advise on the steps necessary for implementing the regional plans on the basis of information and assessments provided by the Economic Planning Boards;

c) to advise on the regional implications of national economic policies.

The Councils have an active rôle. They are expected to take initiatives in raising matters which they consider to deserve the attention of the Economic Planning Boards, as well as giving advice on matters put to them by the Boards.

South East England

The regional structure best suited for the South Eastern part of England is at present being determined as part of a comprehensive review of the South East Study produced by the Ministry of Housing and Local Government in 1964.

Northern Ireland

Northern Ireland, although part of the United Kingdom, has its own Parliament and its own Government, and is largely autonomous in economic matters.

It has its own industrial development legislation which gives the Northern Ireland government powers similar to those available in Great Britain under the Local Employment Acts, which do not apply to Northern Ireland.

Regional Development Programmes and Studies relating to Particular Areas

There is not yet a comprehensive set of programmes for each region of the United Kingdom. There are, however, "study reviews" which have already been completed and published in some regions and in some of these "study reviews" some new policies for the region are introduced (e.g. the road programme recommended in the North-East England study).

Programmes for Central Scotland and North-East England, were published in November, 1963. They adopted the concept of "growth places" to achieve a concentration of effort to stimulate the economy and modernise the environment of the regions.

An official study of the problems of South-East England was published in March, 1964. This study concentrated on land use problems. One of the first steps of the present Government was to re-examine existing policies relating to South-East England.

Officials are currently preparing studies for Wales and Cumberland and Westmoreland. The following is a short list of the more important studies recently published:

A Programme of Highland Development. Cmd. 7976 (White Paper, 1950);

Central Scotland: A programme for development and growth. White Paper, Cmd. 2188, 1963.

The North East: A programme for regional development and growth. White Paper, Cmd. 2206, 1963.

The South-East Study 1961-1981 and accompanying White Paper Cmd. 2308, 1964.

Development and Growth in Scotland 1963-64. White Paper
Cmd. 2440, 1964.

The North West: A Regional Study. Her Majesty's Stationary
Office, London 1965.

The West-Midlands: A Regional Study. Her Majesty's Station-
ary Office, London 1965.

DIRECT ASSISTANCE TO ENTERPRISES

Financial Assistance

Under the Local Employment Act, 1960, as amended by the Local Employment Act, 1963, the power to give general purpose loans and grants to firms providing additional employment in development districts was continued from earlier Acts; the responsibility for the administration of the Act resting with the Board of Trade. The Board are required, before they can offer this type of assistance, to consult an Advisory Committee set up for the purpose and to offer assistance only in accordance with the Committee's recommendation. The Committee examine each case remitted to them as suitable for their consideration in order to determine whether "there are good prospects of the undertaking ultimately being able to be carried on successfully without further assistance under this section" [4-1 (b) of the 1960 Act]. If they are satisfied on this score they make a recommendation to the Board of Trade as to the amount of assistance that should be given and the terms and conditions on which it should be given. The Board of Trade have power to repeat these recommendations but not to vary them in any way.

The assistance recommended by the Committee may take the form of loans, the usual method, or grants. The loans carry interest which is normally at about the best commercial rate but interest may be waived or deferred for an initial period while a firm is getting into production. Repayment is spread over a reasonable period and the date of the first instalment is often deferred until after the company is in production. Grants are given for abnormal initial expenditure, e.g. in the moving of machinery from one works to another or in preparation of the new site. The expenditure must be abnormal in the sense that it is due to the development taking place at the particular location and initial in the sense that it is a once and for all outlay and not a continuing one.

The Local Employment Acts conferred on the Board of Trade new powers to make, with the consent of the Treasury and after consultation with the Advisory Committee, building grants to firms putting up their own buildings. The Local Employment Act of 1963 also gave the Board of Trade power to make plant and machinery grants to *industrial* undertakings. The building grant is a standard 25 % of the cost of constructing or adapting suitable premises. The plant and machinery grant is 10 % of the cost of installing plant and machinery. It is sometimes, but not very often, necessary to impose a financial ceiling on the amount of financial assistance made available where the cost is very high in relation to the number of jobs provided, or where only a small proportion of the jobs is likely to benefit a development district.

The Board of Trade also retain powers to establish trading estates and build factories in order to attract industry to the development areas. These are described in more detail in Section 21.

Fiscal Concessions Designed to Encourage Regional Development ⁽¹⁾

Accelerated depreciation

1. *Machinery or plant*

Chapter II of Part X of the Income Tax Act 1952 provides a scheme of capital allowances for capital expenditure on the machinery or plant used for the purposes of a trade. Lessors or lessees of plant may claim allowances in certain cases as may non-trading companies making management expenses claims.

The general structure of the scheme of capital allowances is as follows:

a) *the investment allowance*

This is an allowance of 30 per cent for capital expenditure incurred on the provision of new machinery or plant. This allowance is not taken into account in computing other capital allowances.

b) *the initial allowance*

This is an allowance of 10 per cent for capital expenditure incurred on the provision of new machinery or plant. If no investment allowance is due (*e.g.* for expenditure on second-hand machinery or plant) the initial allowance is 30 per cent. Unlike the investment allowance the initial allowance is taken into account in computing other capital allowances.

c) *the annual allowances*

These are allowances made year by year at rates determined by the Commissioners of Inland Revenue. The rates depend on the

⁽¹⁾ This note refers only to concessions available in development districts, and not to general tax concessions.

anticipated normal working life of the class of machinery or plant in question.

Most traders claim the annual allowances on the "reducing balance" method. Annual allowances on this basis are computed by applying the appropriate percentage to the "written down value", *i.e.* the cost less any initial or annual allowances made for previous years. The allowance therefore decreases year by year. As an alternative the trader may claim annual allowances on the "straight line" method. Under this the percentage is smaller than the "reducing balance" percentage but it is always applied to the cost and so the allowance is the same each year.

The rates applicable for new machinery or plant purchased after 5th November 1962 are as follows:

Life of plant	Rate	
	(a) "reducing balance" basis	(b) "straight line" basis
18 years or more	15 %	6 1/4 %
Less than 18 years but not less than 14 years	20 %	8 1/2 %
Less than 14 years	25 %	11 1/4 %

d) *the balancing allowance and balancing charge*

When the machinery or plant ceases to be used for the trade an adjustment is made so as to bring the total of the allowances (excluding the investment allowance) up or down to the net cost, that is, the original cost less any sale, insurance, salvage, or compensation moneys. If a further allowance is due the adjustment is by way of a balancing allowance. If the allowances already given exceed the net cost the adjustment is by way of a balancing charge.

Thus the trader receives allowances equal to the net cost to him of his machinery or plant through the initial and annual allowances and the balancing adjustment. In addition, in the case of new machinery or plant he receives an investment allowance of 30 per cent of the original cost.

Section 38 of the Finance Act 1963 introduced a scheme for "free depreciation" for capital expenditure incurred after 3rd April 1963 on the provision of new machinery or plant (other than mobile equipment) for use in a "development district" for industrial purposes, *i.e.* for the purpose of certain types of trade.

Under this scheme the trader may take what annual allowances he chooses on account of his expenditure on any particular item of machinery or plant instead of the annual allowance provided by the general scheme described above. He may, for example, choose to have the whole of his expenditure allowed in the first year (by way of an initial allowance of 10 % and an annual allowance of 90 %); he may choose to have, say 50 % allowed in the first year and wait until next year to decide what allowance to take and so on. (The investment and initial allowances are not affected).

A "development district" for this purpose includes:

- a) any place in Northern Ireland
- b) any district in Great Britain which is a development district as defined by Section 1(2) of the Local Employment Act, 1960, or
- c) any "new town" which draws or will draw its population mainly from a development district as described in b).

The types of trade within the "free depreciation" scheme include public utilities, mines, trades carried on in a mill or factory, trades which consist in the manufacture or processing of goods or materials, and certain types of storage undertakings. Building and Public Works contracting is excluded.

"Free depreciation" is not generally allowed for any machinery or plant used in a building which is not an industrial building as defined for income tax purposes. In particular, it is not allowed for any machinery or plant used in a dwelling house, retail shop, showroom, hotel, or office.

If within three years of being first put into use, machinery or plant is used in a building which is not an industrial building (or not treated as one) "free depreciation" allowances which have already been made will be withdrawn and, instead, the trader will be given the allowances due on the normal basis.

This adjustment would also be made if, within the three year period, the machinery or plant were used for some non-industrial

purpose or were removed from the “development district” and used in a place not in a “development district”.

Mobile equipment (which does not qualify for “free depreciation”) means machinery or plant having its own means of propulsion, or constructed or adapted for being towed. An exception is, however, made for machinery or plant suitable for use only in or about a building or structure used for industrial purposes or any similar purposes (for example fork lift trucks used in or about a factory) or at a mine.

Balancing allowances and balancing charges are computed in the normal way; that is to say, when the machinery or plant is sold or disposed of an adjustment is made so that the aggregate allowances equal the net cost of the machinery or plant to the trader.

2. *Mining Works and Exploration Machinery or Plant*

Chapter III of Part X of the Income Tax Act 1952 and Section 20 of the Finance Act 1952 provide a scheme of capital allowances for capital expenditure on exploring for sources of mineral deposits, and on the construction of works which are likely to be of little or no value when the source is no longer worked.

The general structure of the scheme is as follows:

a) *the investment allowance*

There is an allowance of 30 % for capital expenditure incurred on exploration or on the construction of works likely to have little or no value when the source is no longer worked. This allowance is not taken into account in computing other capital allowances.

b) *the initial allowance*

There is an allowance of 20 % of the expenditure on works which qualifies for investment allowance. This allowance is increased to 40 % if the works are secondhand or if the investment allowance is withdrawn for any reason. Expenditure on machinery or plant used in exploration qualifies for the same allowance as machinery or plant generally viz. 10 % if new and 30 % (but no investment allowance) if second-hand. Unlike the investment allowance, the initial allowance is taken into account in computing other capital allowances

c) *the annual allowances*

These are allowances for capital expenditure on works or exploration qualifying for investment and initial allowances. The allowances are also given for *e.g.* expenditure on the acquisition of land overseas or on searching for, and gaining access to, mineral deposits. The annual allowance is normally calculated each year as a fraction of the unallowed expenditure which represents the relationship between the output from the minerals source in the basis period and that output plus the future potential output.

d) *The balancing allowance and balancing charge*

As for machinery and plant.

Section 39 of the Finance Act 1963 provides a scheme of "Free depreciation" for capital expenditure incurred after 3rd April 1963 on new mining works constructed in "development districts", and new exploration machinery or plant provided for use there.

Under the scheme the trader has the option of taking what annual allowances he chooses on account of such expenditure instead of the annual allowances provided by the general scheme described above. (The investment and initial allowances are not affected).

A "development district" has the same meaning for this purpose as it has for machinery or plant generally.

Differentiation in Rates Payable

There is no differentiation in Great Britain in rates or other costs. In Northern Ireland a rebate is allowed to industrial users of coal which is designed to offset the higher price resulting from the need to import nearly all coal from Great Britain.

Assistance for Research on New Products

Apart from the Research Associations established by industry, the Government set up in 1949, under the Development Inventions Act, 1948, a national corporation for securing the development and exploitation of inventions. The functions of this body, called the National Research Development Corporation are:

a) to secure, where the public interest so requires, the development or exploitation of inventions resulting from public research, and of any other inventions which it appears to the Corporation is not being sufficiently developed or exploited;

b) to acquire, hold, dispose of and grant rights in connection with inventions resulting from public research and, when the public interest so requires, in connection with inventions resulting from other sources.

The 1948 Act requires the Corporation to pay its way over the long-term and the Act as amended by the Development of Inventions-Acts, 1954 and 1965, empowers the Minister of Technology to loan to the Corporation up to £ 25 million for its capital needs.

INDIRECT ASSISTANCE TO ENTERPRISES

Provision of Basic Services, Preparation of Industrial Areas and Sites

Provision of premises for industrial undertakings

Under the Special Areas Acts of 1936 and 1937 the Commissioners were given powers to establish trading estates and build factories to attract industrialists.

Under the Distribution of Industry Acts the Board of Trade were able to acquire land in Development Areas for the provision of premises for industrial undertakings, or means of access thereto. The Board could also erect factories and other buildings for industrial undertakings on any land held by them in Development Areas, and prepare the land as sites for such premises (Section 1 of the Distribution of Industry Act, 1945).

The Board of Trade could acquire existing buildings in Development Areas, if these were not being adequately used and if the Board considered them suitable for industrial purposes. (Section 1 of Distribution of Industry Act, 1950).

Under the Local Employment Act, 1960, the power under previous legislation to acquire land and build factories for leasing to industrialists is continued. It is also extended to non-industrial premises so that the Board of Trade are able to build *e.g.* office premises or hotels in suitable cases, though in fact this power has not yet been exercised. As the machinery for operating the power the Act set up three Industrial Estates Management Corporations, one for England, one for Scotland and one for Wales, to which were transferred the assets of the Trading Estate Companies through which the Government had operated both before and after the war.

The advantages to an industrialist of a Board of Trade factory are two-fold. First, he is enabled to obtain a factory for rental and

so does not have to commit his financial resources for building purposes. (Rental agreements are usually for a period of 21 years) Secondly, the rents charged by the Board of Trade are based not on economic cost but on a rent negotiated by the occupier with the District Valuer on the basis of what would be a reasonable value as between a willing seller and a willing buyer. Values in areas of high unemployment tend to be depressed because of lack of demand and therefore the value of a factory when completed tends to be less than the cost of building it. In this situation it is of advantage to a firm to be able to get a factory at a rental based not on the cost of building but on its value when built.

The Board of Trade are also prepared to build factories for sale on amortisation terms, the cost being amortised over a period of usually 15 years. An industrialist who has a new factory built for him in this way is entitled to apply for a 25 % building grant, but he is charged a higher rate of interest if he takes the grant than if he does not. In cases where the industrialist requires a specialised factory, which might be difficult to re-let, the Board of Trade prefer to build for sale rather than for rental.

There is no overall limit set for the amount that the Board of Trade can spend on factory building. Expenditures and receipts in any one year are carried on the Board of Trade vote.

Provision of Public Utility Services for industrial areas and sites

Another power created under previous legislation and continued by the Local Employment Act is the power to assist the provision of basic services. The appropriate Ministers are given powers to make grants or loans towards the cost of improving basic services in development districts where they are satisfied that such improvement will further the purposes of the Act, namely, the provision of employment. Sewerage, sewage disposal and water are the services for which the powers have been used in the past, and for which it is expected they will be principally used in the future. But it is expected that they will also be used on occasion for the improvement of access roads, the strengthening of bridges and the like. The powers are not intended to support national schemes but to help to provide local services, the improvement of which will facilitate the provision of employment.

Derelict Land

Powers to deal with derelict land in Development Areas under earlier legislation were extended by the Local Employment Act to unsightly or neglected sites. The existence of such sites—which may arise particularly in areas where there are disused coalmines—is often a deterrent to new industry going to these places. The power may be exercised only where, in the opinion of the Board of Trade, the clearance of the unsightly land will remove the deterrent and so facilitate the provision of employment in the area. Where the Government are satisfied that this is the case grants may be made to local authorities towards the cost of clearing the site (but not of erecting buildings on it), or, in the last resort, the Government may do the clearance themselves. The land to be cleared need not itself be intended as a site for factory building: it is enough if it is to be used to create an amenity which will encourage factory building in the neighbourhood.

Pre-built Factories (for Rent or Sale)

Immediately after the war, a number of "standard" factories were erected by the Board of Trade in the Development Areas, in advance of demand, in order to provide ready-made premises for manufacturers wishing to get into operation quickly. During the immediate post-war shortage of factory space, these factories were a considerable inducement to firms to move to Development Areas, but as the shortage of space became less acute it was found that firms usually preferred to have factories built to suit their own requirements, and advance factory building was discontinued in 1951-52. The Board of Trade decided, however, in 1959 as a limited experiment to make an exception of certain areas where the existence of immediately available factory space might be decisive in attracting industry, and three advance factories were built. Subsequently, in October, 1960, it was announced that a further three factories were to be erected in advance, one each in England, Scotland and Wales, and in addition, a group of former Admiralty premises were to be adapted for industrial use. Since then there have been five more Advance Factory programmes providing for a further 33 factories in England, 30 factories in Scotland and 8 factories in Wales. A certain number of advance factories have been built by the Ministry of Commerce in Northern Ireland.

Decentralisation of Scientific Institutes and Research Bodies

Under the Government Scheme for Co-operative Industrial Research Associations, which is administered by the Ministry of Technology, some 50 research associations, covering 55 % of industry, have now been established. These Research Associations are set up on an industry-by-industry, and not on a regional basis. They are financed out of contributions from member firms, supplemented by Government grants, and they undertake basic and applied research into the manufacturing problems of their members. The research is carried out under direct control of the industries themselves.

Workers' Housing

Under the Housing Act, 1961, the Minister of Housing and Local Government have power to grant subsidies to local authorities in respect of houses provided to meet "the urgent needs of industry".

The subsidy amounts to £ 24 per annum for 60 years for each house. The above relates to England and Wales but there is a similar provision for Scotland. The subsidy may be paid to local authorities in development districts in respect of houses provided for incoming key workers upon whom the project and the consequent employment of local people depends. The Board of Trade furnish a certificate confirming that the project or which the houses are sought requires a certain number of key workers and that those key workers are not available locally. The firm can then request the local authorities to provide the necessary accomodation and the local authority if they decide to do so, can claim the subsidy.

ARRANGEMENTS BENEFITTING WORKERS

Vocational Training

A Scheme of training for adult workers is administered by the Ministry of Labour. The Scheme provides for the provision of short intensive courses of training to craft level.

Courses are available to:

- (1) Unemployed persons over 18 years of age without a usable skill.
- (2) Employed persons over 18 years of age who are unskilled, or if skilled, whose prospects of continued training in their existing trade are poor.
- (3) Disabled persons over school leaving age who need training to undertake work of a kind suited to their age, experience and general qualifications.
- (4) Ex-Regular members of H.M. Forces who need training to secure their satisfactory resettlement in civilian life.

Training is given mainly in Government Training Centres but for the disabled, ex-regular members of H.M. Forces, and unemployed persons with special resettlement problems training can be arranged at Technical or Commercial Colleges or with employers on an individual basis.

Transfer, Removal and Settling-in Allowances

1. The Ministry of Labour administer three schemes under which grants and allowances are paid to transferred workers:

- a) The Resettlement Scheme,
- b) The Key Workers' Scheme and
- c) The Nucleus Labour Force Scheme.

Broad details of these schemes are as follows:

a) *The Resettlement Transfer Scheme*

Under this Resettlement Scheme assistance can be given to an unemployed or redundant worker with no early prospects of obtaining regular and suitable employment in his home area wherever that may be who obtains useful employment with satisfactory prospects of resettlement in another area beyond daily travelling distance for which (generally speaking) a suitable worker cannot be found locally.

b) *Key Workers' Scheme*

This Scheme is intended to assist employed workers who are transferred either permanently or temporarily beyond daily travelling distance of their homes to key posts in establishments which their employers are setting up or extending in Development Districts.

c) *Nucleus Labour Force Scheme*

This Scheme assists firms who are setting up new factories in areas of high unemployment to recruit unemployed workers living in those areas for the purpose of transferring them temporarily to parent factories for training. On completion of training, and when the new factories are ready for occupation the workers are returned

to the home area to form a trained nucleus labour force ready to start the new establishments into production.

The grant of assistance under these schemes is subject to approval of the Ministry of the circumstances of the transfer in each individual case, *e.g.* assistance would not be given to workers transferring to employment if suitable labour were available in the transfer area.

OTHER ARRANGEMENTS

Restriction on Introduction or Extension of Industries in Certain Areas

The Board of Trade have powers under the Town and Country Planning Act, 1962 (in England and Wales) and the similar 1947 Act, as amended by the Local Employment Act, 1960 in Scotland, to control the erection of industrial buildings exceeding 5,000 square feet floor space, but they may exempt by Regulation any class of industrial building in any part of the country. The effect of this provision is that an application for planning permission under the Act for a factory building (except for an initial development of 5,000 square feet and under) is not valid unless it is accompanied by an industrial development certificate, issued by the Board of Trade, to the effect that the development in question can be carried out consistently with the proper distribution of industry. This is a purely negative power. Refusal of such a certificate does not of itself compel an industrial developer to go ahead in a location deemed more desirable by the Board of Trade; it is still open to him to acquire existing industrial premises, to rearrange his plans or, if he chooses, to shelve his development altogether. The use of this control cannot, therefore, compel industry to go to particular places. All the Board of Trade can do is to refuse permission to an undertaking to start or expand an industry in a given area. In view of the complex factors involved in the proper location of a factory, this power has to be carefully used. In general, however, the Board of Trade resist the introduction of new industry (that is, from outside the area) into congested areas, where such projects involve new industrial buildings. Expansion of existing industries already established in congested areas is a more difficult matter. The board of Trade do not automatically approve industrial development certificates for such expansions. In some cases, however, it is not possible for the expansion in question

to be carried out without serious loss of efficiency except in the existing location. This control provides a valuable source of intelligence to the Board of Trade. The necessity for a firm to apply for a certificate before proceeding with its development provides an occasion for direct contacts with industry on its plans. This early information about important new industrial developments, which would not otherwise have come to its notice gives the Board of Trade an opportunity to use its influence in guiding new developments to locations desirable on distribution of industry and employment grounds. Legislation at present under consideration (The Control of Office and Industrial Development Bill) would enable the Board of Trade to alter (in either direction) the figure of 5,000 square feet.

This Bill which is currently before Parliament will also empower the Board of Trade to control, by the issue of permits, and for a period of seven years, the disproportionate growth of office accommodation in the London Metropolitan region (within a radius of 40 miles from Charing Cross) and, by administrative order, to extend this control to any other area where the Board considers it to be necessary. In the London Metropolitan region, the control has been made retrospective to 5th November, 1964.

Developments with office floor space of less than 3,000 square feet are exempt from the provisions of the Act, but the Board of Trade has discretion to vary this exemption limit either way by administrative action.

Measures to Facilitate Foreign Investment

The policy of the Government is actively to welcome foreign investment. The approval of the Treasury (whose agents for this purpose are the Bank of England) is required for all investments of foreign capital to ensure repatriation rights both for capital and dividends, but there is normally no difficulty in obtaining this.

Other formalities necessary to setting up in Britain are virtually the same as for British-owned companies.

To encourage investment from North America a special office, the British Industrial Development Office, has been set up in New York to advise businessmen who are interested in establishing factories in Britain and Northern Ireland, and the Board of Trade in London is also prepared to help with advice and information. Businessmen in Europe can obtain advice from British Embassies and Consulates.

Financial and fiscal inducements are offered to foreign-owned companies to set up new projects or expand existing factories in development districts of Britain and Northern Ireland on exactly the same basis as for British-owned companies.

(These inducements include grants towards the cost of buildings and machinery, loans on favourable terms and the provision of Government-owned factories to rent. There is also a taxation concession which allows the cost of productive machinery to be written off for tax purposes as fast as desired.)

New and Expanded Towns

There are now twenty one new towns in Britain, some only just starting and some well advanced towards completion. The planning and building of each town is the responsibility of a development corporation appointed under the New Towns Act, 1946, and charged with the duty of creating a town in which people can live, work and spend their leisure in pleasant surroundings. The development corporations are financed by the Government, but private enterprise provides some of the factories, shops and houses.

Eight of the towns—Basildon, Bracknell, Crawley, Harlow, Hatfield, Hemel Hempstead, Stevenage and Welwyn Garden City—lie in open country twenty to thirty miles from London. Their special purpose is to provide homes with work near at hand for some half a million people who would otherwise be living in crowded conditions in London or travelling long distances to work. Three other new towns—Newton Aycliffe and Peterlee in County Durham, and Corby in Northamptonshire—offer solutions to problems created by the particular needs of local industry. New Towns designated more recently at Skelmersdale in Lancashire and Runcorn in Cheshire will take families from Liverpool and North Merseyside, and Dawley in Shropshire and Redditch in Worcestershire will do the same for Birmingham and the Black Country. The Welsh new town, Cwmbran in Monmouthshire, serves local industry. There are four new towns in Scotland—Cumbernauld, East Kilbride, Glenrothes and Livingston—mainly designed to relieve overcrowding in Glasgow.

The Government is now closely concerned with regional development, and the New Towns of the future will be helping to solve regional economic as well as overspill problems. A recent example of this is in the North East, where a New Town has been designated at Washington with the primary object to encouraging the economic revival of the area. Similarly, in the North West a New Town is proposed in the Leyland/Chlorley area as a contribution to the

industrial revival of the region, as well as to serve the overspill needs of Manchester. Further studies are in progress and other proposals for New Towns are under consideration.

The Town Development Act, 1952, provided assistance for other towns (known as Expanded Towns), to receive population and industry from congested areas. Towns expanded in this way are eligible for grants from the Minister of Housing and Local Government, with Treasury approval, towards the cost of housing, land acquisition, site preparation, water and sewage works.

The success of the New and Expanded Towns has been facilitated by the powers to control the distribution of industry exercised by the Board of Trade. While these are negative powers preventing the introduction or expansion of industries in congested areas, the Board of Trade has been able to encourage industrialists who were unable to move to the development districts to set up their factories in the New or Expanded Towns. Similar provision is made in Scotland under the Housing and Town Development (Scotland) Act, 1957.

UNITED STATES OF AMERICA

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GENERAL ARRANGEMENTS

Introductory Remarks

United States Government programs aimed directly at promoting industrial development are of relatively recent origin, but many government activities had an indirect effect upon the industrial development of the country. The early expansion of this country involved government subsidies for the support of the public transportation system, including the construction of canals, roads, and early transcontinental railroads. The early adoption of the patent system and protective tariffs also had a profound impact upon the growth of commerce and industry in the United States. But traditionally the development of industry in the United States was considered a responsibility of private enterprise.

Legislation enacted during the Great Depression in the 1930's marked a departure from this attitude, when the Government initiated many programs to create jobs. The measures at that time were considered temporary to meet an emergency situation.

A decade later, the Employment Act of 1946 formally recognized the responsibility of the Federal Government to create an economic climate conducive to stimulating maximum production and employment. The Employment Act did not spell out specific programs which the Government should undertake when private enterprise failed to provide full employment, and the Government has since relied largely upon fiscal and monetary policies to combat unemployment and to achieve price stability. Significant examples of this policy were the \$ 14.0 billion income tax cut made in 1964 and the \$ 4.6 billion excise tax cut of the following year. The Government had resorted before to the reduction of taxes, but this was normally limited to periods of prosperity when the Treasury experienced financial surpluses. The 1964 and 1965 tax cuts were inaugurated

during a period when the Federal Government anticipated a deficit. Nevertheless, the tax cuts were adopted as a means of stimulating economic growth and expansion.

The rapid growth of federal support for research and development has also had a deep impact upon economic development. The prime justification for these programs has been, however, the strengthening of the defense posture and its impact upon industrialization is a by-product.

The Federal Government has used credit programs to generate employment and to achieve other basic economic and social goals. Noteworthy for the purposes of this report has been the program, dating back to 1934, to extend special credit facilities to small business. The program was then administered by the Reconstruction Finance Corporation and was enacted in the midst of the Great Depression to stimulate the employment of labor.

In 1953, when the Reconstruction Finance Corporation was liquidated, the Federal Government decided that the existing credit facilities were inadequate to provide long-term credit to small business. The Small Business Administration was established in that year to fill this gap. The Small Business Administration was originally established as a temporary agency, but it was made permanent in 1958 and the activities of the agency have been expanded during the 12 year period since the agency was originally established.

The high level of unemployment which has prevailed in the United States since the late fifties has stimulated federal as well as state programs aimed at improving the infrastructure of depressed areas, channeling industry to these areas, and equipping unemployed workers with marketable skills.

The Public Works and Economic Development Act (E.D.A.) of 1965, which replaced the Area Redevelopment Act of 1961, is a long-term program to combat unemployment in areas where high levels of chronic unemployment have persisted over a number of years. It offers inducements for industry to locate in areas of high unemployment and for regions and communities to plan for economic growth. The legislation emphasizes helping depressed areas by aiding them to improve the infrastructure of their economies. The Economic Development Act recognizes that the concentration of unemployment in certain regions and in local communities is a national problem, and the program is attuned to cope with chronic local unemployment which acts as a drag upon the national economy. Similarly, the

Appalachian Regional Development Act of 1965 provides for the rehabilitation of the most depressed region in the United States through a series of programs designed to stimulate the economic development of the area.

It should be noted that the area redevelopment programs attempt to offer inducements to industry to locate in depressed areas where jobs are in greatest need and to offer inducements to unemployed workers to train. The Federal Government has shunned any coercive measures which would assist in industrial development.

The Manpower Development and Training Act is aimed largely at training and retraining of unemployed workers. The underlying rationale for this program is the assumption that despite the high level of unemployment which has existed during recent years, many job vacancies exist only because the unemployed do not possess the skills necessary to fill these positions.

In addition to the federal programs, all the 50 States have adopted some measures to encourage industrial development. The extent of state activities in this area has differed widely and space will permit the consideration of only major programs. It should be noted that the state programs are separated from the federal programs and are administered independently of the federal programs.

Legal and Financial Provisions

Area Development and Labor-Surplus Areas

Public Works and Economic Development Act, Public Law 89-136 (1965)

Appalachian Regional Development Act, Public Law 89-4 (1965)

Office of Civil and Defense Mobilization, Defense Manpower Policy No. 4 (revised 1960)

Pennsylvania Industrial Development Authority Act, Act No. 537 (1956)

New York Job Development Authority Act (1961)

Assistance to Business

Small Business Act, Public Law 83-163 (1953); Public Law 85-536 (1958); Public Law 85-699 (1958); Public Law 87-550 (1962); Public Law 88-264 (1964); Public Law 88-451 (1964)

Merchant Marine Act, Public Law 83-781 (1936); Public Law 83-288 (1953); Public Law 84-1017 (1956); Public Law 87-794 (1962); Public Law 88-370 (1964).

Aircraft Loan Guarantee Act, Public Law 85-307 (1957); Public Law 87-820 (1962)

Transportation Act, Public Law 85-625 (1958)

Trade Expansion Act, Public Law 87-794 (1962)

Export and Foreign Investment Assistance

Export-Import Act, Public Law 79-173 (1945); Public Law 87-311 (1961); Public Law 88-101 (1963);

Foreign Assistance Act, Public Law 89-171 (1965)

Vocational Education and Training

Smith-Hughes Act, Public Law 347-64 (1917)

George-Barden Act, Public Law 79-586 (1946)

Vocational Education Act, Public Law 88-219 (1963)

Manpower Development and Training Act, Public Law 87-415
(1962); Public Law 88-214 (1963); Public Law 89-15 (1965)

Economic Opportunity Act, Public Law 88-452 (1964)

Competent Authorities

The Economic Development Administration in the Department of Commerce is responsible for administering the federal program to aid depressed areas. Since the E.D.A. cuts across a variety of programs administered by agencies in existence prior to the passage of the depressed area legislation, the day-to-day processing of applications for assistance from depressed areas is delegated to the several agencies. Applications for commercial and industrial loans are processed by the Small Business Administration, while applications for public facility loans and grants are handled by the Community Facilities Administration in the Housing and Urban Development Department. Technical assistance applications are handled by the Economic Development Administration with the assistance of those departments which may provide expert technical advice in evaluating applications. The final authority to approve any application is retained by the E.D.A.

A committee of 25 persons representing labor, management, agriculture and government is required to meet at least twice a year to help the Secretary of Commerce to evaluate the depressed area program, and this committee may also make recommendations to the Economic Development Administration to carry out the program.

While all projects must be approved in Washington, the initiative for all applications must originate with the depressed areas and receive prior approval by their respective states before the applications are submitted to the Economic Development Administration.

The Appalachian Regional Development Act is administered by a Commission consisting of the Governor (or his designee) from each of the 12 States participating in the program and a federal co-chairman, appointed by the President of the United States. All decisions of the Commission require a majority decision of the state members and the federal co-chairman. The latter, therefore, has a veto power over all affirmative actions taken by the Commission.

Two federal departments, Labor and Health, Education and Welfare, share responsibility in co-operation with appropriate state and local officials for the administration of the training and retraining programs. The Manpower Development and Training Act (M.D.T.A.) has vested a considerable amount of control over these training programs in the hands of the federal officials. While the amount of federal funds allocated to each State is spelled out by the appropriate legislation, federal officials retain the authority to approve each training course.

The initiative for providing training to local unemployed workers under the M.D.T.A. program, however, is normally assumed by the 1,900 local employment service offices which ascertain skill shortages in occupations suitable for training. Local advisory committees—there are more than 700 such local committees, drawn from management, labor, employment service, and vocational education—occasionally play an active role in selecting courses and determining their contents. Theoretically, when the local employment office determines the existence of a labor shortage in an occupation where training is suitable, it notifies the state employment service of the need for the training course. The state employment service then asks the state vocational authorities to prepare a course curriculum and handle the details for the course, including procurement of facilities and instructors. In practice, the local employment office and vocational education authority usually work out these details and then present to their respective state offices specific information about the prospective course offering.

At the federal level, several agencies review the course proposal before final authority is granted. Most M.D.T.A. courses are normally approved by one of the 11 Bureau of Employment Security regional offices. The technical aspects of training are reviewed by the Vocational Education Division of the Office of Education in the Department of Health, Education and Welfare. The authority for final approval of a training course rests with Department of Labor officials.

The programs of aid to business discussed in this report are administered by several federal departments and independent agencies. Later discussion of these programs will also mention the governmental bodies responsible for the administration of the specific program.

Regional Development Programmes

Public Works and Economic Development Act

The purpose of the Economic Development Act is to combat unemployment and underemployment in chronic labor-surplus areas. The Act recognizes several types of areas eligible for assistance under the provisions of the Act.

Area designation

1. Urban areas. The eligibility criteria are based upon a sliding scale of excess unemployment above the national average in a given area as follows: (a) unemployment in the area, discounting seasonal temporary factors, exceeds 6 percent of the total labor force, and (b) the annual average rate of unemployment must have been either: (1) 50 per cent above the national average for three of the preceding four calendar years, or (2) 75 per cent above the national average for two of the preceding calendar years, or (3) 100 per cent above the national average for one of the preceding two calendar years.

REMARK

The national average of unemployment in 1961 was 6.7 percent; in 1962, it was 5.6 per cent; in 1963, it was 5.7 per cent; and in 1964 it was 5.2 per cent.

2. Rural areas. The above unemployment criteria are not applicable to rural areas where in many cases the major problem is normally not one of complete unemployment, but rather one of underemployment. The United States Department of Labor classifies a person as unemployed if he (or she) is looking for work and has not been engaged in gainful activity during the survey week. (Gainful activity is defined as any work for pay or profit, or 15 hours or more work performed during a week as an unpaid family worker on a family farm or in a family business.)

These criteria cannot be effectively applied to low-income rural areas. The nature of farming, with its variety of chores, does not

generally afford much opportunity for complete idleness, even on small or marginal farming units. The criteria for designated rural areas are therefore based on the level of income, rather than on unemployment data. A rural area qualifies for assistance under the Economic Development Act if the median family income is 40 per cent or less of the national median.

REMARK

Detailed level of family income on a county basis are obtained from the Decennial Census. According to the latest Census of Population, taken in 1960, the median family income in the United States was \$ 5,660.

3. Indian reservations may be designated, if it is determined that there is a high degree of economic distress in the area.

4. An area may qualify for assistance if it suffers an abrupt rise in unemployment or underemployment and it is anticipated that the area would qualify for assistance within three years, unless corrective measures are taken.

5. Two or more designated areas may form an Economic Development District, including at least one area which is not eligible for assistance but which has sufficient potential to foster economic growth in the whole district.

REMARK

The exact number of areas which would be eligible for assistance under the Economic Development Act has not yet been announced. It is anticipated, however, that about a fourth of the total countries in the United States with about a fifth of the total population would be eligible for assistance under the E.D.A.

Overall economic development plan

Before an area or district qualifies to receive financial assistance, it is required, under the Economic Development Act, to prepare an overall economic development program (O.E.D.P.) which must receive both state and E.D.A. approval. Every project for which financial assistance is subsequently requested must be consistent with this overall economic development program. This plan must be endorsed by a duly authorized local economic development group representative of major community interests, including business, agriculture, labor, public officials and others. The O.E.D.P. must contain a general description of the area, present labor force data by industry and occupation, describe the extent of unemployment and underemployment and the factors that had contributed to economic decline and stagna-

tion, and summarize and evaluate past attempts to rehabilitate the area.

The O.E.D.P. also lists existing obstacles to economic growth and development of the community. Normally the O.E.D.P. is also expected to emphasize the problems related to the availability of venture capital and entrepreneurial initiative, the availability of sites for new or expanding industry, the need for training of available labor, appraise available public utility services and the financing capabilities of local government. Finally, the O.E.D.P. is required to outline a program of action for creating new employment opportunities.

Types of assistance

The Economic Development Administration offers the following types of assistance to eligible areas and districts:

(1) Long-term loans at low rates of interest to provide venture capital for new businesses willing to locate in depressed areas, or to help expand established business. The law does not make any limitation on the types of businesses which are eligible for assistance.

(2) Grants and loans for development facilities to improve the infrastructure of the areas.

(3) Technical assistance to help designated areas to mobilize their resources to plan constructive development programs which would stimulate economic growth.

(4) Technical and planning assistance to aid the establishment of multi-state regional commissions, similar to the Appalachian Regional Commission.

Appalachian Regional Development Act

A total of 368 counties are eligible for assistance under the Appalachian Regional Development Act. Included in the 180,000 mile area is the whole state of West Virginia and parts of Alabama, Georgia, Kentucky, Maryland, New York, North Carolina, Ohio, Pennsylvania, South Carolina and Tennessee. More than 17 million people reside in the Appalachian region.

The types of assistance offered under the Appalachian Regional Development Act are:

(1) Major emphasis is placed on the construction of a highway network and access roads.

(2) Supplemental funds are provided to increase federal grants-in-aid for the construction of public facilities, including hospitals, airports and higher education facilities.

(3) Grants are also made for the establishment of multicounty health facilities offering diagnostic care and treatment, the sealing of abandoned mines and reclamation of strip-mine areas, the construction of vocational education facilities, and planning land erosion control, timber production, water resources development and local economic development.

In addition, the Small Business Administration also contributes to regional economic development by offering loans to state and local economic development corporations.

Procurement

The Federal Government also extends limited preferential treatment to firms located in labor-surplus areas, where unemployment exceeds 6 per cent, in awarding procurement contracts. A federal procuring agency may set-aside a portion of items it intends to purchase to be awarded to firms in labor-surplus areas, provided the latter firms had submitted a bid within 20 per cent of successful bidders and the firms in labor-surplus areas can meet the price submitted by the successful competitors on the non-set-aside portion of the contract.

This policy has accounted for \$ 218 million worth of orders placed in labor-surplus areas during the 1964 fiscal year. This amounted to .8 per cent of total procurement orders placed by the Defense Department, the major federal procurement agency, in labor-surplus areas. Annual preferential procurement awards made by the Defense Department in labor-surplus areas have ranged from .4 per cent to .9 per cent of total procurement since the policy was inaugurated in 1953.

State and local activity

All 50 States have initiated programs to assist their political subdivision to attract new industry. State legislation has taken diverse forms and most of it has been enacted within the last decade. Some States have instituted programs to directly finance new or

expanding industry, while others have limited state aid only guaranteeing loans or chartering semi-public corporations on a local state-wide basis which in turn extend credit to entrepreneurs. In addition, a number of States have authorized their political subdivisions to grant various forms of tax advantages in order to attract industry.

Many municipalities and counties in all States, except Alaska and Hawaii, have also established local development corporations. The basic function of the development organization is to strengthen and expand the economic base of their communities. The industrial development techniques employed by these groups vary from time to time and place to place, depending upon the local conditions and the ingenuity, drive and resources of each local group. A few operate on a profit basis, while most perform their services at cost or gratis, helping local industries expand operations, and assisting local entrepreneurs in starting new economic ventures. The activities of most local development corporations are centered about real estate development, including development of industrial sites, construction of new plants and various forms of financial and technical assistance to new or expanding firms.

Studies Relating to Particular Areas

Mention has already been made of the overall economic development program which every designated area is required to prepare as a condition of qualifying for assistance under the Federal Depressed Area Law. In addition, the Economic Development Administration is required to engage in continuous studies designed to assist in determining the causes of chronic unemployment and underemployment in the designated areas and to formulate policies which would rehabilitate the economies of sagging regions and communities.

The E.D.A. has published numerous reports outlining economic development programs for various communities. It has also prepared feasibility studies for development of natural resources in depressed areas and the development of new markets for products of depressed areas. Of special interest may be a study published in 1965, *Area Redevelopment Policies in Britain and the Countries of the Common Market*. In addition to presenting a detailed description of area redevelopment in the seven countries, the study contains a special essay on "The Role of the European Coal and Steel Common Market in Regional Policy".

Labor market information is supplied by the United States Department of Labor's Bureau of Employment Security and its affiliated State Employment Security agencies which are directly concerned with identifying the problems of localized unemployment and developing programs to alleviate unemployment. These agencies and the Office of Manpower, Automation and Training and the Bureau of Labor Statistics, both in the Department of Labor, collect, summarize and interpret statistical data and qualitative information on employment, unemployment, employment outlook, and other economic data related to the utilization of human resources.

DIRECT ASSISTANCE TO ENTERPRISES

All levels of the United States Government have established diverse programs of assistance to enterprises. Most of these forms of aid are beyond the scope of this report. For example, the United States Government operates the Post Office at a loss and a considerable share of this deficit is due to various forms of subsidies given to business enterprises. In the Post Office operations, as well as in many other programs, it is impossible to isolate the benefits that American enterprise receives from governmental activities. This section of the report discusses only government programs whose function is to offer direct aid to industry.

Financial Assistance

Subsidies

The Federal Government subsidizes the construction of vessels to be used in foreign commerce of the United States. The purpose of this subsidy is to enable American shipowners to construct vessels in the United States on a parity with their foreign competitors. This subsidy was initiated in 1936. Under present law the Maritime Administration is empowered to cover the cost of the construction differential, not exceeding 50 per cent of total construction cost of the vessel. During fiscal 1964 the amount of this aid was \$ 78.3 million.

Loans

Depressed areas

Special credit facilities for firms locating or expanding in chronic labor-surplus areas is a basic plank in the program to aid depressed areas. The Economic Development Act authorizes annual appropriation of \$ 170 million for the purpose of carrying out the loan program. (Part of these funds may also be loaned for public facilities, as described in Section 21.) The rate of interest charged by the government on these loans is 4.125 per cent and the credit is extended over a period up to 25 years. E.D.A. loans are limited to 65 per cent of the total cost of the project, which may include the cost of land, building and machinery and equipment. In addition, the government guaranties up to 90 per cent of the amount of loans for working capital made by private lenders. The balance must come from other sources, including at least 5 per cent from non-governmental sources and 5 per cent from state or local sources, which may be waived in cases of demonstrated need. The law does not provide any maximum limit on the size of loans. But, for practical purposes, the A.R.A., the agency which preceded the E.D.A., did not finance a project in excess of \$ 10 million. As of mid-1965, the A.R.A. had made a total of 403 loans involving federal investment of \$ 177 million, at an average of \$ 438,000 per loan.

Small business loans

While E.D.A. loans are limited to businesses in chronic labor-surplus areas, the Small Business Administration operates on a national basis. In manufacturing, S.B.A. loans are restricted to companies which qualify as "small" for S.B.A. loan purposes. A manufacturing firm is normally considered small if it has no more than 250 employees. But in some industries companies employing up to 1,000 employees may qualify for an S.B.A. loan, depending upon size

standards for specific industries. The maximum loan that S.B.A. may extend to any individual firm is limited to \$ 350,000 with a maximum maturity to 10 years. The maximum interest charged by S.B.A. is 5.5 per cent, which is usually somewhat less than the normal going rate in the open market. In areas of substantial and persistent unemployment, the S.B.A. interest rate is reduced to 4 per cent, the same as was charged by the Area Redevelopment Administration. (This rate of interest is likely to be boosted to 4.125 per cent, charged on E.D.A. loans.)

The S.B.A. was established in 1953 and by the end of 1964 it has approved an accumulative total of some 50,000 business loans involving a total of \$ 2.5 billion of credit, at an average of \$ 50,000 per loan. In 1964, 65 per cent of the loans were for amounts less than \$ 25,000, and one of every eight loans exceeded \$ 100,000. The S.B.A. loans are made from a revolving fund, and the total amount currently authorized for the revolving fund for financial assistance is limited to \$ 1,325 million.

In addition, the S.B.A. has been authorized since 1958 to extend loans to state and local development companies to use in helping small businesses to construct or to convert plants, and to build shopping centers. There is no limit on the number of loans which the Small Business Administration can make to a local development organization. The S.B.A. may lend up to \$ 350,000 for each small business firm being assisted by the local development company. The S.B.A. is ready to assist the local development corporation with the bulk of its capital needs, but the local development corporation has to contribute at least part of the capital. The Small Business Administration's share of the loan may not exceed 80 per cent of the total amount, and the local development corporation has to contribute at least 20 per cent of the total cost of the project. The duration of the loan may be for as long as 25 years, compared with a maximum of 10 years for loans made directly to small business. As in the case of loans made under the S.B.A. directly to small business, the maximum rate charged for these loans is 5.5 per cent and in labor-surplus areas where unemployment exceeds 6 per cent the interest rate is reduced to 4 per cent. By the end of 1964, the S.B.A. had approved a total of 575 loans to local development corporations. The total amount of these loans amounted to \$ 74 million, or an average of \$ 143,500 per loan.

Victims of disasters

Another responsibility of the Small Business Administration is to extend credit to victims of disasters. In case of substantial economic damage resulting from floods, storms, earthquake or similar catastrophes, individual firms may become eligible for a special form of assistance. Loans under this program are not limited to small businesses but may be made to business concerns of any size, and there is no limit on the amount of the loan that can be made. The maximum amount is determined by the extent of damage, less any insurance benefits. The S.B.A. charges 3 per cent interest for loans made under the disaster program. A total of 25,400 disaster loans had been approved by the end of 1964. The amount of credit extended under this program by the end of 1964 was \$ 298 million.

State activities

A number of States have also taken steps to expand venture capital to induce industry to locate or expand in these States. Thirty of the fifty States have chartered statewide Business Development Corporations (B.D.C.'s) whose primary function is to extend credit for industrial development. The B.D.C.'s obtain capital from conventional lending institutions, and thus make it possible for banks and insurance companies to make credit available in cases where a single lending institution would not venture to make a loan. The charters of the B.D.C.'s also formally permit the corporations greater freedom in extending credit, and they are not tied down by restrictions imposed upon banks or insurance companies. State chartered Business Development Corporations are most popular in the northeastern section of the United States. But even in this section the total outstanding credit of these corporations amounts to about 1 per cent of loans made by commercial banks to industries for capital expenditures. The major contribution of the B.D.C.'s is therefore not in the amount of credit which they have extended, but rather in the fact that these corporations extend credit to industrial enterprises which could not obtain credit from conventional lenders.

Nine States have made provisions for extending direct loans to new or expanding business and seven States guarantee or insure loans made by conventional lenders. Most of these programs are of very recent origin and the experience of direct loans by States is limited. By the end of 1964 total direct long-term state loans for industry have amounted to \$ 80 million.

Outstanding among the state efforts to attract industry to areas of chronic unemployment through a direct loan program is the Pennsylvania Industrial Development Authority (P.I.D.A.), established in 1956. P.I.D.A. limits loans to nonprofit local industrial development agencies whose object is to promote industrial development in chronic labor-surplus areas. In order to qualify for assistance, an area must have not less than 6 per cent of its labor force unemployed for a period of not less than three years, or 9 per cent for not less than 18 months. P.I.D.A.'s loans are limited to 40 per cent of the cost of industrial plants, charging an interest rate of only 2 per cent. Total direct loans by Pennsylvania Industrial Development Authority have amounted to \$ 63 million by the end of 1964.

Another noteworthy program was inaugurated by the State of New York in 1961. The Job Development Act (J.D.A.) authorized the state to sell \$ 100 million worth of bonds to cover loans to communities to finance new industry. Half of the amount was allocated to help labor-surplus communities. J.D.A. loans are made through local, nonprofit industrial development corporations at an interest rate of 2.75 per cent in labor-surplus areas and 4.125 per cent in other areas. The loans are limited to 30 per cent of the cost of land and building and are made on a second mortgage. As of March 1965, total loans made by the New York Job Authority amounted to \$ 13 million, mostly in labor-surplus areas.

Trade adjustment assistance

In 1962 the Federal Government enacted special legislation to assist import-injured firms. This legislation was part of the Trade Adjustment Act which authorized tariff cutting policies. It was felt that firms which are injured as a result of reductions in tariffs should be entitled to special assistance.

In cases where the Tariff Commission determines that a firm was injured as a result of concessions granted under trade agreements, the firm may apply to the Office of Trade Adjustment in the Department of Commerce for a loan which would facilitate its economic adjustment. No maximum is set on the amount of a loan for which a firm may qualify. The credit is extended over a period of 25 years at a maximum of 4 per cent interest. No loans had been made under this program by mid-1965.

Loan Participation and Guarantees

In the United States, primary reliance for the supply of credit is placed upon private lending institutions, which account for the bulk of outstanding credit. In cases where the private credit supply is inadequate to meet policy objectives, the Government supplements private lending and insures or guarantees loans thereby avoiding government competition with private lending institutions. Direct extension of credit by the Government to business is avoided as much as possible.

Small business

The Small Business Administration participates with private lending organizations in extending credit to small firms. Banks and other participating lending institutions may also choose to make the entire loan to the small business and secure a government guarantee in case the loan is defaulted. The maximum guarantee provided by S.B.A. is limited to 90 per cent of the outstanding balance of the loan. The S.B.A. charges the lending institution one-half of one per cent service charge on the portion of the loan which S.B.A. has guaranteed. The guarantees charges are borne by the lending institution and not by the borrower. Sixty per cent of the loans made by S.B.A. have been on a participation or guarantee basis. As stated earlier, the S.B.A. extended over \$ 2.5 billion in loans by the end of 1964 and \$ 1.755 million credit was extended on a participating or guaranteed basis. The S.B.A. does not regulate the interest charged by private lending institutions on the share of the loan issued by them, provided the rate is reasonable and not in excess of 8 per cent. In most cases the charge by the private lending institutions exceeds the interest rate charged by S.B.A.

Transportation

The transportation industry has received special consideration in governmental credit policies. In addition to subsidizing shipbuilding

for foreign commerce (Section 111), the government guarantees loans made to airlines and railroads. These programs are administered by the Department of Commerce.

The aircraft loan guarantee program limits guarantees to any one carrier to \$ 10 million on loans with maximum maturities of 10 years. In order to qualify for the guarantees, carriers must submit evidence that financing without the guarantee is unavailable. The guarantee is provided for 90 per cent of the loan and the fee charged by the Federal Government is .375 per cent per year of the guaranteed amount. The interest rate charged on these loans ranged during the past four years between 5 per cent and 6 per cent. Total loans made through the end of 1964 amounted to \$ 49.3 million.

Railroad loan guarantees are provided for capital expenditures or for maintenance of property. The fees charged on the guarantees are .375 per cent per year of the guaranteed amount and may be extended over a period of 15 years. The guarantee may be extended over 100 per cent of the loan and the maximum authorization of guarantees under the program is \$ 500 million. The rate of interest charged on the loans has varied normally between 4.5 to 5.5 per cent. By the end of fiscal 1964 total loan guarantees amount to \$ 241 million.

Other guarantee programs are discussed in Section 42.

State activities

During the past decade seven States have inaugurated insurance programs for industrial buildings. While the state laws vary, they normally guarantee up to 90 per cent of the cost of land and building. The loan is made by a conventional lending institution, a bank or insurance company, and the State charges one-half to 1 per cent interest on the outstanding balance to cover the cost of insurance. By the end of 1964 state insured industrial loans amounted to more than \$ 30 million, made mostly by two States, Maine and Rhode Island. The legislation in the other States is too recent and they have had only very limited experience with this program.

Advances

There is no federal program which specifically provides for interest-free recoverable advances for the development of industry, but the E.D.A. has considerable discretionary authority in allocating funds provided under the technical assistance program which autorizes the expenditure of \$ 25 million annually. Technical assistance funds may be used to finance feasibility studies and to develop new production processes. These studies were either outgrowths of applications for E.D.A. industrial loans or attempts by the E.D.A. to help expand home-grown small industries. In cases where E.D.A. feasibility studies relate to activities of specific firms, the Federal Government secures an assurance from the firms that the federal outlays would be repaid if the projects materialized and proved successful.

Fiscal Concessions

Tax Exemption or Relief

Keen competition exists among communities in attracting new industry, and communities have frequently resorted to offering a variety of concessions to lure new businesses. The most common of these concessions are free or subsidized plant sites, construction or remodeling of industrial or commercial buildings, including public utilities. Ten States permit communities to offer tax exemptions to new industry for a period of 10 years. Twenty-five States have enacted laws authorizing political subdivisions to finance the location of business through various tax concessions, including the sale of tax-exempt general obligations and revenue bonds. The current trend is toward a wider use of the latter type of financing. Most of the States authorizing municipalities or counties to finance plant location through the sale of bonds are located in the southeastern and central part of the United States. One State permits the municipalities to acquire a company's entire assets. All other States restrict the use of bonds to the purchase of land or real estate.

The practice of extending tax exemption to private firms has been subject to considerable controversy. There is wide criticism against this practice on the basis that the tax exemption fails to provide needed revenue to communities to cover added expenditures resulting from the expanded economic activity. In most cases total indebtedness of communities is limited by state law and the sale of bonds for industrial and commercial activities reduces the ability of local governments to sell securities to finance public facilities.

Financing new industrial growth through municipal bonding has some obvious advantages to the entrepreneur. Municipal bonds in the United States are exempt from federal taxes. Municipalities can therefore market their bonds at a lesser rate of interest than private

industry, thus reducing the cost to the entrepreneur of developing and building a new industrial site. Frequently the bonds are purchased by the firm for which the building is being constructed, giving the company a double tax advantage. The building is sold to the company on a lease-purchase basis, thus freeing corporate funds for operating capital that would otherwise be tied up in capital investment. At the same time, the municipality usually retains the title to the new building until the bonds are retired, which exempts the property from local property taxes and bond investors from paying federal taxes on the interest received from the bonds.

INDIRECT ASSISTANCE TO ENTERPRISES

Provision of Basic Services

In addition to supplying venture capital for new and expanding businesses in depressed areas, the Economic Development program also calls for federal assistance to improve the infrastructure of these communities. The law authorizes the annual expenditure of \$ 500 million in grants for this purpose.

The law gives broad discretionary authority as to the type of projects which can be supported by the public facility funds, as long as the projects for which federal support is sought tend to contribute to the economic development of an area. Approvable projects include water and sewer lines, waste treatment plants, water reservoirs, harbor facilities, development of industrial parks and tourism facilities and construction of vocational schools.

The program is operated on a matching basis. The federal grants on each project authorized in redevelopment areas may range between 50 and 70 per cent of the total cost of the project, depending upon the level of unemployment of income in the area and the nature of the project for which assistance is sought. In the case of projects in an Economic Development District the federal grant may be raised to 80 per cent of the total project cost.

REMARK

In addition to the eligibility criteria specified in Section 03, all areas which experienced 6 per cent or higher unemployment during the preceeding year may qualify for public works grants.

In addition to grants, the E.D.A. also provides that a portion of the \$ 170 million annual loan authorization (described in Section 112) may be expanded for public facility loans. These loans may be amortized over a period of 40 years at an annual interest rate of 4.125 per cent. As a matter of practice, communities would rarely

seek E.D.A. loans for the construction of a public facility. The reluctance of communities to apply for federal loans to cover the cost of a public facility is due to the structure of the tax laws. The interest paid on bonds floated by states or their political subdivisions, municipalities or counties, are not subject to federal taxes. As a result, bonds sold by state and local governments are particularly attractive to individuals in the higher income brackets and are frequently sold in the open market at a lower rate than the Federal Government would charge to the community.

Underlying the Appalachian Regional program is the assumption that the economic distress of the area is due to the relative isolation of the region. Therefore, nearly four-fifths of the total \$ 1,092 million authorized expenditures under the Appalachian Regional Development Act are allocated for the construction of roads. The balance is to be expended for increasing the federal share in grant programs, including medical facilities, and for resource development and planning, including the improvement of vocational training.

The specific provisions of the Act are:

1. Road construction. A total of \$ 840 million is allocated for the construction of a 2,350 mile highway network and 1,000 miles of access roads. These roads are to be built over a period of six years, with federal grants covering 70 percent of the total costs.

REMARK

The authorized expenditures for the other programs, amounting to \$ 252 million, are for a period of two years. Thus, if Congress decides to continue the measure for six years and authorizes expenditures comparable to those in the original Act, the total authorized expenditures for the additional programs would rise to \$ 757 million, or 46 per cent of the total cost of the program.

2. Grant supplements. A total of \$ 90 million is authorized for increasing federal grants-in-aid for diverse federally-supported programs. These include sewage treatment plants, flood prevention projects, library construction, airport construction, higher education facilities, land and water conservation projects, and vocational education facilities. Under existing legislation, the federal share of the grants ranges normally from about 30 to 50 per cent of total costs; the Appalachian Act would raise the federal share to 80 per cent.

3. Medical facilities. \$ 69 million is allocated for multi-county health facilities offering diagnostic care and treatment. Federal grants to defray operating expenses of existing hospitals may be

obtained from other federal programs and the Office of Economic Opportunity has already allocated funds for this purpose.

4. Coal. \$ 36.5 million is authorized for sealing abandoned mines and reclamation of strip-mine areas. Federal grants would cover 75 per cent of the cost.

5. Other programs. The balance (\$ 56.9 million) is authorized for land erosion control, covering 80 per cent of the cost of improving and protecting farm land in parcels of 50 acres or less, timber production, planning water resources, local economic development, sewage treatment works, construction of vocational education facilities, and administration of the program.

Pre-built Factories

The construction of industrial buildings for occupancy by prospective employers is largely an activity of quasi-public local corporations. There are about 3,000 local economic development corporations in existence throughout the United States. Where adequate industrial sites are scarce, the community development corporations have, on occasion, built industrial parks which they sell, lease, and in some cases present as an outright grant to new or expanding firms. Some of these development corporations have engaged in constructing speculative buildings—buildings constructed without any specific project in mind, with utilities roughed in. These buildings are then used to attract industry to the communities and are either sold or leased to entrepreneurs. The tax advantages that accrue to employers as a result of this practice have already been explained in Section 121. There are no exact statistics on the extent to which this practice is engaged in by local development corporations.

ARRANGEMENTS BENEFITTING WORKERS

Vocational Training

The beginnings of a vocational education system in the United States date back to the turn of the century. The Federal Government recognized its responsibility for sharing part of the cost of vocational education in 1917, when it provided a modest annual grant to be matched by States for the purpose of supporting vocational education. This program has been expanded over the years, and in addition to supporting vocational education in secondary schools it also aids extension programs for adults to help them up-grade their skills. In many occupations, vocational education courses are offered on co-operative arrangements which combine in-school education with supervised work experience.

Until 1963, the federal contribution to vocational education was rather modest. It was estimated that in that year total public expenditures for vocational education amounted to about \$ 750 million, of which the Federal Government contributed only about \$ 50 million. Since 1963 federal contributions have expanded and a total of \$ 252 million was appropriated for the current year. The Appalachian Regional Development Act authorizes an annual appropriation of \$ 16 million for the construction of vocational school and part of the public works funds provided by the E.D.A. (Section 21) may also be expended for vocational training facilities.

In addition to expanding federal aid for vocational education, a novel provision in the 1963 law is a program to aid economically disadvantaged youths. The law authorizes the expenditure of \$ 150 million over a four-year period to enable local educational agencies to provide for part-time employment to students attending vocational education programs.

Occupational Retraining

Since 1961 the Federal Government has inaugurated two new programs aimed largely at retraining unemployed workers. The two laws are the Area Redevelopment Act of 1961 (A.R.A.) and the Manpower Development and Training Act of 1962 (M.D.T.A.). The training provisions of A.R.A. were merged with M.D.T.A. in 1965.

Manpower Development and Training Act

The Manpower Development and Training Act of 1965 provides for a maximum training period of two years. Adult trainees receive a weekly allowance equal to average unemployment compensation benefits paid in the State where the workers receive training (average for the United States in 1965 was about \$ 35 a week) plus an amount not exceeding \$ 10 per week. For heads of families with three or more dependents, the weekly allowance may be increased by \$ 5 for each additional dependent, but not more than \$ 10 per week. Trainees are also eligible to receive extra daily subsistence or transportation allowance, not exceeding \$ 5 a day, if they are selected to attend courses outside the commuting area of their regular place of residence.

The M.D.T.A. stresses the training needs of unemployed heads of families who had two years' experience in the labor market. But youths between the ages of 17 and 22 are also eligible to qualify for training and receive a maximum of \$ 20 a week training allowance. Underemployed workers may also qualify for M.D.T.A. training. Trainees may work part-time (up to 20 hours per week) without the loss of training allowances. Training in basic education may be included as part of the vocational course for those who lack a rudimentary education.

Administration of training

A total of 81,000 unemployed workers received training during 1964. The average duration of an M.D.T.A. course was nearly 28 weeks at a cost of \$ 1,500 per trainee. Thirty-eight per cent of the trainees were between 17 and 22 years of age, 51 per cent between 22 and 44 years old, and the balance, 11 per cent, were 45 years old or more.

Since 1962 when the M.D.T.A. program was inaugurated the Federal Government has financed the total cost of training. But beginning with July 1966 the Federal Government will pay 90 per cent of total cost and the states will contribute the balance. In depressed areas, however, the Federal Government will continue to cover the total cost of training. For fiscal 1966 the M.D.T.A. authorized the expenditures of \$ 454 million for training.

The bulk of training under M.D.T.A. has been carried out in publicly financed vocational education institutions. Training courses were offered in 1964 in over 300 different occupations. The most popular occupations in order of the number of enrollees were : stenographer, nurses aide, licensed practical nurse, typist, welder, machine operator, automobile mechanic, general office clerk, automobile body repairman, and cook. The 10 occupations accounted for half of the total training.

The federal training and retraining programs have also supported to a limited extent on-the-job training. The cost to the Government per on-the-job trainee amounted in 1964 to nearly \$ 600 compared with more than \$ 1,500 per trainee under the institutional training. The reason for appreciably lower costs under on-the-job training than under institutional training is due to the fact that under the former the job site and necessary equipment are already available at the expense of the employer. Training allowances are also reduced because the employer is required to pay wages to trainees for all productive work. Federal expenditures in connection with on-site training are normally limited to time spent on instruction (frequently offered in a vocational school), the costs of the projects' supervisonal instruction, and the costs of consumable materials used for instruction, the products of which are not sold in the open market. On-the-job training is preferred to institutional training because in most cases the former provides des trainees with permanent jobs upon completion of training period at relatively low cost. Nevertheless, only about one of every eight selected trainees was earmarked for on-the-job training courses.

Current plans call for the expansion of on-the-job training. Employers have traditionally assumed a major role in the training of their employees and they still carry most of the cost for such training.

Special provisions are made for hard-core unemployed who are not likely to benefit from established training techniques. This may apply to youths who are school dropouts and who have had unusual difficulty in finding or holding employment, older workers with a low educational attainment, and the physically or mentally handicapped. For these hard-to-place unemployed, the government program has devised special counseling programs to help them adapt to training situations and work.

In addition, the Economic Opportunity Act of 1964, a special measure to help poor people, makes provision for training persons on relief, most of whom are poorly educated and unskilled. A total of \$ 117 million was appropriated for this program during fiscal 1965 and 16,000 found gainful employment under the program during the year and arrangements were made to provide work-experience to another 73,000 persons. Other programs under the Economic Opportunity Act provide work for youth. All work performed under this Act is limited to public or nonprofit institutions.

Transfer and Settling-in Allowances

The Trade Expansion Act of 1962 provides that an unemployed head of a family, who has little prospect of finding suitable gainful employment in his community and who has been offered long-term gainful employment elsewhere, is eligible to receive a relocation allowance which covers moving expenses for himself and his family and the cost of transporting household goods. In addition, the worker may receive a lump-sum payment of 2,5 times the average weekly manufacturing wage (about \$ 250 at present wage rates) to defray other costs of moving. Before a worker becomes eligible to benefit from the relocation provisions, the Tariff Commission has to determine that the major cause of his unemployment or underemployment has been due to increased imports attributable in major part to trade agreement concessions.

The Manpower Development and Training Act of 1965 also provides for a modest federal experimental program for the relocation of workers who cannot be expected to secure full-time employment in the community in which they reside and who have bona fide offers of employment in other areas. The Secretary of Labor is authorized to make loans or grants, not exceeding a total of \$ 5 million annually, to help in the relocation of such workers. Where the assistance is provided in the form of grants, the federal assistance may not exceed 50 per cent of the expenses incurred in connection with the transportation of the worker and his family and his household effect.

The Federal Government has conducted since 1952 a relocation program for Indians residing on reservations. The program is administered by the Bureau of Indian Affairs, Interior Department, and more than 4,500 persons have been relocated from Indian reservations to other communities within the United States during fiscal 1965.

OTHER ARRANGEMENTS

Measures to Facilitate Foreign Investment

The Federal Government has enacted several complementary measures to facilitate exports and American investment abroad. Some of these programs date back to the 1930's and their major purpose was to stimulate employment in the United States. The trend in recent years has been to supplement direct government aid to foreign countries with private assistance, stressing aid to developing countries. The federal programs provide credit to promote and finance exports and insurance or guarantees to reduce risks involved in exports and foreign investment.

Long term credit to finance U.S. exports is extended by the Export-Import Bank of Washington. This credit is extended either to corporations owned by U.S. investors, companies owned by foreign nationals, or foreign governments, provided that the financing is used to procure U.S. exports and that the borrower either make a down-payment on the financed imports from the U.S. or have a reasonable equity invested in the project. For private borrowers the equity requirement may be as high as 50 per cent. In some cases emergency foreign trade credits have been made to foreign governments to avert adverse effects on U.S. exports due to the deterioration of the foreign exchange position of the countries involved. The bulk of the Export-Import Bank long-terms loans, however, are made for specific projects.

Loans are made only when private capital is not available and when the project offers reasonable assurance of repayment. The usual interest rate charged by the Export-Import Bank on loans extended during recent years has been 5.5 to 6.0 per cent and loans are normally to be amortized over a period of 5 to 20 years, depending upon the type of project. The total lending and insuring authority under the program has expanded rapidly in recent years and amounted

in mid-1965 to \$ 10.5 billion, \$ 8.5 billion for loans and \$ 2.0 for guarantees and insurance.

To encourage long-term investment by U.S. citizens and corporations in developing countries, the Agency for International Development offers guarantees for investment covering specific political risks of inconvertibility, expropriation and war. In addition, extended guarantees against any risk, commercial as well as political, may be issued to cover 75 per cent of investment on specific high priority projects and 100 percent of private long-term mortgage financing. The current basic guarantee fee charged to cover specific risks amounts to .5 per cent of the value covered on each of the three risks listed and up to 2 per cent for extended coverage. The guarantees apply for a maximum period of 20 years and the program authorizes total outstanding specific risk guarantees on \$ 5.6 billion. The bulk of the authorized guarantees (\$ 5.0 billion) is allocated to cover the three types of specific risks.

To counteract the unfavorable balance of payments legislation is now pending before Congress which would encourage foreign purchase of U.S. corporate securities by reducing the tax liability on such investments.