

EUROPEAN PARLIAMENT

## Working Documents

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DOCUMENT 307/77

### Report

drawn up on behalf of the Committee on Regional Policy, Regional Planning and  
Transport

on the communication from the Commission of the European Communities to  
the Council (Doc. 183/77) concerning guidelines for Community regional policy

Rapporteur: Mr L. NOE'

By letter of 22 June 1977, the President of the Council of the European Communities requested the European Parliament, pursuant to Article 235 of the EEC Treaty, to deliver an opinion on the Communication from the Commission of the European Communities to the Council concerning guidelines for Community regional policy.

The President of the European Parliament referred this communication and proposals to the Committee on Regional Policy, Regional Planning and Transport as the committee responsible and to the Committee on Budgets for its opinion.

On 21 June 1977, the Committee on Regional Policy, Regional Planning and Transport appointed Mr Noè rapporteur.

It considered the communication and proposals at its meetings of 21 September and 27 - 28 September 1977.

At its meeting of 28 September 1977 the committee adopted the motion for a resolution and the explanatory statement by 16 votes in favour, with one abstention.

Present: Mr Evans, chairman, Mr Nyborg and Mr McDonald, vice-chairmen, Mr Noe', rapporteur, Mr Albers, Mr Brown (deputizing for Mr Kavanagh), Mr Delmotte, Mr Ellis, Mr Fuchs, Mr Giraud, Mr Hoffmann, Mrs Kellett-Bowman, Mr Lezzi (deputizing for Mr Zagari), Mr Mascagni, Mr W. Müller (deputizing for Mr Haase, Mr Osborn and Mr Seefeld.

The opinion of the Committee on Budgets is attached.

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OPINION of the Committee on Budgets

The Committee on Regional Policy, Regional Planning and Transport hereby submits to the European Parliament the following motion for a resolution, together with explanatory statement:

MOTION FOR A RESOLUTION

embodying the opinion of the European Parliament on the communication from the Commission of the European Communities to the Council concerning guidelines for Community regional policy

The European Parliament,

- having regard to the proposals from the Commission of the European Communities to the Council (COM(77) 195 final),
- having been consulted by the Council pursuant to Article 235 of the EEC Treaty (Doc. 183/77),
- having regard to the report of the Committee on Regional Policy, Regional Planning and Transport and the opinion of the Committee on Budgets (Doc. 307/77),
- referring to its last resolution of 21 April 1977 'on aspects of the Community's regional policy to be developed in the future'<sup>1</sup>, in which it stressed the fundamental economic and political necessities which require the development of an effective Community regional policy, and in particular, the threat to the sound operation of the Common Market and the internal cohesion of the Community which widening regional disparities constitute<sup>2</sup>,

(a) General outline of a Community regional policy

1. Notes that the Commission has very largely taken account of the proposals contained in the abovementioned resolution and has complied fully with its responsibilities and with the provisions of Article 2(2) of the Regulation establishing the European Regional Development Fund;

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<sup>1</sup> OJ C 118, 16.5.1977, p. 51  
Delmotte Report (Doc. 35/77, 6 April 1977)

<sup>2</sup> Recitals and paragraphs 1 to 3 of the resolution of 21 April 1977

2. Congratulates the Commission on opting for an overall approach to regional policy<sup>1</sup>, giving a broad interpretation of the notion of infrastructure<sup>2</sup>, stressing coordination of policies and financial instruments<sup>3</sup> and reiterating the importance of regional development programmes<sup>4</sup> ;
  3. Considers that the definition of an overall analytical and conceptual framework, assessment of the regional impact of the Community's policy and coordination of national regional policies constitute the only means of moving gradually from simply managing the fund to introducing a genuine Community regional policy, and calls upon the Commission to include an assessment of the regional impact of all proposals for the development of Community policies. This assessment should be included in the explanatory memorandum of all proposals made from now on.
  4. Feels that the Commission, which allocates aid from the fund 'taking special account of ... whether the investment falls within a frontier area' (Article 5 (1) (d)), should take into consideration regions adjacent to a third country, particularly if cooperation with the neighbouring regions of that country is difficult or impossible;
  5. Welcomes the fact that the Regional Policy Committee is studying the scope for coordinating disincentive measures (para. 28) and supports the Commission's view that such measures would make an effective contribution to maximising the use of the Community's manpower and land resources (para. 30). The Commission should consult Parliament on the review of the system for coordinating regional aids (para. 31).
- (b) The formation of inter-disciplinary teams
6. Considers that the introduction of these measures will necessitate the setting up by the Commission of study groups comprising specialists from various fields with the principal task of putting forward 'scenarios' to enable the various policies to be assessed in terms of regional impact and brought into alignment;
  7. Stresses the need to increase the number of officials in the Directorate-General for Regional Policy employed in managing the ERDF so that the regional development programmes which will be compulsory from 1 January 1978 and which are to be the basis for fund activity can be examined;
  8. Considers that, if regional aid is to be effective, local or regional officials with a high level of competence will be essential and that, in certain regions, it may be necessary to give them further training, possibly with Community aid<sup>5</sup>;

<sup>1</sup> Paragraphs 4 to 8 of the resolution of 21 April 1977

<sup>2</sup> Paragraphs 14 and 15

<sup>3</sup> Paragraph 17

<sup>4</sup> Paragraph 18

<sup>5</sup> Paragraph 15

(c) The role of local and regional authorities

9. Recalls that it has already proposed that 'the committee shall in accordance with the provisions of its rules of procedure, take evidence from interested parties from the regions and from trade union and business organizations when a regional problem concerns them'<sup>1</sup>;
10. Points out that it considers it essential, in view of the general character of the development, for the public to participate in the development process through their elected representatives at all levels, since such participation is likely to ensure the success of the development programmes<sup>2</sup>;
11. Points out that it has already recommended to the Commission that it should define, in collaboration with the Member States, the role of the different local, regional and national bodies in working out and implementing programmes for which Community aid is granted<sup>3</sup>;
12. Reiterates the importance it attaches, particularly with the approach of direct elections, to developing its contacts with the official representatives of the local and regional authorities of the Community, which are in a position to ensure the success of these elections by encouraging a high turnout of voters;

(d) Publicity given to activities

13. Points out that appropriate publicity should be given to aid from the fund in order to make the public more aware of the Community's activities<sup>4</sup>;
14. Deplores the fact that the new Article 10(2)(new) does not specify the minimum information to be published, namely, for each economically significant region and for each programme, whatever the amount involved: identification, nature and amount of investment, the amount of national aid and any other sources of finance, the amount of aid from the fund and the number of posts created or maintained<sup>5</sup>;

(e) Modification to fund mechanisms

15. Considers that the budgetary appropriations allocated to the fund in years to come should be the subject of a genuine debate between the Commission and the budgetary authority on the basis of an indicative financial statement attached to the Commission's proposals<sup>6</sup>;
16. Approves the setting up of a non-quota reserve<sup>7</sup> and the fact that specific Community projects are based on Community criteria<sup>8</sup> and requests that these projects should not be linked to the Council's approval on a case-by-case basis, so as to enable the Fund to intervene more rapidly;

<sup>1</sup> OJ C76, 7 April 1975, p.21, para. 12  
Resolution of 21 April 1977:

<sup>2</sup> Paragraphs 20 and 21

<sup>4</sup> Paragraph 24

<sup>6</sup> Paragraph 28

<sup>8</sup> Paragraphs 35  
and 36

<sup>3</sup> Paragraph 23

<sup>5</sup> Paragraphs 25 and 26

<sup>7</sup> Paragraph 29

17. Is in favour of financing new investments, that is investments which post-date the request for aid from the fund;
18. Welcomes the simplification of procedures, which removes the need to consult the Fund Committee on small projects;
19. Considers that the setting up of a system of budgetary advances and the greater flexibility of the fund's intervention rates are to be welcomed<sup>1</sup>;
20. Feels that interest subsidies and exchange rate guarantees should be granted, particularly to small and medium-sized undertakings, so long as this does not alter the Commission's responsibility for management or Parliament's budgetary control<sup>2</sup>;
21. Invites the Commission to put forward practical proposals for the establishment, within the framework of regional policy, of a borrowing and lending mechanism<sup>3</sup>;

(f) Additionality and control

22. Points out that aid from the fund is not intended merely to support national aid but to strengthen it through the complementary nature of Community operations, but recognizes the necessity for national governments to determine initially their own priority schemes;
23. Notes the statement at the end of paragraph 27 of the Communication that 'it is at the level of these programmes that the complementary nature of Community action and that of the Member States will be ensured ...' and regrets that this concept, which Parliament itself has proposed, is not included in the revised fund regulation<sup>4</sup>;
24. Invites the Commission to cooperate with Parliament so that the latter can, with the help of the Court of Auditors, exercise on-going political control over the regularity and effectiveness of fund operations; a posteriori monitoring by Parliament is essential, especially in those cases where the Council has no monitoring powers over the decisions taken;

(g) The Fund Committee

25. Considers that the Fund Committee should have a consultative role and that the Commission should have the final say on financing projects<sup>5</sup>;

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<sup>1</sup> Paragraph 32 of the resolution of 21 April 1977

<sup>2</sup> Paragraph 34                   "

<sup>3</sup> Paragraph 29                 "

<sup>4</sup> Paragraph 40               "

<sup>5</sup> Paragraph 33               "

(h) Conclusions

26. Invites the Commission to adopt the following amendments, pursuant to Article 149, second paragraph, of the EEC Treaty;
27. Requests initiation of the procedure of conciliation with the Council, which is opened for 'Community action of a general nature with significant financial implications' ... 'if the Council intends to diverge from the opinion adopted by the Assembly'.



Proposal for a Council regulation amending  
Regulation EEC No. 724/75 establishing a  
European Regional Development Fund

Preamble, recitals and Article 1 unchanged

Article 2

- 1.
- 2.
3. (a)
- (b) Specific Community regional development measures, as provided for in Title III of this Regulation.

The whole of the Fund's resources for financing these measures shall be used having due regard to the relative intensity of regional imbalances as shown by, in particular, the following indicators:

- the trend of unemployment rates in the regions during the preceding five years;
- the proportion of the active population occupied in agriculture;
- the proportion of the active population occupied in declining industrial sectors;
- the migration balance of the regions during the preceding five years;
- the development and the level of the gross domestic product.

Article 2

- unchanged
- unchanged
- unchanged
- (b) Specific Community regional development measures, as provided for in Title III of this Regulation.

The whole of the Fund's resources for financing these measures shall be used having due regard to the relative intensity of regional imbalances, especially in relation to the Community average as shown by, in particular, the following indicators:

- the trend of unemployment rates in the regions during the preceding five years;
- structural underemployment;
- the proportion of the active population occupied in agriculture and related industries such as fisheries and forestry;
- the proportion of the active population occupied in declining industrial sectors;
- the migration balance of the regions during the preceding five years;
- the development and the level of the gross domestic product.

Article 3 unchanged

<sup>1</sup> For the complete text see Doc. 183/77.

Article 4

- 1.
2. The amount of the Fund's contribution shall be:
  - (a) In respect of investments covered by paragraph 1 (a), 20% of the investment cost without however exceeding 50% of the aid accorded to each investment by public authorities under a system of regional aids, such contributions being limited moreover to that part of the investment which does not exceed 100,000 units of account per job created and 50,000 units of account per job maintained.

The State aids to be taken into consideration in this connection shall be grants, interest rebates, or their equivalent where loans at reduced rates of interest are concerned, whether these aids are linked to the investment or to the number of jobs created. The aid equivalent will be calculated in accordance with an implementing Regulation referred to in Article 17. The aid granted in the form of rent rebates or exemptions from payments of rents of factories may also be taken into account, provided that this form of calculation can be applied.

The contribution from the Fund thus defined may, pursuant to a prior decision of the Member State concerned communicated at the same time as the request for this contribution, either supplement aid granted to the relevant investment by public authorities or remain credited to those authorities and considered as a partial repayment of such aid.

(b)

Article 4

1. unchanged
2. The amount of the Fund's contribution shall be:
  - (a) In respect of investments covered by paragraph 1 (a), 20% of the investment cost without however exceeding 50% of the aid accorded to each investment by public authorities under a system of regional aids, such contributions being limited moreover to that part of the investment which does not exceed 100,000 units of account per job created and 50,000 units of account per job maintained.

The State aids to be taken into consideration in this connection shall be grants, interest rebates, or their equivalent where loans at reduced rates of interest are concerned, whether these aids are linked to the investment or to the number of jobs created. The aid equivalent will be calculated in accordance with an implementing Regulation referred to in Article 17. The aid granted in the form of rent rebates or exemptions from payments of rents of factories may also be taken into account, provided that this form of calculation can be applied.

The contribution from the Fund thus defined may, pursuant to a prior decision of the Member State concerned communicated at the same time as the request for this contribution, either supplement aid granted to the relevant investment by public authorities or remain credited to those authorities and considered as a partial repayment of such aid, provided that it is added to the aid granted by the public authorities for other identifiable investments in the same region.

(b)

unchanged

Article 5

1. (a)
  - (b)
  - (c)
  - (d) whether the investment falls within a frontier area, that is to say, within adjacent regions of separate Member States
  - (e)
2. (a)
  - (b)

Article 5

1. (a) unchanged
  - (b) "
  - (c) "
  - (d) whether the investment falls within a frontier area, that is to say, within adjacent regions of separate Member States or in a region adjacent to a third country.
  - (e) unchanged
2. (a) unchanged
  - (b) "

Articles 6-8 unchanged

Article 9

Article 9  
Paragraphs 1-6 unchanged  
add paragraph 7

7. The Commission shall immediately inform Parliament of any matter substantially affecting either the regularity of the operations financed by the Fund or their compliance with the principles of publicity and additionality referred to in Articles 10 and 18 of this regulation.

Article 10

Article 10  
Paragraphs 1-2 unchanged  
add paragraph 3

3. This publication shall contain, for each economically significant region and for each programme whatever the amount involved: the identification, nature and amount of investment, the amount of national aid and any other sources of finance, the amount of aid from the Fund and the number of posts created or maintained.

Articles 11-13 unchanged

Article 14

1. A Fund Committee (hereinafter referred to as the Committee) is hereby established. It shall be composed of representatives of the Member States and chaired by a representative of the Commission.
2. In the Committee the votes of Member States shall be weighted in accordance with Article 148(2) of the Treaty. The Chairman shall not vote.

Article 15

1. Where the procedure laid down in this Article is to be followed, the Chairman shall refer the matter to the Committee either on his own initiative or at the request of the representative of a Member State.
2. The representative of the Commission shall submit the drafts of the decisions to be taken. The Committee shall deliver its Opinion on the drafts within the time limit which the Chairman may fix according to the urgency of the questions under consideration. An Opinion shall be adopted by a majority of 41 votes.
3. The Commission shall adopt decisions which shall apply immediately. However, if these decisions are not in accordance with the Opinion of the Committee, they shall forthwith be communicated by the Commission to the Council. In that event the Commission shall defer application of the decisions which it has adopted for not more than two months from the date of such communications. The Council, acting by a qualified majority, may take a different decision within two months.

Article 14

1. A Fund Committee (hereinafter referred to as 'the Committee'), with a consultative role, is hereby established. It shall be composed of representatives of the Member States and chaired by a representative of the Commission.
2. deleted

Article 15

1. unchanged
2. The representative of the Commission shall submit the drafts of the decisions to be taken. The Committee shall deliver its Opinion on the drafts within one month.
3. The Commission shall adopt decisions which shall apply immediately. However, if these decisions are not in accordance with the Opinion of the Committee, their application shall be deferred for two months, after which the Commission shall take a final decision.

Remaining articles unchanged

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Proposal for a Council Regulation establishing  
an interest rebate scheme within the European  
Regional Development Fund

Preamble, recitals and Articles 1 to 8 unchanged

Article 9

The Commission shall report to the Parliament and to the Council on the application of this Regulation in the report provided for in Article 20 of Regulation (EEC) No. 724/75.

Article 9

The Commission shall retain overall responsibility for the management of all interest rebates.  
~~It shall report to the Parliament and to the Council on the application of this Regulation in the report provided for in Article 20 of Regulation (EEC) No. 724/75.~~

Article 10 unchanged

EXPLANATORY STATEMENT(a) The need for a Community Regional Policy

1. The own initiative report of the Committee on Regional Policy, Regional Planning and Transport adopted by the European Parliament on 21 April 1977 set out the main lines of the future Community regional policy (Delmotte report Doc. 35/77, OJ No C 118, 16.5.1977, p. 51).

In its communication - and to a lesser extent in its proposals - to the Council the Commission took into account much that was contained in the European Parliament's resolution.

2. Paragraph 6 of the Communication recognizes that the setting up of the Common Market 'has not achieved the positive results expected in terms of a better distribution of economic activity throughout Community territory. On the contrary, the prosperity of the richer regions increased while regions with less advanced economies encountered increasing difficulty in integrating themselves into the growing market'.

Moreover, the proposal amending the fund regulation notes (Article 6(1)) that the persistence of regional imbalances may 'impair the proper working of the common market and the converging trend of the Member States' economies'.

These are the most important observations made in the recitals to the European Parliament's Resolution of April 1977.

3. The European Parliament therefore concluded that a much more active Community regional policy was called for and referred to the Council's request that the Commission should submit appropriate proposals for solving these problems and to serve as a framework for reviewing the European Regional Development Fund (ERDF).

4. In its resolution of 21 April 1977 the European Parliament stressed the need to define the general direction of a future Community regional policy.

The Commission is to be congratulated on its Communication to the Council which complies with the request of the European Parliament.

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N.B. References: The numbered paragraphs refer to the Communication and Explanatory Memorandum on the proposals; the Articles refer to the proposals themselves and the numbered points to the European Parliament's resolution of 24 April 1977 (OJ C 118, 16 May 1977)

(b) An overall view

5. The details of this 'overall approach to Community regional policy' (Paragraph 1 of the Communication) closely resemble the proposals set out in the resolution of April 1977.

The Commission takes the view 'that Community regional policy should be comprehensive' (paragraph 5 of the Communication) and it proposes 'a system of analysis and assessment of the regional economies' (Communication, Paragraphs 15 and 22).

This overall policy 'must be conceived and worked out with the whole territory of the Community in mind' (Paragraphs 5 and 12), since regional problems 'in different ways affect the whole of the Community's territory' (Communication, Paragraph 56).

Community regional policy is placed 'in the perspective of Community land use planning' (Paragraph 14) aimed at 'a new distribution of human activity throughout the Community' (Communication, Paragraph 30).

The Commission 'will make an effort to promote a rational use of space, a balanced distribution of activities over the whole Community territory and effective protection of the environment and living conditions' (Communication, Paragraph 14).

These basic ideas will be found in the resolution of April 1977.

(c) Problems and problem regions

6. The Commission deals with all the types of regional problem listed in Chapter C of the European Parliament's Resolution and studies 'the scope for coordinating disincentive measures' (Communication, Paragraphs 20 and 28).

However, it should be noted in Article 5(1)(d) that aid from the fund is decided on by the Commission 'taking special account of .... whether the investment falls within a frontier area'. This refers only to 'adjacent regions of separate Member States'. We cannot accept this restrictive definition since regions adjacent to one or more other third countries are peripheral regions and in some cases cooperation with the neighbouring regions of the third country is difficult or impossible.

(d) Definition of infrastructures eligible for assistance from the Fund

7. The Commission has modified its restrictive and excessively economic definition of infrastructure, thereby complying with a repeated request of the European Parliament.

According to paragraph 48 of the Communication: 'ERDF assistance is for both investments in infrastructures which can contribute to regional economic development and to improving the quality of life of the population concerned' (this is the view contained in point 14 of the resolution which refers to the human aspect).

The last part of paragraph 39 of the Communication repeats almost word for word point 15 of Parliament's resolution: 'The Community ought to be in a position to assist those regions in the provision of social infrastructure, education and vocational training, in so far as these contribute directly to regional development, since the high cost and lack of immediate return is a heavy charge on the Member States concerned'.

The new wording of Article 4(1)(b) of the Fund Regulation takes account of this new interpretation of the concept of 'investments in infrastructure which contribute to the development of the region in which it is located ...' Paragraphs 5, 6 and 9 of the corresponding Explanatory Memorandum explain this new approach. The reference to the 'development of the region' was proposed by the European Parliament in its resolution of 15 November 1973 (point 4(1)(b) amended)<sup>1</sup>.

(e) Coordination of regional development programmes

8. The Commission recognizes the need (stressed by Parliament in point 17 of its Resolution), for 'coordination of the various Community policies and financial instruments' and for 'coordination of the regional policy of Member States, both mutually and in relation to Community aims' (Communication, Paragraphs 12 and 24).

The Commission could have laid greater stress on the need for concentration of all the means of intervention to attain certain priority objectives ...

9. In line with point 18 of the European Parliament's Resolution, the Commission notes the importance of regional development programmes to achieve the coordination of instruments of intervention (Communication, Paragraph 27). Article 6 revised of the ERDF Regulation defines the role of these programmes.

10. In point 19 of its Resolution, the European Parliament drew attention to the need for more detailed and uniformly based statistics in setting up these programmes.

Paragraph 17 of the Communication proposes the elaboration of 'a number of key regional indicators ... on a Community basis'. The proposed list seems to be quite adequate.

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<sup>1</sup> OJ No. C 108, 10.12.1973, p.56.



(f) The formation of inter-disciplinary teams

11. The European Parliament supports the objectives put forward by the Commission in paragraphs 15 to 31 of its communication. The definition of a comprehensive analytical and conceptual framework, assessment of the regional impact of Community policies and the coordination of national regional policies constitute the only means of moving gradually from simply managing the ERDF to introducing a genuine Community regional policy.

It seems rather superficial, since the Community organs do not have sufficient staff and existing staff is not particularly well trained for this task, to propose that documents should be drawn up on the regional impact of the other Community policies.

Coordination of Community policies is closely linked to the assessment of the impact of these policies at regional level; this is, therefore, a sine qua non for success. Consequently, this coordination can only take place if sufficiently detailed studies of the operation of the other Community policies are available.

12. It is therefore clear that if real progress is to be made in this direction, it will be necessary to set up study groups comprising specialists from various fields to carry out studies which reflect the complexity of the problems concerned.

In our view, there is no question of this task being adequately performed by a working party consisting of officials who would have to carry on with their normal work at the same time.

To accomplish these new tasks, then, it is necessary to increase the number of officials at the Directorate-General for Policy and set up a drafting group as follows:

- The members should come from various specialized fields;
- The majority of members should be young management-level staff desirous of working in a team;
- The members of this group should be prepared to devote themselves to this work full time over a certain period of time (three or four years at least)

This team should consist of about 10 people. Replacement of some of its members from time to time would ensure that the dynamic approach needed to perform this task successfully was maintained.

13. This inter-disciplinary group would have the task of putting forward 'scenarios' to enable the impact of the different general Community policies on the development of the various regions of the Community to be assessed. This should enable genuine coordination of the various policies with regional implications to be gradually achieved.

14. A group of this type might usefully undertake the more ambitious task of dealing with the problems connected with the enlargement of the Community.

Enlargement to include the other Mediterranean countries will undoubtedly raise problems connected with the redistribution of the resources allocated by the Community to regional aid. It is clear that the fund quotas for the various countries will require modification. The entry of these countries into the Community must therefore be prepared with great care, with particular emphasis on preliminary studies of the regional problems of each of the countries concerned. The repercussions of enlargement should be analyzed in advance, particularly as regards the transfer of financial resources from the Community to the Member States.

15. A certain amount of time is required for such teams to become familiar with their task and, thus, effective. As the Commission is proposing short-term objectives, in particular the first two-yearly report on the situation in the regions of the Community in 1979<sup>1</sup>, the launching of a 'drafting team' could initially be accompanied by consultations with a group of university specialists.

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<sup>1</sup> Paragraph 18 of the Communication

16. As regards the two-yearly report on the situation in the regions of the Community, it should be noted that documents of this nature serve no purpose unless they provide a detailed analysis of trends in the different regions. Some Member States, however, do not possess the necessary statistical services or adequate structures to furnish the Community with the information it requires.

In view of the overall nature of the regional policy, certain national administrations should also set up inter-disciplinary teams to participate in the devising of a regional policy.

At the level of the regions, the same need arises for the establishment of overall regional development programmes. The regions which receive aid from the ERDF should also receive both aid to improve the training of their officials and direct technical assistance.

17. Finally, emphasis should be placed on the need, regardless of the new tasks mentioned above, to increase the number of staff of the Directorate-General for Regional Policy working on the day-to-day management of the ERDF. Indeed, the fund regulation of 1975 provides that from 1 January 1978 the submission of regional development programmes will be compulsory if aid is to be granted from the fund.

Consideration of these regional development programmes, which will constitute the justification for and basis of fund activities from 1978, will necessitate an increase in the number of staff performing this task, which, although new, was already decided by the Council in 1975.

(g) The role of local and regional authorities

18. No solution has yet been put forward in these new guidelines and proposals in an area which the European Parliament regards as important, namely, chapter (e) of its resolution which concerns 'the role of local and regional authorities and the publicising of aid.

19. With regard to the role of local and regional authorities, 'the Commission shares the wish recorded by the European Parliament in its resolution of 21 April 1977, to see the regions concerned and their representatives associated with the preparation of Community regional policy ... The Council decision setting up the Regional Policy Committee and its Rules of Procedure also provides expressly for this possibility'. (Communication, Paragraph 35).

In other words the text of Article 5 of the decision setting up a Regional Policy Committee, which Parliament strongly criticized in a number of resolutions, remains unchanged.

Article 5 states that: 'the committee may, in accordance with its Rules of Procedure, receive evidence from interested parties from the regions ...'. The Rules of Procedure stipulate that: 'when items on the agenda are of concern to particular regions, the Committee, if members appointed by the Member State concerned think it useful to do so, may take evidence, either orally or in writing, from institutional representatives or from other interested parties from the regions concerned'.

The European Parliament asked for this consultation to be made obligatory when a regional problem concerns certain groups or regions and/or social partners.

20. In paragraph 58 of its Communication the Commission considers 'that a consultation between the institutions of the Community, the Member States, the social partners and the regional and local representatives is necessary'. It even states that 'it will make proposals on this at the moment of the Council's discussions on the basis of the present document'.

21. The importance which the European Parliament attaches to the development of its contacts with the representatives of local and regional authorities should be stressed.

As long ago as 1961 the European Parliament set up a 'Joint Study Group for regional and local questions for the purpose of establishing closer contacts with representatives of local and regional authorities. (In so doing it complied with a request contained in the declaration adopted at Cannes in March 1960 by the States-General of the European Local Authorities).

When the Joint Study Group was set up, Mr Alain POHER defined its task as follows (his words remain valid today): 'At the outset the EEC was not clearly aware of the difficulties which might arise at regional level. On the other hand the Member States often jealously guard their prerogatives in the matter of regional and local problems. It was felt that the approach of the experts to regional problems was too technical and neglected the human aspect of the problems affecting persons living in the regions concerned. Europe cannot have regions which are systematically neglected. Therefore permanent liaison must be established with local authority organizations in order to ensure closer contact between Community bodies and those representing the regions'.

22. When the Committee on Regional Policy and Transport was set up in 1973, the Joint Study Group for regional and local questions was disbanded. The task of maintaining contact between the European Parliament and local and regional authorities devolved on the new parliamentary committee.

23. The European Parliament took the initiative of establishing certain contacts by sending fact-finding and study missions to various regions of the Community to examine together with local and regional representatives, the problems in these areas.

The Committee on Regional Policy, Regional Planning and Transport of the European Parliament also organized hearings with representatives of local and regional authorities on particularly important topics such as the operation of the European Regional Development Fund or the regional policy to be applied to regions situated on either side of the Community's internal frontiers.

24. With the approach of direct elections, the European Parliament as the (indirectly) elected representative of the peoples of the Community must make every effort in this sphere since the success of these elections depends on strong popular participation which only the elected local and regional representatives can ensure.

25. Addressing the XIIth meeting of the Conference of European Local and Regional Authorities (on behalf of the President of the European Parliament) on 24 May 1977, Mr DESCHAMPS, Vice-President of the European Parliament, said that the Conference was already the official representative of all the local authorities and regions of all the Member States of the Council of Europe (and therefore of the Community too). Moreover a Conference also includes members of other non-official local authority bodies such as the Council of European Local Authorities, the International Union of Local Authorities (IULA), the Conference of peripheral maritime regions of the

European Community and the Conference of European frontier regions (Arbeitsgemeinschaft Europäischer Grenzregionen A.G.E.G.).

He also pointed out that the charter of the Conference (the fifth paragraph of Article 1 (a) gave it the task of 'contributing ... to relations between the Council of Europe and the European Communities'.

'The Conference, which already plays a consultative and advisory role vis-à-vis the Parliamentary Assembly of the Council of Europe, has undertaken detailed studies in areas of particular interest to the European Parliament. Why therefore should it not also act as a consultant to the European Parliament on matters specifically concerning regional policy?

Parliament might propose that the Conference should become a consultative body so that relations with it could develop along the same lines as those which already exist between the Conference of European Local and Regional Authorities and the Parliamentary Assembly of the Council of Europe.

This would lend greater weight to opinions delivered by the European Parliament on proposed regional policy measures'.

26. In practical proposals put forward by Mr DESCHAMPS with a view to 'ensuring and developing a fruitful dialogue between local and regional authority representatives and the European Parliament', should be discussed by the Committee on Regional Policy, Regional Planning and Transport. The latter could, in particular, examine the opportunities for cooperation offered by the existing institution, the Conference of local and Regional Authorities in Europe. One possibility, for example, might be a periodic meeting, on an ad hoc basis, of delegations representing the local and regional authorities of the nine Member States of the European Communities; these delegations would be consulted by the European Parliament, and this would avoid burdening the European institutions with a new body. While preserving the Community aspects of consultation, reference to the Conference of Local and Regional Authorities in Europe would permit consideration of the problems of the European countries which are not members of the Community, of whom several have applied to join. In addition, adopting this solution would solve the difficult problem of the representative nature of delegations, since delegations to the Conference of Local and Regional Authorities in Europe are recognized by the Member States.

(h) Publicity given to activities

27. Points 24 - 26 of the European Parliament's resolution of April 1977 stress the minimum amount of information which should be published.

Article 10(2) of the revised ERDF Regulation is still reticent on this point. This article should therefore be expanded in line with the European Parliament's earlier opinions.

(i) Allocation of appropriations from the Fund and Community criteria

24. With regard to the chapter of the European Parliament's Resolution dealing with the amount of the Fund and allocation criteria, the Commission's Communication and the new proposals call for a critical and constructive approach.

29. The quotas have been retained but a non-quota reserve (which we requested) has been proposed. The quotas could provide a guarantee that those States with the most serious regional problems would receive a relatively large share of ERDF Funds, as long as national priorities still apply and in the absence of Community priorities (on the basis of Community criteria).

Without clearly defined Community priorities it does not appear possible for the moment to propose the abolition of these quotas.

30. Operations financed from the non-quota part are confined to 'those aided areas established by Member States' (Article 3(1) revised). It is therefore still a question of action to support national regional policies. It is not enough to add the word 'Community' to change the character of the policy implemented.

However, paragraph 37 of the Commission's Communication specifies that 'through its support of the regional development measures of Member States, the ERDF is intended to ensure that resources are transferred to the Community's priority regions'.

As the European Parliament indicated with regret in point 35 of its Resolution of April 1977, the priority regions in question are in fact those of the Member States.

31. Operations under the non-quota part (specific actions) are also linked to national intervention. Article 3(2) (revised) stipulates that the Fund may give assistance 'provided that the Member State concerned also gives assistance'. The actions in question are not specifically Community actions since no Community assistance can be given unless national assistance is also forthcoming.

32. However, these specific interventions must comply with Community criteria, introduced at long last into the ERDF Regulation. Article 2(3)(b) stipulates that this assistance should have 'due regard to the relative intensity of regional imbalances' (we would add 'in relation to the Community average') .... as shown by certain indicators proposed by the

European Parliament in Point 36 of its resolution of April 1977. To these criteria should be added structural underemployment which may conceal unemployment growth.

In Paragraph 17 of its Communication the Commission bases its criteria on the development of regional statistics on a Community basis.

33. If the Council accepts these criteria, drawn up on a Community basis, there would be no need to obtain its approval for operations resulting from their application. However, in paragraph 19 of the Explanatory Memorandum on the revision of the ERDF, the Commission states that 'the procedures for the implementation of the specific measures would be adopted case by case by the Council, on the proposal from the Commission, Parliament having been consulted'.

The new Article 12(2) of the ERDF Regulation lists the measures which must be fixed by the Council 'for each specific Community regional development measure'.

However, in this area, it is for the Commission to decide on the basis of Community criteria laid down beforehand without recourse to a decision of the Council.

(j) Fixing the amount of the Fund's resources

34. Article 2(1) (revised) provides that the allocation for the Fund shall be fixed annually according to the budgetary procedure. This was requested by the European Parliament in Point 28 of its resolution of April 1977.

In the Explanatory Memorandum the Commission points out (at the end of paragraph 4) that 'Fund expenditure after 1977 would rank as non-obligatory' (this accords with the position of the European Parliament set out in Point 30 of its resolution of April 1977).

35. In Paragraph 43 of its Communication, the Commission expresses the view that the most underdeveloped regions should receive annually under the non-quota section of the ERDF a contribution at least equal, in real value, to the contribution reserved for them in the previous year.

This raises the problem to which the European Parliament drew attention in Point 29 of its resolution of April 1977 of the updating of the Fund endowment.



(k) Loans

36. The European Parliament also stressed the need for a substantial increase in appropriations earmarked for Community regional policy by recourse to loans to finance investments (Point 29 of the resolution of April 1977).

In its Communication (Paragraph 51 and 52) the Commission undertook to consider, together with the Council, 'the possibilities of using these resources for Regional Policy such as it is defined in the present document'.

(1) Operations: new projects, flexibility of rates, simplification and acceleration of procedures

37. The European Parliament stressed the need to provide funds for new projects.

Under Article 11 of the revised Regulation, which deletes the second paragraph of the former Article 19, only payments made after the date on which the request for assistance from the Fund is received shall be taken into consideration, provided they concern investments which have still to be completed.

This provision should be approved.

38. Article 4(2)(b) authorizes the maximum rate for contributions by the Fund to the financing of infrastructures 'which are of particular interest for the development of the region in Greenland, the French Overseas Departments, Ireland, the Mezzogiorno and in Northern Ireland' to be increased to 50%.

The European Parliament should approve this provision which gives greater flexibility to the rate of intervention by the Fund in infrastructural investments. Moreover, the rate of 50% was proposed by the European Parliament in its resolution of 15 November 1973 (Article 4(2) amended)<sup>1</sup>.

39. Article 5(2) allows the threshold beyond which projects must be approved case by case, with the opinion of the Fund Committee, to be lowered from 10 to 5 m u.a. In the case of projects costing less than 5 m u.a. the Fund Committee need only be informed afterwards. This enables the procedure for releasing funds for small-scale projects to be simplified.

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<sup>1</sup> CJ No. C 108, 10.12.1973, p. 57

40 . The European Parliament also called for greater effectiveness in the payment mechanism (point 32).

With a view to speeding up payments the Commission proposes to institute a system of advances (Articles 14 and 15 of the Communication). The new Article 8(3) of the ERDF Regulation introduces this possibility.

(m) Additionality

41 . The European Parliament pointed out that 'aid from the Fund, which is modest in itself, should be granted only when it complements national aid and has a multiplier effect (point 39 of its resolution of April 1977).

In the second paragraph of Point 6 of its Communication, the Commission proposes 'by adding its effort to that of the Member States, to contribute to solving the most serious problems'. In Paragraph 57 it takes the view that these 'responsibilities will lead to a strengthening of regional policies in each Member State'.

In its Explanatory Memorandum on the revision of the ERDF (Paragraph 17) the Commission expresses the view that 'the Fund can act as a genuine incentive for the creation of new investments'.

42 . The complementary character of Community action means that it should not operate as a mere support for national regional policies.

In the ERDF Regulation the word support should be replaced by 'reinforcement' (or 'intensification') of regional policy measures adopted by the Member States (in particular Article 2 (2a)).

43 . The new Article 18(1) and (2) of the revised ERDF Regulation introduces the notion of overall or horizontal control of the complementary character of the Fund.

Paragraphs 22 and 23 of the corresponding Explanatory Memorandum point out that this control is necessary when complementarity is not apparent in the case of each investment.

44 . The European Parliament felt that global additionality was necessary but inadequate (point 40 of its resolution of April 1977) and suggested that additionality should be applied in the case of each programme.

However Paragraph 27 of the Commission's Communication states that 'Member States will specify the use of resources received from the Regional Fund, but it is at the level of these programmes that the complementary nature of Community action and that of the Member States will be ensured, thus guaranteeing a speeding up of the overall regional development effort'.

It is therefore logical to introduce the idea of complementarity for each programme into the revised ERDF Regulation. A condition should be added to Article 4(2)(a) in cases where Community aid for a given investment is not in addition to this investment:

'the contribution from the Fund may .... either supplement aid granted to the relevant investment by public authorities or remain credited to those authorities and considered as a partial repayment of such aid, provided that it is added to the aid granted by the public authorities for other investments forming part of the same regional programme'.

(n) Interest subsidies

45. In point 34 of its Resolution of 21 April 1977 the European Parliament drew the Commission's attention to the advantages 'of interest subsidies or exchange rate guarantees'.

The Commission proposes that the Council should draw up a specific regulation 'on the creation of a system for granting interest subsidies within the framework of the ERDF'. Parliament should approve this proposal with a reservation regarding the procedure for consulting the Fund Committee.

(o) The Fund Committee

46. Point 33 of the European Parliament's resolution of April 1977 requests that the provision granting the Council the right of decision in the event of a divergence of views between the Commission and the Fund Committee, should be deleted.

Article 15(3) of the revised ERDF Regulation retains this procedure. Parliament should call for its deletion.

(p) National intervention capacity

47. Chapter (g) of the European Parliament's resolution deals with national aid capacity and additionality. Paragraph 8 of the Commission's Communication notes that the problems posed by the less developed regions are becoming 'an increasingly heavy burden on national economies'.

Paragraph 39 of the Commission's Communication states that 'Community assistance is more justified since, in some areas, the Member States concerned do not have the financial capacity to solve this problem from their own resources'.

The Commission thus recognizes the validity of the European Parliament's approach in point 37 of its resolution.

(g) Revision of the ERDF Regulation

4B. Article 20(2) of the new ERDF Regulation provides for the possibility of amending this regulation at the time of the annual report.

This flexible procedure should be approved as it enables experience acquired during the preceding years to be taken into consideration.

OPINION OF THE COMMITTEE ON BUDGETS

on guidelines for Community regional policy

Draftsman: Mr A. MASCAGNI

On 21 September 1977 the Committee on Budgets appointed Mr Mascagni draftsman.

It considered the draft opinion at its meetings of 22 September and 4 October 1977 and adopted it unanimously at the latter meeting.

Present: Mr Lange, chairman; Mr Spinelli, acting draftsman; Mr Amadei (deputizing for Mrs Dahlerup), Lord Bessborough, Lord Bruce of Donington, Mr Declercq (deputizing for Mr Kofoed), Mr Früh, Mr Hansen, Mr Meintz, Mr Santer (deputizing for Mr Caro), Mr Schwabe (deputizing for Mr Faure), Mr Shaw, Mr Terrenoire, Mr Vanvelthoven and Mr Yeats.

## INTRODUCTION

1. On 7 June 1977 the Commission forwarded to the Council a text entitled 'Guidelines for Community regional policy'. Its purpose is to comply with the mandate given to the Commission by Articles 2 and 18 of the Council Regulation of 18 March 1975 establishing a European Regional Development Fund; these articles require the Commission to submit before 1 January 1978 proposals for reviewing the Community's regional policy and aid from the Fund for the subsequent period. In this opinion, the Committee on Budgets sets out to explain its own guidelines, particularly as they compare with the financial and budgetary proposals contained in the Commission's communication to the Council. The committee considers it particularly important to repeat the proposals which were submitted in the form of amendments and approved in their entirety during the parliamentary debate of 21 April 1977 on the report tabled by Mr Delmotte on behalf of the Committee on Regional Policy, Regional Planning and Transport concerning 'aspects of the Community's regional policy to be developed in the future'.

## PROPOSALS PUT FORWARD BY THE COMMITTEE ON BUDGETS DURING THE PARLIAMENTARY DEBATE OF 21 APRIL 1977 ON THE REFORM OF THE REGIONAL POLICY

2. The Committee on Budgets:

1. Considered that the multiannual financial endowment of the Regional Fund must be based on a political commitment entered into by the Council in agreement with Parliament; regarded it as essential, however, that the annual appropriations should be determined in accordance with the budgetary procedure;
2. Stressed that the financial resources provided for the new Fund must allow for a reserve quota for particular purposes to be set aside within the total endowment; considered it essential to institute a mechanism for the reassessment of appropriations in order to protect the real value of resources in years to come; insisted that the annual available resources, fixed in accordance with the budgetary procedure, should be reinforced by recourse to Community loans or, as would be natural, by recourse, at Parliament's discretion, to the funds accruing to Parliament by virtue of its power to amend the budget;
3. Pointed out that, following the proposals from the Commission and from Parliament and the undertakings given by the Council in 1975, expenditure under the new Regional Fund is non-compulsory;
4. Urged, in the interests of budgetary transparency, the breakdown of the Regional Fund's appropriations into several articles;

5. Requested the Commission to make the payments mechanism still more effective, and to apply the rules for the control of utilization of resources, in the light of the favourable judgement expressed by the Commission on their suitability for ensuring effective Community control over the utilization of expenditure;
6. Requested the revision of the regulation instituting the Fund Committee and the deletion of the rule granting the Council the right of decision in the event of a divergence of views between the Commission and the Fund Committee itself; based its request on the incompatibility of this provision with Article 205 of the Treaty which entrusts the Commission with the responsibility for implementing Community policies and the budget.

#### GENERAL PRESENTATION OF THE COMMISSION DOCUMENT

3. This document contains both a communication and specific proposals from the Commission. The communication sets out to define the framework of Community regional policy in the future, that is to say the objectives to be pursued, the means to be employed (above all in financial terms) and future prospects.
4. The Commission's proposals aim at:
  - establishing a system of two-year phases at the end of which the Council will assess regional development in the Community and fix national and Community guidelines for the following two years;
  - amending a number of the operational mechanisms of the European Regional Development Fund;
  - creating a new means of financing Community regional policy in the form of interest rebates.
5. The amendment to the Fund's mechanisms is the most important aspect of the Commission's proposals and concerns the following points in particular:
  - (a) annual allocation to the Fund as part of the general budget instead of the multiannual allocation provided for in the basic regulation;
  - (b) division of the Fund into two sections with the first only remaining subject to the system of national quotas:
    - as in the past, the first section will be devoted to supporting national regional policies; the Commission proposes an allocation of 650 m u.a. for the 1978 financial year;
    - the second, non-quota section, is intended to finance several types of specific Community measures: either linked to other Community policies, or financed by loans or involving frontier regions or emergency situations. This section would be allocated 100m u.a. for the 1978 financial year;

- (c) flexibility of rates of contribution from the Fund: Fund participation in the financing of infrastructures is raised from 30 to 50% for the least developed regions of the Community<sup>1</sup>;
- (d) simplification of financing procedures and acceleration of payments: a simplified procedure may be adopted for Community aid below 5 m u.a. (as opposed to 10 m u.a. in the past); advance payments may be granted in certain circumstances;
- (e) use of interest rebates to finance specific Community actions.

CRITICAL ANALYSIS OF THE PRINCIPAL BUDGETARY ASPECTS OF THE COMMISSION'S PROPOSALS

6. There are six principal aspects of the Commission's text which call for comments from the Committee on Budgets.

1. Financial allocation to the Fund

7. In accordance with Parliament's wishes the Commission proposes that the system of a multiannual allocation to the Fund on the basis of a regulation<sup>2</sup> should be replaced by an annual allocation determined by the budget<sup>3</sup>.

However, the Commission does not attempt to forecast how the financial volume of the Fund should develop in the medium term; contrary to established custom its proposals are not even accompanied by a financial statement.

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<sup>1</sup>These are Greenland, the French overseas departments, Ireland, the Mezzogiorno and Northern Ireland.

<sup>2</sup>Article 2 of Regulation EEC 724/75 of 18 March 1975:

'For the period 1975 to 1977, financial assistance from the Fund shall be granted to the applicant Member States, subject to the conditions set out in this Regulation and within the limits of the following appropriations:

300 million units of account in 1975,  
500 million units of account in 1976  
500 million units of account in 1977. (...)' (OJ L 73/2, 21.3.1975)

<sup>3</sup>New Article 2:

'As from the budgetary year 1978, the allocation for the Fund shall be determined annually by the budget of the European Communities'.  
(Doc. 183/77, p. 38)



8. In the triennial financial estimates accompanying the preliminary draft budget for 1978 the Commission does submit estimates of expenditure for the years 1978/79<sup>1</sup>, but it does not provide any explanation for the amounts quoted.

9. It is regrettable that there is nothing in the Commission's proposals for the ERDF which could form a valid basis for the vitally needed inter-institutional discussion on the Fund's financial volume in future years<sup>2</sup>.

10. In its proposals, as in the preliminary draft budget, the Commission classifies aid from the ERDF as non-compulsory expenditure; in view of the undertaking given by the Council in this matter, the non-compulsory nature of future regional expenditure may be considered as firmly established.

## 2. System of national quotas

11. Parliament will probably support the Commission's proposal to remove at least one section of Regional Fund aid from the quota system, as this will be conducive to the implementation of specifically Community measures, which must always be encouraged as a matter of principle.

12. It is to be hoped, therefore, that the reservations of certain Member Governments, which have already held up a number of common actions under the EAGGF Guidance Section and expenditure under Article 4 of the new Social Fund, will not similarly obstruct the development of specific Community actions financed from the non-quota section.

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<sup>1</sup>See table, page 6

<sup>2</sup>See Article 28 of the resolution of the European Parliament on aspects of the Community's regional policy to be developed in the future:

'considers that the multiannual financial endowment of the Regional Fund should be based on a political commitment undertaken by the Council in agreement with Parliament; regards it as essential, however, that the annual appropriations should be determined in accordance with the budget procedure;'  
(OJ C 118/54, 16.5.1977)

BUDGET ALLOCATION TO THE ERDF

in m EUA

Commitment appropriations	1975	1976	1977	1978	1979	1980
Initial allocation <sup>1</sup>	225 (300 m u.a.)	400 (500 m u.a.)	400 (500 m u.a.)			
Stabilization amounts <sup>2</sup>				644	705	758
Amounts provided for in the Commission's triennial forecasts 78/80 <sup>3</sup>				750	1000	1250
Amount provided for in the preliminary draft budget for 1978				750		
Amount provided for in the draft budget for 1978				398		

<sup>1</sup>Regulation of 18 March 1975

<sup>2</sup>That is, amounts required to enable the programme agreed for 1975/77 to be continued (without being extended), taking account of inflation and the changeover from m u.a. to m EUA  
(Commission working document of 14 June 1977)

<sup>3</sup>Taking account of inflation, the changeover from m u.a. to m EUA and the desired expansion of regional measures.

13. While still considering it advisable to retain basic quotas for the less developed regions and countries, the draftsman nevertheless feels that the system of 'national quotas' should be supplemented by appropriate measures which would allow more flexibility, e.g. by ensuring that 'national quotas' were used simply as a guide.

3. Questions of budgetary technique

14. The Commission proposes to improve the technical operation of the Fund by means of the following:

Advance payments

15. Whereas the 1975 basic regulation provides for the Member States to receive the appropriations as and when their own payments are effected, the Commission proposes the introduction of a system of advance payments enabling funds to be advanced before the Member States have paid the regional investors.

16. These advance payments may be granted by the Commission at the Member State's request, subject to two conditions:

- they may not exceed one-third of the total cost of the project
- they may only be paid during the first two years of the execution of the project.

17. The system of advance payments is to be welcomed insofar as it both accelerates payments and represents an effective incentive to regional investment.

18. However, it should be accompanied by a system of supervision enabling the Commission to ensure that the advances are passed on to the final beneficiary as soon as possible and that they can be recovered if the initial project is abandoned or radically altered.

### Flexibility of rates

19. The 1975 basic regulation provided for rates of contribution from Community finance covering between 10 and 30% of the total cost of the subsidized project. One of the effects of the proposed amendment would be to raise this rate to 50% for projects involving the five least-developed regions of the Community<sup>1</sup>.

20. This is an extremely important proposal, since it considerably increases the incentive value of Community participation in regional investments; it will probably result in greater concentration of the Fund's resources, which is also in accordance with Parliament's wishes.

21. Moreover, public opinion will discern the Community aspect more easily in an investment 50% of which is financed by the Community, than in a minimal participation (between 10 and 30%) in projects of a general nature.

### Interest rebates

22. Under the 1975 basic regulation (Article 4(2)(b)) the Fund's assistance could consist of an interest rebate on loans made by the EIB, but the Member States did not make use of this opportunity.

23. In a draft ad hoc regulation accompanying the regulation amending the Fund the Commission therefore proposes that the possibility of using interest rebates as an indirect means of financing regional measures should be organized on a more formal and explicit basis.

24. The draft regulation states that the rebates may only involve specific regional development measures (non-quota); their purpose is to reduce the interest rates on loans granted either by the EIB or by the ECSC. They may be granted on global loans made to national intermediary agencies or on individual loans to undertakings; the maximum rate of the interest rebate will be 5%; the rebates will be granted by the Commission in accordance with the procedure used for ordinary aid from the Fund (in particular, after consulting the Fund committee); they are paid either to the EIB or to the ECSC budget (global loans) or directly to the owner of the undertaking (individual loans).

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<sup>1</sup>Greenland, the French overseas departments, Ireland, the Mezzogiorno and Northern Ireland.

25. The system of interest rebates is to be welcomed insofar as it enables large sums to be deployed on the basis of a minimum level of budget appropriations.

26. Parliament has already given its opinion on the interest rebate system<sup>1</sup>, which the Commission seems determined to extend further. Moreover, the Committee on Budgets has already made it clear that the institutional and political problems posed by the system - management of budget appropriations by the EIB (and not by the Commission), loss of parliamentary control over the use of the appropriations, etc. - have to be properly dealt with and solved.

In the abovementioned opinion, Parliament and the Committee on Budgets express the view that budgetized aid 'should be administered under the responsibility of the Commission, even if the European Investment Bank is made responsible for administering special loans' (paragraph 1) and that the Commission should 'report regularly to it and to the Committee on Budgets on the administration of the budgetized aid carried out by the Bank' (paragraph 2).

#### Borrowing

27. The explanatory statement accompanying the Commission's proposed amendments provides for the possibility of financing Community regional aid by means of borrowing and lending, but no further details are given. In its recent communication to the European Council on 'investment and borrowing in the Community'<sup>2</sup> the Commission proposes 'the setting up of a new instrument designed to borrow on the financial market and to grant loans on the same conditions, for the financing of structural investment projects in line with the Community's priority objectives.

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<sup>1</sup> Opinion of the European Parliament of 7 July 1977 on the application of the provisions of Protocol No. 1 to the Cooperation Agreement concluded with Algeria, Morocco and Tunisia (Doc. 199/77)

<sup>2</sup> COM(77) 300 final of 15 June 1977, cf. Notice to members of the Committee on Budgets (PE 49.913)

28. Although the Commission refrains from submitting specific proposals at this stage, it makes it quite clear that it intends to finance at least part of Community regional development by making use of the capital markets.

29. Parliament has already approved the development of a Community borrowing policy on several occasions because, as the Committee on Budgets has always maintained<sup>1</sup>, it is a flexible and modern means of financing and increases the Community's resources while at the same time guaranteeing its financial autonomy. Moreover, during the current revision of the Financial Regulation Parliament proposed a system which would enable the budgetary authority to retain control over this borrowing policy.

30. Regional policy clearly lends itself extremely well to borrowing, in view of the naturally productive nature of investments aimed at promoting regional development. The Committee on Budgets therefore awaits with interest definite proposals from the Commission in this field

#### 4. Control

31. The Commission does not propose any major amendment to Article 9 of the 1975 regulation concerning the available means of checking that the Fund's resources are properly used; these include the obligation to forward to the Commission 'all information required' and its participation in 'on-the-spot checks or enquiries'.

32. The Committee on Budgets cannot over-emphasize the need for effective control over the Fund's transactions; the reservations expressed by a number of Member States with regard to increasing the Fund's resources derived principally from latent scepticism about the effectiveness and even the regularity of the transactions financed by the Fund<sup>2</sup>.

33. It is therefore important that Community control should have real credibility, that is to say should be able to assess not only the proper use of the appropriations but also their 'profitability': the actual regional impact of the aid, the speed with which administrative procedures are completed, the complementary nature of Community aid in relation to national efforts, etc.

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<sup>1</sup> See Notice to Members of the Committee on Budgets (PE 49.913)

<sup>2</sup> Logically, this scepticism should induce the Member States to grant the Community institutions greater powers of control.

34. To establish such credibility, it is important to give the control a political dimension, without which mistakes and difficulties will not be picked up as quickly and reliably as is desirable; in this connection Parliament, assisted by the Court of Auditors, will have a decisive role and responsibility.

5. The Fund Committee

35. The Commission does not propose any amendment to the operation of the Fund Committee. The Committee consists of representatives of the Member States and has general responsibility for the functioning of the Fund (Articles 14 - 16); in particular it is required to deliver an opinion beforehand on every Commission decision relating to the financing of projects; if it delivers an unfavourable opinion, the Commission's decision is deferred for a period of two months during which the Council may take a different decision. In addition, there is no time limit within which the Committee has to deliver its opinions: it can thus automatically block the Commission's action<sup>1</sup>.

36. Parliament has on several occasions objected to the system of committees which, on the one hand, encumbers an already complex decision-making process and on the other, arbitrarily weakens the Commission's powers, particularly with regard to the implementation of the budget.

37. This system also encroaches on the powers of the budgetary authority, since it enables the Council to question the utilization of appropriations voted in the budget.

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<sup>1</sup> In the absence of internal agreement the Committee has not delivered its opinion on the tourist-orientated financing projects submitted by the Commission. These projects are thus in effect blocked until the Committee is able to deliver its opinion.

38. Parliament therefore maintained - and the Committee on Budgets continues to maintain<sup>1</sup> - that the committees should not be given the power of suspensive veto on Commission decisions and that the Council should not have the last word on decisions opposed by these committees. This general approach should apply to the Regional Fund Committee.

6. Effectiveness of Community regional aid: coordination and complementarity

39. The Committee on Budgets must pay particular attention to the effectiveness in macro-economic terms of the expenditure incurred by the Community. As regards the Regional Fund, this effectiveness depends on the one hand on the degree of consistency between regional aid as such and the other types of Community aid, and on the other, on the coordination of Community and national efforts.

Coordination

40. Parliament has already emphasized the importance of effective coordination between the Community's financial instruments<sup>2</sup> with a view to re-establishing an effective balance between its economic structures.

41. The Regional Fund is the nucleus around which this coordination should be established; the Committee on Budgets therefore intends to follow closely the work of the special mission set up to achieve this coordination under the Commissioner responsible for regional measures.

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<sup>1</sup> See in particular the report on aid to non-associated developing countries (Doc. 34/77) and paragraph 5 of the resolution of 21.4.77 (OJ C 118/60, 16.5.77):

'Considers it necessary for the implementation of a Community policy (...) that the Commission should have the final say on the choice of development projects to be carried out'.

In line with its opinion on aid to non-associated developing countries, Parliament requested the Council to open a conciliation procedure on the question of committees and asked for the opinion of the Legal Affairs Committee on this matter.

<sup>2</sup> The Community's financial instruments are, in addition to the ERDF, the EAGGF, Guidance Section, the Social Fund, ECSC loans and EIB loans, giving a total of around 3,500 million u.a. in 1976.



## Complementarity

42. Unfortunately, as a general rule Community expenditure does not supplement but replaces national expenditure; this is normally true of the EAGGF, research, food aid, etc. The draftsman feels that this principle should be generally applied during the present stage of development of the regional policy, which is no longer able fully to fulfil its basic function owing to a widespread political and economic crisis which is seriously impeding progress towards European integration. The principle of 'complementarity' must continue to be observed at least for the purpose of increasing aid to the less developed regions. However, with the gradual emergence of a genuine and more positively Community-orientated regional policy, under which it will be possible to step up the transfer of resources from the Member States to the Community, the central importance of this principle will have to be reaffirmed.

43. The Committee on Budgets will certainly wish to ensure on Parliament's behalf that the Commission is truly able to assess the application of the principle of complementarity in the light of these considerations; moreover, in this connection the political dimension of parliamentary control should be employed to enable deviations from this principle to be rapidly detected and rectified.

## Conclusions

44. The Committee on Budgets has instructed its draftsman to submit the following conclusions either to the committee responsible or, with suitable amendments, in plenary sitting:

### General guidelines

- (a) a Community regional policy which is genuinely aimed at rectifying the present imbalances must introduce a whole range of measures which will have a far more positive impact than the cautious management procedures of the Community Regional Fund, even if its implementing machinery is improved and it is made more financially transparent. The grave problems posed by the backwardness, underdevelopment and structural disparity between different regions in the Member States themselves and in the Community generally must be tackled through the adoption of a series of financial measures and incentives in favour of the poorest regions. At the same time, however, every economic policy decision must be subordinated to the need, not merely to arrest, but, more importantly, gradually to remedy the present disequilibria. It is essential and urgent to secure the widest possible political support for a thorough reform of the various Community policies which, by being planned and implemented on a purely sectoral basis, have spawned a

multiplicity of financial instruments, with the result that the scale of the problems as a whole is grossly underestimated.

The regional policy cannot, then, be devoted entirely and exclusively to the necessary transfer of resources to the poorer regions; rather it must come to represent 'the geographical dimension of the general economic structural policy' as a result of a vast and planned expansion of the scope of its activities. Experience has shown, and continues to show, that a commercial policy whose conception and implementation are governed by a blind faith in free market forces, merely increases and exacerbates the disparities between the regions and slows up the process of integration. There can be no doubt that, with the prospect of enlargement, this tendency may result in a further deterioration in living conditions in the Community, unless there is a firm resolve to plan economic and social development in the Community in such a way as to ensure that consistency is maintained between the various Community programmes themselves, that all intervention measures continue to be coordinated and that the highest priority is accorded to action at Community level.

#### Observations and specific proposals

- (b) the budgetary allocation to the Fund in future years must be properly discussed by the Commission and the budgetary authority on the basis of a financial statement attached to the Commission's proposals;
- (c) the machinery of national quotas must simply be indicative and the use of 'non-quota' appropriations must enable specific Community measures to be carried out;
- (d) the setting up of a system of budgetary advances and greater flexibility of the rates of contribution from the Fund should be welcomed;
- (e) recourse to interest rebates is desirable as it does not undermine the Commission's administrative responsibility nor Parliament's budgetary control; they should also be used to encourage and mobilize regional economizing, especially in the least developed regions;

- (f) the Commission is asked to submit specific proposals aimed at introducing into regional policy a system of borrowing and lending;
  
- (g) the Commission is asked to cooperate with Parliament to enable the latter, assisted by the Court of Auditors, to exercise constant political control on the regularity and effectiveness of the Fund's transactions;
  
- (h) the Fund Committee should play a consultative role and the Commission should have the last say on financing projects.

Proposal for a Council Regulation amending  
Regulation (EEC) No. 724/75 establishing a  
European Regional Development Fund

Preamble, recitals and Article 1 unchanged

Article 2

1. As from the budgetary year 1978, the allocation for the Fund shall be determined annually by the budget of the European Communities.

2. The annual budget shall indicate for the relevant year under the Fund heading:

- (a) commitment appropriations;
- (b) payment appropriations.

Save where otherwise provided for in special provisions laid down in this Regulation, the Financial Regulation applicable to the general budget of the Communities shall apply to the management of the Fund.

3. The following may be financed by the Fund with a view to contributing to the realization of the objective referred to in Article 1:

- a. Community action in support of regional policy measures taken by the Member States, as provided for in Title II of this Regulation.

The resources of the Fund intended for financing these activities shall be distributed in accordance with the following table:

Belgium	1.5%
Denmark	1.3%
France	15.0%
Ireland	6.0%
Italy	40.0%
Luxembourg	0.1%
Netherlands	1.7%
Federal Republic of Germany	6.4%
United Kingdom	28.0%

There shall be allocated to Ireland a further sum calculated so as to ensure that it receives an extra 0.5%, which shall be deducted from the shares allocated to the other Member States, except Italy.

Article 2

unchanged

unchanged

3. The following may be financed by the Fund with a view to contributing to the realization of the objective referred to in Article 1:

- a. Community action in support of regional policy measures taken by the Member States, as provided for in Title II of this Regulation

The resources of the Fund intended for financing these activities shall be distributed in accordance with the provisional table contained in Annex I to this Regulation.

ANNEX I

Provisional table showing the distribution of the Fund's resources intended for the measures provided for in Article 2(3)a:

Belgium	1.5%
Denmark	1.3%
France	15.0%
Ireland	6.0%
Italy	40.0%
Luxembourg	0.1%
Netherlands	1.7%
Federal Republic of Germany	6.4%
United Kingdom	28.0%

There should be allocated to Ireland a further sum calculated so as to ensure that it receives an extra 0.5%, which shall be deducted from the shares allocated to the other Member States, except Italy.

Articles 3 to 8 unchanged

Article 9 unchanged

Add a paragraph 7

7. The Commission shall inform Parliament immediately of any circumstance having a significant effect either on the regularity of the transactions financed by the Fund or their compliance with the principles of publication and complementarity referred to in Articles 10 and 18 of this Regulation.

Articles 10 to 13 unchanged

Article 14

1. The Fund Committee (hereinafter referred to as 'the Committee') is hereby established. It shall be composed of representatives of the Member States and chaired by a representative of the Commission.

2. Within the Committee, the votes of Member States shall be weighted in accordance with Article 148(2) of the Treaty. The Chairman shall not vote.

Article 14

1. A Fund Committee (hereinafter referred to as 'the Committee') is hereby established in a consultative capacity. It shall be composed of representatives of the Member States and chaired by a representative of the Commission.

2. deleted

Article 15

1. Where the procedure laid down in this Article is to be followed, the Chairman shall refer the matter to the Committee either on his own initiative or at the request of the representative of a Member State.
2. The representative of the Commission shall submit drafts of the decisions to be taken. The Committee shall deliver its Opinion on the drafts within the time limit which the Chairman may fix according to the urgency of the questions under consideration. An Opinion shall be adopted by a majority of 41 votes.
3. The Commission shall adopt decisions which shall apply immediately. However, if these decisions are not in accordance with the Opinion of the Committee, they shall forthwith be communicated by the Commission to the Council. In that event the Commission shall defer application of the decision which it has adopted for not more than two months from the date of such communications. The Council, acting by a qualified majority, may take a different decision within two months.

Article 15

1. unchanged
2. The representative of the Commission shall submit drafts of the decisions to be taken. The Committee shall deliver its Opinion on the drafts within one month at the latest. An Opinion shall be adopted by a majority of 41 votes.
3. The Commission shall adopt decisions which shall apply immediately. However, if these decisions are not in accordance with the Opinion of the Committee, their application shall be deferred for two months, after which the Commission shall act finally.

Articles 16 to 23 unchanged

Proposal for a Council Regulation establishing  
an interest rebate system within the European  
Regional Development Fund

Preamble, recitals and Articles 1 to 8 unchanged

Article 9

The Commission shall report  
to the Parliament and to the Council  
on the application of this  
Regulation in the report provided for  
in Article 20 of Regulation (EEC)  
No. 724/75.

Article 9

The Commission shall retain  
general responsibility for the  
administration of all loans subject  
to interest rebates. It shall  
report to the Parliament and to the  
Council on the application of this  
Regulation in the report provided  
for in Article 20 of  
Regulation (EEC) No. 724/75.

Article 10 unchanged