

EUROPEAN PARLIAMENT

## Working Documents

1973-1974

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4 July 1973

DOCUMENT 120/73

INTERIM REPORT

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

on Community regional policy

Rapporteur: Mr F.L. DELMOTTE

PE 33.314/fin.

At its sitting of 8 May 1973 the European Parliament instructed the Committee on Regional Policy and Transport to draw up a report on Community regional policy.

The Committee on Regional Policy and Transport had already appointed Mr Delmotte rapporteur on 11 April 1973.

By letter of 16 May 1973, the President of the Council of the European Communities forwarded to the European Parliament for information the 'Commission report on regional problems in the enlarged Community' (Doc.70/73), which the Commission had submitted to the Council on 4 May 1973.

On 24 May 1973 the President of the Parliament referred this report to the Committee on Regional Policy and Transport as the committee responsible and to the Committee on Economic and Monetary Affairs, the Committee on Budgets, the Committee on Social Affairs and Employment and the Committee on Agriculture for their opinion.

At its meeting of 23 May 1973 the Committee on Regional Policy and Transport had a first discussion on regional policy in the Community and the procedure for drawing up the report, on the basis of the Commission representative's oral presentation and of Mr Thomson's statement at the plenary sitting of the European Parliament in Strasbourg on 8 May 1973.

The committee decided to draft an interim report for the July part-session on the major aspects and most urgent projects defined in Document 70/73, to enable the Commission to present final proposals in July after taking note of the European Parliament's initial opinion.

The committee discussed Document 70/73 and the draft interim report at its meetings of 14,15 and 26 June 1973.

On 26 June 1973 the committee unanimously adopted the motion for a resolution together with explanatory statement.

The following were present: Mr James Hill, chairman; Mr Delmotte, rapporteur; Mr Baas (deputizing for Mr Bourdellès), Mr Bangemann (deputizing for Mr Durieux), Mr Gerlach, Mr Guldberg, Mr Herbert, Mr Johnston, Lord Mansfield (deputizing for Lord Brecon), Mr Noè and Mr Starke.

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

MOTION FOR A RESOLUTION

on Community Regional policy

The European Parliament,

- having regard to the report from the Commission to the Council on regional problems in the enlarged Community (COM(73)550 fin.);
  - having been notified by the Council although such notification was not mandatory (Doc.70/73);
  - referring to its resolutions of 17 May 1960<sup>1</sup>, 22 January 1964<sup>2</sup>, 27 June 1966<sup>3</sup>, 11 May 1970<sup>4</sup>, 16 March 1972<sup>5</sup> and 20 September 1972<sup>6</sup>;
  - having regard to the interim report of the Committee on Regional Policy and Transport (Doc. 120/73);
- (a) considering that the average per capita income gap between the rich and poor regions of the Community has become even wider in spite of Member States' support policies;
- (b) considering that since the European Communities came into being, economic growth in the Member States has been steady but not balanced as it has not reduced the gap between the rich and poor regions of the Community; on the contrary, setting up a customs union before the introduction of a Community regional policy has created conditions which tend to make the rich regions even richer and widen the gap between them and the poor regions;
- (c) considering that in certain conditions, the establishment of economic and monetary union, far from narrowing these differences, may well accentuate them;

<sup>1</sup> OJ No. 35, 2 June 1960

<sup>2</sup> OJ No. 24, 8 February 1964

<sup>3</sup> OJ No. 130, 19 July 1966

<sup>4</sup> OJ No. C65, 5 June 1970

<sup>5</sup> OJ No. C36, 12 April 1972

<sup>6</sup> OJ No. C103, 5 October 1972

(d) considering, therefore, that the Community's progress towards economic and monetary union requires the States to display a new sense of responsibility towards the regions of the Community so that economic growth may bring about an improvement in the living conditions of all people in every region of the Community;

1. Urges the Commission to observe the timetable fixed by the October 1972 Summit meeting and, after drawing up its report analysing regional problems in the enlarged Community, to submit appropriate proposals by July 1973, on :
  - creating and establishing the Regional Development Fund by the end of 1973;
  
  - initial work to coordinate regional policies, and creation of a Regional Development Committee, also before the end of the year;
2. Likewise urges the Council to adopt these proposals far enough ahead to ensure compliance with the timetable laid down by the Paris Summit;
3. Supports the Commission's proposal to endow the Development Fund with substantial resources and agrees that as from its inception, it would be contrary to the concept of regional policy to apply the principle of 'fair returns';
4. Considers that this European sense of responsibility can only be created if regional development programmes are put in hand to ensure and control the sound management of resources, thus making it possible to verify that Community aid is not diverted;
5. Considers that, given the inadequacy of available supporting data, the intervention criteria proposed for the Fund are acceptable as an initial approximation;
6. Considers that regional policy is a policy for overall structural measures and must embrace the full range of sectoral policies;
7. Believes that the Commission's concept, which is essentially economic, must be widened to reflect a broader view of development taking account of the human factor since education and vocational training are necessary as well as economic action;
8. Recommends therefore that financial measures should be backed by Community technical aid;
9. Points out that Community efforts to attract new development in the

less developed regions must be accompanied by measures to discourage industrial congestion in regions that are already saturated;

10. Considers that, in the case of development regions extending beyond an internal frontier of the Community, binding forms of cooperation should be established in the Member States concerned, and that such cooperation should, if possible, be extended to regions in third countries bordering on the Community;
11. Considers that the main tasks of the Community institutions assisted by the Committee on Regional Development, should be :
  - (a) to note the impact of Community developments, particularly customs and monetary union, on the regional balance situation,
  - (b) to determine the principles of regional economic development, and the relationships or casual links between observed trends which have not been adequately analysed hitherto;
  - (c) to go deeper into regional statistics, proceeding beyond descriptive statistics to a system of data presentation based on dynamic and functional regional models;
  - (d) to undertake Community regional development planning, since this alone can prevent dispersion of effort and inefficiency, taking account of existing national policies in this field;
  - (e) to study national and Community laws and regulations in order to propose amendments to certain provisions which have an adverse effect on regional development;
12. Invites its committee to make a continuous study of these problems and report to it on the matter;
13. Instructs its President to forward this resolution and the interim reports of its committee to the Council and Commission of the European Communities.

EXPLANATORY STATEMENTI. REPORT ON REGIONAL PROBLEMS REQUESTED BY THE OCTOBER 1972 SUMMIT CONFERENCE

1. The implementation of a Community regional policy is one of the priority objectives which the Heads of State or Government, meeting in Paris in October 1972, set for the Community.

With a view to achieving this objective, they assigned to the Commission three tasks :

- drawing up a report analysing the regional problems faced and submitting appropriate proposals for dealing with them;
- coordinating national regional policies with Member States;
- creating a Regional Development Fund to be set up before 31 December 1973.

2. In pursuance of the Declaration by the Heads of State or Government at the Paris Summit Conference, the Commission submitted to the Council on 4 May 1973 a 'report on regional problems in the enlarged Community'<sup>1</sup>.

The Council forwarded this report to the European Parliament for information on 16 May 1973 (Doc.70/73).

3. This report does not yet contain the formal proposals asked for in the communiqué following the Summit Conference; it merely indicates guidelines to serve as a framework for these proposals.

The Commission states that it first intends to concentrate its efforts on the two measures specified by the Summit (for one of which there is a precise timetable): creation of a Regional Development Fund before 31 December 1973 and coordination of national regional policies.

4. The Commission wished to submit formal proposals towards the end of June 1973, but in order to be able to take the debates of the European Parliament in plenary sitting into account in drawing up these proposals, it will not submit them until after Parliament's July part-session, i.e. mid-July.

5. The result is that the European Parliament has to deliver an opinion in a few weeks on the conception of the Community regional policy, to enable the

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<sup>1</sup> COM(73) 550 fin. of 3 May 1973

Commission to submit in good time provisions setting up a Fund before 31 December 1973 and enabling work to be started on the coordination of national regional policies.

It is not possible, however, for the European Parliament to deliver a first opinion limited to these two regional policy instruments without dealing with the whole conception of the development justifying their application.

In view of the urgency and importance of the matter, Parliament will merely submit an interim report, which will have to be corrected and finalized when an opinion has to be delivered on the formal proposals.

As the Commission itself points out, 'the Community has not so far had a comprehensive regional policy as called for by the Summit' (first sentence of sec. 8).

The European Parliament must therefore keep under review the implementation of this comprehensive regional policy, which it has asked for many times on the basis of appropriate reports introduced by Mr Motte, Mr Birkelbach, Mr Bersani and Mr Mitterdorfer.<sup>1</sup>

It should be noted that the Commission took the first step towards implementation of this comprehensive regional policy when it submitted its 1969 proposals,<sup>2</sup> but these were not adopted by the Council.

- <sup>1</sup>
- Resolution of 17 May 1960 (OJ No.37, 2.6.1960) following the Motte report on problems of regional policy and ways and means of carrying out such a policy in the Community of the Six (Doc.24/ 60) and Doc.36/ 50)
  - Resolution of 22 January 1964 (OJ No. 24, 8.2.1964) following the Birkelbach report on regional policy in the EEC (Doc.99/ 63).
  - Resolution of 27 June 1966 (OJ No. 130, 19.7.1966) following the Bersani report on the first communication from the Commission on regional policy in the EEC (Doc.58/ 66).
  - Resolution of 11 May 1970 (OJ No. C65,5.6.1970) following the Mitterdorfer report on the proposal from the Commission on the organization of the Community's means of action in the matter of regional development (Doc.29/ 70).
  - Resolution of 16 March 1972 (OJ No. C36, 12.4.1972) following the Mitterdorfer report on the Commission's proposals on Community regional policy activity in priority agricultural regions (Doc.264/71);
  - Resolution of 20 September 1972 (OJ No.C103,5.10.1972) following the Mitterdorfer report on the Commission's proposals on a communication in respect of decisions on regional policy and on a Council resolution on instruments of regional policy (Doc.123/72).

- <sup>2</sup>
- 'Une politique régionale pour la Communauté' (A Community Regional Policy) - 1969 published by the Office for Official Publications of the European Communities - Luxembourg.



6. It should also be noted that it was the European Parliament which, as far back as 1966, recommended the creation of 'a special Fund to finance regional development',<sup>1</sup> as an instrument of this comprehensive regional policy.

7. The Commission's report is very short but has attached to it a lengthy Annex comprising three chapters dealing with (i) regional trends in the Community, (ii) the degree and character of the principal regional disequilibria and (iii) the aims and instruments of Member States' regional policies.

The report itself, which is all we are interested in for the purposes of this interim report, contains an analysis of the present position (Section II) and of regional disequilibria (Section IV), and the moral, environmental and economic case for a regional policy (Section III). There is an important section dealing with guidelines for a Community regional policy (Section V) and two sections dealing with the mechanism of the Fund (Section VI) and the coordination of regional policies (Section VII).

## II. THE COMMISSION'S ANALYSIS OF REGIONAL PROBLEMS

8. The Commission finds that 'despite positive interventionist policies by Member Governments the gap in income between regions ... has remained in the ratio of 1 to 5 (sec.6,end). Certain regions have always had structural under-employment and a high level of unemployment and in many of them the answer has been migration (sec.7)'

9. The Commission considers that the fundamental cause of regional imbalance is the absence in certain regions of modern economic activity or the over-dependence of a region on backward agricultural or declining industrial activities, which are no longer able to guarantee adequate productivity, employment or income in the absence of alternative activities (end of sec.22).

10. The Commission considers that a relatively low income or product per head, structural under-employment, a persistent high rate of unemployment and sizeable emigration are some of the criteria identifying a regional imbalance (secs. 23 and 24).

However, these criteria are not always sufficient: thus, in cases where aid is given by governments to production in declining sectors in order to maintain a sufficient level of employment and income, structural under-employment is not normally recorded statistically, but may nonetheless be a major problem (sec.24).

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<sup>1</sup> Para 10 of the resolution of 27 June 1966 following the Bersani report referred to above.

### III. THE CASE FOR A COMMUNITY REGIONAL POLICY

11. Reducing the differences existing between the various regions and the backwardness of the less favoured regions is one of the fundamental aims of the Treaty of Rome.

The Commission points out that 'at a time when it is maintained that economic expansion is no end in itself but must, as a priority, contribute to mitigating disparity in living conditions, it is unthinkable that the Community should only lead to an increase in the process whereby wealth is principally attracted to places where it exists already. Unless the Community's economic resources are moved where human resources are, thus sustaining active local communities, there is bound to be disenchantment with the idea of European unity'. (sec. 13).

12. Continuous improvement in living and working conditions is another fundamental aim of the Treaty of Rome. The Commission considers that Community regional policy is not only in the interests of those living in areas of relative poverty, unemployment and forced migration: it is equally in the interests of persons who live in the great conurbations which suffer from increasing congestion and impoverished environmental conditions. The creation of the Regional Development Fund should therefore not be seen simply as a method by which the better-off regions subsidize the less fortunate ones; they will, in fact, be contributing to a richer quality of life for themselves. Efforts to attract new development in the less-developed regions must be accompanied by measures to discourage industrial expansion in the regions that are already saturated and encourage decentralization of industrial activities in the general interest (sec.16).

A well-run regional policy is a good investment: from the social, ecological and economic points of view, uncontrolled congestion and migration are more costly than positive intervention aimed at balanced regional development (sec.18).

### IV. THE CONCEPT OF COMMUNITY REGIONAL POLICY

13. The analysis of the regional imbalances and the case for a Community regional policy presented by the Commission can in general be approved by the Committee on Regional Policy and Transport. Nevertheless the Commission has failed to take sufficient account of certain imperatives.

#### (a) Need for adequate statistics

14. The conception and application of a regional policy at the Community

level presuppose a knowledge of the present position and trends in the various regions.

The Annex to the Commission's Report provides a statistical approach to the position in the regions in respect of population, employment and production. However, as the Commission itself notes, the statistics available are inadequate because of gaps and the lack of comparability of data and the diversity of the base units (sec.21).

Statistics are particularly inadequate in regard to income levels, because there are no regional accounting systems yet in the Member States, in spite of the efforts which have been made. Such efforts must be coordinated and promoted at Community level.

The Committee on Economic and Monetary Affairs has repeatedly drawn attention to these statistical shortcomings, in particular in a report by Mr RIEDEL on progress towards the harmonization of statistics<sup>1</sup> and on the need to reorganize the statistical services with a view to remedying these inadequacies.

(b) Need to formulate the principles of regional economic development

15. The preparation and application of a comprehensive regional policy involve going beyond the stage of descriptive statistics. The available data must be organized into models.

Construction of these models presupposes a knowledge of the interdependence or cause-and-effect relationships between the phenomena observed.

An effort must therefore be made to determine the economic principles of regional development if a coherent and effective regional development policy is to be prepared.

16. Incomplete knowledge of these principles has led the Commission to put forward a collection of fragmentary measures which must be improved and supplemented.

(c) Need to take account of the human factor

Blockage of growth is often due to man rather than to nature, the primary need being for education and vocational training rather than economic action.

<sup>1</sup> Doc.178/71

The failure of many regional policies stems from the fact that it is not enough to direct economic activity towards human 'potentialities'; it is also necessary for the individuals to be prepared to agree to take part in the economic development and to be suited to such participation.

18. The Commission considers that some areas suffer from a serious lack of infrastructure both as regards educational and training facilities and the means of communication (sec.25).

The Commission gives us merely a statement of fact, whereas the situation itself acts as a serious restraint on development. Unless it is taken into account, unlimited sums could be put at the disposal of the Fund without the desired development taking place or having lasting effects.

(d) Need for action by public authorities

19. It must be emphasized that economic development in problem regions is not a spontaneous process, and can therefore not be left to the strategy of private enterprise alone.

There can be no improvement in the situation of the underdeveloped regions without action by the public authorities.

(e) Need for regional development planning

20. The Commission's conception of regional development, which is too economic, must be contrasted with a comprehensive view of regional development (social and cultural), which is itself the foundation of a general policy of regional development.

This comprehensive conception of regional development necessarily means geographical planning at the European level. It is within the framework of such planning that the economic vocation of each region must be sought, and regional development anticipated in order to bring it about.

The Commission recognizes the importance of regional development planning when it states in sec. 31, regarding the operation of the Development Fund, that 'the projects presented by Member States should be in accordance with specific regional objectives or be in the context of regional development programmes as these programmes are drawn up'.

However, if self-sustaining growth is to be really achieved as the Commission states in sec. 29 (vi), this point must be emphasized and operations financed by the Fund should be made conditional on the introduction of development programmes not limited merely to economic aspects.

The widest possible scope must be given to the specific instruments of regional policy, bearing in mind the comprehensive nature of the development, even if there are other Community means of intervention like the Social Fund.

(f) Need for concentration of resources and the role of centres of development

21. Although interventions financed by the Fund have to embrace all the activities in a region, it is essential to concentrate them geographically.

22. Development is of course linked with technical progress and is helped by the economies of scale and the external savings resulting from concentrations of the population.

This explains why it is necessary to concentrate the resources on a few

centres of development, although increasing the power of these centres is not an end in itself, but is intended mainly to have an indirect effect on the surrounding areas.

(g) Need to define the size of development regions

23. The Commission does not tackle this problem, but merely notes in sec. 22 that the main regional imbalances are 'linked to certain limited geographical areas'. However, regional development programmes should be applied to clearly-defined regions.

24. It is difficult to fix the optimum size in view of regional differences. A number of factors are involved: the actual social and economic situation, demography, ecology, institutional reality, tradition, and so on.

At the analytical level, if the region is too small it is difficult to apply the instruments of observation to it; if it is too large it may hide large intra-regional inequalities.

The region should tend towards a coherent and interdependent whole.

V. ACTION BY THE COMMUNITY

(a) The role of Community Institutions with respect to Member States

25. The introduction of the Common Market has aggravated regional imbalances, and at the same time the economic powers of the governments are waning without the Treaties having given the European institutions adequate powers to compensate for this.

The powers of the governments in the matter of regional policy have been reduced by the treaties (certain forms of protection, subsidie, discrimination, etc. are in principle forbidden). An isolated national regional policy is no longer possible in a European common market.

It is therefore necessary to define the role of the European institutions.

26. The Commission considers that the Community policy must be complementary to the national policies. But it is not merely a matter of complementing these national policies; they must be reoriented after their aims and results have been examined. The Community regional policy cannot be the aggregate of national policies. It must constitute an incentive to flexible planning involving regional prospects of growth. Regional programmes must fit in with the general aims of comprehensive medium-term planning.

(b) European interdependence

27. Action by the Community presupposes real European interdependence.

The Commission rightly considers that it is a question not simply of devoting more capital to regional development in Europe but of deploying it in accordance with the needs of the regions which are the least privileged in relation to the Community as a whole (not in relation to national averages) (see sec. 29 (viii) of the Commission's report).

This interdependence, which will involve considerable sums, can only be effective, if the States are not allowed to economize on their own budgets through the amounts received from the Fund. The regional development programmes which will act as a framework for the application of the Community regional policy will make it possible to prevent aid being diverted in this way.

(c) Intervention criteria

28. In the absence of adequate knowledge of the principles of regional economic developments, this aid will be granted according to certain criteria mentioned in the introduction. It is difficult to make a judgment on the scope of these criteria in view of the statistical difficulties, but they seem to have been selected on the basis of the existing imbalances and the available statistical data.

(d) Integration of common policies

29. Community action must not be limited to the regional policy measures proposed. Since regional policy is a comprehensive structural policy, all the sectoral policies (transport, energy, social financial and fiscal policies etc.) must be integrated within the regional development plans in which this regional policy is embodied.

VI. SOME MEASURES TO BE CONSIDERED

30. (a) The financial measures envisaged for the Regional Development Fund must be extended by Community technical assistance, enabling the maximum benefit to be obtained from the financial resources.

(b) Public and private investment must also be coordinated on the European level in the problem areas. The extension to the whole of the economy of the obligations imposed on the enterprises of the ECSC could be considered (obligatory declaration of all large investment programmes and publication of the opinion of the Commission).

(c) A European programme of large-scale infrastructure work could be drawn up by the Commission.

(d) Cultural and scientific centres could also be developed in the under-developed areas (establishment of research institutes).

(e) The European Parliament has been asking for a long time for the establishment of a European Office of Documentation and Information on regional policy<sup>1</sup>.

All these possible actions should be examined by the Regional Development Committee, the establishment of which is to be formally proposed by the Commission at the same time as that of the Regional Development Fund.

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<sup>1</sup> Resolution of 22 January 1964 already referred to, following the Birkelbach report.



OPINION OF THE COMMITTEE ON AGRICULTURE

Draftsman : Mr M. VETRONE

At its sitting of 8 May 1973 the European Parliament instructed the Committee on Regional Policy and Transport to draw up a report on the Community's regional policy.

At its meeting of 14 June 1973 the Committee on Agriculture, asked for its opinion, appointed Mr VETRONE draftsman.

At its meeting of 27-28 June 1973 it considered the draft opinion drawn up by Mr VETRONE on the basis of the report on regional problems in the enlarged Community (Doc. 70/73) submitted by the Commission of the European Communities to the Council and forwarded to the European Parliament for information.

At the same meeting the Committee on Agriculture adopted the following opinion unanimously, with one abstention.

The following were present: Mr Houdet, chairman; Mr Vetrone, vice-chairman and draftsman; Mr Baas, Mr Cipolla, Mr Della Briotta (deputizing for Mr Cifarelli), Mr Flämig (deputizing for Mr Orth), Mr Frehsee, Mr Früh, Mr Héger, Mr John Hill, Mr Kavanagh, Mr De Koning, Miss Lulling, Mr McDonald, Mr Martens and Lord St. Oswald.

## INTRODUCTION

Although the Treaty establishing the European Economic Community does not give the institutions of the Community the specific task of implementing a common policy of regional development, as in the case of agricultural or transport policy, it does lay down a general objective of regional policy, stating in the Preamble that the signatories are 'anxious to strengthen the unity of their economies and to ensure their harmonious development by reducing the differences existing between the various regions and the backwardness of the less favoured regions'.

In addition, Article 2 of the Treaty states that it is one of the Community's tasks to promote throughout the Community a harmonious development of economic activities.

In view of the fact, therefore, that Article 235 of the Treaty permits the Community to extend its action beyond those sectors for which the Treaty provides specific powers, whenever this should prove necessary to attain one of the objectives of the Community, the Commission, conscious of the harm resulting from regional disequilibria in the EEC, presented as early as 1969 to the Council a proposal for a decision on means of Community action in the field of regional development with the following aims:<sup>1</sup>

- establishment of a Regional Development Committee, composed of representatives of Member States and of Commission members, with the task of assisting Community organs in the coordination of the regional policies of Member States and in the utilization of Community instruments, such as the resources of the European Investment Bank;
- establishment of a Community procedure to examine the economic situation of regions needing development and of the programmes of individual Member States for the development of such regions.

According to the proposal, Community development regions should be identified as :

- peripheral regions of the Community characterized by considerable economic backwardness;
- regions located across the frontiers of Member States;
- regions with an excessively high proportion of the population engaged in agriculture;

<sup>1</sup> See opinion by Mr BRIOT on behalf of the Committee on Agriculture, annexed to the Report by Mr MITTERDORFER (29/70).

- industrial regions which have suffered as a result of a decline in the principal economic activity.

In 1971 the Commission put forward a proposal for a regulation defining the rules of operation of the European Regional Development Fund.<sup>1</sup> The Commission, which had originally envisaged the Fund as a financial instrument for granting interest rebates, took up the suggestion of the European Parliament and of a delegation of the Council and now proposed that the Fund, in addition to giving interest rebates should also allocate capital grants.

According to the proposal, these rebates and capital grants could be allocated for investment in infrastructure and in industrial, craft and services activities. The projects should form part of a programme to promote development in one of the Community development regions.

The types of recipient of this Community aid were not stipulated in advance: both public and private investors could thus benefit.

Rebates of interest could be granted by means of loans from the European Investment Bank or from other financial institutions.

Simultaneously with this proposal the Commission put forward another, on the financing of projects through the Guidance Section of the EAGGF for the development of high priority agricultural regions.<sup>1</sup>

This latter proposal envisages a contribution from the EAGGF to the creation of new jobs in the industrial, craft and services sectors for farmers and agricultural workers and their children who abandon agriculture as a result of agricultural reform.

A subsidy of 1500 u.a. was proposed for the creation of each new job and the operation was to be completed within five years at an overall cost of 250,000,000 u.a.

It was estimated then that in the Community of the Six some 600,000 persons under the age of 55 would be abandoning agriculture within the next few years.

Half these people were living in preponderantly agricultural areas in which the Community should undertake priority action.

The Commission proposed that the areas should be selected on the basis of the following criteria:

<sup>1</sup> See opinion by Mr BRIOT on behalf of the Committee on Agriculture, annexed to the Report by Mr MITTERDORFER (Doc.264/71).

- percentage of working population employed in agriculture higher than the Community mean;
- percentage of working population employed in industry lower than the Community mean;
- per capita gross domestic product at factor cost lower than the Community mean.

The Commission proposed that as well as the major agricultural areas, generally situated on the periphery of the Community, minor areas having an excessive proportion of the population engaged in agriculture should also in certain circumstances be considered.

In the spring of 1972 the Commission examined as a matter of urgency the creation of a further instrument of regional development. It has not yet presented a formal proposal but has invited the Council to agree in principle to the opening of the necessary wide-ranging consultations.

The instrument in question is the proposed 'Regional Development Company' in which both the Community and other public and private companies would participate. The Company would operate within the framework of a regional development programme and would be given the following tasks :

- to find enterprises interested in investment in development regions and to supply them with information on investment opportunities and market conditions;
- to give technical assistance to investors, helping them, for instance, to create industrial zones;
- to act on occasion as a temporary minority shareholder in companies in development regions.

Over the last two years the Council of Ministers has repeatedly considered the Commission's proposals concerning the coordination and Community financing of regional policy, but has never reached a definite decision.

However, certain statements contained in resolutions adopted at various meetings devoted to these problems bear evidence of the Council's awareness of the need for concrete action.

Thus the resolution of 22 March 1971 states specifically that in the final phase of economic and monetary union the Community will undertake the necessary action at the structural and regional level, within the framework of a Community policy backed by appropriate resources, to promote a balanced development of the Community.

The resolution goes on to state that during the first phase of economic and monetary union, in order to reduce tensions which might prejudice the completion of the economic and monetary union within the time prescribed, the Council should decide on the necessary structural and regional measures in conformity with the priority criteria of the Third Medium-term Economic Policy Programme and in particular should provide the Community with appropriate resources.

It will be recalled that the priorities listed in the Third Economic Policy Programme include in particular a regional policy calculated to promote healthy economic activity in the areas in which agriculture is undergoing changes. The fact that the Council accords a high priority to this problem is confirmed by its resolution of 25 March 1971 concerning the new orientation of the common agricultural policy ; this resolution states that it is necessary (for the development of the agricultural sector) for rapid progress to be made in the development of other Community policies, particularly as regards the economic and monetary union, regional policy and social policy. Such progress would contribute substantially to the achievement of agricultural reform. In particular the Council agrees to the setting up by the Member States and the Community of a system of incentives for regional development which will promote the creation of jobs, particularly in those regions where an excessively high percentage of the working population is engaged in agriculture.

We must conclude, however, that despite the urgent insistence of Parliament, all that the Council, faced with this set of proposals - which represent no more than a first modest step towards the achievement of a regional policy - could do was to produce yet another resolution (21 March 1972) signifying its agreement 'in principle' to the Guidance Section of the EAGGF being used in regional development measures and to the creation of a Regional Development Fund or some other machinery for the channelling of adequate Community resources to regional development. This 'agreement in principle' was, however, given no subsequent concrete expression in a formal decision which could have put into effect the arrangements proposed by the Commission.

In view of the situation which had developed in recent years the results of the Paris Summit meeting of October 1972 seemed to open the way to more resolute action.

The Heads of State or Government, emphasizing the high priority of this problem, agreed in matters of regional policy, as stated in point 5 of the final communiqué, on the following :

- the Member States from now on undertake to coordinate their regional policies;

- Community institutions are invited to create a Regional Development Fund before 31 December 1973;
- from the beginning of the second phase of economic and monetary union the Fund will be financed from the Community's own resources.

It was also declared that intervention by the Fund, in coordination with national aids, should permit, progressively with the realization of economic and monetary union, the correction of the main regional imbalances in the enlarged Community, and particularly those resulting from the preponderance of agriculture and from industrial change and structural under-employment.

Brief resumé of the text under review.

At the Paris Summit the Heads of State or Government invited the Commission to prepare a report analysing the regional problems arising in the enlarged Community and to put forward appropriate proposals.

In response to the first part of this invitation the Commission presented the document under review, while it intends shortly to put forward concrete proposals, of which only the main lines have been indicated so far.

The proposals will be concerned in particular with :

- the Regional Development Fund
- the Regional Development Committee.

The Commission has indicated that it wishes to maintain its original proposal, with suitable modifications in view of the enlargement of the Community, regarding the use of part of the resources of the EAGGF Guidance Section, for the creation of jobs in the secondary and tertiary sectors in priority agricultural areas.

In addition, the Commission intends to study in greater detail problems arising in connection with the proposed Regional Development Company and with a European loan guarantee system.

These measures should enable the two specified aims to be achieved: coordination of the regional policies of Member States and creation of instruments and means of a Community regional policy, which, according to the Commission, is not intended to replace the corresponding policies of Member States.

The document submitted by the Commission also contains in a first chapter, an analysis of regional development in the new Member States, complementing

a similar review presented in 1971 in respect of the Community of the Six.

Chapter 2 analyses the extent and nature of the main regional imbalances in the Community of the Nine.

Finally, the report describes briefly the aims and instruments of regional policies in the nine Member States.

The text is supplemented by a series of statistical tables about the correctness of which, however, the Commission itself has some reservations, either because of lack of uniformity in the collection of data in different Member States or because of their incompleteness.

The document under review has been forwarded to Parliament for information, without formal request of consultation. The preparation of a report and related opinions are therefore a matter for Parliament to decide on its own initiative: the Committee on Regional Policy and Transport, as the committee responsible, decided to present an interim report (Report by Mr DELMOTTE, PE 33.314), reserving the right to submit a further report on the practical proposals which the Commission of the European Communities is at present preparing and on which Parliament will be officially consulted.

#### Final comments by the Committee on Agriculture

1. The problem of unequal development in different economic areas, which has emerged in recent years at Community level, certainly affects farming and rural populations and is thus of interest to the agricultural sector for the benefit of which a number of measures have been taken through Community policy and the financial contributions of the EAGGF. In addition three directives have recently been adopted, whose implementation, through enlargement and rationalization of the productive structures of farm units, which admittedly involves a considerable entrepreneurial and financial commitment by the farmers, will lead to an improvement of the situation in agriculture and, indirectly, in the economy as a whole.

2. It should also be noted that in the context of structural reform measures in agriculture, based as they are on selective intervention, it was found necessary to introduce the principle of regionalization for development actions, because of the disparity between the levels of development of different areas in the Community and the existence of a maximum correlation between the general economic situation and the

structural position in agriculture which determines the initial conditions. As a consequence, as was noted at the time, relative disparities would persist in the Community agricultural sector for at least the first five years of application of the directives.

3. In addition, even if we rule out in general a priori identification of agricultural regions with underdeveloped regions, the greatest regional imbalances are to be found in areas with an excessive preponderance of agriculture and a lack or inadequacy of the secondary and tertiary sectors. These conditions occur mainly in the peripheral regions of the Community, in respect of which - because of these conditions and because of the importance of their agricultural output for the economy as a whole - the Community has had to face the difficult question of the competition of privileged imports from third countries, especially in the Mediterranean area.

4. Moreover, in the regions characterized by the conditions described above, and also in other areas, though perhaps to a lesser extent, there exists the problem of the migration away from the agricultural sector of farmers cultivating marginal land; this exodus from the land is considered necessary for the structural reform of agriculture.

In view of this, discussions on the three proposals for directives should bear in mind the extent to which the results of such measures may be vitiated if they are not accompanied by coordinated Community action in other fields of economic policy, such as social policy, employment and regional development.

5. Nevertheless, as the Committee on Agriculture has emphasized on various occasions (with reference to environmental policy and to the problems of hill farming and of agriculture in other underprivileged areas), it can be contended that agricultural policy and social policy, coordinated with Community and national regional policies, must seek to resolve the fundamental problems of disparities in regional development within the Community and thus of preventing migration, caused by structural factors, from aggravating congestion in existing industrial areas and engendering uncontrollable phenomena which are undesirable for economic or social reasons.

6. In consideration of the above and with reference to its earlier opinions on this subject<sup>1</sup>, the Committee on Agriculture expresses a

<sup>1</sup> Opinions by Mr BRIQT on behalf of the Committee on Agriculture annexed to the two Reports by Mr MITTERDORFER (Doc.29/70 and Doc.264/71)



favourable opinion on the main lines of the document under review concerning a future Community regional policy.

7. The Committee on Agriculture, while reserving the right to deliver a final opinion on the definite proposals which the Commission intends to put forward at a later date, is convinced of the need to endow - alongside the EAGGF and the Social Fund, for their respective activities - the Regional Fund with sufficient financial resources to ensure that the regional policy is commensurate with the objectives formulated at the Paris Summit Meeting.

8. In this context the Committee on Agriculture would now like to know whether the sum of 50,000,000 u.a. per annum which is shown in the Community's budget for the EAGGF for the purpose of creating new jobs for ex-farmers in the secondary and tertiary sectors - priority being given to the processing and marketing of agricultural produce - should not be transferred to the Regional Fund, so as to leave greater freedom of action to the Guidance Section of the EAGGF which will be called upon, partly as a result of the economic and social development of Community regions, to make further interventions in order to ensure a balanced development of the agricultural sector. It will, in fact, be recalled that the Committee on Agriculture had pronounced in favour of this contribution from the EAGGF as a temporary measure only.

9. While unable to treat exhaustively all the problems arising from the matter under review, and in order to remain within its terms of reference, the Committee on Agriculture will confine itself to reaffirming the support it has already given in its previous opinion for the Community criteria for identification of priority agricultural regions, put forward by the Commission in 1971.

Finally it endorses, in general, the Commission's opinion to the effect that it would be desirable to lay down priorities, as a function of the relative level of balance in the individual regions determined on the basis of indexes for the gross per capita income as compared with the Community average and for the rate of structural underemployment, unemployment and migration, in the belief that the effectiveness of Community regional policy action would be reflected in the speed of action and its concentration in those Community regions with the greatest disequilibria.

OPINION OF THE COMMITTEE ON BUDGETS

Draftsman: Mr R.J. Pounder

On 2 February 1973 the Committee on Budgets appointed Mr Pounder draftsman for the opinion.

The committee considered the draft opinion at its meeting of 21 June 1973 and adopted it unanimously.

The following were present: Mr SPENALE, chairman; Mr POUNDER, draftsman; Mr BOANO, Mr FABRINI, Mr HOUDET, Mr KOLLWELTER, Mr MULLER, Mr PÉTRE and Mr SCHMIDT.

## FOREWORD

1. The report from the Commission of the Communities following the October 1973 Summit Conference has now joined the already long list of proposals, resolutions and declarations of intent on regional policy.

2. This report was prepared in response to the request made to the Commission by the last Summit Conference. On re-reading point 5 of the final communique issued by the Conference, which refers to the 'high priority' to be given to the aim of correcting structural and regional imbalances in the Community, one question immediately springs to mind: what first steps have actually been taken by the Governments of Member States since October 1972 to coordinate their regional policies?

The answer must be 'none', so far, and the 'high priority' formally accorded to regional policy is one of those phrases which, like so many others, will henceforth form part of the terminology of Summit Conferences without committing anyone.

3. Point 5 of the Communique also refers to the Regional Development Fund to be set up before 31 December 1973. This Community Fund will be financed, from the beginning of the second phase of Economic and Monetary Union, from the Community's own resources, and its purpose will be to correct the main regional imbalances in the enlarged Community as and when economic and monetary union is achieved.

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4. In its report<sup>1</sup>, the Commission of the Communities reviews the situation in the regions of the Community and suggests guidelines for the proposals which it has yet to prepare, in accordance with the responsibilities assigned to it by the Summit Meeting.

In the absence of definite proposals, particularly on the financial aspects involved, the Committee on Budgets can do no more at this stage than offer a few comments on the financial elements in the guidelines drafted by the Commission of the Communities<sup>2</sup> and on the budgetary problems raised by the Regional Development Fund.

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<sup>1</sup> Doc. COM(73) 550 fin.

<sup>2</sup> Paras. 29, 30 and 31 of the report.

I. A COMMUNITY REGIONAL POLICY AS A COMPLEMENT TO NATIONAL POLICIES

5. 'The effectiveness of the Community's policy will depend on the close cooperation of Member States.

The activities of Member States in the regional field, whether economic, social or cultural, in fact form an indispensable basis for the mobilization of financial resources for regional development. The role of Community regional policy will progressively increase .....

Comment:

6. The first requirement is thus to initiate cooperation between States, to lay down practical arrangements for this purpose, and to agree on certain criteria and methods of raising the necessary money. It will then be necessary to specify the Community's area of action and determine financial requirements.

II. REDUCING OVERCONCENTRATION

7. 'Since overconcentration of economic activity in some regions is a major social and economic problem which tends to become more and more acute, the Community as well as giving aid to the poorer regions, should seek agreement between the Member States on common policies to reduce concentration in the congested regions. The Commission will in this matter make appropriate proposals in due time.'

Comments:

8. The only way in which the States can do this is through financial measures such as tax advantages, aid and subsidies for capital investments outside congested areas.

So far these measures have not produced any substantial results.

Repressive measures could be considered: tax penalties, bans on capital investments exceeding a certain figure .....

A kind of 'forced loan' could also be envisaged, by deducting a proportion of any capital investment in a congested area to finance investments in zones earmarked for development, the normal return being paid on this capital.

The Committee on Budgets considers that the Commission should propose Community rules in this area.

Another important aspect of overconcentration should be taken into account when planning industrial expansion in the developed regions, namely environmental protection.

III. USE OF AVAILABLE COMMUNITY INSTRUMENTS

9. The Commission provides for the coordination of common policies (?) and the use of available financial instruments at Community level for regional purposes.

Comment:

10. The Commission should state how such coordination is to be ensured (ECSC Fund, EAGGF, E.S.F.). When it is recalled how scant the resources of the 'Guidance' section of the EAGGF are and how little use certain States make of them, one cannot help being somewhat sceptical about the effectiveness of such a scheme.

IV. THE REGIONAL DEVELOPMENT FUND

A. Objectives of the Regional Development Fund

11. The Regional Development Fund is considered to be the primary means of mobilizing Community resources for regional purposes.

'The Commission also intends to give full consideration to' other means such as the EAGGF - Guidance Section, the Regional Development Company and the European loan guarantee system.

12. The Fund will be concerned with the development of and the achievement of self-sustaining growth in the less developed or declining regions in the Member States in the medium and long term. It must be large enough in size to correct structural and regional imbalances which might affect the achievement of economic and monetary union and must therefore be endowed on a different scale than envisaged hitherto (50 million u.a.).

13. The Fund will concentrate on those regions whose needs are greatest in relation to the Community as a whole, which rules out the system of 'fair returns'.

Resources will be employed with a certain measure of flexibility, some being retained for Community projects.

Areas will be selected on the basis of three main criteria: predominance of farming, conversion to industry and structural under-employment.

In this connection the primary consideration should be a fair balance in the distribution of development projects between regions in the Community.

B. The operation of the Fund

(a) methods

14. Essentially, the Commission envisages two methods for allocating resources from the Fund: subsidies and interest rebates on loans.

Subsidies are regarded as 'useful' while rebates have the effect of mobilizing more substantial financial resources.

According to the Commission, financial aid should go mainly to industrial schemes and the service sector, as well as to infrastructure projects capable of stimulating regional development and production.

(b) institutions and procedures

15. The Commission envisages a Regional Policy Committee to assist with the management of the Fund. Procedures would be as 'flexible' as possible meaning that the Council would have to distinguish between minor projects, which could be decided on in advance by Member States in accordance with Community criteria, and larger projects which would be subject to prior assessment by the Commission after consulting the Fund Committee.

The Commission adds: 'it is important that the element of Community aid, in whatever form it is disbursed, should be clearly identifiable as such by the recipient'.

C. Financing of Fund

16. According to the communique issued by the Summit Conference, the Fund will be financed entirely by the Community's own resources from the second phase of economic and monetary union.

It has been decided that this phase will begin on 1 January 1974 but the Community's budget will not be financed exclusively from the Communities' own resources until 1 January 1975.

There could be a budgeting problem if the Fund is set up on the proposed date, but this is doubtful.

Comments:

17. Although it is possible to refrain from an opinion on the objectives and operation of the Fund at the present time, when we are only concerned with general guidelines, the same is not true of its financing.

The attainment of the highly ambitious objectives of Community regional policy is contingent on the resources of the Fund.

Financing the Fund from own resources, i.e. from the Community budget, means that with the present structure of budgetary expenditure, the size of the allocation to the Regional Development Fund (which must be 'large enough in size') will be governed by the ceiling imposed on the budget by the decision of 21 April 1970.

18. This raises the political problem of the structure of Community expenditure and the development of own resources to allow more extensive Community action, particularly in the field of regional policy.

The Committee on Budgets considers that a certain percentage of the budget appropriations should be allocated to regional policy requirements, by analogy with the arrangements for development policy in the case of the EDF.

19. A further, no less important problem, is that of the role of the European Parliament in defining Community regional policy and the level of spending which it should entail.

Is it acceptable that decisions in such an important area of Community policy should be taken without the democratic body of the Community having any real say in them and in the mobilization of the substantial resources involved?

20. In conclusion, your draftsman considers that, at the present stage, the Committee on Budgets can do no more than give an interim opinion pending definite proposals from the Commission of the Communities at an early date. It should also call on the Council to comply with the deadlines already laid down for the adoption of certain measures on which Parliament has already given an opinion.