

European Communities

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DOCUMENT 1-736/81

REPORT

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

on a 'Mediterranean plan' for the benefit of  
Mediterranean countries belonging to the European  
Community and the applicant countries Portugal  
and Spain on the basis of a Council regulation

Rapporteur: Mr H.-G. PÖTTERING

PE 73.140/fin.

On 21 November 1980, pursuant to Rule 25 of the Rules of Procedure, Mrs BOOT and others tabled, on behalf of the Group of the European People's Party, a motion for a resolution on the creation of a 'revolving fund for the benefit of Mediterranean countries belonging to the European Community, on the basis of a Council regulation'.

On 15 December 1980, the European Parliament referred this motion to the Committee on Regional Policy and Regional Planning as the committee responsible and to the Committee on Social Affairs and Employment, the Committee on Budgets and the Committee on External Economic Relations for an opinion.

On 21 January 1981, the Committee on Regional Policy and Regional Planning appointed Mr POETTERING, rapporteur;

It considered the report at its meetings of 22 April, 23 June and 20 October 1981 and adopted the motion for a resolution at its meeting of 9 November 1981 unanimously with 2 abstentions.

Present: Mr De Pasquale, chairman; Mr Poettering, rapporteur; Mrs Boot, Mr Cardia, Mr Cecovini, Mr Griffiths, Mr Harris, Mrs Kellett-Bowman, Mr Nikolacu, Mr J.D. Taylor, Mr Travaglini and Mr von der Vring.

The opinion of the Committee on Social Affairs and Employment is attached.

The opinion of the Committee on Budgets will be delivered in the form of a letter.

The Committee on External Economic Relations decided not to deliver an opinion.

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

MOTION FOR A RESOLUTION

on a 'Mediterranean plan' for the benefit of Mediterranean countries belonging to the European Community and the applicant countries Portugal and Spain on the basis of a Council regulation

The European Parliament,

- having regard to the motion for a resolution tabled by Mrs Boot and others on behalf of the Group of the European People's Party on the creation of a 'revolving fund for the benefit of Mediterranean countries belonging to the European Community on the basis of a Council regulation' (Doc. 1-620/80),
- having regard to the motion for a resolution tabled by Mr RUFFOLO on behalf of the Socialist Group on the creation of a European regional development organization (Doc. 1-359/81) and the motion for a resolution tabled by Mr CARDIA and others on the structure and operation of the European Regional Development Fund (Doc. 1-510/81),
- having regard to the draft amendment to the 1982 budget entering a p.m. for the creation of a revolving fund for the Mediterranean countries (Doc. 1-550/213),
- having regard to the report of the Committee on Regional Policy and Regional Planning and the opinions of the Committee on Social Affairs and Employment and the Committee on Budgets (Doc. 1-736/81);
- having regard to the Preamble and Article 2 of the EEC Treaty, whereby the Member States undertake to reduce the differences existing between the various regions and the backwardness of the less favoured regions and to promote throughout the Community a harmonious development of economic activities,
- recognizing that the Community is now further from the goal of the convergence of the national economies than on the day it was established,
- considering that the accession of Greece and the prospective accession of Portugal and Spain will make the gap between the rich and the disadvantaged regions of Europe far wider, with the result that in future the Community may be said to be divided into two economically and socially distinct parts,

- considering that the Community must attach great importance to preventing such divergent development, which could, in future, give rise to considerable social conflict,
  - convinced that there is a need in this regard to draw up integrated regional development programmes for the disadvantaged Mediterranean regions of the Community and the applicant countries, to serve as a reference for future national and Community support measures,
  - convinced that considerable financial resources will be needed if the position of the Mediterranean regions is to be improved, which necessarily implies the restructuring of Community expenditure,
  - recognizing that if action to improve the position of the Mediterranean regions is to be successful, such resources will have to be injected into these regions over a long period, i.e. at least 30 years,
  - mindful of the fact that, to ensure the success of a development policy for the disadvantaged regions, capital must be deployed where labour is available,
  - considering that the creation of appropriate organizational instruments is an essential precondition for a successful policy in favour of specific Mediterranean regions,
1. Calls on the Commission to draw up, in collaboration with the Member States and the applicant countries, integrated development programmes for the severely disadvantaged Mediterranean regions;
  2. Calls on the Commission to draw up, in the framework of the integrated development programmes, and utilizing the development potential available in the regions, detailed proposals for the following specific fields of action having regard to new technologies offering scope for growth;
    - creation of permanent jobs in the industrial, crafts and services sectors and the necessary infrastructure;
    - structural reform of agriculture in the Mediterranean area including afforestation schemes;
    - improvement of the vocational training of workers, qualified managers and entrepreneurs (particularly in the small to medium-sized private sector);
    - improvement of administrative efficiency;
  3. Calls on the Commission to determine, on the basis of the programmes, what budgetary and capital market funds will be required in the short, medium and long term to achieve the objectives set;
  4. Calls on the Commission to draw up proposals for the creation of a 'Development Fund for the Mediterranean Regions of the Community and the Applicant Countries', to be constituted within a period of 6 to 8 years to provide effective aid to self-help;

5. Calls on the Commission to draw up proposals to ensure that development funds, which should be granted at reduced rates of interest and should as a rule be repayable, are used in a manner consistent with economic principles and banking criteria and that they are coordinated with other Community financial instruments; to this end, the European Investment Bank should be entrusted with the administration of the Fund;
6. Calls on the Commission to take precautions to ensure that subsidies and loans are not channelled into the national budgets of the recipient Member States but are placed directly at the immediate disposal of undertakings, regional authorities, etc.;
7. Requests the Commission to consider the advisability of establishing a 'European Development Company' which can offer the regions concerned the appropriate expertise and thus meet the need for development and an effective transfer of technical and administrative know-how to the disadvantaged Mediterranean regions;
8. Requests the Commission to submit proposals for a Council regulation on the subject of this resolution within a period of three months;
9. Instructs its President to forward this resolution to the Council, the Commission and the governments of the applicant countries Portugal and Spain.

EXPLANATORY STATEMENTI. The political necessity of an aid programme for the Mediterranean countries

1. Political considerations make Greek accession to the European Community on 1 January 1981 and the forthcoming enlargement of the Community to include Portugal and Spain both desirable and necessary. Greece, Portugal and Spain are major European countries. European unification without these three countries would be barely conceivable. The accession of Greece, Portugal and Spain to the European Community is also seen as a contribution towards strengthening democracy in these countries following periods of dictatorship which in some cases had lasted many years.

2. Enlargement of the Community to twelve members poses major problems not only for the Community but also for the applicant states. Enlargement of the European Community could easily prove unsuccessful and threaten European unification as a whole unless the necessary decisions on the integration of the applicant states are taken. The problems raised by enlarging the Community to 12 members can be solved but this will require the political will of the European Community, the acceding states and especially the Member States of the Community.

3. The prosperity gap between the richer and poorer regions of the Community has steadily widened in recent decades. In future this may give rise to social conflict at the European level comparable with that which exists at the global level in the form of the North-South conflict.

Enlargement will exacerbate these problems. The differences in the level of development between the regions of the enlarged Community will be far larger than those in the Community of Nine. While the ratio of per capita GDP between the richest region in the Community of Nine, Hamburg, and the structurally weakest region of Italy, Calabria, was 5 : 1, in the Community of Twelve the ratio between Hamburg and the Portuguese region of Vila Real Braganca will escalate to 12 : 1. A similar relationship obtains in relation to the Greek region of Thrace.

A total of 56 million people live in Greece, Portugal and Spain. Of these, more than 35 million (roughly two thirds therefore) live in regions in which the per capita GDP is comparable with that of Southern Italy, which, with Western Ireland, is the structurally weakest region in the Community of the Nine.

4. It therefore behoves political movements in the Community to do everything in their power to avert the impending conflict by taking measures which will lead to a tangible improvement in the economic and social condition of people in the poorer regions of the Community. The population in these regions will be unable to perceive the benefits of membership if they find that the Community is unable 'to reduce' the backwardness of the less favoured regions'<sup>1</sup>.

5. The Community is further away now from its goal of balanced economic development than it was at the time of its creation.

This is already particularly true of the structurally weak regions in the Mediterranean countries belonging to the Community and will become even more so the case in a Community of twelve unless the necessary steps are taken.

6. The main features of the economic and social situation in the structurally weak regions of the Mediterranean countries belonging to the Community and those in the applicant States of Portugal and Spain compared to the industrialised central regions are as follows:

- lower labour productivity
- high proportion of the labour force employed in agriculture
- a tendency towards single-crop farming
- severe underemployment
- a lack of alternative employment to agriculture
- insufficiently large undertakings in agriculture, industry, craft trades and services
- shortage of skilled labour

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<sup>1</sup>The Preamble to the Treaty establishing the European Economic Community includes the following passage: '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'



- large distances between buying and selling markets and the decision-making centres of the Community
- inadequate transport and social infrastructures
- administrative and fiscal obstacles to economic development
- a low propensity to invest.

7. The combination of some, several, or all of these features in certain regions in the Mediterranean countries has resulted in relatively low incomes or relatively little prosperity for the population in these regions.

8. The examples below show how the situation of the population in the Mediterranean areas varies from the average conditions for citizens of the Community (see Annex).

- While an average of roughly 7% of the Community work-force is employed in agriculture, the proportion in the Mediterranean regions is approximately 20% (Greece and Portugal 30%).
- In spring 1981 the average rate of unemployment in the Community is approximately 8%. In the Mediterranean regions of the Community this rate ranges from 9 to 20%.
- At current prices, average per capita Community GDP was approximately US\$9,000 in 1980. The corresponding figure for Portugal, for example, was \$2,070 and for Greece \$4,060.
- Approximately 14% of adults in Greece and approximately 23% in Portugal are illiterate. In the other Member States illiteracy is virtually nonexistent.

9. The new member of the Community, Greece, and the applicant countries, Portugal and Spain, not only have the problem of developing traditionally weak regions but also the problems associated with accession to the Community. Despite considerable progress in industry and trade in recent years, the applicant States are confronted by major problems as a result of the elimination of customs barriers required by membership. Following accession, the applicant countries have not only to face increased competition from the other Member States but also to find alternative employment for the manpower leaving agriculture. It is essential that they encourage investment so as to create employment.

10. Given the large proportion of the work-force employed in agriculture, the main task will be the structural adjustment of agriculture within the framework of active economic, social and cultural development. Productivity in this sector has declined compared to other areas of the economy. The aim therefore will be a rational combination of migration from the land with an increase in agricultural productivity.

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11. The applicant countries are being forced to make their industry more competitive in order to adapt to the Community market. It is vital to avoid artificial protectionism based on state subsidies. Adjustments are needed which give industry, craft trades and the service sector a genuine chance to compete within the Community. Only the applicant states can take the necessary decisions on ways and means to this end but the Community can and must offer support in the form of an effective aid programme to encourage self-help.

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12. The overriding goal of an aid programme for the Mediterranean regions in the Community must be to create employment for people in the areas where they live. People should be given an opportunity to find work in their native regions. They should not be compelled to migrate to other parts of their own country or even other Member States. Young people in particular should be given an opportunity of finding employment in the areas where they have grown up, have their friends and wish to start a family.

Migration to the centres of industry and population in the Community often involves social isolation for the people concerned. The experience of several generations of migrant workers in the northern countries of the Community should make it clear that it is better, not only in the interests of the workers concerned and their families but also of the host countries, to 'bring the machines to the people rather than the people to the machines'.

13. At the same time, following a transitional period for the applicant states, freedom of movement for workers should remain an important goal for the Community. But there should be no 'compulsory freedom of movement' for workers simply because they are unable to find employment in their native countries. The present high level of unemployment in almost all the Member

States makes an aid programme for the applicant countries even more important than ever. Jobs must be created not only for those people leaving agriculture but also for those workers affected by the restructuring needed in other areas of the economy.

14. The Committee on Regional Policy and Regional Planning is therefore convinced of the political necessity of a special development programme for the Mediterranean countries belonging to the Community.

## II. Geographical extent of a "Mediterranean plan"

15. The signatories of the motion for a resolution take the view that the fund should primarily benefit the Mediterranean countries belonging to the Community<sup>1</sup>.

16. The Committee on Regional Policy and Regional Planning draws attention to the fact that the Mediterranean, as 'Mare Nostrum', has throughout history been an area of contact and the background for a wide range of exchanges between Europe and the countries of Africa and Asia Minor.

Concentration of the proposed aid on the Mediterranean countries belonging to the Community and the applicant countries Portugal and Spain should serve to underline the importance of consolidating friendly relations with the other states around the Mediterranean as part of an overall Community Mediterranean policy.

The Committee on Regional Policy and Regional Planning therefore calls on the Commission to submit proposals designed to ease the problems created for non-member states around the Mediterranean by Community enlargement. The Committee on Regional Policy and Regional Planning is aware of the great responsibility of the Community to all the States around the Mediterranean.

17. The Committee on Regional Policy and Regional Planning takes the view that the 'Mediterranean Plan' should concentrate on those regions of the Community which are development areas as defined for the European Regional Development Fund (ERDF). As no ERDF development areas have (yet) been defined for Portugal and Spain, the Commission is asked to consult these countries with a view to drawing up a geographical definition of development areas in these countries.

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<sup>1</sup>The motion for a resolution (Doc. 1-620/80) also states that 'about 10% of the resources could be used for severely under-developed regions elsewhere in the Community'.

18. Taking this definition as a basis, the committee feels that the following Mediterranean regions can be considered development areas under the 'Mediterranean plan', although this list should not be regarded as final:

France

- Corsica
- Languedoc<sup>1</sup>
- Midi-Pyrénées<sup>1</sup>
- Aquitaine<sup>1</sup>

Greece

- entire territory excluding the Athens-Piraeus and Saloniki regions

Italy

- Mezzogiorno<sup>1</sup> including Lazio

Portugal

- To be defined by the government in consultation with the Commission

Spain

- To be defined by the government in consultation with the Commission

III. Areas of activity for the 'Mediterranean Plan'

19. Financial resources can be allocated to the development of these regions only on the basis of detailed and feasible regional development programmes. Admittedly, the Member States have been submitting their regional development programmes and subsequent reviews of these programmes to the Commission since 1977. However, to repeat the criticism contained in the TRAVAGLINI report<sup>2</sup>, their suitability in their present form for use as frames of reference for entitlement to finance from the Community fund is limited.

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<sup>1</sup> Community regional development measures are also confined to these regions pursuant to Article 13 of the ERDF Regulation, (Doc. 1-451/79)

<sup>2</sup> Doc. 1-347/80

20. The Committee on Regional Policy and Regional Planning urges the Commission to draw up, in close collaboration with the governments and, in particular, the Mediterranean regions concerned, realistic, detailed, integrated development programmes setting out the short-, medium- and long-term objectives and the priorities with respect to the projects to be implemented.

Such development programmes must be accompanied by information relating to short-, medium- and long-term financial planning, with a distinction made as to budgetary and capital market resources.

The aim should in all probability be a planning period of 30 years in the first instance.

21. The Committee on Regional Policy and Regional Planning takes the view that these development programmes should concentrate on the following areas:

- (a) Creation of permanent employment in the industrial, craft and service sector and the infrastructure needed for this
- (b) Restructuring agriculture
- (c) improvement of workers' vocational skills by creating vocational training centres and encouraging occupational mobility by retraining
- (d) improving the efficiency of the administrative sector as a flanking measure to be implemented under the control of the Member State.

Obviously there would have to be close coordination between the local, regional, national and Community level in all spheres of activity. As the Mediterranean is already badly polluted, greater attention will also have to be paid to environmental protection.

- (a) Creation of permanent employment

22. The prime objective of the Mediterranean Plan is to create permanent employment in the industrial, craft and service sectors.

Clear priority should be given to promoting small and medium-sized undertakings. Experience shows that jobs in small and medium-sized undertakings are relatively more secure.

Attention should also be given to developing innovatory types of industry (e.g. solar energy).

23. A well-developed infrastructure is essential if jobs are to be created.

In many cases the infrastructure does not exist in the structurally weak areas and should therefore be included in the aid measures under the Mediterranean Plan.

24. Experience shows that there is generally a great lack of projects suitable for aid.

Feasibility studies should therefore be conducted as part of the investment programmes so as to encourage investments which are economically promising and create employment. The promotion of marketing, improvement of entrepreneurial expertise and systematic consultancy services should also have priority under the Mediterranean Plan.

(b) Structural reform of agriculture

25. The most important branch of economic activity in the poorer regions around the Mediterranean is agriculture. Its main features are small undertakings, a tendency towards single-crop farming and relatively low labour productivity. According to the Commission, for example, almost 60% of the farmers in the Mezzogiorno only have part-time employment in the agricultural sector and no other employment in other sectors of the economy. Alternative scope for employment is virtually non-existent.

26. It is therefore clear that intervention in the agricultural sector represents a major starting-point for improving the socio-economic position of the population in the Mediterranean regions if such intervention leads to the creation of jobs in other sectors.

27. In the view of the Committee on Regional Policy and Regional Planning, the aim of the measures in this area should be:

- to promote structural reforms of agriculture, i.e. in particular the rationalization of production and marketing
- to support mobility from the agricultural sector towards other sectors with higher labour productivity.

28. Measures to this end are already being taken by the Commission (application of the 1972 Directives).

In their present form these directives are not sufficiently well-adapted to the specific problems of the less-favoured regions<sup>1</sup>. (With the exception of the mountain areas).

The Commission is therefore urged to amend its directives relating to the improvement of the agricultural structure to enable an efficient restructuring of the agricultural sector in the Mediterranean areas.

29. This therefore does not represent a new form of agricultural policy but simply a modification of existing policy which the Committee on Regional Policy and Regional Planning regards as a flanking measure to creating permanent employment.

It is well known that the Common Agricultural Policy has hitherto largely benefited those areas in the central northern regions of the Community which were already developed.

The justification for an agricultural structural policy which would specifically benefit the Mediterranean regions, therefore, is all the greater. Structural reforms in agriculture should not prevent farmers who find employment outside the agricultural sector from pursuing agricultural employment as a part-time activity.

<sup>1</sup> See the study on the regional effects of the Common Agricultural Policy published by the Directorate-General for Regional Policy of the Commission in December 1980, p. 77 et seq.

30. Afforestation schemes are particularly important to restore or maintain the ecological balance in the Mediterranean regions.

31. Greater attention should be given to aquaculture in suitable Mediterranean coastal regions and the appropriate steps taken to re-train fishermen.

(c) Improvement of workers' vocational skills by creating vocational training centres and encouraging occupational mobility by retraining

32. Investments in human resources represent a further necessary flanking measure for regional development of the Mediterranean regions. This comprises the following:

- construction and administration of vocational training centres, apprentice workshops etc.
- professional retraining, particularly of agricultural workers.
- training of qualified managers and novice entrepreneurs, particularly in the small to medium-sized private sector, possibly in cooperation with a 'European Development Company' yet to be established. Male and female workers should receive the same degree of assistance under such schemes.

33. These areas of activity do not represent a special new Community policy but a modification and adaptation of existing instruments to the specific situation of the Mediterranean areas.

The Commission is urged to modify its Social Fund aid policy to take account of regional aspects.

Respect for the Member States' autonomy in educational matters means that there must be close cooperation with the national institutions responsible for education and training.

(d) Improving the efficiency of the administrative sector

34. Measures in this area also represent flanking action which should be carried out by the Member States on their own authority.

35. A well-organised and efficient administration would enable the less favoured Mediterranean regions to solve some of the remaining problems (traffic situation, skilled workers, etc.).

The improvement of the efficiency of the administration is an essential flanking measure which should be carried out by the Member States on their own authority.

36. One possible approach in addition to special training for administrators in these regions would be to bring in experts in regional economic development.

37. The committee takes the view that an intra-Community transfer of administrative and technical know-how to less favoured regions must accompany the transfer of financial resources.

#### IV. Deployment of instruments

38. The granting of public finance to regional development projects must be accompanied by measures to ensure that the use made of such funds is economically efficient.

The Committee on Regional Policy and Regional Planning sees it as its duty to press the Commission to take appropriate precautions.

The aim of such measures should be not so much to prevent any deliberate attempt to use funds for other than their intended purpose as to enable them to be put to optimum use.

39. The success of the development measures for the Mediterranean regions will very much depend not only on the volume of finance made available but also on the arrangements governing its allocation.

##### (a) Creation of a 'Mediterranean Fund'

40. To ensure that Fund resources are used in accordance with the principles of sound financial management, the administration of the Fund should be such that extraneous considerations have no bearing on the allocation of resources.

41. It might be argued that the European Regional Development Fund as an existing instrument might usefully be deployed, since this would prevent further fragmentation of the Community's financial instruments.

However, in its present form, the European Regional Development Fund is not suited to such a purpose.

42. The position of the present Regional Development Fund is as follows:

- It has no access to the capital market, being entirely financed from budgetary resources.
- The size of the Fund is determined by annual budgetary decisions.
- Its system of quotas precludes any geographic concentration of aids.
- It offers no loans at reduced rates of interest, only 'non-repayable' grants.
- As a rule, finance from the Fund is channelled straight into the national treasuries (refund principle) rather than being made over directly to investors at regional and local level.
- Since it encourages mainly investments in infrastructure (70%); it is unable to provide adequate job-creating investment aids to small and medium-sized undertakings.



- It does not allocate funds to the applicant countries Spain and Portugal.

43. Article 130 of the Treaty of Rome states 'The task of the European Investment Bank shall be to contribute ..... to the balanced and steady development of the common market in the interests of the Community', by supporting among other things 'projects for developing less-developed regions and projects for modernizing or converting undertakings'.

44. The Committee on Regional Policy and Regional Planning therefore considers that it would be appropriate to appoint the European Investment Bank (EIB) as the sponsor, coordinator and executive body.

The EIB, which takes decisions largely on the basis of economic criteria, would be less susceptible than the Commission to political pressure to adopt other criteria than economic expediency as the basis for allocating aid.

45. As the EIBs statute does not provide for the four types of activity referred to in paragraph 21 (areas c and d do not belong to the Bank's role as defined at present), one solution might be to create a subsidiary as a special section of the Bank responsible for the Mediterranean Plan. Whatever form the Mediterranean Plan takes in future as a financial instrument, it should in no way be regarded as competing with the existing Regional and Social Funds, but as complementary to these.

46. The Mediterranean Plan can only succeed if it leads to direct action. Its objectives, duration and endowment must be geared to the long term.

The Committee on Regional Policy and Regional Planning believes that it will take at least an entire generation to solve the problems of the less-developed Mediterranean regions and therefore favours a duration of initially 30 years for the aid programme.

47. The Mediterranean Plan Fund should be based on the principle of loans so that resources are not provided as non-repayable grants but with an obligation for repayment. This is intended to foster the initiative and commitment of the beneficiaries.

The fund should therefore be revolving, i.e. increasing as time goes by as a result of interest and capital repayments. Its rate of growth will depend among other things on the rate at which it revolves. The Marshall Plan model provides an example of how it could operate.

The fund should:

- work according to the principle of complementary financing, i.e. own resources and other outside resources should be involved on an appropriate scale
- have rates of interest without a sliding scale (the rate of interest should therefore be fixed at a specific level below market rates)

- set periods for loans geared to the purpose for which the resources are being used. The period for the payments should normally provide for a grace period determined in relation to the nature of the project.

(b) Fund organization

48. The fund should be deployed on the basis of a Council Regulation and in accordance with supplementary Commission guidelines. The EIB would be the executive authority administering and deploying the fund in accordance with banking principles. The ORTOLI facility is an example of the EIB assuming responsibility for a specific Community policy in this way.

The countries receiving loans would provide guarantees for loans granted.

The fund should be subject to supervision by the European Parliament.

(c) Resources

49. The fund will be able to draw on two sources:

- the Community budget
- loans on the international capital market.

50. In the view of the Committee the following areas of activity can be financed from the budget:

- loans at preferential interest rates to the industrial and service sectors
- feasibility studies to discover new investment projects
- combatting illiteracy
- training and retraining of public service employees
- consultancy services of experts from a 'European Development Company'.

51. Loans on the capital market could be used to finance the following areas of activity:

- investments by undertakings and corporations in the industrial, craft and service sectors to create employment
- measures in the infrastructure sector
- measures to improve the structure of agriculture
- construction of vocational training centres and apprentice workshops

52. It is difficult at the present time to calculate the long-term relationship between budgetary and capital market resources which will be used to finance the Mediterranean Plan. This will be influenced directly by the credit potential of the areas receiving aid. It is impossible at the moment to estimate the credit potential of Greece, Spain and Portugal. It will be the task of the Commission to draw up the appropriate forecasts.

(d) Incentives

53. The following might be used to encourage investments in the industrial, craft and service sectors and agriculture:

- investment loans linked to a specific project or programme at a rate proportional to the 'relative intensity'<sup>1</sup> of the regional problems in the area receiving aid.
- subsidized interest rates for specific projects or programmes with the level also linked to the relative intensity of the regional problems
- feasibility studies for specific projects or programmes could initially be financed from budgetary resources by non-repayable grants. In cases where the project or programme is put into practice, these non-repayable grants would be converted into repayable loans. This would be a way of encouraging in particular risk capital investments in less-favoured regions.

54. To ensure that the aid, which after all is public money, is used efficiently, it is absolutely essential to combine the incentives systems with an optional 'right to demand repayment'. This right to demand repayment would be invoked for example if the jobs created no longer existed after a certain period.

55. The incentives to agriculture should mainly encourage structural improvements, including social measures to increase productivity and rationalize production and marketing. It is important to bear in mind the risk of increasing Mediterranean surplus production. Even if this is often not the intention, it is well known that rationalization investments and structural improvement measures often lead to increases in production which must be avoided, particularly in the case of products such as wine, olives, tomatoes, citrus fruits etc.

56. Incentive systems for investments in the human resources field are far more problematic. These require very close cooperation between the sponsoring institution and the recipient national institutions responsible for training and education.

Possibly these institutions could receive earmarked loans at preferential rates of interest combined with special conditions and the services of experts from a 'European Development Company'.

The Commission should be asked to draw up detailed proposals on this subject in consultation with the Member States concerned.

<sup>1</sup> See First Report on the social and economic situation in the regions of the Community, Chapter 8.3

(e) Establishment of a 'European Development Company'

57. As a rule, the disadvantaged Mediterranean regions do not have the experts they need at local and regional level to formulate and implement regional economic development measures.

58. There is a similar, pronounced lack of administrative and technical know-how, particularly in the field of relations between local and regional authorities on the one hand and the State, industrial and professional organizations, banks, consultancies, research institutes and, not least, the institutions of the European Community on the other.

In many cases, the development potential of the regions cannot be exploited owing to the absence of the necessary experts.

59. The Committee on Regional Policy and Regional Planning takes the view that, if convergence within the Community is to be achieved, the granting of finance on the basis of detailed regional development programmes must be accompanied by the deployment of regional development experts in the regions concerned.

60. The committee therefore calls on the Commission to consider the advisability of establishing a 'European Development Company' to provide advice on the spot. The organization of the company should satisfy private-enterprise criteria, and it should be directly responsible to the Commission. The services it offered might include: regional planning, regional policy, the operation of Community financial instruments, establishment of industries, business consultancy, market research, capital procurement, sales promotion, etc. Interested local and regional authorities in the regions concerned could use its services on favourable terms. If the Community finance granted to a given programme or project exceeded a certain level yet to be decided, the use of consultants' services on the spot could be made mandatory.

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V. Endowment of the Fund

61. The endowment of the Mediterranean fund should be discussed in the light of the following criteria:

- in order to be effective in the long-term, the Fund must receive adequate resources.
- Utopian demands which are politically unrealistic should be avoided. It is important in this context to bear in mind that the scope for future increases in the Community budget is practically exhausted.
- as the Mediterranean Fund will be a revolving fund, which in addition to budget and capital market resources will also receive funds from repayments of capital and interest, it will not start off at a high level, but should achieve the appropriate proportions in the course of time.

62. For developing countries the United Nations agreed that the industrial countries should set aside 0.7% of their GNP annually for development aid to the Third World. In the view of the Committee on Regional Policy and Regional Planning, the Mediterranean Plan should ultimately, i.e. after approximately 20 to 25 years, attain at least a comparable level.

On the basis of the Member States' GNP in 1980, this means a fund in the years 1995 - 2000 of approximately 14,000 million EUA at 1980 prices (by comparison: the 1981 Community budget amounts to approximately 20,000 million EUA).

63. The question of the amount of budgetary resources and capital market resources required in the 1983 budget in order to achieve the target for 2000 - 2005 needs to be considered in detail.

#### VI. Further integration of the European Community

64. The reduction in regional imbalances in the Community which the Mediterranean Plan seeks to achieve can only be attained if the financial efforts of the Mediterranean Plan are accompanied by further political integration in the Community. This includes not only bold and decisive progress to implement economic and monetary union but also the elimination of the principle of unanimity in the Council of Ministers which hamstrings the Community. The implementation of the principle of majority decisions in the Council of Ministers is essential if the European Community is to make further progress so that the Mediterranean Plan can achieve its goals and thus bring the European Community nearer to its aim of political union.

Employment/unemployment

| Country/Region         | Breakdown of employment by sectors<br>1977 in % |          |          | Percentage of working population<br>unemployed in December 1980 |
|------------------------|---|----------|----------|---|
|                        | Agriculture                                     | Industry | Services | All sectors   |
| France                 | 9.7   | 37.1     | 53.8     | 7.0   |
| - Aquitaine            | 17.7  | 30.7     | 51.6     | 7.7   |
| - Languedoc-Roussillon | 17.7  | 25.5     | 56.8     | 9.4   |
| - Midi-Pyrenees        | 20.4  | 30.9     | 48.7     | 7.3   |
| - Corsica <sup>1</sup> |   |          |          | 9.0   |
| Greece                 | 30.8  | 30.0     | 39.2     | 3 <sup>3</sup>  |
| Italy                  | 12.9  | 39.5     | 47.6     | 9.3   |
| - Mezzogiorno          | 33.1  | 28.1     | 38.8     | 11.7  |
| - Sicily               | 26.9  | 28.0     | 45.1     | 13.4  |
| - Sardinia             | 22.6  | 27.3     | 50.1     | 14.0  |
| - Molise               | 42.0  | 26.0     | 32.0     | 11.7  |
| - Puglia               | 34.0  | 27.5     | 38.6     | 9.1   |
| - Campania             | 22.7  | 32.8     | 44.5     | 19.8  |
| EC 9                   | 7.3   | 40.5     | 52.1     | 7.1   |
| Portugal <sup>2</sup>  | 32.5  | 33.1     | 34.4     | 10.5  |
| Spain <sup>2</sup>     | 20.7  | 37.4     | 41.9     | 13.0  |

Source: Eurostat

<sup>1</sup> Figures not available<sup>2</sup> Source: OECD<sup>3</sup> Figures not comparable

Indicators of living standards, 1977

| Country/Region         | Number of private cars | Number of telephones/<br>subscribers | Number of television sets | Number of doctors |
|------------------------|------------------------|--------------------------------------|---------------------------|-------------------|
|                        | per 1000 inhabitants   |                                      |                           |                   |
| France                 | 320                    | 188                                  | 281                       | 1.63              |
| - Aquitaine            | 351                    | 167                                  | 279                       | 1.63              |
| - Languedoc-Roussillon | 337                    | 181                                  | 288                       | 2.22              |
| - Midi-Pyrenees        | 357                    | 151                                  | 273                       | 1.68              |
| - Corsica              | 261                    | 185                                  | 215                       | 1.50              |
| Greece                 | 68                     | 250                                  | 127 <sup>1</sup>          | 2.2               |
| Italy                  | 290                    | 180                                  | 225                       | 2.46              |
| - Mezzogiorno          | 229                    | 123                                  | 184                       | 2.54              |
| - Sicily               | 226                    | 147                                  | 155                       | 2.53              |
| - Sardinia             | 230                    | 112                                  | 183                       | 2.14              |
| - Molise               | 193                    | 88                                   | 193                       | 1.75              |
| - Puglia               | 198                    | 103                                  | 198                       | 2.05              |
| - Calabria             | 171                    | 89                                   | 147                       | 2.13              |
| EC 9                   | 292                    | 353                                  | 285                       | 1.78              |
| Portugal               | 96                     | 118                                  | 65 <sup>1</sup>           | 1.22              |
| Spain                  | 162                    | 239                                  | 184 <sup>1</sup>          | 1.80              |

<sup>1</sup> Figures refer to 1975

Source: Eurostat

Gross Domestic Product per capita 1977

EC average = 100

| Country/Region         | Index |  |
|------------------------|-------|--|
| France                 | 118.5 |  |
| - Aquitaine            | 101.3 |  |
| - Languedoc-Roussillon | 88.4  |  |
| - Midi-Pyrenees        | 87.6  |  |
| - Corsica <sup>1</sup> |       |  |
| Greece                 | 46.2  |  |
| Italy                  | 62.8  |  |
| - Mezzogiorno          | 43.6  |  |
| - Sicily               | 40.1  |  |
| - Sardinia             | 49.1  |  |
| - Molise               | 42.4  |  |
| - Puglia               | 43.6  |  |
| - Calabria             | 35.3  |  |
| EC 9                   | 100.0 |  |
| Portugal <sup>1</sup>  |       |  |
| Spain <sup>1</sup>     |       |  |

Source: Eurostat

<sup>1</sup> Figures not available



FOR A RESOLUTION (DOCUMENT 1-620/80)

tabled by Mrs Boot, Mr Lücker, Mr Klepsch, Mr Tindemans, Mr O'Donnell, Mr Pöttering, Mr von Hassel, Mr Costanzo, Mr Giummarra, Mr Lima, Mr Travaglini, Mr d'Omesson and Mrs Cassanmagnago Cerretti on behalf of the European People's Party and Mr Berkhouwer, Mr Cecovini, Mr Coppieters, Mr De Pasquale, Mrs Ewing, Mr Harris, Mr Hutton, Mrs Kellett-Bowman, Mrs Macciocchi, Mrs S. Martin, Sir David Nicolson, Mrs Scrivener, Mr Spinelli, Mrs Squarzialupi and Mr von der Vring

pursuant to Rule 25 of the Rules of Procedure on the creation of a 'revolving fund' for the benefit of Mediterranean countries belonging to the European Community, on the basis of a Council regulation

The European Parliament,

- having regard to the EEC Treaty and, in particular, the desire of the Member States to strengthen the unity of their economies and to promote their harmonious development by reducing the differences existing between the various regions and the backwardness of the less-favoured regions,
- having regard to the Council Regulation of 18 March 1975 establishing a European Regional Development Fund and the amending regulations,
- having regard to the fact that Greece is due to become a full member of the Community on 1 January 1981,
- having regard to the membership applications from Spain and Portugal,
- having regard to Amendment No. 419 (Doc. 1-465/419) concerning a new article to be included in the 1981 budget on the preparatory measures for the creation of a revolving fund for the benefit of Mediterranean countries belonging to the European Community (this amendment was adopted by the European Parliament at the first reading on 6 November 1980),
  - (a) considering that European civilization has its roots in the countries on the Mediterranean Sea,
  - (b) considering that the enlargement of the EC to include the applicant countries is of great importance for the maintenance of balance and peace in the world and that traditional relations with other countries on the Mediterranean Sea should not be lost sight of,

- (c) considering the complementary character of the economic structure of the southern and northern countries of the Community,
  - (d) considering that the differences in the levels of development of the various regions and the backwardness of less-favoured regions present problems and obstacles for the Community in general and for the national economies in particular,
  - (e) considering that the second enlargement of the Community involves a complex re-adjustment of the Community's economic structure,
  - (f) draws attention to the fact that the gap between the richer and poorer areas within the European Community has widened in the last ten years,
  - (g) considering that the financial effort in the sphere of regional policy at both national and Community level has not been able to prevent this gap from widening,
  - (h) noting that the present financial instruments of the Community are inadequate for a fundamental regional structural and development policy in which matters of agricultural structural and employment policy are taken fully into account,
  - (i) considering that in the context of a good regional policy capital should seek labour and not the reverse,
1. Asks the Commission to formulate a plan for the Mediterranean basin for the Community of Twelve. The plan should be designed to eliminate the great disparities in employment and prosperity between northern and southern Europe. It should not only include medium- and long-term objectives, instruments and procedures but also propose specific short- and long-term measures;
  2. Asks the Commission, with a view to the realization of the plan, to elaborate proposals for the creation of a revolving fund, which could be modelled on the Marshall plan. This fund, which would operate alongside the EEC's traditional regional policy, would be intended primarily for the Mediterranean countries, while about 10% of the resources could be used for severely under-developed regions elsewhere in the Community. The fund will need over the next 6 to 8 years to be endowed with capital geared to actual requirements;

3. Asks the Commission to embody the proposals made in paragraph 2 in a proposal for a Council regulation by the end of April 1981 so that a debate can be held in the European Parliament well before the presentation of the draft budget for 1982;
4. Instructs its President to forward this resolution to the Council and the Commission.

## MOTION FOR A RESOLUTION (DOCUMENT 1-359/81)

tabled by Mr Ruffolo on behalf of the Socialist Group  
pursuant to Rule 47 of the Rules of Procedure  
on the creation of a European regional development organization

The European Parliament,

- whereas it is the Community's task, pursuant to Article 2 of the Treaty, to promote the harmonious development of economic activities throughout the Community,
- whereas an effective policy on regional structures is a prerequisite for the achievement of the convergence of the economies of the Member States,
- whereas the goal of reducing disparities has not been achieved, and, as recent Commission documents have shown, the disparities between the countries and regions of the Community have in fact widened appreciably in recent years,
- whereas, with the accession of Greece to the Community on 1 January 1981 and the planned accession of Spain and Portugal at a later date, the problem of disparities will assume much greater proportions than at present, on a scale large enough to change the general economic nature of the Community, which will then be split into two main economic zones with different levels and types of development,
- whereas narrowing the gap between these two zones is an essential task for the Community,
- whereas to attain this objective it will be necessary to change radically the present growth model, which is based on massive capital-intensive and energy-intensive investments, on large undertakings and on the geographic concentration of economic activities, and instead move towards a model of growth which is not only less ambitious (i.e. based on highly labour-intensive and information-intensive economic activities, on small and medium-sized undertakings, on a wider geographic spread of economic activities and a balance between industry and the environment) but also less monolithic (i.e. takes account in each zone of the special features affecting employment and the physical and cultural environment),
- whereas an integral part of a less ambitious and less monolithic policy should be to draw up an overall development programme for the Community's entire Mediterranean area,

- whereas this programme should provide the essential framework of reference for the economic policies of the Community and the Member States directly concerned,
- whereas, given these specific development aims for the Mediterranean regions and the more general goal of different rates of growth, there is a need for an increase and a significant shift in the balance of Community finances in accordance with the recommendations of the McDougall report,
- whereas a substantial proportion of the new resources should be used to finance Community activities in the context of this programme,
- whereas an appropriate organizational structure is one of the basic prerequisites for effective Community action within the framework of this programme,
- whereas, in particular, it would be advisable to strengthen the Commission's powers of initiative in order to achieve the efficient allocation of aid to the regions from Community funds,
- whereas there is a particular need for a direct contribution by the Community to the organization of development in these regions in order to identify and mobilize latent potential and the full range of available opportunities,

1. Calls on the Commission, by 31 December 1981:

- (a) While carrying out the instructions of the European Council of 30 May 1980 concerning the achievement of a new balance of Community policies and finances also to submit:
- a general long-term framework of reference for national and Community policies, which is needed to reduce progressively the disparities between the two zones into which the Community of twelve will be divided,
  - a medium-term outline programme of objectives and policies for achieving a better balance between the regions in the present Community of ten. The first document should provide a framework of reference for the process of enlargement of the Community closely linked with the problem of redressing regional imbalances. The second should contain a specific practical programme as a basis for the Community's regional policies;

(b) To define, on the basis of the document referred to in the second indent of (a) above, action to be taken by the Community and the volume of resources which - taking into account the national resources available - will be necessary to attain the objective of redressing regional imbalances;

(c) To propose the necessary reforms to ensure that the present funds and structural instruments are adapted to serve the implementation of this programme. For this purpose the Commission should be given greater powers of initiative to plan the projects, and the various activities should be closely coordinated within the framework of integrated development programmes;

(d) To draw up a proposal for a new Community body - a European Development Organization - staffed by experts in the planning and implementation of development projects, which would be able to play an active role in the practical implementation of policies to redress regional imbalances. This body, which would be directly under the Commission's authority, should have the following specific tasks:

- assisting governments and local authorities in identifying and devising specific development projects,
- organizing the provision of technical information and the transfer of technical and administrative know-how to less-developed regions,
- promoting entrepreneurial initiative in these regions;

2. Calls on the Commission to present a report on this subject to Parliament within the next three months.

## MOTION FOR A RESOLUTION (DOCUMENT 1-510/81)

tabled by Mr Cardia, Mr Carossino, Mr Papapietro, Mr Bonaccini, Mr Leonardi, Mrs Barbarella, Mr Fanti, Mr D'Angelosante and Mr Vitale, pursuant to Rule 47 of the Rules of Procedure, on the reform of the Regulation establishing the Regional Development Fund with a view to achieving a more fundamental change in its structure and operation

The European Parliament,

- whereas persistent recession, inflation and monetary disorder at international, but especially at Community level, are threatening the employment and living conditions of millions of workers and causing a serious increase in the economic, social and regional imbalances in the development of the Member States and condemning the most backward and weakest regions to still further decline,
- having regard to the very negative findings contained in the First Periodic Report on the social and economic situation in the regions of the Community, published recently by the Commission,
- whereas, furthermore, the reform of the Regional Fund Regulation, due to be undertaken by the end of this year, is coinciding with a wide-ranging reassessment of the sectoral policies and of the institutional foundations of the Community, designed not only to deal effectively with the dangers inherent in the current situation, but also to speed up the processes of political and economic integration and unification,
- having regard to the many interesting proposals put forward in Parliament and elsewhere for promoting the creation of new instruments for intervention in the backward regions of the Community (development plan and special fund for the Mediterranean regions, European regional development organization, regional research and development centres, Community institute for economic analysis and so on),
- whereas, in terms of quality and method, an essential prerequisite for an effective Community regional development policy is the coordination in a single programme of all the available measures for a particular region,

- whereas it is both essential and urgent to move from the practice of financing individual projects to that of cofinancing organized regional programmes in collaboration with the authorities and social forces of the regions,
- whereas the practical planning of regional development will only be possible if it is made part of national planning policies in the Member States and such policies are accompanied at Community level by economic analysis, consultation, harmonization, coordination and planning capable of providing guidelines, on the basis of flexible and selective standards, for research and investment as well as production decisions and market dynamics,

1. Calls on the Commission:

- (a) to draw up and submit, in connection with the proposals for the reform of the Regional Development Fund Regulation, measures designed to link and unify all the instruments for analysis, planning, research, finance and promotion relevant to regional development policy, with a view to achieving a change in the structure of the Fund which will direct its use towards the less developed regions, especially those in the Mediterranean countries with similar and interconnected problems;
- (b) to introduce into its own work, methods and instruments for analysis and global planning with multiannual programmes and estimates of investment and expenditure and to recognize the development of the less prosperous regions of the Community as a fundamental objective and a term of reference for the various Community policies, in accordance with the principles contained in the Treaties, by promoting both consultation and the harmonization of the economic policies of the Member States;
- (c) to create as one of the prospective instruments mentioned above a Community Institute for analysis, information and economic planning to provide accurate forecasts of trends in development, with particular reference to the economic development of the backward regions of the Community;

2. Instructs its President to forward this resolution to the Council and Commission.



OPINION OF THE COMMITTEE ON SOCIAL AFFAIRS AND EMPLOYMENT

Draftsman: Mr G. Barbagli

At its meeting of 15 December 1980, the European Parliament, pursuant to Rule 25 of the Rules of Procedure, referred the motion for a resolution tabled by Mrs Boot and others on the creation of a 'revolving fund' for the benefit of Mediterranean countries belonging to the European Community, on the basis of a Council regulation (Doc. 1-620/80) to the Committee on Regional Policy and Regional Planning as the committee responsible and to the Committee on Social Affairs and Employment, the Committee on Budgets and the Committee on External Economic Relations for an opinion.

At its meeting of 14 May 1981 the Committee on Social Affairs and Employment appointed Mr Barbagli draftsman.

It considered the draft opinion at its meeting of 10 November 1981 and adopted it unanimously.

Present: Mr Van der Gun, chairman; Mr Dido, vice-chairman; Mr Barbagli, draftsman; Mr Abens, Mrs Baduel Glorioso, Mr Bonaccini (deputizing for Mr Frischmann), Mr Brok, Mr Calvez, Mrs Cassanmagnago Cerretti, Mr Ceravolo, Mrs Clwyd, Mr Dupont, Mr Estgen, Mrs Maij-Weggen (deputizing for Mr Vandewiele), Mr McCartin, Mr Van Minnen, Mrs Tove Nielsen and Mr Tuckman.

Due to pressure of time, the committee also decided to present the conclusions in the opinion of the Committee on Social Affairs and Employment in plenary sitting as supplementary amendments to the report of the committee responsible.

## I. GENERAL CONSIDERATIONS

On 6 November 1980 the European Parliament approved at the first reading an amendment to include in the 1981 budget a new article to cover preparatory measures, including research with a view to creating a 'revolving fund' for the benefit of Mediterranean countries belonging to the European Community, on the basis of a new Council regulation.

On 21 November 1980 Mrs BOOT and others, on behalf of the European Peoples' Party, and other members of various political groups, including Mr Berkhouwer, Mr Cecovini, Mr Coppieters, Mr De Pasquale, Mrs Ewing, Mr Harris, Mr Hutton, Ms Kellett-Bowman, Mrs Macciocchi, Mr Martin, Sir David Nicholson, Mrs Scrivener, Mr Spinelli, Mrs Squarzialupi and Mr von der Vring, tabled a motion for a resolution on the creation of a 'revolving fund' for the benefit of Mediterranean countries belonging to the European Community.

The European Parliament thus took the initiative in proposing specific measures with a view to the second enlargement of the European Community, which will entail complete readaptation of social, economic and commercial structures and necessitate appropriate financial instruments.

The Committee on Social Affairs and Employment welcomes this motion and believes that the proposed revolving fund must be seen as a specific practical instrument within the wider context of a plan for the whole Mediterranean area which should identify longer-term objectives and guidelines designed to provide stable employment and create economic and social balance between northern and southern Europe. This plan should contain a clear and detailed list of economic sectors in receipt of assistance so that wasteful and over-ambitious activities and any duplication of existing financial instruments can be avoided.

Before the objectives consistent with reviving economic and social life in the regions in question can be pursued, the guidelines for intervention must first be clearly defined and these may be broken down by major sectors such as agriculture, crafts, tourism, transport and related infrastructures, and the ancillary small and medium-sized industries. The enlargement of the Community is not, therefore, fortuitous, but rather the product of a clear political choice which received the unanimous approval of Parliament and is intended to strengthen the European Community by giving it better balance and greater cohesion. However, no one underestimates the difficulties involved in this process, which is characterized by an institutional structure which concentrates on giving priority to commercial considerations and within which the countries with stronger economies place a large part of the burden of Community policy on a few regions, including the least favoured areas in certain Member States. In the final analysis, such a policy also benefits the most developed third countries, which have better production and marketing structures, and not, as one would expect, the most needy.

As everyone knows, another factor which stands in the way of any new course of action is the present difficult economic and social situation and the limits which this has inevitably imposed on national and Community budgets.

A proposal to create a new financial instrument may perhaps appear anachronistic and inopportune or even impracticable if the case for creating new financial instruments is not strengthened by recognition of the validity and effectiveness of existing instruments.

No one should underestimate the positive contribution made by the present EEC regulations on structural, social and regional matters, which were introduced with the precise aim of offsetting serious imbalances among the various regions: the agricultural provisions, particularly the EAGGF-Guidance Section, the European Social Fund, the European Regional Development Fund and the more recent series of measures known as the 'Mediterranean package', which will take effect shortly and will not bear fruit for a few years.

The socio-structural directives (Nos. 159, 160 and 161), which were designed and introduced to remedy manifest social and structural imbalances in certain predominantly agricultural areas, have not had the desired effect because aid was concentrated on one sector only, namely agriculture, and also because of the lack of links and coordination with other incentives and financial instruments.

This is proof that any attempt to develop or improve the socio-economic situation in depressed areas with weak structures will fail unless it is preceded and /or accompanied by parallel measures to promote and coordinate the planning of aid measures.

If the existing measures and instruments, belated and incomplete as they sometimes are, prove to be inadequate in a Community of 10, they will be even more inadequate in an enlarged Community unless new guidelines for action are identified in advance which will be capable of redressing not only the levels of economic and social imbalance that the Community of 6 had to deal with, but also those which may perhaps have been created by distorted application of the rules on harmonization themselves. The facts speak for themselves and do not have to be backed up with long lists of statistics. The Commission document on the economic and social situation of the regions of the Community, drafted in January 1981, shows that the results of national and Community regional policy over the last ten years have been very disappointing.

Many broadly comparable economic and social indicators for individual regions show that the imbalances still exist and may well worsen unless appropriate remedial action is taken. The facts and figures involved are well-known to the Committee on Regional Policy and Regional Planning, for whom this opinion is intended. The most revealing parameter is the ratio of percapita gross domestic product between the more-developed and less-developed regions, which widened from 2.9 to 1 in 1970 to 4 to 1 in 1977. Greek accession has already increased this ratio to 5 to 1.

The implications are obvious.

#### COMMENTS

The creation of a revolving fund could undoubtedly help to reduce disparities between the various regions of the Community by saving jobs and creating new ones, provided the necessary political determination exists to make available sufficient appropriations for it to operate effectively.

The problem of financial instruments is therefore by far the most important basic issue.

Essentially, it is a question of reaching political agreement on whether to create new financial instruments or to use existing ones, with suitable modifications and adjustments which are already being considered.

In other words, the Community's present economic and social situation, the institutional framework already referred to, and other factors of an essentially social nature, all favour the use of a combination of existing financial instruments (EAGGF-Guidance Section, ERDF, ESF, EIB, etc.) in a combined effort.

This means that the proposed revolving fund would have to be allocated sufficient appropriations in the budget and that the principle would have to be adopted of pursuing sustained measures designed to encourage people to stay in the assisted area within the constraints of its absorption capacity which depends on its production capacity and potential and possibilities for growth.

This would have to be done at least until specific socio-economic indicators established the nature and scope of the new balance between the least-favoured regions and those with a higher rate of growth. These objectives must be pursued not on the basis of disparate criteria, but as part of an integrated view of regional development and regional planning, with particular emphasis on cross-sectoral aspects of feasible measures and actions.

The areas in question should therefore be provided with the most appropriate social infrastructures and public services to achieve a standard of living for everyone comparable with that in the cities.

Finally, it is impossible at present to conceive of a new body which does not come under the decision-making and operational authority of the Commission. Such a body, which should be part of an ad hoc section on Mediterranean policy, should combine financing, coordinating and management functions.

#### III CONCLUSIONS

The Committee on Social Affairs and Employment calls on the Committee on Regional Policy and Regional Planning, as the committee responsible, to take account of the following points in its resolution:

The Committee on Social Affairs and Employment:

1. Considers that it would be opportune to create a 'revolving fund' for the benefit of Mediterranean countries belonging to the European Community as an economic and social policy instrument designed to create permanent jobs;
2. Points out that this fund should concentrate financial assistance exclusively on those regions of the Community which it is felt need incentives;
3. Considers that, in addition to the criteria laid down by the ERDF, EEC Directive No.     on mountain and hill farming and farming in certain less-favoured areas should also be used as a basis for mapping out the geographical boundaries of areas which are weakest in economic and social terms and therefore eligible for assistance from the 'revolving fund'.  
This directive, which transcends the concept of geographical boundaries, accurately pinpoints those areas which are economically and socially depressed;
4. Therefore urges in this respect that the economic and social parameters used to determine geographical boundaries should be revised periodically so that they reflect the changing situation more accurately;

5. Recommends that the Member States adopt in good time specific integrated development programmes and projects aimed at creating permanent jobs on the basis of coordinated use of the revolving fund and existing Community financial instruments;
6. Stresses the importance of adopting measures for both agricultural and non-agricultural sectors to prevent the precarious economic and geographical situation of depressed areas and the weakness of the agricultural sector alone from undermining the benefits of assistance from the fund:
  - (a) In agriculture, cooperatives and associations should be promoted among producers and in the area of management of processing and marketing structures as part of efforts to secure greater interpenetration of agriculture and industry;
  - (b) The aim of regenerating the Mediterranean areas as a whole requires further measures to support agriculture which will increase in effectiveness the more closely integrated they are in economic and geographical terms and the greater their contribution to a fairer distribution of agricultural added value;
7. Stresses the need to promote the provision of infrastructures (roads, electricity, housing, etc.) as an indispensable aid to the encouragement of productive activities which are necessary for the creation of jobs in less-favoured areas;
8. Believes that it is necessary to promote, within a uniform planning framework, specific measures to boost:
  - agricultural tourism or agri-tourism to secure the smooth integration of agricultural activities and the environment, recreative and leisure activities, and craft industries. There is a particular need in this context for rural dwellings to be restored and refurbished to serve as tourist accommodation and for the artistic, architectural and natural heritage of such areas to be protected and restored.
9. Is convinced of the importance of taking measures designed to stimulate craft activities (wood and metalworking, spinning and, above all, foodstuffs) and the appropriate structures - possibly on a cooperative basis - for marketing and selling products.
10. Points out the vital need to provide local training for the necessary craftsmen, especially young people, and to provide incentives for premises for small and medium-sized firms, creating organizational and management models which take account of local economic resources, local production potential and skills, while respecting and safeguarding the environment as far as possible.

11. Stresses the need to set up vocational training centres and develop those already in existence in order to prepare young people in particular for the jobs it is proposed to create. Practical in-house training should be provided for workers so as to avoid internal migration and emigration of the labour force at an ever-increasing social cost.
12. Proposes that, as part of the Mediterranean policy, the Commission should set up an ad hoc department to be responsible for the financing, coordination and management of the revolving fund for the benefit of the Mediterranean countries belonging to the European Community, and stresses that it is essential for this fund to be allocated adequate budgetary appropriations.

Any compromise solution regarding the institutional, decision-making and financial nature of such a structure would ultimately undermine and jeopardize the plan for an overall Mediterranean policy to restore the balance of economic and social structures.

13. Stresses that, if assistance from the revolving fund is properly integrated and coordinated with the relevant objectives and guidelines which should be set out in the plan for the Mediterranean basin, it could help to realize economies of scale and, by making the pattern of recruitment by firms more regular, would stabilize the employment situation, thus curbing outward migration tendencies, especially among young people. Furthermore, the fund could help make available additional labour resources by linking the processing and marketing phases more effectively to production.