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

on the proposal from the Commission of the European Communities to the Council (COM(83) 649 final - Doc. 1-1159/83) for a regulation amending Regulation (EEC) No. 724/75 establishing a European Regional Development Fund

- Part B: Explanatory statement

Rapporteur: Mr P. DE PASQUALE
EXPLANATORY STATEMENT

1. The amendments tabled to the proposals from the Commission for the reform of the ERDF are designed to meet the following requirements:

(a) to increase, as far as possible, the effectiveness of the ERDF as a specific instrument for regional development,

(b) to take account, for that purpose, of the basic political guidelines expressed by the European Parliament in its resolution of 22 April 1982 on the first proposals amending the ERDF Regulation and the recent resolution of 17 November 1983 on the report on ways of increasing the effectiveness of the Community's structural funds, the latter document having served as a basis for resuming negotiations on the ERDF and having anticipated the main points put forward in the proposals under consideration.

2. However, before considering the individual amendments in detail, it might be useful to outline the principal objectives underlying them:

(a) to put forward genuine Community regional policy outlines through decisions by the Council, which should be periodically embodied in guidelines and priorities concerning, among other things, action to be taken through the ERDF and, in particular, Community programmes (see in particular amendment No. 10 to Article 2, paragraph 2);

(b) to achieve a greater concentration of the ERDF's resources than in the Commission's proposal, and thus comply as far as possible with the guidelines repeatedly put forward by the European Parliament on the matter (see amendment No. 12 to Article 4, paragraph 3);

(c) to give the Commission responsibility for management of the ERDF and correspondingly prevent the Council from intervening (see in particular amendment No. 17 to Article 8, paragraph 1, and No. 34 to Article 39, paragraph 3);

(d) to refer to the intensity of regional problems measured in relation to the position of the Community as a whole, as the main criterion determining the ERDF's intervention (see in particular amendment No. 9 to Article 1, paragraph 2, and amendment No. 17 to Article 8, paragraph 1).
(e) to place greater emphasis on the role of regional and local authorities, particularly in preparing and defining Community programmes and national programmes of Community interest (see in particular amendment No. 17 to Article 8, paragraph 3, and amendment No. 19 to Article 12, paragraph 1);

(f) to place greater emphasis on the additional nature of the ERDF's contribution (see in particular amendment No. 31 concerning new Article 35a).

3. The justification for each of the most significant amendments is given below.

Amendments Nos. 1, 2, 3, 4, 5 and 6

4. These amendments add new recitals, some of which (see amendments 1 and 4) are taken from identical considerations approved by the European Parliament on 22 April 1982 while the others refer to the Commission's new proposals regarding the ERDF's structure and the principal amendments to them.

5. Among the latter:

- Amendment No. 3 (new recital 7a) announces and justifies the Council's exclusion from the management of the ERDF which is conferred entirely upon the Commission, as proposed in amendment No. 17 to Article 8, paragraph 1;

- Amendment No. 5 (new recital 8b) stresses the importance of coordinating the ERDF's action particularly with the integrated Mediterranean programmes, obviously where these are being implemented;

- Amendment No. 6 (new recital 8c) refers to one of the ERDF's most important objectives, i.e. to assist employment by co-financing vigorous and competitive industries.

Amendment No. 8

6. This amendment reintroduces the title of the annex to the regulation, which already existed in the first proposals of 1981 and this time was omitted, probably by mistake.

Although this amendment is mainly a matter of form and drafting, it is significant because it stresses the importance which should be given to the coordination of regional policies.
7. Paragraph 2 stresses that the main criterion to be applied in using the ERDF and other Community financial instruments is the comparative intensity of regional problems measured not only in relation to the individual Member States but also in relation to the position of the Community.

Paragraph 3 is aimed at involving the Commission, as well as the states concerned, in the promotion of transfrontier coordination of regional development and transfrontier cooperation between the regional authorities concerned.

Amendment No. 10: Article 2

8. Paragraph 2: the purpose of this amendment is to ensure that the substantial and complex documentary and theoretic work involved in the periodic report, the regional development programmes, the analysis of such programmes and of the regional impact of economic and sectoral policies, and the Regional Policy Committee's opinion on regional development programmes, etc, is not wasted, but serves a useful purpose.

9. It suggests that, on a proposal from the Commission and following consultation of the European Parliament and the Economic and Social Committee, at the time of publication of the periodic report on the socio-economic situation of the regions (i.e. every two and a half years), the Council should formally adopt Community regional policy guidelines and priorities based on the findings of all the above-mentioned 'theoretic' work.

10. In this way:

(a) a collection of statements and decisions would gradually be compiled which, although not yet forming a body of law on regional policy, would determine the concrete and practical lines of this Community regional policy which, apart from the ERDF's own activities, has so far consisted mostly of hopes and dreams;

(b) in short, a genuine and specific Community regional policy would emerge and would have to be taken into account by the other Community policies which have so far hardly even taken into consideration the 'regional impact' of their measures;
(c) the Council's formal decisions concerning the guidelines, priorities and practical measures to be applied would have a binding effect on the direction taken by the ERDF's major lines of action and would serve as a reference especially for programmes and, among these, Community programmes in particular. The Commission's own action in managing the ERDF will have to comply with the Council's decisions;

(d) by submitting its opinion to the Council, the European Parliament will be in a position to influence the preparation and development of Community regional policy and hence, among other things, the objectives and priorities of programmes which should gradually become the ERDF's normal financing procedure.

11. **Paragraph 3, (a) and (b):** these amendments do not require any explanation.

**Amendment No. 11: Article 3**

12. The first part repeats, word for word, the European Parliament's amendment to the Commission's first proposals in 1981. The political principle it expresses, i.e. that the reduction and prevention of regional imbalances and the elimination of backwardness in the less-favoured regions should form part of the priority objectives of all common policies, is of capital importance. It seems strange that the Commission should not have included this point, considering that it amended its initial proposals in 1982 to comply with the European Parliament's above-mentioned amendment.

**Amendment No. 12: Article 4, paragraph 3**

13. In compliance with paragraph 15 of the resolution of 17 November 1983, on the effectiveness of the funds, which reads: 'emphatically insists that the criterion of concentration of aid be maintained', new ranges are proposed in order to give greater geographical concentration than in the Commission's proposals.

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1 See COM(82) 572 final of 6.9.1982, p. 3
14. It should be recalled that, according to these proposals, the most prosperous countries (Belgium, Denmark, Germany, France, Luxembourg and the Netherlands) would be allocated resources ranging between a global lower limit of 16.66% and an upper limit of 23.31%; the average rate is therefore around 20%. This is certainly not in line with the European Parliament's position as stated on 22 April 1982 and constantly repeated since then: it should be noted that, according to the initial proposals amending the Regulation, these countries could only have qualified for non-quota resources, which did total 20% but to which the less prosperous countries were also entitled. The richer countries would therefore certainly have had less than 20%.

15. The new proposals, aimed at fixing the upper and lower limits of ranges as far as possible in accordance with the European Parliament's frequently stated position, are as follows:

<table>
<thead>
<tr>
<th>States</th>
<th>1981 quotas</th>
<th>Pivot rates of geographical concentration (40% reduction on 1981 quotas for prosperous states)</th>
<th>Ranges</th>
<th>Lower limit (Pivot -9%)</th>
<th>Upper limit (Pivot +28.17%)</th>
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<td>91.286</td>
<td>83.09</td>
<td>116.94</td>
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</tbody>
</table>
16. These new ranges were in fact set according to the system used by the Commission itself: greater geographical concentration was obtained by reducing the 1981 quotas (which obviously only refer to the quota section) of rich states (column 3) by 40% instead of 10%, as proposed by the Commission.

17. In short:
- richer countries would be entitled to resources ranging between a minimum of 11.90% (instead of 16.66) and a maximum of 16.71% (instead of 23.31); 
- poorer countries would be entitled to resources ranging between a minimum of 71.19% (instead of 66.50) and a maximum of 100% (instead of 93.88).

18. Thus the lower limit of global resources for poorer countries would be increased by +4.69% and the upper limit by +6.35%.

19. The implications of the above point 18 should however be stressed:
- since the upper limit for the richer countries is 16.71%, the poorer countries cannot receive less than 83.29% of the ERDF's total resources;
- correspondingly, since the lower limit for the richer countries is 11.90%, the poorer countries cannot receive more than 88.10% of the ERDF's financial resources.

20. It is important to note that the average rate of resources for the richer countries (between a minimum of 11.90% and a maximum of 16.71%) is around 14.30% of total resources which is probably equivalent to the proportion of resources which these countries would have obtained from the non-quota section according to the first amendment proposals.
(As already mentioned in point 16, the Commission's present proposals would instead lead to an average rate of around 20%!)

21. It should be pointed out that the lower and upper limits referred to are obviously only theoretic limits: in practice, however, they will be determined by the quotas which individual countries receive from the ERDF over the 5-year period of applicability of the proposed scheme. Calculations will therefore not be as clear-cut as in the distinction between the two blocks of prosperous and less prosperous countries.
22. The last point concerns the fact that the new ranges proposed do not alter the margin of 17% above or below 100, which in fact represents the Commission's margin of discretion or appreciation in deciding the order of priority of the different measures to be co-financed with the various states.

Amendment No. 13: Article 5

23. The purpose of including operations for exploiting the indigenous development potential of the regions among the measures which the ERDF could help to finance was to ensure that the Commission did not overlook them. These operations are indeed considered in a separate chapter - Chapter II of Title III on the provisions concerning ERDF aid - just as programmes, projects and studies are treated separately.

Amendment No. 14: Article 6, paragraph 2

24. Just as the initiative concerning Community programmes and the providing of technical assistance to Member States with regard to the two types of programmes are the Commission's responsibility, so too must the responsibility of submitting an appropriate number of programmes so that they represent an increasing percentage of the overall endowment lie not only with the states but also with the Commission itself.

25. The amendment to the second part of this provision is simply to avoid specifying a further 'step' which in fact seems superfluous, i.e. the percentage of programmes at the end of the third year (20%). This should achieve greater flexibility and adaptability in the gradual percentage increase in resources allocated to programme financing.

Amendment No. 16: Article 7

26. The aim of new paragraph 1a is to provide a better definition of the measures which make up a Community programme. The text is based on Article 11 which defines national programmes of Community interest. It is worth noting that it is expressed in rather general terms (especially through the expression 'in particular') and thus leaves the Commission free to choose the type and number of measures it wishes to apply in a specific Community programme, so that it can be best suited to its context and the particular problems to be solved.
Amendment No. 17: Article 8

27. **Paragraph 1:** two important amendments are made:

(a) first, when the Commission takes the initiative to undertake Community programmes, it must take account of the Community regional policy guidelines and priorities laid down by the Council according to the procedure under amendment No. 10 to Article 2, paragraph 2 and the intensity of regional problems measured in relation to the position of the Community as a whole,

(b) secondly, the Council's exclusion from management of the ERDF is confirmed insofar as the 'frameworks' of the programmes concerned, i.e. Community programmes, will be adopted by the Commission according to the procedure under Article 39: it should be added that, as we shall see, this article itself has been amended so as to emphasize the Council's exclusion (see amendment No. 34 to Article 39).

28. Moreover this exclusion simply reiterates a suggestion which was made in the first proposals amending the ERDF Regulation.

29. This choice, determined by the unquestionable need for swiftness and flexibility in the ERDF's action, is based on the following considerations:

(a) there is no reason why there should not be a parallel between the ERDF and the European Social Fund: both are structural funds. Article 124 of the Treaty states that the ESF shall be administered by the Commission, assisted by a Committee (ESF Committee). The Treaty's approach is therefore clear: management of the EEC's operative instruments is entrusted to the Commission which is then politically answerable to the Council and the European Parliament. This approach was clearly emphasized in the very recent reform of the European Social Fund which does not provide for any Council participation in the management of the Fund;

(b) experience as regards non-quota measures has shown that every intervention by the Council causes considerable annual if not multi-annual delays;

(c) on the other hand, the Commission is still bound to apply (as stated above under point 29a) the Council's decisions in respect of guidelines, priorities and measures under Article 2, paragraph 2 amended (amendment No. 10) on which the European Parliament can exert a certain influence.
30. **Paragraph 2:** this establishes a minimum threshold for the ERDF's contribution to Community programmes equivalent to 65% of the total public expenditure involved in the programmes: this obviously means that the contribution may be less than 65% for certain individual measures and much greater for others.

31. The choice of this rather high minimum threshold (in the case of national programmes of Community interest, 65% is the maximum rate of participation) is based, not only on the need for 'quantitative or financial concentration' in order to add to the measures' impact, but also on the fact that the Community's power to introduce programmes and 'impose' them on Member States must be balanced by a corresponding increase in the Community's financial involvement.

32. **Paragraph 3:** the amendment is intended to acknowledge and extend the role of regional and local authorities.

**Amendment No. 18: Article 9**

33. The aim was to define and complete as far as possible the constituent parts of Community programmes, using as a model the provisions of Article 13 on national programmes of Community interest.

**Amendment No. 19: Article 12**

34. This includes a number of amendments based on principles and objectives already stated in the previous amendment: the role of local authorities, etc. It should be noted however, that according to the amendment at the end of paragraph 1, national programmes of Community interest must also be consistent with the guidelines and priorities of the Community's regional policy laid down according to the procedure in Article 2(2) mentioned above (see amendment No. 10).

**Amendment No. 20: Article 13**

35. This amendment provides additions and clarifications to the details of national programmes of Community interest.

**Amendment No. 21: Article 15**

36. This article, which contains the important provision in paragraph 1 stipulating that the Commission shall supply national and regional administrations which so wish with technical assistance to help them in the preparation...
and implementation of the programmes, includes an amendment to paragraph 2a, providing for the possibility of making changes to Community programmes and national programmes of Community interest in the course of their implementation.

37. Another change concerns the procedure to be applied in the event of such amendments being made: before being decided upon by the Commission, and once the ERDF Committee has been consulted in accordance with Article 39, they must be agreed to by the Member States in accordance with the procedure under Article 14 which provides for a programme contract.

38. It might be useful at this point to digress from the amendments themselves in order to distinguish between the two types of programmes mentioned.

39. The basic differences between them concern:

(a) initiative and planning: these are the responsibility of the Commission in the case of Community programmes, and of Member States in the case of national programmes of Community interest;

(b) territorial limits: unlike Community programmes, national programmes of Community interest are limited to those assisted areas designated by Member States for the purposes of their regional aid schemes (see Article 12, paragraph 3),

(c) relations with regional development programmes: Community programmes take precedence in the sense that they determine what amendments (if any) have to be made to the regional development programmes. National programmes of Community interest however must form part of the regional development programmes (see Article 12, paragraph 4);

(d) intervention rates: the maximum rate is 65% of the total public expenditure involved in the national programmes of Community interest. In the case of Community programmes on the other hand (in accordance with amendment No. 16 to Article 8), 65% is the ERDF's minimum contribution: the Commission proposals however do not pre-establish any lower or upper limit;

(e) greater flexibility in Community programme measures since these, unlike national programmes of Community interest (see Article 13, paragraph 2), do not have to conform with the provisions of Article 19 on infrastructures nor with those of Article 20, paragraphs 1 and 2, on industry, craft industries and services.
Amendment No. 22: Article 16

40. Considering that, in this article, the Commission has taken up most of the European Parliament's proposals concerning measures for the exploitation of the potential for internally generated development, it should be pointed out that:

(a) the purpose of the first part of the amendment, which consists in deleting six words, is to enable the ERDF to finance such measures outside the framework of the programmes as well as within them;

(b) the purpose of the second change is to extend the category of possible recipients of ERDF contributions to cooperatives and local employment initiatives (LEI's). Reference should be made in this context, to the relevant Commission document, on which our committee was consulted for an opinion, and which, in the part containing the draft Council resolution (point 1), defined LEI's as having 'the specific aim of providing additional permanent employment opportunities through the creation of new, small-scale enterprises or the transformation of the viable parts of other, failed enterprises, often involving cooperation between individuals, action groups, the Social Partners and local and regional authorities';

(c) although the third part of the amendment (new paragraph 2a) repeats what is mentioned above under (a) on the possibility of also financing internally generated development measures not included in programmes, it gives priority to those measures which are linked together by a common project or form part of a programme.

Amendment No. 23: Article 17

41. This amendment alters the reference basis of the ERDF's contribution to internally generated development measures so as to include, not only public financing, but also other types of intervention, such as private contributions.

Amendment No. 24: Article 18

42. This requires no explanation.

1See COM(83) 662 final of 17.1.1984: 'Community action to combat unemployment - the contribution of local employment initiatives (Communication to the Council)
Amendment No. 25: Article 20

43. The deletion of paragraph 4 of Article 20, concerning the financing of projects in industry, craft industries or services, is not intended to go against the contribution's additional nature; quite the contrary! Its purpose is to eliminate this specific reference in order to make the additional nature of the ERDF's contribution a general principle applying not only to individual projects but also to the two types of programmes and the measures to develop indigenous potential. This principle is established in amendment No. 29 which adds a new Article 35a.

Amendment No. 26: Article 22

44. This amendment is based on a similar proposal adopted by the European Parliament concerning the first proposals to amend the ERDF Regulation, and is aimed at including cooperation between non-frontier regions among the principal criteria for the granting of assistance to individual projects.

Amendment No. 29: Article 25

45. The ERDF's maximum contribution to studies carried out at the request of Member States is set at 70%, and the states' contribution is correspondingly at least 30%.

Amendment No. 30: Article 35

46. The setting aside of at least 15% of the ERDF's endowment for assistance in the form of interest rate subsidies on Community loans for small and medium-sized undertakings is taken from the identical amendment to the first proposal amending the ERDF, adopted by the European Parliament. Such contributions should also take precedence over other forms of assistance.

Amendment No. 31: Article 35a

47. In line with amendment No. 24 to Article 20, to which it refers, this amendment states that the Fund's contribution must be additional in the case of Community programmes (Article 8), national programmes of Community interest (Article 12), measures to develop indigenous potential (Article 16), and individual projects in industry, craft industries and services (Article 20).
Amendment No. 32: Article 36

48. The aim is to stress the priority to be given to the ERDF as co-financer particularly in industry, craft industries and services.

Amendment No. 33: Article 36a (new)

49. The purpose of this amendment is to emphasize the importance of coordinating the ERDF's measures in infrastructure with structural measures in agriculture, aquaculture and transport, particularly with regard to the Community's traditionally underdeveloped regions and peripheral, maritime and island regions.

Amendment No. 34: Article 39

50. The regulation frequently refers to this article (as well as to Article 14 on programmes) with regard to decision-making procedures. It provides for consultation of the ERDF committee on decisions taken by the Commission concerning the granting of assistance. The amendment consists in excluding the Council from the decision-making process, even when the Commission adopts decisions not in accordance with the opinion of the ERDF committee. The amended article only states that, in such a case, the Commission must give reasons for its decisions and set them out in the annual report provided for under Article 45.

51. This means that the Council is totally excluded from the Fund's normal administration.

Furthermore, as stated earlier, all this fully complies with the spirit of the EEC Treaty. The system which has so far been put forward, and which is certainly compatible with the Treaty, includes the following provisions:

(a) the Council, on a proposal by the Commission and after consulting the European Parliament and the Economic and Social Committee, periodically establishes the Community regional policy priorities and guidelines (see amendment No. 10 to Article 2, paragraph 2);

(b) the Commission, assisted by the ERDF committee, has all the powers of decision necessary in administering the ERDF, but it must exercise those powers in compliance with the Council's decisions under the above sub-paragraph (a) (see in particular amendment No. 17 to Article 8, paragraph 1);
(c) the Council and Parliament give a subsequent political judgement on the management of the ERDF, on the basis of the annual report provided for under Article 45, and retain all their powers of sanction, with respect to granting a discharge on the budget, censure motions, etc.

Amendment No. 35: Article 44

52. These alterations are essentially intended to make the basic text more understandable and legible since, in terms of drafting and logic, it is, to say the least, unsatisfactory.

Amendments Nos. 36, 37 and 38: Articles 45, 46 and 47

53. No explanations are required.
On 25 January 1984, the Committee on Budgets appointed Mr Notenboom draftsman of the opinion.

The committee considered the draft opinion at its meeting of 21 March 1984 and unanimously adopted its conclusion.

The following took part in the vote: Mr Lange, chairman; Mr Notenboom, vice-chairman and draftsman; Mr Adonnino, Mr Arndt, Mr Balfe, Mr Helms (deputizing for Mr R. Jackson), Mr Louwes, Mr Newton Dunn and Mrs Scrivener.
1. The revision of the basic regulation of the European Regional Development Fund (ERDF) was initiated by the Commission proposal (COM(81) 589 final) of 20 November 1981. Parliament delivered its opinion on this proposal on 22 April 1982 (OJ No. C 125 of 17 May 1982, p. 108) on the basis of the DE PASQUALE report drawn up on behalf of the Committee on Regional Policy and Regional Planning (Doc. 1-61/82 A + B). On 6 September 1982 the Commission then amended its proposal (COM(82) 572 final) and adopted most of Parliament's amendments. As the Council was not yet able to adopt a common policy in this field there has not yet been conciliation between Parliament and the Council on these proposals. At the request of the Stuttgart European Council of 17-19 June 1983, the Commission drew up a report and proposals at the end of July 1983 on ways of increasing the effectiveness of the Community's structural funds and forwarded this report to Parliament and the Council (COM(82) 501 final). Parliament delivered its opinion in November in the DE PASQUALE report, drawn up on behalf of the Committee on Regional Policy and Regional Planning (Doc. 1-930/83).

2. The Commission has now submitted a new proposal for a regulation amending the ERDF basic regulation (COM(83) 649 final) and this replaces the 1981 proposal and translates the ideas contained in COM 501 referred to above into actual legislation. This proposal is not in the form of a series of amendments to the existing regulation but a completely new regulation to replace it.

3. As announced in document COM 501, the non-quota section of the ERDF is abolished in the new proposal. The quota section assumes the tasks assigned in the 1981 proposal to the non-quota section, i.e. the conversion of declining industrial regions. The quotas themselves become far less rigid, without having a purely indicative value, however. The idea underlying the non-quota section, i.e. regional policy at Community level according to Community criteria rather than measures to encourage and subsidize national operations, has been introduced into the quota section by means of 'Community programmes', as distinct from 'national programmes of Community interest'.

4. In the 1981 proposals the Commission concentrated the quota section on regions with particularly serious structural problems and only these regions were allocated quotas. The other regions could be considered only for aid under the non-quota section, provided they had been particularly affected by recent and serious problems of industrial decline or by the effects of certain Community policies. However this non-quota section accounted for 20% of the Fund. In the current proposals the Commission reverts to the system of quotas for each Member State instead of each region, even in the case of the more prosperous Member States. The concentration on regions with structural problems is achieved by an increase in the quota for the Member States in which such regions are situated. In addition, the Commission can use the range between the lower and upper limits of the quotas to make this concentration more pronounced. The region's socio-economic situation is also the basic criterion for determining the percentage of Community aid. However it is regrettable that the Commission allows the Member State concerned to bear full responsibility for determining the regions in its country eligible for support.
5. A number of the basic principles underlying the 1981 proposals have again been included in 1983. Some however in amended form. The gradual transition from project to programme financing is even more pronounced. The system of advances has been made even more flexible. In the case of projects the date from which payments already made by national authorities can be taken into consideration has been set much earlier. The principle of trans-frontier coordination is new in the section on coordination of regional policy and greater attention is paid to the coordination of operations under the ERDF with those under the other financial instruments. There are more possibilities for aid to be granted in the form of interest-rate subsidies. Fewer changes were made to the sections on the financing of measures to exploit the potential for internally generated development of the regions and on integrated development action.

OBSERVATIONS BY THE COMMITTEE ON BUDGETS

6. Taken as a whole, the regulation that has been submitted is much more like a basic regulation and it contains far fewer details which should really appear in the implementing regulations than the earlier proposals. The text has been made far clearer, even for non-specialists. The draftsman congratulates the Commission on this improvement in terms of policy and presentation. Nonetheless some aspects of this proposal should still be considered in more detail.

QUOTA

7. In COM 501, referred to above, and in the explanatory memorandum to the present proposal the Commission firmly advocates the abolition of all quota systems, even if this is a long-term aim. The Commission thus adopts a position which is much closer to that of the Committee on Budgets, which was always the position of the House but which was not expressed in Parliament's opinion on the Commission's 1981 proposals.

8. The quotas laid down in the 1975 regulation and adjusted in 1980 on the accession of Greece to the Community formed a very rigid system that strongly resembled an instrument designed solely for transfers of budgetary resources or even an unconditional drawing right. The Commission was able to incorporate some flexibility by considering the quotas as binding only for a period of three years. The present proposal replaces this fixed quota by ranges with an upper
and lower limit for each Member State (see paragraph 4). These upper and lower limits apply for five-year periods and within these periods they are of an indicative nature. In addition the regulation states that the lower limit is only binding for each Member State if sufficient projects exist which satisfy the conditions set out in the regulation and in particular those relating to Community interest.

9. The proposed upper and lower limits create a 17% margin of fluctuation in both directions in respect of the average quota per Member State. Even bearing in mind the fact that in the past the quotas only applied to the quota section, i.e. to 95% of the Fund, and that the Commission could in fact use the non-quota section to increase the quotas of the individual Member States, this new proposal gives the Commission considerably more flexibility in the management of the Fund. The increased conditionality of the Fund’s assistance may be very beneficial to the quality of the policy implemented.

10. The draftsman still advocates the complete replacement of quotas by qualitative criteria, but agrees with the Commission that this should be viewed as a long-term objective. In the present circumstances the draftsman can give wholehearted support to the Commission proposal. However, he is submitting an amendment to make it clearer that this is an initial step towards the complete abolition of quotas.

COMMUNITY PROGRAMMES

11. The abolition of the non-quota section means that the ERDF loses that part of the fund which in Parliament’s view foreshadowed the ultimate purpose of the whole Fund, i.e. its purpose as an instrument for specific Community measures. The idea of measures managed at Community level according to Community priorities is again included in the form of Community programmes in the quota section. Insofar as these Community programmes can win approval over the national programmes of Community interest and the financing of individual projects, this can be viewed as a valid alternative solution.

12. The draftsman proposes that the regulation should place greater emphasis on such a trend. Article 6(5) states that rising priority must be given to Community programmes, but does not link this to target figures or preferential treatment, apart from the fact that no ceiling is placed on the percentage of Community financial participation in Community programmes.

13. In the non-quota section of the present Fund a separate Council decision is required for each individual Community measure. The hold-ups which occur in the Council during this process are largely responsible for the fact that the non-quota section has never really got off the ground. In the present proposal an attempt has been made to improve the balance between the legislative powers of the Council and the implementing powers of the Commission. The Council would still determine the general framework for each Community programme but implementation would be left to the Commission, including the decision on the financial participation by the Fund. The implementation of the programme is then governed by a ‘programme contract’ between the Commission and the Member State or States concerned.
Although this is a considerable improvement on the existing situation, there is still an inherent danger of unnecessary hold-ups. In Parliament's view the Council should concentrate exclusively on establishing the objectives and priorities of a policy and allow the Commission full responsibility for implementation. In this case it would be perfectly possible to do so by expanding the proposed periodic reports on regional policy (Article 2) to a periodic revision and adjustment of the objectives and priorities of the ERDF. In these circumstances the drawing up and implementation of Community programmes could be left completely to the Commission.

FINANCIAL PARTICIPATION

15. The following national expenditure is eligible for assistance from the Fund:

- programmes: payments incurred or planned from 1 January of the year in which the programme is submitted;
- projects: payments made from the twelfth month before the date on which the Commission received the application for assistance, in respect of investments not yet completed by the latter date (24 months for Greece).

16. In view of the fact that in the case of programmes some time can elapse between the submission of a programme and the conclusion of the actual programme contract, the Commission may perhaps be limiting its freedom too much with regard to the assessment of national programmes by accepting that repayments can be made over such a long period. Moreover the Community programmes are drawn up on the initiative of the Commission itself and it is difficult to establish a date of submission. In the case of projects this absence of repayment of purely national measures comes to the fore even more clearly.

17. The Community's financial participation in expenditure:

- for Community programmes: is to be determined in the light of the socio-economic situation in the region and the type of measures involved;
- for national programmes of Community interest: is to be a maximum of 65% of the public expenditure with additional conditions for measures to exploit the potential for internally generated development of the regions;
- for projects: is to be a maximum of 50%, varying according to the amount and nature of the investment.

Subject to the observations in the previous paragraph, the provisions on the Community's financial participation seem to be fully in line with Parliament's wishes. It must of course be clear that even for national programmes of Community interest, the general rule applies that the Community and the Member States should share the financing equally. Justification should be given in individual cases for an increase in the percentage financed by the Community.
18. It is also specified that at least 5% of the total ERDF funds are to be reserved for interest-rate subsidies on Community loans for small and medium-sized undertakings. In each three year period at least 40% of the total Fund resources must be allocated for investment in industry, the craft industries or the services sector.

For investments in activities which form part of integrated development programmes, the Fund's assistance may be increased by 10 percentage points.

19. These provisions on advances only apply to programmes and allow the Commission considerable latitude when allocating them. Whilst the maximum amount of 80% is very high, it is granted according to the state of progress of the operations. The initial advance may be granted as from the scheduled starting date for the operations. Applications for advances in respect of subsequent annual tranches may be submitted when at least 30% of the advance from the preceding tranche has been disbursed. The balance of each tranche is paid after completion of the tranche.

20. In the case of projects 'accelerated payments' (Art. 29(3)) rather than advances are referred to. These may not exceed 75% of the total aid from the Fund. Payments may only be made when at least 30% of the payments constituting the basis for aid from the Fund have been made.

21. In the context of a basic regulation the draftsman of the opinion does not object to such flexible provisions. He assumes that the details will be worked out in the implementing provisions and in the programme contracts. A few technical improvements would, however, seem necessary.

MONITORING OPERATIONS

22. Without wishing to anticipate the opinion of the Committee on Budgetary Control, the draftsman would still like to point out that Article 32(6) contains a number of derogations from the Financial Regulation that are no longer appropriate. This article states that, where the receipt of funds was unjustified, these are to be allocated to other programmes or projects and need only be returned to the Commission when there are no other operations that are eligible for aid. The draftsman would prefer direct repayment even if this involves the danger that the appropriations would lapse and would not be re-used.

23. In Article 33, Member States are requested to provide information within three years of completion of the measures financed by the Fund on the number of jobs created or the rate of utilization of the infrastructure. The draftsman wonders whether this provision should not be made binding.

ERDF COMMITTEE

24. The Commission has taken over in unchanged form the provisions of the 1975 regulation for the ERDF committee, i.e. including the possibility of referral to the Council. This is unacceptable to Parliament. For projects costing less than 10 million ECU the committee's involvement is restricted to taking note.
CONCLUSION

25. The Committee on Budgets:

a. Welcomes the Commission's efforts to increase the effectiveness of the ERDF measures and the complementarity of these measures and those of the national and regional authorities by:

- the replacement of the rigid quota system by a system of indicative ranges for minimum and maximum assistance to each Member State;
- gradually replacing the system of financing individual investments by a system of programme financing;
- the introduction of Community programmes with priority being given to national programmes of Community interest;
- a flexible arrangement for the management of the Fund, in particular as regards the percentage of assistance and the provisions on advances;

b. accepts the abolition of the non-quota section of the ERDF, insofar as guarantees are built in to the regulation giving effective and increasing priority to Community programmes and insofar as these programmes can be drawn up by the Commission without a special Council decision being required for each one;

c. Welcomes the fact that the conversion of declining industrial regions has been included as an objective of the ERDF, but stresses that the primary and fundamental objective of the Fund is the development and structural adjustment of less-favoured regions;

d. Supports:
- the extension of the Fund's activities to measures to exploit the potential for internally generated development of the regions;
- the promotion of integrated development programmes;

e. Wishes to see a restriction of the provisions which allow assistance to be granted in respect of national expenditure disbursed before the approval by the Commission of a programme or project;

f. Confirms, for the rest, its opinion of 25 February 1982 on the Commission's 1981 proposals on the revision of the ERDF basic regulation, in particular as regards:
- the need, in the long term, to abolish all quota systems and to replace them with qualitative criteria;
- the strengthening of the Commission's opportunities for direct contacts with regional authorities and the appropriate local bodies;
- the unacceptability of the management committee procedures with the possibility of referral to the Council;

g. Hopes that the conciliation procedure will be initiated if the Council intends to depart from Parliament's opinion.
Amendments proposed by the draftsman

PROPOSAL FOR A COUNCIL REGULATION (EEC) AMENDING REGULATION (EEC) No. 724/75 ESTABLISHING A EUROPEAN REGIONAL DEVELOPMENT FUND

- Annex -

Amendments proposed by the Committee on Budgets

Text proposed by the Commission of the European Communities

Title 1

Articles 1 and 1(1)

unchanged

Amendment No. 1

2. First subparagraph unchanged.

The periodic report shall be prepared at intervals of two and a half years, coinciding on every second occasion with the examination of the medium-term economic policy programme. On this occasion the Council shall, on a proposal from the Commission and after consultation of the European Parliament and the Economic and Social Committee, lay down the guidelines and priorities of the regional policy of the Community.

Article 2(2)

2. After consulting the Regional Policy Committee, the Commission shall prepare periodic report on the situation and socio-economic changes in the regions of the Community. To this end, Member States shall provide the Commission with the relevant information permitting an analysis to be made of regions or sub-regions which, as far as possible, are comparable.

The periodic report, prepared at intervals of two and a half years, coinciding on every second occasion with the examination of the medium-term economic policy programmes, shall be examined by Council after consultation of the European Parliament and the Economic and Social Committee. On the basis of this report the Commission shall, where appropriate, present proposals for Community regional policy guidelines and priorities.
Article 2(3) and (4)
unchanged

TITLE II

Amendment No. 2
The purpose of the European Regional Development Fund, hereinafter referred to as 'the Fund', is to contribute firstly to the development and structural adjustment of regions experiencing delayed development and secondly to the conversion of declining industrial regions.

Article 3
The purpose of the European Regional Development Fund, hereinafter referred to as 'the Fund', is to contribute to the development and structural adjustment of regions experiencing delayed development and to the conversion of declining industrial regions.

Article 4
unchanged

TITLE III

Article 5 to Article 6(4)
unchanged

Amendment No. 3
5. During the period, referred to in paragraph 2, Community programmes shall be given rising priority, such that in each five-year period at least the same proportion of the appropriations allocated shall be used for Community programmes as for national programmes of Community interest.

Article 6(5)
5. During the period, referred to in paragraph 2, Community programmes shall be given rising priority.
Amendment No. 4

1. A Community programme means a coordinated series of multiannual measures directly serving Community objectives and the implementation of Community policies, as laid down in this regulation and in the priorities and guidelines drawn up at intervals of two and a half years referred to in Article 2(2). Its purpose shall be to help resolve serious problems affecting the socio-economic situation in one or more regions. It shall provide a better link between the Community's objectives for the structural development and conversion of regions and the objectives of other community policies.

2. unchanged

Amendment No. 5

1. The Commission shall lay down the Community programmes after consulting the ERDF Committee referred to in Article 38 on:

- the specific objectives;
- the Community criteria for determining the territorial scope;
- the nature and terms of assistance;
- the ERDF's participation in financing,

that constitute the framework of the programme.

2. unchanged

Article 7

1. A Community programme means a coordinated series of multiannual measures directly serving Community objectives and the implementation of Community policies. Its purpose shall be to help resolve serious problems affecting the socio-economic situation in one or more regions. It shall provide a better link between the Community's objectives for the structural development and conversion of regions and the objectives of other community policies.

2. unchanged

Article 8

1. Community programmes shall be undertaken at the Commission's initiative. Acting on a proposal from the latter and after consulting the European Parliament, the Council shall adopt by a qualified majority:

- the specific objectives;
- the Community criteria for determining the territorial scope;
- the nature and terms of assistance,

that constitute the framework of the programme.

- 64 - PE 89.078/fin.
Article 8(2) to Article 12(5)

unchanged

Amendment No. 6

6. The Fund's contribution to the financing of national programmes of Community interest shall be determined in the light of the socio-economic situation of the regions and the types of measure involved. It may amount to 50% of the total public expenditure taken into account in the programme. It may however rise to 65% for parts of programmes that are of particular importance to the regions in which they are situated and in respect of which the Member State concerned faces severe financing problems.

Articles 13 to 17

unchanged

Amendment No. 7

1. The Fund contribution to the measures provided for in Article 16 may not exceed 50% of the public financing for each measure or series of measures covered by one and the same programme contract. It may however rise to 65% for parts of programmes that are of particular importance to the regions in which they are situated and in respect of which the Member State concerned faces severe financing problems. The contribution for each study or enquiry may not exceed 70,000 ECU.

Article 12(6)

6. The Fund's contribution to the financing of national programmes of Community interest shall be determined in the light of the socio-economic situation of the regions and the types of measure involved. It may amount to 65% of the total public expenditure taken into account in the programmes.

Article 17(1)

1. The Fund contribution to the measures provided for in Article 16 may not exceed 65% of the public financing for each measure or series of measures covered by one and the same programme contract. The contribution for each study or enquiry may not exceed 70,000 ECU.
Amendment No. 8

2. Expenditure on programmes implemented by the authorities or other organizations concerned from 1 January of the year in which the programme is submitted to the Commission shall be eligible for Fund assistance.

Amendment No. 9

The Commission shall take into consideration for Fund assistance payments made by the Member States as from the twelfth month before the date on which it receives the application for assistance, in respect of investments which have commenced since the latter date. This period shall be increased to twenty-four months for payments in respect of investment projects in Greenland.

Amendment No. 10

2. At the Member State's request, the Commission may, as from the starting date for the operations, make an initial advance of aid from the first annual tranche.

Article 17(2) (3) and (4) to Article 26(1)

unchanged

Article 26(2)

2. Expenditure which the authorities or other organizations concerned have incurred or expect to incur from 1 January of the year in which the programme is submitted to the Commission shall be eligible for Fund assistance.

Articles 27 to 29

unchanged

Article 30

The Commission shall take into consideration for Fund assistance payments made by the Member States as from the twelfth month before the date on which it receives the application for assistance, in respect of investments not completed by the latter date. The period shall be increased to twenty-four months for payments in respect of investment projects in Greenland.

Article 31(1)

unchanged

Article 31(2)

2. At the Member State's request, the Commission may, as from the scheduled starting date for the operations, make an initial advance of aid from the first annual tranche.

Article 31(3) and (4) to Article 32(5)

unchanged

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PE 89.078/fin.
Amendment No. 11

6. If an operation granted assistance from the Fund has not been completed or has been carried out in such a manner that either all or part of the Fund assistance is no longer justified, the remaining portion of the Fund assistance that is not justified shall be repaid immediately to the Community.

Where an operation has not been the object of any payment for four years and where no explanation for the delay has been received from the Member State concerned within a period fixed by the Commission, that operation shall be considered not to have been executed and that part of the Fund's assistance shall be repaid to the Community.

Delete the third subparagraph.

Article 32(6)

6. By way of derogation from Article 6(2) of the Financial Regulation of 21 December 1977 applicable to the general budget of the European Communities, if an operation granted assistance from the Fund has not been completed or has been carried out in such a manner that payment of only part of the Fund assistance granted in respect of that project is justified, the remaining portion of Fund assistance shall be allocated to another operation in one of the eligible regions of the same Member State under the conditions laid down in this Regulation.

Where an operation has not been the object of any payment for four years and where no explanation for the delay has been received from the Member State concerned within a period fixed by the Commission, that operation shall be considered not to have been executed and that part of the Fund's assistance shall be reallocated.

Any sums paid shall be repaid to the Community by the Member State concerned or, where applicable, by the body to which the Fund contribution has been paid, within twelve months of the date on which the relevant decision was notified, unless the provisions of the first subparagraph apply.

Article 33 to Article 39(2)

unchanged