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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 (Doc. 1-510/80) for a regulation amending Regulation (EEC) No 724/75 establishing a European Regional Development Fund

Rapporteur: Mr J. CRONIN

By letter of 17 October 1980 the President of the Council of the European Communities consulted the European Parliament, pursuant to Article 235 of the EEC Treaty, on the proposal from the Commission of the European Communities to the Council for a regulation amending Regulation (EEC) No. 724/75 establishing a European Regional Development Fund.

The Council requested the European Parliament to deliver its opinion as quickly as possible.

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

On 28 October 1980 the Committee on Regional Policy and Regional Planning appointed Mr Cronin rapporteur.

It considered this proposal at its meeting of 18 November 1980.

At the same meeting the committee unanimously adopted the motion for a resolution.

Present: Mr De Pasquale, chairman; Mr E. Faure, vice-chairman; Mr Cronin, rapporteur; Mr Blaney, Mrs Boot, Mr Cecovini, Mrs Ewing, Mr Griffiths, Mr Harris, Mr Josselin, Mrs Kellett-Bowman, Mrs Martin, Mr Pöttering, Mr Price (deputizing for Mr Hutton), Mr J.D. Taylor and Mr Verroken (deputizing for Mr Brok).

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A

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

embodying the opinion of the European Parliament on the proposal from the Commission of the European Communities to the Council for a regulation amending Regulation (EEC) No. 724/75 establishing a European Regional Development Fund

The European Parliament,

- having regard to the proposal from the Commission of the European Communities to the Council[1]
- having been consulted by the Council pursuant to Article 235 of the EEC Treaty (Doc. 1-510/80),
- having regard to the report of the Committee on Regional Policy and Regional Planning (Doc. 1-610/80),
- having regard to Article 22 of Regulation (EEC) No. 724/75,
- referring to its resolutions of 15 April 1980[2] and 23 May 1980[3],

1. Approves and supports the Commission with regard to the 15% quota for Greece;

2. Points out that it has already drawn attention to 'serious shortcomings' in the operation of the European Regional Development Fund, in particular the non-additionality of the aid, the shortage of publicity and information on Fund assistance and the deficiencies in the regional development programmes, etc.;

3. Draws attention to its reservations concerning national quotas, and considers that ERDF assistance should be based on the Community criteria, taking account of the specific needs of the regions, which were proposed by the Commission when the Fund was established;

4. Points out that the first revision in February 1979 did not remedy a great many of these shortcomings and limited the scope of the non-quota section, but that the Council[4] drew attention to the fact that the Regulation must be reviewed in the near future, that is before 1 January 1981 ... it is in this context that the Council will consider the new proposals from the Commission, taking particular account of Parliament's views ;

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[1] OJ No. C 272, 21.10.1980, p.3

[2] Delmotte report, Doc. 1-789/79, OJ No. C 117, 12.5.1980

[3] Motion for a resolution tabled by Mr De Pasquale, Doc. 1-171/80, OJ No. C 147, 16.6.1980

[4] Document handed to the European Parliament delegation by the Council at the 'conciliation' meeting on 17.10.1978

5. Points out that Article 22 provides for this further review to take place before 1 January 1981, and urges the Commission to make the appropriate proposals as soon as possible;

6. Points out that in the context of the non-quota section, the European Parliament has particularly criticized the adoption by the Council of the unanimous voting procedure for the approval of each specific project, which in practice has the effect of blocking the Council's decisions and delaying the use of the appropriations available since 1978;

7. Considers that the enlargement of the Community, which makes this unanimous vote increasingly difficult to secure, must be accompanied by a return to the qualified majority voting system for decisions on each project from the non-quota section, this being the system which already applies when the Council has to decide on projects within the framework of the national quotas;

8. Points out also that the allocation for the non-quota section is totally inadequate for any valid experience to be gained or any significant project carried out in this framework by strengthening Community initiative;

9. Considers that enlargement must be accompanied by an increase in the amount for the non-quota section, since this section must provide aid for those regions which will suffer the negative effects of enlargement but also has to aid other particularly deprived regions;

10. Considers that, pending the proposals for an overall revision of the Regulation, the adoption of the quota for Greece provides a ready-made opportunity for proposing an increase in the amount for the non-quota section to at least 15% of the allocation for the Regional Fund;

11. Requests that fair Community criteria be established soon, since GNP per head alone is not a satisfactory parameter;

12. Points out that the European Parliament has always believed that the allocation for the non-quota section should not be laid down - even as a percentage - in the Fund Regulation, but should be determined annually in the Community budget;

13. Deplores the fact that the Commission has waited until October to present this 'mini-revision', and recommends that the Commission should submit proposals as soon as possible for the overall revision of the ERDF Regulation, which Parliament considers inadequate;

14. Insists on the absolute necessity that the overall amount of the European Regional Development Fund entered in the 1981 Budget, must not be inferior to the amount which was adopted by Parliament on the occasion of the first reading of the budget.

B

EXPLANATORY STATEMENT

I. THE URGENT NEED FOR THE NATIONAL QUOTA FOR GREECE TO BE ALLOCATED FROM THE ERDF, IN VIEW OF THE IMMINENCE OF THIS NEW MEMBER STATE'S ACCESSION TO THE COMMUNITY

1. It goes without saying that the Regulation will have to be amended in one respect before the end of 1980, that is, a new national quota must be allocated in accordance with the terms of Article 2(3) of Regulation (EEC) No. 724/75 to take account of Greece's accession to the European Community on 1 January 1981. This adjustment is essential to enable Greece, as a future Member State, to benefit normally from the ERDF, a right which cannot be denied it.

II. BACKGROUND TO THE ADOPTION AND FIRST REVISION OF THE REGULATION ESTABLISHING THE EUROPEAN REGIONAL DEVELOPMENT FUND (ERDF)

2. In October 1972, the Heads of State or Government meeting in Paris recognized that 'a high priority should be given to the aim of correcting, in the Community, the structural and regional imbalances which might affect the achievement of economic and monetary union', and invited the Community Institutions to establish a 'Regional Development Fund' which was to be ready to operate by 31 December 1973.

On 31 July 1973 the Commission therefore submitted to the Council proposals for the establishment of a European Regional Development Fund and a Committee for Regional Policy[1].

Parliament delivered a favourable opinion on these proposals on 15 November 1973[2].

Discussions within the Council of Ministers on the amount of the allocation for the Regional Fund and its distribution between the Member States delayed the Fund's establishment until March 1975.

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[1] OJ No. C 86, 16.10.1973, p.7

[2] Delmotte report, Doc. 228/73, OJ No. C 108, 10.12.1973, p.51

3. The Regulation adopted by the Council on 18 March 1975[1], after further consultation of the European Parliament on 12 March 1975[2], differs appreciably from the text proposed by the Commission in 1973; in particular, national quotas were introduced into the Regulation.

In its conclusions, the European Parliament decided, nevertheless, not to propose any amendments, in order to ensure that the Regional Fund might become operational as soon as possible, but emphasized the reservations it had on the new regional policy proposals, which it would further consider.

Article 18 of the Regulation establishing the Fund lays down that 'on a proposal from the Commission, the Council shall re-examine this Regulation before 1 January 1978'.

4. On 21 April 1977, the European Parliament therefore adopted a general policy report on 'aspects of the Community's regional policy to be developed in the future'[3], offering an overall approach to the regional policy which should serve as a framework for aid from the ERDF. The European Parliament also proposed the creation of a 'reserve' for specific objectives and certain improvements in the operation of the Fund.

The Commission, in accordance with the European Parliament's recommendations, submitted to the Council on 3 June 1977 a communication concerning 'guidelines for Community regional policy'[4] and including a proposal for the amendment of the Regulation establishing the European Regional Development Fund which provided in particular for the creation of a non-quota section.

On 13 October 1977[5], the European Parliament delivered a generally favourable opinion on that communication, which included a few relatively minor amendments.

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[1] OJ No. L 73, 21.3.1975, p.1

[2] Delmotte report, Doc. 534/74, OJ No. C 76, 7.4.1975, p.19

[3] Delmotte report, Doc. 35/77, OJ No. C 118, 16.5.1977, p.51

[4] OJ No. C 161, 9.7.1977, p.11

[5] Noé report, Doc. 307/77, OJ No. C 266, 7.11.1977, p.35

5. The Council did not meet the deadline laid down for the review of the Regulation. The common guidelines which it approved in June 1978 depart from the opinion adopted by the European Parliament and reduce the scope of the non-quota section which is hampered by significant restrictions.

Finally, the Regulation amending the Regulation establishing the ERDF adopted by the Council on 6 February 1979[1] does not really comply with the wishes of the European Parliament.

III. BACKGROUND TO THE SECOND REVISION OF THE ERDF REGULATION

6. However, as part of the conciliation procedure with the European Parliament, the Council has undertaken to take 'particular account of Parliament's views' when the Regulation is re-examined before 1 January 1981, as laid down in Article 22 of the Regulation.

It should be recalled that the adoption and revision of the Regulation establishing the ERDF were the subject of a 'conciliation' procedure between the Council and the European Parliament. This procedure applies to 'Community acts of general application which have appreciable financial implications and of which the adoption is not required by virtue of acts already in existence' where 'the Council intends to depart from the opinion adopted by the European Parliament'.

7. During the conciliation meeting of 17 October 1978 on the communication from the Commission of 3 June 1977, the European Parliament delegation expressed 'serious disappointment' after establishing that essentially no progress had been made in the direction advocated by the European Parliament.

The European Parliament delegation recalled for instance Parliament's critical attitude concerning the allocation for and operation of the non-quota section. In particular, it considered it impossible to compromise on the use of the unanimous voting procedure in the Council for the approval of each specific project.

The Commissioner responsible for regional policy, stressed the similarity of views between the Commission and the European Parliament.

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[1] OJ No. L 35, 9.2.1979

Finally, the President-in-Office of the Council issued the delegation with a Council document on the 'elements to be included in a communication from the Council to the European Parliament'. In this document 'the Council draws attention to the fact that the Regulation must be reviewed in the near future, that is before 1 January 1981' .....'it is in this context that the Council will consider the new proposals from the Commission, taking particular account of Parliament's views'.

The Regulation was therefore revised in February 1979, with the Council undertaking to carry out a further revision within the next two years. This undertaking is embodied in Article 22 of the revised Regulation.

8. The European Parliament sought to remind the Commission of this undertaking by adopting at its part-session of May 1980, by urgent procedure, a motion for a resolution tabled by Mr de PASQUALE on behalf of the Committee on Regional Policy and Regional Planning (signed by thirty-six Members of Parliament) on 'the revision of the Regulation establishing the European Regional Development Fund before 1 January 1981'[1].

Parliament 'urges the Commission to submit proposals in good time, and by September 1980 at the latest, for the revision of the ERDF Regulation, which Parliament considers inadequate'.

Parliament recalls that it 'has already stressed the serious shortcomings of the Fund Regulation and pointed out that the revision of the Regulation in February 1979 did not remedy all these shortcomings and has limited the scope of the non-quota section'[2].

9. The Commission did not make the proposals provided for in Article 22 of the Regulation.

During the debate on the motion for a resolution mentioned above, the Commission expressed the view that it was inadvisable to carry out this revision within the time-limit laid down.

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[1] Doc. 1-171/80

[2] Parliament is here referring to its resolution of 15 April 1980 based on the Delmotte report, Doc. 1-789/79

The Commission drew attention to four circumstances in particular, namely: (PE 66.283)

(a) 'The present Regulation has only been in force since February 1979' .... but the Council undertook precisely to review it in the near future; and it provided for this revision in the Regulation, despite adopting it, in February 1979.

(b) 'There has been no change in the attitudes of the Member States and the Council which led to the rejection in February 1979 of certain proposals' .... However, the Council undertook to take account of Parliament's views before 1 January 1981. It is therefore in the context of a dialogue between Council and Parliament based on the Commission's proposals that an assessment could be made of any progress achieved or otherwise. It is not for the Commission to prejudge the Council's decision. Hence the Commission is tending excessively not only to adapt its proposals to the wishes of the Council, but also to prejudge the Council's decisions.

(c) 'It has as yet not been possible to gain any experience of ... the non-quota section' .... The lack of any experience of the non-quota section stems precisely from its poor operation, which has been criticized by Parliament. The need for a unanimous vote blocked the Council's decision on the first five projects proposed for the non-quota section. The veto of a single Member State was enough to delay the decision for several months (until July 1980), whereas appropriations have been available for these projects in the budget since 1978.

The Commission has to ensure that aid is provided for the most deprived regions or sectors. The unanimity required in the Council leads to bargaining which can only be detrimental to its effectiveness.

The unanimous voting procedure can therefore be condemned on the grounds of both practical requirements and the question of principle involved.

During the 'conciliation' procedure with the Council, this was moreover the only point on which the Parliament delegation stated that it was unable to compromise.

It must be recalled that the Commission, supported by Parliament, proposed the qualified majority voting system in 1977.

Furthermore, with regard to the national quotas, the Fund Committee decides by a qualified majority, and in the event of a difference of opinion may refer to the Council, which then also decides by a qualified majority (Article 16(2) and (3)).

This vicious circle - no revision without experience in advance, but no experience without revision - must be broken, enabling decisions to be taken finally within a reasonable time.

It is also questionable whether any experience is necessary for the qualified majority voting system to be introduced. If experience is necessary in this instance, it can be argued that it has been gained; and it has fully revealed the dangers and the ineffectiveness of the unanimous voting procedure in the Council.

The point at issue is therefore not a question of a revision, but of an adaptation to Community principles and to practical operating requirements.

Finally, emphasis must be placed on the derisory amount allocated to the non-quota section (5%). What valid experience can be derived from such a low amount? The Commission has recognized this itself, since it initially proposed the figure of 13%, supported by the European Parliament.

Thus no experience is necessary for a similar amount to be adopted. Another possible view is that for significant experience of the operation of the non-quota section to be gained a more realistic allocation is required.

(d) 'During 1980 the Commission will present the first report on the social and economic situation in the regions'.

This is the only valid argument for not presenting an overall revision now. However, this does not preclude the two quite specific changes mentioned above. It is even the duty of the outgoing Commission to show some courage, so as not to leave the new Commission with these two difficulties which threaten to hinder its progress towards a genuine revision.

IV. CONTENT OF THE SECOND REVISION OF THE ERDF REGULATION AND CONCLUSIONS

10. If a delay is accepted in the revision of the Regulation, which was nevertheless provided for by the Council, it must be realized that this delay could amount to several years. The Council has habitually failed to observe deadlines, even those it has imposed on itself.

At the very least, therefore, the two specific changes indicated under the previous heading concerning the non-quota section must be introduced. These are very minor compared with all the shortcomings which Parliament has already criticized with regard to the non-additionality of the aid, the shortage of publicity and information on Fund assistance, the inadequacy of the controls, the content of the regional development programmes, the role of local and regional authorities, etc.

They are minor but essential in the view of the European Parliament, which was given written assurances by the Council.

11. The introduction of a quota for Greece is a ready-made opportunity for proposing a change in the amount allocated to the non-quota section. In order to retain a degree of flexibility in the mechanism, the non-quota section could be increased. This could enable assistance to be increased for the particularly deprived regions in certain Member States which will suffer from the negative effects of enlargement.

The non-quota section could therefore be increased from 5% to 15% of the ERDF (certain political groups in the European Parliament have proposed the figure of 30%). In 1977 the Commission, supported by Parliament, proposed 13% of the Fund's allocation.

A level of 15% therefore seems reasonable in the first instance, pending the overall revision laid down in Article 22 of the Regulation.

12. Enlargement must be accompanied by this increase in the percentage for the non-quota section, since this section must in particular enable aid to be provided for those regions which will suffer most from the negative effects of enlargement. However, other particularly deprived regions also receive aid from this section. If resources permit, other particularly deprived regions will be able to receive aid; however, all these projects presuppose that a larger proportion of the Regional Fund is allocated for them.

13. This minor change, coming at the time of Greek accession, must be accompanied by a return to the qualified majority voting system in the Council for the approval of projects under the non-quota section, i.e. to the system already laid down for assistance under national quotas. This procedure should prevent a hold-up in the Council and enable the appropriations to be utilized effectively.

The enlargement of the Community makes a unanimous vote even more difficult to secure. The accession of Greece therefore requires an improvement in the decision-making procedure.

14. Finally, it must be recalled that the European Parliament has always believed that the allocation for the non-quota section should not be laid down (even as a percentage) in the Fund Regulation, but should be determined annually in the Community budget.

Attention should also be drawn to the European Parliament's reservations concerning the national quotas. ERDF assistance should be based on the Community criteria, taking account of the specific needs of the regions, which were proposed by the Commission when the Fund was established.