

Europe information

Commission of the European Communities
Spokesman's Group
and Directorate-General for Information

B-1049 BRUSSELS
Rue de la Loi, 200
Tel. 735 00 40 (Ext. 5120 and 3843)
Telex 21877 COMIEU B

Regional Policy

11/78

REGIONAL POLICY: THE START OF A NEW PHASE

Free reproduction authorized, with or without indication of origin. Voucher copies would be appreciated.

July 1978

NOTICE

Subscribers to 'EUROPE-INFORMATION' are requested to note that from Issue No 1/78 this publication will be distributed by the services of the Office for Official Publications in Luxembourg.

Any change of address should be notified to:

Mr MARASCHIN
OFFICE FOR OFFICIAL PUBLICATIONS
OF THE EUROPEAN COMMUNITIES
Boîte postale 1003 — 5, rue du Commerce
L — LUXEMBOURG

However, any requests for new subscriptions or additional information concerning this publication should be addressed to:

COMMISSION OF THE EUROPEAN COMMUNITIES
Spokesman's Group and Directorate-General for Information
Publications Distribution Service
Berlaymont 2 - 27 A
Rue de la Loi, 200
B — 1049 BRUXELLES
Tel. 735 00 40 / ext. 5120 or 2346

CORRIGENDA

Corrigendum to Europe Information No 11/78 'Regional policy : The start of a new phase'.

Page 4, first line

for: '100 EUC',

read: '100 million EUC'.

REGIONAL POLICY: THE START OF A NEW PHASE

1. In June 1977 the Commission sent the Council its 'Guidelines for Regional Policy'¹ together with proposals for the modification of the Regional Fund regulation, which should, in theory, have come into effect on 1 January 1978. In fact, however, it was only at its meetings on 6, 26 and 27 June 1978 that the Council agreed in principle on all the points under discussion. The Council is scheduled to adopt the legal texts in the autumn, that is a resolution taking up the three essential points of the Commission's Guidelines and a regulation modifying the current Regional Fund regulation.²

Council resolution

2. The planned resolution will contain three points:

(i) *Definition of priorities and guidelines for the future*

The Commission proposed that the mechanism for the analysis and assessment of all regional economies within the Community should be strengthened and that a report be drawn up on this basis covering the social and economic situation and trends in the regions. A report of this kind would be produced every two and a half years so that alternate reports could be considered in conjunction with the medium-term economic programme prepared every five years. The Council has undertaken to debate this report along with proposals for priorities and guidelines, drawn up by the Commission.

(ii) *Regional Impact Assessment (RIA)*

The Commission has already begun implementing the RIA system. This is aimed at ensuring that when important Community policy is drafted and implemented in other fields account is systematically taken of the likely consequences on the regions and, in particular, on regional employment. The Council has also undertaken to take account of these factors when taking decisions on these policies. This would mean that the interests of the regions in question could be taken into consideration and that, where appropriate, specific measures could be drawn up, ensuring both that these policies were fully implemented and that any negative effects on regions could be remedied. These specific measures will include measures undertaken in the new 'non-quota' section of the Regional Fund (cf. Point 3(ii)).

(iii) *Coordination of national regional policies*

The Council has insisted on a greater coordination between the national regional policies themselves and also between national policies and Community policy. It considers such coordination to be indispensable to the gradual development of evenly-balanced economic activity throughout Community territory, and that regional development programmes provide the appropriate framework for achieving this. One of the essential aspects here is the coordination of general regional-aid schemes.

3. The future of the Regional Fund

(i) *'Non quota section'*

To date the Regional Fund has provided a not inconsiderable support for the regional policies of the Member States. The most important modification to which the Council has now agreed lies in the creation of a 'non-quota' section of the Fund, which could become a real instrument of *Community* regional policy. It would not be subject to the restrictions imposed by the national-quota system and could, where necessary, be used outside areas aided nationally. It will be used to fund specific Community actions, aimed particularly at remedying new regional problems which may arise as a result of the economic crisis or of certain Community policies. Its greater flexibility will also make possible closer and more effective cooperation with the other financial instruments of the Community.

For the period 1977 to 1980 the 'non-quota' section has been allocated 5% of the Fund's total

¹ Supplement 2/1977 — Bull. EC.

² OJ L 73 of 21.3.1975 (Council Regulation (EEC) No 724/75).

resources, i.e. some 100 million EUC.¹ The Commission's task over this time will be to demonstrate to the Member States, the Parliament and all other interested bodies that the specific actions to be funded by the 'non-quota' section can make a valid contribution towards solving certain types of regional problem for which the Community has to bear particular responsibility.

(ii) 'Quota' section

As far as the quota section of the Fund is concerned, the chief modifications are as follows:

- modifications in national quotas to allow for the 2% increase awarded to France for its overseas 'départements'. The new breakdown is as follows:

	<i>New breakdown (%)</i>	<i>Previous breakdown (%)</i>
Belgium	1.39	1.5
Denmark	1.20	1.3
Federal Republic of Germany	6.00	6.4
France	16.86	15.0
Ireland	6.46	6.0 ¹
Italy	39.39	40.0
Luxembourg	0.09	0.1
Netherlands	1.58	1.7
United Kingdom	27.03	28.0
	100	100

¹ Plus 6 million u.a. to be deducted from other countries' quotas, with the exception of Italy.

- a more flexible definition of the types of infrastructure which qualify for aid from the Fund (... 'infrastructure which will contribute towards development of the region...' instead of 'infrastructure directly linked' ... to developments in the industrial or service sectors). The Fund will consequently be able to take greater account of regional needs and of the priorities of regional policy. Aid granted by the Fund for infrastructure may not, however, exceed 70% of the total Fund resources.
- an increase from 30 to 40% in the maximum aid which may be granted by the Fund in certain priority regions or areas. This will mean that assistance may be given for projects which are of particular interest for a specific region, yet which could be hampered or delayed due to lack of funds.
- a number of relatively minor changes, relating basically to simplification of procedures.

4. The Commission is not so bold as to pretend that these new measures will enable the Community to solve its serious regional priorities right away. This will be a very long drawn out process. The Commission does, however, believe that this new approach, which is both more global and more flexible, will mean that Community regional policy can be progressively adapted to changing needs and hence make a more effective contribution to solving both the new problems which may arise and the traditional problems of the underprivileged regions.

¹ 1 EUC = approximately USD 1.25.

THE REASONS BEHIND THE NEW DECISIONS

The Community's regional problems

Regional differences in levels of economic development exist within all of the Community's Member States. But when one compares regions throughout the Community as a whole, the disparities are obviously much greater. The poorest regions are in the south of Italy and the west of Ireland. The most prosperous regions — Hamburg, Paris, Brussels, and so on — have an income per head several times higher.

The main problem regions fall into two categories. First, there are the underdeveloped rural areas, largely dependent on agriculture and characterized by low levels of income, high levels of unemployment, underemployment and outward migration, and inadequate public infrastructure. Typically such areas are in the Italian Mezzogiorno, Ireland and parts of France.

Second, there are the once rich regions based on industries now in decline, like coal, steel, shipbuilding and textiles. Such regions are found in the older industrial regions of the United Kingdom in particular, but in parts of France, Belgium and elsewhere too. They are characterized above all by an outdated industrial structure and high levels of unemployment.

Many of the regions concerned are located at the periphery of both their national territory and the Community, which clearly aggravates the problems. And distance is an even more important factor for Greenland, with its special problems due to its sparse population and inhospitable climate, and the French overseas départements.

One must not forget either the problems faced by certain regions adjoining the Community's internal frontiers, and those of congestion, pollution and urban decay which face many big conurbations in richer and poorer areas.

Alongside these traditional regional problems, consideration should be given to two more recent phenomena which are just as important: Firstly, the economic crisis has aggravated problems in those regions which have traditionally been the poorest and, at the same time, caused new problems and secondly, decisions taken regarding Community policy in other areas can have unfavourable repercussions on the regions.

The aims of regional policy

Regional policy must be conceived as a comprehensive policy concerning all Community territory and all Community activity. It must involve a variety of specific regional measures, bring a 'regional dimension' to other Community policies and be closely coordinated with, and complementary to, national regional policies.

Community regional policy has two main aims: on the one hand, the reduction of the existing regional imbalances found in both the traditionally less-developed regions and those in the process of industrial or agricultural redevelopment; on the other, the prevention of new regional imbalances likely to occur as a result of the trends in world economic development or of policy measures adopted by the Community. These aims must be achieved within the framework of an active employment policy. In the present economic situation of the Community the creation of new jobs in the regions suffering from the greatest structural unemployment must remain a major priority.

Community action to date

From its inception the Community has acknowledged the existence of its regional problems and regional disparities. The Treaty of Rome permits various exceptions to normal Community rules in order to protect the less-favoured regions. And the Community has always had various financial instruments which make available loans and grants to help solve the problems of these regions.

The European Coal and Steel Community (ECSC) has made loans totalling nearly 5 000 million EUC to help modernise the coal and steel industries or to attract new job-creating industries in coal and steel regions. Such loans last year totalled over 740 million EUC.

The European Investment Bank (EIB) has made available over 7 000 million EUC in loans, the bulk of it for regional development purposes. Last year 69% of the 1 500 million EUC granted in the form of loans went to regional projects.

The European Social Fund (ESF) and the European Coal and Steel Community have together made grants totalling more than 1 000 million EUC for training and retraining workers otherwise unable to obtain jobs.

And the Guidance Section of the European Agricultural Fund (FEOGA) has to date spent 1 600 million EUC in the form of grants to help modernise the structure of agricultural production and distribution.

The Community's total financial assistance has not therefore been negligible, and a considerable proportion has gone to the less prosperous regions. But its impact has not been sufficient in view of the scale of the problems faced.

The 1975 regional policy decisions

It was hoped from the beginning that the economic growth generated by the creation of the common market, plus the special efforts outlined above, would be sufficient to bring the Community's regional imbalances within reasonable limits. By 1975 it was clear that these hopes remained unfulfilled.

It was also clear that the persistence of the Community's regional disparities was a major obstacle in the path of continued economic integration. Further Community progress in this direction requires a much greater convergence of the economic policies of the Member States, and this is simply not possible while certain national economies and budgets have to bear such crippling burdens.

In recognition of these facts the Community therefore moved a stage further, with the creation of its first two specific regional policy instruments: the Regional Fund and the Regional Policy Committee.

Three years of the Regional Fund ¹

The European Regional Development Fund (ERDF) was established in March 1975 with a three-year budget of 960 million EUC for 1975 to 1977. Its 1978 budget totals 580 million EUC. The Fund makes grants to help industrial and service sector investments which create new or safeguard existing jobs, for infrastructure investments (roads, water supply, industrial estates, etc.). The investments must be located in areas which qualify for national regional aid and be supported by national public funds. The Fund's resources are shared out according to a special key fixed by the regulations governing the Fund. Applications for grants are submitted by the national governments.

Up to June 1978 the Commission had approved grants totalling 1 060 million EUC for 5 009 investment projects.

Grants are paid to the national authorities, who can either give these to the individual investor or retain them as part reimbursement of national expenditure on the projects concerned. To date all governments have taken the second alternative as far as private sector investments are concerned, but in most cases grants for infrastructure projects are passed on to the regional or local authorities involved.

The retention of the grants by the national authorities is acceptable provided it does not lead to a reduction of national expenditure on regional development. In other words, the additional resources must be used for additional regional development projects which could not otherwise have been financed within

¹ Conditions governing use of the Funds also apply to future operations effected in the 'quota' section, but not to the new 'non-quota' section.

the year in question so that the total regional development effort is increased by the amount of the receipts from the Fund.

The Regional Policy Committee

The second specific instrument of Community regional policy, set up at the same time as the Regional Fund, is the Regional Policy Committee, composed of senior national and Commission officials. Its task is to keep the development of the regions under constant review, to compare and assess national regional policies, which must clearly be compatible both with each other and with Community aims, and generally to examine all aspects of Community activity which affect the regions. It advises the Commission and the Council of Ministers where Community-level action is needed in order to protect regional interests.

'EXTERNAL RELATIONS' 'EUROPE INFORMATION'

The following copies of 'Europe Information' are still available, and may be obtained from:

Spokesman's Group and Directorate-General for Information
Publications distribution service, Room 2/27 A
Commission of the European Communities
Rue de la Loi, 200
B-1049 Brussels (Belgium)

- | | |
|------|--|
| 1/78 | The European Community and Canada |
| 2/78 | The European Community and ASEAN |
| 3/78 | Latin America and the European Community |
| 5/78 | Spain and the European Community |
| 6/78 | List of main EEC agreements with other countries |
| 7/78 | Portugal and the European Community |
| 8/78 | Australia and the European Community |
| 9/78 | Turkey and the European Community |



OFFICE FOR OFFICIAL PUBLICATIONS
OF THE EUROPEAN COMMUNITIES

Boîte postale 1003 – Luxembourg

Catalogue number: CC-AB-78-A11-EN-C