

EUROPEAN PARLIAMENT

# Working Documents

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5 April 1982

Document 1-61/82

## Report

drawn up by the Committee on Regional Policy  
and Regional Planning

on the proposal from the Commission of the  
European Communities to the Council  
(Doc. 1-735/81 - COM(81) 589 final) for a  
regulation amending Regulation (EEC)  
No. 724/75 establishing a European Regional  
Development Fund

Rapporteur: Mr P. DE PASQUALE



By letter of 11 November 1981 the President of the Council of the European Communities requested the European Parliament to deliver an opinion 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.

On 16 November 1981 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 and the Committee on Budgetary Control for their opinions.

On 24 September 1981 the Committee on Regional Policy and Regional Planning appointed Mr De Pasquale rapporteur.

On 13 October 1981 the Committee on Regional Policy and Regional Planning decided to consider in the same report the communication from the Commission to the Council on 'new regional policy guidelines and priorities', which had been forwarded by the Commission to the European Parliament by letter of 12 August 1981.

On 23 February 1981 the Committee on Regional Policy and Regional Planning decided to consider in the same report the motion for a resolution tabled by Mr Travaglini and others on 'the creation of a regional development agency', which had been referred to it by the President of the European Parliament, pursuant to Rule 47 of the Rules of Procedure, on 14 December 1981.

The Committee on Regional Policy and Regional Planning considered the proposal for a regulation at its meetings of 13 October 1981, 19/20 October 1981, 9/10 November 1981, 25/26 November 1981, 26/27 January 1982, 23/24 February 1982 and 22/23 March 1982.

At its meeting of 22/23 March 1982 the committee approved the amended proposal for a regulation by 19 votes to 1 with no abstentions.

At the same meeting the committee also adopted the motion for a resolution by 19 votes in favour with one abstention.

The following took part in the vote: Mr De Pasquale, chairman and rapporteur; Mr Costanzo, vice-chairman; Mrs Boot Mr Cardia (deputizing for Mr Kyrkos), Mr Cecovini, Mr Chanterie (deputizing for Mr Verroken), Mr Delmotte, Mr Ferrero (deputizing for Mrs De March), Mr Ingo Friedrich (deputizing for Mr Kazazis), Mr Gendebien, Mr Griffiths, Mr Harris, Mr Hutton, Mrs Elaine Kellett-Bowman, Mrs Simone Martin, Mr Konstantinos Nikolaou, Mr Papaefstratiou (deputizing for Mr Vandewiele), Mr Pöttering, Mr Travaglini and Mr von der Vring.

The opinions of the Committee on Budgets and the Committee on Budgetary Control are attached.

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n.b. Text not collated.

Owing to the last minute decision not to collate this document the final typing could not be checked.



# C O N T E N T S

## Page

A. - AMENDMENTS .....	5
MOTION FOR A RESOLUTION .....	24
B. - EXPLANATORY STATEMENT .....	29
(I) <u>REGIONAL POLICY CONSTRAINTS IN THE 1970s AND THE</u> <u>CHALLENGE OF THE 1980s</u> .....	30
(A) Current trends in the European economy: imbalances and the present crisis .....	31
(B) Causes of the regional disparities: strong markets and weak markets .....	33
(C) Local factors .....	37
(a) Demography .....	37
(b) Integration and concentration .....	38
(c) Financial markets and the monetary system .....	39
(D) External factors .....	40
(a) National economic policies .....	40
(b) Community economic policies .....	41
(i) the common agricultural policy .....	41
(ii) enlargement of the Community .....	42
(E) Conclusions .....	43
(II) <u>POINTERS AND AIMS FOR COMMUNITY REGIONAL POLICY</u> .....	45
(A) A regional policy to counter the impact of the crisis in the peripheral regions .....	46
(B) Administrative measures .....	48
(C) Fiscal measures .....	48
(D) Financial measures .....	49
(III) <u>POINTERS AND AIMS FOR THE NEW FUND REGULATION</u> .....	51
(A) A possible role for the ERDF during the crisis .....	52
(B) Two reforms for the ERDF: (i) the creatrion of a revolving fund .....	53
(ii) aid to holding companies .....	54
(C) The problem of coordination .....	54

	<u>Page</u>
(D) The geographical scope of ERDF financing .....	56
(E) The 'programme contracts' and 'integrated operations' .....	56
(F) The exploitation of local development potential .....	57
(G) The problem of the spread of new technologies .....	58
(H) Technical and administrative support from the ERDF for the weak regions .....	60
OPINION of the Committee on Budgets .....	62
OPINION of the Committee on Budgetary Control .....	74
MOTION FOR A RESOLUTION by Mr TRAVAGLINI and others (Doc. 1-837/81) .....	109

A

The Committee on Regional Policy and Regional Planning hereby submits to the European Parliament the following amendments and motion for a resolution relating to 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  
(Doc. 1-735/81)<sup>1</sup>

Amendments tabled by the  
Committee on Regional Policy  
and Regional Planning

Text proposed by  
the Commission

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PREAMBLE AND RECITALS 1, 2 AND 3 UNCHANGED

Amendment No. 1

add the following new recital 3a:

Whereas such coordination must also  
cover the regional consequences of  
both national and Community economic  
and sectoral policies;

RECITALS 4, 5 AND 6 UNCHANGED

Amendment No. 2

add the following new recital 6a:

Whereas concentration of the Fund's  
resources in regions with particu-  
larly serious structural problems  
and the gradual introduction of  
integrated development operations  
can make a significant contribution  
to the achievement of the objectives  
of Community regional policy only if  
there is effective coordination  
between the Regional Fund and the  
other Community Funds and financial  
instruments;

RECITAL 7 UNCHANGED

Amendment No. 3

add the following new recital 7a:

Whereas assistance by the Fund is  
important for creating new jobs  
and protecting the level of  
employment, particularly in the  
home regions of the workers  
concerned;

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<sup>1</sup> See OJ No. C 336 of 23.12.1981, page 60 et seq.

RECITALS 8, 9 AND 10 UNCHANGED

ARTICLES 1 AND 2 UNCHANGED

ANNEX

Regulation concerning the coordination of regional  
policies and the European Regional Development Fund

Amendment No. 4

ARTICLE 1

add the following new paragraph:

- 3a. For the regions located near internal Community frontiers, the Member States concerned shall ensure transfrontier coordination of regional development and cooperation between the regional and local bodies involved.

Amendment No. 5

ARTICLE 2

amend paragraph 1 as follows:

1. The periodic report on economically comparable regions and sub-regions, the regional development programmes and the regional impact assessment shall be instrumental in promoting the said coordination, with a key role also being performed by coordination of general regional aid schemes.

ARTICLE 2

1. Preparation of the periodic report and examination of regional development programmes and the regional impact assessment shall be instrumental in promoting the said coordination, with a key role also being performed by coordination of general regional aid schemes.

Amendment No. 6

ARTICLE 2

amend paragraph 2 as follows:

2. The Commission, working in close association with the Regional Policy Committee, shall prepare a periodic and up-to-date report on the situation and socio-economic changes in the regions of the Community and on national regional policies. To this end, Member States shall provide the Commission with the relevant information. This report shall be prepared at regular, two and a half year intervals, with every other report coinciding with the examination of the medium-term economic policy programmes. On the basis of this report, the Council, acting on a proposal from the Commission and after consulting the European Parliament and the Economic and Social Committee, shall adopt the regional policy guidelines and priorities.

ARTICLE 2

2. The Commission, working in close association with the Regional Policy Committee, shall prepare a periodic report on the situation and the socio-economic changes in the regions of the Community and on national regional policies. To this end, Member States shall provide the Commission with the relevant information. This report shall be prepared at regular, two and a half year intervals, with every other report coinciding with the examination of the medium-term economic policy programmes. On the basis of this report, the Council, acting on a proposal from the Commission and after consulting the European Parliament and the Economic and Social Committee, shall adopt the regional policy guidelines and priorities.



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Amendment No. 7

ARTICLE 2

amend paragraph 3(a) as follows:

3(a) Member States shall communicate to the Commission their regional development programmes, and any amendments thereto, for the regions and areas covered by a regional State aid scheme. Such programmes shall be prepared in accordance with the joint outline drawn up by the Economic Policy Committee<sup>1</sup> and in the light of the Commission Recommendation of 23 May 1979<sup>2</sup>. They shall be indicative in nature and shall specify the objectives of the development of the region concerned and the practical measures to be applied. They shall be prepared in close association with the regional authorities concerned. When communicating these programmes, Member States shall transmit to the Commission the information concerning, where their entire territory is concerned, the essential public measures that are likely to influence the regional balance, including expenditure in each region under their infrastructure budgets. The regional development programmes shall be examined by the Commission and the Regional Policy Committee in the light of the coordination objectives as laid down in Article 1 above. The Regional Policy Committee shall make known its views on them to the Commission, which shall, where necessary, address the appropriate recommendations to Member States. The Commission departments could provide the local authorities concerned with technical and administrative assistance for the preparation of development projects after seeking the opinion of the national authorities on the compatibility of the projects with the programme.

ARTICLE 2

3(a) Member States shall communicate to the Commission their regional development programmes, and any amendments thereto, for the regions and areas covered by a regional State aid scheme. Such programmes shall be prepared in accordance with the joint outline drawn up by the Economic Policy Committee<sup>1</sup> and in the light of the Commission Recommendation of 23 May 1979<sup>2</sup>. They shall be indicative in nature and shall specify the objectives of the development of the region concerned and the means to be employed. They shall be prepared in close association with the regional authorities concerned. When communicating these programmes, Member States shall transmit to the Commission the information concerning, where their entire territory is concerned, the essential public measures that are likely to influence the regional balance, including expenditure in each region under their infrastructure budgets. The regional development programmes shall be examined by the Commission and the Regional Policy Committee in the light of the coordination objectives as laid down in Article 1 above. The Regional Policy Committee shall make known its views on them to the Commission, which shall, where necessary, address the appropriate recommendations to Member States.

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<sup>1</sup> OJ No. C 69, 24.3.1976, p.2

<sup>2</sup> OJ No. C 143, 12.6.1979, p.9

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Amendment No. 8

ARTICLE 2

add the following new paragraph:

- 3a. The Member States shall undertake to ensure that the programmes are implemented and to verify each year that they have been implemented.

If a programme is not implemented, is incompletely implemented or is implemented in a way which is contrary to its original purpose, the Commission shall have the right to suspend the financial contributions made by the Fund.

Amendment No. 9

ARTICLE 2

add the following new paragraph:

- 4a. The annual report of the Regional Policy Committee shall be forwarded to the European Parliament as soon as it has been drawn up.

Amendment No. 10

ARTICLE 3

ARTICLE 3

amend as follows:

The reduction and the prevention of regional imbalances and the elimination of backwardness in the weak regions must be among the main objectives of all the common policies. The European Regional Development Fund, hereinafter referred to as 'the Fund', shall be the specific instrument for helping to remedy imbalances and backwardness in the regions of the Community.

The European Regional Development Fund, hereinafter referred to as 'the Fund', is intended to correct the principal regional imbalances within the Community resulting in particular from agricultural preponderance, industrial change and structural underemployment.

Amendment No. 11

ARTICLE 4

ARTICLE 4

amend paragraph 2 as follows:

2. The annual budget shall indicate for the relevant year under the heading for the Fund:
- a) appropriations for commitment;
  - b) appropriations for payment.

2. The annual budget shall indicate for the relevant year under the heading for the Fund:
- a) appropriations for commitment;
  - b) appropriations for payment.

The payment appropriations shall be calculated in such a way as to match demands for payment arising from existing commitments. In its

preliminary draft budget, the Commission shall submit each year a definitive assessment of the financial resources required together with a detailed explanatory statement. In the event of a serious shortage of payment appropriations during the financial year, the Commission shall submit a supplementary budget to the budgetary authority.

Unless any specific provision of this Regulation provides otherwise, the Financial Regulation applicable to the general budget of the Communities shall apply to the management of the Fund.

Unless any specific provision of this Regulation provides otherwise, the Financial Regulation applicable to the general budget of the Communities shall apply to the management of the Fund.

Amendment No. 12

ARTICLE 4

amend paragraph 3(b) as follows:

- (b) specific Community regional development measures to assist regions particularly affected by recent and serious problems of industrial decline or by the effects of certain Community policies, as provided for in Title IV. The assistance allotted to these measures may not exceed 20% of the Fund's resources. ( . . . )

As far as these measures are concerned, consideration shall also be given to the problems of 'black spots' that may be excluded from the national priority zones.

The Fund's resources intended for financing these measures shall be used having due regard to the specific problems of the regions and to the relative severity of regional imbalances in the Community.

ARTICLE 4

- (b) specific Community regional development measures to assist regions particularly affected by recent and serious problems of industrial decline or by the effects of certain Community policies, as provided for in Title IV. The assistance allotted to these measures may not exceed 20% of the Fund's resources. ( . . . )

The Fund's resources intended for financing these measures shall be used having due regard to the specific problems of the regions and to the relative severity of regional imbalances in the Community.

ARTICLE 5 UNCHANGED

Amendment No. 13

ARTICLE 6

amend paragraph 1 as follows:

1. The list of regions and zones referred to in Article 4(3)(a) may be revised by the Council, acting by a qualified majority on a proposal from the Commission and after consulting the European Parliament, in particular where the analysis made in the periodic report referred to in Article 2(2) reveals substantial changes in the relative severity of socio-economic problems in the regions of the Community.

1. The list of regions and zones referred to in Article 4(3)(a) may be revised by the Council, acting by a qualified majority on a proposal from the Commission, in particular where the analysis made in the periodic report referred to in Article 2(2) reveals substantial changes in the relative severity of socio-economic problems in the regions of the Community.

Amendment No. 14

ARTICLE 6a (new)

add the following new Article 6a:

If the periodic report on the situation and socio-economic changes in the regions shows that underdevelopment or decline in specific zones within the confines of the areas specified in Article 4(3)(a) has become relatively more acute, the Fund's resources shall be deployed and concentrated accordingly.

Amendment No. 15

ARTICLE 7

amend paragraph 2 as follows:

2. Infrastructures to be financed under investment programmes shall be those designed to eliminate bottlenecks which constitute economic obstacles in the regions in question.

2. Infrastructures to be financed under investment programmes shall contribute to the development of the region or area in which they are located.

Amendment No. 16

ARTICLE 7

add the following new paragraph:

- 2a. When fixing the overall annual endowment of the Fund, the Commission shall take account of the desirability of introducing a scale for the progressive reduction of expenditure on infrastructure projects for the benefit of other areas of Fund intervention.

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Amendment No. 17

ARTICLE 7

add the following new paragraph:

- 2b. Investments in agricultural infrastructures must be coordinated with the various structural projects financed by the Guidance Section of the EAGGF.

Amendment No. 18

ARTICLE 7a (new)

add the following new Article 7a:

In order to promote investment in the industrial, craft or services sectors, the Fund shall set aside 15% of its overall endowment in the first year of application of this Regulation and up to 30% by the third year for the granting of interest subsidies.

These subsidies shall be set aside for small and medium-sized undertakings and granted to the individuals concerned in accordance with procedures to be established by the Commission after consulting the European Investment Bank and institutions offering medium-term loans at reduced rates within the framework of the rules in force in the individual Member States.

Amendment No. 19

ARTICLE 8

ARTICLE 8

amend paragraph 3 as follows:

3. They shall include:

- a) expected results, where possible in quantified form, particularly where they relate to the creation of jobs;
- aa) an indication of the total cost and of the corresponding benefits;
- b) measures to be taken to achieve these results, together with the implementation schedule;
- c) plan for financing the programme, making a distinction between Community, national and regional sources of finance;
- d) designation of the authorities or agencies responsible for implementing the programme and the actions within it;

3. They shall include:

- a) expected results, where possible in quantified form;
- b) measures to be taken to achieve these results, together with the implementation schedule;
- c) plan for financing the programme, making a distinction between Community, national and regional sources of finance;
- d) designation of the authorities or agencies responsible for implementing the programme and the actions within it;

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|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>e) essential ancillary measures that are taken by the Member State in question and do not benefit from Community financing;</p> <p>f) information showing that Community aid will result in additional financing and, consequently, additional practical measures to promote development of the region covered by the programme contract;</p> <p>g) <u>a statement of the environmental pollution to which the programme may give rise and of the measures envisaged to protect the environment in the regions or areas concerned;</u></p> <p>h) arrangements to publicize the provision of Fund assistance, the purpose being to inform potential beneficiaries and the various sections of the economy of the opportunities afforded by the programme and of the role played by the Community.</p> | <p>e) essential ancillary measures that are taken by the Member State in question and do not benefit from Community financing;</p> <p>f) information showing that Community aid will result in additional financing and, consequently, additional practical measures to promote development of the region covered by the programme contract;</p> <p>g) steps relating to the measures envisaged to protect the environment in the regions concerned;</p> <p>h) arrangements to publicize the provision of Fund assistance, the purpose being to inform potential beneficiaries and the various sections of the economy of the opportunities afforded by the programme and of the role played by the Community.</p> |
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Amendment No. 20

ARTICLE 9

amend paragraph 1 as follows:

1. Programmes that might qualify for assistance from the Fund shall be submitted to the Commission by the Member State in question. They shall be drawn up (three words deleted) on the basis of close cooperation between the central and regional authorities and other competent authorities.

Amendment No. 21

ARTICLE 9

supplement paragraph 6 as follows:

6. The Commission shall decide the aids from the Fund in accordance with Article 31. The programme contract shall be attached to the grant decision.  
During the preparation of the programmes and at the stage of their adoption, the Fund administration shall consult the management bodies responsible for the operation of the other Community financial instruments on the possibility of obtaining their assistance.

ARTICLE 9

1. Programmes that might qualify for assistance from the Fund shall be submitted to the Commission by the Member State in question. They shall be drawn up by the latter in close association with the authorities concerned.

ARTICLE 9

6. The Commission shall decide the aids from the Fund in accordance with Article 31. The programme contract shall be attached to the grant decision.

Amendment No. 22

ARTICLE 10

add the following new paragraph:

- 4a. The annual report of the Fund Committee shall be forwarded to the European Parliament as soon as it has been drawn up.

ARTICLE 11 UNCHANGED

Amendment No. 23

ARTICLE 12

amend paragraph 1 as follows:

1. In the case of investment projects in industry, the craft sector or the services sector, the amount of the Fund's contribution shall be equal to 20% of the investment cost; it may not, however, exceed 50% of the aid granted to each project by the public authorities under a regional aid scheme. (24 words deleted)

In the case of the services sector and the craft sector, the Fund's contribution shall be calculated on the basis of the number of jobs created or maintained, (7 words deleted) but may not exceed 50% of national aid.

The State aids to be taken into consideration shall be grants, interest-rate subsidies or their equivalent where loans at reduced rates of interest are concerned, irrespective of whether such aid is linked to the amount of investment or to the number of jobs created.

Such aids may include aid granted in respect of an investment project and linked to the transfer of plant and workers. The aid equivalent should be calculated in accordance with an implementing regulation adopted pursuant to Article 31.

Aid granted in the form of rent reductions or exemptions in respect of buildings, including plant, may also be taken into account provided the same calculation can be carried out. The Fund's contribution must be additional to the aid granted by the national public authorities for implementing the investment project.

ARTICLE 12

1. In the case of investment projects in industry, the artisanat or the services sector, the amount of the Fund's contribution shall be equal to 20% of the investment cost; it may not, however, exceed 50% of the aid granted to each project by the public authorities under a regional aid scheme and, moreover, it shall be confined to that part of the investment cost not exceeding 100,000 ECU per job created or 50,000 ECU per job maintained.

In the case of the services sector and the artisanat, the Fund's contribution shall be calculated on the basis of the number of jobs created or maintained. It shall amount to 20,000 ECU per job but may not exceed 50% of national aid.

The State aids to be taken into consideration shall be grants, interest-rate subsidies or their equivalent where loans at reduced rates of interest are concerned, irrespective of whether such aid is linked to the amount of investment or to the number of jobs created.

Such aids may include aid granted in respect of an investment project and linked to the transfer of plant and workers. The aid equivalent shall be calculated in accordance with an implementing regulation adopted pursuant to Article 31.

Aid granted in the form of rent reductions or exemptions in respect of buildings, including plant, may also be taken into account provided the same calculation can be carried out. In accordance with a prior

decision by the Member State concerned notified at the same time as the grant application, the Fund's contribution as thus defined may be in addition to aid granted by the public authorities in respect of the relevant investment project, or may be credited to those authorities in partial repayment of such aid. In this case, the financial effort of the Member State in the region in question shall be increased by the amount of Community assistance.

Amendment No. 24

ARTICLE 12

amend paragraph 2 as follows:

2. In the case of infrastructure investment projects, the amount of the Fund's contribution shall be equal to 30% of the total cost of the investment measures carried out where the project costs less than 7 million ECU and to between 10% and 30% where the project costs 7 million ECU or more.

However, the maximum contribution may rise to 50% in the case of projects of particular importance to the development of the region in which they are located.

Member States shall give priority to the submission of grant applications in respect of investment projects carried out by regional or local authorities.

Amendment No. 25

ARTICLE 13

amend paragraph 1 as follows:

1. The provision of Fund assistance shall be decided upon by the Commission in the light of the relative severity of the economic imbalance of the region in which the investment project is carried out and of the direct or indirect impact of the project on employment. The Commission shall examine, in particular, the consistency of the project with all the measures taken by the Member State concerned to assist that region, as described in the information supplied by Member States pursuant to Article 2, with particular reference to:

ARTICLE 12

2. In the case of infrastructure investment projects, the amount of the Fund's contribution shall be equal to 30% of the total cost of the investment measures carried out where the project costs less than 5 million ECU and to between 10% and 30% where the project costs 5 million ECU or more.

However, the maximum contribution may rise to 50% in the case of projects of particular importance to the development of the region in which they are located.

Member States shall give priority to the submission of grant applications in respect of investment projects carried out by regional or local authorities.

ARTICLE 13

1. The provision of Fund assistance shall be decided upon by the Commission in the light of the relative severity of the economic imbalance of the region in which the investment project is carried out and of the direct or indirect impact of the project on employment. The Commission shall examine, in particular, the consistency of the project with all the measures taken by the Member State concerned to assist that region, as described in the information supplied by Member States pursuant to Article 2, with particular reference to:



- (a) the project's contribution to the economic development of the region;
- (b) its consistency with the Community's programmes or objectives;
- (c) the situation in the economic sector concerned and the profitability of the investment made;
- (cc) the elaboration of projects covering several regions which are not necessarily adjacent and belong to different Member States with a common interest in the investment being made;
- (d) whether the project is located in a frontier area, i.e. in a region adjacent to one or more other Member States;
- (dd) backwardness and imbalances arising from the insular nature of the area in which the investment project is to be carried out;
- (e) other assistance granted by Community institutions or by the European Investment Bank, either in respect of the same project or for other measures in the same region. In this way, Fund assistance will be coordinated with other Community assistance in such a way as to promote comprehensive convergent and coordinated measures in a given region and to guarantee, in particular, consistency between regional policy and the policy on agricultural structures.

- (a) the project's contribution to the economic development of the region;
- (b) its consistency with the Community's programmes or objectives;
- (c) the situation in the economic sector concerned and the profitability of the investment made;
- (d) whether the project is located in a frontier area, i.e. in a region adjacent to one or more other Member States;
- (e) other assistance granted by Community institutions or by the European Investment Bank, either in respect of the same project or for other measures in the same region. In this way, Fund assistance will be coordinated with other Community assistance in such a way as to promote comprehensive convergent and coordinated measures in a given region and to guarantee, in particular, consistency between regional policy and the policy on agricultural structures.

Amendment No. 26

ARTICLE 13

amend paragraph 2 as follows:

- 2(a) In the case of investments of 7 million ECU or more, the provision of Fund assistance shall be decided upon by the Commission in accordance with the procedure provided for in Article 31..
- (b) In the case of investment projects costing less than 7 million ECU, the Commission shall decide on the Fund contributions and shall inform the Fund Committee of these decisions taken.

ARTICLE 13

- 2(a) In the case of investments of 7 million ECU or more, the provision of Fund assistance shall be decided upon by the Commission in accordance with the procedure provided for in Article 31.
- (b) In the case of investment projects costing less than 5 million ECU, the Commission shall decide on the Fund contributions and shall inform the Fund Committee of these decisions taken.

Amendment No. 27

ARTICLE 14

amend the first subparagraph of  
paragraph 2 as follows:

2. In the case of investments of less than 7 million ECU, Member States shall present grouped applications at the beginning of each quarter. These applications shall be submitted on a region-by-region basis, with a distinction being made between investments in industry, the craft sector or the services sector and investments in infrastructure.

Amendment No. 28

ARTICLE 14

amend the first sentence of  
paragraph 3 as follows:

3. In the case of investment projects costing 7 million ECU or more, applications shall be submitted separately and shall include the following information:

Amendment No. 29

ARTICLE 14

amend paragraph 5 as follows:

5. Member States shall give priority to the submission of grant applications in respect of projects costing 7 million ECU or more.

Amendment No. 30

ARTICLE 15

amend paragraph 2 as follows:

2. The list of projects that have received Fund assistance shall be published every six months in the Official Journal of the European Communities. It shall specify the nature and location of each project, the name of the investor and the amount of investment involved.

ARTICLE 14

2. In the case of investments of less than 5 million ECU, Member States shall present grouped applications at the beginning of each quarter. These applications shall be submitted on a region-by-region basis, with a distinction being made between investments in industry, the artisanat or the services sector and investments in infrastructure.

ARTICLE 14

3. In the case of investment projects costing 5 million ECU or more, applications shall be submitted separately and shall include the following information:

ARTICLE 14

5. Member States shall give priority to the submission of grant applications in respect of projects costing 5 million ECU or more.

ARTICLE 15

2. The list of projects that have received Fund assistance shall be published every six months in the Official Journal of the European Communities. It shall specify the nature and location of each project and the amount of investment involved.

Amendment No. 31

ARTICLE 16

amend as follows:

1. The Fund shall contribute to the financing of operations aimed at exploiting the local development potential of regions eligible for aid.

In doing so, the Fund shall abide by the terms of the programme contracts and the integrated operations and, at the same time, operate independently.

To this end, within six months of the adoption of this Regulation, the Commission shall establish the procedures for providing aid to local, industrial and agricultural small and medium-sized undertakings and to those operating in the crafts and rural tourism sectors, which shall involve:

- (a) financing holding companies;
  - (b) opening credit lines to local banks;
  - (c) financing the transfer of technology through the creation of a patents bank to promote the acquisition, utilization and spread of new technologies and new products, as well as information about them.
2. With the same end in view, the Fund may, in collaboration with the national and regional institutes responsible for aid and development, help to finance the following types of aid schemes:
- (a) aid for surveys which will make it easier to identify the possibilities for the local development of the regional zones which might qualify for Fund assistance;
  - (b) aid for market studies with a view to providing fuller information on access to national, Community and external markets and to encourage the dissemination of information concerning the findings of such studies;

ARTICLE 16

The Fund may contribute to the financing of operations aimed at exploiting the indigenous development potential of the regions that fall within one of the following categories:

- (a) measures to provide small and medium-sized businesses, artisanal enterprises and rural tourism with facilities enabling them to expand their means of action and to have access to new technology. Such measures shall include:
  - operating aids for agencies compiling and disseminating information on product and technological innovations and for conducting feasibility studies and projects permitting the introduction of these innovations in undertakings;
  - aids for conducting sectoral studies with a view to providing fuller information on access to national, Community and external markets and aids to encourage the dissemination of information concerning the findings of such studies;
  - aids to increase the efficiency of undertakings by making it easier for them to obtain management and organizational advice; these aids shall cover the expenditure of undertakings relating to services provided by consultancy firms or bodies;
  - starting-up aids facilitating the introduction of services to be used jointly by two or more undertakings, and covering in part operating expenditure relating to the common services;
  - aids to promote more effective exploitation of regional potential in the field of rural tourism and related to a part of the operating expenses of agencies responsible for the promotion and coordinated management of tourist accommodation;

- (c) aid to increase the efficiency of undertakings by making it easier for them to obtain management and organizational advice; this aid shall cover the expenditure of undertakings relating to services provided by consultancy firms and bodies;
- (d) starting-up aids to facilitate the introduction of services to be used jointly by two or more undertakings and covering in part operating expenditure relating to the common services;
- (e) aid to promote more effective exploitation of regional potential in the field of rural tourism and related to a part of the operating expenses of agencies responsible for the promotion and coordinated management of tourist accommodation;

(f) aid for setting up local institutes of applied research to further the development of the regions; these institutes shall receive preferential treatment as regards the award of research contracts by the Fund administration, which, in the case of projects receiving a particularly large amount of aid, shall organize, together with the local authorities, public hearings in the presence of the social categories concerned with a view to ascertaining the effects of its action.

3. The Fund shall provide assistance for the regional or local authorities in working out a programme and making the technical and financial preparations for, and in implementing, operations that might qualify for Fund assistance; as well as in improving the performance of the agencies called on to fulfil these tasks.

ARTICLE 17 UNCHANGED

Amendment No. 32

ARTICLE 18

supplement paragraph 1 as follows:

1. The Fund may contribute to the financing of studies closely related to Fund operations and conducted at the request of a Member State or of one of the regions located within the areas in which the Fund operates.

- (b) assistance for the regional or local authorities in working out a programme and making the technical and financial preparations for, and in implementing, operations that might qualify for Fund assistance; as well as improving the performance of the agencies called on to fulfil these tasks;
- (c) measures to promote the establishment and expansion of small and medium-sized businesses by providing them with easier access to the capital market, in accordance with arrangements to be adopted by the Council, acting on a proposal from the Commission, pursuant to an implementing regulation.

ARTICLE 18

1. The Fund may contribute to the financing of studies closely related to Fund operations and conducted at the request of a Member State.

Amendment No. 33

ARTICLE 19

amend paragraph 1 as follows:

1. The budget appropriations for the financing of a programme shall be committed in allocations covering a period of one year. The first allocation shall be committed once the grant decision has been taken by the Commission. Subsequent allocations shall be committed subject to (5 words deleted) the progress of the programme.

ARTICLE 19

1. The budget appropriations for the financing of a programme shall be committed in allocations covering a period of one year. The first allocation shall be committed once the grant decision has been taken by the Commission. Subsequent allocations shall be committed subject to the budget resources available and the progress of the programme.

ARTICLE 20 UNCHANGED

Amendment No. 34

ARTICLE 21

amend paragraph 1(b) as follows:

- b) for final payment requests, all the information referred to at (a), with the exception of the last indent, together with:

- the amount actually invested and confirmation that the project carried out corresponds to the initial project;
- the date of completion of the project;
- the number of jobs created or maintained by a project in industry, the craft sector or the services sector, to be determined in accordance with uniform criteria to be fixed by the Commission in the context of an implementing regulation;
- the amounts of public expenditure.

- b) for final payment requests, all the information referred to at (a), with the exception of the last indent, together with:

- the amount actually invested and confirmation that the project carried out corresponds to the initial project;
- the date of completion of the project;
- the number of jobs created or maintained by a project in industry, the artisanat or the services sector;

- the amount of public expenditure.

ARTICLES 22 AND 23 UNCHANGED

Amendment No. 35

ARTICLE 24

amend paragraph 1 as follows:

1. In the case of measures referred to in Articles 7, 12 and 16, undertaken after the entry into effect of the revised version of the present Regulation, advances of up to 80% may be granted by the Fund in the light of the progress made in the operations.  
(4 words deleted)

ARTICLE 24

1. In the case of measures referred to in Articles 7, 12 and 16, undertaken after the entry into effect of the revised version of the present Regulation, advances of up to 80% may be granted by the Fund in the light of the progress made in the operations and available budget resources.

Amendment No. 36

ARTICLE 25

replace paragraph 1 with the following:

1. The Commission shall ascertain at all stages of the utilization of resources that they are managed properly, lawfully and economically on the basis of reports and other information communicated by the Member States.

ARTICLE 25

1. Where a measure that has received a contribution from the Fund has not been carried out as planned, or if the conditions imposed by the provisions which govern the measure are not fulfilled, the Fund's contribution may be reduced or cancelled if the Commission, after consulting the Fund Committee, so decides.

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 communicated.

Member States shall repay to the Commission the amount of Fund assistance received in all cases where national aid used as the basis for calculating the amount of Fund assistance has been repaid to the Member State concerned by the investor.

Amendment No. 37

ARTICLE 25

amend paragraph 2 as follows:

2. The Member States and their responsible local authorities and bodies are responsible for carrying out checks on the programmes, projects and measures financed by the ERDF.

Member States shall make available to the Commission all the information necessary to ensure effective operation of the Fund and shall take all the steps likely to facilitate such monitoring as the Commission may deem useful in managing the Fund, including on-the-spot checks. They shall notify the Commission of the cases referred to in paragraphs 5, 6 and 6a

ARTICLE 25

2. Member States shall make available to the Commission all the information necessary to ensure effective operation of the Fund and shall take all the steps likely to facilitate such monitoring as the Commission may deem useful in managing the Fund, including on-the-spot checks. They shall notify the Commission of the cases referred to in the first subparagraph of paragraph 1.

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Amendment No. 38

ARTICLE 25

add the following new paragraph:

- 5a. Operations not completed in respect of which no payments have been made for four years and where no explanation of the delay has been provided by the Member State concerned within a period to be determined by the Commission, shall be regarded as operations which have not been carried out.

Amendment No. 39

ARTICLE 25

add the following new paragraph (which, save for one amendment), reproduces the first two subparagraphs of paragraph 1 of the Commission text):

- 6a. Where a measure that has received a contribution from the Fund has not been carried out as planned, or if the conditions imposed by the provisions which govern the measure are not fulfilled, the Fund's contribution may be reduced or cancelled if the Commission, after consulting the Fund Committee, so decides.

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 one month of the date on which the relevant decision was communicated.

Amendment No. 40

ARTICLE 25

add the following new paragraph (which reproduces the whole of the third subparagraph of paragraph 1 of the Commission text):

- 6b. Member States shall repay to the Commission the amount of Fund assistance received in all cases where national aid used as the basis for calculating the amount of Fund assistance has been repaid to the Member State concerned by the investor.

Amendment No. 41

ARTICLE 26

amend this Article as follows:

Member States shall, within three years of completion of the actions financed by the Fund, inform the Commission of the following:

- in the case of investment projects in industry, the craft sector or the services sector, the number of jobs created, to be determined in accordance with uniform criteria to be fixed by the Commission in the framework of an implementing regulation;
- in the case of infrastructure investment projects costing more than 7 million ECU, the rate of utilization of the infrastructure in question at the time of notification, where such information is available.

Amendment No. 42

ARTICLE 27

amend paragraph 2 as follows:

2. The measures referred to in this Title may differ in whole or in part from the measures referred to in Title III. They shall be aimed at Community regions and zones particularly affected:
- either by recent, serious problems of industrial decline,
  - or by certain Community policies or by measures adopted by the Community in order to facilitate the implementation or to mitigate the regional consequences of these policies,
  - ~~or by the absence of equal~~ development opportunities because they are divided by national frontiers.

These measures may not have as their object the internal reorganization of declining sectors but may, by establishing new economic activities and the implementation of new technology, promote the creation of employment in regions or areas experiencing difficulties.

ARTICLE 26

Member States shall, within three years of completion of the actions financed by the Fund, inform the Commission of the following:

- in the case of investment projects in industry, the artisanat or the services sector, the number of jobs created;
- in the case of infrastructure investment projects costing more than 5 million ECU, the rate of utilization of the infrastructure in question, where such information is available.

ARTICLE 27

2. The measures referred to in this Title may differ in whole or in part from the measures referred to in Title III. They shall be aimed at Community regions and zoned particularly affected:

- either by recent, serious problems of industrial decline,
- or by certain Community policies or by measures adopted by the Community in order to facilitate the implementation or to mitigate the regional consequences of these policies.

These measures may not have as their object the internal reorganization of declining sectors but may, by establishing new economic activities and the implementation of new technology, promote the creation of employment in regions or areas experiencing difficulties.



Amendments tabled by the  
Committee on Regional Policy  
and Regional Planning

Text proposed by  
the Commission

These measures shall be financed jointly by the Community and by the Member State or States concerned.

These measures shall be financed jointly by the Community and by the Member State or States concerned.

ARTICLES 28, 29 AND 30 UNCHANGED

Amendment No. 43

ARTICLE 31

amend paragraph 3 as follows:

3. The Commission shall take decisions which shall apply immediately. However, if these decision are not in accordance with the opinion of the Committee, this shall (1 word deleted) be notified in the report which the Commission must submit to the Council, Parliament, the regional authorities concerned and the Economic and Social Committee each year by 1 October pursuant to Article 36.

ARTICLE 31

3. The Commission shall take decisions which shall apply immediately. However, if these decisions are not in accordance with the opinion of the Committee, they shall forthwith be communicated by the Commission to the Council. In that event, the Commission shall defer application of the decisions taken by it for not more than two months from the date of such communication. The Council, acting by a qualified majority, may take a different decision within two months.

ARTICLES 32, 33, 34 and 35 UNCHANGED

Amendment No. 44

ARTICLE 36

amend paragraph 1 as follows:

1. Before 1 October each year, the Commission shall present to the Council, to the parliament, to the regional authorities concerned and to the Economic and Social Committee a report on the implementation of this Regulation during the preceding year.

ARTICLE 36

1. Before 1 October each year, the Commission shall present to the Council, to the Parliament and to the Economic and Social Committee a report on the implementation of this Regulation during the preceding year.

Amendment No. 45

ARTICLE 37

amend this Article as follows:

On a proposal from the Commission, the Council shall re-examine this Regulation within three years of its entry into force or earlier if necessary, i.e. as a result of the enlargement of the Community or of development in the economic situation.

ARTICLE 37

On a proposal from the Commission, the Council shall re-examine this Regulation within three years from 1 January 1982.

ARTICLE 38 UNCHANGED

## 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 (COM(81) 589 final)<sup>1</sup>,
  - having been consulted by the Council (Doc. 1-735/81),
  - having regard to the communication from the Commission to the Council on 'new regional policy guidelines and priorities' (COM(81) 152 final),
  - having regard to the motion for a resolution by Mr Travaglini and others on the creation of a regional development agency (Doc. 1-837/81),
  - having regard to the report of the Committee on Regional Policy and Regional Planning and the opinions of the Committee on Budgets and the Committee on Budgetary Control (Doc. 1-61/82),
  - recalling the report submitted by the Commission in application of the mandate conferred on it by the Council on 30 May 1980 (COM(81) 300 final),
  - whereas in the exercise of this mandate the Community must lay new foundations for the 'development of Community policies',
  - whereas the elaboration of a new regional policy is indispensable if this objective is to be pursued,
1. Welcomes the amendments proposed to the regulation governing the operation of the European Regional Development Fund, but insists on the need for the Fund's activities to be orientated towards a global policy for promoting balance and progress, to which a contribution must also be made by the other Community Funds, particularly the EAGGF, the Social Fund and, in conformity with Article 130 of the EEC Treaty, the European Investment Bank, as well as measures initiated by the mechanism for the mobilization of resources known as the 'New Community Instrument' (NCI);

<sup>1</sup> See OJ No. C 336, 23.12.1981

2. Believes that only with an annual financial endowment sufficient to cover these tasks will the Fund be able to contribute to the creation of a more just Community;
3. Stresses, however, that the problems of competition, particularly in the peripheral regions, cannot be solved by the resources of the Regional Fund and that regional policy can only be one aspect of a Community policy which seeks to promote convergence;
4. Requests that the development of the backward regions and the revival of those in decline be recognized by the Community as one of the main objectives of all the common policies and that steps be taken to coordinate the Community regional policy as a whole with these common policies and with the economic policies pursued by the Member States;
5. Insists that the regional aspect of the common policies should emerge clearly from the decisions contained in the Community general budget, which should bring out the regional impact of the various expenditure policies;
6. Calls on the Commission to promote coordination between the regional policy and the other common policies when it prepares the preliminary draft budget, while undertaking a comprehensive assessment of the total Community resources set aside for remedying backwardness and imbalances in the regions;
7. Suggests the following criteria and objectives for the regional policy to be pursued by the Community:
  - (i) the elimination of imbalances is dependent on the launching of a recovery programme based on improved output and a reactivation of demand in the markets of the weak areas, directed towards local production;
  - (ii) regional policy schemes must not be aimed simply at transferring resources, but must rather be concerned with productive investments, with limits being placed on aid for infrastructures;
  - (iii) these investments must be aimed at promoting and protecting employment through a strengthening of production capacity, particularly in the home regions of the workers concerned;

- (iv) it is necessary to ensure maximum 'participation' by the local and regional authorities and by the economic and social bodies with an interest in regional development;
- (v) the introduction of an adequate selective fiscal policy at regional level should be encouraged;
- (vi) suitable arrangements should be made for the transfer of technologies to assist the weak areas, through holding companies and a patents bank administered through EEC institutions, with a view to strengthening the local development potential of the regions; the creation of local technological research institutes should also be facilitated;
- (vii) regional development should be directed in particular towards the promotion of technologies for the production of alternative energy sources, the protection of the environment and the improvement of agriculture and fisheries via the promotion of efficient productive structures;
- (viii) in many structurally weak regions, it is essential to create alternative employment outside the agricultural sector to encourage efficient agriculture;
- (ix) more effective aid measures should be devised to assist agriculture in weak areas, the situation of which has been deteriorating, particularly as a result of the market policy pursued by the Community;
- (x) aid schemes under the Community's regional policy must be such as to supplement the national development programmes;
- (xi) with due regard for the provisions of the Treaty, and in particular Article 92 thereof, the Community must endeavour to ensure that national regional policies are not impeded in the case of Member States whose territory lies outside the areas eligible for assistance from the quota section;

8. Believes that the changes to the Fund proposed by the Commission represent a first step towards the elaboration of instruments capable of promoting a regional policy of this kind and declares itself particularly in favour of the following requirements:

- the need for a geographical concentration of aid and an increase in the financial resources of the non-quota section;
  - the need to proceed on the basis of programmes and programme contracts;
  - the need to coordinate the Regional Fund with the other Community Funds and instruments, with particular reference to the 'integrated operations' and the programme contracts;
9. Calls on the Commission to take account, in its assessment of the programmes submitted, of the extent to which they are likely to promote economic convergence between Member States;
10. Recommends that, before taking a decision on the Fund's participation in the implementation of the programme, the Commission should hold full and public consultations with the regional or local authorities, as well as with the economic and social bodies concerned;
11. Requests that the Commission's proposals be supplemented, with particular reference to:
- the need for the Fund's activities to be flexibly differentiated within the confines of the areas eligible for aid, taking account of the differences in the severity of intra-regional imbalances;
  - the possibility of providing the Fund with practical powers that would enable it to perform the functions of a rotating fund for the purpose of granting loans and those of a development agency for the purpose of encouraging the local development potential of the regions;
  - the need for the Regional Fund, in its role as a development agency, in particular to make use of the experience gained by national regional development agencies and also to disseminate this to the structurally weak regions;
  - the need for improved coordination of the various Funds and Community aid instruments;
  - the need to monitor the implementation of the projects and, where necessary, to block all financing if a project is not being implemented in accordance with the specified conditions;
  - the need for greater attention to be paid to frontier regions in the Community both at internal frontiers between Member States and the particularly disadvantaged regions at the external frontiers of the Community;

12. Expects the Commission to consult Parliament before preparing the detailed information referred to in Article 8(4) of the proposal for a regulation;
13. Calls on the Commission to amend its text in Chapter 3 of Title III relating to commitments, advances and payments in such a way that it is not the availability of budget resources which determines the flow of funds, and to agree with Parliament procedures for granting advances which are consistent with Parliament's budgetary responsibilities;
14. Hopes that the Commission, as well as rapidly implementing the new rules, will also consider the ideas being put forward in various quarters, including Parliament, for more radical changes to the Fund which, while maintaining it intact, seek to make it an increasingly effective instrument of an integrated and coordinated development policy;
15. Requests the Commission, with a view to re-examining the matter at a later date, to consider the possibility of drawing up, for the areas assisted by the Fund, an Integrated Development Plan to provide a frame of reference for the formulation of individual regional and national development plans, and of setting up a European Development Agency employing technical personnel capable of making an active contribution to the implementation of the policies aimed at restoring regional balance;
16. Invites the Commission to adopt these general reforming guidelines and to accept, in accordance with the second paragraph of Article 149 of the EEC Treaty, the changes contained in the amendments to the proposal for a regulation preceding this resolution, bearing in mind that the European Parliament could invoke the provisions of Rule 36 of its Rules of Procedure;
17. Requests the Council to apply the conciliation procedure laid down by the agreement between the three institutions of 4 March 1975 and points out that, should the Council propose to depart from the opinion adopted by Parliament, the application of this procedure becomes mandatory pursuant to paragraph 4 of the agreement.

B.

EXPLANATORY STATEMENT

The rapporteur accepts sole political responsibility for any part of this explanatory statement that is not consistent with the guidelines on which the amendments to the proposal for a regulation and the motion for a resolution are based.

(1) REGIONAL POLICY CONSTRAINTS IN THE 1970s AND THE CHALLENGE  
OF THE 1980s



(A) Current trends in the European economy: imbalances and the present crisis

1. The first report on the social and economic situation of the regions criticizes the widening disparities in production and employment between the regions of Europe during the ten years from 1970 to 1980. The number of regions with a much lower level of development than the Community average is rapidly increasing, while there is no significant trend towards the transformation of less favoured regions into developed or developing regions.

The report confirms the tendency towards the strengthening of economic mechanisms which create imbalances in development growth and the dominant role which these mechanisms play in policies designed to restore balance between the Community's regions.

2. The serious recession in the Member States has increased the geographical extent of the problems of inadequate development to such a degree that selective intervention of a regional nature is impossible unless demand is given a boost in order to create the conditions needed for a resumption of growth in the European economy.

It would be unfortunate if the present recession were to lead the national governments to continue to attribute secondary importance to the aims of restoring balance in the Community in the 1980s. Indeed the disparities, because of the differing capacities of regional economies to adapt and respond in times of crisis, would approach limits which might undermine the whole effectiveness of the Treaty of Rome.

3. The phenomenon of high levels of prolonged unemployment, which has spread to all the Member States and is even to be found in the strong regions, is evidence of a global crisis, in the midst of which the regional policy has lost importance both in terms of political priorities and in terms of the allocation of economic resources.

All the Member states have promoted a strategy for restructuring and converting production in various industrial sectors. Apart from competing with those aimed strictly at regional development, the measures deployed in pursuit of this strategy have created yet another obstacle to the transfer of jobs to the weakest regions.

4. During the zero-growth period from 1974 to 1980, there was an increase in substitution investment, which makes for rationalization and productivity gains, but an aggregate fall in the rate of investment in relation to the national product.

This substitution investment is almost entirely concentrated in the central areas, with the result that the amount of investment available to the peripheral regions has been severely curtailed.

5. At the same time, the high level of integration between the Member States tends to discourage recovery schemes restricted to the weak regions in order to avoid balance-of-payments strains and upsets.

In this connection, it is the Member States with the strongest industrial structures that are responsible for the worsening imbalances, since they are in a position to strengthen their own competitive position on the external markets by taking advantage of a restrictive approach which favours supply-side at the expense of demand-side policy.

The main reason for their superiority in this respect is that they can wait for recovery in the regions most gravely affected by problems of unemployment and inadequate development, themselves taking such problems more readily in their stride. The countries which have reflatated and find themselves in balance-of-payments difficulties as a result of the necessary adjustment mechanisms, pay the price of restoring balance through a deflationary process which simply puts them back to square one.

Disparities in regional development thus act as a depressive factor in countries which have a large number of regions that are underdeveloped or in decline. This makes them one of the most important causes of instability in relations between the Member States of the Community.

6. Over the next few years, unless recovery measures are coordinated between the Member States and directed primarily towards investment in the weak regions, the Community is liable to be faced simultaneously with a rise in inflation and a widening of regional disparities, or even the erection of protectionist barriers.

The 'traditional' type of recovery, if it were not coordinated between the Member States and hence straining the exchequers of the weakest countries, could well, as in the past, bring immediate and strong pressure to bear on the exchange parities. This would happen even before the positive effects were felt by the weakest regions.

Then again, the countries which reflatated on their own in order to secure the maximum advantage would be tempted to protect the domestic markets as a whole and not just those of the weak regions, with a view to absorbing through domestic production the greater amount of money available.

In order to avoid these effects, the recovery must be coordinated and directly channelled into new investments in the markets that are weakest and in decline, spreading outwards towards other economic and geographic regions. Consequently, the role and responsibility of the Community and the regional policies are extremely far-reaching.

7. The necessary resources could be found within the EMS and used to finance a large-scale plan of investment in the Mediterranean regions and in the regions in decline.

The strong regions and the most prosperous Member States, far from remaining net contributors to this higher spending policy and being excluded from the benefits into the bargain, would absorb the demand for investment and intermediate goods. In this connection, protective measures could be taken against industrialized countries outside the EEC which sought to take advantage of the Community recovery policy without making any contribution to it.

8. If the problem is approached in this way and not, shortsightedly, in terms of immediate financial returns from the higher spending policy, it seems obvious that there would be a reciprocal advantage for the weak regions and the strong regions, which might lead to a more equitable form of integration and complementarity between their markets.

The spending policy proposed should be directed towards reviving the productive potential of the weak regions and the local markets in which there is a sizeable gap between potential resources and utilized resources. In this way, there would be a less direct impact in strong regions and sectors in which there is little room for expansion but which are in a strong enough market position to absorb the extra money created, leading to a potentially inflationary situation.

If such a policy succeeds, it will be possible both to contain the negative effects on prices and to restore the productive potential of the smaller and peripheral markets. In the medium term, these markets could expand without the need for other kinds of incentives or transfers. If it were not possible to achieve this latter objective, every investment incentive would be transmuted into a form of incomes and consumption aid for these regions, implemented by an expensive and inappropriate instrument which would merely confirm their state of dependence.

(B) Causes of the regional disparities - strong markets and weak markets

9. It is easier to identify the economic origins of and the relationship between these disparities if we substitute for the concept of a geographically delimited area or region that of the type of market it represents from the point of view of both production and outlets, taking into account what types of businesses are present and in what numbers. The strength or weakness of a region is determined by the economic operators located there and by the functional links that are established between them and the region. This analysis of the situation is particularly useful for identifying the 'economic' causes of the disparities and the reasons why they are worsening and, consequently, for selecting the best economic policy for dealing with them.

10. The strong regions in a market economy such as we have in Europe, which is heavily dependent on trade and therefore characterized by various forms of concentration and by a steady growth in exports or imports, usually favour operators on the economically stronger and more dynamic markets. These tend to be undertakings that operate on a multi-regional and multinational scale in oligopolistic and monopolistic markets in industry, commerce and banking and in the primary sector. They are able to erect technological and/or market barriers to keep out new operators and to use the strength of their position to expel the weakest operators from the market and to reduce their capacity for expansion.

Around this structure of economic operators exerting a powerful influence on the market there has developed a network of smaller undertakings operating on rich 'local' markets and a multi-faceted tertiary sector closely linked to the sectors they serve. In many cases, the strong operators use these 'services' to extend and consolidate their production activities.

11. On the other hand, the areas in which operators are able to function at local or, at most, regional level, restricted to very small market shares and sectors, are growing weak. Their ability to develop production is impeded by obstacles to market access and by all the various forms of unfair competition and restrictive practices which create inequalities between different markets and, hence, between different regions.

In the absence of parallel restrictions to defend local undertakings on the markets of the weak regions, an increasingly large share of the available domestic resources, generated in the region itself or transferred from outside, is absorbed by external undertakings. In this way, the weak regions become export markets for the 'strong' producers and the weakness of a region is almost always accompanied by a dependence on external suppliers.

12. Some producers in the weak regions are able to resist this situation because they are to some extent 'protected' by special links with the local market or by barriers created by transport costs. At times they are also able to survive because of the benefits to the local economy of the incentives and other forms of support and assistance provided. For example, they are able to retain small shares of the primary local market, even while this is being taken over by multi-regional and multinational undertakings.

13. These strengths or weaknesses of operators located on particular markets may divide sectors vertically between those that are dynamic and those that are contracting; or horizontally, both between marginal undertakings and dynamic undertakings in the same sector and between more or less remunerative stages within the cycle of production. The relative strength or weakness of the position of undertakings on the market is accentuated by a cumulative process of concentration and expansion on the

one hand, and of contraction and exodus on the other. This process has been a salient feature of European and world economic integration over the past twenty years.

Strengths or weaknesses are reflected above all in the terms of trade between the various markets. Within one and the same market, they constitute between the various producers and products the dynamic element of the process which generates growth on the one hand and a parallel contraction on the other.

14. This system of economic relations between different markets and operators of varying strength, when territorially circumscribed, acquires a geographical dimension and confers the same degree of production and marketing strength or weakness on the regions, on the urban and rural areas within them and on the areas closest to or most distant from the largest markets.

The main reason for the exacerbation of regional disparities in an economic system whose growth is based on market integration has been the pronounced bias in the process of localization and the progressive strengthening of that bias. In these circumstances, it also becomes possible to identify the reasons for the uneven impact the crisis has had on the different markets and to understand the resulting widening of the disparities between weak and strong regions over the past decade.

15. In times of crisis, the weak markets shrink disproportionately. In other words, they act as 'factors of absorption' in the various stages of the cycle. The strong operators succeed in shifting the effects of the crisis onto the weakest operators.

In times of recession, expenditure is primarily channelled into restructuring and rationalization projects carried out by the most dynamic operators in the sectors with the highest output. In this way, they strengthen their capacity for attracting and absorbing resources from the weakest markets, which are consequently weakened still further. In times of expansion, it is the same operators who absorb most of the extra money available which remains within the economically stronger markets and only through the spillover effect finds its way down - and even then only to a limited extent - to the local markets with their restricted production range.

16. The theories which explain regional disparities in terms of 'comparative advantages' (manpower, raw materials, economic and social environment) often reflect a static image of economic development and at times confuse the causes and effects of underdevelopment.

17. Shortage of manpower is not an essential factor in growth, given that it can be attracted by the weakest local labour markets. As for the availability of capital, this is transferred from the weaker markets to the stronger markets because of the higher yield on investments in those markets. Now that the technological, organizational and transport

constraints of the production process have almost completely been eliminated, the availability of raw materials is certainly not, in the experience of the leading capitalist countries, from Japan to the FRG, a factor of special importance for growth.

The 'comparative advantages' produced by the organization and technological factors in the production process which tie the location of plant to a specific area have been superseded by the flexibility achieved by the technologies and production organization mechanisms in nearly all the relevant processes.

The so-called comparative advantages of the social and economic environment in the broad sense (infrastructures, culture, managerial expertise, etc.) reflect a distorted idea of economic growth, bereft of historical continuity. If the development of a region is a spontaneous process and in tune with the region's expectations and capacities, a backward 'social environment' does not constitute a constraint.

'Backwardness' is rather a consequence of the economic and cultural isolation of a region, which increases its weakness or, worse, its dependence on the transfer of resources. When emigration deprives a community of its strongest and most resourceful members and it is divested of the necessary economic means for local production, then the 'social environment' created by this process obviously becomes incompatible with development and inimical to change.

18. Isolation of the productive circuits produces a parallel isolation of the processes of economic development and technological modernization, which depend on production. 'Backwardness' in terms of lack of information and knowledge tends to grow worse in direct proportion to the economic neglect suffered by a particular region and thus obviously becomes a constraint, which in some regions may involve a severance from the productive culture of the dominant regions.

When these theories argue that the 'comparative advantages' of a region and its progress compared to other regions are attributable to the market integrity and strength of a productive system, we are once more confronted by a tautology which does nothing to 'explain' the prevailing disparities.

19. Many explanations of the regional disparities are based on the concept of the 'integrated productive system'. By this is meant a productive structure with an extensive range of complementary forms of production which allows large economies of scale and economies of location. To our mind, however, this is not so much the initial cause of the existence of disparities as a consequence of the process of localization. Such integrated structures arise spontaneously within the strong markets, as an offshoot of the production organization process and, in particular, under pressure from the diversification and decentralization processes introduced by the strongest operators.

Your rapporteur also finds unsatisfactory the explanations of the causes of the disparities contained in the Commission's report on the social and economic situation in the regions, which identifies differences in productivity as the main cause. In fact, however, these differences are a result, or a symptom, of the disparities rather than one of their causes. Furthermore, the idea that the productivity of a regional production system should be expressed in terms of 'company efficiency' (output per employee) is in itself superficial and insufficient, even in descriptive terms, to evaluate its competitive capacities. When used to explain the widening discrepancies in income such an approach causes us to lose sight of the preponderance in the regions affected of market mechanisms which work against the normal rules of 'competition'. It seeks, finally, to impose its own view of the principles and logic of market competition in a bid to explain mechanisms and phenomena to which in fact it has no relevance.

20. In order to identify and classify systematically the various causes that contribute to the emergence and development of regional disparities, we might usefully draw a distinction between local factors, i.e. those inherent in the economic system, and external factors, i.e. those deriving from Community, national and regional economic policies. The first of these include a number of established mechanisms in the economic system which might have an increasingly significant impact on economic development and on the unevenness of economic development as between the various markets.

These, then, are important mechanisms within the economic system, whose negative impact must be corrected at once rather than retroactively by means of compensatory spending policies which, if they were to be able to cope with the destabilizing effects of such mechanisms, would have to redistribute resources on such a large scale that they would be seen to be neither realistic nor appropriate.

The uselessness of compensatory spending policies is ascribable to the fact that, when the expenditure is effected through the traditional channels, it is absorbed and distributed by those very market mechanisms which reproduce the effects of distortion. The activation of spending capacities in the local markets alone cannot have a significant impact on the local mechanisms, which produce imbalances, because these mechanisms do not operate within a closed system and their 'expansion' is to a large extent absorbed by the stronger markets (imports from abroad and from the strong regions of the same country).

#### (C) Local factors

##### (a) Demography

21. The first of the local factors that has had an appreciable effect on regional productivity and employment trends is the demographic factor.

Whereas in the 1950s and 1960s (particularly in areas characterized by agricultural underdevelopment), emigration largely got rid of surplus labour in the agricultural sector which was thus able to increase productivity, during the last decade this trend was less apparent. Indeed, in some cases it was reversed, with excessive demographic pressures being brought to bear on the labour force in the weak regions. The labour markets of these regions have provided reserves of manpower; migration between the peripheral and central areas has been geared to the labour demands of the centre and not to the availability of jobs in the peripheral areas.

22. The other demographic factor of importance for the weak regions is the rate of growth of the population and the labour force. In absolute terms, this rate remains considerably higher than in the stronger regions. This problem, which already existed in the last decade, can be expected to become even more disturbing in the 1980s. In certain regions the situation it has created may already be regarded as potentially explosive. From 1975 the effects of the baby boom of the 1950s began to be felt on the labour markets of almost all the European countries, producing a very high net increase in the number of people of working age.

Given the present recession in Europe, this national average increase has already in itself posed, and will continue to pose, very serious problems because of the shortage of jobs in the 1970s and the prospects of a continuing shortage in the 1980s.

23. If these problems are considered carefully in terms of their regional distribution, it emerges that, apart from a widespread net increase in all the areas, the increase in most of the weak regions is more than double that of the strong regions. When this stark fact is considered in conjunction with the prevailing state of regional unemployment and with the general slump in the European economy, the scale of the problem becomes alarmingly clear. In this situation, it is essential for the regional policy to give priority in the 1980s to the need for an employment policy directed primarily towards the weak regions.

(b) Integration and concentration

24. (i) Increased economic integration between the Member States has improved the ability of export undertakings, which are already completely localized in the strong regions, to penetrate the markets of local agricultural and manufacturing undertakings in the weak regions.

(ii) The levelling upwards of the market shares of multinational groups, in both the industrial and the commercial sectors, as a result of European integration, has made for greater concentration and higher oligopolistic barriers. It has caused the disappearance of many local manufacturing units and prevented the emergence of new ones in sectors where there was in the past a large number of local undertakings.



Statistical data on the situation in many Member States testify to these serious developments. They reveal a steady and sustained move towards greater concentration in a large majority of industries, as well as in the commercial and banking sectors. The absence of regular and up-to-date information at Community level is, however, to be regretted. On the subject of concentration, it would be particularly useful if, in addition to the information on market shares and employment, data on the geographical aspects of the phenomenon were also made available.

(c) Financial markets and the monetary system

25. Together with the bodies entrusted with the management of the international monetary system and the regulation of the European monetary system, the financial markets must bear much of the blame, within the European and world economy, for exacerbating regional imbalances. On the national financial markets, for example, the resources saved in the weak regions, instead of being reinvested there, have generally been used to finance investments on the strong markets which, by definition are a lower-risk proposition for the finance companies.

Today, increased pressure on interest rates has further accelerated, at both international and national level, this flow of resources towards the safer markets. The effect has been to discourage investment both in the weak regions and in those Community countries which have a comparatively larger share of such regions.

26. Where there are balance-of-payments difficulties, the rules governing the processes for restoring equilibrium between countries in deficit and countries in surplus usually call for a non-selective reduction in spending by the deficit countries. This tends to have uneven effects, especially as regards the distribution of investments between weak markets and strong markets, for which there is an overriding preference. Thus, both the financial markets and the monetary mechanisms do nothing to prevent the various recessions, whether created by external imbalances or by domestic factors, from acting to the detriment of the weak markets.

The introduction of the European monetary system, which ought to have been able to correct some of these adjustment mechanisms for the benefit of the countries with a proportionately larger share of geographical imbalances and a structurally weak balance of payments, has failed to make any significant changes. On the contrary, it has seemed set on closing the door to devaluation as a means of balancing the external account, in preference to imposing a non-selective squeeze on spending in the deficit areas.

27. The cumulative effect of this systematic penalization of countries and regions in the name of short-term economic adjustment has been to make the disparities wider and to strengthen their structural nature. All this reinforces the view that the machinery of compensation has been only partly

and unevenly effective in achieving the objective of homogeneous development throughout the Community. On the one hand, a system of interregional and international exchanges between markets at different stages of development has been introduced without any arrangements to protect trade and financial flows. On the other hand, where it would have been necessary to allow the transfer of technologies and specialized manufacturing, free entry of new undertakings and hence a strengthening of local markets, thus putting the system of exchanges on a basis of equality, nothing has been done.

(D) External factors

28. In addition to these local factors in the economic system, some of which have been institutionalized in theory or in practice by the bodies which regulate the European economy, account must also be taken of a variety of external factors, which are the outcome of firmly adopted policies or of the unwanted or unexpected effects of such policies which nonetheless increase the scale and the gravity of the regional disparities.

(a) National economic policies

29. A brief review of some of the principal measures taken by the Member States over the past decade will show how they conflict with regional objectives.

- (i) The steady contraction of local and peripheral markets compared to the national and, above all, international markets, has been exacerbated by falling domestic demand and increased foreign demand, particularly in the countries with a preponderance of weak areas.
- (ii) The whole range of Community and national sectoral policies and the trade agreements with third countries have neither encouraged the transfer of plant to the peripheral regions, nor have they been able to raise output in regions in decline for the following reasons:
  - the Member States have not adhered to the principle of incentive selectivity based on regional priorities, with the result that many regions neither defined nor definable as weak regions on the basis of the Community's criteria, have received incentives;
  - the 'compensatory' effect of incentives in the weak regions has been nullified by the concessions of various kinds granted everywhere in the Community;

- the process of restructuring and conversion in crisis-hit sectors has not been linked to the transfer of undertakings to the weak regions;
- the various supply-side oriented policies to help expanding sectors such as electronics, the components sector, precision engineering, the energy sector, etc., although widely introduced at national and Community level, make no provision to give express preference to weak regions of the Community in the matter of siting;
- 'traditional' regional policies which seek to control the availability and cost of initial capital investment have not proved capable of guaranteeing that the recipient undertakings remain buoyant and consolidate their market position.

(b) Community economic policies

30. Community policies have not given sufficient impetus to specific local capabilities and potential from the point of view of product type and quality and the system of production; on the contrary, the proliferation of rules, regulations and policies imposing product standardization in the animal-rearing and agricultural sectors, which act as a barrier, keeping out operators from peripheral regions and placing them in a completely inferior position, can only be regretted.

(i) The common agricultural policy

31. The agricultural sector undoubtedly has an important bearing on the problem of regional disparities. Agricultural underdevelopment, especially in the Mediterranean areas, is the most serious and widespread symptom of a structural imbalance affecting incomes, production and living conditions within the EEC. It affects about 20% of the total agricultural labour force in the Mezzogiorno alone and, with the inclusion of Greece, more than 28%, representing a total gross product equivalent to approximately 17% of all Community agricultural production in 1975. In both absolute and percentage terms, this problem will assume far greater proportions when the Community is further enlarged to include Spain and Portugal.

Quite clearly, the scale of the problem is such that a solution aimed solely at restructuring the agricultural sector is out of the question. It will be necessary everywhere to transfer labour from agriculture to other sectors located in the same region. Given the state of underdevelopment of the regions concerned, the policies so far implemented have not been able to resolve this problem, and it continues to be just as intractable in the 1980s.

32. The situation is aggravated by the urgent need to restore some sort of balance in terms of employment and income at local level for two reasons: the difficulties involved in emigrating and, more importantly, the very serious social upheaval and geological disturbances which have led to an indiscriminate abandonment of the agricultural areas and an equally indiscriminate move to urban centres by the people concerned. Consequently, deployment of the appropriate agricultural policy instruments and regional policy instruments presupposes - in this particular instance at least - the closest possible coordination, from the budget planning stage right through to the implementation of specific measures.

At all events, an inadequate agricultural policy could well jeopardize the entire outcome of the efforts made to restore equilibrium and the costs of maintaining such a policy far exceed the amount of the resources spent or saved within the Community's agricultural budget.

33. The impact of the CAP on measures to restore regional balance has unquestionably been negative. The system of compensatory amounts systematically favours continental farming and the larger and more powerfully organized undertakings on the market. In 1976 and 1977 the regions of the Mezzogiorno received only about 11% of the funds disbursed by the Guarantee Section of the EAGGF. The marketing and price guarantees have worked to the advantage of the typically continental products, while the production regulations and standards have been used - or, as so often happens, abused - to erect a barrier to keep out small producers and, more importantly, to discourage the cultivation of continental products in the agriculturally underdeveloped regions of the Mediterranean. From 1964 to 1977 discrepancies in regional farm incomes increased at Community level and, more recently, from 1970 to 1977, within some Member States as well.

Because continental products are preferred to Mediterranean products, the degree of specialization and the opportunity to expand the range of marketable products in the Mediterranean regions have diminished appreciably. On the subject of specialization, it appears that a greater proportion (56.6%) of the principal Mediterranean products consumed in Europe come from third countries, while internal supply accounts for most of the continental products consumed (58.2%), notwithstanding the existence of surplus Mediterranean products.

Finally, even in agriculture a de facto preference has emerged for the stronger production markets within the Community.

#### (ii) Enlargement of the Community

34. The foregoing assessment of the 'dynamic mechanisms' of imbalance, and, above all, the assessment of the unfair trading conditions created by the processes of integration of regions controlled by operators with varying capacities to influence the markets, if applied to the enlarged

Community, would point to a worsening of the situation for two equally important reasons.

Even disregarding the fact that Spain and Portugal are faced with more acute unemployment and demographic problems than the Community, it has to be pointed out that the two-tier market situation is already firmly established in both countries.

35. Even though the process of integration into the EEC was begun some time ago, there can be no doubt that the removal of each remaining barrier could seriously disrupt the structure of dominant local undertakings in the two countries concerned, while undertakings enjoying a dominant position on the markets are probably already taking full advantage of the benefits deriving from integration. The net effect, in the absence of policies capable of promoting productive zones with less control of the markets, will probably be to widen the disparities.

36. For the Community's weak regions, particularly the Mediterranean regions, integration with other weak regions specializing in the same forms of production will result in increased competition on the few markets remaining open to them. On the other hand, enlargement will make it easier for the stronger operators to penetrate markets and increase their competitiveness, the effects of which will be felt primarily by the markets of the weak regions.

The more the new regions with areas of specialization similar to those of the weak regions are net importers of agricultural and industrial products typical of the strong regions, the more keenly will these effects be felt.

It is these 'dynamic' effects rather than the 'static' impact of the larger per capita disparities introduced into the European economy by enlargement that make the prospects so alarmingly bleak, in the absence of adequate corrective mechanisms. Your rapporteur wishes here to place the strongest emphasis on the need for such mechanisms, which are crucial for any reform of the regional policy. The enlarged Community will be a new Community. It will therefore be essential to create new policies, adapted to the new situation. Among these, particular importance will attach to the new regional policy, the formulation of which should coincide with the reform of the Fund.

#### (E) Conclusions

37. Over the last decade, the practical instruments at the disposal of economic policy, both for effecting expenditure and for coordinating the relevant national policies to ensure respect for regional priorities, have shown themselves to be totally unfit to cope with the sheer size of the problem of regional disparities and with the effects of the mechanisms that created them.

The fact that it is difficult to make a start on the reform of the European regional policy arises from the paradoxical situation in which it finds itself. While the formidable task of correcting both regional and national imbalances is chiefly its responsibility, hitherto it has been denied both the powers necessary to give an effective boost to an appropriate strategy for developing the weak regions and the means of influencing decisions on the expenditure of a manifestly 'inadequate' budget.

38. In these circumstances, the ERDF has up to now been powerless to do more than ensure a minimal redistribution of Community resources to assist those countries with the largest share of backward regions. In quantitative terms, the Fund has not even been able to correct the imbalances created by the regional distribution of the resources granted by the EAGGF Guarantee Section in application of the CAP, not to mention the financial burden placed on it by the ever increasing backwardness of the agriculturally underdeveloped regions.

There can be no disguising the danger that if the reform is confined to the management of a tiny Fund and fails to bring about a complete change in economic strategy, under which the regional distribution of the resources of production is kept under constant control, it will simply be a ploy to conceal the absence of any plausible political and economic strategy capable of dealing with the problems, for which both the Community's executive organs and the Member States' governments will be to blame.

Thus, in considering the question of the reform of the regional policy, in the context of which the ERDF must be set in proper perspective, it is necessary to bring out the fundamental incongruity of the present situation.

39. The policies for restoring balance have a 'lower threshold of efficiency' which, with the approaching enlargement of the Community and the progressive decline of certain North European markets, compels us to strengthen the economy of the Mediterranean area and to reinforce the peripheral markets of Ireland and the United Kingdom. This 'lower threshold' also compels us to embark on a radical and comprehensive reform of the economic policies hitherto implemented at Community level.

This comprehensive reform of the Community's economic policy must be undertaken not merely with the aim of influencing the amount of the resources earmarked for measures to restore balance, but also, and above all, with a view to changing the nature and quality of the mechanisms designed to achieve integration between regions and countries.

On the basis of such an approach, a change in the economic relationship between the central and peripheral regions of Europe will contribute positively to the process of economic transformation made necessary by the most serious challenge to Europe: the development of relations between North and South, between the rich countries and the poor countries.

(II) POINTERS AND AIMS FOR COMMUNITY REGIONAL POLICY

(A) A regional policy to counter the impact of the crisis in the peripheral regions

40. The regional policy guidelines aim to reduce regional disparities and to counter the impact of the crisis by strengthening the structures of the weak regions and not through compensatory transfers of revenue. The weak regions - the underdeveloped agricultural regions and the regions in decline - must be in a position to develop production for their weak regional markets by protecting them from imports from strong oligopolistic markets. At the same time, they should increase their exports to developed centres. Productive investments, profitable and capable of creating jobs, are thus what is needed in the peripheral regions.

41. A region or a group of regions helped and protected by appropriate administrative and fiscal measures, ought to be able to develop dynamic industrial, agricultural and tertiary sectors, including not just those branches where output and exports can be increased, but also large, medium-sized and small undertakings. A dynamic regional sector will thus comprise a whole range of undertakings, including small and medium-sized undertakings which also have a role to play because they are required to deliver goods and services to the large undertakings. These large undertakings will pass on their innovations to the small and medium-sized undertakings, a process that will necessitate the establishment of a specific organizational framework. The small and medium-sized undertakings in a dynamic regional sector of this kind are likely to create relatively more employment than large undertakings. Moreover, such a sector will produce spin-off effects, especially the multiplier effects of employment and revenues. Given these circumstances, it will be possible to exploit the local potential of the peripheral regions.

42. The fact that migration between regions (which has been an important factor in reducing disparities) has slowed down and even come to a complete halt and that during the 1980s there will be a very large number of young people looking for their first job in most of the disadvantaged regions, makes employment the priority aim of regional policy.

Even if there is almost unanimity on employment policy at the regional policy level, the same cannot be said of the national economic policies of the Community Member States. Giving priority to employment will not have a significant impact unless the regional policy is accompanied by coordinated national employment policies. The preconditions for an effective employment policy do not as yet exist at national level in all the Member States. The resources available under regional policies at national and Community level are insufficient to make up for the lack of coordinated national employment policies.



43. Increased productivity in the weak regions is considered an important regional policy aim. Appropriate technologies should be provided, especially for small and medium-sized undertakings, in order to stimulate the local development potential of the regions. It should be pointed out, however, that the deceleration in growth in all the Community Member States, which has also affected the weak regions, increases the risk of a conflict between the two fundamental aims of higher employment and greater productivity. It is quite possible and probable that when output is rising more slowly, productivity gains exceed the growth of production, resulting in higher unemployment.

It would therefore be desirable, from the point of view of the employment policy to be pursued in the weak regions, to ensure that measures to increase productivity are accompanied by measures to increase output.

44. In order to promote a policy of increased productivity without decreasing employment, there would also have to be a reflationary policy. As in the case of employment policy, this reflationary policy would have to be regionalized and therefore based on regional programmes, which calls for a high degree of coordination. Such a regionalized reflationary policy would also benefit the strong regions, which would receive a share of the orders placed by the weak regions. It would be useful to have more statistical data available on the effects of such a policy.

In order to ensure the maximum development effects in the weak regions, it is nevertheless essential to increase regional involvement in the formulation and implementation of projects. This would guarantee a higher level of employment and increased revenue for the peripheral regions and a reduction of imports from the central regions. A reflationary policy geared to the needs of the peripheral regions is certainly, at least to some extent, a demand-oriented policy. In fact, however, reflation would be achieved primarily by means of investments in the peripheral regions, which obviously means that the policy would also be supply-oriented.

45. An effective regional policy would have to have the support of the communities involved. The outmoded social hierarchies which continue to exist in many weak regions might to some extent impede the changes needed at regional level, especially where change was liable to erode their privileges. If obstacles are to be avoided, especially in agriculturally underdeveloped regions, the mobilization in rural areas of public support for the regional policy would seem necessary, if not indispensable. This would have to be achieved not only via the organs of representative democracy, but also through direct consultations with the representatives of workers, farmers, employers, socio-professional groups and pressure groups. Public hearings could be organized as a suitable forum in which the people concerned could voice their opinions.

(B) Administrative measures

46. The desire to solve the problem of restoring balance between the Community's regions by revenue transfers is neither realistic nor desirable, because this method creates economic and political obligations which conflict with the Community's aims. Rather, there should be a transfer of production and employment to the weaker regions. To this end, three types of measures might be envisaged:

- administrative measures,
- fiscal measures, and
- financial aid (especially from the Fund).

These three types of measures should be incorporated in a clear and comprehensible manner in the respective regional programmes. It should be possible to evaluate their impact in all cases of Fund intervention.

47. In the case of administrative measures, the responsible Community institutions, in agreement with the appropriate authorities in the Member States, should negotiate with transnational firms with a view to channelling their investments in accordance with regional programmes and priorities.

Administrative measures should be taken to induce public and semi-public undertakings to plan their investment on the basis of regional programmes and priorities. In addition, the public and semi-public undertakings of the central regions should be persuaded to channel part of their investments into the weak regions.

(C) Fiscal measures

48. The weak regions need a measure of protection for their weak markets. This should be similar to the kind of protection afforded by countries which devalue their currencies. The effect of devaluation is to make exports cheaper on the foreign markets and imports dearer on the domestic markets, thus attracting foreign investment. A somewhat similar situation could be created by an appropriate fiscal policy. For example, the introduction of different rates of value added tax could reduce the price of goods produced by the weak regions.

Similarly, reductions in income tax could boost internal and external investments in these regions.

49. The transfer of capital and therefore of advanced technology and skilled labour to the weak regions could be encouraged by suitable fiscal measures. A regionalized fiscal policy is possible through suitable adjustments to direct and indirect taxation regulations. For instance, capital investment could be attracted to the weak regions by the introduction of graduated relief on income tax payments. This measure would be additional to the many forms of regional and municipal aid which are granted to attract investors, but which also exist in the relatively prosperous regions. With a view to securing greater advantages, the oligopolistic undertakings often make the regional and municipal institutions compete against each other. This practice ought to be prevented by a coordinated regionalization of fiscal policy.

50. Skilled labour should be encouraged to remain or to settle in the weak regions by partially exempting the workers concerned from income tax and taxation on salaries. Such a measure might also boost training programmes for workers in the peripheral regions, provided that it contains the requisite technical provisions.

51. Value added tax could be regionalized by introducing different rates to assist products exported by the weak regions. The latter would thus find themselves in a relatively protected position comparable to that of a country which devalues its currency with a view to increasing its exports.

However, major technical problems still have to be resolved before a policy based on different rates of value added tax could be perfected.

(D) Financial measures

52. The restoration of balance between the regions of Europe calls for a massive redistribution of resources. The efforts made in the 1960s to bring about a narrowing of regional disparities were far from successful because of insufficient resources. The widening of these disparities during the crisis of the 1970s continues and will doubtless continue throughout the 1980s unless fundamental changes are made to the regional policy. Hence the need for a very substantial increase in the financial resources available and for a reappraisal of the financial measures taken.

53. Since the priority aim is to combat unemployment, productive investments which are profitable and able to create jobs are essential in the peripheral regions. Such investments could be financed from credits bearing low rates of interest and with appropriate interest rebates.

The many aids and subsidies which are all too frequently granted on a non-returnable basis should, at least in part, be converted into refundable credits. Such a change would call for a number of institutional reforms.

There are, however, a number of infrastructure projects and feasibility and market studies which could partially and usefully be financed on a non-repayable basis. Steps would have to be taken to ensure that they clearly contributed to the effectiveness of the investment to which, moreover, they would have to be directly related.

54. Small and medium-sized undertakings in the peripheral regions have serious difficulties in financing their productive investments. To enable them to expand their activities and create jobs, it is essential that they be granted investment credits. One effective means of providing the necessary finance would be to grant credit lines to local banks, which in turn would grant investment credits to the small and medium-sized undertakings. In effect, the local banks would be managing a 'revolving fund', since they would be in a position to grant new credits from the staggered repayments of earlier credits.

55. Within the framework of the regional programmes, joint ventures might be organized between private investment companies established locally and others situated in the central regions. Such joint ventures might be regarded as a special instrument for the transfer of technologies. They could be organized in such a way as to apply to public investment concerns as well or to combine investment resources from both the public and the private sectors.

56. Joint ventures between investment companies in the central regions and peripheral regions could also be organized by 'holding companies'. A holding company could acquire shares in a regional firm, supply it with additional capital and subsequently re-sell the shares to private firms. In such cases, supplementary measures should be taken by the holding company to facilitate the transfer of technologies.

(III) POINTERS AND AIMS FOR THE NEW  
FUND REGULATION

(A) A possible role for the ERDF during the crisis

57. On the evidence of the situation obtaining in the regions and in the peripheral regions in particular, the reassessment of the regional policy prompted by the crisis is certainly overdue. In terms of volume, the impact of the ERDF during the crisis period has been negligible, and it seems unlikely that this situation will change in the near future.

The resources allocated to the ERDF have certainly been substantially increased at current prices in recent years. Against this, inflation has much reduced the financing capacities of the Fund at constant prices: hence the need for a considerable increase in its overall endowment. The ERDF must be able to play its part in a policy capable of checking the crisis and eliminating regional disparities.

58. Like the other instruments associated with the regional policy, the Fund has tended to attach most importance to infrastructures. However, in the face of the present crisis, this policy should shift the emphasis towards productive investments which are profitable and capable of creating jobs. Infrastructure projects have to some extent 'moved ahead' of the productive investments earmarked for them, a state of affairs which has undoubtedly been aggravated by the crisis. Productive investments must, therefore, make up for lost time. One advantage of such investments is that they are economically sound. Another is that they can be financed from credits and bear a rate of interest which is proportional to their actual economic efficiency. Consequently, the ERDF must be provided with financial instruments capable of financing productive investments and creating jobs.

59. The system of non-repayable subsidies, aids, etc., is liable to result in the Fund's resources being squandered on projects that are neither economically viable nor capable of creating jobs. Indeed, by a diffuse process that could easily escape detection, such financial aid could simply become a source of income to its recipients. Moreover, in view of the prevailing social inequalities and the archaic power structure of the peripheral regions, it is to be feared that the poorest classes might receive little or nothing at all.

A system of financing based on refundable credits at a given rate of interest has the advantage of directing the Fund's resources towards projects that are economically viable.

60. Faced with the very serious social and economic situation in several regions of the Community, the Fund is called upon to play a role which is bound to surpass its very modest financial resources. Its function should be to bring regional problems out into the open and it should resist all attempts to justify the intolerable socio-economic problems that prevail in the disadvantaged regions. For this reason too, within the context

of quota and non-quota finance, it should on no account be used in association with regional policies which are not suited to the purpose, but are put forward at national level in certain Member States. Instead, it should seek to acquire responsibilities that are understood and acknowledged by the communities concerned, as well as by the competent regional, national and European authorities. Recognition of these responsibilities is essential if it is to be able to justify an expansion of its activities to cope with regional problems that are undoubtedly getting worse.

61. It appears that there is a certain pressure for decisions at all levels to be taken democratically. The Fund administration should take heed of this and not only confer with national and regional political representatives on the integrated operations and programme contracts, but also hold direct consultations with the communities concerned, e.g. by organizing public hearings.

62. Owing to the effects of the crisis in the peripheral regions, environmental considerations are all too often overlooked. The Fund administration should ensure that the 'programmes' or 'integrated operations' submitted take due account of essential environmental needs.

(B) Two reforms for the ERDF

(i) The creation of a revolving fund

63. If, as is possible, the Fund administration becomes a 'development agency', the ERDF is likely to take the form of a revolving fund. This would mean that a considerable portion of the Fund's resources would be refundable and not granted on a repayable basis. Aid would be granted in the form of a loan to be refunded on a fixed date and bearing an appropriate rate of interest. Part of the Fund's expenditure on infrastructure projects and, in particular, on industrial projects could take the form of credits. The existence of a rate of interest would to some extent guarantee that the credits granted by the Fund were channelled into profitable investments.

Reimbursement of the sums granted on credit would provide the Fund with a working capital which would steadily increase over the years. If credits were reimbursed in instalments, which is the normal practice, the Fund would be in a position to finance new credits as the instalments were received, thus increasing its financing capacities ('revolving' effect).

Part of the working capital could be used to increase the size of the non-quota section.

64. The 'programme contracts' and 'integrated operations' envisaged by the proposed new regulation could also include 'segments' financed by credits refundable at an appropriate rate of interest.

Furthermore, the Fund administration could open credit lines to local banks to finance investments by small and medium-sized undertakings in the peripheral regions. Responsibility for administering the 'revolving fund' would then pass to the local banks. The amount of the credit line, bearing a relatively low rate of interest, would nevertheless have to be refunded by these banks.

(ii) Aid to holding companies

65. The Fund administration could make financial commitments to holding companies, which in turn would acquire shares in firms located in the peripheral regions. After a certain time, these shares could be relinquished and other shares bought in other firms. In this way, firms situated in the peripheral regions would find it easier to gain access to the capital markets.

The Fund administration's commitment to the holding companies could take the form of a non-repayable loan. However, this is not to be recommended since, in the last resort, the loan could be used to offset the losses frequently incurred by holding companies. Consequently, the Fund administration's commitment should perhaps take the form of a credit bearing a low rate of interest. Since this credit would have to be repaid, it would clearly be in the holding company's interest to invest the Fund's working capital in viable undertakings.

(C) The problem of coordination

66. The Community's regional policy should be coordinated with the other economic policies and measures at three separate levels.

At the first level, there should be coordination between the Community's regional policy and national economic policies - whether they be of a 'regional' nature or designed to stimulate sectoral growth and employment - without reference to geographical considerations. Coordination with the Member States at this level is essential to ensure:

- overall consistency between Community and national economic activities;
- the effectiveness of regional policy at both Community and national level.

As has already been noted, the failure in the past to coordinate these activities has caused serious conflicts between the various objectives of sectoral restructuring and the restoration of balance between the regions. This has happened both in the countries with predominantly strong regions and in some with a preponderance of weak regions.

67. At the second level, there should be coordination between the various instruments of the Community's policy.



Here, too, the results have hitherto been less than satisfactory. We have seen, for example, that the regional impact of the agricultural policy has been biased in favour of the strong agricultural regions. Consequently, coordination must continue to be the central objective of those engaged in reforming the two Funds and Community policy in general.

68. The third level of coordination concerns the internal operation of the ERDF. Efforts should be made to achieve more effective coordination in the financing of different projects, based on specific objectives and clearly defined programmes.

69. The proposal for a regulation recommends new and original instruments for achieving these various coordination objectives. At the first level, it proposes amongst other things that the national governments should regionalize the central government capital account budget and submit details of all expenditure effected throughout the national territory. The effectiveness of this constructive proposal, with its inherent difficulties, clearly depends on the willingness of Member States' governments to pursue the objectives of restoring regional balance at Community level and to accept the constraints they impose.

At the second and third levels, the proposal for a regulation once again recommends the regional programme as an instrument of policy. In our opinion, both the formulation and, more especially, the use made of such programmes need to be radically changed, particularly by those countries which benefit most from the Regional Fund.

If the regional programmes (which should contain a detailed account of the main investment projects and of all direct government intervention) were to be effectively coordinated, provision should be made for their implementation to be inspected at least twice annually. If it became apparent that the management of these programmes was incompatible with Community policy, the Commission should reserve the right to suspend the financial aid granted or to be granted in the region or regions concerned.

70. 'Programme contracts' and 'integrated operations' are proposed as a means of achieving the third level of integration. In both cases, a coherent set of projects should be submitted, all or some of which would then receive an appropriate amount of aid from the Fund.

The amount of planning required by these instruments seems considerable and must be seen as an important improvement on the situation that obtained previously, when the Fund was used for redistributing resources on a limited scale between Member States. Even so, the two instruments concerned appear to be insufficiently differentiated, while the means of achieving coordination with the other Community funds via the programme

contracts seems inadequate, since the involvement of these Funds should be spelt out in the programme contracts from the outset, at the drafting and negotiating stage. It is hardly realistic to assume that the programme proposed at national level could contain a detailed estimate of the various possible sources of Community financing.

(D) The geographical scope of ERDF financing

71. In the proposal for a regulation the non-quota section is increased from 5% to 20%. The effect of this would be to enhance the Fund administration's decision-making powers, since the non-quota section is applicable to all regions of the Community. This increase is justified by the fact that pockets of underemployment may exist even in the central regions or else appear when a region is reclassified (from level 2 to level 3). A limited number of central regions could in future qualify for assistance, although the Fund's chief function must continue to be to aid the weak regions, as much from the non-quota section as from the quota section.

72. In the proposal for a regulation the quota section is no longer regulated on the basis of national criteria, but on the basis of regional criteria. This is unquestionably a step in the right direction. If we adopt the proposed increase to the non-quota section and assume the Fund's endowment to be at its 1980 level, we arrive at the following changes:

- France could lose substantially, since the proposal for a regulation grants only a small percentage for its overseas departments and territories. The regions of the FRG would cease to be eligible for Fund assistance.
- The small Member States (Belgium, Luxembourg, and the Netherlands) could also lose out, though not to any great extent. Under the old regulation their allocation has been approximately 1%. In cash terms, however, this percentage has invariably been too small to finance a programme contract or even a large-scale project. They could submit integrated operations for financing from the new non-quota section and thus substantially improve their position.
- taking the 'regionalization of the quota' and the Fund's present size as a basis, the position of Italy and the United Kingdom would slightly improve, while that of Ireland and Greece would remain unchanged.

(E) The 'programme contracts' and 'integrated operations'

73. Articles 7, 8, 9 and 10 give a very precise definition of the content of the 'programmes' which the Fund should finance in place of the more or less isolated investment projects (Article 12 et seq.). The integration of specific projects into a programme would undoubtedly be an improvement, although considerable difficulties might have to be surmounted along the way. In defining the 'programmes', the Commission

does not explicitly refer to the need to coordinate the work of all the institutions which together formulate a 'programme' or jointly finance it. This it should do. Similarly, it should submit at the earliest opportunity a specimen 'programme contract', specifying its legal status.

74. Article 29 spells out the meaning of the term 'integrated operation'. The formal definitions given are admittedly clear, but there is every likelihood that in practice, notwithstanding the fact that the Fund's rate of contribution may be up to 80% for the 'integrated operation' and up to 50% for the 'programme', the difference between the two will be a purely semantic one. It is to be recommended that the 'integrated operation' should also be given a contractual form. In the light of the initial experience gained, a decision should be taken as to whether it would be more expedient to combine the 'integrated operation' and the 'programme contract' into a single scheme.

75. Article 11 of the proposal fixes a transitional period and lays down the conditions that are to apply for its duration. These conditions could, however, pose a major threat to the successful application of the new regulation. Article 9(1) stipulates that the 'programmes' must be submitted by the Member States. To submit 'programmes' or, better still, 'integrated operations' rather than investment projects (Article 12) would to some extent be to the advantage of the Member States. Nevertheless, it should be borne in mind that the formulation of 'programmes' which dovetail satisfactorily with the regional programmes of the Member States may meet with considerable difficulties in certain peripheral regions. Consequently, the Fund administration should acquire, through a practical system of coordination, the powers necessary to initiate 'programmes' and to assist with their formulation.

76. Article 7(3) rightly stipulates that 'state aid schemes for industry, the artisanat or the services sector shall be financed in respect of economically sound activities that create or maintain jobs'. It is activities such as these in the 'programmes' submitted that could be financed from interest-bearing refundable credits rather than from non-repayable loans.

(F) The exploitation of local development potential

77. The whole of Article 16, which covers the financing of 'local development potential', is drafted in an extremely vague and inappropriate manner, suggesting that the Commission has no clear idea of the concept of 'local potential' or of ways and means of stimulating and encouraging it.

On a more general plane, it is hard to appreciate why the kind of financial resources earmarked in the preceding articles for programmes and investment projects should not be just as readily earmarked for promoting local development potential. The proposal draws a kind of distinction here for which there is no clear explanation.

78. It must therefore be assumed that in most of the disadvantaged regions local development capacities, though little recognized, exist in many different forms. If these capacities are to be properly exploited, a range of suitable and varied instruments must be introduced, especially in agriculturally underdeveloped regions. It is by no means certain that the measures proposed in Section 3 would be really capable of exploiting local development capacities. The studies envisaged would today have to relate to a very specific type of market. It is often the case that operators not located in the disadvantaged region, and therefore attached to the oligopolistic sector, are present on such a market. Consequently, the Community must satisfy itself that the measures proposed in Article 16 are able to have a genuine impact on what the proposal calls 'indigenous development potential'. This seems hardly feasible unless the Fund has sufficient resources at its disposal to exploit directly the potential that supposedly exists. In addition, the communities directly concerned should first of all be consulted on how best to utilize local development capacities. Once local opinion has been canvassed, efforts should be made to mobilize support in the rural areas.

79. In its present form, Article 16 also lends itself to the following criticisms:

- (i) to embark on sectoral studies would be a mistake from the start because the sectors are not homogeneous statistical entities, which means that each study would have to contain special marketing surveys of literally thousands of products;
- (ii) aid for the creation of common services would certainly be useful; however, rather than existing in the abstract, such aid could be more profitably included in the programme contracts and linked to precise surveys of undertakings' requirements;
- (iii) the principle of coordination should also be respected by the Fund administration, which should coordinate its activities with those of the national and regional agencies responsible for assisting undertakings (e.g. IASM in Italy);
- (iv) the measures proposed for the transfer of technology seem unrealistic in terms of concrete results; the proposal to set up a patents bank seems far more constructive.

(G) The problem of the spread of new technologies

80. The transfer of technology should be closely bound up with measures to promote local development potential. The new technologies cannot be instrumental in boosting growth unless they are adapted to the utilization capacities of the communities to which they are transferred, as well as to local expectations and production patterns. The most

difficult problem is to find a common denominator between the spread of new technology and local development potential, in order to ensure that such potential is fostered and not extinguished.

The capacity for change, which depends on research and development on the one hand and on a high level of sustained production on the other, tends to be confined to the stronger regions and to the larger undertakings. On the weak markets specializing in 'traditional' forms of production, the factors making for development and change are generally negated by a poor market organization which prevents them from being adequately financed and used on a worthwhile productive scale. Often, a large part of the scientific and applied research geared to the development of technological innovation in strong sectors is financed by the state banks.

81. What little experience there has been of transferring technological innovation from the centre to the peripheral regions has had the effect of attracting to those regions traders who have no links with the local economic system, groups of self-sufficient operators who survive precisely because they are completely separated from the system. The effects have been very damaging.

A policy for the transfer of technology should therefore be geared to the situation of the weakest regions and to their specific requirements. It is necessary to identify the actual and potential development capacities of a region and then to evaluate its ability to absorb new technologies and adapt to change. Additionally, an assessment should be made of the readiness of the owners of the new technologies to agree to their transfer and on what terms. It is in this way that a measure of interdependence is established on the market between strong operators and weak operators.

In this connection, the Committee on Regional Policy could perhaps bring the weight of the European Community's political and economic authority to bear on the operators controlling these technologies with a view to having them placed at the disposal of operators in the weak regions.

82. In view of the above observations, the Fund's activities should be directed towards publicizing the interests of the small and medium-sized undertakings and promoting local development potential. Experience has shown that the demand for such services varies very considerably from one undertaking to another. Consequently, the transfer of technology is either linked to some specific development strategy such as might appear in the regional or national programmes, or else associated with the 'programme contracts' and investment aid in the manufacturing, craft and services sectors.

83. In the face of this situation, a publicity campaign should be mounted and financial resources allotted for the establishment of:

- (i) a patents bank to facilitate the transfer of technology to local small and medium-sized undertakings. The task of this bank would be to disseminate information on the more advanced technologies likely to meet the specific requirements mentioned above. It would also purchase the relevant patents and place them at the disposal of undertakings located in the weak regions. It would partially finance the transfer of technologies and help in every other possible way to forge the necessary links between undertakings of different sizes and with varying capacities to influence the market. It would operate as a 'technological agency' and could become the instrument needed to establish proper links and conduct satisfactory negotiations, in the interests of the weak regions, with the industrial groups which, in the last analysis, control the transfer of technology.
- (ii) Still with a view to the specific requirements mentioned above, the Fund could also finance:
  - studies aimed at preparing the programme contracts and identifying the local development potential of individual regions;
  - marketing studies;
  - feasibility studies;
  - other forms of aid.

84. As regards point (i), attention should be drawn to the possible multiplier effect of purchasing patents, the benefits of which could extend to several undertakings in several regions. The amount of the expenditure to be allocated should therefore be determined in the light of this multiplier effect.

The Fund could bear the total purchasing cost if there was such an effect, or only part of the cost if such an effect was not anticipated or not possible.

As regards point (ii), the rates and the financing procedures specified in Article 17(1) (paras. a, b, c and d) could be maintained.

(H) Technical and administrative support from the ERDF for the weak regions

85. While all the proposals in the new regulation may be considered a step in the right direction, it is arguable that the very considerable difficulty of translating them into reality has not been truly grasped. The Fund must be given the resources needed to match the aims of the regional policy.

It has to be in a position to provide sufficient aid for 'programmes', 'integrated operations' or even investment projects and to assist with their implementation.

The Fund administration must therefore carefully reassess its staffing needs and increase its present staff complement as quickly as possible. Alternatively, thought might be given to the possibility of using outside services. At all events, during the initial, crucial, stage of application of the new regulation, it is absolutely essential for the Fund to be able to operate with the maximum administrative efficiency in view of the magnitude of its tasks.

## OPINION OF THE COMMITTEE ON BUDGETS

Draftsman : Mr NOTENBOOM

On 18 October 1981 the Committee on Budgets appointed Mr NOTENBOOM draftsman.

It considered the draft opinion at its meetings of 26/27 January and 24/25 February 1982 and at the latter meeting adopted it by 15 votes to 2 with 4 abstentions.

Present: Mr Lange, chairman; Mr Notenboom, vice-chairman and draftsman; Mrs Barbarella, vice-chairman; Mr Adam (deputizing for Mr Balfe), Mr Arndt, Mr Balfour, Mr Barbagli, Mrs Boserup, Mr Brok (deputizing for Mr K. Schön), Mr Croux, Mr Georgiadis, Mr Gouthier, Mr Herman (deputizing for Mr Ryan), Mrs Hoff, Mr Jackson, Mr Kellett-Bowman, Mr Orlandi, Mr Newton-Dunn, Mr Price, Mr Simmonds and Mr Simmonet.



1. The Regional Fund was established in 1975<sup>1</sup> as a Community financial instrument designed to contribute to the development of the less-favoured regions. The basic Fund regulation was first amended in 1978/79<sup>2</sup>. This review was a lengthy process: the Commission first submitted its proposal on 3 June 1977 and consultations took place between the Council and Parliament on 24 July 1978 and 17 October 1978, but the Regulation itself was not adopted until 6 February 1979 when the Council also adopted a resolution concerning the guidelines for Community regional policy<sup>3</sup>. Apart from improvements in the management of the Fund, a rearrangement of national quotas and greater flexibility in the rules relating to infrastructure projects, Parliament was also interested in the following aspects:

- the entry of the Fund appropriations in the budget, and
- the introduction of a non-quota sector which was, however, restricted to 5% of the Fund's resources and governed by very roundabout implementing procedures.

On that occasion, the Council undertook to 'take very special account of the wishes of the European Parliament' in the subsequent review.

2. The Commission has now submitted a new proposal for amendments to the ERDF basic regulation<sup>4</sup>. This review is an important element in the implementation of the Mandate of 30 May 1980 with respect to the restructuring of the budget.

3. The proposed amendments concern:

- (a) the definition of rules governing the coordination of regional policies

The principle behind this coordination was set out in the Council resolution adopted when the ERDF regulation was amended in 1979. A rule is now embodied in the regulation which requires periodic reports to be submitted on the social and economic situation and on national regional policies, and regional development programmes in respect of all regions for which aid from the Fund is requested.

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<sup>1</sup>Council Regulation (EEC)No.724/75 of 18 March 1975(OJ No.L 73,21.3.75)

<sup>2</sup>Council Regulation (EEC)No.214/79 of 6 February 1979(OJ No.L 35,9.2.79). A coordinated version of the amended Regulation was published in OJ No. C 36,9.2.1979

<sup>3</sup>OJ No.C 36,9.2.79

<sup>4</sup>COM(81)589 final,20.11.1981

- (b) Concentration of aid in regions with particularly serious structural problems

The Fund's quota section would be restricted to the regions with structural problems, defined on the basis of Community criteria. This involves Greece, except for certain zones, the Mezzogiorno, Ireland, the least-favoured regions of the United Kingdom, the French Overseas Departments and Greenland. Quotas are allocated to each of these regions.

- (c) Gradual changeover to financing programmes instead of individual projects

The change in financing procedures should enable the Commission to take a more active role in conceiving, promoting and programming regional measures. The Commission should also gain a better overall view of all the regional measures in a particular area and ensure that Community measures complement national measures.

Some experience in financing programmes has already been acquired from the supplementary measures taken on behalf of the United Kingdom.

This method of financing makes it difficult to monitor effectively the utilization of the aid granted. As this is a question of budgetary control your rapporteur will not deal with it in more detail. Multiannual programme contracts are to be used for implementation.

- (d) Extension of the Fund's scope to include aid in the form of information, research, technical assistance, etc.

To date, the Fund has been almost exclusively geared to aid for tangible investments. With a view to exploiting the available human potential in the regions, the Commission proposes a series of measures to assist small and medium-sized undertakings, handicraft and rural tourism businesses, including aid for sectoral studies, for improving management, creating joint services for several undertakings, promoting rural tourism, etc.

- (e) More extensive system for granting advance payments.

- (f) Non-quota section reserved for regions particularly affected by recent and serious problems of industrial decline, or by the effects of certain Community policy measures

The non-quota section's share is increased to a maximum of 20% of the Fund's resources. The precise amount is fixed annually in the budget. Henceforth, the Commission, and not the Council, would adopt specific Community measures. The existing Management Committee procedure is, however, retained.

(g) Inclusion of a chapter on integrated development operations

The Commission would grant preferential aid from the Fund to areas for which integrated development operations have been drawn up, i.e. a coherent group of measures and public and private investment made by various Community financial instruments and national and local authorities.

4. The bulk of these proposals comply with Parliament's requests in the field of regional policy. On the budgetary level, too, a number of measures are taken to meet the wishes of the Committee on Budgets, in particular the more efficient utilization of resources by:
  - . concentrating them on the regions with the greatest needs,
  - . more actively involving the Community in the elaboration and coordination of regional development operations,
  - . adapting more appropriately to development needs the definition of operations eligible for support, and
  - . introducing more flexible administrative procedures.
5. The Commission's proposals in these areas, however, do not go far enough, and in others, no progress has been made at all. It is undeniable that even with these changes the regional policy does not fulfil its primary objective of being a Community structural policy. Although a European policy, it remains largely dependent on national policy and cannot always be said to be complementary to national support measures.
6. It is regrettable that the Commission retains the concept of a Fund. Although in practice only the terminology survives, it does give a false image of European regional policy.
7. The Commission's proposal is a major step towards concentrating resources on the most needy areas. Under these circumstances we may well ask whether it is really necessary to list these regions by name (including subdivisions<sup>ns</sup> in the regulation and include a distribution table which allocates the resources down to fractions of 1%. As we have seen in the past, such quotas merely inhibit the flexible utilization of the resources. In any quota system there is an inherent risk of dilution i.e. overall distribution of support among the Member States without reference to specific needs and concrete development potential.

The table applies to the entire three-year period and not on a year-by-year basis. It takes account of the objective needs of the region concerned but is,

by its very nature, unable to take account of the quality and effectiveness of the programmes which will be submitted. The fact that the Council may amend the quota by a qualified majority is insufficient to offset this curtailment of the powers of the budgetary authority.

- 8 . Your draftsman feels that it would be sufficient for the Community to include in the regulation the criteria that the regions must fulfil in order to be eligible for aid from the Regional Fund. An annex to the regulation could then include an indicative list of the regions and a distribution table for the appropriations which could be based on a simple mechanical application of these criteria. In this way, the budgetary authority would have greater freedom to act, without opening the door to excessively arbitrary allocations.
- 9 . If the committee responsible is unable to accept this suggestion, the regulation should at least be improved so that the distribution table has indicative value only. After all, it should not be used as a justification for failing to implement the budget or for implementing it badly.
- 10 . The Commission proposes that at least 80% of the Fund's resources should be earmarked for areas with structural difficulties (quota section) with a maximum of 20% for areas affected by serious problems of industrial decline (non-quota section). Here, too, your draftsman feels that these percentages should have no more than indicative value. At first sight, the 20% ceiling for the non-quota section is a measure to protect the most seriously affected regions. However, such a restriction might also inhibit rapid intervention in regions unexpectedly affected by serious industrial decline, a development which cannot be ruled out in the present economic climate.
11. The total absence of quantifiable criteria for specific Community programmes contrasts sharply with the extremely precise allocation of resources for the quota section. The phrases 'recent and serious problems of industrial decline' and 'affected by certain Community policies' are so vague that they provide loopholes for all kinds of pressure. In particular, your draftsman wishes to prevent a situation where in practice the non-quota section merely compensates the Member States which will no longer receive funds from the quota section, although greater needs might exist elsewhere. The 20% of the Fund's resources earmarked for the non-quota section is indeed greater than the sum total of the quotas

allocated to date to the Member States which no longer appear in the quota section in the Commission's proposal : Belgium, 1.11%; Germany, 4.65%; France, 13.64% (less 2.47% now allocated to the Overseas Departments); Luxembourg, 0.07%; Netherlands, 1.24% - a total of 18.24% of the quota section or 17.33% of the Fund's total resources. Furthermore, the new quotas do not entail any change in the comparative quotas of the regions still eligible for support.

- 12 . Your draftsman therefore proposes that the Committee on Regional Policy be recommended to draw up quantifiable criteria for the allocation of specific Community aid and to ensure that an excessively mechanical application does not lead to a new quota system under another name. The Committee on Budgets also proposes that the non-quota section should be aimed especially at regions that have been particularly affected by certain Community policies.
- 13 . The Commission's justification for henceforth financing programmes instead of individual projects is convincing, provided that a satisfactory solution can be found to the problems of verification. The Committee on Budgetary Control will undoubtedly have to give very close consideration to this matter.

It should, however, be noted that the greater guarantees, which the Commission believes it will obtain, that Community aid will complement national aid are not automatic. The provision laid down in Article 12 is too vague to be really enforceable :

'In accordance with a prior decision by the Member State concerned notified at the same time as the grant application, the Fund's contribution as thus defined may be in addition to aid granted by the public authorities in respect of the relevant investment project, or may remain credited to those authorities in partial repayment of such aid. In this case, the financial effort of the Member State in the region in question shall be increased by the amount of Community assistance.'

This article should at least lay down that the Member States must inform the Community of their actions and provide for the possibility of verification.

- 14 . The proposed improvement in advance payment facilities is welcome. Its effects must be monitored regularly especially with a view to speeding up regional projects and checking that the funds have been correctly used.

15. The inclusion of detailed provisions concerning the coordination of regional policies is praiseworthy. In this area the Regional Policy Committee can play a significant active role in an advisory capacity. There is also a Fund Management Committee, the procedure of which is unchanged, including the possibility of appeal to the Council, which then has two months in which to take a decision different from that taken by the Commission. The Management Committee procedure applies to all decisions involving Community aid.
16. Parliament has always regarded this procedure as unacceptable and continues to do so. Parliament's powers are undermined since the Council may intervene unilaterally in the implementation of the budget and hence prevent the Commission from implementing the budget on its own responsibility as laid down in Article 205 of the EEC Treaty.

#### CONCLUSION

17. The Committee on Budgets notes with satisfaction that:
- (a) the principle of entering the Fund's annual endowment in the budget is upheld and expressly written into the proposed regulation;
  - (b) 'progress has been made in concentrating the Fund's resources on the regions with the greatest needs and in adapting the Fund's opportunities for intervention and its administrative methods to meet the needs of the regions more efficiently.
18. However, the Committee on Budgets points out emphatically that, as regards both European integration and the more efficient use of Community resources, the Commission's present proposals will not create the Community regional structural policy that Parliament has pressed for since before the setting up of the ERDF.
19. The Committee on Budgets calls on the Committee on Regional Policy:
- (a) to investigate whether the proposed quotas might not be replaced by a system of objective criteria for the definition of the regions eligible for aid and whether a similar criteria system might not be drawn up for specific Community programmes;
  - (b) at all events to ensure that the regulation includes a provision that the percentages laid down for the quotas and for the allocation of appropriations between the quota and non-quota sections are merely indicative (Article 4);

(c) to direct specific Community measures especially at regions particularly affected by the consequences of certain Community policies (Article 27);

(d) although the Member States are the Commission's institutional negotiating partners to urge that the Commission be granted wider powers for establishing direct contact with the regional and local authorities responsible for drafting and implementing regional programmes;

(e) to include in Article 34 of the draft regulation a provision that a Member State which regards aid from the Fund as partial reimbursement of aid it has itself granted must inform the Commission as to how its financial effort in the region concerned will be increased by the amount of Community aid (Article 12);

(f) to guarantee the Commission's powers under Article 205 of the EEC Treaty regarding the implementation of the budget on its own responsibility and the consequent powers of the European Parliament as one arm of the budgetary authority and the body responsible for granting the discharge, and to make any proposed divergence by the Council the subject of a conciliation procedure between Council and Parliament (Article 31).

20 . Proposed amendments relating to points (b), (c), (e) and (f) above are set out in the following annex.

Commission proposal

Amendments proposed by the draftsman

Amendment No. 1

Article 4 (former Article 2)

3(a)

Replace by:

'The distribution of the resources of the Fund referred to above shall be applied on a global basis for periods of 3 years'

'The distribution of the resources of the Fund referred to above, calculated on a global basis for periods of 3 years, shall be merely indicative'.

Amendment No. 2

Article 4

3(b)

Replace the final sentence by:

'specific Community regional development measures to assist regions particularly affected by recent and serious problems of industrial decline or by the effects of certain Community policies, as provided for in Title IV. The assistance allotted to these measures may not exceed 20% of the Fund's resources.'

'Approximately one-fifth of the Fund's resources may be earmarked for these measures, calculated for periods of 3 years.

Amendment N° 3

Article 12 (former Article 4 (2))

1. At the end of the Article

after:

'In accordance with a prior decision by the Member State concerned notified at the same time as the grant application, the Fund's contribution as thus defined may be in addition to aid granted by the public authorities in respect of the relevant investment project, or may remain credited to those authorities in partial repayment of such aid. In this case, the financial



effort of the Member State in the region in question shall be increased by the amount of Community assistance' Add:

in accordance with the provisions of Article 34(3)

Amendment N° 4

Article 34 (former Article 19)

'1. Member States shall take the necessary measures to indicate separately and in a manner reflecting the special characteristics of national budget systems the amounts received from the Fund.

2. At the request of the Commission, Member States shall provide it with information on the allocation of the amounts received from the Fund.'

Add the following:

3. Amounts granted under the present Regulation shall be added to the assistance granted by the authorities in the Member States.

If, in accordance with a prior decision by the Member State concerned notified at the same time as the grant application, the grant is credited to those authorities in partial repayment of such assistance, the Member State shall increase its financial effort in the region in question by the amount of Community assistance:

- during the term of the programme contract in the case of programmes to finance infrastructure investments as referred to in Article 7;

- until completion of the project for which aid has been granted under the Fund, in the case of all other projects covered by the present Regulation.
- the Member State shall give details of measures taken in this connection in the report to be submitted to the Commission before 31 May of each year pursuant to Article 10.'

#### Amendment No. 5

Preamble, 4th recital

..... to allocate more credits from the section not distributed in national quotas to regions particularly affected by recent, serious problems of industrial decline or by the consequences of certain Community policies;

..... to allocate more credits from the section not distributed in national quotas to regions particularly affected by recent, serious problems of industrial decline and especially to regions particularly affected by the consequences of certain Community policies;

#### Article 4 (former Article 2)

..... to assist regions particularly affected by recent and serious problems of industrial decline or by the effects of certain Community policies, as provided for in Title IV .....

..... to assist regions particularly affected by recent and serious problems of industrial decline and especially regions that are particularly affected by the consequences of certain Community policies and are provided for in Title IV .....

#### Article 27 (former Article 13)

2. The measures referred to in this Title may differ in whole or in part from the measures referred to in Title III. They shall be aimed at Community regions and zones particularly affected:

- either by recent, serious problems of industrial decline,
- or by certain Community policies or by measures adopted by the Community in order to facilitate

2. The measures referred to in this Title may differ in whole or in part from the measures referred to in Title III. They shall be aimed:

- at regions and zones particularly affected by recent and serious problems of industrial decline,
- and especially at regions and zones particularly affected by the consequences of certain Community policies or by measures

the implementation or to mitigate the regional consequences of these policies.

adopted by the Community in order to facilitate the implementation or to mitigate the regional consequences of these policies.

Amendment No. 6'

Article 31 (former Article 16)

3. The Commission shall take decisions which shall apply immediately. However, if the decisions are not in accordance with the opinion of the Committee, they shall forthwith be communicated by the Commission to the Council. In that event the Commission shall defer application of the decisions taken by it for not more than two months from the date of such communication. The Council, acting by a qualified majority, may take a different decision within two months.

The Commission shall take decisions which shall apply immediately. However, if these decisions are not in accordance with the opinion of the Committee, this shall be notified in the report which the Commission must submit to the Council, Parliament and the Economic and Social Committee each year by 1 October pursuant to Article 36'.

## OPINION OF THE COMMITTEE ON BUDGETARY CONTROL

Draftsman: Mr A. GOUTHIER

On 16 November 1981 the European Parliament referred 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 (Doc. 1-735/81) to the Committee on Regional Policy and Regional Planning as the committee responsible and to the Committee on Budgets and the Committee on Budgetary Control for their opinions.

The Committee on Budgetary Control appointed Mr GOUTHIER draftsman on \_\_\_\_\_ and confirmed his mandate at its meeting of 23/24 February 1982.

The committee considered the draft opinion at its meeting of 23/24 February 1982 and adopted it unanimously.

Present: Mr AIGNER, chairman; Mr GOUTHIER, draftsman; Mr CLUSKEY and Mr PRICE, vice-chairmen; Mr ARNDT (deputizing for Mr GABERT), Mr BATTERSBY, Mr GEORGIADIS (deputizing for Mr LALUMIERE), Mr GONTIKAS, Mr IRMER, Mr KELLETT-BOWMAN, Mr KEY, Mr MART, Mr NOTENBOOM and Mr SABY.

## OPINION

### Introduction

The imbalances in regional development have increased over recent years despite the efforts by the Community in this field.

The Commission itself has found discrepancies in the operations of the ERDF and has therefore called for a review of the Fund Regulation.

In the past the Fund has been found to be deficient in the following main respects:

Appreciable amounts of Community resources were used primarily to finance regional development projects planned by the Member States. It was often difficult, if not impossible, to establish how the resources were used or who was the ultimate recipient or to assess the effectiveness of the Fund's operation as a whole. This was due on the one hand to the way in which the Fund operated, with the Commission being given a somewhat passive role in planning and financing the measures and, on the other, to the way information was processed by the Commission for accounting purposes, which made it impossible to obtain important data and details.

Thus the new Fund Regulation should contain provisions:

- to allow the Commission to play a more active role in drawing up programmes as a means of improving the coordination of national regional policies and optimizing collaboration between the Member States through the implementation of genuine common measures;
- to achieve greater coherence in regional policy measures, by concentrating more on programmes than on individual projects;
- to speed up the taking and implementing of decisions;
- to ensure the additionality of Community measures;
- to enable more funds to be concentrated on the regions in particular need;
- to make it possible to analyse and check the effectiveness of the Fund's operations and to ascertain exactly the manner in which Community resources are paid out until they reach the ultimate recipient and the use to which they are put;

It is the task of the Committee on Budgetary Control to examine to what extent the proposal amending the Regional Fund Regulation will achieve more effective use of the Fund's resources and ensure greater control over its operations and to propose appropriate amendments to the Commission's proposal.

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As this is a Community act with financial implications, it will be necessary, if the Council does not adopt the amendments proposed by the European Parliament to invoke the conciliation procedure in accordance with the Joint Declaration of 4 March 1975. The Committee on Regional Policy and Regional Planning is hereby requested to ask for the conciliation procedure to be initiated in that case.

### Coordination of national regional policies

(1) Article 1 of the proposal calls for coordination of national regional development policies in order to promote the convergence of the economies of the Member States, whereas in the past the main condition has been that investments should be incorporated into the regional development programme of the Member State concerned, i.e. the regional policy of the Member States was taken as the point of reference.

In the past, compatibility with Community programmes and objectives and transnational effects were only one criterion among many and of secondary importance. Now that there is a specific demand for coordination it has become clear that the ERDF is not merely an instrument of Community financial participation but a Community policy as such.

It is emphasized that this approach will avoid policies producing contradictory results and will allow the regional impact of Community and national economic policies to be taken into account.

Thus, the proposal does not represent a major innovation. It merely makes the alignment and coordination of regional policies the main principle and the existing information channels are to be better adapted for this purpose. In addition, detailed rules will be laid down for procedures governing cooperation between governments, + authorities of individual Member States, the Commission and the Regional Fund Committee. It is in fact a long drawn-out procedure which depends on effective cooperation between all the parties involved.

However, as pointed out in the opinion of the Committee on Budgetary Control on the Sixth Annual Report of the European Regional Development Fund (PE 75.936), this is a weakness since according to the Commission, cooperation with the Member States is not entirely satisfactory. It thus remains to be seen whether the Member States are prepared to cooperate to a greater extent in view of the increasingly urgent need to coordinate regional policies.

### Geographical concentration

(2) Geographical concentration (Art. 4(3)(a)) is the main innovation in the proposal. Emphasis is no longer placed on the Member States, but on development areas experiencing particularly serious structural problems. Specific quotas are earmarked for these regions (certain areas of Greece, the Mezzogiorno, Ireland, certain parts of the United Kingdom, Greenland and the French Overseas Departments) since it is considered opportune for such areas to be allocated a minimum level of financial resources from the Fund on a regular basis to allow them to pursue a long-term development programme.

(3) In addition to this quota section, there is a further non-quota section (Art. 4(3)(b)) which may not exceed 20% of the Fund's resources. These resources are earmarked for measures in regions affected by serious recent problems of industrial decline or by the impact of certain Community policies (Art. 27(2)). Here, regional development considerations take second place after the structural policy goals to be achieved. The main difference between measures under Article 4(3)(a) and (b) is that the first relate mainly to traditionally under-developed areas requiring a long-term policy, whereas measures under Article 4(3)(b) are designed to assist what are in most cases developed industrial areas which have been hit by the crisis.

The fact that not more than 20% of the Fund's resources may be allocated to measures under Article 4(3)(b) and that no fixed percentage is stipulated, originates in a request made by Parliament, which has repeatedly asked for an increase in the non-quota section without any fixed percentage. This naturally creates a risk that a number of areas which have received assistance to date may no longer benefit from the Fund's resources. The proposed allocation of funds also meets the request frequently made by the European Parliament for the Fund to be reorganized on the basis of greater concentration which is the only way of halting the growing disparity between the economic development of individual regions. In view of the limited resources available and the severity of the problems in the regions concerned, greater concentration is urgently required.

A certain degree of flexibility is ensured by Article 6 under which the list of regions referred to in Article 4(3)(a) may be revised by the Council, acting on a proposal from the Commission, where circumstances have changed.



### Programme priorities

(4) The proposed new Article 7 marks the transition to giving preference to programmes instead of individual projects when selecting the schemes that are to receive financial support.

This should lead to better coordination and compatibility between the regional policies of the Community and of the individual regions and better integration of Community aid into the regional policy measures taken by individual Member States. According to the information available, the Commission will play a more active role in drawing up the programmes. The submission of programmes and applications should be spread out more evenly so as to facilitate the operation of the Fund and to achieve a better distribution of resources throughout the budgetary year.

### New selection criteria

(5) In the proposal the minimum grant for which the Member States should apply has been reduced from 10 million ECU to 5 million ECU, since experience has shown that large amounts tie up a disproportionate percentage of the Fund's resources in relation to the number of jobs created.

The proposal does not lay down any minimum number of jobs. Here too the Commission is happily taking into account past experience which has shown that investments in small and medium-size businesses which are less prone to crises, may prove more effective.

A further welcome feature is the removal of the ceiling for infrastructure measures (previously 70%) since this measure has also proved fairly ineffective in the direct creation of jobs in the short term.

### Support for operations to exploit indigenous development potential

(6) A notable innovation is the emphasis on the importance of exploiting the indigenous development potential of the regions, Art. 16. The relevant measures promise to ensure more effective use of the Fund's resources since they involve maximum use of special regional features and their development, both as regards the human capital available and in material terms. In such cases investments would appear to have a greater chance of being effective in the long term.

The provisions of Article 16(c) which give small and medium-size businesses easier access to the capital market are also welcome. However, it remains to be seen how this plan will be implemented and what additional workload and financial commitment it will entail for the Community.

#### Control of the operations of the ERDF

Given that the amount of resources now available to the Fund is far greater than when it was first set up, the quality of the control of utilization of resources must be improved considerably, especially since the growing number of projects makes it increasingly difficult to retain a clear overall picture.

#### Individual control aspects

##### (a) Coordination in the drawing up of programmes

(7) The procedure laid down in Article 2 is designed to ensure better planning of Community policy in the Regional Development Sector and can, at the same time, be used to assess the effectiveness of the measures taken under the Fund - particularly through the regional impact assessment. The same is true of the expected results of the programme in quantified form called for under Article 8(3)(a).

##### (b) Implementation

(8) The regular, detailed progress reports that must be submitted by the Member States under Article 10 of the proposal are a welcome feature. This should enable the Commission to keep an up-to-date check on implementation of the measures. It is of course necessary for the Commission itself to take action if the information is not submitted by the Member States on time. Under Article 36, this information will also be made available to Parliament as part of the annual report on the ERDF.

Improvements have also been made in the decision-making structure and the reaction of the Commission in the event of significant changes in a programme during its implementation (Article 10(3) in conjunction with Article 31(1) and (2)).

Article 20, which requires the Member States to accompany each payment application by evidence that the measures have in fact been carried out as scheduled, will also help to provide the Commission with up-to-date information.

A further welcome measure is the requirement that all documents in support of expenditure must be kept available for inspection for a period of three years following the last payment.

(c) Monitoring of success

(9) To make it easier to monitor the success of projects, under Article 26 of the proposal requires the Member States to inform the Commission, within three years of completion of the actions financed by the Fund, of the number of jobs created<sup>1</sup> and, in the case of projects costing more than 5 million ECU, of the rate of utilization of the infrastructure in question. This provision is extremely welcome since the Committee on Budgetary Control has always maintained that the matter does not rest when a project has simply been implemented but that a check must be made at a later stage on what has actually been achieved.

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<sup>1</sup> It would also be advisable to incorporate definitions (e.g. of the terms 'job' and 'investment') into the ERDF Regulation since such terms have been interpreted differently by Member States and the Commission in the past.

Comments by the Court of Auditors and the account taken of them in the Commission proposal amending Regulation No. 724/75

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(10) The Court of Auditors' comments in the last two annual reports concerning 1979 and 1980 relate principally to the following points:

(a) Inadequacy of the accounting documents

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- The accounts kept by the Commission do not enable a continuous check to be kept on the implementation of each project.
- It is impossible to form an overall view of the implementation of commitments, analysed by the year to which they were charged
- It is extremely difficult to analyse the progress of projects by region, type of investment or sector of activity.
- The accounting system is deficient (manual loose-leaf index).

In order to correct the shortcomings referred to by the Court of Auditors the Commission is urgently recommended to install a modern computerized data processing system.

It is crucial for the continuous monitoring of the progress of measures financed by the Fund and for the subsequent analysis of the utilization and effectiveness of the ERDF's activities that the data relating to these activities be processed on the basis of various criteria (integrated data processing) to ensure ready accessibility at all times. The Commission's accounts should therefore contain in readily accessible form all data relating to the approval procedure, including any instructions, conditions and undertakings on the part of the recipient for each individual aid measure, and all details of payments operations and the use to which the resources have been put. This will necessitate periodic coordination of the accounts with the authorities or recipients in the Member States. It must be possible to compare scheduled against actual progress at any time.

Moreover, the accounts must be drawn up in such a way that

- a separate account is kept for each individual project to enable, at any time, the progress of all current projects to be ascertained and an overall view obtained of the implementation of commitments, analysed by the year to which they were charged. Until the completion of the project the account must record every piece of information which is relevant to the continuation of financing, particularly with regard to Article 25, such as substantial changes or serious delays (possible release of appropriations!);

- the flow of funds to the recipient and the use to which they are put can be accurately monitored, possibly with dated receipts and supporting documents relating to utilization;
- the main details of the projects and the level of development of the individual regions since the inception of the ERDF are readily accessible on a computer, categorized as required to enable success and efficiency to be verified and broken down;
  - . by region and
  - . by economic sector.

(b) Excessive concentration of commitment and payment operations at the close of the financial year

In this connection the Court of Auditors points out that half the commitment and payment operations were entered in the accounts during the last month of the financial year. The resulting pressure of work on the staff responsible for the Fund administration can have a detrimental effect on the work of examining applications for assistance and reimbursement.

The Commission proposal does not indicate any opportunity for improvements in this field. Since in its Sixth Report on the Regional Fund the Commission itself regretted the excessive workload, it is surprising that in Articles 14 and 21 it proposes to retain the existing practice of quarterly applications. It would be preferable for applications to be submitted as soon as the necessary material is available.

(c) The Court of Auditors criticizes the failure to take adequate account of the objectives of the development programmes when selecting projects

This is a fundamental aspect of financial management, since to achieve the ERDF's objectives (convergence of the Member States' economies and a more balanced distribution of economic activity in the Community) it is essential that the individual projects should be incorporated into a regional development programme and that the various programmes implemented in the Member States should be comparable.

The shortcomings mentioned by the Court of Auditors relate principally to the fact that the programmes do not cover the same periods, contain no timetable for implementation and no information on the regional impact of other Community or national policies.

The new provisions proposed by the Commission (Articles 2, 8 and 10), if respected by the Member States, should help to eliminate these shortcomings.

The details of the programmes contained in these provisions indicate the criteria to be used by the Commission in accordance with the recommendations of the Court of Auditors with a view to applying a uniform standard for the selection of projects to be financed. In particular these criteria are described in detail in the proposed new Article 9(3) (consistency of the programmes with the regional development programmes, contribution to attainment of the Community's regional objectives and priorities as regards the maintenance of productive jobs and the strengthening of the economic base of the region concerned).

- (d) The Court of Auditors refers to differences between the Member States in the method of calculating the number of jobs

It is not feasible to introduce a uniform rule for all cases of assistance from the Regional Fund, since they concern an extremely wide range of activities.

However, Articles 8 and 14 should require the Member States to provide precise details of the nature of the jobs or the proposed type of employment. Without this information no comparison can be drawn between individual programmes or investments (apprenticeships, short-time working, work at home or freelance work). In addition, the Member States should be required to indicate the dates or periods relating to the jobs to be created or maintained. Reference should also be made to proposed amendment No. 7.

- (e) The Court of Auditors draws attention to shortcomings in the implementation and use of investments

As regards the Commission's legal powers officially to reduce or cancel fund assistance, reference should be made to the working document on the ERDF connected with the discharge for 1980 (point 11), which shows that, if applied correctly, the existing provisions provide the necessary instruments for such cases. Attention is drawn in this connection to proposed amendment No. 5.

Extension of the planned completion date could have an adverse effect on the profitability of the project. Although the Fund administration cannot exert influence on the building programme, it can monitor the implementation of individual programmes on the basis of the report submitted to the Commission by 1 May each year.

As regards final payments, the Commission proposal for a new Fund regulation does not raise any difficulties in the application of Community provisions, since they concentrate not on the certificate of final acceptance but on the confirmation of completion.

The only criticism is that Article 20(1) should be drafted more clearly since at the beginning it calls for a certificate evidencing execution of the operations, while the third indent refers to confirmation that the operations described in the payment application have been started.

Moreover, more detailed provisions are required to govern payments relating to the studies referred to in Article 18.

- (f) The Court of Auditors refers to inadequate assessment of the impact of aid on regional development
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The Commission considers that the proposed new Article 10 forms a sufficient basis for assessment of the impact of the aid measures.

However, a similar provision should be envisaged not only for the programmes but also for other aid measures (above all the financing of investment projects). This is particularly true in view of the proposed Article 2, which requires the Member States to forward to the Commission the information needed for the periodic report on the situation and social and economic changes in the regions of the Community.

### On-the-spot checks

(11) The possibility provided in Article 25(3) for on-the-spot checks to be carried out not only by the competent authorities of the Member States and officials of the Commission but also by other persons empowered by the Commission, is not acceptable since care must be taken to ensure that the checks are carried out by Community officials on the basis of uniform guidelines and criteria in the Community interest.

### Additionality

(12) One of the most important innovations contained in the proposal is the programme contract defined in Article 9(4).

As in the past, there is no requirement to produce conclusive evidence that Community measures will be matched by national measures. Nor is this the case under Article 8(3)(f) which states that when the Member States submit programmes they are required to produce information showing that Community aid will result in additional projects to promote development of the regions covered by the programme contract.

However, the programme contracts do enable the Commission to play a more active role in selecting and implementing programmes. Under the new system, the Member State concerned submits a programme to the Commission from which the latter can determine what financial contribution the Member State is prepared to make. The Commission then delivers a positive opinion in principle. The detailed arrangements, financing and the share to be borne by the Member State and the Community respectively are then subject of negotiations; thus the Commission not only influences whether a programme will received support at all but can also determine jointly with the Member State the level of financial participation. The Commission hopes that this



partnership based on contributions by both sides will go some way towards achieving a greater degree of additionality, the level of which has consistently been criticised by Parliament. This naturally also depends on the programme selection and arrangements, and in particular on the negotiation procedure being conducted by the Commission in such a way that the complementary nature of ERDF measures is maintained in the interests of the Community, i.e. no measures should be approved that the Member State concerned could have carried out fully on its own behalf. It is obvious that the Commission would be better able to achieve this goal if it could take the initiative in proposing and selecting programmes. However, this is not the case at present and the problem of additionality therefore cannot be resolved completely, at least in respect of the quota section of the Fund.

#### CONCLUSIONS

The proposal amending the Regulation establishing the ERDF takes into account the main points raised by the European Parliament and the Court of Auditors in the past as being important for management of the Fund and assessment of its effectiveness. This applies particularly to the concentration of measures on the areas most in need of development, which is a precondition for effective management of the Fund, to the coordination of Community policy and the regional policies of the individual Member States and finally to the drawing-up of programmes.

The Commission's proposal also recognizes the need for continuous monitoring of implementation of the measures.

Under the present system regional policy is in the hands of the Member States. There are certain aspects and areas of regional policy, however, which ought to be the responsibility of the Community, either because the amount of finance required exceeds the financial resources of a single Member State or because transfrontier issues are involved. Hence, in future, the Commission ought no longer to concern itself solely with the coordination of the regional policies of the Member States but frame a Community regional policy.

The major problems in the administration and control of the ERDF were, first, that it was not possible to establish with sufficient accuracy how the resources had been used and, secondly, that the procedure for administering the quota-free section was made more difficult because, inter alia, of the involvement of the Council in the approval procedure. The Commission should use all the instruments available to it to solve the first of these problems. Considerable progress could be made towards solving the procedural problem by a redefinition of responsibilities for the quota-free section.

The Committee on Budgetary Control requests the Committee on Regional Policy and Regional Planning to submit the above opinion and the following proposed amendments to the European Parliament.

THE ACCOUNT TAKEN IN THE COMMISSION PROPOSAL OF THE POSITION OF THE EUROPEAN PARLIAMENT AND THE COMMENTS OF THE COURT OF AUDITORS

PROMPTS THE PROPOSALS SUMMARIZED BELOW:

European Parliament's comments assessing the application of the ERDF regulation	Court of Auditors' comments	Account taken in the Commission proposal of the comments of the European Parliament and the Court of Auditors	Proposals by the rapporteur of the Committee on Budgetary Control in the light of the comments of the European Parliament and the Court of Auditors and of their incorporation in the Commission proposal
(a) To assess the Commission's financial management and monitor the success of the Fund it is essential to record all payment operations, broken down by financial year and by project.	(a) The lack of detail in the accounting information prevents a sufficiently accurate view of the financial management (monitoring of the execution of individual projects, no account of the implementation of commitments, inadequate means of verifying the results achieved and analysing the Fund's activities). The allocation of the appropriations should also be broken down by region and by sector.		(a) Proposed improvements (see point 10) relate not to the Fund provisions themselves but to its internal organization and the availability of suitable working instruments.
(b) The Member States should stagger the submission of applications for aid to enable appropriations to be committed and paid earlier in the financial year, and to prevent excessive pressure of work on the staff of the Fund administration,	(b) The concentration of commitment and payment operations in December can have a detrimental effect on the necessary examination by the Fund administration of applications for aid.	(b) no account taken	(b) To prevent peak workloads for the Fund administration, the quarterly submission of applications (Arts. 14 and 21) should be abandoned. Further incentives should also be given (perhaps by giving priority to the processing and approval of applications concerning the non-quota section).
(c) To ensure that the ERDF's activities are successful, its objectives must be precisely defined.		(c) Arts. 1-3 set out the objectives and the instruments needed to achieve them.	(c) Arts. 3 and 1 should be transposed.

European Parliament's comments assessing the application of the ERDF regulation	Court of Auditors' comments	Account taken in the Commission proposal of the comments of the European Parliament and the Court of Auditors	Proposals by the rapporteur of the Committee on Budgetary Control in the light of the comments of the European Parliament and the Court of Auditors and of their incorpor- ation in the Commission proposal
(d) To achieve the ERDF's objective of promoting convergence of the national economies, it is essential to use uniform criteria for the selection of the projects, programmes, etc. to be financed.	(d) It is extremely difficult to draw comparisons between the programmes submitted by the Member States, since they are based on different criteria (periods covered, timetables, inadequate information on the proposed investments and their anticipated effect).	(d) The provisions of Arts. 2, 8, 9 and 10 provide a sound basis for such an assessment.	(d) Certain concepts, such as job and investment (Arts. 8, 9, 12 and 14) should be more precisely defined. This is particularly necessary in view of the ceilings on aid set out in Article 12.
(e) There is doubt as to whether the Fund's resources are being used in an appropriate manner.	(e) In its on-the-spot audits the Court of Auditors encountered a number of projects whose connection with the programmes is somewhat dubious (dis- parities between regional programme and individual projects).	(e) Arts. 9(3) and 13(1) lay down the criteria on which the decision to grant assistance is based.	(e) It is proposed that the measures provided in Art. 25 relating to the reduction or cancellation of aid should be immediately applicable, so that the repayment of aid should take place not within twelve months but as soon as it is established that the aid has been misused. Moreover, the selection of programmes and projects should be made with sufficient care to guarantee that the Funds are used appropriately, since the measures provided for in Art. 25 have not so far operated satisfactorily.

European Parliament's comments assessing the application of the ERDF regulation	Court of Auditors' comments	Account taken in the Commission proposal of the comments of the European Parliament and the Court of Auditors	Proposals by the rapporteur of the Committee on Budgetary Control in the light of the comments of the European Parliament and the Court of Auditors and of their incorporation in the Commission proposal
(f) It is impossible to exercise effective political control over the ERDF's activities without adequate processing of the basic data, including those relating to individual projects.	(f) The calculation of the number of jobs created or maintained is based incorrectly, only on those jobs directly affected by the projects and does not take sufficient account of the overall development (i.e. the number of jobs cut as a result of restructuring or of jobs lost in the neighbouring area).	(f) If strictly but not narrowly applied, the criteria listed in Art. 9(3) and Arts. 10 and 13 should help to eliminate these shortcomings.	
(g) An analysis of the permanent nature of the results of the aid measures is crucial to a reliable assessment of their success.	(g) The audit must relate to a minimum reference period required to establish that the jobs created or maintained are permanent in nature.	(g) Art. 10 provides for an annual report and Art. 26 for a report to be submitted to the Commission within three years of completion of the project.	(g) It would be preferable to call for an annual assessment over a longer period in order to ensure continuous control. This is the only way to ensure that the measures referred to in Art. 25 can be taken.
(h) Cooperation with the Member States is in urgent need of improvement as regards the: - repayment of aid granted in error	(h)  - The Member States' authorities are not always aware of the conditions governing ERDF aid and do not provide the necessary notification when these conditions cease to be met. In many cases the projects when completed do not meet the conditions which determined the decision to grant Fund aid.	(h)  - Art. 25(2) lays down comprehensive rules whose operation depends partly on the goodwill of those concerned.	(h)  - The proposed improvement can only affect the maintenance of direct contacts between the Fund administration and the Member States' authorities. In any event consideration should be given to charging interest at the market rate and in the currency concerned for the period during which Community aid is wrongly retained by the Member States

European Parliament's comments assessing the application of the ERDF regulation	Court of Auditors' comments	Account taken in the Commission proposal of the comments of the European Parliament and the Court of Auditors	Proposals by the rapporteur of the Committee on Budgetary Control in the light of the comments of the European Parliament and the Court of Auditors and of their incorporation in the Commission proposal
<p>- submission to the Commission of the information broken down as requested.</p>	<p>- Evaluating the effectiveness of the aid is one of the essential aspects of the audit. The Member States pay little attention to the time-limit and one Member State has not yet submitted the documents. It is difficult to learn from the information submitted the impact of the measures taken. A common format should be designed to ensure that:</p> <ul style="list-style-type: none"> <li>- the progress of the project can be assessed, including its economic and social aspects;</li> <li>- the information supplied by the individual countries is comparable;</li> <li>- the information provided by each country is internally consistent.</li> </ul>	<p>- Although Arts. 2, 10 and 26 require the Member States to submit comprehensive information to the Commission, they may be difficult to implement, since those countries most in need of aid do not always have the administrative structure needed to establish and process the data.</p>	<p>or by investors to prevent them from obtaining interest on the sums involved.</p> <p>- The proposed improvement cannot aim at the introduction of binding measures. However, the Commission could be called upon to establish an administrative practice based on Art. 9(3), so that consideration is given first to those Member States and regions which provide appropriate information on their position. Arts. 2, 10 and 26 should take account of the Court of Auditors' proposal for a common format. The 'joint outline' referred to in Art. 2(3)(a) should be adapted accordingly. In general the Commission should pay close attention to the comments made by the Court of Auditors in its annual reports on the financial years 1979 and 1980 with regard to incorporation in the reports and questionnaires to be completed by the Member States.</p>
<p>(i) The misuse of appropriations is ascertained too late. The Commission should be concerned to ensure that appropriations are decommitted and re-utilized as soon as possible.</p>	<p>(i) The Court of Auditors draws attention to a misinterpretation by the Commission of the rules concerning claims for repayment (former Fund Regulation, Art. 9 (1)).</p>	<p>(i) The Commission proposal reproduces almost word for word the previous text, which is, throughout, badly drafted and in particular does not make sufficiently clear the fundamental differences between paragraphs 1 and 6</p>	<p>(i) Proposed amendment No. 5. concerns this aspect. In addition, however, the fundamental difference between paragraphs 1 and 6 should be made clearer to prevent disputes. Paragraph 1 presents a particularly serious case of the misuse of funds. Moreover, the Commission should be</p>

European Parliament's comments assessing the application of the ERDF regulation	Court of Auditors' comments	Account taken in the Commission proposal of the comments of the European Parliament and the Court of Auditors	Proposals by the rapporteur of the Committee on Budgetary Control in the light of comments of the European Parliament and the Court of Auditors and of their incorporation in the Commission proposal
			aware that, under Art. 25(1) and (6), it is acting in its official capacity, so that it can cancel or reduce the aid as soon as the misuse is established and independently of specific notification by the Member States or of its own on-the-spot checks.
	(k) It would be appropriate to adopt at Community level provisions to simplify the procedure for closing files.	(k) Under Arts. 19, 20 and 24, advance, intermediate and final payment applications are considered on the basis of the work accomplished or of accounts of actual expenditure and the completion of the project, so that there can be no problems of interpretation.	(k) Since the proposed rule seems to be adequate and unambiguous, despite the differing administrative practices in the Member States as regards the final acceptance of a building, no proposals for improvement are called for.  Art. 20(1) should, however, be worded more clearly, since reference is first made to the 'execution' of the operations and then merely to their commencement as provided for in the programme.  As regards the studies referred to in Art. 18, provisions should be laid down governing applications for payment (and, where appropriate advance payments).
	(1) Requests for final payments do not expressly certify that the investment has been carried out in accordance with the original specification.	(1) Arts. 20(1) and 21(1) (b) contain the relevant passages. The provisions governing payments for measures relating to indigenous development programmes (Art. 23) and the provisions governing studies (Art. 18)	(1) Such evidence should be provided with payment applications for measures covered by Arts. 16 and 18 to remind the Member States of their responsibility for ensuring the proper use of appropriations and to induce them to carry out appropriate checks and inspections themselves.

European Parliament's comments assessing the application of the ERDF regulation	Court of Auditors' comments	Account taken in the Commission proposal of the comments of the European Parliament and the Court of Auditors	Proposals by the rapporteur of the Committee on Budgetary Control in the light of comments of the European Parliament and the Court of Auditors and of their incorporation in the Commission proposal
		do not require evidence that the project has been implemented in accordance with the original programme.	
(m) With regard to the ERDF's aim of reducing structural under-employment, the principle of giving priority to infrastructure measures should be reconsidered, since they often contribute only indirectly to job creation or maintenance. To ensure that its activities are effective, it is necessary to concentrate the Fund's resources, which compared with its objectives, are minimal.		(m) The Commission proposal departs from the existing principle of giving priority to infrastructure measures and gives precedence to programmes.	(m) The fact that account has been taken of Parliament's position is to be welcomed. There should be a clearer systematic distinction between 'programmes' and 'programme contracts' (Arts. 7 and 9). Since in view of their comprehensive nature it is extremely complicated to extend the exercise of strict control beyond the completion of the programmes to include their economic and social aspects, the forwarding, processing and analysis of data by the Member States is of particular importance. The Commission should be requested to pay special attention to this aspect when submitting the annual report referred to in Art. 36, with a view also to enabling Parliament to review and assess the success of the ERDF's activities. Reference is made in this connection to proposed amendment No. 10.

European Parliament's comments assessing the application of the ERDF regulation	Court of Auditors' comments	Account taken in the Commission proposal of the comments of the European Parliament and the Court of Auditors	Proposals by the rapporteur of the Committee on Budgetary Control in the light of comments of the European Parliament and the Court of Auditors and of their incorporation in the Commission proposal
(n) The provision laying down the minimum number of jobs to be created does not take account of regional and sectoral requirements and thus undermines the Fund's flexibility		(n) There is no provision of this kind in the proposal.	
(o) The provision whereby priority is given to applications for amounts exceeding 10 m ECU takes no account of experience which has shown that, in relation to the volume of resources involved, smaller investments protect far more jobs than do capital-intensive large-scale projects. In addition, smaller undertakings are generally less prone to crises.		(o) Art. 14(5) reduces the minimum sum to 5 m ECU.	(o) Parliament's demands have also been heeded (Art. 16a) through the creation of a new Art. 16 (operations aimed at exploiting the indigenous development potential of the regions).
	(p) The documents submitted to the Court of Auditors for verification contained no information on the reasons justifying the choice of projects.	(p) no provisions	(p) Although there is no need for a favourable decision by Commission to be justified to the recipient of aid or to the Member States, in the interests of sound administration the reasons for decisions should be made clear in internal memoranda, since otherwise subsequent verification is extremely difficult.



European Parliament's comments assessing the application of the ERDF regulation	Court of Auditors' comments	Account taken in the Commission proposal of the comments of the European Parliament and the Court of Auditors	Proposals by the rapporteur of the Committee on Budgetary Control in the light of comments of the European Parliament and the Court of Auditors and of their incorporation in the Commission proposal
(q) The extremely high figure of 1,500 m of committed but unpaid appropriations suggests that there are many 'static' projects to which Fund aid has been allocated but whose implementation has run into difficulties.	(q) Extension of the completion date, particularly if this lengthens the unproductive phase, can lead to a considerable change in the profitability of projects.	(q) Art. 25(2), which refers to 'information necessary to ensure effective operation of the Fund', is too general and does not deal with this matter satisfactorily.	(q) A provision corresponding to Art. 10 should be introduced for investment projects requiring the Member States regularly to provide information on the progress made in implementing the projects. In addition, the Commission should of its own accord institute enquiries when for a long period there have been no applications for advance payments. For this purpose it would be useful to introduce a recall card index or to install a computerized index.
(r) The staff employed in the Fund administration are too few to cope with the increasingly comprehensive and difficult work involved.			(r) Greater attention should be paid to this organizational problem, which could undermine the ERDF's effectiveness.
(s) An assessment of the success of the ERDF's activities must include an analysis of the social and economic aspects.	(s) The overall statistical summary must indicate the results achieved in each region for the previous year (taking account of the financial resources employed and the actual use made of them).		(s) The Commission proposal provides for a number of information headings, but it is ultimately left to the analytical report on the general situation to identify the specific contributions made by the Fund. This is a matter for expert assessment and therefore for internal organization.

European Parliament's comments assessing the application of the ERDF regulation	Court of Auditors' comments	Account taken in the Commission proposal of the comments of the European Parliament and the Court of Auditors	Proposals by the rapporteur of the Committee on Budgetary Control in the light of comments of the European Parliament and the Court of Auditors and of their incorporation in the Commission proposal
(t) The various Community audits carried out by the Court of Auditors, the Commission's financial control department and the Fund administration could be made more effective by improving the coordination of on-the-spot audits.			(t) This requires internal administrative instructions or agreements between the relevant services and bodies.
(u) The Fund administration should devote more attention to providing the public with information		(u) Arts. 8(h) and 9(7) deal with the publication of information but in practice there are delays of up to eighteen months.	(u) The Commission should at least ensure that relevant information is published at an early date in the Official Journal.
(v) The ERDF can fulfil its role only if its complementary nature is guaranteed and the contributions do not get 'swallowed up' in the general budget of the Member State concerned.		(v) Art. 9 introduces the concept of 'programme contracts'	(v) Since this is one of the most important aspects for the successful and sound operation of the Fund and since it is impossible to provide accurate proof of complementarity, the Commission should use all its skill in negotiating these contracts.

Proposal for a regulation (Doc. 1-735/81) amending Regulation (EEC) 724/75 establishing a European Regional Development Fund

PROPOSED AMENDMENT No. 1

Amend Article 2(4) as follows:

TEXT PROPOSED  
BY THE COMMISSION

AMENDED TEXT

'4. The Commission is analysing the regional impact of the main common policies and essential measures which it proposes to the Council. It is informing the latter of the way in which account is taken of this analysis, including, where relevant, its intention to implement a specific Community measure as indicated in Article 27 of the current regulation. The Council, on a proposal from the Commission, will adopt the required measures.'

'4. The Commission shall analyse the regional impact of the main common policies and essential measures which it proposes to the Council. It shall inform the latter, and the European Parliament, of the way in which account is taken of this analysis, including, where relevant, its intention to implement a specific Community measure as indicated in Article 27 of the current regulation. The Council, on a proposal from the Commission, will adopt the required measures.'

Proposal for a regulation (Doc. 1-735/81) amending Regulation (EEC) 724/75 establishing a European Regional Development Fund

PROPOSED AMENDMENT No. 2

Amend Article 6(1) as follows:

TEXT PROPOSED BY  
THE COMMISSION

AMENDED TEXT

'1. The list of regions and zones referred to in Article 4(3)(a) may be revised by the Council, acting by a qualified majority on a proposal from the Commission, in particular where the analysis made in the periodic report referred to in Article 2(2) reveals substantial changes in the relative severity of socio-economic problems in the regions of the Community.'

'1. The list of regions and zones referred to in Article 4(3)(a) may, after consulting Parliament, be revised by the Council, acting by a qualified majority on a proposal from the Commission, in particular where the analysis made in the periodic report referred to in Article 2(2) reveals substantial changes in the relative severity of socio-economic problems in the regions of the Community.'

Proposal for a regulation (Doc. 1-735/81) amending Regulation (EEC) 724/75  
establishing a European Regional Development Fund

PROPOSED AMENDMENT No. 3

Amend Article 9(6) as follows:

TEXT PROPOSED  
BY THE COMMISSION

AMENDED TEXT

'6. The aids from the Fund shall be  
published in the Official Journal  
of the European Communities.'

'6. The aids from the Fund shall be  
published immediately after  
their approval in the Official  
Journal of the European Communities.'

Proposal for a regulation (Doc. 1-735/81) amending Regulation (EEC) No. 724/75 establishing a European Regional Development Fund

PROPOSED AMENDMENT No. 4

Amend Article 8(3) (a) as follows:

TEXT PROPOSED  
BY THE COMMISSION

AMENDED TEXT

'(a) expected results, where possible  
in quantified form;'

'(a) expected results in  
quantified form. In  
particular they should  
give precise estimates  
of the numerical effects  
on the net employment  
situation of restructuring,  
takeovers, mergers, etc.;'

Proposal for a regulation (Doc. 1-735/81) amending Regulation (EEC)  
724/75 establishing a European Regional Development Fund

PROPOSED AMENDMENT No. 5

Amend Article 25 as follows:

TEXT PROPOSED  
BY THE COMMISSION

- '1. Where a measure that has received a contribution from the Fund has not been carried out as planned, or if the conditions imposed by the provisions which govern the measure are not fulfilled, the Fund's contribution may be reduced or cancelled if the Commission, after consulting the Fund Committee, so decides.

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 communicated.

Member States shall repay to the Commission the amount of Fund assistance received in all cases where national aid used as the basis for calculating the amount of Fund assistance has been repaid to the Member State concerned by the investor.

2. Member States shall make available to the Commission all the information necessary to ensure effective operation of the Fund and shall take all the steps likely to facilitate such monitoring as the Commission may deem useful in managing the Fund, including on-the-spot checks. They shall notify the Commission of the cases referred to in the first subparagraph of paragraph 1.
3. Notwithstanding checks carried out by Member States in accordance with national laws, regulations or administrative provisions, and without prejudice to Article 206 of the Treaty or to any inspection arranged on the basis of Article 209(c) of the Treaty,

AMENDED TEXT

- '1. The Commission shall ascertain at all stages of the utilization of resources that they are managed properly, lawfully and economically on the basis of reports and other information communicated by the Member States.

2. The Member States and their responsible local authorities and bodies are responsible for carrying out checks on the programmes, projects and measures financed by the ERDF.

Member States shall make available to the Commission all the information necessary to ensure effective operation of the Fund and shall take all the steps likely to facilitate such monitoring as the Commission may deem useful in managing the fund, including on-the-spot checks.

3. Notwithstanding checks carried out by Member States in accordance with national laws, regulations or administrative provisions, and without prejudice to Article 206 of the Treaty or to any inspection arranged on the basis of Article 209(c) of the Treaty, on-the-spot checks or enquiries in respect of operations financed by the Fund shall be carried out by the competent authorities of the Member State and by officials of the Commission or any

on-the-spot checks or enquiries in respect of operations financed by the Fund shall be carried out by the competent authorities of the Member State and by officials of the Commission or any other persons empowered by the Commission for this purpose. The Commission shall determine time limits for the performance of the checks and inform the Member State concerned of them in advance in order to obtain all the assistance necessary.

4. The purpose of such on-the-spot checks or enquiries in respect of operations financed by the Fund shall be to verify:

- (a) the conformity of administrative practices with Community rules;
- (b) the existence of supporting documents and the fact that they correspond to the operations financed by the Fund;
- (c) the conditions under which operations financed by the Fund are executed and monitored;
- (d) the conformity of projects carried out with the operations financed by the Fund.

5. The Commission may suspend payment of assistance in respect of a particular operation if a check reveals irregularities or a substantial change in the object or conditions of the project for which the Commission's approval has not been sought.

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<sup>1</sup>, if an operation that has received assistance from the Fund has not been completed or has been

officials of the European Communities empowered by the Commission for this purpose. The Commission shall determine time limits for the performance of the checks and inform the Member States concerned of them in advance in order to obtain all the assistance necessary.

4. Unchanged.

5. Unchanged.

6. Unchanged.

7. Where a measure that has received a contribution from the Fund has not been carried out as planned, or if the conditions imposed by the provisions which govern the measure are not fulfilled, the Fund's contribution may be reduced or cancelled if the Commission, after consulting the Fund Committee, so decides.  
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 one month of the date on which the relevant decision was communicated.

Member States shall repay to the Commission the amount of Fund assistance received in all cases where national aid used as the basis for calculating the amount of Fund assistance has been repaid to the Member State concerned by the investor.'

<sup>1</sup> OJ No. L 356, 31.12.1977, p.1



PROPOSED AMENDMENT No. 5 (cont.2)

carried out in such a manner that payment of only part of the Fund assistance granted in respect of that project is justified, the outstanding part of the Fund's contribution shall be allocated to another activity in one of the eligible regions of the same Member State under the conditions laid down in this Regulation.'

Proposal for a regulation (Doc. 1-735/81) amending Regulation (EEC) 724/75  
establishing a European Regional Fund

PROPOSED AMENDMENT No. 6

Amend Article 26 as follows:

TEXT PROPOSED  
BY THE COMMISSION

'Member States shall, within three years of completion of the actions financed by the Fund, inform the Commission of the following:

- in the case of investment projects in industry, the artisanal or the services sector, the number of jobs created;
- in the case of infrastructure investment projects costing more than 5 million ECU, the rate of utilization of the infrastructure in question, where such information is available.'

AMENDED TEXT

'Member States shall, within three years of completion of the actions financed by the Fund, inform the Commission of the following:

- in the case of investment projects in industry, the artisanal or the services sector, the number of jobs created and still in existence at the time of notification;
- in the case of infrastructure investment projects costing more than 5 million ECU, the rate of utilization of the infrastructure in question at the time of notification, where such information is available.'

Proposal for a regulation (Doc. 1-735/81) amending Regulation (EEC) 724/75  
establishing a European Regional Development Fund

PROPOSED AMENDMENT No. 7

Amend Article 27(2) as follows:

TEXT PROPOSED  
BY THE COMMISSION

2. The measures referred to in this Title may differ in whole or in part from the measures referred to in Title III. They shall be aimed at Community regions and zones particularly affected:
- either by recent, serious problems of industrial decline,
  - or by certain Community policies or by measures adopted by the Community in order to facilitate the implementation or to mitigate the regional consequences of these policies.

These measures may not have as their object the internal reorganization of declining sectors but may, by establishing new economic activities and the implementation of new technology, promote the creation of new employment in regions or areas experiencing difficulties.

These measures shall be financed jointly by the Community and by the Member State or States concerned.'

AMENDED TEXT

- '2. The measures referred to in this Title may differ in whole or in part from the measures referred to in Title III. They are also intended as transfrontier measures and shall be aimed at Community regions and zones particularly affected:'

Remainder unchanged.

Proposal for a regulation (Doc. 1-735/81) amending Regulation (EEC) 724/75  
establishing a European Regional Development Fund

PROPOSED AMENDMENT No. 8

Amend Article 37 as follows:

TEXT PROPOSED  
BY THE COMMISSION

'On a proposal from the Commission,  
the Council shall re-examine this  
Regulation within three years from  
1 January 1982.'

AMENDED TEXT

'On a proposal from the Commission,  
and after seeking the opinion of Parliament and  
the European Court of Auditors,  
the Council shall re-examine this  
Regulation within three years from  
1 January 1982.'

Proposal for a regulation (Doc. 1-735/81) amending Regulation (EEC) No. 724/75 establishing a European Regional Development Fund

PROPOSED AMENDMENT No. 9

Amend Article 14(1) as follows:

TEXT PROPOSED  
BY THE COMMISSION

'1. Applications for Fund assistance shall be submitted to the Commission by Member States, together with such information as will enable the Commission to assess the merit of the investment projects in the light of Articles 2 and 13.'

AMENDED TEXT

'1. Applications for Fund assistance shall be submitted to the Commission by Member States, together with such information as will enable the Commission to assess the merit of the investment projects in the light of Articles 2 and 13.  
With regard to the information to be submitted, Article 8(3) shall be applied as appropriate.'

Proposal for a regulation (Doc. 1-735/81) amending Regulation (EEC) No. 724/75  
establishing a European Regional Development Fund

PROPOSED AMENDMENT No. 10

Amend Article 36 as follows:

TEXT PROPOSED  
BY THE COMMISSION

AMENDED TEXT

'1. Before 1 October each year, the Commission shall present to the Council, to the Parliament and to the Economic and Social Committee a report on the implementation of this Regulation during the preceding year.

'2. The report shall also deal with the financial management of the Fund and discuss the Commission's conclusions based on the checks carried out in respect of Fund operations.'

'1. Before 1 October each year, the Commission shall present to the Council, to the Parliament and to the Economic and Social Committee a report on the implementation of this Regulation during the preceding year.

'2. The report shall deal with the financial management of the Fund and shall contain, in addition to statistical data, a brief analysis of the effectiveness and success in economic and social terms of the measures financed by the Fund. It shall also discuss the Commission's conclusions based on the results of the checks carried out in respect of Fund operations.'

MOTION FOR A RESOLUTION (Doc. 1-837/81)  
tabled by Mr TAVAGLINI, Mr COSTANZO and Mr LIMA  
pursuant to Rule 47 of the Rules of Procedure  
on the creation of a regional development agency

The European Parliament,

- having regard to its resolution of 19 September 1980 on the regional development programmes,
- having regard to the criteria laid down by the Commission as a basis for reforming the regional development policy for more effective Community measures to reduce the disparities between the various regions and the backwardness of the less-favoured regions,
- stressing that all common policies must make a decisive contribution to regional development,
- drawing attention to the fact that, during the period in which the regional policy was being established (Report on the regional problems in the enlarged Community Doc. COM(73) 550), the Commission had proposed, in addition to the Community's Regional Development Fund, the creation of a regional development agency to be an information centre for European industries and to take a short-term minority shareholding in companies setting up in development areas,
- whereas, despite the efforts of the governments of Member States and the support supplied by the ERDF, it has not proved possible to create appropriate productive structures in the industrial and service sectors,
- whereas, in the current phase of restructuring and conversion of production within the Community, it is more important than ever that national and regional policies should work together,

invites the Commission and Council

- to act on the proposal made by the Commission in Doc. COM(73) 550 making any necessary changes to bring it up to date, and proceeding in this manner, to create a Community body which, in addition to providing European industries with information, would be authorized to hold shares in companies setting up in developing areas.

