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Report

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

on the proposals from the Commission of the European Communities to the
Council (Doc. 205/73) for

- a regulation on the list of priority agricultural regions and areas referred to in the Regulation (EEC) on finance from the Guidance Section of the European Agricultural Guidance and Guarantee Fund for projects falling within development programmes in priority agricultural regions
- a regulation on the list of regions and areas referred to in the Regulation (EEC) establishing a European Regional Development Fund

Rapporteur : Mr F.-L. DELMOTTE

PE 35.012/fin.

By letter of 16 October 1973, the President of the Council of the European Communities consulted the European Parliament, pursuant to Article 235 of the Treaty establishing the EEC, on the proposals from the Commission of the European Communities to the Council for

- a regulation on the list of priority agricultural regions and areas referred to in the Regulation (EEC) on finance from the Guidance Section of the European Agricultural Guidance and Guarantee Fund for projects falling within development programmes in priority agricultural regions,
- a regulation on the list of regions and areas referred to in the Regulation (EEC) establishing a European Regional Development Fund

On 8 November 1973 the President of the European Parliament referred these proposals to the Committee on Regional Policy and Transport as the committee responsible, and to the Committee on Agriculture, the Committee on Economic and Monetary Affairs and the Committee on Budgets for their opinions.

The Committee on Regional Policy and Transport appointed Mr Delmotte rapporteur on Community regional policy on 11 April 1973.

The committee considered the proposed regulations at its meetings of 6/7 November 1973 and 4/5 December 1973.

At its meeting of 5 December 1973 the committee unanimously adopted the motion for a resolution and explanatory statement by 11 votes to one.

The following were present: Mr James Hill, chairman;
Mr Delmotte, rapporteur; Mr Eisma, Mr Fabbrini, Mr Herbert, Mr Johnston,
Mr Mursch, Mr Pétre, Mr Pounder, Mr Schwabe, Mr Starke, Mr Taverne.

The opinions of the Committee on Agriculture, the Committee on Economic and Monetary Affairs and the Committee on Budgets are attached to this report.

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A

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

MOTION FOR A RESOLUTION

embodying the opinion of the European Parliament on the proposals from the Commission of the European Communities to the Council for

- a regulation on the list of priority agricultural regions and areas referred to in the Regulation (EEC) on finance from the Guidance Section of the European Agricultural Guidance and Guarantee Fund for projects falling within development programmes in priority agricultural regions
- a regulation on the list of regions and areas referred to in the Regulation (EEC) establishing a European Regional Development Fund

The European Parliament,

- having regard to the proposals from the Commission of the European Communities to the Council (COM(73) 1750 and COM(73) 1751),
- having been consulted by the Council pursuant to Article 235 of the EEC Treaty (Doc. 205/73),
- having regard to the report of the Committee on Regional Policy and Transport and the opinions of the Committee on Agriculture, the Committee on Economic and Monetary Affairs and the Committee on Budgets (Doc. 276/73),
- having regard to its two recent resolutions of 5 July 1973¹ and 15 November 1973²;

1. Recalls that the economic and monetary union cannot have a solid basis without a reduction in the most serious regional imbalances;

¹ OJ No. C 62, 31 July 1973, p.33

² OJ No. C 108, 10 December 1973

2. Recalls that the Fund should be an instrument of European cooperation, thus excluding the principle of a fair return;
3. Recalls that, pursuant to its resolution of 15 November 1973 the list of regions and areas qualifying for support from the European Regional Development Fund should be established by the Council acting by a qualified majority;
4. Considers that the means available must, if they are to be effective, be concentrated on a limited number of regions whose development is a priority;
5. Considers that, by their very nature, the problems of developing the peripheral regions are the most urgent, substantial and complex;
6. Takes the view that the proposed list for interventions from the European Regional Development Fund is very general and that priorities must be established;
7. Believes that all the regions should be classified according to the relative seriousness of the imbalances found in relation to the Community average;
8. Considers that the regions and areas with the most serious imbalances and situated in Member States with the lowest relative intervention capacity should be assisted on a priority basis and should receive the bulk of the interventions from the Fund;
9. Considers that the proposed list for interventions from the European Agricultural Guidance and Guarantee Fund should also identify priority regions on the basis of the relative seriousness of the imbalances in relation to the Community average;
10. Invites the Commission to adopt the following amendments, pursuant to Article 149 (2) of the Treaty establishing the EEC;
11. Instructs its responsible committee to keep these problems under review and to report to it as necessary;
12. Instructs its President to forward this resolution and the report of its committee to the Council and Commission of the European Communities.

Proposal for a Council regulation on the list of priority agricultural regions and areas referred to in the regulation (EEC) on finance from the guidance section of the European Agricultural Guidance and Guarantee Fund for projects falling within development programmes in priority agricultural regions

Preamble and first three recitals unchanged

4. Whereas the means available must, if they are to be effective, be concentrated on a limited number of agricultural regions whose development is a priority,
5. Whereas this priority depends on the relative seriousness of the imbalances found in relation to the Community average.

Article 1

The following regions shall be priority agricultural regions within the meaning of Council Regulation (EEC) no..... of

(in the Commission text, this is followed by a list of regions by country)

Article 1

The following regions, classified according to the relative seriousness of the imbalances found at Community level, shall be priority agricultural regions within the meaning of Council Regulation (EEC) no..... of

(to be replaced by a classified list of regions for the Community as a whole)

¹ For full text see COM (73) 1750

Text proposed by the Commission
of the European Communities

Amended Text

Article 2

The following areas shall be designated as priority agricultural regions within the meaning of Council Regulation (EEC) No.....:

(in the Commission text, this is followed by a list of regions by country)

Article 2

The following areas, classified according to the relative seriousness of the imbalances found at Community level shall be designated as priority agricultural regions within the meaning of Council Regulation (EEC) no.....:

(to be replaced by a classified list of regions for the Community as a whole)

Article 3 unchanged

Proposal for a Council regulation on
the list of regions and areas referred to in
Regulation (EEC) no..... establishing a
European Regional Development Fund

Preamble and first three recitals unchanged

4. Whereas the means available must, if they are to be effective, be concentrated on a limited number of regions whose development is a priority,
5. Whereas this priority depends on the relative seriousness of the imbalances found in relation to the Community average and on the relative ability or otherwise of the Member States to correct such imbalances with their own unaided resources;

Article 1

The regions and areas which may benefit from the European Regional Development Fund within the meaning of Council Regulation (EEC) no.....
.../..... of shall be those listed hereinafter.

Where this list does not determine the precise delimitation of these regions and areas, reference shall be made to the Member States' legislative texts cited in the Annex to this Regulation.

Article 1

The regions and areas which may benefit from the European Regional Development Fund within the meaning of Council Regulation (EEC) no.....
.../..... of shall be those classified hereinafter according to the relative seriousness of the imbalances found at Community level

unchanged

¹ For full text see COM (73) 1751.

Text proposed by the Commission
of the European Communities

(this is followed in the Commission
text by a list of the regions and
areas by country)

Amended Text

(to be replaced by a classified
list of the regions and areas for
the Community as a whole)

Article 1A

The regions and areas with the most
serious imbalances situated in
Member States with the lowest rela-
tive intervention capacity should
be assisted on a priority basis
and should receive the bulk of the
interventions from the Fund.

Article 2 unchanged

EXPLANATORY STATEMENT(a) General criticism

1. The European Parliament has been consulted on two proposed Council regulations implementing two basic regulations that have not yet been adopted by the Council.

In particular, in the case of the European Regional Development Fund, the list has been drawn up by reference to articles in the basic regulation, amendment of which has been requested by the European Parliament. Specifically, section 1 of the explanatory statement recalls that the Fund should encourage the creation of infrastructures required for the development of industrial or service activities. This is a reference to Article 4 (1b) of the basic regulation; Parliament asked that this be amended, pointing out that the Fund ought to contribute to the financing of infrastructures in the broad sense, required for the development of a region within the framework of a regional development programme.

Above all, however, the preamble refers expressly to Article 3 of the regulation on the Fund, which lays down the criteria and procedure to establishing the list of regions which may benefit from the Fund. The European Parliament took the view that aid should, as a matter of priority, be concentrated on global action in regions with imbalances in excess of the national intervention capacity. To avoid dispersal of aid, the European Parliament therefore proposed that this criterion be added to Article 3. This proposal was disregarded. In fact the Commission has submitted these proposals on the list of regions not only before adoption of the basic regulation on the Fund by the Council, but also before the European Parliament delivered its final opinion on this latter regulation.

2. In fact, there was no urgency concerning the adoption of this list of regions. In our view, the Paris Summit laid down a precise timetable with regard to the regulation on the Fund, this timetable being binding on the Council and Commission, and hence also on the European Parliament, which was consulted.

However, the list of regions, which is an implementing regulation, is not subject to the same deadlines. Indeed, the two regulations ought not to be linked.

The Council should adopt a regulation establishing a Fund. This Fund should be an instrument of European cooperation, thus excluding the principle of a fair return. The Council should therefore not act on the basis of the list of regions qualifying for benefits under the Fund. This would imply a reversal of the procedure and a denial of the principle of European cooperation in favour of a maximum dispersal of aid in all the Member States.

3. This is, in fact, what one finds when one considers the map of regions which may benefit from the European Regional Development Fund.

It is an impressive list of regions and areas, small administrative units such as the French canton; could it be that the purpose behind it is to secure unanimity in the Council?

The European Parliament has already spoken out against such a dispersal. Is it really necessary to recall that the problems of developing the peripheral regions are the most urgent, substantial and complex?

(b) Special nature of the problems of developing peripheral regions

4. The concept of peripheral regions embraces both geographic and economic remoteness, its antithesis being a central region enjoying the benefits of concentrated development.

The relative deterioration in the social and economic conditions of peripheral regions in Europe has been accentuated by the liberalization of trade and free movement of production factors. Restructuring of economic activities has tended to further strengthen the existing highly industrialized regions in central Europe, such as the Rhine region, Northern Italy or the Paris region.

This has brought about:

- wastage in social and individual terms in the regions of high concentration,
- stagnation at a very low level of the utilization of economic resources and the training of available labour in the peripheral regions,
- programmes of aid and subsidy for the latter regions.

The final result has been a chronic imbalance between these regions and the Community as a whole. This situation may be regarded as a temporary state which could be changed by suitable policies; however, it poses a number of very serious and complex problems which are all the more acute in peripheral regions in two senses, namely at both Community and national level.

5. The problems of the peripheral regions are extremely difficult by virtue of their complexity: they are also very great because of the size of the regions concerned and the urgent need to remedy regional imbalances since this is one of the prerequisites for the economic changes on which the strength of the economic and monetary union depends. This, therefore is a matter of serving the general interests of all, and not simply of the wealthy regions helping the poor ones, still less of a 'stop-gap' solution for regions faced with redeployment problems.

6. There is in fact a fundamental difference, which is not simply one of degree, between certain problems relating to redeployment encountered in some sub-regions of the central area, which can also be serious, and those encountered by the peripheral regions.

A region or sub-region faced with a problem of industrial redeployment does at least have some advantages such as its links with the central area, vocational training facilities and the mental attitude of resident populations traditionally attuned to industrial productivity.

Moreover such regions may also benefit from various forms of Community support, e.g. from the European Investment Bank, the European Social Fund or aid under the ECSC Treaty, as well as national aid.

On the other hand the development of rural regions requires the provision of communication infrastructures to bring them nearer to central areas, and industrial reception facilities which are all the more difficult to create in view of the greater pollution problems, as well as basic social facilities providing both technical training for the local population and services for technicians and administrators who will have to be brought in from elsewhere.

The list of regions drawn up by the Commission is plainly very broad and includes both peripheral regions and old industrialized areas that have suffered a decline: some kind of priorities must without doubt be established for the allocation of Community aid which should be concentrated first and foremost on the chronic imbalances afflicting two or three major regions where problems are such that all the national aid facilities have failed to provide a remedy and other Community resources have been inappropriate.

It is possible that if these problems have been solved or are in the process of being solved Community resources may be used to supplement national resources to prevent the further passage of time from aggravating the backwardness of these regions vis-à-vis the more favoured regions of Europe, to the point of jeopardizing the balance of the European economy.

(c) List for interventions from the European Regional Development Fund

7. From the foregoing it follows that the proposed list must be regarded as a very general framework within which it will be necessary to establish priorities.

The regions to be developed on a priority basis are those suffering from the most serious imbalances, in relation to the Community average. These imbalances are defined by a gross domestic product per inhabitant of the region below the Community average and, in addition, by one or more of the following criteria:

- a percentage of the working population engaged in agriculture which is higher than the Community average and a percentage of the working population engaged in industry which is lower than the Community average;
- a percentage of 20% of employment in one of the declining industrial sectors and either unemployment of at least 2% or a net outward migration over several years;
- a rate of unemployment at least 20% above the national average and reaching at least 3.5%, or a net outward migration of at least 10% of the population over a long period.

These are the criteria used by the Commission in drawing up its list of regions. The Commission is therefore in a position to classify the regions, identifying those which, on the basis of these criteria, are suffering from the most serious imbalances, considered in the context of the Community.

The Commission's arrangement of the regions by country and without identifying the regions in the greatest difficulty is unacceptable.

8. When considering the regulation on the Fund¹, the European Parliament took the view that the latter 'may intervene only when the national intervention capacity is not sufficient to correct the imbalance' (Article 3, new paragraph 3).

The Commission did not accept this criterion, which had not been stipulated by the Paris Summit and which it felt would be difficult to implement.

The European Parliament, which is not bound by the instructions given by the Summit to the Commission, once again stresses the need for this criterion of priority, proposing a new wording which is not negative.

¹ Doc. 228/73, p. 12

Where the resources necessary to correct the most serious imbalances exceed the potential of the Member States concerned, the regions in question should be helped on a priority basis and should receive the bulk of the Fund's intervention.

In order to identify the Member States with the lowest relative intervention capacity to correct serious regional imbalances it is possible, as an initial step, to compare the gross national domestic product per head with the gross Community domestic product per head.

A further possibility is to determine, for each Member State, the ratio between the total gross domestic product of all the other regions suffering from substantial imbalance¹.

From this ratio it is possible to assess whether the prosperous regions of a country are in a good position to help the poorer ones.

Comparison of these ratios at Community level reveals the countries whose relative national intervention capacity is low.

The statistics necessary for such calculations are available, since the Commission has taken the regional gross domestic product as the basic criterion in drawing up its list of regions.

9. The Committee on Regional Policy and Transport accordingly proposes the following amendments to the Commission's text:

- add a fourth recital:

'Whereas the means available must, if they are to be effective, be concentrated on a limited number of regions whose development is a priority.'

The wording of this recital is taken from the explanatory statement of the proposal for a regulation on the list of priority agricultural regions².

- add a fifth recital:

'Whereas this priority depends on the relative seriousness of the imbalances found in relation to the Community average and on the relative ability or otherwise of the Member States to correct such imbalances with their own unaided resources.'

- add Article 1:

¹ Regions with substantial imbalances are those defined as qualifying for intervention under the Fund on the basis of the criteria set out in section 7.

² end of section 1, p. 2

'shall be those classified hereinafter according to the relative seriousness of the imbalances found at Community level.'

- add Article 1A:

'The regions and areas with the most serious imbalances situated in Member States with the lowest relative intervention capacity, should be assisted on a priority basis and should receive the bulk of the interventions from the Fund.'

(d) List for interventions from the European Agricultural Guidance and Guarantee Fund

10. This list, like the previous one, is a guide but priorities must be set. The agricultural regions to be developed on a priority basis are those with the most serious imbalances in relation to the Community average. These imbalances are defined by:

- a gross domestic product per head at factor cost which is lower than the Community average;
- a percentage of the working population engaged in agriculture which is higher than the Community average;
- a percentage of the working population engaged in industry which is lower than the Community average.

These are the criteria used by the Commission in drawing up its list of regions. The Commission is thus in a position to classify the regions in such a way as to identify those which, on the basis of these criteria, are suffering from the worst imbalances at Community level.

As in the case of the previous list, the Commission's arrangement of regions by country, without identifying those in the greatest difficulty, is unacceptable.

11. The Committee on Regional Policy and Transport therefore proposes the following amendments to the Commission's text:

- add a fourth recital:

'Whereas the means available must, if they are to be effective, be concentrated on a limited number of agricultural regions whose development is a priority.'

The wording of this recital is taken from the explanatory statement of this proposal for a regulation¹.

- add a fifth recital:

'Whereas this priority depends on the relative seriousness of the imbalances found in relation to the Community average';

- add to Article 1:

'The following regions, classified according to the relative seriousness of the imbalances found at Community level

- add to Article 2:

'The following areas classified according to the relative seriousness of the imbalances found at Community level.'

¹ End of section 1, p.2.

OPINION OF THE COMMITTEE ON AGRICULTURE

Draftsman: Mr M. VETRONE

The Committee on Agriculture which was instructed to deliver an opinion to the Committee on Regional Policy and Transport, appointed Mr M. Vetrone draftsman and considered these proposals at its meeting of 22/23 November 1973. At its meeting of 4/5 December 1973 the Committee on Agriculture unanimously approved the following opinion.

The following were present: Mr Houdet, chairman; Mr Vetrone, vice-chairman and draftsman of the opinion; Mr Laban, vice-chairman; Mr Cipolla, Mr Frehsee, Mr Früh, Mr John Hill, Mr Kavanagh, Mr de Koning, Mr Ligios, Lord St. Oswald, Mr Schwabe (deputizing for Mrs Orth).

1. The Committee on Agriculture has been instructed to deliver an opinion to the Committee on Regional Policy and Transport, the committee responsible, on the proposals from the Commission of the European Communities to the Council for a regulation on the list of priority agricultural regions and areas referred to in the Regulation (EEC) on finance from the Guidance Section of the European Agricultural Guidance and Guarantee Fund for projects falling within development programmes in priority agricultural regions and for a regulation on the list of regions and areas referred to in the Regulation (EEC) establishing a European Regional Development Fund.

2. The Committee on Agriculture feels it is necessary to begin by reaffirming its conviction, expressed in previous opinions, of the urgent need to define a common regional policy.

This policy is a basic aspect of general economic integration and complements the integration already being pursued in the agricultural sector. Through the appropriate instruments, it can facilitate the implementation of measures designed to reform agricultural structures and it can also promote the economic development of those agricultural areas which have the greatest imbalances in the Community and cannot benefit from general evolutionary trends and from the policies adopted at national and Community level.

3. For this reason, while the Committee on Agriculture has delivered a favourable opinion on the 1971 proposal for the financing by the Guidance Section of the EAGGF of individual development projects in the priority agricultural regions, it has also pointed out that if intervention under the future regional policy is to be effective, it must be concentrated in those regions of the Community which have the greatest imbalances.

For this purpose it indicated¹ that 'it would be advisable to draw up a list of priorities as a function of the relative degree of regional imbalance' amongst the various regions eligible for aid from the Development Fund.

4. On the basis of these principles, laid down as fundamental to a valid regional policy, and of those formulated in the amendment, approved by Parliament, to Article 3 of the proposal for a regulation setting up a European Regional Development Fund,² the Committee on Agriculture is of the opinion that the lists of regions and areas in favour of which the intervention of the EAGGF or the Regional Fund will operate must indicate clearly the relative degree of imbalance.

¹ Opinion of the Committee on Agriculture annexed to Mr Delmotte's report on the Community's regional policy (Doc. 120/73)

² Doc. 228/73, page 12: 'The Fund may intervene only when the national intervention capacity is not sufficient to correct the imbalance.'

5. The Committee on Agriculture is moreover firmly convinced that intervention from the Fund must be reserved exclusively for, and granted as a matter of priority to, those regions in which it is clear that the imbalance is more pronounced than the Community or national averages.

The Committee on Agriculture considers finally that it is only by means of such lists that the European Parliament will be able to evaluate, in the annual report provided for in Article 16 of the regulation on the Fund, the results of implementation of the Community regional policy.

OPINION OF THE COMMITTEE ON ECONOMIC AND MONETARY AFFAIRS

Letter from the draftsman, Mr K. MITTERDORFER,
to the Chairman of the Committee on Regional Policy and Transport

Bruasels, 30 November 1973

Dear Sir,

At its meeting of 29 November 1973 the Committee on Economic and Monetary Affairs considered, in the absence of the appropriate representatives of the Commission of the European Communities, the proposal for a Council regulation on the list of priority agricultural regions and areas referred to in the Regulation on the financing of projects from the Guidance Section of the EAGGF and the proposal for a regulation on the list of regions and areas referred to in the Regulation establishing a European Regional Development Fund^{1,2}; I was instructed to forward the following conclusions reached in these discussions in the form of a letter embodying the opinion of our committee to the Committee on Regional Policy and Transport as the committee responsible:

Both documents are intended as a basis for the establishment of a list of regions and areas to be supported by the Community, using criteria which have already been the subject of detailed opinions delivered by the European Parliament.

It must be stressed once again that the Parliament has no knowledge of the criteria used to establish average figures for the Community. In view of the lack of harmonization of regional statistics, how has the Commission been able to obtain these figures?

¹ Doc. 205/73

² The following were present:

Mr LANGE, Chairman;
Mr NOTENBOOM, Sir Brandon RHYS WILLIAMS,
Vice-Chairmen;
Mr MITTERDORFER, Draftsman;
Mr ARTZINGER, Mr BERSANI, Mr BURGBACHER,
Mr FLAMIG (deputizing for Mr ARNDT),
Mr HARMEGNIES, Mr LEENHARDT, Mr NORMANTON,
Mr SCHOLTEN, Mr YEATS

../..

At the beginning of 1972 Parliament pointed out that it viewed the financing of measures to create non-agricultural jobs through the EAGGF as a temporary solution. The question once again arises as to how a tangible contribution to the economic development of so many agricultural regions can be achieved with an annual allocation of 50m u.a.?

As for the areas to be assisted by the Regional Development Fund, a glance at the map shows that despite the common criteria employed, there are differences between the regions listed as deserving support. This list of regions with different structures is so extensive that priorities must surely be laid down. Is this requirement not particularly important in view of the need recently underlined by a head of government that regional Community aid must be effective and have tangible results?

The committee responsible is requested to give special attention to the criterion of 'heavy dependence on employment in declining industrial activities' - here the Commission is thinking of regions where mining and textiles are the main industrial activities.

Is it enough to select areas on the basis of the state of employment in individual industries? At this point sectoral and regional structural policy may be said to intersect.

Does the list take sufficient account of the overall trend of economic development in certain regions or areas?

In view of the point quite rightly made by the Commission that Community action should not be fragmented the requirement of a minimum size for a region or area is highly desirable. However, the conclusion that only regions with a population density of 200 per km² meet this requirement is open to doubt and should therefore be discussed very carefully by the committee responsible with the Commission.

Finally the Committee on Economic and Monetary Affairs would point out, again with reference to the debate in the House during the November part-session, that the voting procedures for the regions to be supported from the EAGGF and from the Regional Development Fund are inexplicably different. Whilst the regions to be supported under Doc. 1750 are to be established by the Council pursuant to Article 43 of the Treaty, the regions to be supported by the Regional Development Fund will be decided by a new voting procedure not covered by the Treaty.

The Committee on Economic and Monetary Affairs requests the Commission to withdraw its proposal on this matter and to submit a new proposal to the Council corresponding to the resolution adopted by the European Parliament on 15 November 1973.

Yours faithfully,

(sgd.) Karl MITTERDORFER

OPINION OF THE COMMITTEE ON BUDGETS

Draftsman: Mr T. NOLAN

On 23 November 1973, the Committee on Budgets appointed Mr Nolan draftsman for the opinion.

At its meeting of 3 December 1973, the Committee considered the Draft Opinion and unanimously approved it with 8 votes in favour.

The following were present:

Mr Spénale, chairman; Mr Aigner, vice-chairman; Mr Rossi, vice-chairman; Mr Gerlach, Mr Leenhardt, Mr Notenboom, Mr Pêtre, Mr Pisoni, Mr Wieldraaijer, Mr Wohlfart.

INTRODUCTION

1. These proposals from the European Commission represent one of the major steps towards the development of a regional fund which the Commission still hopes to have in being by 1 January 1974.

2. The Parliament is extremely anxious to cooperate with these developments and to that end has agreed to try to deliver its opinion on these proposals by December 31st 1973 - which means forming its opinion in the debate in the December session.

The deadline for the Fund was set out at the Summit of the Heads of State and Government of the European Community in October 1972. Parliament, both in its opinion on the Commission's proposals for setting up the Fund (the Delmotte Report) and in its debate on the Budget, attached much importance to the keeping to the deadline given, so that the day that the Community could diversify its policies and become a social Community could be brought forward. Therefore in the debate on the Budget Parliament viewed with dismay the failure of the Council of Ministers to agree to appropriations for the Fund in time for the adoption on the 1974 Budget. Due to the dilatoriness of the Council, the Community is now faced with either a supplementary budget before the end of 1973 for the Fund or failure to keep to the Summit deadlines.

THE LIST OF REGIONS FOR THE PRIORITY AGRICULTURAL REGIONS

3. The Commission is to be congratulated on the work which has gone into the preparation of these lists and also for the fact that it has checked the data provided by the regions and has expanded the scope of its work to keep up with the new demands made by the enlargement of the Community.

4. The Commission in compiling this list has set various criteria, namely that a high percentage of the work force be involved in agriculture; that the gross domestic product at factor cost for the region be less than average and that the percentage of the work force involved in industry be less than average. The Commission then gives the Community averages so that the priority regions can be adduced.

5. The Commission states that the purpose of the Fund is to finance development programmes in these priority agricultural regions and that for the system to be effective, "the means available must be concentrated on a limited number of agricultural regions whose development is a priority".

6. The problem here is that the Commission has not then gone on to say what it means by limiting the list. In fact the list of regions and zones provided, as can be seen on the map, covers half of France, two-thirds of Italy, half of Denmark, slightly less than one-third of Germany and slightly more than a half of the United Kingdom and all Ireland. The Commission does not then go on to elaborate the priorities within the priority regions or the criteria for arriving at them.

We all know that there will be great competition for the funds available from the regions and from the Member States and the allocation of criteria for a regionalized system on the Community basis is one that can be welcomed. But vagueness like this would seem to compound the difficulties faced by the administrators and would seem to make public assessment and support for the policy more difficult.

THE LIST OF REGIONS FOR THE EUROPEAN REGIONAL DEVELOPMENT FUND

7. The Commission has also prepared a list of regions for the Regional Development Fund which it intends to use to encourage investment and development in regions and areas 'characterized ... by imbalance resulting from the preponderance of agriculture, industrial change or structural under-employment.'

8. The criteria set out by the Commission are slightly more complex here, namely that to qualify as a priority region, within that region the gross domestic product per head should be less than the community average and that that region should also be

- (a) dependent on agricultural employment, or
- (b) dependent on employment in declining industrial activities, or
- (c) have consistently high rates of unemployment or a high rate of net outward migration.

Again the problem here is one of priorities within the priority regions, for nearly half of Europe is covered by these criteria.

9. The Commission further defines the criteria by stating that to identify regions whose economic structure is imbalanced due to the preponderance of agriculture, a comparison should be made as regards the percentage for industrial employment and the percentage in agricultural employment in that region.

Those areas with imbalance resulting from industrial change should qualify as priority regions if the rate of unemployment be greater than two per cent over several years, or if the net outward migration be high over a long period, although the Commission does not define what can be considered as 'a long period' in this sense.

In examining the criterion (c), the Commission has used an indication of persistently high rates of unemployment as being at least 20 per cent over the national average and reaching at least 3.5 per cent of the total work force. As an indicator of high net outward migration, an average rate of at least one per cent of the population over a long period has been used. Again no indication as to what constitutes a long period is given.

10. The Commission also suggests an alternative criteria for particularly serious cases of general unemployment or under-employment: namely, where the gross domestic product per head is 50 per cent or less than the Community average.

11. The Commission then makes proposals to ensure that there is a certain minimum size for each region and zone involved, to prevent the fragmentation of the policy.

CONCLUSIONS

12. Your draftsman feels that it would be outside the Budget Committee's brief to comment in detail on the delineation of the actual regions and that this should best be left to the Committee with the basic responsibilities - namely, the Committee on Regional Policy and Transport.

13. Nonetheless, there are certain general points your draftsman would like to make. The first is to stress the general point already made about the difficulty of stretching slender resources a very long way and the need to consider the concept of what might be called

'emergency priority regions'. The Commission has in fact prepared detailed information on the regions which would permit more specific categorization of the regions in terms of priority; perhaps using a division between 'intermediate' and 'development' areas.

14. The Commission has set certain rigid criteria for these regions and this seems to have certain inherent dangers. The data will clearly be changing and there will be consequent automatic changes in the list of regions. On top of that there may well be a need to redefine the criteria themselves, for example, if the average rate of unemployment within the Community changes considerably in one direction or the other, there will clearly be a need to re-examine the criteria at present given for high unemployment.

Parliament would certainly want to be consulted about any changes in these criteria. This is not only important in terms of enabling Parliament to carry out its responsibilities, but also in making public changes in the policy since both Commission and Parliament should be aware of the need to keep this policy's working in the public eye, in contrast with the working of the Common Agricultural Policy.

15. There is clearly a degree of overlap both between the purposes of the two policies (regional policy and the Guidance Section of the EAGGF) and their working in practice. This merely reinforces the need for adequate control measures about the administration of the Fund. The Budget Committee awaits with extreme interest the proposals of the Commission as regards the internal control measures that it wishes to make for this Fund. This is a vital element in the success of the policy.

It would be a major setback not merely for regional policy but also for the future development of the Community if this policy of the Community were to become tarnished in the public mind in the same way as the Common Agricultural Policy, i.e. lack of supervision and fraud.

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