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SECOND 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. 152/73) for

- I. a decision on the creation of a Committee for Regional Policy
- II. a financial regulation relating to special provisions to be applied to the European Regional Development Fund
- III. a regulation establishing a Regional Development Fund

Rapporteur: Mr F.L. DELMOTTE

PE 34.605/fin.

By letter of 9 August 1973, the President of the Council of the European Communities, exercising his discretion and powers in the case of the first two texts and acting in accordance with Article 235 of the EEC Treaty in the case of the third, consulted the European Parliament on the proposals from the Commission of the European Communities to the Council for:

- I. a decision on the creation of a Committee for Regional Policy,
- II. a financial regulation relating to special provisions to be applied to the European Regional Development Fund,
- III. a regulation establishing a Regional Development Fund.

On 18 September 1973 the European Parliament referred these proposals to the Committee on Regional Policy and Transport, as the committee responsible, and to the Committees on Agriculture, Social Affairs and Employment, Budgets, and Economic and Monetary Affairs for their opinion.

The committee had already appointed Mr Delmotte rapporteur on 11 April 1973. It considered these proposals at its meetings of 11 and 26 September 1973.

At its meeting of 26 September 1973 the committee adopted the motion for a resolution and the accompanying explanatory statement unanimously with two abstentions.

The following were present: Mr Hill, chairman; Mr Seefeld, vice-chairman; Mr Delmotte, rapporteur, Mr Gerlach, Mr Harmegnies (deputizing for Mr Eisma), Mr Herbert, Mr Johnston, Mr Mitterdorfer, Mr Noé, Mr Pêtre, Mr Pounder, Mr Radoux, Lord Reay, Mr Schwabe and Mr Starke.

In order to comply with the timetable set by the Paris Summit Conference in October 1972 the Committee on Regional Policy and Transport had to present its report at the October 1973 part-session of the European Parliament before receiving the opinions requested from other committees.

This led to the tabling of numerous amendments (33) for debate in plenary sitting.

The Committee on Regional Policy and Transport had to ask for the report and amendments to be referred back to committee.

The committee adopted its position on these amendments at its meetings of 23 and 24 October 1973 and 6 and 7 November 1973.

These amendments were accepted or rejected by varying majorities.

The text of the amendments agreed to have been included in the motion for a resolution and the explanatory statement as adopted on 26 September 1973.

The following were present: Mr James Hill, chairman (1,2,3,4), Mr Kollwelter, vice-chairman (1,3), Mr Seefeld, vice-chairman (1), Mr Delmotte, rapporteur (1,2,3,4), Mr Adams, (deputizing for Mr Schwabe), (4), Mr Ariosto (3,4), Mr Bourdelles (1,3), Mr Colin (1), Mr Eisma (3,4), Mr Gerlach (1,2,3), Mr Giraud (4), Mr Guldberg (1,2,3), Mr Herbert (1,2,3,4), Mr Jarrot (2,3), Mr Johnston (1,3), Mr Lenihan (deputizing for Mr Jarrot (1,4) and Mr Liogier (2,3)), Mr Liogier (1,4), Mr Mitterdorfer (3), Mr Mursch (1,3), Mr Noé (1,2,3), Mr Pêtre (1,3,4), Mr Pounder (1,2,3,4), Mr Radoux (deputizing for Mr Wohlfart (1,2), Lord Reay (1,2), Mr Schwabe (1), Mr Starke (1,2,3,4), and Mr Thornley (deputizing for Mr Giraud (1,2), and Mr Seefeld (3,4)).

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1. 23 October 1973
 2. 24 October 1973
 3. 6 November 1973
 4. 7 November 1973

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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:

- I. a decision on the creation of a Committee for Regional Policy
- II. a financial regulation relating to special provisions to be applied to the European Regional Development Fund
- III. a regulation establishing a Regional Development Fund

The European Parliament,

- having regard to the proposals from the Commission of the European Communities to the Council,¹
 - having been consulted by the Council, in an instance where such consultation was not compulsory, on the first two proposals, and obligatorily on the third, pursuant to Article 235 of the EEC Treaty (Doc. 152/73),
 - referring to its previous resolution of 5 July 1973,²
 - having regard to the interim report (Doc. 120/73) and the two further reports (Doc. 178/73 and Doc. 228/73) of the Committee on Regional Policy and Transport, and to the opinions of the Committee on Economic and Monetary Affairs, the Committee on Social Affairs and Employment, and the Committee on Budgets,
1. Congratulates the Commission on having presented formal proposals in time for the Council to take a decision before the end of the year;
 2. Now urges the Council to adopt these proposals as soon as possible so that the Fund can be established by the date fixed by the Paris Summit Conference, i.e. before 31 December 1973;
 3. Insists that for the three years 1974 - 1976 inclusive a minimum financial appropriation of 2,250 million units of account shall be provided in the budgets of the Communities for the operations of the Regional Development Fund;
 4. Recalls that it has already criticized the essentially economic concept of the Commission³, and believes that the latter should take greater account of social and human factors in its practical proposals as the deficiencies are not only economic but involve above all education and occupational training;

¹ OJ No. C86, 16 October 1973, p. 7

² OJ No. C62, 31 July 1973, p. 33

³ Resolution of 5 July 1973, point 7.

5. Regrets that the Commission has not changed its restrictive approach since it maintains that aid should only be granted for infrastructures connected with economic development;
6. Considers that specific regional policy instruments should be given the widest possible application having regard to the overall nature of development ;
7. Insists on the need, at the initiative of the Commission, for a deeper regional analysis thus enabling the Commission to identify the most pressing regional problems;
8. Stresses once again the need for aid to be granted from the Fund, in close cooperation with the other Community instruments, for infrastructures in particular education, occupational and social training, whose high costs and lack of immediate return represent a heavy burden;
9. Considers on the other hand that action must be taken to counter the habitual tendency to apply aid too narrowly, thus causing geographical dispersion of resources, by channelling it by priority into comprehensive measures in regions where the needs are most pressing and which show serious imbalances which cannot be remedied by the national intervention capacity;
10. Insists that in the application of regional aid account must be taken of the unique character of the regional problems in countries which have no industrially developed region within their borders on which to draw internally for a transfer of resources.
11. Believes that European solidarity should be reflected in the strengthening of such regions and that the regional concentration of aid will be the test of this universally advocated solidarity;
12. Draws attention to the fact that this need to concentrate limited resources on a specific region and to call upon the Community's sense of common purpose requires the implementation of regional development programmes;
13. Considers that these regional programmes should be worked out and implemented with the active participation of local and regional authorities and the social partners concerned;
14. Because of these needs, fears that the proposed appropriations for the new Fund for 1974 are inadequate; asks the Council in conformity with the demands expressed in this paragraph to apply the procedure of Resolution No. 2 annexed to the Treaty of 22 April 1970, so that Parliament can make a full appreciation of the quality of the financing of the Fund.

14. As regards the decision on the creation of a Committee for Regional Policy, because of Parliament's special responsibilities in budgetary matters believes it is important that the proposed Regional Policy Committee can examine problems relevant to regional development not only on request from the Council or the Commission but also on request from Parliament through the Commission and considers it is also important that Parliament be apprised by the Commission of the work and the results of the work of the Regional Policy Committee;
16. Invites the Council to match the proposed consultation with the Parliament on this subject (Article 3 (1) of the proposed regulation) with the application of Resolution No. 2 annexed to the Treaty of 22 April 1970 and to explain therefore publicly during these consultations the reasons that may have led it to differ from the view of Parliament; and is of the opinion that such a condition is essential for Parliament to be able to take a valid position when the Annual Budget is adopted on the budgetary consequences of decisions relative to regional policy of the Community;
17. Is of the opinion that Parliament in exercising its budgetary authority should be able to pronounce with the Council on appropriations to be carried forward during the subsequent two years;
18. Asks the Commission of the Communities to establish the conditions for making the control procedures operable for the funds as soon as possible; considers that two elements as regards the control of Community funds are insufficient -
 - (a) the proposals concerning the possibilities of enquiries or verifications on-the-spot on the part of the Commission, and
 - (b) the Commission's right of initiative in this context;
19. Invites the Commission to adopt the following modifications pursuant to Article 149 of the Treaty establishing the EEC;
20. Invites the Committee responsible to keep these problems under review and to report on them to the European Parliament if necessary;
21. Instructs its President to forward this resolution and the report of its committee to the Council and Commission of the European Communities.

I.

Draft decision by the Council on the
creation of a committee for regional policy¹
preamble, recitals
and Article 1 unchanged

Article 2

(1) The Committee's task shall be to examine, at the request of the Council or of the Commission, or on its own initiative, problems relating to regional development. Without prejudice to the provisions of the Treaties, it shall study in particular:

- (a) the aims, means, methods and experiences of the Member States in the field of regional policy, taking account of the Community's other policies;
- (b) on a continuous basis, economic and social trends in the various regions of the Community;
- (c) the development programmes or specific development objectives presented by Member States, particularly in respect of the regions referred to in Article 3 of Council Regulation (EEC) no. creating a European Regional Development Fund;
- (d) the financial resources which Member States and the Community propose to provide for regional development over a period of years;
- (e) the impact of Community financial instruments in regional terms;

Article 2

(1) Unchanged

¹For complete text see: OJ No. C86, 16 October 1973, p. 7

- (f) the coordinated implementation of Community measures, together with measures by Member States, with a view to facilitating the implementation of programmes or the achievement of specific objectives;
 - (g) systems of aid which are regional in their purpose or incidence;
 - (h) disincentive measures in regions of heavy concentration;
 - (i) the promotion of better information services for both public and private investors in the field of regional development.
- (2) The Committee shall report to the Council and to the Commission on the results of its work.

- (2) The Committee shall report to the Council and to the Commission, which will inform the European Parliament, on the results of its work.

Articles 3 and 4 unchanged

Article 5

The Committee may, in accordance with the provisions of its rules of procedure, take evidence from interested parties from the regions and from trade union and business organisations.

Article 5

The Committee shall in accordance with the provisions of its rules of procedure, take evidence from interested parties from the regions and from trade union and business organisations when a regional problem concerns them.

II.

Proposed financial regulation
relating to special provisions
to be applied to the European
Regional Development Fund¹

preamble, recitals and Articles 1 to 3 unchanged

Article 4

1. By derogation from paragraph 1(c) of Article 6 of the Financing Regulation of 25 April 1973, payment appropriations outstanding at the end of the financial year, and relating to commitments contracted by the Commission, shall be carried forward automatically for up to two years.
2. When this period expires, the Commission may submit to the Council, before 1 May each year, a list of duly supported requests to carry forward appropriations remaining committed. The Council, acting by a qualified majority, shall decide thereon within one month; if it has not so decided, the carrying forward of the appropriations shall be deemed to be approved.

Article 4

1. Unchanged
2. When this period expires, the Commission may submit to the Council and Parliament, before 1 May each year, a list of duly supported requests to carry forward appropriations remaining committed. The Council, acting by a qualified majority, shall decide thereon within one month. If it has not so decided, the carrying forward of the appropriations shall be deemed to be approved: the Parliament shall adopt this by the same time limit. In the absence of a decision the carrying forward of the credits shall be deemed to be approved.

Articles 5 to 10 unchanged

¹For complete text see: OJ No. C 86, 16 October 1973, p. 11

III.

Proposal for a Council Regulation
establishing a European Regional
Development Fund¹

Preamble and first three recitals unchanged

4. Whereas the realisation of these objectives within the framework of co-ordinated economic policies and fixed exchange parities can be achieved only if resources inscribed in the Budget of the European Communities are devoted to regional development to supplement the resources which the Member States can devote;
4. Whereas an effective regional structural policy is considered essential to the realization of Economic and Monetary Union;
5. Whereas regional development requires on the one hand investment in industrial and service activities, so as to ensure the creation or maintenance of employment, and on the other hand infrastructures required for the development of these activities;
5. Whereas regional development requires on the one hand investment in industrial and service activities, so as to ensure the creation or maintenance of employment, and on the other hand infrastructures connected or otherwise with the development of these activities;

Recitals 6 to 10 and Articles
1 and 2 unchanged

¹For complete text see: OJ No. C 86, 16 October 1973, p. 12

Article 3

1. On a proposal from the Commission and after consulting the European Parliament and without prejudice to the application of Articles 92 to 94 of the Treaty, the Council shall, acting unanimously, adopt the list of the regions and areas which may benefit from the Fund, and shall, acting by a qualified majority, amend this list as need arises.

2. These regions and areas must be chosen from among those which benefit from a system of regional aids and whose gross domestic product per head is below the Community average. They shall include particularly those with regional imbalances resulting from the preponderance of agriculture and from industrial change and structural underemployment, taking in particular the following criteria into consideration:

- (a) heavy dependence on agricultural employment;
- (b) heavy dependence on employment in declining industrial activities;
- (c) a persistently high rate of unemployment or a high rate of net outward migration.

Article 3

1. On a proposal from the Commission and after consulting the European Parliament in conformity with the conditions laid down in Resolution No. 2 annexed to the Treaty of 22 April 1970 and without prejudice to the application of Articles 92 to 94 of the Treaty, the Council shall, acting unanimously, adopt the list of the regions and areas which may benefit from the Fund, and shall, acting by a qualified majority, amend this list as need arises.

2. Unchanged

3. The Fund may intervene only when the national intervention capacity is not sufficient to correct the imbalance.

Article 4

1. The Fund may contribute to financing:

(a) investments, in industrial or service activities, which benefit from a national system of regional aids, provided that the amount of the investment exceeds fifty thousand units of account and that it involves creating or maintaining jobs;

(b) infrastructure investments, required for the development of industrial or service activities, and totally or partially financed by public authorities.

2. The amount of the Fund's contribution shall be:

(a) in respect of an investment of the kind referred to in paragraph 1 (a), at most fifteen per cent of the cost of the investment. The amount shall, however, not exceed fifty per cent of the aid accorded to the investment by public authorities under a national system of regional aids. The national aids to be taken into consideration in this connection shall be interest rebates, and grants determined either as a percentage of the investment or according to the number of jobs created;

(b) in respect of an investment of the kind referred to in paragraph 1 (b), at most thirty per cent of the expenditure incurred by public authorities.

Article 4

1. The Fund may contribute to financing:

(a) unchanged

(b) Infrastructure investments in the broad sense, required for the development of a region within the framework of a regional development programme.

2. The amount of the Fund's contribution shall be:

(a) unchanged

(b) in respect of an investment of the kind referred to in paragraph 1 (b), at most fifty per cent of the total expenditure incurred by public authorities for a given development programme;

3. The Fund's assistance may, in respect of infrastructure, take in whole or in part the form of a rebate of three percentage points on loans made by the European Investment Bank pursuant to Article 130(a) and (b) of the Treaty.

3. Unchanged

4. The above provisions shall not prejudice the application of Articles 92 to 94 of the Treaty.

4. Unchanged

Article 5

Article 5

1. The Fund's assistance shall be decided by the Commission in accordance with the procedure laid down in Article 13, with reference to the relative severity of the economic imbalance of the region where the investment is made and its direct and indirect effect on employment, and taking account of the following considerations:

1. Unchanged

(a) the consistency of the investment with the development programmes and to objectives referred to in Article 6;

(a) Unchanged

(b) the investment's contribution to the economic development of the region;

(b) the investment's direct or indirect contribution to the economic development of the region;

(c) the consistency of the investment with the Community's programmes or objectives, particularly those adopted as part of sectoral policies;

(c) Unchanged

(d) the investment's effect on the environment, particular as regards living and working conditions;

(d) Unchanged

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- | | |
|---|---------------|
| (e) the trans-national character of the investment, that is, the fact that it comes from another Member State; | (e) Unchanged |
| (f) the trans-border character of the investment, that is, concerning adjacent regions in different Member States. | (f) Unchanged |
| 2. In the examination of each request, account shall also be taken of other assistance provided by the Community institutions or by the European Investment Bank pursuant to Article 130(a) and (b) of the Treaty. | 2. Unchanged |
| 3. In respect of infrastructure costing more than twenty million units of account, the Commission shall, before obtaining the opinion of the Fund Committee referred to in Article 13, consult the Committee for Regional Policy. | 3. Unchanged |

Articles 6 to 19 unchanged

EXPLANATORY STATEMENTINTRODUCTION

1. The implementation of a Community regional policy is one of the priority objectives which the Heads of State or Government, meeting in Paris in October 1972, set for the Community.

With a view to achieving this objective, they assigned to the Commission three tasks :

- drawing up a report analysing the regional problems faced and submitting appropriate proposals for dealing with them;
- coordinating national regional policies with Member States;
- creating a Regional Development Fund to be set up before 31 December 1973.

2. In pursuance of the declaration by the Heads of State or Government at the Paris Summit Conference, the Commission submitted to the Council on 4 May 1973 a 'report on regional problems in the enlarged Community'.¹

The Council forwarded this report to the European Parliament for information on 16 May 1973 (Doc. 70/73).

The European Parliament considered this report at its July 1973 part-session when it adopted an interim report submitted on behalf of the Committee on Regional Policy and Transport by Mr F. L. DELMOTTE on the 'Community's Regional Policy' (Doc. 120/73).

3. The Commission's report on 'regional problems in the enlarged Community' did not contain the formal proposals asked for in the communiqué issued at the end of the Summit Conference; it merely indicated guidelines to serve as a framework for these proposals.

The Commission accordingly submitted to the Council, on 27 July 1973, formal proposals² on the two measures laid down at the Paris Summit Conference for a Community regional policy (one of which had a precise timetable) :

- the establishment of a Regional Development Fund before 31 December 1973;

¹ COM (73) 550 final of 3 May 1973.

² - Proposal for a Council regulation establishing a European Regional Development Fund (COM (73) 1170 final);
 - draft Council decision on the creation of a Committee for Regional Policy (COM (73) 1171 final);
 - proposal for a financial regulation relating to special provisions to be applied to the European Development Fund (COM (73) 1218 final).

- coordination of national regional policies.

The Council submitted these proposals to the European Parliament on 9 August 1973 (Doc. 152/73).

4. In view of the urgency of the matter - the Council must observe the timetable laid down by the Paris Summit Conference for the adoption of these provisions - the Committee on Regional Policy and Transport has confined itself to a report on the most important of these proposals.

As regards the analysis of the principles and the concept of regional development serving as a basis for the implementation of a Community policy, the Committee on Regional Policy and Transport would refer to its abovementioned interim report on 'the Community's regional policy' (Doc. 130/73), which was unanimously adopted on 26 June 1973.

5. The Committee on Regional Policy and Transport approved the creation of these two instruments of Community regional policy. The committee's discussions of the proposed regulations concerning the establishment of a European Regional Development Fund and of the draft decision on the creation of a Committee for Regional Policy¹ also revealed how much importance Members of Parliament attached to the financing of infrastructures, the concentration of aid and development planning in consultation with interested parties.

I. IMPORTANCE OF INFRASTRUCTURES

6. In its resolution of 5 July 1973, on 'the Community's regional policy', the European Parliament, considering the Commission's report on 'regional problems in the enlarged Community',² indicated its belief:

'... that the Commission's concept, which is essentially economic, must be widened to reflect a broader view of development taking account of the human factor since education and vocation training are necessary as well as economic action'.³

7. In the attached explanatory statement the rapporteur recalled that the failure of many regional policies stemmed from the fact that it was not enough to direct economic activity towards human 'potentialities'; individuals must also be prepared (cultural and educational infrastructures) to agree to take part in the economic development and to be capable (vocational training infrastructures) of such participation and allowed to cooperate in this way.

¹ Doc. 152/73

² COM (73) 550 final

³ Point 7 of the Resolution

The rapporteur considered that some areas suffered from a lack of these infrastructures and that this situation was a serious restraint on development.

Unless this was taken into account, unlimited sums could be put at the disposal of the Fund without the desired development taking place or having lasting effects.

8. The rapporteur considered that the Commission's conception of regional development, which was too economic, should be contrasted with a comprehensive view of regional development (social and cultural).

If self-sustaining growth is really to be achieved, this point must be emphasized and wider scope given to the new specific instruments of regional policy, bearing in mind the comprehensive nature of the development, even though there are other Community means of intervention with specific roles (Social Fund, aid from the ECSC, EAGGF, EIB...).

9. Commenting in a memorandum¹ on the Commission's report on 'regional' problems in the enlarged Community', the International Union of Local Authorities also emphasized² the need to move away from the Commission's narrow interpretation of infrastructures (only infrastructures directly connected with production).

The Union recalled that, as experience showed, social and cultural infrastructures were just as necessary to development in modern society as roads, water and energy.

In its conclusion, the memorandum stressed the need for the Commission to avoid this narrow approach in its future practical proposals.

10. However, the Commission persisted in its narrow interpretation in the proposals under consideration.

The explanatory statement to the proposal for a regulation establishing a European Regional Development Fund states that aid must go to infrastructures directly connected with economic development.³

The fifth recital emphasizes the same point :

'... Whereas regional development requires on the one hand investment in industrial and service activities, so as to ensure the creation or maintenance of employment, and on the other hand infrastructure required for the development of these activities'.

¹ Memorandum on regional development in the European Community IULA
Document No. 1789 of 14.6.1973

² Point 19

³ Page 2, point (1), line 7

This attitude has some bearing on the wording of Article 4, paragraph 1 (b), Article 4, paragraph 2 (b), and Article 5, paragraph 1 (b).

11. The rapporteur and a majority of the members of the Committee on Regional Policy and Transport consider that Community aid should be applicable to all infrastructures without restriction and above all to social and cultural infrastructures.

12. The creation of infrastructures directly connected with economic development is generally within the capabilities of the States (the construction of motorways, link roads, sections of railway, or even the deepening and widening of canals or the creation of industrial ports, etc.).

There is no question of providing substitutes for national action to create these infrastructures and States should not be allowed to economize on their own budgets through the amounts received from the Fund.¹

On the other hand, the creation of social and cultural infrastructures does fall within the sphere of Community intervention in view of the high cost, the initial lack of productivity and the intensity and duration of the operations involved in changing the attitudes of the population concerned.

13. Moreover, there is a certain danger in placing such emphasis on industrialization and the provision of infrastructures directly connected with economic development. In certain particularly depressed regions a policy of industrialization devoid of any attempt at improving attitudes or education could lead to the creation of an industrial strongpoint, sometimes at the expense of even greater depression in the zone concerned.

In such cases, the entire existence of the region becomes dependent on a single strongpoint. If this strongpoint fails, the region is left in a state of poverty even more serious than before.

14. The industrialist sees financial and infrastructural aid as component parts of a whole, whose adequacy or otherwise he judges in relation to the project which he is studying. In this assessment, part of the financial aid has to compensate for the extra costs resulting from the inadequacy of infrastructures (inappropriate attitudes on the part of the working population, accommodation subsidies for staff, job rotation in the case of young employees etc.). If infrastructures are inadequate, financial aid requirements are very high.

The danger in placing emphasis on direct aid for industrialization at the expense of infrastructures is that local authorities, as a result of their

¹ Cf. the abovementioned report on the Community's regional policy; point 4 of the resolution and point 27, paragraph 2 of the explanatory statement.

weakness or their lack of resources, may not be able to use the period of financial support to the enterprise concerned in order to carry through an adequate programme in respect of general infrastructures. This would result in a stabilization of industrial activity at a level falling a long way short of the expectations initially raised by the setting-up of the industry since the human resources necessary for the expansion or renewal of this industry would not be available on the spot.

15. The conclusion must be that the quality of infrastructures is at least as important as financial aid in promoting industry. All infrastructures are essential, not just those directly connected with economic development.

16. In view of this the Committee on Regional Policy and Transport proposes modifications to three points in the proposal for a Regulation establishing a European Regional Development Fund.

(a) Article 4(1) lays down that the Fund may contribute to financing :
'... (b) infrastructure investments required for the development of industrial or service activities and totally or partially financed by public authorities'.

To give it wider scope, this paragraph should be reworded as follows :
'... (b) infrastructure investments in the broad sense, required for the development of a region within the framework of a regional development programme'. This clearly includes infrastructures needed to develop production and service activities.

(b) Article 4(2) stipulates that the amount of the Fund's contribution shall be :

'... (b) in respect of an investment of the kind referred to in paragraph 1(b), at most 30% of the expenditure incurred by public authorities'.

Community aid for infrastructure investments should not be limited to a maximum of 30% of the expenditure incurred by public authorities when Community aid for investments in industrial or service activities may amount to as much as 50% of national expenditure. Such Community aid for infrastructures should be raised to at least the same level, i.e. 50% of national expenditure.

Moreover, since investments in infrastructures directly connected with economic development are limited and can therefore be financed by the State more easily than investments in infrastructures indirectly connected with such development, this Community contribution should relate, in respect of a given development programme in a given region, to infrastructure expenditure as a whole and not to each infrastructure investment provided for in this programme.

Article 4(2,b) should therefore be worded as follows :
'... (b) in respect of an investment of the kind referred to in paragraph 1(b), at most 50 per cent of the total expenditure incurred by public authorities for a given development programme'.

(c) Article 5(1) lists a number of factors to be taken into account in deciding on assistance from the Fund. One of these is :
'... (b) the investment's contribution to the economic development of the region'.

Once again this contribution should be given a wider meaning. The following wording is therefore proposed :
'... (b) the investment's direct or indirect contribution to the economic development of the region'.

II. CONCENTRATION OF AID

17. This broad application of the European Development Fund may seem incompatible with the resources which the Commission proposes to put at its disposal, viz. 2,250,000 million u.a. over three years, representing the equivalent of four to five thousand miles of motorways.

But considering the fact that intervention by the Fund should apply to all activities in a particular region, resources should not be dispersed over too great an area.

Indeed a large fund with widely distributed resources would be less effective than a more modest Fund with resources concentrated on a few regions whose recovery is a serious and urgent matter.

The determination and demarcation of the regions which could benefit from the Fund are therefore factors which are closely related to the volume of the Fund.

18. The regional imbalances, some of them very serious, which exist in all the Member States of the Community, and any new imbalances which may appear as a result of industrial changes must be dispelled if progress is to be made towards Economic and Monetary Union. This explains why it is so important and so urgent for intervention by the Community to be successful.

The proposals from the Commission define criteria which take into account the seriousness of the imbalance, but they ignore one factor justifying Community aid - the inability of a country to finance, on its own, a programme which would effectively and rapidly remedy an imbalance which may obstruct the achievement of Economic and Monetary Union to the detriment of all the States.

In the report on Community regional policy mentioned above the rapporteur also stressed that Community aid should only be granted where national aid is insufficient to be effective. If Community aid is given where national aid is adequate this represents on the one hand a waste of Community resources and on the other an opportunity for the State concerned to save money.

19. The most representative example is that of Ireland which has practically no single region able to make up for the disadvantageous position of the others. Except for the coastal region which is the most highly industrialized, per capita revenue is the lowest in the Community. Moreover the growth rate of the GNP is particularly low, at about 4 per cent. Without Community aid the country will not be able to take on the Community tasks arising from Economic and Monetary Union.

In the case of Italy the North has for many years carried the excessive burden of aid for the South and this situation will also call for Community aid.

Other smaller regions suffer from underdevelopment or reconversion difficulties because national aid, whilst sufficient for certain sectors, is unable to embrace all the factors of socio-economic stagnation and organize and finance an overall recovery programme.

Finally the Community should also follow with particular attention the economic and social development of those of its regions which border on third countries and whose growth may be hampered by non-economic factors.

20. The aim of European solidarity should be to strengthen these regions¹.

But in view of the relative modesty of the resources available and the necessarily all-embracing character of regional policy, aid must be concentrated on the regions with the greatest problems and it will be for the Commission to propose priorities.

The concentration of aid on two or three priority regions will be the test of the universally advocated European solidarity. In view of the limited resources available, European intervention can only be carried out progressively and cannot aim to settle immediately all the fundamental economic disequilibria of all the Member States.

21. Moreover, in many needy regions the proper remedy at the present time is intervention under national policies with the aid of other Community facilities whose specific objectives have regional implications (the EIB, the European Social Fund, the EAGGF, aid under the ECSC Treaty, aid for hill regions). But these facilities do not on their own suffice to implement a coherent regional policy in a large region faced with particularly great difficulties.

22. Finally if Community regional policy is not to be incapable of dispelling the concentration of economic potential in certain favoured regions efforts must be made to counter the diminishing tendency to distribute aid over a wide area.

¹Cf. Report on Community Regional Policy, para. 27.

Europe must set an example in this field. The problem at the moment is not whether there are two or ten thousand million u.a. to spend. Two thousand million would perhaps achieve something substantial in one single country whereas ten thousand million divided between all the Member States would be ineffective.

This is the attitude which should guide our efforts to ensure the success of the first European regional economic experiment. The initial limitation to two or three large regions would be the start of a major European regional development project.

23. Article 3 of the Commission's proposals for a regulation establishing a European Regional Development Fund sets out the criteria for the list of regions qualifying for aid from the Fund.

The second recital also states that Community intervention can only be progressive, as we mentioned in para. 20 above; 'The Fund should permit, progressively with the realization of Economic and Monetary Union, the correction of the main regional imbalances in the Community'

Elsewhere the explanatory statement repeats in part the idea we stressed in para. 18 above. Point 2 (a) on Page 1 states that 'The purpose (of the Community's assistance) is to implement regional development policies faster than Member States could alone, taking account of the discipline which Economic and Monetary Union will impose on the use of their own resources'.

This concept of Community intervention when the imbalance is beyond the limits of national intervention does not appear among the criteria for the list of regions qualifying for aid from the Fund (Article 3). It is, however, an essential factor in order to avoid dispersion of aid.

Paragraph 1 lays down the procedure for establishing the list of regions which may benefit from the Fund.

Paragraph 2 establishes the quantitative criteria which regions must satisfy for inclusion in the list.

In order to lay down geographical limits for intervention by the Fund we must add a more qualitative paragraph 3:

'3. The Fund may intervene only when the national intervention capacity is not sufficient to correct the imbalance'.

III. PLANNING, FINANCING AND CONTROL

24. The comprehensive view of regional development to which we subscribe necessarily involves geographical planning in human terms. It is within the framework of such planning that the economic vocation of each region must be

sought, and regional development anticipated in order to bring it about¹.

Moreover, the need to concentrate the limited resources on a particular region and to call upon Community solidarity also requires the implementation of planning to ensure effective use of the available resources and to exercise control over the progress of the projects.

The overall organizational plan could be broken down into a number of plans for specific objectives within which industrial and infrastructural projects proposed for Community aid would be integrated with each other.

25. The Commission subscribes to the principle of regional planning. Article 6 (1) states that:

'Investments may benefit from the Fund's assistance only if they form part of a regional development programme ...'

26. To be effective this regional planning must be backed by the active participation of local and regional authorities.

27. Moreover, it must be remembered that the aim of the Community is not to create a European super state, but to move towards a coherent, varied and interdependent assembly of states in which the region should plan an active basic role.

The regions must therefore be associated with the construction of Europe and particularly with the decisions taken on this subject in conformity with our democratic tradition.

28. This desire to involve the regions in the implementation of regional policy could be demonstrated by the organization, by the Commission, of a second conference on regional problems like the one held in 1961.

29. This regional awareness must be encouraged and suitable discussion partners chosen. It would be desirable to ask the Member States to designate such partners.

30. The Commission provides for the possibility of the Committee on Regional Policy consulting the interested parties, without specifying how these interested parties should be selected and consulted.

Article 5 of the draft decision on the creation of a Committee for Regional Policy states that:

'The Committee may, in accordance with the provisions of its rules of procedure, take evidence from interested parties from the regions and from trade union business organizations'.

¹ Cf. Report on Community Regional Policy, Explanatory Statement, para. 20

The Committee on Regional Policy and Transport proposes that such consultations should be compulsory in the case of regional problems concerning certain parties, regions and/or social partners.

Article 5 would then read:

'The Committee must, in accordance with the provisions of its rules of procedure, take evidence from interested parties from the regions and from trade union and business organizations when a regional problem concerns them'.

31. International cooperation between frontier regions with similar socio-economic structures should also be encouraged and institutionalised¹.

32. The development of European solidarity and the large amounts of money involved also necessitate control by the European Parliament.

The Commission has made provision for the European Parliament and the Council to be kept informed through a special annual report.

The Committee on Regional Policy and Transport approves this method, as laid down in Article 16 of the proposed regulation on the Fund.

Paragraph 1 provides that:

'Before 1 July each year the Commission shall present a report to the European Parliament and to the Council on the implementation of this Regulation during the preceding year ...'

Paragraph 2 provides that:

'This report shall also cover on the one hand the financial administration of the Fund and on the other hand the conclusions drawn by the Commission from the financial inspections carried out on the Fund's operations'.

CONCLUSION

33. The regional problem is not only economic; it is also a political problem with various institutional aspects. The question arises as to how the regions can be associated with the construction of Europe.

34. Regional policy is not a sectoral or marginal policy, it is a comprehensive policy.

The aid offered by the Community should therefore meet the requirements of this comprehensive policy. It should not be limited to production-linked infrastructures but should cover the infrastructure as a whole.

¹Cf Report on Community Regional Policy, Resolution, para. 10.

It should be concentrated on large regions where the imbalance is too great to be corrected by national intervention alone.

The aid should be linked with regional development programmes which must be worked out and implemented with the active participation of the interested parties from the regions and the social partners concerned.

35. Finally, the rapporteur has already stressed the need to extend financial measures by Community technical aid which would make it possible to derive the utmost benefit from financial resources¹.

This technical aid could be provided by research institutes to carry out the necessary studies, and by experts to help in the elaboration and implementation of development programmes.

¹Cf Report on Community Regional Policy, Resolution, para. 8, explanatory statement, para. 30 a.

Opinion of the Committee on Economic and Monetary Affairs

Draftsman: Mr K. Mitterdorfer

On 12/13 September 1973 the Committee on Economic and Monetary Affairs confirmed the appointment of Mr Mitterdorfer as draftsman of the opinion.

The draft opinion was considered and unanimously adopted by the committee at its meeting of 2 October 1973.

The following were present: Mr Lange, chairman; Sir Brandon Rhys Williams, vice-chairman; Mr Mitterdorfer, draftsman of the opinion; Mr Arndt, Mr Burgbacher, Mr Federspiel, Mr Harmegnies, Mr Leenhardt, Lord Reay, Mr Starke and Mr Yeats.

General

1. According to the proposal for a regulation, the aim of the European Regional Development Fund is to correct, progressively with the implementation of economic and monetary union, the main regional imbalances resulting from the preponderance of agriculture and from industrial change and structural underemployment in certain areas of the Community.

2. The Commission stresses that, for the Community's action to be effective, it must meet three requirements:

- (a) It should complement national regional policies;
- (b) It should be flexibly administered;
- (c) Investments should conform to regional development programmes or specific development objectives.

3. The Commission's proposal is submitted in response to the instructions given by the summit conference of Heads of State or Government held on 19 and 20 October 1972. However, the creation of a fund will not by itself accomplish the objectives set out in the Treaty of promoting throughout the Community the harmonious development of economic activities, the improvement of living and working conditions and a reduction in the differences existing between the various regions and the backwardness of the less favoured regions. The Commission of the European Communities is urged, in line with its draft decision of 17 October 1969, to propose as soon as possible to the Council further measures committing the Community to regional development action.

Furthermore, it remains to be seen whether the administration of the fund can be as flexible as the Commission hopes - if the Council in fact agrees to the new proposals - particularly as regards the requirement that two committees are to be consulted.

4. Presumably this proposal by the Commission is intended to replace its proposals of 17 October 1969 and 28 May 1971 in so far as the Regional Development Fund and the European Interest Rebate Fund for regional development are concerned. The failure of the Council to adopt these earlier proposals justifies the Commission's submitting fresh proposals. The committee responsible is asked to check how far the Commission has taken into account the views expressed in the opinions delivered to the Council by the Parliament in 1970, 1971 and 1972 on regional structures policy.

5. Since Parliament agreed earlier that Article 235 of the EEC Treaty could be taken as the basis for measures relating to regional structures policy, the legal basis chosen for the new proposal needs no further comment.

The statement that a solution to regional problems 'within the framework of coordinated economic policies and fixed exchange parities can be achieved only if resources entered in the Budget of the Communities are devoted to regional development to supplement the resources which the Member States themselves can make available' is incomprehensible. There is no guarantee of fixed exchange parities in the Community at present. The coordination of economic policies is an aim of economic and monetary union; unfortunately, it does not as yet constitute a reliable basis for measures to improve regional structures. It must therefore be explicitly stated that the Commission considers an effective policy on regional structures a prerequisite for the realization of Economic and Monetary Union (see proposed amendment No. 1).

Comments on the individual Articles of the proposal for a regulation

6. The committee notes with pleasure in Article 1 that the Fund is to be given the name previously recommended by the European Parliament.

7. The provision in Article 2 that financial appropriations for the Fund shall be entered each year in the budget of the Communities guarantees adequate parliamentary control in the framework of existing budgetary procedure. However, the actual figure for at least the first year after the regulation comes into force should be indicated in this Article (see proposed amendment No. 2).

8. Article 3 lays down the important provision that the list of regions and areas which may benefit from the Fund shall be adopted by the Council, acting unanimously, on a proposal from the Commission and after consulting the European Parliament. It seems possible, however, that this urgent task may be unduly delayed if it is made dependent on a unanimous vote in the Council; drawing up the list will be difficult enough as it is, because of the wide differences between the statistical methods used by individual Member States. The Council should therefore be able to compile or modify the list acting by a qualified majority and after consulting the European Parliament (see proposed amendment No. 3).

The committee welcomes the fact that the list covers areas within the regions as well as the regions themselves. Parliament has repeatedly insisted that sub-regional areas need to be considered in view of the very great economic structural disparities found within some regions.

9. The criteria for selecting regions and areas laid down in Article 3(2) are by and large those suggested by the Commission on previous occasions. It is unfortunate that no specific reference to frontier regions is made in the proposal for a regulation.

Although the criteria in this Article should ensure that investments in frontier regions can also be taken into account, it should be emphasized that coordination between the Member States is particularly necessary in the internal frontier regions of the Community. This should not only apply to investments benefitting industrial and service activities but should also take into account the sectors mentioned in point 13 of this opinion.

Those frontier regions of the Community bordering on third countries are under a particularly heavy strain (military requirements etc.), which it is virtually impossible to quantify in economic terms. The Community will therefore have to devote particular attention to these areas to ensure that here too progress is made in economic and social development in accordance with the objectives of the European Treaties.

10. The committee approves the Commission's proposal that a Community average (of gross domestic product) be made the yardstick for measuring regional needs. Nevertheless, it must be recalled that, according to the proposal for a directive on agriculture in mountain areas and certain other poorer farming areas, measures relating to the reform of agricultural structures are to be based on national average incomes.

11. It will not be possible to judge the effectiveness and usefulness of the Fund and of the additional provisions relating to it until it is known which regions, areas within regions and frontier areas are eligible for assistance.

12. Article 4 of the proposal for a regulation sets out the nature and limits of the Fund's contributions. Further details are requested from the Commission as to the results which may be expected from these Community contributions of 15% or 30% of the cost of important investments for regional development and as to the likely magnitude of these investment projects.

13. It seems wrong to restrict the eligible financial and infrastructural investments to industrial and service activities (Article 4, 1b) and this provision should be deleted (see proposed amendment No. 4). In the Parliament's view, the protection of the environment, including rural and mountain areas and water conservancy schemes, as well as training or further training schemes, should be regarded as no less important in the infrastructural context than the construction of roads, railways or airports.

A modern society should not be content with legislation aimed solely at creating or preserving jobs.

If the Parliament's wider interpretation of the phrase 'infrastructural measures' is accepted, it should be possible, by this regulation, to promote infrastructural investments which are essential if financial assistance is to be given to mountain areas and other poorer areas.

In the opinion of the Committee on Economic and Monetary Affairs, the Fund should be able to contribute generally to the financing of the objectives and means mentioned in Article 6(3), which must be contained in a national development programme.

14. Article 5 makes the Commission responsible for deciding the assistance to be provided by the Fund and enumerates the considerations which it will take into account. These considerations should enable the Commission to reach a decision on assistance from the Fund. The insistence that, in examining each request, account should also be taken of other assistance provided by the Community institutions or by the European Investment Bank seems justified.

However, the Commission's power of decision is again limited by the requirement that, in respect of infrastructural investments with a value of more than twenty million units of account, it must not only obtain the opinion of the Fund Committee, but also consult the Committee on Regional Policy which consists of national officials and only two representatives of the Commission. This Committee on Regional Policy is presided over by a government representative and, contrary to the recommendation of the Commission, which the Parliament has expressly supported, it is not attached to the Commission.

It should be noted in this connection that the Fund Committee for which provision is made in the Commission's proposal is also to be composed of representatives of Member States, although it will be presided over by a representative of the Commission. The provisions contained in this proposal after Article 12, especially in Article 13(3) show how limited the Commission's power of decision is to be, even on the basis of its own proposal. It is difficult to see under these conditions how the Commission will be able to administer the fund flexibly as it intends.

Conclusions

15. Examination of this proposal for a regulation shows that the Fund will not be used to finance separate programmes, but to complement national projects through additional investment or interest subsidies. Until further proposals are produced, this proposal simply contains technical provisions for the use of funds which are not yet available for the benefit of recipients whose identity is still largely unknown, but who will be recommended to the Commission by the national governments. The far-reaching intervention of committees which are to be composed mainly of government representatives presents a risk that Community funds will be allocated for regional purposes according to national economic viewpoints.

16. The Commission has not indicated the size of the Fund in its proposal. It simply proposes in its explanatory statement, with reference to the fundamental importance of regional development for the construction of Europe, that a sum of 500 million units of account should be allocated to the fund for 1974, followed by 750 million units of account for 1975 and 1,000 million for 1976. The Commission does not indicate how it arrived at these figures. In the absence of any list of the regions and areas eligible for assistance it is difficult to assess the economic implications of the Fund and, therefore, the usefulness of this partial proposal for Community action in the sphere of regional policy.

17. In the light of the above remarks, the Committee on Economic and Monetary Affairs is asked to note the following proposed amendments:

Proposed amendment No. 1

The fourth paragraph of page 5 to read as follows:

'Whereas the Commission considers an effective policy for regional structures a prerequisite for the achievement of Economic and Monetary Union.'

Proposed amendment No. 2

Article 2(1) to read as follows:

'1. Financial appropriations shall be provided each year in the budget of the Communities for the Fund's operations in that year; the sum for 1974 is 500 million units of account.'

Proposed amendment No. 3

Article 3(1) to read as follows:

'1. On a proposal from the Commission and after consulting the European Parliament, and without prejudice to the application of Articles 92 to 94 of the Treaty, the Council shall, acting by a qualified majority, adopt the list of the regions and areas which may benefit from the Fund, and shall, by the same procedure, amend this list as need arises.'

Proposed amendment No. 4

Article 4

'1. The Fund may contribute to financing:

- (a) Unchanged
- (b) infrastructure investments required for the development of productive and service activities and totally or partially financed by the public authorities.'

Opinion of the Committee on Social Affairs and Employment

Draftsman of the opinion : Lady Elles

On 25 September 1973 the Committee on Social Affairs and Employment appointed Lady Elles rapporteur.

At its meeting of 9 October 1973 it considered and adopted with one abstention the draft opinion.

The following were present: Mr Bertrand, Chairman, Lady Elles, rapporteur, Mr Adams, Mr Bermani, Mr Christensen, Sir Dodds-Parker, Mr van der Gun, Mr Härzschel, Mr Marras, Lord O'Hagan, Sir John Peel, Mr Pêtre, Mr Vermeulen, Mr Wieldraaijer, Mr Yeats.

1. The Heads of States who met at the Summit Conference of October 1972 invited the Community Institutions to create a Regional Development Fund by 31st December 1973 to correct the main regional imbalances, particularly those resulting from programmes of agricultural reform, industrial changes and structural under-employment.
2. The Report from the Commission of the European Communities to the Council on the regional problems in the enlarged Community published as Document 70/73 laid down the criteria on which decisions for the application of such a Fund should be made: these two criteria are first, the Gross Domestic Product per head of population and second, the size of unemployment. Apart from these significant common characteristics there are social aspects which must be taken into account when considering the problems of regional development. Visible characteristics, apart from these two criteria, of certain regions which have gone into decline include enforced emigration, low standards of living, lack of social services, deterioration of the natural environment, depopulation.
3. A process of decline may take place in regions with a predominantly agricultural economy (as for example in the case of Southern Italy and in large parts of Ireland). Different processes, but with similar final results, can take place in regions with predominantly industrial activities (for example, coal, textiles) which have not kept pace with technical innovations or with competition from other areas or from other sources of energy. This is the case in the Belgian, French and German coal mining areas, and in the traditional areas of the United Kingdom (Scotland, Central England, South Wales, Northern Ireland) and certain coastal regions.

The typical process of decline is as follows: In a predominantly agricultural area, agriculture will, up to a certain point in time, provide those who work in it with a modest income, sufficient for their limited needs. Gradually, however, farms divided among several sons become fragmented and the needs increase, except in the zone of South Italy, where different conditions obtain, until finally a situation is reached where only if a considerable number of those concerned

find work outside agriculture, can agriculture still provide a modest income, and even then it can do so only if farm buildings, machinery and working methods are modernised. If the region is one in which the economy is predominantly agricultural and if there are no industries to absorb the manpower which has to leave the land and at the same time to create a certain purchasing power which will lead to an increased local demand for agricultural products, no remedy remains apart from emigration to areas with a greater concentration of industry or emigration to other countries. Initially it will be the youngest, the most energetic and the most highly-qualified who leave, but later the phenomenon will become more wide-spread, entire families will move away and the rural areas will become depopulated. The natural environment will decay rapidly and the public authorities will be forced to take continuous and costly action in order to provide these regions with essential services: half-deserted schools, transport systems running at a loss, poorly equipped hospitals, etc.

4. Except for minor differences in detail, the picture is the same for almost all the backward regions of the Community, which have reached a more or less advanced stage in this process of decay. There is also the other side of the picture, i.e. congestion and over-population in other industrialized regions and in some major cities which continue to attract new industries and new population in spite of the social cost (housing shortage, crisis in public transport, shortage of schools, etc.) and the resulting economic disadvantages for industry (spiralling costs of labour, of infrastructures, of transport, etc.).

5. There can therefore be no doubt that all action by the State or Community in these regions should have primarily social aims, the objective of which should be to combat enforced emigration, eliminate unemployment and under employment, raise the standard of living and guarantee a reasonable income and adequate social services for the whole population.

It is essential, therefore that social, regional and economic policies be coordinated and that there should be close cooperation in the estimating and application of the funds available to the Community (including EAGGF and from the ECSC, the European Social Fund and the newly proposed European regional development Fund).

6. In the opinion of your rapporteur, the new proposals from the Commission of the Communities should be considered and evaluated against this background, in particular, the most important proposal which is that for the creation of a European Regional Development Fund. This Fund (which the Commission intends to endow for the first year with resources of 500 million u.a.) is to be applied in the regions affected by imbalances deriving mainly from the following three factors:

- predominance of agricultural activities;
- industrial transformation;
- structural underemployment.

According to the proposal, the Fund will assist in financing:

- investments in industrial activities or in the services sector, provided that these enable jobs to be created or maintained;
- investments in the infrastructures needed for the development of industrial activities or of the services sector. The explanatory statement shows that infrastructures directly linked with economic development are referred to here.

The Commission will be assisted by a Fund Committee to administer the Fund.

A. Infrastructures

7. As the rapporteur of the Committee on Regional Policy and Transport rightly points out (see Mr DELMOTTE's report PE 34.060) the concept of infrastructures in the Commission's proposal is too limited and should be expanded.

The concept of infrastructures is no longer understood in the traditional sense of the term, that is to say, as referring solely to roads, drainage, public transport, communications, water, electricity, etc., but in a much wider sense embracing social and cultural elements. In other words, it takes account, so to speak, of the 'human' infrastructure: by means of all the devices which enable man to perform his many physical and cultural functions, it seeks to create in industry too that human element which is absolutely indispensable if the various measures are not to be a miserable failure or remain mere 'cathedrals in the desert'. This would be the result if the personnel necessary to realise the objectives of the European Communities are not available, for example, managers, qualified and technically trained workers.

It is essential therefore that the infrastructures should also include those services of a social character, particularly in the field of education and vocational training and retraining, which can help to raise the level of the population of the region in question.

8. The proposal from the Commission of the European Communities should therefore be amended to take account of the possibility of financing infrastructures in the wider sense, not confined solely to those infrastructures directly linked with the economy.

Three important aspects to be taken into account in considering the development of the Regions are:

- the attitudes and demands of youth, since it is particularly for this sector of the Community that the efforts to maintain the population within a given area will be made; taking into account the personnel

- needs of industries within other regions of the Community;
- the possibility of establishing new industries in declining regions, such as work on semi-finished goods from developing countries, tourism;
 - the necessity for an active vocational training programme.

We should examine more closely the policy of economic growth which is being pursued in the Communities, since the growth rates in parts of the Community are very much higher than in others, and also taking into account the estimates made by the United Nations that another 11 million migrant workers will be required by the Communities if the present economic growth rate is to be maintained.

9. The development of the Regions will almost certainly still result in wide divergences between per capita incomes in different parts of the Community, (at present as much as five times). What is important is that the standard of living of those people who wish to remain in regions which have declined economically, should be raised, and that acceptable types of employment be provided. Social, cultural health and spiritual aspects should also be taken into account when considering the criteria laid down in the regional policy document for the development of any particular region. Every encouragement should be given to maintain local traditions and languages in the belief that variety within the Community is a part of the wealth of Western Europe, which is immeasurable in material terms.

B. The Fund Committee

10. In regard to the Fund Committee provided for in Articles 12, 13 and 14 of the proposal dealing with the Fund, (Doc. COM(73) 1170 final) it consists of representatives of the Member States and should be presided over by a representative of the Commission.

In practice, it is clear that representatives of the Member States will follow the instructions of their Governments; consequently they will be guided by considerations of a national nature.

11. It is important to take into consideration the views of the people who will be affected by these plans and also of those who will be concerned in the practical implementation of the plans. It is therefore necessary to give the Fund Committee positive powers to consult with the social partners and youth representatives, as well as the relevant regional authorities. We therefore support the amendment to Article 5 of the Draft Decision by the Council on the creation of a committee for Regional Policy, proposed by Mr DELMOTTE. In order to have closer consultation with the representatives of the European people, within the European

Parliament, the importance of the estimate for the following year being submitted to the European Parliament for consideration is emphasised (see Art. 2, doc. 152/73).

12. Article 16 contains provision for the Commission to present a report to the European Parliament before 1st July each year, on the implementation of the relevant Regulation. This procedure does not give adequate control of the application of the Fund, and it is therefore proposed that the allocation of the Fund's resources should be submitted to the prospective Court of Auditors, if it is eventually established.

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Opinion of the Committee on Budgets

Draftsman: Mr T. NOLAN

The Committee on Budgets was asked for its opinion on 18 September 1973.

Mr Nolan was appointed draftsman on 27 September 1973.

The conclusions in this opinion were examined and adopted unanimously with 8 votes on 10 October 1973.

The following were present:

Mr Spénale, Chairman
Mr Aigner, Vice-Chairman
Mr Nolan, Draftsman of the Opinion
Mr Adams, Mr Artzinger, Mr Memmel, Mr Müller, Mr Pounder,
Mr Terrenoire, Mr Wohlfart

The Committee on Budgets instructed the draftsman of the opinion to present the conclusions of the opinion on behalf of the committee as amendments to the report of the Committee on Regional Policy and Transport (Delmotte Report Doc. 178/73) which had already been adopted when the draftsman for the Committee on Budgets was appointed.

INTRODUCTION

1. The remarks of the Budget Committee and its conclusions are in the form of proposed amendments to the draft Resolution presented by Mr Delmotte in the name of the Committee on Regional Policy and Transport (PE 34.060). Because of the urgency of pronouncement of proposals which were only sent to the Budget Committee for consultation during the September Part-Session, it has not been possible to give the opinion before the Committee with the basic responsibility, the Regional Policy and Transport Committee adopted its report on 26 September 1973. As well as general considerations the Budget Committee is putting forward certain conclusions and reflections relevant to the financial aspects of the European Regional Development Fund and the way in which it is to be run.

ANALYSIS OF THE THREE TEXTS SUBMITTED TO PARLIAMENT

1. A DECISION ON THE CREATION OF A COMMITTEE FOR REGIONAL POLICY

2. The Commission says in its introduction that this Committee should be set up to carry out a study of the problems relevant to regional development. Among other things the Commission says that 'the promotion of regional development implies the commitment of substantial financial resources'. Your draftsman considers that the proposed size of the Regional Fund is inadequate to eliminate the huge regional imbalances which exist in the Community and which have been recognized by the Commission in its report on regional problems in the enlarged Community (Doc. 70/73). It is worthwhile remembering that the Treaty of Rome insists on 'promoting throughout the Community a harmonious development of economic activities' and the objectives of 'the constant improvement of living and working conditions' and 'reducing the differences existing between the various regions and the backwardness of the less favoured regions'.

At the Summit Conference held from 19 - 21 October 1972 in Paris the Heads of State or of Government agreed that a high priority should be given to the aim of eliminating the structural and regional imbalances which might hinder the realization of economic and monetary union and the Commission recognized in the report under discussion (Doc. 152/73) that 'regional policy is one of the policies fundamental to the building of Europe'.

3. The Parliament's budgetary responsibilities will be increased with the development of a financially autonomous Community in 1975 and this is the reason why the proposed Regional Policy Committee should examine problems concerning regional development not merely at the request of the Council or of the Commission but also of the Parliament.

Therefore it would seem appropriate to modify in this sense the first paragraph of Article 2 'the Committee's task shall be to examine at the request of Council or of the Commission or of the Parliament, or at its own initiative problems relating to regional development'.

4. One could also amend the second paragraph of Article 2 to read as follows :

'The Committee shall report to the Council, to the Commission and to the European Parliament on the results of its work'.

2. A REGULATION ESTABLISHING A EUROPEAN REGIONAL DEVELOPMENT FUND

5. Article 3 envisages consultation with Parliament on the list of regions and areas which may benefit from the Fund as well as on the criteria for eligibility of these regions for finance.

Your draftsman considers that the text of the first paragraph of this Article according to which the regions are adopted by the Council 'acting unanimously', 'on a proposal from the Commission and after consulting the European Parliament' is insufficient.

Parliament should not be limited to pronouncement on credits for the Fund merely when they are proposed in the context of the annual budget, for by then the real decisions will have been taken. Parliament should be consulted on the list of regions and on the criteria for eligibility of those regions for the funds under the conditions foreseen in Resolution No. 2 to the Treaty of April 22nd, 1970.

A supplementary paragraph should therefore perhaps be added to the draft Resolution of the Regional Policy and Transport Committee to show that the consultation of the Parliament referred to in the first paragraph of Article 3 must be integrated with the formal commitment of the Council to explain publicly to Parliament where and when it has diverged from Parliament's view on the list of potential beneficiary regions.

We should perhaps remind Council that to carry out such a commitment a complete and exhaustive exchange of information with the Parliament should take place. The Regulations made in 1970, covering

this have not been observed and I would urgently request that in this extremely important matter they be carried out in full.

The Commission proposes the setting up of a Fund Committee composed of representatives of Member States and presided over by a representative of the Commission (Article 12 paragraph 1), as well as the establishment of a Regional Policy Committee. Parliament should perhaps insist on having some role in the confirmation of the members of this Committee given the importance of such a Committee.

6. The same reason - the need for real participation of the Parliament in basic decision - necessitates the addition of another paragraph to the Resolution stating that when the whole Regulation is examined periodically the Parliament should participate in this analysis, and therefore Article 18 should perhaps be amended as follows :

'The Council and the European Parliament shall re-examine this Regulation not later than three years after it enters into force'.

3. PROPOSITION OF A FINANCIAL REGULATION TO SPECIAL PROVISIONS TO BE APPLIED TO THE EUROPEAN REGIONAL DEVELOPMENT FUND

7. Your draftsman thinks it is extremely important to clarify the notions of commitment of expenditure and payment of expenditure which in the present proposed Regulation is still unclear. It is vital that in the budget for each year as well as expenditure foreseen for the present year, commitments should be made for the following two years so that the scope of the policy may expand at a planned rate.

For this reason the Budget Committee proposes that the first paragraph of Article 2 be replaced by an analogous provision with that of the first paragraph in Article 104 of the Financial Regulation in force for the Communities applying to the Social Fund and which reads as follows :

- (1) In conformity with the decision of the Council of 1st February 1971 and without prejudice to Article 10, paragraph 2, of this decision, the Budget includes, as with European Social Fund, (a) the appropriations for the Budget in question, and
- (b) authorizations for commitment for the next two budgetary exercises.

8. The Commission recognizes that such distinctions are needed to clarify in the simplest possible way those parts of appropriations that are immediately utilizable and those parts put in reserve. This would allow a more flexible and efficient functioning of funds and permit the Fund to intervene in favour of investments to be realized over a period of years.

Verification and Control

9. Article 9 of this Regulation foresees amongst other things the possibility of on-the-spot verification and enquiries into the financial operation of the fund that the Commission could initiate at the demand of or with the accord of Member States.

It is worth recalling that the similar provisions of the Regulation concerning the financing of the Common Agricultural Policy envisage the case not only where the Commission can proceed to make verifications with the agreement of a Member State but also where the Commission can proceed on its own initiative with the only restriction being that it advises the Member State of this.

It is true that whilst the financing of the Common Agricultural Policy is fully a Community one, the finance foreseen for the Regional Fund is more one on an integrated national basis. However, the correct usage of Community funds is by any standards of major importance for the success of the Community's regional policy.

It is for these reasons that the Budget Committee could ask that the provisions of Article 9 be integrated with those in paragraph 2, Article 9 of the Regulation 729 of 1970 concerning the financing of the Common Agricultural Policy.

10. As well, the Commission of the European Communities should be asked, in view of the experience that we have already had in this area to prepare a text on the subject of Community control which while being general should be immediately operational.

This is important because the ruling concerning the prerogatives of Commission officials which permits them to assume full responsibilities as regards the control of own resources of the Community, is still not in force.

CONCLUSIONS

11. The following amendments were approved by the Budget Committee.
12. During the discussion the rapporteur dealt with a particular case of Ireland where social and economic conditions are similar on each side of the political border between the Republic of Ireland and Northern Ireland and maintained that it would neither be sensible nor practicable to endeavour to deal with regional problems along the border except on a common basis and therefore urged the Commission to make available a portion of the Regional Fund to the new Council of Ireland, which is shortly to be established by the Governments of Ireland and the United Kingdom for the purpose of dealing with social and economic problems on an all-Ireland basis.

AMENDMENT TO THE MOTION FOR RESOLUTION BY THE
COMMITTEE ON REGIONAL POLICY AND TRANSPORT ON
BEHALF OF THE BUDGET COMMITTEE

Add after paragraph 10 the following paragraphs :

11. Is of the opinion that under no circumstances must the benefit from the intervention of the Regional Fund be reduced in those areas which also benefit from other Community policies: and emphasizes that it could not agree to a weakening of the policy of concentrating regional aid in those areas generally recognized as priority ones.

12. Because of these needs, fears that the proposed appropriations for the new Fund for 1974 (in the order of 500 million units of account) are inadequate: asks the Council in conformity with the demands expressed in this paragraph to apply the procedure of Resolution No. 2 annexed to the Treaty of 24th April 1970 mentioned in paragraph 14 following, so that Parliament can make a full appreciation of the quality of the financing of the Fund.

13. (As regards the decision on the creation of a Committee for Regional Policy), because of Parliament's special responsibilities in budgetary matters believes it is important that the proposed Regional Policy Committee can examine problems relevant to regional development not only on request from the Council or the Commission but also of Parliament, and considers it is also important that the Parliament be apprised of the work and the results of the work of the Regional Policy Committee: therefore amends Article 2(1) paragraph 1 of that decision.

Text proposed by the Commission

The Committee's task shall be to examine at the request of the Council or of the Commission or on its own initiative problems relating to regional development without prejudice to the provisions of the Treaties it shall study in particular : etc.

Text modified by the Parliament

The Committee's task shall be to examine at the request of the Council or of the Commission or of the European Parliament, or on its own initiative, problems relating to regional development, without prejudice to the provisions of the Treaties it shall study in particular : etc.

and therefore amends the paragraph 2 of Article 2 of that decision as follows :

Text proposed by the Commission

The Committee shall report to the Council and to the Commission on the results of its work.

Text modified by the Parliament

The Committee shall report to the Council and to the Commission and to the European Parliament on the results of its work.

14. (As regards the proposal for a Council regulation establishing a Regional Development Fund) considers it vital for Parliament to participate in the establishment of the criteria for financing and for the list of regions and zones in favour of which the Regional Fund could act : invites therefore the Council to match the proposed consultation with the Parliament on this subject (Article 3 first paragraph of the Proposition) with the application of the Resolution No. 2 annexed to the Treaty of 22nd April 1970 and to explain therefore publicly during these consultations the reasons why it has differed from the view of the Parliament : and is of the opinion that such a condition is essential for Parliament to be able to take a valid position when the Annual Budget is adopted on the budgetary consequences of decisions relative to regional policy of the Community : therefore amends the text as follows :

Text proposed by the Commission

On a proposal from the Commission and after consulting the European Parliament and without prejudice to the application of Articles 92 to 94 of the Treaty, the Council shall acting unanimously adopt the list on regions and areas which may benefit from the Fund and shall acting by a clarified majority amend this list as need arises.

Text modified by the Parliament

On a proposal from the Commission and after consulting the European Parliament in conformity with the conditions laid down in Resolution No. 2 annexed to the Treaty of 22nd April 1970 and without prejudice to the application of Articles 92 to 94 of the Treaty, the Council shall acting unanimously adopt the list on regions and areas which may benefit from the Fund and shall acting by a clarified majority amend this list as need arises.

15. Believes that to increase parliamentary participation in decisions it is important that Parliament can be involved in the process of assessing the success of the policies and therefore amends as follows Article 18 of this financial regulation :

Text proposed by the Commission

The Council shall re-examine this Regulation not later than three years after it enters into force.

Text modified by the Parliament

The Council and the European Parliament shall re-examine this Regulation not later than three years after it enters into force.

16.: (As regards the proposed financial regulation to special provisions to be applied to the European Regional Development Fund)

Believes that the distinction between commitment appropriations and payment appropriations proposed by the Commission for the Regional Fund must be introduced in order to allow for the growth in the scope of the Fund for the financial years following the one under consideration at the moment : is of the opinion that the text proposed by the Commission is equivocal on this point and proposes to replace it by provisions analogous to those foreseen in the financial Regulation for the Communities for the Social Fund : amends therefore as follows Article 2 of the proposal :

Text proposed by the Commission

(1) In accordance with Council Regulation No. ... of ... the annual budget shall include in respect of the Fund : (a) commitment appropriations, and (b) payment appropriations for the budgetary year in question.

(2) Commitment appropriations shall be assigned to meeting in full the obligations which the Commission may contract in application of Council Regulation No. ... of ... They shall constitute the upper limit of expenditure which the Commission is authorized to commit during the budgetary year in question in order to implement the operations to which they relate. Commitment appropriations shall remain available as long as they have not been annulled by budgetary procedure.

(3) Payment appropriations shall constitute the upper limit of expenditure which may be sanctioned or paid out during each budgetary year to cover commitments contracted during that year or earlier years.

17. Is of the opinion that Parliament in exercising its budgetary authority should be able to pronounce with the Council on appropriations to be carried forward during the subsequent two years and therefore completes Article 4 of this proposition in the following way :

Text modified by the Parliament

(1) The Annual Budget shall include in respect of the Regional Development Fund (a) appropriations for the year in question, (b) commitment appropriations for the two following budgetary periods.

(2) Delete

(3) Delete

Text proposed by the Commission

(1) By derogation from paragraph 1(c) of Article 6 of the Financing Regulation of 25 April 1973, payment appropriations outstanding at the end of the financial year and relating to commitments contracted by the Commission, shall be carried forward automatically for up to two years.

(2) When this period expires, the Commission may submit to the Council before 1 May each year, a list of duly supported requests to carry forward appropriations remaining committed. The Council, acting by a qualified majority, shall decide thereon within one month; if it has not so decided, the carrying forward of the appropriations shall be deemed to be approved.

Text modified by the Parliament

(1) Unchanged

(2) When this period expires the Commission may submit to the Council and Parliament before 1 May each year a list of duly supported requests to carry forward appropriations remaining committed. The Council acting by a qualified majority shall decide thereon within one month. If it has not so decided the carrying forward of the appropriations shall be deemed to be approved : the Parliament shall adopt this by the same time limit. In the absence of a decision the carrying forward of the credits shall be deemed to be approved.

18. Asks the Commission of the Communities to establish the conditions for making the control procedures operable for the funds as soon as possible; considers that two elements as regards the control of Community funds are insufficient -

- (a) the proposals concerning the possibilities of enquiries or verifications on-the-spot on the part of the Commission, and
- (b) the Commission's right of initiative in this context.