

EUROPEAN PARLIAMENT

Working Documents

1977 - 1978

6 April 1977

DOCUMENT 35/77

Report

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

on aspects of the Community's regional policy to be developed in the future

Rapporteur: Mr F. L. DELMOTTE

PE 47.788/fin.

In its resolution of 5 July 1973 on 'Community regional policy' the European Parliament, having regard to the interim report of the Committee on Regional Policy and Transport (Doc. 120/73), 'invited its committee to make a continuous study of these problems and report to it on the matter'.

The European Parliament confirmed this mandate in its resolution of 16 December 1976 on 'the First Annual Report of the Commission of the European Communities on the European Regional Development Fund for 1975' (Doc. 440/76) when it 'called upon the committee responsible to keep these matters under constant review and to report to it with a view to revising the regulation establishing the Fund ...'

In order to accomplish this task the Committee on Regional Policy, Regional Planning and Transport requested permission, by letter of 23 February 1977, to submit a report on 'aspects of the Community's regional policy to be developed in the future' (objectives laid down in the final communiqué of the 1972 Summit and Article 2(2) of the Regulation establishing the Fund).

By letter of 3 March 1977 the President of the European Parliament authorized the Committee on Regional Policy, Regional Planning and Transport to draw up a report on this subject. The Committee on Economic and Monetary Affairs, the Committee on Budgets and the Committee on Agriculture were asked for their opinions.

On 23 February 1977 the Committee on Regional Policy, Regional Planning and Transport confirmed the appointment of Mr Delmotte as rapporteur.

At its meetings of 15 and 16 March and 29 and 30 March 1977 the Committee on Regional Policy, Regional Planning and Transport considered the draft report. It adopted the motion for a resolution and the explanatory statement on 30 March 1977 by 22 votes to one against and three abstentions.

Present: Mr Evans, chairman; Mr Nyborg, Mr McDonald, Mr Durand, vice-chairmen; Mr Delmotte, rapporteur; Mr Albers, Mr Brown (deputizing for Mr Hamilton), Mr Brugger, Mr Corrie, Mr Ellis, Mrs Ewing, Mr Fuchs, Mr Gibbons (deputizing for Mr Liogier), Mr Giraud, Mr Herbert, Mr Hoffmann, Mr Johnston, Mr Kavanagh, Mrs Kellett-Bowman, Mr Ligios, Mr Mascagni, Mr Meintz, Mr Osborn, Mr Seefeld, Mr Starke, Mr Zywiets.

The opinions of the Committee on Agriculture and the Committee on Budgets will be published separately.

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

MOTION FOR A RESOLUTION

on aspects of the Community's regional policy to be developed in the future

The European Parliament,

- having regard to its resolutions of 5 July 1973¹, 15 November 1973², 13 December 1973³, 12 March 1975⁴, 18 November 1976⁵ and 16 December 1976⁶
- having regard to the report of the Committee on Regional Policy, Regional Planning and Transport, following upon its interim report of 1973, and the opinions of the Committee on Agriculture and the Committee on Budgets (Doc. 35/77),

(a) The need for a Community policy

- noting that, despite the aid policies of the Member States, the divergence between average per capita incomes in the richer and poorer regions of the Community has continued to increase and that many of the existing major areas of concentration have been consolidated;
- whereas the existence of regional disparities also constitutes a threat to the sound operation of the Common Market and the internal cohesion of the Community and an obstacle to the progress of economic and monetary integration and the enlargement of the Community ;
- whereas an overall Community structural policy is a 'good investment' for the Community as a whole, in that uncontrolled congestion and migration are more costly than measures to encourage the balanced development of the regions and the existence of regional imbalances is one of the factors arresting general economic expansion ;

¹ OJ No. C 62, 31.7.1973

² OJ No. C 108, 10.12.1973

³ OJ No. C 2, 9.1.1974

⁴ OJ No. C 76, 7.4.1975

⁵ OJ No. C 293, 13.12.1976

⁶ OJ No. C 6, 10.1.1977

- pointing out that the Heads of State or Government, meeting in Paris in October 1972, agreed that 'a high priority should be given to the aim of correcting, in the Community, the structural and regional imbalances', invited the Commission 'to prepare, without delay, a report analysing the regional problems which arise in the enlarged Community and to put forward appropriate proposals', undertook to 'coordinate their regional policies' and invited 'the Community institutions to create a Regional Development Fund

(b) Regional policy as a framework for aid from the Fund .

1. Considers that the Commission would be fulfilling only part of its task in confining itself to setting up a Regional Development Fund and drawing up a report analysing regional problems; in fact it has still not submitted the 'appropriate proposals' for solving these problems as it was invited to by the 1972 Summit ;
2. Urges the Commission, therefore, to comply with the provisions of Article 2(2) of the Regulation on the Fund and, 'when re-examining the Regulation..... in due course (before 1 January 1978) (to) make the appropriate proposals for the Community's regional policy and for aid from the Fund'¹.
3. Points out that this distinction between the Community's regional policy and aid from the Fund made by the 1972 Summit and the Regulation establishing the Fund is essential, since the Fund is only one of the instruments under this policy ;
4. Considers that a genuine Community regional policy should serve as a framework for aid from the Fund, although the Commission itself points out that 'until now the Community has not had a comprehensive regional policy of the character called for by the Summit'² and that since 1973 no real progress has been made in working out such a policy ;
5. Considers that the re-examination of the Regulation on the Regional Fund should be combined with a thorough assessment of the principles and methods of a genuine overall regional policy, no less than of the size and allocation of the Fund, which should follow on naturally from such a policy ;
6. Feels that regional policy should allow a new geographic distribution of human activities in line with socio-economic objectives and introduce radical structural changes, whereas in certain cases the present system

¹ OJ No. L 73, 21.3.1975, p.1

² Paragraph 8 of the 1973 report on regional problems in the enlarged Community - Doc. 70/73.

- of aid promotes the survival of structures based on outdated occupations, thus standing in the way of the adjustments needed to reduce regional imbalances ;
7. Considers that a substantial increase in the resources of the Regional Fund will be necessary if the Fund is to play its full role in an overall Community regional policy;
- (c) An overall regional planning policy for the Community
8. Takes the view that this policy should be structural and comprehensive and not simply financial, since it should be aimed at overall regional planning in the Community, i.e. the development of the peripheral agricultural regions, the redevelopment of declining industrial areas, control of growth in areas of excessive concentration and cooperation between internal transfrontier regions and with external frontier regions;
 9. Considers that the development of peripheral agricultural regions is the most important and most difficult type of development to set in train because of the special problems involved, which are not exclusively economic ;
 10. Is of the opinion that Community action is justified when certain sectors with structural difficulties, such as the textile, coal-mining, iron and steel and shipbuilding sectors etc., play a dominant role in numerous important regions;
 11. Feels that the Commission should encourage all forms of cooperation between internal and external transfrontier regions on the basis of studies which must be carried out in the regions concerned.
 12. Considers that the major economic and urban concentrations, which are overpopulated and environmentally impoverished cost society dearly in economic, social and human terms and that the Community should devise disincentives to be applied simultaneously in all areas of the Community that suffer from excessive concentration ;
- (d) An overall policy coordinating programme aid
13. Points out that it is necessary not only to combat economic disparities but also to bring living standards more closely into line and that national regional policies based solely on industrial development aid have not, generally speaking, attained their objective, as the standard of infrastructures may be more important than financial aid in promoting development ;

14. Believes that the primarily economic approach of the Commission and Council should be amplified to embody a more wide-ranging concept of development that takes due account of the human aspect, and once again stresses the need for the Fund, proceeding in close cooperation with the other Community instruments, to provide aid for social, educational and vocational training infrastructures, which represent a heavy burden for some Member States given their high cost and the absence of any immediate profit;
15. Feels that the aim should be to introduce an overall structural regional planning policy, by concentrating all aid resources on priority objectives for development and structural change in certain regions;
16. Stresses once again that, if this objective is to be achieved, it is essential to coordinate the Community's general and sectoral policies, its financial instruments having a regional impact and national policies and aid schemes of importance to the regions;
17. Considers it essential to initiate development programmes with a view to ensuring such coordination, concentrating resources and checking the effective use of aid;
18. Believes that such programmes should be sizable, coherent and inter-dependent, to which end it is necessary to compile, on a uniform basis, more detailed regional statistics which may be integrated in regional models to serve as a basis for development programmes;
- (e) The role of the local and regional authorities and the publicizing of aid
19. Points out that the Community's aim is to establish a coordinated, inter-dependent and varied unit that takes account of local and regional characteristics and in which the region has an important role to play;
20. Calls on the Commission and Council to take into consideration the trend towards decentralization of powers and resources which is gaining momentum in certain Member States;
21. Points out that it considers it essential, in view of the general character of the development, for the public to participate in the development process through their elected representatives at all levels, since such participation is indispensable to the success of the development programmes;

22. Urges the Commission to define, in collaboration with the Member States, the role of the various local, regional and national bodies in working out and implementing programmes for which Community aid is granted;
 23. Considers it essential that aid from the Fund should be given adequate publicity in order to make the public more aware of the Community's activities;
 24. Points out that, with the increase in its budgetary powers, it will have to have access to certain data on the basis of which it will be able to make a serious economic appraisal of the use and effectiveness of Community funds, and notes, in particular, that it is only by properly controlling the results that it will be possible to improve the Fund's standing and enable it to assure its own future and expand;
 25. Considers that the revised Regulation should specify the minimum information that would need to be published, namely, for each economically significant region and for each programme whatever the amount involved: the identification, nature and amount of investment, the amount of national aid and any other sources of finance, the amount of aid from the Fund and the number of posts created or maintained;
- (f) the amount of the Fund and allocation criteria
26. Points out that it has always been opposed to the amount of the Fund being allocated to the Member States according to a previously-determined scale, since the funds needed for a Community regional policy should be determined on the basis of the relative needs of the most needy regions, and draws attention to the desideratum that the Fund be established over a sufficiently lengthy period to allow large-scale, medium- and long-term investment;
 27. Considers that it is necessary to place a Community reserve at the Commission's disposal so as to permit, in exceptional cases and within the framework of the Community's regional policy, the release of appropriations (for all areas of the Community), after consulting the parliamentary committee responsible;
 28. Points out that it has always agreed with the Commission, despite the Council's objections, that the annual appropriations for the Fund fall within the category of non-compulsory expenditure, which means that it has the right of amendment, and urges that, with effect from 1978, the endowment of the Fund should no longer be laid down in advance in the

Regulation, so that in the context of the budgetary procedure it may retain its control over the creation, increase and utilization of the Fund's financial resources;

29. Draws attention to the advantages offered by the Fund, which take the form of interest subsidies or guarantees against exchange risks;
 30. Points out that it has expressed its disapproval of the fact that the Fund introduces a mechanism for subsidies, based on priorities established at national level on the strength of different methods, data and criteria for each country, whereas a Community regional policy should be founded on priorities established in accordance with Community criteria.
 31. Points out that it has already asked the Commission to use the criteria that the latter itself proposed in 1973 (for the drawing up of a list of regions eligible for aid from the Fund), based on a comparatively low per capita product, a high percentage of workers engaged in agriculture or in a declining industrial sector, structural under-employment, a consistently high unemployment rate and high emigration figures;
- (g) National aid capacity and additionality
32. Considers that the overall differences that exist in the Community between the various Member States are partly due to the fact that some of these countries have to bear the cost of the underdevelopment or redevelopment of substantial areas in their territory, and this cost may exceed their national aid capacity;
 33. Points out that it has already urged that aid from the Fund should be concentrated as a matter of priority on the regions with the most serious imbalances in the States with the lowest relative aid capacity in the Community;
 34. Considers that aid from the Fund, which is modest in itself, should be granted only when national aid alone is insufficient for the implementation of an effective programme and points out that the Community contribution is justified only if it complements national aid and has a multiplying effect;

35. Feels that the principle of global or horizontal additionality observed by the Commission is necessary but inadequate since it may curtail the right of assessment and control of the Commission for certain individual projects; as these projects have to be incorporated in programmes, it suggests that the Commission should also use the principle of additionality for each programme and considers that, as a condition for making further grants, the state concerned should prove, at the end of each programme, that the principle of additionality has been observed;
- (h) Conclusion: the need for flexible and indicative planning of land utilization in the Community
36. Urges the Commission and Council not to delay in reviewing the Regulations establishing the Fund and working out regional policy measures, in order to ensure the smooth operation of the Fund in 1978;
37. Considers that - in order to ensure the coherence of the various regional programmes and the coordination of all aid resources to serve the priorities established by the Community - the implementation of a Community regional policy calls for overall planning of the Community's economic and social development in the form of flexible and indicative plans aimed at relocating production centres throughout the Community and providing for incentives or disincentives for private decision-making centres and commitments for the public authorities;
38. Is of the opinion that this land utilization/planning should be carried out at national and regional level but formulated by the Community with the aid of the States and regions, which would mean a strengthening of the Community's role as a political decision-making centre.
39. Instructs its President to forward this resolution and the report of its committee to the Council and Commission of the European Communities.

EXPLANATORY STATEMENTSUMMARY: A comprehensive structural regional development policy

Interventions by the Fund should fit into the framework of a comprehensive structural regional development policy to be formulated at Community level.

- (a) This regional policy should be comprehensive and structural, since it should aim at the redevelopment of the entire territory of the Community, that is, at the development of peripheral agricultural regions, at the reconversion of declining industrial regions, at curbing the growth of regions with excessive concentration and at cooperation between trans-frontier regions.

Thus comprehensively conceived, this policy is a sound 'investment' for the whole Community and warrants an increase in the Fund's resources.

- (b) This policy should be comprehensive and structural because it should not aim solely at reducing economic disparities, but also at harmonizing standards of living. It should not be confined to infrastructures directly involved in economic development, but should comprise all infrastructures, and especially those in the social and cultural sectors.
- (c) This policy should be comprehensive and structural because all the intervention measures must be genuinely concentrated on priority objectives for development and on the structural transformation of certain regions. This presupposes the coordination of the Community's general and sectoral policies, of financial instruments having a regional impact and of national aids and measures with regional implications.
- (d) This policy should be comprehensive and structural because it should fit into the framework of development programmes determining the vocation of each region and anticipate the development in order to stimulate it. Such a comprehensive and structural approach inevitably leads to European-scale planning of land use.

- (e) This policy, being comprehensive and structural, should be formulated and implemented with the active participation of the local and regional authorities concerned.

It thus has important political and institutional implications, because it should involve the regions in the task of European construction.

- (f) This comprehensive and structural policy should establish Community priorities. The concentration of resources on these priority actions implies a strengthening of the Commission as a political decision-making centre.

This 'deliberate action to guide the geographical distribution of economic and other human activities' will necessitate a reinforcement of the Commission's powers to allow genuine European-scale planning of land use.

I - INTRODUCTION: The mandate of the 1972 Summit and of Article 2(2) of the Regulation establishing the Fund: a regional policy providing a framework for the Fund's activities.

1. Implementation of a Community regional policy was one of the priority objectives for the Community laid down by the Heads of State or Government meeting in Paris in October 1972. For the purpose of achieving it they¹

- invited the Commission to prepare without delay a report analysing the regional problems which arise in the enlarged Community and to put forward appropriate proposals.

- undertook to coordinate their regional policies.

- invited the Community institutions to create a Regional Development Fund to be set up before 31 December 1973.'

2. In response to the Paris Summit declaration of the Heads of State or Government, the Commission submitted to the Council on 4 May 1973 a 'Report on the regional problems in the enlarged Community.'²

The European Parliament considered this report at its part-session of July 1973 when an interim report on Community regional policy drawn up by Mr F.L. Delmotte on behalf of the Committee on Regional Policy and Transport³ was adopted.

3. The Commission's report on regional problems in the enlarged Community did not contain any formal proposals as requested in the final communiqué of the Paris Summit. It confined itself to indicating guidelines within which such proposals should be made. These guidelines were closer to the European Parliament's views than the regulation on the Regional Fund which was adopted by the Council.

¹ See Ref. 15

² See Ref. 6

³ See Ref. 1

N.B. - These numbers refer to background documents listed in the Annex to Chapter XV.

On 27 July 1973 the Commission submitted to the Council formal proposals concerning the two Community regional policy measures decided at the Paris Summit (one of them involving a definite timetable):

- establishment of a Regional Development Fund by 31 December 1973;
- coordination of national regional policies¹.

The European Parliament delivered its opinion on these two proposals on 15 November 1973².

On 11 October 1973 the Commission further submitted to the Council a proposal for a regulation on the list of regions and areas eligible for aid from the Regional Development Fund³. The European Parliament, which was consulted on the matter, delivered an opinion on this proposal on 13 December 1973⁴.

4. Debates within the Council on the size of the Regional Fund endowment and its sharing among Member States blocked any decision for over a year. Finally the proposals on which the European Parliament had been consulted were modified or even withdrawn by the Commission and the Council. Since the modifications were substantial, the Council consulted the European Parliament again on 5 March 1975 on the following documents⁵:

- a proposal for a Regulation establishing a European Regional Development fund;
- a proposal for a Decision setting up a Regional Policy Committee;
- a proposal for a Financial Regulation supplementing the Financial Regulation of 25 April 1973 applicable to the general budget of the European Communities.

The European Parliament delivered its opinion on these proposals on 12 March 1975⁶ and in the conclusion of its resolution noted

'18. that the provisions proposed are based on diverse national policies and still only amount to a policy of assistance to national regional policies.'

¹ See Ref. 8

² See Ref. 2

³ See Ref. 9

⁴ See Ref. 3

⁵ See Ref. 10

⁶ See Ref. 4

The European Parliament:

'19. nevertheless decided not to propose any amendments in order to ensure that the Regional Development Fund may become operational as soon as possible, but emphasized its reservations on the new regional policy proposals ...'

and

'20. therefore requested 'the Commission to take into consideration its opinions on the occasion of a reconsideration of the regulation before 1 January 1978 - when the presentation of development programmes becomes obligatory, their cohesion and effectiveness will only be guaranteed if all development factors are taken into consideration and if local authorities take part in their elaboration and implementation.'

5. Finally, on 18 March 1975, the Council adopted Regulation (EEC) No.724/75 establishing a European Regional Development Fund, the Financial Regulation supplementing the Financial Regulation of 25 April 1973 applicable to the general budget of the European Communities and a Decision setting up a Regional Policy Committee¹.

The European Regional Development Fund, established in March 1975, became fully operational in July of that year.

The first aids from the fund were granted in October 1975 and the first payments made in the following December. Pursuant to Article 16 of Regulation (EEC) No. 724/75, the Commission of the European Communities on 29 June 1976 presented to the European Parliament its 'first annual report on the European Regional Development Fund, 1975'².

The European Parliament delivered its opinion on this report on 16 December 1976³. Parliament:

- stressed that 'an examination of this Report has shown that it already provides guidelines for a revision of the Regulation after 1977 ...'

and

'26. ...while reaffirming its reservations in regard to the Regulation adopted by the Council;

27.called upon the committee responsible to keep these matters under constant review and to report to it with a view to revising the regulation establishing the Fund both in respect of the resources placed at its disposal and in respect of the provisions governing their use and allocation.'

¹ See Ref. 11

² See Ref. 7

³ See Ref. 5

Article 18 of the Regulation establishing the Fund provides that:

'on a proposal from the Commission, the Council shall re-examine this Regulation before 1 January 1978'.

Article 2(2) lays down that, when re-examining the Regulation, the Commission shall make

'appropriate proposals for the Community's regional policy and for aid from the Fund during the subsequent period'.

The Regulation thus makes a very clear distinction between, on the one hand, the Community's regional policy and, on the other, intervention by the European Regional Development Fund which is only one instrument of that policy.

6. The distinction is reaffirmed in the opening sentence of the annual report on the European Regional Development Fund, 1975:

'...The European Regional Development Fund is not to be confused with Community regional policy'...

It cannot alone bring about the structural changes necessary to reduce the regional imbalances in the Community.

The European Parliament has always emphasized the urgent need to make this instrument operative. Since 1966 Parliament has been recommending the establishment of a special fund to finance regional development (see paragraph 10 of the Resolution of 27 July 1966 following the Bersani report). But Parliament has always urged that it should form part of a Community-wide redevelopment policy.

7. It must be recognized that national regional policies, based essentially on aids for industrial development have, on the whole, failed.

Community regional policy therefore involves questions more fundamental than those concerning the size of a Fund.

Indeed, the concept of Community regional policy implies more than the existence and functioning of the Regional Development Fund. The European Parliament has repeatedly asked that an overall regional policy

be drafted and implemented on the basis of reports submitted by Mr Motte, Mr Birkelbach, Mr Bersani and Mr Mitterdorfer¹ and by Mr Delmotte².

The Commission itself admits in its 1973 report³ that

'until now the Community has not had a comprehensive regional policy of the character called for by the Summit' (paragraph 8).

It goes on to explain that the purpose of the report is to

'...present the ideas of the Commission for a Community regional policy' (paragraph 3).

8. The European Parliament expressed at the time some criticisms of these ideas, but in the main gave them its support. But the formal proposals subsequently presented by the Commission and adopted by the Council departed from these original concepts.

-
- ¹
- Resolution of 17 May 1960 (OJ No. 37, 2.6.1960), following the Motte report on regional policy problems and ways and means of implementing it in the Community of the Six (Doc. 24/1960-61 and Doc. 36/1960-61);
 - Resolution of 22 January 1964 (OJ No. 24, 8.2.1964), following the Birkelbach report on regional policy in the EEC (Doc. 99/1963-64);
 - Resolution of 27 June 1966 (OJ No. 130, 19.7.1966), following the Bersani report on the first communication from the Commission on regional policy in the EEC (Doc. 58/66);
 - Resolution of 11 May 1970 (OJ No. C 65, 5.6.1970), following the Mitterdorfer report on the Commission's proposal on the organization of practical measures by the Community in the field of regional development (Doc. 29/70);
 - Resolution of 16 March 1972 (OJ No. C 36, 12.4.1972), following the Mitterdorfer report on the proposals from the Commission concerning Community regional policy measures in priority agricultural regions (Doc. 264/71);
 - Resolution of 20 September 1972 (OJ No. C 103, 5.10.1972), following the Mitterdorfer report on the proposals from the Commission relating to a communication in respect of Council decisions on the Community's regional policy and to a proposed Council resolution on the Community's instruments of regional policy (Doc. 123/72).

- ² Resolutions concerning the European Regional Development Fund of 5 July 1973 (OJ No. C 62, 31.7.1973), 15 November 1973 (OJ No. C 108, 10.12.1973, p.51), 13 December 1973 (OJ No. C 2, 9.1.1974), 12 March 1975 (OJ No. C 76, 7.4.1975, p. 19), and 16 December 1976 (OJ No. C 6, 10.1.1977, p.86).

- ³ See Ref. 6.

No progress has been made since 1973 in defining the kind of Community regional policy which should provide a framework for the Regional Fund's activities. This Community regional policy, the definition of which should have preceded the implementation of its instruments, should, in accordance with the mandate of the 1972 Summit and the provisions of Article 2 of the Regulation establishing this Fund which was adopted by the Council in 1975, have been drawn up by the Commission.

A 'Conference on regional Economies' was held in Brussels as early as 1961 at the Commission's initiative, so that the Commission has been considering these regional problems for over 15 years now. It should, then, be able to present some comprehensive concept of regional policy.

II - GENERAL CONSIDERATIONS ON THE ECONOMIC SITUATION

9. Since its inception in 1975, the European Regional Development Fund's activities have been conditioned by the overall economic situation.

In presenting to the European Parliament the Commission's programme for 1977, Mr Jenkins, President of the Commission of the European Communities, said on 8 February 1977:

'If we fail to move forward towards greater economic integration, we shall sooner or later move back. And if we move back, it will not be in the economic sphere alone.

We face three formidable and interlocking obstacles to advance '...

These Mr Jenkins identified as: the stubborn persistence of high unemployment, high rates of inflation, and the widening gap between standards of living.

'The weakest economies have the highest rates of inflation... High unemployment in the weak economies holds back recovery in the strong as well; and, as the gap between living standards widens, support for the process of economic integration is undermined.'

(a) Unemployment and inflation

10. In 1975 the Community registered a fall in the main economic indicators. The GDP fell by 2.5%, investment by 5.6%, industrial output by 7%, exports by 6%. Consumer prices, on the other hand, rose by 12.4%.

In 1975 industry was working to 75% of capacity and unemployment had reached 4%, representing about 5 million people out of work.

The countries which suffered most were: on GDP, Italy with a fall of 3.7%; on unemployment, Ireland with a rate of 9.2%; and on price rises, the United Kingdom with a rise of 22%, Ireland with a rise of 21.3% and Italy with a rise of 17.4%.

Unemployment increased not only in the developed regions of the Community affected by short-term economic conditions, but also in the backward regions, permanently bedevilled by structural problems. The highest unemployment rates are still found in Ireland (approximately 10%), in the Italian Mezzogiorno, in Northern Ireland (approximately 10.6%), Scotland (approximately 5.9%), the North of

England (6.7%), Wales (6.9%), certain provinces of Belgium, Limbourg and the Northern provinces of the Netherlands (approximately 10%), North Jutland, the Saarland, and France's Mediterranean and South-Western regions.

It is estimated that in 1976 the fall in investment in Italy will have been 8% (as against an increase of 0.5% for the Community as a whole). The estimated rate of unemployment for Ireland is 10%, against a Community average of 4.4%; the increases in consumer prices: 20.5% for Italy, 17% for Ireland, 15.5% for the United Kingdom, against an increase of only 11% for the Community as a whole.

11. Because of the crisis, problems of restructuring and conversion no longer arise only in the disadvantaged regions but now also extend to the Community's most dynamic areas.

The forecasts are that new jobs will be created in the tertiary sector, while employment in industry, construction and agriculture will shrink. What is needed, therefore, is no longer to re-direct within a given economic system (essentially industrial) investment which will in any case be effected: it is new investment that must now be promoted. The tertiary sector, whose development is determined by factors different from those which govern the siting of industry, should provide opportunities for encouraging such new investments.

(b) Income spread

12. The current emphasis is on employment, but it should be remembered that the income gap is growing.

Between 1970 and 1975 the per capita GDP (Community overall = 100) fell from 53.6 to 48.9 in Ireland, from 70.3 to 59.2 in Italy and from 88.8 to 77.0 in the United Kingdom.

Between 1970 and 1975 the annual rate of growth of the per capital GDP was approximately 7% for these three countries, while it was over 11% for the remaining five members of the Community (Belgium, Denmark, Germany, France and Netherlands).

13. These data clearly indicate the extent to which the Community's internal cohesion and the proper functioning of the common market are threatened. It is therefore necessary to create employment, while making investment more profitable so as to make the machinery of production more competitive. The attainment of these two aims should simultaneously result in a reduction of structural imbalances in the Community which block progress towards integration.

III - MAIN TYPES OF REGIONAL PROBLEMS

14. The difficulties experienced by some countries, illustrated by these contrasting statistics, are partly due to the fact that these countries have to cope with underdevelopment or the cost of redevelopment of considerable areas of their territory. Where underdevelopment, industrial decline and economic congestion coexist, they combine to restrain overall economic growth.

15. In its 1973 report on the regional problems in the enlarged Community¹, the Commission propounds the view that regional imbalances stem fundamentally from the absence of modern economic activity, or the over-dependence of a region on backward agricultural or declining industrial activities, which are therefore unable to guarantee a satisfactory rate of productivity, employment and income, if no alternative activities exist (point 22 in fine).

(a) Peripheral agricultural regions

16. The Commission report referred to above states in point 23 that:

'In general the agricultural problem regions tend to be situated in the periphery of the Community and over recent years they have known a sharp rate of decline in the proportion of employment devoted to agriculture. They usually have the characteristic of severe structural underemployment and in some cases also high long-term unemployment... a common feature of all these areas is a relatively low income per head of the population and a high dependence on agricultural employment'¹.

17. The development problems of these peripheral regions are both the biggest, because of their geographical extent and their relative severity, and the hardest to resolve, because of their complexity. The concept of peripherality refers as much to the geographical remoteness as to the economic marginality of a region. A definition of a peripheral region may be established by contrast with regions enjoying a concentration of economic activities.

The relative deterioration of social and economic conditions in European peripheral regions has been aggravated by the liberalization of trade and the free movement of the factors of production. Restructurizing of economic activities has tended to strengthen the major areas of concentration already existing in the centre of Europe: the Rhine region, Northern Italy, the Paris region, etc.

¹ See Ref. 6

This has resulted in:

- waste of social and individual resources in areas of excessive concentration,
- stagnation at a very low level of utilization of economic and human resources in the peripheral regions,
- assistance and subsidies for these regions.

The outcome is a chronic imbalance between these regions and the rest of the Community. This state of affairs, which may be regarded as temporary and capable of improvement by an appropriate policy, nevertheless gives rise to a number of serious and highly complex problems which are particularly severe for those regions which are doubly peripheral: with respect to their own countries and to the Community as a whole.

18. The problems of peripheral regions are often among the most serious because of the territorial extent of the regions concerned. They are equally so because of their relative severity, for there is a fundamental difference of quality, and not a mere difference of degree, between the redeployment problems, even serious ones, of centrally situated regions and the problems experienced by peripheral regions.

A region or sub-region faced with the problem of industrial redeployment can, at least, rely on some existing advantages, such as its location in the central core of the country and the technical skills and mental aptitudes of the population which are already geared to industrial production.

In contrast, to quicken the economic life of a rural region requires the reduction of its remoteness from the central core by the creation of communications infrastructures, the creation of conditions for industrial implantation, of socio-cultural infrastructures providing both for the technological training of the local population and for the reception of technicians and administrators to be brought in from outside.

19. Because of the crisis, the underdeveloped regions can no longer hope to benefit from the 'spin-off' of economic expansion in the prosperous regions. Their manpower reserves can no longer be utilized, since there is also unemployment in the industrial areas.

While general economic recovery is likely to resolve the difficulties of the more favoured regions, increased aid will still be needed to stimulate investment in those which are the most disadvantaged because their situation has deteriorated even further. It is therefore essential

for the Community's financial instruments to be used above all to promote investment and to create employment in the Community's most disadvantaged areas.

(b) Declining industrial regions

20. Point 24 of the Commission's report on regional problems¹ states that:

'the areas suffering from industrial change have usually been those where there has been a high dependence for employment on ageing industries. Their problems of economic transformation are often underlined by a constantly slow rate of growth and by high levels of unemployment stretching over many years.'

21. Some regions of the Community, which once were power-houses of economic growth, now face difficult problems of adaptation owing to obsolescence and competitive pressure. The sectors concerned, such as textiles, coal-mining, iron and steel and shipbuilding, are not suffering from conjunctural difficulties, but from structural problems ante-dating the crisis.

When a major region is heavily dependent on one of these declining sectors, the need to modernize, to rationalize, to diversify and to transform can become imperative, but too onerous for the region or State concerned to tackle alone, and will therefore require Community aid.

(c) Regions with excessive economic concentration

22. The Community's regional policy is not confined to financial aid. In regions where excessive economic and urban concentration imposes on society a high social and human cost, the Community should work out discouragement measures to be applied simultaneously throughout its territory.

Concentration represents considerable advantages for undertakings which can benefit from economies of scale and from a dense and diversified network of infrastructures, the cost of which is borne, not by them, but by local communities and the tax-payers.

So as not to undermine the competitive potential of undertakings, discouragement measures should be applied simultaneously in all the Community's areas where excessive economic and urban concentration exists.

¹ See Ref. 6

IV - THE CASE FOR A COMMUNITY REGIONAL POLICY

(a) The general interest and decentralization of activities

23. The analysis of regional imbalances and the case for a Community regional policy presented by the Commission in its 1973 report¹, can, on the whole, be approved by the European Parliament's Committee on Regional Policy, Regional Planning and Transport.

24. One of the fundamental aims of the Treaty of Rome is to reduce the gap between the Community's various regions and the backwardness of those least advantaged.

The Commission reminds us in point 13 that:

'At a time when it is maintained that economic expansion is no end in itself but must, as a priority, contribute to mitigating disparity in living conditions, it is unthinkable that the Community should only lead to an increase in the process whereby wealth is principally attracted to places where it exists already. Unless the Community's economic resources are moved where human resources are, thus sustaining living local communities, there is bound to be disenchantment over the idea of European Unity'.¹

25. Constant improvement of living and working conditions is another of the Treaty of Rome's fundamental objectives. The Commission considers that Community regional policy is not only in the interests of areas of relative poverty, high unemployment and forced migration, but is equally relevant to those living in overcrowded conurbations, with their impoverished environment. The establishment of the Regional Development Fund should not, therefore, be seen simply as a means of subsidising the disadvantaged areas by the rich, because in fact it will contribute to the improvement of the environment of the latter.

Efforts to develop the less advanced regions should be accompanied by measures to discourage industrial congestion in areas where saturation already exists, and to achieve decentralization of industrial activity in the general interest (point 16 of the 1973 report)¹.

'Regional policy - provided it is rationally deployed... is a good investment', as much socially as ecologically and economically. Uncontrolled congestion and migration are more costly than positive intervention to achieve balanced regional development (point 18 of the 1973 report)¹.

¹ See Ref. 6

(b) Regional policy and the fight against inflation

26. A regional policy should prevent a situation where:

'a member government is compelled to halve its programme of expansion because the central areas of its economy are becoming overheated and inflationary pressures are mounting while there remain wasted resources in the poorer regions' (point 17 of the 1973 report)¹.

27. Investment in over-congested areas results in an excessive burden on the community and on the taxpayer. In the Paris region, for instance, transport costs are two and a half times as high as in other areas of France.

A better geographical distribution of economic activity permits a better utilization of available resources and a reduction of the cost of certain activities or services, and thus reduces one of the sources of cost inflation.

In reducing imbalances, regional policy eases inflationary pressures. It is the highest wage levels in the congested areas which are used as the national standard for the wages in the weakest areas, although their productivity is lower. If productivity in the disadvantaged areas is improved, one of the sources of wage inflation is reduced.

The same applies to price levels, which tend to be determined by the cost of the marginal undertakings, and not of the most productive ones. An overall improvement in productivity would thus help to eliminate one of the causes of price inflation.

28. Generally speaking, funds expended on regional intervention do not have an inflationary effect if they are used for the purpose of improving economic efficiency. They may, however, occasionally have a delayed effect when they are used for more or less long-term investment in infrastructures - depending on the nature of these infrastructures (whether transport, communications, education, vocational training or health services). These infrastructures nevertheless provide an essential back-up to more immediately productive investments.

In any event, these aids for infrastructures are no more inflationary in the short-term than social welfare assistance.

29. To conclude then, improved regional equilibrium leads to better utilization of the resources of under-developed regions. This should lead to improved productivity in the whole country and to a reduction of social and economic cost in over-congested regions. The overall effect should thus be anti-inflationary in the long-term.

¹ See Ref. 6

(c) Failure of national policies and of market mechanisms

30. Despite the aid policies of Member States, the gap between the per capita average incomes in the rich and the poor regions of the Community has widened.

One of the fundamental lessons to be drawn from the First Annual Report on the European Regional Development Fund, 1975¹, is that the disparity between Ireland, Italy and the United Kingdom on the one hand, and the remaining Community Member States, on the other, has increased. The Report states in point 9 that in 1970 the per capita GDP was five times higher in Hamburg than in Western Ireland, and four times higher in Paris than in Southern Italy. The disparity has been accentuated in 1975, the respective ratios increasing from 5 to 6 and from 4 to 5.

31. The Fund's 1975 annual report is right in noting in point 2 that:

'continuing regional disparities constitute a major brake on the process of economic integration.'

The European Parliament has always emphasized the need to reduce developmental disparities as a preliminary to economic and monetary integration.

32. It could be said that until the recent crisis, the existence of the European Community induced continued economic growth in the Member States, but this growth was not harmonious. The implementation of the Customs Union created the conditions for an increase in the disparities between the rich and the poor regions.

The report referred to also states that:

'the rapid growth generated by the market economy has been accompanied by significant regional disequilibria' (point 4)¹

The interplay of market forces has promoted snowballing development in the already rich regions and a corresponding retrogression in regions which were already disadvantaged. Both underdevelopment and overdevelopment of particular regions have also been accentuated. A comprehensive regional policy should therefore aim at structural transformation of these two types of regions.

33. The Fund's annual report notes that:

'the free market economy will not automatically resolve the problem' (point 5)¹

¹ See Ref. 7

It can never be emphasized enough that economic development in regions experiencing difficulties is not a spontaneous process that can be left to private enterprise alone.

Without intervention from the public authorities the position of underdeveloped regions will never improve.

34. But the existence of the common market not only aggravates the regional imbalances but also reduces the Governments' capability for economic intervention, while the Treaties have not given the European institutions sufficient powers to compensate for this. Governments are less and less able to guide investment, since the decision-making centres of many large undertakings (multinationals) lie outside the national framework.

In addition, the Treaties themselves have reduced the Governments' powers in regional policy matters: they forbid in principle certain forms of protectionism, subsidies, discrimination, etc. Within a European common market it is no longer possible to conduct isolated national regional policies.

35. A Community regional policy should thus counteract these disadvantages. The need for this is urgent since the imbalances are increasing while the overall economic situation is not calculated to help resolve the problem. An economic 'low' reduces industrial investment opportunities and at the same time the availability of funds for regional development.

Moreover, structural problems exist also in the developed regions, where unemployment is rising.

(d) Economies to be strengthened before enlargement

36. The President of the Commission, Mr Jenkins, in his speech to the European Parliament on 11.1.1977 propounded his 'philosophy of convergence':

'We must, like any civilized community, help the weaker members.
This is in the interests of the strong as well as the weak.'

Unless the Community is strengthened it cannot be enlarged and, indeed, it may cease to exist.

In his speech Mr Jenkins demonstrated that the Community must be both strengthened and balanced and that if it is to be enlarged, its economies must be made to converge. It is important to note the statement by the President of the Commission that as the Community becomes larger, so it becomes easier for its weaker regions to be more neglected, and this must ultimately lead to the destruction of the Community.

V - SIZE OF THE FUND AND NATURE OF EXPENDITURE:
COMPULSORY OR NON-COMPULSORY

(a) The Fund's annual budget and regional needs

37. In the chapter devoted to regional policy, the Tindemans report on European union notes that¹:

'This policy must necessarily involve a net transfer of resources from the most prosperous areas of the Community to the less-favoured areas.

In part these transfers will be made, as now, through national regional development policies.

However, a large proportion of the transfers will have to be made through the Community budget, either directly by means of regional aids, or indirectly by the effect on economic structures of the agricultural and industrial policies.'

38. What, then are the criteria applied by the Commission in determining the annual size of appropriations to the Regional Fund which have to be entered in the Communities' annual budget?

The process ought to begin not with the States, but with the regions, among which those experiencing the greatest difficulties should be identified by the application of Community criteria. Then their financing requirements should be examined.

The actual amount of aid required for investments creating new employment will vary from area to area, according to local conditions. The prospect of job creation, therefore, should not be used as the sole criterion; in any event, some investments in infrastructures do not result immediately in job creation.

Nor is the allocation of resources proportionately to the size of the region's population satisfactory, for it can lead to a misuse of Community funds.

It would seem that only by examining pluriannual development programmes will it be possible to determine the real financing needs. By assessing the local and national financing resources it should be possible to determine how much external finance is needed. Reference to these pluriannual programmes will also permit subsequent retrospective assessment of the investments' effectiveness.

39. When the Fund was being established, the European Parliament demanded that its resources should be increased; but Parliament also insisted on the need to put in hand a genuine comprehensive regional policy.

¹ See Ref. 16

There is in fact no case for increasing the Fund's resources unless a real regional policy is defined and implemented at Community level. Such a regional policy would essentially imply planned development in the Community and effective coordination of all the other relevant instruments.

It also implies that the Community itself must establish its priorities in consultation with the Member States and the regions concerned, and that it should be able to deploy the resources at its disposal for the benefit of the priority activities selected by it.

A necessary condition for strengthening Community regional policy is that the Community must have a political decision centre.

(b) The non-compulsory nature of expenditure

40. The fourth recital of the Regulation establishing the European Regional Development Fund concludes¹:

'It is advisable to reserve the decision as to the nature of the Fund's expenditure for subsequent financial years'.

41. The European Parliament, however, decided as from 1975 to treat this expenditure as non-compulsory. The Commission has adopted the same attitude. But the Council has not accepted this classification. It took the view that the expenditure was compulsory for the three-year period covered by the allocation laid down in the Regulation. The question of the classification of this expenditure for subsequent years remains open.

42. If, from 1978, the budgetary appropriations for the Regional Development Fund are to be really non-compulsory, the Commission will have each year to submit, within the framework of its annual budgetary proposals, a proposal on the financial resources to be made available to the Regional Development Fund for the financial year in question.

This would put an end to allocations fixed in advance for several years, which implied for the European Parliament loss of its powers of budgetary control over the Regional Fund's appropriations.

43. It would be useful to summarize the consequences of the adoption of such a classification for the budgetary procedure and for the European Parliament's powers.

Depending on the classification of the expenditure, the European Parliament is entitled to present, in the course of the budgetary procedure, either amendments or proposals for modifications to the draft budget.

¹See Ref. 11

The distinction is not merely theoretical: their meaning and form, and the majorities which they require are different.

'Compulsory' expenditure is subject to proposed modifications. For adoption by the European Parliament, these require an absolute majority of the votes cast. To be incorporated in the budget, they must be accepted by the Council (by a qualified majority).

'Non-compulsory' expenditure is subject to amendments. They can be adopted by the European Parliament by the votes of a majority of the Assembly's members. The Council can only provisionally modify these amendments (by a qualified majority). The European Parliament then decides (by a majority of the current members of Parliament and three-fifths of the votes cast) on the modifications made by the Council to such amendments.

The extent of the European Parliament's budgetary powers thus depends on the classification of the expenditure:

44. Article 203 of the Treaty, which stipulates this distinction between compulsory and non-compulsory expenditure, provides (in paragraph 8) that the increases in non-compulsory expenditure from one financial year to another shall be limited to a 'maximum rate'. When this maximum rate is insufficient, a 'new rate' may be fixed by agreement between the Council and Parliament.

45. Regional policy is the very paradigm of a major new policy, of a lasting nature and having significant financial implications, on which the European Parliament should have powers of amendment. Otherwise, the whole development of the Community would proceed without democratic control and to the detriment of the European Parliament.

Expenditure for regional purposes does not necessarily result from the Treaty. The basic regulation on the Fund was adopted under Article 235 of the EEC Treaty which concerns precisely those cases where the Treaty has not provided powers for action by the Community.

The Regional Fund basic regulation in itself should not create an a priori right to Community aid. Assistance should be granted by the Commission on the basis of various criteria.

46. The European Parliament, which voted unanimously at the time of the debate on the first supplementary budget for 1975, has steadfastly maintained its principles in this matter. But it has been willing to be very flexible

as to the methods of their application. In fact, it undertook to accept the amounts of appropriations laid down by the Summit Conference for the first three years, but it has upheld the classification of the expenditure on which its power of amendment rests.

It is the opinion of the rapporteur of the Committee on Regional Policy, Regional Development and Transport that, from now on, the size of the Fund should not be fixed in advance in the Regulation, so that:

- the possibility of increasing the Fund's financial resources in the future is left open,
- democratic control can be exercised over the establishment and utilization of these resources.

(c) Commitment appropriations and payment appropriations

47. It will be recalled that the third preamble to the Financial Regulation containing special provisions for the European Regional Development Fund states that¹:

'the realization of the investments to be assisted by the Fund may extend over several years'.

This Financial Regulation, like the regulation establishing the Fund (Article 2 (3)), allows for the inclusion in the budget of commitment appropriations and payment appropriations for the financial year concerned.

The commitment appropriations represent the upper limit of expenditure which the Commission is authorized to undertake in the course of a financial year. Appropriations not committed within the financial year may be carried over to the two succeeding financial years.

Payment appropriations are the upper limit for expenditure authorized or effected in the course of the financial year (on commitments from the current or previous financial years).

48. This is an important distinction. It is thanks to commitment appropriations, which may stretch over several years, that pluriannual programmes can receive assistance from the Fund throughout their implementation.

Since economic development is not always either a spontaneous or a self-sustaining process, it must be stimulated by the implementation of long-term development programmes. No practical result of the operation of the Regional Fund can be expected before the medium or the long term.

¹ OJ No. L 73, 21.3.1975, p.45.

VI. CONCENTRATION AND PRIORITIES: QUOTAS OR COMMUNITY CRITERIA?

49. A fundamental paragraph in the section dealing with regional policy in the Tindemans report on the European Union¹ makes it clear that regional policy must

'be concentrated on the most economically backward areas of the Community. Funds must be allocated on the basis of objective criteria applicable to the whole of the Community without national quotas'.

(a) Concentration of aids

50. Given the relatively modest resources available and the comprehensive nature of regional policy, action should be concentrated on those regions which experience the most serious difficulties, according to a scheme of priorities which it is for the Commission to establish. Other policies and actions by the Community and by the States concerned should be coordinated so as to aim at the same objective.

51. Concentration of assistance on priority regions is that acid test of European solidarity to which everyone refers. Since the resources available are restricted, Community action can only be developed gradually and cannot hope from the start to eliminate all the basic fundamental imbalances in all the Member States.

Even a large Fund, if it scatters its resources widely is bound to be less effective than a smaller Fund concentrating its efforts on a few regions whose revival is an an urgent priority.

The identification and selection of regions eligible for assistance from the Fund are closely linked to the size of the latter.

Finally, if Community regional policy is to be capable of preventing the concentration of economic activity in certain highly favoured regions, we must also resist the debilitating trend towards dispersion of assistance.

52. It is an accepted fact that development depends on technical progress and is promoted by economies of scale and external economies resulting from agglomeration.

This shows why the available resources must be concentrated on a few growth centres, though not for the purpose of increasing the power of a particular centre but with the aim of stimulating thereby activity in the surrounding area.

¹See Ref. 16

(b) National quotas

53. The sole criterion for Community assistance should be the relative needs of the various regions.

In the initial stage, the system of national quotas ensured a distribution relatively favouring States with the most acute regional problems, and thus helping the most disadvantaged regions - in so far as they were accorded priority within the national schemes.

The fact that 74.223% of the Fund's resources flow to the countries with the most severe regional problems (40% to Italy, 27.761% to the United Kingdom and 6.462% to Ireland¹), means that the assistance is concentrated.

54. But the quota system is too rigid and there is a danger that it will detract from the Commission's ability to assess applications for assistance submitted under these quotas. The functioning and management of the Fund should be made more flexible.

Admittedly other Funds, such as the EAGGF (Guidance Section) or the Social Fund, have tended to provide much greater assistance in the Community's least disadvantaged regions. Application of national quotas would have perhaps ensured a better distribution.

55. But the Community's regional policy is not confined to the activities of a single Fund. The activities of other funds, and general and sectoral policies, must be coordinated with it. Comprehensive Community action should be based on priorities laid down at Community level.

While the system of quotas may be acceptable in practice, if not in principle, in respect of the activities of a Fund, quotas must not apply in the implementation of the whole range of instruments available to the Commission. This is an essential distinction and is the reason why we are opposed to the quota system, because we wish to see a genuinely comprehensive regional policy devised and implemented.

(c) National priorities

56. The principle of complementarity of Community aids with aids granted nationally means that the Commission provides assistance to regions already receiving it under national schemes, and particularly to those which have been accorded priority domestically.

¹Corrected percentages

The Commission, therefore, has not made the choice of the regions which the Regional Development Fund should assist. They are selected at the national level on the basis of data and by means of methods and criteria which differ from one State to another. This is not an acceptable approach for a Community regional policy.

57. A Community policy should not be based on priorities established merely at the national level, without reference to the relative situation of other Community regions. The priorities established at Community level may in certain cases correspond with those determined nationally. But it should not be a rule that assistance is granted to reinforce existing national policies.

58. The European Parliament has already expressed strong criticism of the distribution of Community aids between the Member States according to a pre-established scheme, in its resolution of 12 March 1975 on the proposal for a regulation establishing the Regional Fund¹. The European Parliament:

3. emphasizes that a priori allocation between all the Member States of the Fund allocation does not meet the requirements of a Community policy applied to the least favoured regions of the Community and after consideration of their needs;
4. recalls that it has insisted that priorities should be established between the regions of the Community and not between the States, and that these priorities should be determined with reference to statistics on Community averages, not national averages;
5. deplores the fact that the new texts refer to national priorities and may therefore appear to be a means of providing subsidies to Member States for their national development policies'.

(d) Community priorities

59. Community assistance should be based on an objective assessment of the needs of the various Community regions and of the relative effectiveness of the assistance within the framework of the development programmes.

The Regional Policy Committee, already responsible for coordinating the various policies in this area, should be the forum for the confrontation and comparison of the needs of the various Community regions.

This presupposes that Community priorities shall be determined.

¹See ref. 4

on the basis of the objective criteria which had been proposed by the Commission to the Council in 1973 and approved by Parliament as a suitable starting point.

60. In all its resolutions on the European Regional Development Fund the European Parliament has called upon the Commission to apply the criteria it proposed in 1973.

The European Parliament

- in its resolution of 5 July 1973¹:

'5. considers that, given the inadequacy of available supporting data, the intervention criteria proposed for the Fund are acceptable as an initial approximation'.

- in its resolution of 13 December 1973²:

'7. believes that all the regions should be classified according to the relative seriousness of the imbalances found in relation to the Community average'.

- in its resolution of 12 March 1975³:

'8. considers that the statistical problems are not an adequate reason for the adoption of the principle of national priorities, and that reference to Community criteria is the only way of ensuring progress on the elaboration of statistical data for the purpose of comparison which would also be required for the launching of development programmes under a Community scheme'.

- in its resolution of 16 December 1976⁴:

7. calls upon the Commission to apply the yardsticks it proposed in 1973 (for drawing up a list of regions eligible for assistance from the Fund) for the purpose of assessing with reference to Community criteria whether there has been a judicious allocation of Community aid to those Community regions most severely affected by imbalances'.

These criteria are essential for the preparation and implementation of the regional development programmes which must be presented before the end of this year.

61. In its 1973 report on the regional problems, the Commission considered that implementation of Community action required effective European solidarity. It rightly believed that there was not merely a need to devote more of Europe's finance to development of the regions, but also to distribute it according

¹ See Ref. 1

² See Ref. 3

³ See Ref. 4

⁴ See Ref. 5

to the requirements of the regions which are most disadvantaged 'in relation to the Community as a whole' - not, that is, in relation to national averages.

In point 29 (VIII)¹, the Commission states:

'The Fund will have to concentrate its expenditure very largely in those regions which are the most in need in relation to the Community as a whole. In other words, there must be standards to ensure that the means available to the Fund are used in a manner quite independent of any criterion of fair return and which reflects the size and urgency of the regional problems facing the Community. The acceptance of this principle will be an important test of Community solidarity.

(e) Community criteria

62. In 1973 the Commission was of the opinion that some of the criteria characterizing regional imbalance were: low income or product per head, structural under-employment, persistent high unemployment, and sizeable migration (points 23 and 24)¹

These criteria, however, are not always sufficient: when, for example, governments grant aids to production in declining sectors in order to maintain a sufficient level of income and employment, structural under-employment is not clearly apparent in the statistics, although it may be a major problem.

Similarly, migration from such regions may cease as a result of conjunctural difficulties in the prosperous regions, but this does not mean that the employment situation in the former has improved.

63. The criteria used by the Commission for drawing up its list of regions in 1973 should have permitted a classification of the regions, identifying those, which, on these criteria, showed the most severe imbalances on a Community scale.

The regions which should be given development priority, therefore, are those which have the greatest imbalances relative to the Community averages. These imbalances can be identified by a GDP per inhabitant of the region lower than the Community average and, in addition, one of the following criteria:

¹See Ref. 6

- percentage of the working population employed in agriculture higher than the Community average and percentage of the working population employed in industry lower than the Community average;
- 20% of employment in one of the declining industrial sectors and, either unemployment of at least 2% or a net outward migration over a long period;
- a rate of unemployment 20% above the national average and reaching at least 3.5%, with a net outward migration of at least 10 per thousand of the population over a long period¹.

¹See Ref. 9: Explanatory statement, points 3, 5 and 6.

VII - CONCENTRATION AND NATIONAL FINANCIAL RESOURCES

(a) Classification of States according to their revenue-raising capacity

64. In a report by a Commission interdepartmental group for the coordination of financial instruments it is suggested that varying rates of contribution should be introduced.

The aim would be to encourage assistance by the States, but, above all, to increase the Community's contribution to assistance for Member States having the lowest revenue-raising capacity.

The report was submitted to the Commission at its last meeting in 1976. This report, on the functioning of the EAGGF, Guidance Section, and another, on the problems of the EEC's Mediterranean region, were drawn up by working parties headed, respectively, by Mr J. Nash (Director for Monetary Affairs) and Mr A. Pizzuti (Assistant Director-General for Agriculture).

65. One of the conclusions of the report is that criteria for financial assistance should be modified to take account of the revenue-raising capacity of the various Member States and of the level of development of the various agricultural regions.

In addition, therefore, to the classification of regions according to the seriousness of their imbalance relative to the Community average, Member States should also be classified according to their revenue-raising capacity, and the two classifications appropriately weighted.

It should be noted that Parliament has proposed that Member States should be classified according to their relative intervention capacity to reduce regional imbalances.

(b) Relative intervention capacity of the States

66. The European Parliament, in examining the proposal for a regulation on the Fund and the proposal for a regulation on the list of regions eligible for assistance (resolution of 13 December 1973¹) considered:

'8. 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 intervention from the Fund'.

¹ See Ref. 3

It therefore proposed that the criterion of the relative intervention capacity should be added to Article 3 of the Fund regulation and to Article 1 of the regulation on the list of regions eligible for aid.

The Commission did not accept the criterion, pointing out that it had not been envisaged by the Paris Summit and that it appeared difficult to apply.

The European Parliament, which is not bound by the Summit mandate to the Commission, insisted on the inclusion of this criterion of priorities. When the resources necessary to eliminate the serious imbalances exceed the capacity of the Member States concerned, the regions in question should be granted priority aid and should receive the bulk of the interventions from the Fund.

67. The Commission's 1973 proposals established criteria, which were approved by the European Parliament but not accepted by the Council, taking due account of the seriousness of regional imbalances. They took no account, however, of another factor justifying Community aid: the inability of a particular country to carry through on its own an effective programme to remedy rapidly an imbalance which may obstruct the achievement of economic and monetary union - to the detriment of all concerned.

The author of the already quoted report on Community regional policy emphasized that Community assistance should only be forthcoming where national aids are insufficient to be effective. If Community aid is provided where national aid alone is adequate, there is a risk of wastage of Community resources and an opportunity for the State concerned to save money.

68. A typical example is that of Ireland, where virtually no single region is able to make up for the disadvantageous position of the others. With the exception of the East Coast, which is the most highly industrialized, the per capita revenue in Ireland is the lowest in the Community. Without Community aid, the country will not be able to accept the constraints of economic and monetary union.

In the case of Italy, the North of the country has for many years now carried the excessive burden of the development of the South, and Community assistance is needed.

The European Parliament in its resolution of 15.11.1973¹ insisted

'10. 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'.

¹ See Ref. 2

In other, less extensive, regions, development is delayed, or reconversion jeopardized, because national aid, while adequate for individual objectives, cannot cope with the entire complex of factors causing socio-economic stagnation and is incapable of organizing and financing an overall recovery programme.

(c) Determination of the intervention capacity of States

69. To determine which States in the Community have the lowest relative intervention capacity to deal with the most serious regional imbalances, as a first approximation, the national and Community GDP¹ per head of population can be compared.

Further, it is possible to determine for each Member State the ratio of the total GDP of all the regions not experiencing substantial imbalances to the GDP of all the other regions where substantial imbalances exist. Regions with substantial imbalances are those defined as qualifying for Fund intervention, on the basis of the criteria listed in Chapter VI, Section (e).

This ratio will show whether the richer regions of the country are able to assist the poor ones.

Comparison of this ratio at Community level will identify the countries with the lowest relative intervention capacity.

The statistical data necessary for these calculations exist, since the Commission used regional GDP figures to draw up its list of regions in 1973.

¹ GDP = gross domestic product

VIII - CONCENTRATION AND ADDITIONALITY

(a) The multiplier effect of aids

70. The Fund's contribution to the solution of regional problems must necessarily be modest in itself, but as a complement to domestic aid it can become significant. Community intervention, therefore, should have a multiplier effect. This is why we attach a fundamental importance to the principle of additivity of Community assistance.

Intervention by the Fund is warranted only if this principle is observed. The European Parliament in its resolution of 12.3.1975¹ demanded:

'6. that assistance from the Fund should not lead the Member States to reduce their national aid, which the Community aid should complement'.

71. The example of Italy deserves attention. This country has introduced into its national accounting a distinction between national and Community aids. Community aids have been concentrated in a single, but important, area, the Mezzogiorno. Moreover, complementary projects, made possible by Community aid, have been clearly identified.

Not all the States, however, have been able to devise satisfactory methods to show how assistance from the Fund has been used.

The Commission should pay particular attention to this point when putting forward proposals for a revision of the Fund regulation, so that interventions by the Fund can be more exactly identified.

72. At all events, the present situation, where the Fund offers assistance for projects which are in any case being financed by the Member States and are nearly completed, is not particularly satisfactory.

Besides, the fact that payments, especially for industrial investment, are effected through the governments of the Member States rather than directly to the investors, does nothing to demonstrate that Community resources are intended for the regions or that they are supplementary aids.

¹ See Ref. 4

(b) Vertical and horizontal additionality

73. It is important to be able to assess the extent to which Community assistance supplements domestic aid by the Member States and whether it is not being used as an excuse to reduce the national effort in regional development.

The problem becomes particularly acute when Community assistance is used for repayment of a national aid, and the individual investor obtains no more than he did under the domestic provisions alone. If the ceiling for regional assistance fixed according to the coordination principles laid down in pursuance of Article 92 of the Treaty is reached, it may not be possible for both sources of assistance to be used together.

74. If that is not the case, the Commission points out that its aim is not to achieve additionality in individual cases (vertical additionality, as laid down in Article 4(2) (a) in fine of the Fund regulation) but additionality in respect of the total amount of appropriations allocated (horizontal additionality, in pursuance of the eleventh preamble to the Fund regulation). This means that, thanks to appropriations from the Fund, the Member States should be able to finance more projects than they would by relying on national resources alone. In this way the question of additionality is transferred to the area of national budgets, where its control becomes more complex.

On the principle of horizontal additionality, the Commission grants aid from the Fund to a project which it has examined; but ultimately this aid is transferred to another project, which has not been examined by Community organs. Such a system can restrict the Commission's powers of assessment and control.

(c) Additionality within programmes

75. The rapporteur proposes that horizontal additionality be supplemented by additionality within programmes. On this principle, aid would only be granted for projects forming part of a development programme, the consistency and rationale of which would have to be examined by the Commission. In this way the additionality of the aid would have to be considered for each development programme, and it would be possible to transfer appropriations between projects within programmes.

IX -- CONCENTRATION AND COMPREHENSIVE NATURE OF AIDS

(a) Geographical and economic concentration

76. The first instrument of Community regional policy is too sectoral in nature and too narrowly restricted to economic measures.

Actions undertaken so far on the basis of the Treaty of Rome answer essentially economic concerns. Article 2 of the Treaty lays down that the Community shall have as its task 'to promote throughout the Community a harmonious development of economic activities'.

But the Fund was established with this economic bias, for the purpose of compensating, by means of subsidies, the backwardness of investment in certain regions.

However, our task is not only to combat economic disparities, but also to bring about the convergence of living conditions in the various regions. That is also one of the aims of the Treaty of Rome.

Regional policy should be comprehensive, and that means that it should not be confined to the economic sphere, but embrace also the social and the cultural.

In point 48 of the Report on the European Regional Fund, 1975, the Commission links 'to the principle of the geographical concentration of aid that of economic concentration'¹.

The European Parliament, on the other hand, links the geographical concentration of aid with sectoral dispersion of assistance, because of the comprehensive nature of development and of the non-economic obstacles to take-off.

In its resolution of 12 March 1975² the European Parliament emphasized that

'10. whereas it is opposed to geographical dispersion of aid, it is in favour of a system which is not solely limited to infrastructure installations directly connected with economic development'.

(b) Geographical concentration and sectoral dispersion

77. In its resolution of 5 July 1973 on Community regional policy³ the European Parliament, in considering the Commission's report on regional

¹ See Ref. 7

² See Ref. 4

³ See Ref. 1

problems in the Community¹, expressed its conviction that

'7. 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 vocational training are necessary as well as economic action'.

78. In the explanatory statement the rapporteur pointed out that the failure of many regional policies was due to the fact that it was not enough to direct economic activity towards human 'potentialities'; individuals must also be prepared to agree to take part in economic development (cultural and educational infrastructures) and must be suited to such participation (vocational training infrastructures); finally they must have access to this cooperation (local and regional participation systems).

79. The Commission rightly states in point 25 of its report¹ that:

'some areas also suffer from a serious lack of infrastructure, as regards means of communication, industrial infrastructure, and educational and training facilities'.

But this is a mere statement of fact. The rapporteur, on the other hand, expressed the opinion that the absence of inadequacy of such infrastructures in some regions acts as a serious restraint on development.

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

80. The rapporteur considers that a comprehensive concept of regional development (social and cultural) should be opposed to the Commission's too narrowly economic approach.

If self-sustaining growth is really to be achieved, this point must be emphasized and the widest possible scope given to the new instruments of regional policy, bearing in mind the comprehensive nature of development, even if there are other Community means of intervention having more specific aims.

81. Commenting in a memorandum² on the Commission's report on regional problems in the enlarged Community, the International Union of Municipal Authorities also stressed the need to get away from the restrictive interpretation of infrastructures adopted by the Commission.

It pointed out that experience showed social and cultural infrastructures to be as necessary as roads or water and energy supplies for the development of modern communities.

¹ See Ref. 6

² Memorandum on the European Community's Regional Policy, I.U.M.A., Doc. No. 1789 of 14.6.1973

The memorandum concluded by emphasizing the need for the Commission to abandon this narrow approach in its practical proposals.

(c) Restrictive approach in the Fund Regulation

82. But this restrictive approach has been maintained by the Commission and confirmed by the Council in the Regulation adopted by the latter.

The proposal for a regulation establishing the European Regional Development Fund makes clear that the Community's aid must be adaptable to 'infrastructures required for economic development'¹.

The same concept is reasserted in the seventh preamble to the regulation adopted by the Council:

'whereas regional development requires investment in industrial or service activities ensuring that new jobs are created and existing jobs maintained on the one hand, and on the other, investment in infrastructures directly linked to the development of these activities....'²

and in the text of Article 4(1) (b)²:

'The Fund may contribute to the financing of (b) investment in infrastructures directly linked with the development of activities covered by (a) (industrial, handicraft or service activities)'

The rapporteur and a majority of the members of the Committee on Regional Policy and Transport were of the opinion that Community aid should be available for all infrastructures, without restriction, and particularly for social and cultural infrastructures.

(d) Need for a comprehensive approach

83. Usually the creation of infrastructures directly linked to economic development, whether the construction of sections of motorways, sections of railway tracks, or the dredging and widening of canals or even the building of commercial ports, is within the means of individual States.

On the other hand, in view of the high cost and the lack of immediate return from cultural and social infrastructures, and because of the long time required to change mental attitudes of the population concerned, the creation of social and cultural infrastructures should fall within the scope of Community intervention.

The European Parliament in its resolution of 15.11.1973³ stressed:

'8. once again the need for aid to be granted from the Fund, in close cooperation with the other Community instruments, for infrastructures in particular in education, occupational and social

¹ See Ref. 8

² See Ref. 11

³ See Ref. 2

training, whose high costs and lack of immediate return represent a heavy burden'.

84. In some circumstances, particularly where other resources are lacking, investments in infrastructures for tourism may prove necessary. Yet in 1975 few projects were submitted or accepted in this area, and it should also be noted that no infrastructure project in the area of services to the population (education, health, etc.,) has been accepted by the Fund.

85. The danger in placing emphasis on direct aids for industrialization at the expense of infrastructures is that local authorities, having limited resources or none at all, may be unable to take advantage of the period of financial support for the enterprise concerned to carry through an adequate programme in respect of general infrastructures. When that happens, industrial activity will stabilize at a level well below the expectations initially raised by the setting up of industry, since the locality will be unable to provide this industry with the human resources needed for its expansion or renewal.

86. We must therefore conclude that the nature of the infrastructures is as important as financial assistance to promote installations. All infrastructures are essential, not only those directly linked to economic development.

X - CONCENTRATION AND COORDINATION OF ASSISTANCE

(a) The provisions of the Treaty

87. At the time of signing the Treaty of Rome, the Member States 'anxious to strengthen the unity of their economies and to ensure their harmonious development by reducing the differences existing between the various regions and the backwardness of less favoured regions' were not aware of the contrary effect which the achievement of the Customs Union would entail, if there was no parallel progress in common policies.

88. The instruments provided by the Treaty for restoring the territorial balance have proved ineffective in so far as they were centred on a particular sector of activity (the Social Fund, the EAGGF, the EIB and even the ECSC Fund). None of these instruments, moreover, is sufficient to implement a consistent regional policy in an extensive area experiencing special difficulties.

89. In some sectoral policies (such as competition, transport or social policy) account might be taken of regional difficulties, but they could not result in a reorientation of activity.

Besides, measures under such policies were not coordinated to achieve territorial balance.

(b) Need for coordination of assistance

90. The extent of developmental disparities in the Community and the rate at which they are growing, together with the inability of national policies to alleviate them, demonstrate the need for an increased and coordinated effort by the Member States and the Community.

We have pointed out that the Fund is but one instrument of regional policy. A genuine regional development policy at Community level calls for a comprehensive structural policy. This presupposes a coordination of all the Community's general and sectoral policies as well as of the Community's financial instruments having a regional impact. Coordination at Community level should go hand in hand with the coordination of domestic policies and measures for regional assistance, including policies to prevent economic and urban over-concentration.

The European Parliament has already made this point in its resolution of 16.12.1976¹, taking the view that:

- '11. such an all-embracing structural policy will require coordination of the Community's general and sectoral policies, of Community financial instruments having a regional impact and of national policies and schemes likewise having regional implications'.

This coordination should be effected within the framework of development programmes. All the sectoral policies (transport, energy, social, financial, fiscal, etc.) should be comprised within regional development plans through which this comprehensive regional policy should be implemented.

The European Parliament in its resolution of 16.12.1976¹ emphasized:

- '12. the importance it attaches to the implementation of regional development programmes, not only in pursuance of the Fund's objectives but also with a view to ensuring coordination between Community and national measures'.

(c) Main instruments requiring coordination

91. The EAGGF, Guidance Section has not done enough for regions where structural agricultural problems are most serious.

A Commission interdepartmental report on the functioning of the EAGGF, Guidance Section, shows that this intervention instrument has not been effective in the sphere of regional policy, in the sense that it has not helped to improve the situation in respect of agricultural structures in the Community's most disadvantaged areas.

Assistance from the Fund has been very slight in the poorest regions. In contrast, more assistance for structures has been forthcoming in regions which had already attained a certain developmental level.

One of the criteria of eligibility for aids to modernization is the ability to attain, at the end of the development programme, a certain level of 'comparable income'. Because of this criterion, aids for modernization have been concentrated rather in already developed regions than in those regions where agricultural structures are still backward and where an overall economic imbalance exists. This criterion should be applied more flexibly, as is the case in regions to which the directive on hill farming and disadvantaged areas applies.

¹See Ref. 5

Assistance policies should not result in an aggravation of the imbalances. The agricultural policy should promote modernization of agriculture and a growth of agricultural incomes in disadvantaged predominantly agricultural regions, but there should also be a countervailing effort to create employment in other branches of economic activity.

92. The Social Fund does not constitute, in itself, an instrument for job creation. The Social Fund is intended for people who have lost their jobs or are threatened with dismissal and should help them in terms of social welfare. It is not aimed at the undertaking as an investor, but it can help to improve vocational qualifications and occupational mobility.

93. Industrial policy could advantageously concentrate on sectors experiencing difficulties, such as textiles, metallurgy, coal-mining and ship-building.

94. Measures under a comprehensive economic policy should take more account of regional requirements. Regions experiencing difficulties should have priority access to budgetary resources allocated under recovery plans. They should concentrate particularly on infrastructures.

95. Transport policy should allow for regional needs in establishing priorities for infrastructures.

Conditions of carriage and charges should be assessed in the light of regional policy needs.

It would also be advisable to coordinate at European level major public and private investments in problem regions. The requirements imposed on ECSC undertakings (compulsory notification of major investment programmes and publication of the Commission's opinion), for instance, might usefully be extended to all sectors of the Community's economic activity.

96. Energy policy should lead to more balanced development in the Community through the siting of centres for the production and distribution of energy, particularly nuclear energy.

97. The various financial instruments, especially the EIB and the ECSC Fund, should have a stronger regional impact in terms of development or re-development.

98. The Community's external trade policy, and particularly agreements with non-Community Mediterranean countries should not aggravate the situation of the Community's own Mediterranean regions. As competition from products originating in these countries is becoming very strong, this aspect should be given consideration.

99. National regional policies should also be coordinated to prevent outmanoeuvring and discrimination between Member States.

The European Parliament also proposed in paragraph 11 of its resolution of 5 July 1973¹ that Community institutions should:

'(e) study national and Community laws and regulations in order to propose amendments to certain provisions which have an adverse effect on regional development'.

While coordination of national regional policies is necessary, it is not sufficient, for the Community's regional policy cannot be merely the sum of national policies. The latter should be guided, on the basis of their objectives and their results, towards objectives laid down at Community level.

Parliament's resolution of 12 March 1975² :

'21. underlines the need to coordinate national regional policies and, after considering their objectives and results, readjust them since Community regional policy may on no account be the sum of national policies'.

(d) Concentration of assistance measures

100. Regional policy should be conceived in terms of the geographical implementation of the Community's economic and social policy, which entails comprehensive actions and consistent and concentrated use of the various instruments.

Assistance from the European Regional Development Fund, of whatever amount, should be coordinated with aid from all the other Community Funds. These other Funds can play a fundamental part in regional development if, in the application of their intervention, account is taken of its regional impact.

Genuine concentration of assistance measures for regional development and for structural transformation is needed.

¹ See ref. 1

² See ref. 4

101. An important innovation testifying to the Commission's intention to implement a comprehensive regional policy is the creation of responsibility for the coordination of Community Funds and other structural intervention instruments which has been entrusted to Mr Giolitti, Commissioner for regional policy.

This shows a determination to move beyond sectoral, occasionally contradictory, measures towards comprehensive action aimed at convergence of the economies. The Funds can thus be used to improve structures and abolish imbalances.

XI. CONCENTRATION AND DEVELOPMENT PROGRAMME

(a) Development planning

102. The Commission's too narrowly economic approach should be contested with a comprehensive concept of regional development (social and cultural) which is the foundation of any overall policy of regional development.

Such a comprehensive approach to regional development necessarily implies geographical planning at European level. It is within the framework of such planning that each region's economic vocation should be sought and regional development anticipated in order to bring it about and to ensure consistency between these regional programmes at both national and European level.

Moreover, the need to concentrate limited resources on a particular region and to rely on Community solidarity mean that the actions must be planned, so that the effectiveness of the methods can be ensured and the progress of the action controlled.

No effective solidarity, which may entail the provision of considerable sums, can be expected, unless Member States are prevented from saving within their own budgets, the equivalent of amounts received from the Fund. Regional development programmes, serving as a framework for assistance under the Community regional policy, will prevent such abuses of Community aid.

The European Parliament, in its resolution of 15 November 1973¹ drew attention to the fact:

'12. 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';

103. Development programmes are of prime importance not only for the objectives of the Fund but also for ensuring suitable coordination of Community and national measures in the sphere of regional development.

The Commission recognizes the importance of regional development planning. Article 6 of the Fund regulation lays down that² :

¹ See Ref. 2
² See Ref. 11

'Investments may benefit from the Fund's assistance only if they fall within the framework of a regional development programme ...'

(b) Programme content

104. If the limited resources available are to be effective, they must be concentrated on a group of projects constituting a substantial, consistent and interlinked development programme, whatever the size of the individual projects. Small-scale projects frequently create more employment than big investment projects.

105. Assistance should be given to programmes with a major regional developmental impact, implementation of which is triggered by aid from the Fund.

Preference should also be given to projects where Community assistance can be easily identified by the beneficiaries.

Special attention should be given to European-scale projects, combining assistance from more than one Member State, especially in the Community's trans-frontier regions.

106. If self-sustaining growth is to be achieved, as envisaged by the Commission in point 29¹ of its 1973 report, intervention by the Fund should be governed by the aim of implementing long-term development programmes which are not confined to the economic aspects alone.

The European Parliament, in its resolution of 12 March 1975 stressed these two points. It considered that²:

'9. development should be seen as a whole and that it is consequently indispensable that programmes should tackle the underlying causes of imbalance which are social and human as well as economic';

'15. that proper results can only be obtained by launching development programmes extending over long periods of time and embracing all the socio-economic structural elements of the region'.

107. We should recall that the rapporteur has already underlined the need to extend financial measures by means of Community technical assistance which would enable maximum benefit to be drawn from the financial resources.

Such technical assistance could be provided by research institutions

¹ Indent (vi)

² See Ref. 4

carrying out the necessary studies and by experts to help in the drafting and implementation of development programmes.

(c) Outline of the programmes

108. Use of the programmes before the end of 1977 is thus likely to develop and strengthen Community regional policy.

Early in December 1975 the Regional Policy Committee drew up an outline for these programmes. According to this model they should contain five chapters :

- (1) an economic and social analysis of the region, bringing out the reasons for imbalances and development possibilities and conditions in the region (diagnosis),
- (2) development objectives for the region cast in a framework of national and Community objectives,
- (3) measures for development in terms of the objectives indicated, which take account of other policies having a regional impact,
- (4) financial resources, including intervention by the Fund, necessary for the attainment of the objectives,
- (5) implementation, indicating where responsibility, for the programmes shall lie, and an implementation schedule.

109. Submission in a standard form of a regional development programme for each region applying for Community aid should make it possible to assess objectively and according to Community criteria the respective needs of the regions and the effectiveness of the assistance measures.

(d) Controls

110. Planning and control of assistance are two fundamental and complementary concepts.

Since procedures for Fund intervention are based on close cooperation with the national authorities, this implies a retrospective control by the Commission of the Fund's financial operations.

The aim of the control should be threefold:

- (1) to confirm that investment projects benefiting from Community aid have in fact been executed or are about to be so,
- (2) to check the accuracy of the data in applications for aid and for payment,
- (3) to assess the contribution of the projects concerned to the region's economic development.

111. For the purposes of developing European solidarity and in view of the large amounts involved, there is also a need for control by the European Parliament, to be exercised through consideration of the annual report on the operations of the European Regional Development Fund.

(e) Statistical approach

112. The devising and implementation of a Community-scale regional policy requires the identification of regional problems, determination of priorities and of intervention criteria, the coordination of intervention measures, the development of regional planning, transparency of the aids and control of the effectiveness of the measures.

For this, numerous statistical indicators, which are comparable and kept up to date, are needed.

113. The Commission's 1973 report¹ on regional problems in the Community contains statistical data on the regions in respect of population, employment and GDP. But, as the Commission itself notes, the available statistical material is inadequate because it is incomplete, not comparable and founded on different base units:

'Generally speaking the statistical material employed must be treated with some reservation because of a lack of uniformity and, often, considerable gaps in the figures used and because the analysis has necessarily been made on the basis of existing administrative units' (point 21)

The data are particularly unsatisfactory in respect of income levels.

This is because, despite what has already been achieved, Member States still do not have regional accounting. Efforts in this direction will have to be coordinated and encouraged at Community level.

The Economic Affairs Committee has repeatedly, and particularly in the Riedel report on the state of progress in the harmonization of statistics², pointed to these statistical inadequacies and to the need to reorganize the statistical services in order to remedy the situation.

¹ See Ref. 6

² Doc. 178/71

(f) Principles of regional development

114. If a genuinely comprehensive regional policy is to be formulated and implemented we must go beyond the stage of descriptive statistics. The data available must be fed into models on which development programmes can be based.

But to construct these models it is necessary to know the inter-dependence or the causal relationships between the phenomena observed.

An effort must therefore be made to determine the principles of regional development so that a consistent and effective regional development policy can be devised.

115. Incomplete knowledge of these principles has led the Commission to propose a set of fragmentary measures. These measures must be developed and completed.

The European Parliament asked the Commission in paragraph 11 of its resolution of 5 July 1973¹:

'(b) to determine the principles of regional economic development, and the relationship or causal links between observed trends which have not been adequately analysed hitherto;

(c) to go deeper into regional statistics, proceeding beyond descriptive statistics to a system of data presentation based on dynamic and functional regional models.'

(g) The size of development regions

116. This problem is not dealt with by the Commission, which confines itself, in point 22 of its 1973 report², to noting that the main regional imbalances are 'linked to certain limited geographical areas.' But the regional development programmes will have to be implemented in clearly defined regions.

117. It is difficult to lay down the optimal dimensions for development regions, in view of the wide disparity as between regions such factors as the socio-economic situation, demography, environment, institutional arrangements, traditions, etc.

For the purpose of diagnosis, instruments of observation are difficult to apply if the region concerned is too small, but if it is too large significant intra-regional inequalities may go unremarked.

The region should tend towards a coherent and interdependent whole.

¹ See Ref. 1

² See Ref. 6

XII. THE ROLE OF LOCAL AND REGIONAL AUTHORITIES

(a) National trends to decentralization

118. The political chapter of the Tindemans report¹ states that regional policy satisfies:

'the clear desire in all our countries to revive the regions'.

Throughout the Member States there has been a tendency towards decentralization of power and of measures benefiting the regions. Representatives of the regions take an increasing part in the formulation and implementation of their own region's development programmes. When applications for Community aid are made, it is they who will have to administer the Community measures and therefore they should participate in the formulation of requests for this aid.

119. The provisions of Article 5 of the Decision establishing the Regional Policy Committee² show that the Commission has remained aloof from these trends developing in the Member States, whilst it should have been one of the mainsprings of action for participation at all levels. The Commission ought, in cooperation with the Member States, to lay down the role of the various local and regional authorities in the formulation and implementation of development programmes receiving Community aid.

(b) Making policy for the regions with the regions

120. We should remind ourselves that the objective of the Community is not to achieve a European super state, but to construct a coherent, varied and inter-dependent entity, in which the regions should play an active basic role. The task of European construction should take full account of local and regional specificities and rely on the active participation of local and regional communities.

The regions should thus be associated with the construction of Europe and particularly with the decisions affecting them, in conformity with our democratic tradition.

121. Because of the comprehensive nature of development, we have always emphasized the need to associate the inhabitants of regions affected by difficulties with the process of development through their democratically

¹ See Ref. 16

² See Ref. 12

elected representatives at all levels.

The European Parliament

- in its resolution of 16 December 1976¹ pointed out

'23. that it is impossible to work out a real Community regional policy solely on the basis of relations between the Member States and the Commission, to the exclusion of the regional authorities responsible for economic and social development;'

- in its resolution of 12 March 1975² considered

'13. that, as development is all-embracing, the populations of the regions which are in difficulty must be made actively interested and involved in the process of development at all levels, through the intermediary of the democratically elected representatives;'

and was convinced

'14. that such participation, by the regions concerned, in the elaboration and realisation of development programmes is the only way of ensuring maximum effectiveness'.

122. We should encourage this process of regional self awareness and choose appropriate partners in the dialogue. The choice of these interlocutors should be made in consultation between the Commission, the representatives of the Member States and the representatives of local and regional communities.

123. The decision setting up the Regional Policy Committee³ permits the Committee to receive advice from the regional interested parties, but does not specify how these interlocutors should be selected or consulted. Article 5 of the Decision states:

'The Committee may, in accordance with its Rules of Procedure, receive evidence from interested parties from the regions and from trade union and business organizations

The European Parliament has suggested that such consultations should be made obligatory when a regional problem concerns a particular interest group, region and/or social partner. The Committee on Regional Policy, Regional Planning and Transport reasserted this requirement.

In its resolution of 12 March 1975² the European Parliament recalled '12. that it has already proposed that '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 organizations when a regional problem concerns them'.

¹ See Ref. 5

² See Ref. 4

³ See Ref. 12

124. Let us also remember that cooperation between trans-frontier regions having similar socio-economic structures should be encouraged and institutionalized. On 18 November 1976 the European Parliament, on the basis of the Gerlach Report¹ adopted a resolution on the Community's regional policy as regards the regions at the Community's internal frontiers². In this resolution it is proposed that European Joint Authorities should be created as an instrument of trans-frontier cooperation, having a Regional Council composed of representatives of member authorities, representatives of national supervisory institutions and, if necessary, a representative of the Commission, and a Regional Committee composed of senior administrative officials of the member authorities and of administrative specialists.

(c) Towards genuine democracy

125. The Community's regional policy should aim at a broader objective than that of economic and social development: it is the spread of the European idea throughout the Community's territory. An effective regional policy should give the peoples of the Community a more immediate awareness of the Community's activities.

126. The decision on the election of the European Parliament by direct universal suffrage is an expression of a desire for political democracy in Europe, but democracy is indivisible and should obtain at all levels. It presupposes, among other things, that all the citizens should have information on the use of Community funds and should be involved in the implementation of measures which affect them.

¹ Doc. 355/76

² OJ No. C 293, 13.12.1976, p. 37

XIII. PUBLICITY OF MEASURES

(a) Inadequacy of published information

127. This information is also needed to convince public opinion that the European Community has become a reality and that it is taking action to help the most disadvantaged regions, and hence their populations, by improving standards of living. Such awareness among the population will be necessary if it is to take note of, and an interest in, direct elections.

The European Parliament in its resolution of 16 December 1976¹ recognized

'16. that suitable publicity must be given to the Fund's activities in order to demonstrate to the general public that the European Community has become a reality'.

Implementation of the principle of additionality implies, among other things, availability of information on the use made by the various Member States of Community assistance.

The European Parliament in its resolution of 16 December 1976¹ considered

'15. that the fundamental principle of 'additionality' can be applied only if information is provided on how Community aid is used in Member States'.

128. Two states, France and Germany, are still reluctant to ensure proper publicity for intervention from the Fund. And yet the regulation establishing the Fund² is quite explicit on the matter of publicity for Community aid. Article 14(1) stipulates that:

'The Investors concerned shall be informed by agreement with the Member States in question that part of the aid granted to them has been provided by the Community. For infrastructure projects, the Member States, by agreement with the Commission, shall take all necessary steps to ensure that assistance from the Fund is given suitable publicity'.

129. In October 1975 the Commission published the amounts of the first intervention from the European Regional Development Fund (Document P-63 of the Spokesman's Group, PE 42.662). This document gives for each country, except Ireland, the amount of Community aid per major region.

Another document published by the Commission lists the projects which have benefited from Community aid (Doc. P-63/1 of the Spokesman's Group, PE 42.847) in Denmark, Ireland, the Netherlands and the United Kingdom. The nature of the data supplied varies according to the country. For the

¹ See Ref. 5

² See Ref. 11

Netherlands the amount of the investment and the amount of aid from the European Regional Development Fund (but not the amount of national aid) are given. For the United Kingdom the list does not show the amount of aid per project but only for each region; for Denmark and Ireland no statistics are provided.

130. Some standardization of the contents and presentation of such documents seems essential. The Commission grants Community aid if certain basic conditions stipulated by the Regulation have been fulfilled¹.

The Regulation stipulates the nature of investments eligible for aid from the Fund (Article 4 (1)). It provides that the maximum amount of Community aid shall be expressed as a percentage of the investment and as a percentage of national aid (Article 4 (2)). It also restricts the aid to a certain amount per job created or maintained (investments other than in infrastructures - Article 4 (2)(a)).

The Commission must also take account of 'other contributions made by Community institutions or by the European Investment Bank' (Article 5 (1)(e)).

Member States submitting applications to the Commission for assistance from the Fund should indicate all these factors (Article 7: total amount of investment, expected aid from public authorities, the amount of Community contribution requested and, where appropriate, the expected effect on employment, etc).

131. In respect of investments of 10 million u.a. or more requests are to be presented separately, but for investments of an amount less than 10 million u.a., the requests shall be presented globally each quarter year per region (and draw a distinction between investments in infrastructures and other investments (Article 7 (2))).

Checks should be made to ensure that programmes for amounts greater than 10 million u.a. are not fragmented so as to avoid the obligation of separate presentation.

Care must also be taken to see that the grouping of regions does not annul the value of the global presentation by region of projects of less than 10 million u.a.

132. If a clear assessment of the proper utilization of Community funds is to be obtained, some of this information must be made public.

¹ See Ref. 11

In Written Question No. 614/75¹ Mr Delmotte asked the Commission to state what information was required before aid from the Fund could be granted for an investment.

The Commission should be able to declare for each programme and for each economically identifiable region:

- (a) the nature of the project(s) or programme(s)
- (b) the total cost of the investment
- (c) the amount of national aid
- (d) the amount of aid from the Fund
- (e) where applicable, the amount of financing from other sources
- (f) the number of jobs created or maintained.

The regional statistics that are published by the Commission show only the total amount of assistance from the Fund for each region, whatever the amount of investment.

It should also be noted that the Republic of Ireland is still treated as a single region when the amounts of Community aid are published, which obviously is meaningless in economic terms.

The European Parliament, in its resolution of 16 December 1976² considered:

'19. that for each region significant economically and each project or programme to which funds are allocated, the list should indicate the nature and amounts of the investment involved, the amount of national aid and any other sources of financing, the amount of aid from the Fund and the number of jobs created or maintained'.

133. An effort should be made to improve information on these essential facts, particularly in the list of projects which have received the Fund's assistance published twice yearly in the Official Journal. It is regrettable that this information, publication of which is stipulated in Article 14(2) of the Fund regulation, is confined to a mere listing of the projects, without any statistical information. The revised regulation should specify the content of the information to be published.

¹ OJ No. C 80, 5.4.1976, p. 18

² See Ref. 5

(b) The European Parliament's duty of control

134. This Community policy, which at present is confined to aid from the Regional Fund, should be brought home to the people who benefit from it. Public funds are involved and there is no reason why business confidentiality should prevent the publication of that minimum of statistical information which the European Parliament has been requesting in its reports.

If the undertakings benefiting from Community aids consider that they cannot agree to the publication of the total amount of their investment, of the amount of domestic aid and of the amount of the aid from the Regional Fund, then they should not seek assistance from Community public funds.

135. The European Parliament has a duty to control the use made of the Community's financial resources. It cannot acquiesce in the publication of lists of projects with no supporting statistical information. The data available are only aggregates which allow no serious economic analysis.

The European Parliament's budgetary powers have been growing and so have its powers of control in this area. Parliament, therefore, will be particularly demanding as regards information on interventions by the Regional Fund.

It should be recalled that the European Regional Development Fund, whose endowment in each of the years 1976 and 1977 has been 500 million u.a. can supply Community assistance to the amount of nearly 15% of the aggregate of all the Member States' regional aids. Since Community resources should be concentrated, the impact of Fund interventions in some regions will, in fact, be considerably higher than this percentage, and hence far from insignificant.

(c) Need for a Regional Documentation Centre

136. To promote publicity and information on regional matters, the Commission should set up a 'Regional Development Documentation Centre'. This centre would make available to all enquirers, for instance firms seeking a new location, information on the economic situation in the regions, the assistance available, etc.

The European Parliament has for a long time now been asking for the establishment of a European Regional Policy Documentation and Information Office¹. In its resolution of 16 December 1976² Parliament proposed:

'20. that, in order to promote information and publicity on regional matters, the Commission should set up a 'Regional Development Documentation Centre'.

¹ Resolution of 22 January 1964 following the Birkelbach Report, already referred to.

² See Ref. 5

XIV. CONCLUSIONS

137. At the first conference of the Presidents of the Regions devoted to the European Community's future regional policy and held in Paris on 7 and 8 December 1976, Mr Lecanuet, Minister of State in charge of Regional Development, admitted that it was essential for European authorities to coordinate their activities. The French Minister considered that certain development problems such as that of the Rhine-Rhone axis, transcended the competences of the regions or the power of the States taken separately and fell within the scope of European competence.

Mr Lecanuet considered that it was desirable for regional development to take its impulse from regional needs, to be debated at the national level, but to be finally defined and decided in the broader framework of the European Economic Community¹.

(a) Uncontrolled economic integration

138. Regional policy should be discussed in a political context. Consideration of the functioning of the Regional Fund, in which public interest has at present been awakened, should be linked with a profound examination of the nature and the role of Community regional policy.

139. The European Economic Community as such shows a spontaneous tendency towards regional development that is not controlled at the European level. For the achievement of the Common Market, through the abolition of economic barriers, makes it possible to undertake processes of economic rationalization which may result in large industrial concentrations producing more profitably for a larger market. The implementation of the principle of the free movement of workers has enabled labour to migrate towards the industrial regions of North-Western Europe. Since the European Economic Community is directly responsible for this, it is its duty to reduce, indeed eliminate, the damaging consequences of growing concentration, by putting into effect a more carefully thought out regional policy.

A definition of regional policy might be: 'deliberate action to guide the geographical distribution of economic and other human activities'.

(b) Controlled economic integration

140. Controlled economic integration is essentially aimed at achieving a new distribution of economic activities over a wider area while seeking to achieve greater effectiveness of investments,¹ but also a more harmonized

¹ Minutes of the first sitting of 7.12.1976, p.11, penultimate paragraph

distribution of decision centres and productive centres.

Economic integration means making a stake on 'new structures', and generating new trends, side by side with the old trends which originated with the first industrial revolution.

141. The existing structures have developed within a framework which was commensurate with the scale of that industrial revolution: the national scale; and within an economic context governed by a now outdated doctrine: the doctrine of liberalism.

No overall concept guided their development, which progressed at the mercy of market forces and in disregard of all social, regional or environmental concerns.

142. The new industrial revolution now taking place around us requires us to step outside this national framework which has become too constricting for the new production techniques. Besides, it is today no longer possible to intervene in its progress without an overall plan. The economic structures themselves must be re-oriented, perhaps even transformed, particularly in times of crisis.

The entire philosophy of national and Community intervention requires re-thinking. The measures with which we are familiar take the form of aids which frequently encourage the retention of structures shaped by trends of the past and so prevent the necessary re-adjustments.

A new distribution of activities based on a Community policy would lead to a specialist division of labour that would make the process of European integration irreversible.

143. Such a 'voluntarist' approach should not aim solely at economic efficiency, but above all at greater social justice through the harmonization of living standards.

We should be clear that what we are seeking is not egalitarianism, but an equal degree of welfare. For modes of life will always differ between regions, and their needs will also be different. Social justice implies not equality, but an equal degree of satisfaction of needs which themselves will differ according to the particularities of the region.

(c) Integration and enlargement

144. Such integration, however, is only conceivable amongst countries which have achieved a comparable level of economic development, which have complementary economic structures, and are tied together by their geographical proximity. We should realise thus that 'continuous' enlargement of the Community may jeopardize the prospects of European integration insofar as structural readjustment will not always be possible. The first task, then, is to consolidate internal cohesion.

145. It may be asked whether, given the still brief experience of the Fund's existence, and especially the prospect of the accession of Mediterranean countries, it is not too early at this stage to take final decisions on the future structure of the Fund.

(d) Regional development over the Community's territory

146. The formulation of a European Regional development policy might consist in working out, in the first instance, a method of flexible indicative planning by which a new distribution of the centres of decision and the centres of production over the whole of the Community's territory could be proposed.

This type of planning would be somewhat analogous to the French method of setting targets for output and for the growth of the GNP. At the Community level this approach would reflect our desire both for economic guidance and for greater European solidarity.

It would consist in laying down guidelines and creating incentives and checks for the private decision-making centres, and in specifying commitments for the public authorities, whose financial resources and legislative powers are essential factors in regional development.

147. This plan would be drawn up at Community level with participation by the States and the regions, but implemented at national levels, with the States' and regions' own resources. It does not, in fact, seem that Community regional policy should be implemented in a centralized manner, for it is the States which not only have greater resources for the aids but also hold the power of decision in areas of essential importance for regional development: legislation on vocational training, land law, taxation, social matters, etc.,

148. If the Commission were to take charge of implementing this type of regional development policy it would have to create a huge, and no doubt inefficient, bureaucracy.

In the face of a choice between Community regional policy and national regional policy it seems preferable to opt for a policy formulated and guided at Community level but executed at regional and national level.

(e) The role of local and regional authorities

149. This flexible planning which, in our view, should be carried out at Community level, should nevertheless be effected with the participation of the Governments of the Member States, and, above all, of local and regional authorities.

The latter, in any event, would have an essential role to play in the implementation of the plan.

As things are at present, the European Parliament experiences difficulty in gaining acceptance of the principle of mandatory consultation of regional authorities when plans affecting them are prepared.

150. There is a danger that, having failed to gain the Community's ear, representatives of regional and local authorities will set up an institution parallel to the European Parliament where they can make themselves heard throughout Europe.

If this were to happen, the role and standing of the European Parliament, which should be consolidated and, indeed, increased by the acquisition of further powers, might be diminished. What is more, the resulting confusion might harm the success of direct elections in those countries where a resurgence of regionalism and autonomism is feared.

(f) Analysis of the regions' 'vocations'

151. Before such Community-scale regional development can be undertaken, it is necessary to analyse the mechanisms by which the existing structures came into being. The distribution of economic activity was governed by certain laws. The location of the centres of production and the centres of decision was a function of their distance from natural resources and from centres of consumption. A redevelopment policy must therefore aim to distribute the future centres of production and consumption on the basis of a reconsideration of the specificities of the Community's various regions.

152. For the implementation of this territorial redevelopment, information is needed which is not available yet.

Information is the core of planning.

It is impossible to conceive a development policy or an economic strategy in the absence of accurate, adequate and rapidly available indicators. This is why the prospect of planned territorial development, depending as it does on possession of adequate knowledge of economic data, can only be a distant one.

XV. - LIST OF MAIN DOCUMENTS REFERRED TO IN THE EXPLANATORY STATEMENT

A. REFERENCES TO RESOLUTIONS OF THE EUROPEAN PARLIAMENT

1. Resolution of 5.7.1973, following the interim report on Community regional policy
Doc. 120/73 (OJ No. C 62, 31.7.1973, p.33)
2. Resolution of 15.11.1973, following the second report on the proposals
 - for a decision on the creation of a Committee for Regional Policy
 - a regulation establishing a Regional Development Fund
Doc. 228/73 (OJ No. C 108, 10.12.1973, p.51)
3. Resolution of 13.12.1973, following the report on a proposal
 - for a regulation on the list of regions eligible for assistance from the European Regional Development Fund
Doc. 276/73 (OJ No. C 2, 9.1.1974, p.49)
4. Resolution of 12.3.1975, following the report on the amended proposals
 - for a decision setting up a Regional Policy Committee
 - for a regulation establishing a European Regional Development Fund
Doc. 534/74 (OJ No. C 76, 7.4.1975, p.19)
5. Resolution of 16.12.1976, following the first annual report (1975) on the European Regional Development Fund
Doc. 440/76 (OJ No. C 6, 10.1.1977, p.86)

B. REFERENCES TO COMMISSION REPORTS

6. Report (of May 1973) on regional problems in the enlarged Community
Doc. 70/73 - COM(73) 550 final (published in Supplement No. 8/73 to the Bulletin of the European Communities)
7. First annual report (of June 1976) on the European Regional Development Fund, 1975
COM(76) 307 final (published in Supplement No. 7/76 to the Bulletin of the European Communities)

C. REFERENCES TO PROPOSALS FROM THE COMMISSION AND TO COUNCIL REGULATIONS AND DECISIONS

8. Proposals (of August 1973) for
 - a decision on the creation of a Committee for Regional Policy
 - a regulation establishing a Regional Development Fund
Doc. 152/73 (OJ No. C 86, 16.10.1973, p.7)
9. Proposal (of October 1973) for
 - a regulation on the list of regions eligible for assistance from the European Regional Development Fund
Doc. 205/73 (OJ No. C 106, 6.12.1973, p.26)
10. Amended proposals (of March 1975) for
 - a regulation establishing a European Regional Development Fund
 - a decision setting up a Regional Policy Committee
Doc. 528/74 (R/605/75; R/606/75; R/459/1/75)
11. Regulation (EEC) No. 724/75 of 18 March 1975 establishing a European Regional Development Fund, OJ No. L 73, 21.3.1975, p.1
12. Decision of 18 March 1975 setting up a Regional Policy Committee, OJ No. L 73, 21.3.1975, p. 47.

D. MISCELLANEOUS REFERENCES

13. Opinion (of 22.10.1975) of the Committee on Regional Policy and Transport for the Committee on Budgets on the draft general budget of the European Communities for the financial year 1976 - Chapter 55 - European Regional Development Fund
Doc. 361/75 - Annex IV, p.23 (PE 42.027)
14. Outline for regional development programmes
OJ No. C 69, 24.3.1976, p.2
15. Declaration following the Conference of the Heads of State or Government of the Member States in Paris, October 1972
Annex to the report from the Political Affairs Committee of 14.11.1972, Doc. 194/72
16. Tindemans report on the European Union
Doc. 481/75 (published in Supplement No. 1/76 to the Bulletin of the European Communities)