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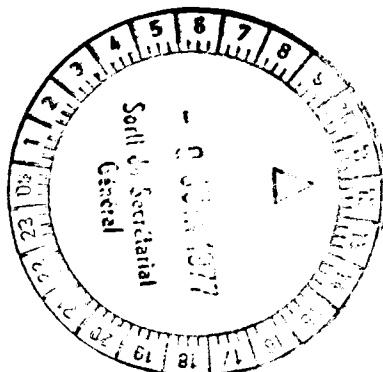
COMMISSION OF THE EUROPEAN COMMUNITIES

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GUIDELINES FOR COMMUNITY REGIONAL POLICY

(Communication and Proposals from the Commission to the Council)



COM (77) 195 final

GUIDELINES FOR COMMUNITY REGIONAL POLICY

Communication from the Commission to the Council

Articles 2 and 18 of Council Regulation (EEC) No. 724/75 of 18 March 1975 establishing a European Regional Development Fund requires that in 1977 the Commission should lay before the Council proposals for the Community's regional policy and for the Fund. The purpose of the present communication from the Commission to the Council is to comply with this requirement.

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ANNEXES

- I. Proposed amendment to the Council decision No. 74/120 of the 18th February 1974 on the attainment of a high degree of convergence of the economic policies of the member states of the EEC, as well as to the decision of the Council No. 75/185 of 18th March 1975 setting up a Regional Policy Committee.
- II. Proposal for a Regulation of the Council amending the regulation (EEC) No. 724/75 of the Council of 18th March 1975 creating the European Regional Development Fund.
- III. Proposal for a regulation of the Council establishing an interest rebate system within the European Regional Development Fund.

INTRODUCTION

1. The time has come for the Community to define clearly an overall approach to Community regional policy for the coming years and to specify in detail the measures to be adopted within the framework of the policy. This entails certain changes to existing regional policy instruments : the Regional Policy Committee and the European Regional Development Fund.

The need to define regional policy is laid down in Council Regulation No. 724/75 and has been stressed by the European Parliament in its Resolution on aspects of Community regional policy to be developed in the future, by the Economic and Social Committee and by the social partners.

In this context, the Commission proposes the development of specific Community actions. As well as general support for the regional policies of the Member States - designed mainly to remedy existing regional problems - Community actions will aim to help solve the new problems resulting from the economic and social situation the Community faces at the present time.

2. The economic and social context within which Community regional policy falls has changed fundamentally since the early seventies, when the first measures of Community regional policy were conceived. New problems of adaptation and redevelopment have been added to continuing regional inequalities.

The first part of this paper is concerned with the analysis of this new economic and social context, since it is the decisive factor in determining the substance of Community regional policy.

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3. The aims of Community regional policy are dealt with in the second part of the paper. These aims reflect the major problems mentioned above : the reduction of continuing regional problems and the prevention of new regional problems arising from the change in the structure of the world economy or from policies initiated by the Community.
4. The means the Community requires to meet these aims are the subject of the third part of the paper. These include the development of new methods of analysing problems and preparing decisions , changes in existing instruments and the creation of new ones.
5. Finally, the Commission takes the view that Community regional policy should be comprehensive. This means that it must be conceived and worked out with the whole territory of the Community in mind. Particular attention should be paid to a policy for regional aids as a way of ensuring the right conditions for the proper working of the Common Market. Community regional policy should aim at giving a geographical dimension to all other Community policies from their inception. Through the co-ordination of Community financial instruments, it should help achieve coherence between all structural measures.

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I. THE ECONOMIC AND SOCIAL BACKGROUND TO COMMUNITY REGIONAL POLICY

6. Community decisions on regional policy adopted in 1975⁽¹⁾ were essentially the reflection of two facts. First, the progressive establishment of the common market had not achieved the positive results expected in terms of a better distribution of economic activity throughout Community territory. On the contrary, the prosperity of the richer regions increased while regions with less advanced economies encountered increasing difficulty in integrating themselves into the growing market. This was largely a consequence of the way in which the Treaty was conceived and implemented, with the emphasis mainly on the abolition of barriers to trade. The sustained growth of the Community economy over this period clearly had positive results, even in the less favoured regions, but it contributed equally to hiding the persistent imbalances which had existed before the establishment of the common market.

In view of this, it seemed indispensable to give the Community the tools for its own regional policy, since the Community alone was able to assess the real extent of the problems and, by adding its effort to that of the Member States, to contribute to solving the most serious ones.

7. These preoccupations remain valid. One can now state some years later that, despite increased efforts by the Member States and the Community to speed up the development of the least favoured regions, the situation has not changed fundamentally and imbalances between regions remain excessive.
8. Economic and social trends in recent years have made the situation even more complicated and worrying. Since 1973 the effects of the economic crisis and the increased cost of raw materials have led to a slower growth rate and less inclination to invest.

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(1) Council regulations and decisions of 18 March 1975, OJ No. L 73
of 21 March 1975

In an economy whose growth rate has so declined, the development of the weaker regions is seriously affected, and the persistence of regional imbalances even threatens the proper functioning of the common market itself. Indeed, not only do the less developed regions fail to integrate fully within the Community, but the problems to which they give rise become an increasingly heavy burden on national economies and thus increase the pressure on the public authorities concerned to refuse the constraints inherent in the mechanism of Community integration. It is moreover an illusion to hope for the convergence of Member States' economies so long as regional problems continue to weight so heavily on certain economies.

Furthermore, the new international division of labour now gradually emerging is imposing major structural changes on the Community economy, so creating new sources of regional imbalance.

9. In the light of this situation, Community regional policy must become more ambitious than in the past. Even in a period of sustained growth, the assistance given to the least favoured regions did not make a sufficient contribution to the reduction of regional differences. As well as an increased effort to improve the working of the Common Market, a comprehensive policy of structural change is necessary. This should help both the regions that were insufficiently developed even before the creation of the Common Market and regions either experiencing or vulnerable to the difficulties of restructuring and redevelopment.
10. It follows from this situation that Community regional policy must be strengthened and its field of application expanded. This is not only desirable : it is now one of the conditions of continuing European economic integration.

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II. AIMS

11. Community regional policy has two main aims; firstly to reduce existing regional problems which appear both in regions traditionally less developed and in those involved in a process of industrial or agricultural reconversion; secondly to prevent new regional imbalances arising from the change in world economic structures or from measures adopted by the Community within the framework of its own policies. The achievement of these aims implies a close co-operation between the Community and each Member State and the realisation of a variety of tasks.

12. The tasks involve firstly the permanent analysis and assessment of trends in regional economies throughout the whole Community territory, principally, though not only, in the field of employment, to assess the range and nature of the regional imbalances affecting the integration process at Community level. Secondly they require that Community policies and financial instruments, structural and other, are used in a coherent and convergent way, if their consequences may, at one time or another, have a regional impact. Thirdly there must be co-ordination of the regional policies of Member States, both mutually and in relation to Community aims. Fourthly and finally, there is the question of a policy on financial assistance (Regional Fund); on the one hand, this takes the form of support for national regional policies, and on the other it must be a catalyst in working out and applying specific development and reconversion measures at Community level.

13. These aims and their achievement fall within the framework of an active employment policy. In the present economic situation of the Community, the creation of new jobs in regions where structural unemployment is greatest must be a priority task. On the basis of studies of regional employment balances and the regional development programme, the Community should make for each region quantified forecasts of employment for a set period, taking particular account of the employment situation in agriculture.

Since the adjustments required for the balanced development of economic activities in the Community cannot be achieved by large scale migratory movements, better distribution of the factors of production within the Community must be achieved by creating new jobs in regions of structural under-employment and alternative jobs in regions affected by the need to renew and convert their economic structures.

14. Its comprehensive approach now places Community regional policy in the perspective of Community land use planning. In implementing the policy, the Commission will, particularly by means of the regional development programmes, make an effort to promote a rational use of space, a balanced distribution of activities over the whole Community territory and effective protection of the environment and living conditions : as early as November 1973, the Community acknowledged that balanced economic development throughout the whole Community was inconceivable without an effective campaign against pollution and nuisances (1).

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(1) Programme of Environmental Action of the European Communities, 22nd November 1973 (OJ C 112 of 20.12.73).

III. MEANS OF ACTION

A. Establishing a comprehensive system of analysis and policy formulation

15. A comprehensive approach to regional policy involves strengthening the system of analysis and assessment of the regional economies of the Community as a whole and of their respective development.

This analysis should include all regions and be as exhaustive as possible. Indeed, a detailed knowledge of the development of all regions, including the relatively prosperous regions which supply a large part of the resources required, will assist in diagnosing and remedying regional problems.

16. With this intention, the tasks to be undertaken are :

- to analyse regional trends and, in particular, to consider how regional disparities have developed;
- to pinpoint regions facing or likely to face problems of Community size;
- to work out a joint method for assessing the results of national and Community regional policies;
- to provide the statistical and methodological basis needed to assess the regional effects of Community policies.

17. A special effort to improve statistics beyond what is currently available is needed in this respect, both by Member States and by the Community. This statistical tool includes a number of key regional indicators to be worked out on a Community basis, such as activity rates, employment by sector, unemployment, employment shortfalls forecasts, net migration, GDP and income per head of population and per employed person, fiscal capacity and effort, and data on the level of provision and needs for infrastructure. The forecasting of regional employment balances is of special importance here to indicate those regions needing Community help. The examination and assessment of the situation in each region should be undertaken within the framework of a comprehensive analysis of the Community's economic situation and of the general economic policy measures which it requires.

18. On the basis of this work as a whole, the Commission will present to the Council a draft report on the social and economic development of the regions of the Community every two years, starting in 1979. This report is intended to indicate the principal regional problems at the Community level, to assess the results achieved by the joint actions of the Member States and the Community against these problems and show the conditions for an effective co-ordination of the regional policies of the Member States. These regional problems being a Community responsibility, it is desirable that it should be discussed by the Council at regular intervals.

The Council, after consulting the European Parliament and the Economic and Social Committee, would approve the report and fix the priority objectives of regional development to pursue at Community level and, following from that, guidelines for national and Community regional policies.

19. The procedure for examining the report should follow that provided for in Article 4 of the Council decision of 18 February 1974 on the attainment of a high degree of convergence of the economic policies of Member States of the EEC. To this end, the draft report will be accompanied by opinions of the Economic Policy and the Regional Policy Committees so as to guarantee consistency between economic and regional policy ⁽¹⁾.

20. This analytical and conceptual work should be extended to cover also the effectiveness of the means and instruments used so as to build up a coherent system for assessing results. This is a complicated problem which can only be solved by stages, and by taking account of the findings of studies undertaken and experience gained within the Community.

To this end, the Regional Policy Committee will continue to study these problems concentrating on the effectiveness of disincentive measures, the evaluation of direct regional aids and on preparing a method for assessing results. This work should be completed and available before the end of 1979 so that the Commission and the Council, when considering the two-yearly report on regional trends in the Community, can establish guidelines for regional policy.

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(1) Draft modified decisions attached in Annex I.

B. Regional impact assessment of Community policies (R.I.A.)

21. The Commission believes it indispensable that from now on the ^{spatial} dimension be assessed and taken into account in the formulation and implementation of the major Community policies. This will permit the framing of the policies with proper regard to their regional impact and, if need be, the adoption of any measures required to ensure that these policies take full effect and that any adverse regional effects are corrected.
22. To this end, the establishment of a comprehensive system of analysis and assessment of regional economies should be supplemented by the systematic assessment of the regional consequences of Community policies, whenever significant new measures are contemplated. It should be noted that this overall approach entails the communication to the Commission of accurate sectoral and regional statistical data.
23. In preparing its proposals for the implementation of major Community policies, the Commission will consider their regional implications.

Among the regional implications, the Commission will give special consideration to the impact on employment, though not neglecting other factors characteristic of regional differences such as productivity, earned income and migration.

24. This will establish a systematic link between Community policies and regional problems. The harmonious development of economic activity over the whole Community territory also requires the co-ordination of the various Community policies and financial instruments, and corresponding co-ordination of the policies of Member States.

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C. Co-ordination of national regional policies

25. The two-yearly report on Community regional development, and the aims and guidelines fixed by the Council, will form the basis for periodical comparison of regional problems in the different Member States and of national regional policies.
26. This comparison, which is also the first stage of a coordination process, must cover national regional policies and take account of the various structural measures with a regional impact, infrastructure projects with direct or indirect regional consequences and financial transfers between regions within a State. It must take account of such systems of regional aid that the Commission considers called for under Article 92 of the EEC Treaty. This coordination, to be achieved gradually but with increasing convergence, must in due course allow an improved regional allocation of resources.
27. In this connection, regional development programmes are a particularly important instrument⁽¹⁾ : they should specify the requirements, aims and priorities of each region and the means necessary and available to achieve them. Their examination at Community level will make it possible to take into account the guidelines and priority aims set by the Council, after considering the two-yearly report, and the other Community policies. It is clear that coordination can be completely fruitful only to the extent that the guidelines and aims have themselves been laid down with some precision. In so far as these programmes concern frontier regions, co-ordinating infrastructure projects will be a priority task.

Member States will specify the use of resources received from the Regional Fund, but it is at the level of these programmes that the complementary nature of Community action and that of the Member States will be ensured, thus guaranteeing a speeding up of the overall regional development effort.

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(1) Under Article 6 of the present ERDF Regulation, development programmes for regions the Fund assists must be notified to the Commission by the end of 1977.

28. Studies are at present in progress on the scope for coordinating disincentive measures. The Regional Policy Committee has been asked to report on this subject to the Commission and the Council by the end of 1979.
29. Such measures are already in force in some Member States. However, to be effective both at national and Community level, the limitation sought on economic concentration must be accompanied by expansion in the development and reconversion regions. This cannot happen so long as a firm prevented from investing in one Community region has no difficulty in investing in another similarly congested region of the Community where disincentive measures are not applied.
30. Disincentive measures co-ordinated at Community level will, especially in a later period of rising investment, be able to make an effective contribution to a new distribution of human activity throughout the Community in the perspective of European land use planning.
31. Moreover, the Commission, under the powers it holds pursuant to Articles 92 and those following of the EEC Treaty is at present reviewing the system for coordinating regional aids which it had established in 1975. In assessing these aids, the Commission will see that a balance is ensured between regional development considerations and the need to maintain competition. In so doing, it will contribute to the harmonious development of economic activities throughout the Community.

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D. The Regional Policy Committee

32. The various measures presented in this communication should, when applied, confirm and strengthen the role of the Regional Policy Committee.

Consultation of the Committee on the draft two-yearly report prepared by the Commission, before its presentation to the Council, under the procedures mentioned above, will highlight one of the tasks conferred to it by its mandate, to study the development of the economic and social situation in the different regions of the Community.

33. The Regional Policy Committee will be informed of the conclusions of the main reports analysing the regional impact of Community policies : this will enable it to make a more detailed study of the implications of the geographical dimension of these policies.

34. The conclusions to be drawn by the Committee from its examination of disincentive measures, of the evolution of direct regional aids and the development of a method for assessing results will contribute directly to the elaboration of measures to be adopted in these various fields.

35. Lastly, the Commission shares the wish recorded by the European Parliament in its resolution of 21 April 1977 to see the regions concerned and their representatives associated with the preparation of Community regional policy. They are already involved in its implementation at the level of the realisation of investments. The Council Decision setting up the Regional Policy Committee⁽¹⁾ and its rules of procedure⁽²⁾ also provides expressly for this possibility⁽³⁾.

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(1) OJ No. 73 of 21 March 1975

(2) OJ No. L 320 of 11 December 1975

(3) Article 5 of the Decision provides that the Committee may, in accordance with its rules of procedure, take cognisance of the views of interested parties from the regions and from trade union and business organisations. Article 5(2) of the Rules of Procedure states "When items on the agenda are of concern to particular regions, the Committee, if members appointed by the Member State concerned think it useful to do so, may take evidence, either orally or in writing, from institutional representatives or from other interested parties from the regions concerned".

E. Strengthening and diversifying the financial instruments of Community regional policy

a) The European Regional Development Fund (ERDF)

36. By deploying the resources mentioned above, the Commission will be able to exert a substantial influence on the development of the regions in the Community. Among these instruments the ERDF has a special place. The proposals of the Commission in this respect, as enclosed in Annex II, show the Commission's desire to make these instruments of regional policy more efficient and more relevant. In the view of the Commission, Fund assistance should be available both to support the regional development measures of the Member States and for specific actions in order to take account of the regional effects of existing and future Community policies. This dual role would involve dividing ERDF resources into two sections : a quota section - the larger one - to which national quotas would apply, would be intended to finance general support measures, and a non-quota section to finance specific actions.
37. Through its support of the regional development measures of Member States, the ERDF is intended to ensure that resources are transferred to the Community's priority regions, in order to speed up their development and reconversion by helping to finance priority projects or groups of projects within regional development programmes.

In the specific actions, the Community will be expressing its own responsibility for correcting regional imbalances. These actions are primarily regional policy measures intended to supplement or to strengthen the application of other Community policies, or to correct any adverse regional effects they may have. The geographical scope of these actions depends on the location of the industries at which Community policies are directed and the relative intensity of regional problems. Consequently there are no grounds for an a priori distribution between Member States of ERDF resources available for this purpose.

(i) The problems

38. These two types of action by the ERDF - general support and specific - are intended to cope with four types of regional problems at present facing the Community :

- the under-development of a number of regions, which, despite sustained efforts, still lag well behind and which will require massive Community aid for a long time to come;
- the industrial or agricultural changes, which have appeared in the last quarter of a century in numerous regions of the Community, require measures of development and reconversion to which the Community must contribute, but certainly for a shorter time and in a less intensive way;
- the current or expected problems caused in some regions by the change in world economic structures or by existing or future Community policies and calling for a Community contribution each time the effects reach a certain scale;
- the special problems of frontier regions.

(ii) Location of the problems

39. The first type of problem concerns the Mezzogiorno, Ireland, Northern Ireland, Greenland and the French overseas departments. Taken together, these regions have 26 million inhabitants and to date have received 55% of ERDF assistance. These are the regions of the Community lagging furthest behind; geographically they are located on the Community's periphery, which is an additional obstacle to their integration. Community assistance is the more justified since, in some cases, the Member States concerned do not have the financial capacity to solve this problem from their own resources.

The task of the Community is long term in this first category of region and consists mainly in accelerating their development, to give the region an economic base, both in the form of infrastructure and of a productive system which will enable them to become more competitive and to integrate into the Community. Moreover, as the European Parliament

has stressed, the Community ought to be in a position to assist those regions in the provision of social infrastructure, education and vocational training, in so far as these contribute directly to regional development, since the high cost and lack of immediate return is a heavy charge on the Member States concerned.

40. The second type of problem concerns regions, which have experienced development and conversion problems for many years due to structural changes in both the industrial and agricultural sectors, and where the problems, because of serious under-employment, are so substantial that they affect the proper functioning of the Community. In this case the Community contribution is to support and intensify development efforts in agricultural regions and the adaptations needed in industrial regions, particularly by influencing the flow of investment.

These regions, and those described in the preceding paragraph, correspond largely to the priority regions and areas eligible for Fund assistance under the present regulation.

41. The third type of problem is found in regions whose problems are intensified by the changes in world economic structures or by the implementation of certain Community policies. The actual or estimated regional impact of these changes or policies can be assessed particularly by means of the RIAs. The Community must act in those regions - provided the Member State concerned does likewise - through Community regional policy, either by supplementary measures to facilitate the application of these policies, or by measures to correct any adverse effects whenever the consequences are such as to affect the proper functioning of the Community.

42. The fourth type of problem is located in Community frontier regions; they generally feel the effects of integration most acutely and so problems of development or conversion often arise.

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(iii) Types of financial assistance

43. The seriousness of under-development in regions facing the first type of problem requires prolonged financial assistance from the Community. The resources available here would fall within the quota section of the ERDF. In each country concerned these regions should receive annually from this source, a contribution at least equal, in real value, to the contribution reserved for it in the previous year.
44. The same guarantee should apply to the regions facing the second type of problem, it being understood that the situation of those regions will be the subject of periodical examination within the framework of the two-yearly report (cf. 18). If it should appear that the problems of one of these regions are no longer on such a scale as to affect the proper functioning of the Community, and in particular that the region no longer has a grave shortage of employment, it will no longer receive a guarantee of ERDF assistance. It may, if the need arises, receive an ERDF contribution under its specific actions.
45. ERDF assistance directly linked to the changes in world economic structures or to the application of certain existing or future Community policies would come from the non-quota section. An a priori distribution of the resources available between Member States is excluded as all regions of the Community may be affected by these problems. Indeed, the nature, location and size of this type of regional problem depends on the policy concerned, on the type of measure envisaged and on the general economic situation at the time the policy is applied. As Community policies gradually develop, these specific actions will become a more and more important part of all the ERDF's actions.
46. As for the frontier regions, there is also no reason to provide for an a priori distribution of Fund resources since, in view of the nature of the problems, there are no grounds for such a system. Assistance from the Fund, therefore, would come from the non-quota section.

(iv) Use of the appropriate financial instruments

47. To ensure that it has the maximum impact, the ERDF will, however, have to concentrate its efforts on the most acute regional problems; to this end, priorities will have to be determined progressively at the level of each region in a precise way, following in particular the analysis and assessment of the social and economic situation of the regions.

At the same time, the Fund should tailor the assistance it provides to the nature and gravity of the problems to be solved. Thus Community assistance for regional development purposes will take the form of grants, or loans and guarantees, or, if necessary, an appropriate combination of these. To this end, provision has been made for introducing within the ERDF a scheme for interest rebates on Community loans (ELB, ECSC, EEC). Moreover the Commission is examining the scope for helping solve the problems of risk capital firms face, using existing national regional development agencies as intermediaries. These new instruments will mainly concern small and medium-sized enterprises.

In addition, the rate of Community participation will vary, the highest rates being reserved for the regions lagging furthest behind. On-lent loans will be available in all the regions eligible for ERDF assistance but the interest rate rebate will vary with the type of problem to be solved.

48. ERDF assistance is for both investment in infrastructure which can contribute to regional economic development and to improving the quality of life of the population concerned and investments which are directly productive, both in the manufacturing and service sectors. For the services sector, it is planned to calculate ERDF assistance on the basis not only of investment expenditure but equally of jobs created. Eventually the right balance should be found between aid for infrastructure investment and aid for investment that creates jobs directly.

In order to play an effective role in solving the different types of regional problem, the Community will finance priority projects or groups of projects which contribute most to development or reconversion; these priorities will be set by region on the basis of regional development programmes and in the light of Community aims and rules.

49. Two distinct categories of region correspond to the first two types of problem mentioned above. The third and fourth types of problem may occur outside these two categories of region, but in most cases will be located inside them.

Consequently, one and the same area may be faced with either an underdevelopment or a reconversion problem, and on each of these may be superimposed problems arising from changes in the structure of the world economy, the application of Community policies and the area's frontier situation. To each of these problems there is a corresponding ERDF action - support or specific measures - which by their combined effects will help to solve the different types of problems facing the area. Therefore, certain regions or areas of the Community will qualify for ERDF assistance from both the quota and the non-quota sections. In such cases the principles governing coordination of regional aids must be complied with.

50. The basis for using the resources of the non-quota section of the ERDF will be the gravity, scale and urgency of the regional problems which threaten to appear or worsen, as the structure of the world economy changes or Community policies are applied.

The use of all ERDF resources - quota and non-quota sections - must be directed towards the harmonious development of economic activities in the Community.

Because of their financial implications, these proposals could give rise to a consultation between the European Parliament and the Council with the assistance of the Commission, following the procedure provided for in the "Common Declaration" of these three institutions of 4th March 1975.

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(b) The possible use of loans

51. The scale and diversity of the regional problems facing the Community and the Member States will require considerable financial resources for several years. In view of the Community's budgetary limitations, a substantial increase in resources for Community regional policy, one in proportion to its objectives, seems unlikely.

52. As part of its work on the employment of loans to finance investment, the Commission will soon submit its views on the possibilities of using these resources for regional policy, such as it is defined in the present document.

F. Information

53. The regional information campaign, already undertaken within the framework of Commission information policy and concerning in particular the ERDF, is aimed principally at the general public; it will be continued.
54. In addition, the outcome of Community regional studies will be publicised more systematically. Moreover, regional studies jointly financed by the Commission and Member States can provide technical assistance for the regions. In particular they are relevant to the preparation of regional development programmes and the co-ordinated use of the financial instruments of the Community and the Member States.
55. For the benefit of potential investors and those responsible for regional development, the Commission will prepare a publication setting out, according to an agreed outline, the aid systems and other benefits available in the different member countries. The Commission will spell out the priorities and the instruments of Community regional policy. This publication will be brought up to date periodically.

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IV. FUTURE OUTLOOK

56. Community regional policy is a permanent task. Therefore it is a process of change, which implies continual redefinition of its aims and stages, both in the Member States and at Community level. The guidelines elaborated in this communication should govern activity in the coming years.

These governing principles concern a wide range of regional problems which in different ways affect the whole of the Community's territory. Their main purpose is to reduce existing regional inequalities and to anticipate the emergence of new problems linked to the changing structure of the Community's economy.

57. The changes forecast within the Community call for the introduction of a development strategy which will introduce into all Community policies the spatial dimension of the problems to be solved. Regional policy will contribute in this way to ensuring consistency of policies and measures across the whole range of Community economic activity. To carry out its responsibilities with respect to the past and the future, the Community must equip itself with adequate tools of analysis and assessment and means of action which are suited to the nature and extent of the regional problems to be solved. These responsibilities will lead to a strengthening of regional policies in each Member State, greater co-ordination of these, and the development of the Community's own activities.

58. The size of this task requires a body able to identify regional problems in all their aspects and to indicate the guidelines for co-ordinated joint action by the Member States and the Community. The Commission considers that a consultation between the institutions of the Community, the Member States, the social partners and the regional and local representatives is necessary. It will make proposals on this at the moment of the Council's discussions on the basis of the present document.

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59. The financial resources of Community regional policy must therefore be coordinated so as to support both national efforts and the Community's own activity. This double requirement implies the development of financial resources, in particular by a suitable policy on loans, and the specification in the budget of whether resources are used as support for national efforts or for the Community's own measures.
60. The Community will be confronted in the near future by the problems of enlargement. An overall examination of the situation must be made in order to assess the nature and extent of these problems. In this regional policy, among others, should be given its proper weight. Community regional policy as defined in this paper should enable all the countries concerned to work out the solutions needed. In this respect, the drawing up of general guidelines for the Community in the field of regional policy is an essential step in preparing the Community of tomorrow.

ANNEX I

PROPOSAL FOR COUNCIL DECISION, of,
AMENDING COUNCIL DECISION

- 74/120/EEC of 18 February 1974
on the attainment of a high degree of convergence of the
economic policies of the Member States of the European
Economic Community and
- 75/185/EEC of 18 March 1975
setting up a Regional Policy Committee

EXPLANATORY MEMORANDUM

1. Under Article 2 paragraph 2 of the Regulation (EEC) No. 724/75 of the Council of 18th March 1975 (1), establishing a European Regional Development Fund, the Commission is required to make in due time appropriate proposals for the Community's regional policy, at the moment of the re-examination of this Regulation to be made before 1st January 1978. These proposals are set out in "Guidelines for Community Regional Policy" which the Commission submits to the Council.
2. In these guidelines it is planned that the Commission submit to the Council a draft report on social and economic trends in the regions of the Community every two years, beginning in 1979. After this the Council will, after receiving proposals from the Commission, set the priority objectives of regional development to pursue at Community level, and the resulting guidelines for national and Community regional policies.
3. This procedure should be inserted in that for the annual report on the economic situation in the Community provided for in the decision of the Council (EEC/120/74) of 10th February 1974 on the attainment of a high degree of convergence of the economic policies of the Member States of the Community (2). This provides for the previous consultation of the European Parliament and the Economic and Social Committee. In addition, the draft of the two-yearly report prepared by the Commission should be accompanied by the opinion of the Regional Policy Committee which has been given, among other responsibilities, that of examining problems relating to regional development, the progress made or to be made towards them and regional policy measures necessary to further the achievement of the Community's regional objectives. The aim of the present proposal for a decision is to specify the procedure to follow in this matter.

(1) O.J. No. L 73 of 21st March 1979

(2) O.J. No. L 63 of 5th March 1974

PROPOSAL FOR COUNCIL DECISION,

OF,

amending Council Decisions 74/120/EEC
of 18 February 1974 on the attainment of a high
degree of convergence of the economic policies
of the Member States of the European Economic
Community and
75/185/EEC of 18 March 1975
setting up a Regional Policy Committee

THE COUNCIL OF THE EUROPEAN COMMUNITIES,

Having regard to the Treaty establishing the European Economic Community,
and in particular Article 145 thereof,

Having regard to the proposal from the Commission,

Having regard to the Opinion of the European Parliament,

Having regard to the Opinion of the Economic and Social Committee,

Whereas the Council, on a proposal from the Commission, should adopt
every two years, on the basis of a biennial report on social and economic
trends in the regions of the Community, the guidelines to be followed by
each Member State and by the Community in their regional policies;

Whereas this procedure should be included in that already laid down in
Council Decision 74/120/EEC of 18 February 1974 on the attainment of a
high degree of convergence of the economic policies of the Member States
of the European Economic Community⁽¹⁾;

Whereas the opinion of the Regional Policy Committee should be sought
on the preliminary draft of the report prepared by the Commission,

HAS DECIDED AS FOLLOWS:

⁽¹⁾ O J No L 63, 5.3.1974, p.16.

Article 1

There is hereby added after Article 4 of Decision 74/120/EEC the following Article 4a:

"Article 4a

Once every two years, starting in 1979 on the occasion of the third examination referred to in Article 4, the Council, on a proposal from the Commission and after consulting the European Parliament and the Economic and Social Committee, shall approve a biennial report on the social and economic trends in the regions of the Community and shall adopt the guidelines to be followed by each Member State and by the Community in their regional policies for the following two years."

Article 2

There is hereby added to Article 2 of Decision 75/185/EEC⁽²⁾ the following paragraph 3:

"3. Every two years, the Committee shall deliver an opinion on the preliminary draft of the report on social and economic trends in the regions of the Community, prepared by the Commission, which shall accompany the draft report submitted by the Commission to the Council in accordance with the procedure in Council Decision 74/120/EEC of 18 February 1974 on the attainment of a high degree of convergence of the economic policies of the Member States of the European Economic Community."

Brussels,

For the Council,
The President

(2) O J No L 73, 21.3.1975, p.47.

ANNEX II

PROPOSAL FOR COUNCIL REGULATION (EEC)

No..... of

AMENDING REGULATION (EEC) No 724/75

ESTABLISHING A EUROPEAN REGIONAL DEVELOPMENT FUND

EXPLANATORY MEMORANDUM

1. The European Regional Development Fund, hereinafter referred to as "the Fund", was established by Regulation (EEC) No. 724/75 of the Council of 18 March 1975¹⁾. Article 18 of that Regulation provides for its review by the Council, on a proposal from the Commission, before 1 January 1978.

Accordingly, The Commission is submitting to the Council a proposal for amendments to the Fund Regulation which, on the basis of the experience gained in the last two years, are designed to enable this financial instrument to be adapted to the new requirements of the Community regional policy defined in the "Guidelines for Community Regional Policy" contained in the Commission Communication to the Council.

2. The main proposed amendments concern the differentiation of the kinds of assistance provided by the Fund, the rules governing this assistance and the procedural rules. They concern the following Articles of the regulation :
 - the definition of two main classes of measure eligible for Fund assistance, namely Community measures to support regional policy measures adopted by the Member States, and specific Community regional development measures (Article 2);
 - procedure for fixing the appropriations to the Fund (Article 2);
 - the definition of types of infrastructure eligible for Fund assistance (Article 4);
 - the flexibility of rates of contribution from the Fund in respect of infrastructure investment (Article 4);
 - the simplification of procedures for granting contributions from the Fund for small projects (Article 5);
 - the adaptation of procedures relating to regional development programmes, annual information and statistical summaries (Article 6);
 - accelerated payments from the Fund (Article 8);
 - the adoption of new rules concerning the timing of payments qualifying for Fund support (Article 11);

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¹⁾ OJ No. L 93 of 21.3.1975

- the definition of the framework of new specific Community regional development measures (Article 13);
- new arrangements for financing studies (Article 13);
- the detailed rules governing the principle of complementarity (Article 18).

Definition of the two main types of measure qualifying for Fund support (Article 2)

3. In accordance with the guidelines set out in Chapter III, E (points 37 et seq) of the Commission's Communication to the Council, the Fund will now provide support :
- firstly, for measures supporting regional policy measures adopted by the Member States. This section is subject to a distribution of appropriations on the basis of pre-established national quotas;
 - secondly, to assist specific regional development measures under a section not involving national quotas.

This distinction is introduced by Article 2; the two classes of measure are covered by Titles II and III respectively of the Regulation.

Procedure for fixing the appropriations to the Fund (Article 2)

4. The amount of the appropriations to the Fund for the period 1975/77 is fixed by Article 2(1) at 1,300 million EUA.

From 1978 onwards, the normal budgetary procedure will apply to fixing of the appropriations to the Fund, i.e. that the annual appropriations for the Fund should be fixed each year when the general budget of the European Communities is adopted.

In this connection, it should be recalled that in 1975 Parliament and the Council agreed that Fund expenditure after 1977 would rank as non-obligatory.

Definition of the nature of infrastructure eligible for Fund assistance (Article 4(1)(b))

5. Article 4(1)(b) of the Fund Regulation stipulates that only infrastructure investments directly linked with the development of industrial, artisan or service activities qualify for Fund support. An interpretative declaration recorded in the minutes of the meeting of the Council of 18 March 1975 adds, however, that, exceptionally, the Fund may also take part in the financing of infrastructure which constitutes a prerequisite for action to develop such activities.

Experience gained during the first two years of operation of the Fund has shown, firstly, that the concepts of infrastructure "directly linked" or "constituting a prerequisite" were not always easy to define, involving possible differences of interpretation between the Commission and the Member States, and, secondly, that the basic infrastructure equipment needs of the various regions of the Community were not comparable and varied widely from one region to another.

6. Accordingly, the Commission is proposing, to enable the Fund's support to be tailored more closely to the varying needs of the regions, that more flexibility should be introduced into the definition of eligible infrastructure. For this purpose, it is suggested that the concept of infrastructure "directly linked" to the development of productive activities should be replaced by that of infrastructure "which contributes to the development of the region in which it is located".

The regional development programmes can be referred to in order to assess, for each region, which are these types of infrastructure.

Flexibility of rates of contribution from the Fund in respect of infrastructure investment (Article 4(2)(b))

7. Fund participation in the financing of infrastructure investment is fixed by Article 4(2)(b) of the Fund Regulation at 30% for projects costing less than 10 million EUA, and between 10 and 30% for projects costing more than 10 million EUA.
8. These rates may be varied downwards but not exceeded. Thus it is difficult under present arrangements, to make Community support measures really selective and ensure that they constitute proper ./. .

incentives to infrastructure investment which is particularly necessary for the economic development of certain regions, and the execution of which is liable to be hampered or delayed by shortage of funds.

9. Accordingly, the Commission is proposing that it should be stipulated, in the Regulation, that the rate of Fund participation in the financing of infrastructure projects of special relevance to the development of the region in which they are located may be as much as 50%. This facility would be confined to Greenland, the overseas French departments, Ireland, the Mezzogiorno and Northern Ireland, these being the Community regions having the most serious structural difficulties to contend with.

Simplification of the procedures for granting Fund assistance for small projects (Article 5(2))

10. The present arrangements stipulate that the contributions from the Fund must be approved by the Commission on the basis of a set of criteria enabling the Commission to assess the relevance of the projects to be financed to the development of the region in which they are located, after the Fund Committee has been consulted.

Projects costing less than 10 million EUA are covered by global decisions and projects costing more than 10 million EUA are the subject of individual decisions.

11. Experience gained during the first two years of operation of the Fund has led to the following conclusions :
- hardly any of the small projects, whether industrial or infrastructure projects, have raised any particular difficulties for the Fund Committee;
 - the 10 million EUA threshold above which projects may be the subject of detailed examination is too high for certain regions which do not have the potential to justify the location or the execution of very large investments;
 - the preparation of draft decisions to go to the Committee (488 decisions in two years concerning 2 728 projects) involves a heavy administrative burden which the Commission has had great difficulty in discharging.
- .7.

12. The Commission takes the view, in these circumstances, that there is a case for simplifying procedures for granting Fund assistance, which would facilitate the work of both the national departments and its own staff, while enabling at the same time the usefulness of the projects financed by the Fund to be assessed more accurately.

For this purpose it is proposing :

- that the threshold beyond which projects are examined and are the subject of a case-by-case decision should be lowered from 10 million EUA to 5 million EUA;
- that only draft decisions relating to investments of more than 5 million EUA should go to the Fund Committee for an opinion;
- that only follow-up information should go to the Fund Committee on decisions for assistance relating to investments of less than 5 million EUA. However, the Committee would still have to be consulted in respect of drafts proposing negative decisions, whenever the Member State concerned so requested, and for any draft decision in respect of which the Commission feels that a Committee opinion would be useful.

Using this procedure would have cut from 488 to about 200 the number of draft decisions laid before the Fund Committee in 1975 and 1976.

Adaptation of procedures relating to regional development programmes, annual information, and statistical summaries (Article 6)

13. The amendments to the Fund Regulation proposed by the Commission are designed to :

- (a) adapt the text of Article 6 to the fact that the Commission will normally dispose of the programmes by the end of 1977;
- (b) enable the Commission to be informed, early in the year, of the priorities selected by the Member States in respect of the implementation of the programmes, and more specifically of their budgetary commitments. This is necessitated by the fact that the programmes generally concern periods varying between three and five years, and not all the Member States update the multi-year programmes annually. The annual information requirement is therefore retained, but its content is adapted to this specific updating function;

- (c) give the text concerning the statistical summaries a more specific content, and to postpone the date of 1 April to 30 June, since certain Member States have had difficulty in complying with the original deadline.

Acceleration of Fund payments (Article 8(3))

14. An essential aspect of the effectiveness of the Fund's contribution to regional development is that its payments should be made promptly. The timing of payments depends, however, on that of the payment of the national aids which have been the basis of the calculation of the Fund's support, and these are disbursed only as and when each part of the work is completed. The emphasis which the Commission has on several occasions placed on the need to finance new projects¹⁾ is liable, in these circumstances, to slow down transfers to backward regions.
15. The Commission is therefore proposing that, in certain circumstances, a scheme for advance payments should be introduced which would ensure a regular and prompt flow of funds to the qualifying regions.

Adoption of new rules concerning the date after which payments qualifying for Fund support must have been made (Article 11)

16. The Fund Regulation stipulates that all payments after 1 January 1975 may be referred to for the purpose of Fund support.
17. These arrangements mean that the Fund may provide support for relatively old projects, even projects which have been completed by that date. The Commission feels that while this facility could be justified when the Fund was starting up, at the time when the effective working of financial transfers to the backward regions had to be got under way, this is now no longer the case: the Fund can act as a genuine incentive for the creation of new investment and therefore new jobs only insofar as its assistance concerns projects for which the bulk of the work has still to be carried out at the time when the application for assistance goes to the Commission.

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1) For example, in the Fund's annual reports for 1975 and 1976.

With a view to this objective, the Commission proposes that only payments made by Member States after the date of submission of the application for assistance should be referred to for the purposes of Fund support, and concerning investments that have not been completed on that date.

Definition of the framework of new specific regional development measures (Article 12)

18. The new specific Community regional development measures which the Fund will be supporting must enable the Community to provide the driving force to forestall the regional imbalances liable to occur as a result of changes supervening in world economic structures or of measures taken by the Community under its policies.

For this purpose, Article 13 gives a list, which is not exhaustive, of the types of measure which the Community could undertake, these being mainly measures to back up or strengthen other Community policies, or measures made necessary by changes in world economic structures.

19. The procedures for the implementation of the specific measures would be adopted case by case by the Council, on the proposals from the Commission, Parliament having been consulted.

New arrangements for financing studies

20. The Commission proposes to modify the existing arrangements to permit it to take the initiative with studies that are in close relation with the operations of the Fund. It is foreseen that the Fund could finance up to 100% of these studies and that the Regional Policy Committee be consulted in each case.

Arrangements for implementing the principle of complementarity (Article 18)

21. The eleventh recital of the Fund Regulation states that :

"Whereas the Fund's assistance should not lead Member States to reduce their own regional development efforts but should complement these efforts."

22. The Commission has emphasised on several occasions the need for compliance with this principle, which is fundamental if the Fund's support is to make any real contribution to the solution of the problem of regional disparities. The principle can be applied in two ways: in the first place, the Community's aid can be added for each investment to the aid granted by the national authorities; secondly, the financial resources deriving from the Fund can be added globally to the Member States' expenditure on regional development, thus enabling them to speed up and increase their efforts in this field.

23. The first possibility is left to the discretion of the Member States. When they do not use it, the Commission takes the view that arrangements must be made to ensure supervision of the second; it proposes in this connection (Article 18) that the Member States should show separately the amounts received from the Fund, in particular in the national budgets, and in those of the public agencies, and that they should submit to the Commission, at its request, all relevant information to be sufficient to establish that the Fund's resources do in fact have a complementarity character.

Proposal for Council Regulation (EEC) No/77
of amending Regulation (EEC) No 724/75
establishing a European Regional Development Fund

THE COUNCIL OF THE EUROPEAN COMMUNITIES,

Having regard to the Treaty establishing the European Economic Community,
and in particular Article 235 thereof,

Having regard to the proposal from the Commission,

Having regard to the Opinion of the European Parliament,

Having regard to the Opinion of the Economic and Social Committee,

Whereas Council Regulation (EEC) No 724/75 of 18 March 1975, establishing
a European Regional Development Fund⁽¹⁾, created a European Regional
Development Fund intended to correct the principal regional imbalances
within the Community;

Whereas Article 18 thereof provides that on a proposal from the Commission
the Council shall re-examine the said Regulation before 1 January 1978;

Whereas, in view of the economic and social trends in the Community in
recent years and particularly the economic crisis resulting from the
increase in the cost of primary products, it is clear that the assistance
provided from the Fund must be diversified to enable it both to provide
assistance for Community action in support of regional policy measures
taken by the Member States and also to assist specific Community regional
development measures, in favour of regions experiencing problems of
restructuring and of reconversion;

⁽¹⁾ O J L 73, 21.3.1975, p.1.

Whereas, in particular, it must be possible to extend the geographical scope of Fund assistance to regions or areas other than those established by the Member States under their regional aid systems;

Whereas the general framework in which these specific Community regional development measures will subsequently be adopted and implemented should be laid down;

Whereas the special characteristics of Greenland, of the French overseas departments, of Ireland, of the Mezzogiorno and of Northern Ireland justify Fund participation in the financing of infrastructure investments up to a rate of 50%;

Whereas the experience gained in the first three years of operation of the Fund permits the decision-making procedures for Fund assistance to be simplified;

Whereas the provisions relating to regional development programmes, to annual information and to statistical summaries must be adapted to the changes that have taken place;

Whereas an acceleration of the arrangements for payment from the Fund would facilitate the carrying out of the investments benefiting from the Fund; whereas the introduction, on certain conditions, of a scheme for advance payments to the Member States will enable this objective to be met;

Whereas the detailed rules for ensuring the complementary character of the assistance provided from the Fund should be specified,

HAS ADOPTED THIS REGULATION:

Article 1

Regulation (EEC) No 724/75 is hereby amended as set out in the following Articles.

Article 2

Article 1 shall read as follows:

"The European Regional Development Fund, hereinafter referred to as 'the Fund', is intended to correct the principal regional imbalances within the Community".

Article 3

In Article 2:

1. Paragraph 1 shall read as follows:

"As from the budgetary year 1978, the allocation for the Fund shall be determined annually by the budget of the European Communities".

2. Paragraph 3 shall become Paragraph 2.

3. Paragraph 3 shall read as follows:

The following may be financed by the Fund with a view to contributing to the realisation of the objective referred to in Article 1:

a. Community action in support of regional policy measures taken by the Member States, as provided for in Title II of this Regulation.

The resources of the Fund intended for financing these activities shall be distributed in accordance with the following table :

Belgium	1.5%
Denmark	1.3%
France	15.0%
Ireland	6.0%
Italy	40.0%
Luxembourg	0.1%
Netherlands	1.7%
Federal Republic of Germany	6.4%
United Kingdom	28.0%

There shall be allocated to Ireland a further sum calculated so as to ensure that it receives an extra 0.5%, which shall be deducted from the shares allocated to the other Member States, except Italy. ./.

- b. Specific Community regional development measures, as provided for in Title III of this Regulation.

The whole of the Fund's resources or financing these measures shall be used having due regard to the relative intensity of regional imbalances as shown by, in particular, the following indicators :

- the trend of unemployment rates in the regions during the preceding five years;
- the proportion of the active population occupied in agriculture;
- the proportion of the active population occupied in declining industrial sectors;
- the migration balance of the regions during the preceding five years;
- the development and the level of the gross domestic product"

Article 4

Article 3 shall read as follows:

- "1. Regions and areas which may benefit from the Fund shall be limited to those aided areas established by Member States in applying their systems of regional aids and in which State aids are granted which qualify for Fund assistance.
2. The Fund may give assistance as part of the measures referred to Article 2(3)(b), to regions and areas other than those referred to in paragraph 1, provided that the Member State concerned also gives assistance."

Article 5

In Article 4 :

1. There shall be inserted at the start of the first sentence of paragraph 1 the following words:

"As part of Community action in support of regional policy measures taken by the Member States,"

In the same sentence the word "European" shall be added before the words "units of account".

2. The end of the first sentence of the first sub-paragraph of paragraph 1(a) shall read as follows:

"provided that at least 10 jobs are created or maintained."

3. There is added to paragraph 1 (a), a third sub-paragraph as follows:

"For the purposes of this Article, a group of investments which are related geographically and financially, and which together comply with the criteria provided for in this Article, may be considered as a single investment in the field of handicraft or tourism."

4. Paragraph 1 (b) shall read as follows:

"b. Investments in infrastructure which contributes to the development of the region in which it is located, financed wholly or in part by public authorities or by any other agency responsible, on a similar basis as a public authority, for the creation of infrastructure."

5. In the first sub-paragraph of paragraph 2 (a) the word "European" shall be added before the words "units of account" in each case.

6. There shall be added after the first sub-paragraph of paragraph 2 (a), the following new sub-paragraph:

"In the case of services, by way of derogation from the preceding sub-paragraph, the Fund's contribution may exceed 20% of the investment cost, provided that the amount does not exceed in such a case 10 000 European units of account per job created or maintained, or 50% of the national aids."

7. After the first sentence of the second sub-paragraph of paragraph 2 (a), there shall be added the following sentence:
"These aids may include aids paid to undertakings in connection with the transfer of workers."
8. (Linguistic change not concerning English-language version).
9. In the third sentence of the second sub-paragraph of paragraph 2 (a), the words "of factories" shall read "of buildings, including plant."
10. Paragraph 2 (b) shall read as follows:
"b. In respect of investments covered by paragraph 1 (b), 30% of the expenditure incurred by public authorities when the investment is less than 5 million European units of account and from 10% to a maximum of 30% for investments of not less than 5 million European units of account. However, for projects which are of particular interest for the development of the region in Greenland, in the French overseas departments, in Ireland, in the Mezzogiorno and in Northern Ireland, the maximum rate may be 50%."

Article 6

In Article 5:

1. In the first sentence of paragraph 1 the words "in accordance with the procedure laid down in Article 12" shall be deleted.
2. Paragraph 1 (b) shall read as follows:
"b. the consistency of the investment with the Community regional policy guidelines and priority regional development objectives deriving therefrom, and with any other Community measures."

3. Paragraph 2 shall read as follows:

"2. a. In respect of investment projects costing more than 5 million European units of account, the Fund's assistance shall be the subject of a Commission Decision under the procedure provided for in Article 15;

b. For investment projects costing less than 5 million European units of account, the Commission shall inform the Fund Committee of Decisions taken. The procedure provided for in Article 15 shall, however, apply in the case of

- draft negative decisions, where the Member State so requests;
- all other draft decisions in respect of which the Commission wishes to receive an Opinion from the Fund Committee."

Article 7

In Article 6:

1. Paragraph 1 shall read as follows:

"1. Investments may benefit from the Fund's assistance only if they are part of a regional development programme the implementation of which is likely to contribute to the correction of the main regional imbalances within the Community which may impair the proper working of the Common Market and the converging trend of the Member States' economies, with a view, in particular, to the attainment of economic and monetary union.

2. Paragraph 2 shall read as follows:

"2. Regional development programmes shall be established according to the joint outline prepared by the Regional Policy Committee⁽¹⁾."

3. In paragraph 3, the words "alterations thereto as and when they are drawn up" shall read "alterations made to the programmes already notified".

(1) OJ No C 69, 24.3.1976, p.

4. Paragraph 4 shall read as follows:

"4. The Regional Policy Committee shall be consulted with regard to the programmes. The Commission shall examine these programmes in the light of the guidelines, priorities and other Community measures referred to in Article 5 (1) (b). It shall determine priorities within this framework".

5. Paragraph 5 shall read as follows:

"5. Before 31 January each year, Member States shall bring the regional development programmes up to date by providing the Commission with all relevant information for the current year not contained in the programmes on :

- (a) the financial resources allocated to regional development under their programmes;
- (b) the priority measures on regional development which they intend to implement;
- (c) the use they intend to make of Community resources and, in particular, of resources from the Fund, in implementing these priority measures".

6. Paragraph 6 shall read as follows:

"6. Before 1 April each year, Member States shall provide the Commission with an overall statistical summary indicating by region for the previous year:

- (a) the results achieved in the region in terms of investment and employment;
- (b) the financial means employed;
- (c) the actual use of the resources of the Fund;
- (d) the total of investments carried out and of investment aids granted by the central and local authorities, broken down according to the main functions of the public authority".

Article 8

In Article 7:

1. In paragraph 1 the words "in the light of the criteria laid down in Article 5" shall read "in view of the provisions laid down in Articles 5 and 6".
2. In the first sentence of paragraph 2, the word "10" shall read "5", and the word "European" shall be added before the words "units of account".
3. In paragraph 2 (b), the words "its direct link with the development of the activities referred to in Article 4 (1) (a)" shall read "its contribution to the development of the region".
4. In the first sentence of paragraph 3, the word "10" shall read "5", and the word "European" shall be added before the words "units of account".
5. In paragraph 3 (b), the words "its direct link with the development of the activities referred to in Article 4 (1) (a)" shall read "its contribution to the development of the region".
6. In paragraph 5, the word "10" shall read "5", and the word "European" shall be added before the words "units of account".

Article 9

In Article 8:

1. Paragraph 1 (a) shall read as follows:
 - "a. For interim payment requests:
 - the name of the undertaking concerned, or for infrastructures, the name of the responsible authority,
 - the location of the investment,
 - total public expenditure incurred after the date referred to in Article 11 and that part of the amount for which payment is requested,

- the amount of payment requested from the Fund,
- a forecast of future payment requests;"

2. Paragraph 1(b) shall read:

- "b. for final payment requests, all the information referred to under (a) except the last indent, and
- the amount actually invested and a description of the investments concerned,
 - the date of completion of the investment,
 - the number of jobs created or maintained by the investments referred to in Article 4 (1) (a),
 - the amounts of public expenditure".

3. Paragraph 2 shall be deleted.

4. Paragraph 3 shall become paragraph 2.

5. Paragraph 3 shall read as follows:

- "3. Advance payments may be granted by the Commission to a Member State at the latter's request. They may not exceed one-third of the total amount of the aid decision, and may concern only the expenditure provided for in the first two years following the beginning of the execution of each project for which an advance payment has been applied for. The balance of the aid from the Fund shall be paid as and when the payments are made by the Member State relating to that part of the Fund's assistance not covered by the advance payment".

6. In paragraph 4 the words "or, if necessary, to the European Investment Bank" shall be deleted.

Article 10

1. In the second sub-paragraph of Article 9(1) the words "or, where applicable, by the European Investment Bank" shall be deleted.

2. In Article 9 (1) there shall be added the following third sub-paragraph:

" Member States shall repay to the Commission the amount of the Fund's assistance that has been paid in relation to a national aid that has been repaid by the investor".

3. In Article 9 (2) there shall be added the following second sub-paragraph:

"They shall notify to the Commission those cases referred to in the first sub-paragraph of paragraph 1".

Article 11

Article 14 shall become Article 10.

Article 12

The second paragraph of Article 19 shall become Article 11 and shall read as follows :

"Article 11

The Commission shall take into consideration for Fund assistance payments made by Member States after the date on which the request for assistance is received by the Commission, concerning investments that have not been completed by that date".

Article 13

The following new Article shall be added after Article 11:

"Article 12

1. The Fund may participate in financing specific Community regional development measures which in whole or in part differ from the activities referred to in Title II and which concern in particular :
 - a. measures related to other Community policies or complementary thereto, intended to reinforce or to complement the convergent efforts of Community policies to correct structural imbalances in the regions, and particularly in the areas referred to in Council Directive 75/268/EEC of 28 April 1975 on mountain and hill farming and farming in certain less-favoured areas¹⁾;

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1) OJ No. L 128, 19.5.1975, p.1.

- b. measures made necessary by the regional consequences of other Community policies;
 - c. measures designed to accelerate the creation of jobs in the Community's less-developed regions or in reconversion regions particularly by facilitating investors' access to the capital market and the location in these regions of investments originating outside them;
 - d. development measures to be undertaken in frontier regions;
 - e. emergency measures intended to meet unforeseeable regional situations".
2. Without prejudice to the responsibilities of the Commission with regard to State aids under Articles 92 to 94 of the Treaty, the Council, acting by qualified majority on a proposal from the Commission, having consulted the European Parliament, shall determine as necessary for each specific Community regional development measure :
- a. the nature of the investments to which the Fund may contribute;
 - b. the areas and regions which the Fund may assist;
 - c. the national public aids taken into consideration in granting the Fund's assistance;
 - d. the contribution of the Fund;
 - e. the categories of beneficiaries for Fund assistance;
 - f. the detailed rules for financing."

Article 14

Article 10 shall become Article 13 and shall read as follows:

- "1. The Fund may finance, in whole or in part, studies in close relation with the activities referred to in Article 2 (3). These studies shall be undertaken on the Commission's initiative or at the request of one or more Member States.

2. The Fund's assistance shall be decided by the Commission according to the procedure provided for in Article 15 after consulting the Regional Policy Committee.

Article 15

Article 11 shall become Article 14.

Article 16

Article 12 shall become Article 15.

Article 17

Article 13 shall become Article 16.

Article 18

Article 17 shall read as follows :

"The necessary measures for the implementation of this Regulation shall be adopted in accordance with the procedure laid down in Article 15".

Article 19

The following new Article 18 shall be added:

"Article 18

1. Member States shall adopt all measures necessary to indicate distinctly, according to the special characteristics of their relevant national systems, more particularly of their national budgets and of the budgets of public bodies, all monies received from the Fund.
2. At the request of the Commission, Member States shall provide information on the allocation of the amounts received from the Fund; this shall be sufficient to confirm the complementary character of the Fund".

Article 20

Article 15 shall become Article 19, and shall read as follows:

"Assistance from the Fund shall not change the conditions of competition in a way incompatible with the principles contained in the relevant provisions of the Treaty, spelled out, in particular, in the principles co-ordinating the general regional aid schemes. In particular, the provisions of this Regulation shall not prejudice the application of Articles 92 to 94 of the Treaty, particularly as regards the establishment and re-alignment of regional aid areas referred to in Article 3 and in respect of the amount of the contribution from the Fund."

Article 21

Article 16 shall become Article 20. Paragraph 2 shall become the second subparagraph of paragraph 1 and the following new paragraph 2 shall be added:

"2. The Commission may accompany the report referred to in paragraph 1, as necessary, with proposals for amending this Regulation".

Article 22

The following subdivisions shall be introduced into the Regulation:

1. Before Article 1 :
"Title I. Preliminary Provisions".

2. After Article 3 :
"Title II: Community action in support of regional policy measures taken by the Member States.
Chapter 1: "Field of activity".

3. After Article 4 :
"Chapter 2: Procedural Provisions".
4. After Article 11 :
"Title III: Specific Community Regional Development Measures".
5. After Article 13 :
"Title IV: General and Final Provisions".

Article 23

This Regulation shall enter into force on the third day following its publication in the Official Journal of the European Communities.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels,

For the Council

the President

ANNEX III

PROPOSAL FOR COUNCIL REGULATION (EEC)

No..... of

ESTABLISHING AN INTEREST REBATES SYSTEM
WITHIN THE EUROPEAN REGIONAL DEVELOPMENT
FUND

Explanatory statement

1. One aim of regional policy is to mobilise a larger volume of capital to develop less forwarded regions and to facilitate the reconversion of areas adversely affected by a decline in employment in certain industrial sectors.
2. Under the new Article 12 (b) and (c) of the Regulation (EEC) 724/75 the Regional Fund may participate in specific community regional development actions which accelerate the creation of employment by facilitating investors' access to the capital market, and which are required as a result of the regional effects of other community policies.

This regulation responds to this objective by creating a system of interest rebates for certain EIB and ECSC loans and possibly for other loans granted by the European Communities.

The two principal obstacles to such financing are the exchange risks and high rates of interest.

3. Experience has shown during recent years that the terms and conditions on which ECSC and EIB loans can be offered have not been sufficiently attractive to provide the necessary stimulus to investors. Consequently, not only is the effectiveness of these instruments impaired, but the opportunity they afford of transferring capital to the national economies whose regional development and reconversion problems are most acute is thereby seriously constrained.

At present, only certain loans from the European Coal and Steel Community benefit from interest rebates financed by the Community. These interest rebates are limited by the ECSC budget resources set aside for this purpose; most of them are granted for reconversion loans under Article 56 of the ECSC Treaty. This proposal will permit interest rebates to be granted on EIB loans in respect of other development and reconversion problems in other sectors and to increase the resources available for rebates on ECSC loans.

4. The Commission proposes that certain loans granted by the Commission and the EIB should be eligible for interest rebates. The corresponding investments should, create or maintain employment, fall within regions in which the regional fund can be applied and for which regional development programmes have been presented and conform to the other rules and criteria set out in this regulation.

The proposed system would permit interest rebates to be granted on Commission and EIB loans which would, for example :

- accelerate the industrial development of the remaining predominantly agricultural areas of the Community;
- help provide alternative activities in localities where an existing economic activity is declining as a result of the Community's commercial or industrial policies;
- facilitate the reconversion of areas affected by the decline in employment in certain industrial sectors.

The system would create aid to investors borrowing from Community sources in those cases where such assistance is justified either by the gravity of the economic problems or by their origin in other Community policies.

5. The interest rebates will be granted by the Commission on the basis of regional priorities taking account of the criteria referred to in Article 5 of the regulation (EEC) No. 724/75 as amended. In the case of global loans, the Commission will fix the criteria to be followed by intermediary agencies in granting subsidiary loans.

proposal for Council Regulation (EEC) No of
establishing an interest rebate scheme within the European Regional
Development Fund

THE COUNCIL OF THE EUROPEAN COMMUNITIES,

Having regard to the Treaty instituting the European Economic
Community,

Having regard to Council Regulation (EEC) No 724/75 of of
18 March 1975 establishing a European Development Fund¹⁾, as amended
by Regulation (EEC) No....⁽²⁾,

and in particular Article 12 (2) (c) thereof,

Having regard to the proposal of the Commission,

Having regard to the Opinion of the European Parliament,

Whereas Article 12 thereof provides that the Fund may
participate in financing specific Community regional development
measures, and particularly measures designed to accelerate the creation
of jobs in the Community's less-developed regions or in reconversion
regions by facilitating investors' access to the capital market;

Whereas one of the main obstacles to undertakings wishing to
take advantage of loans offered by Community institutions or by the
European Investment Bank is the level of their rate of interest;

Whereas the establishment of an interest rebate scheme within the
European Regional Development Fund may enable undertakings to avail
themselves more readily of Community loan opportunities, and may
thus facilitate their expansion;

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1) OJ No L 73 21.3.1975, p.1.

2) OJ No

Whereas these interest rebates may involve either individual loans or loans granted to intermediary agencies with respect to enterprises below a certain size;

Whereas these interest rebates must not, however, exceed certain limits, so as to avoid an undue reduction in the interest rate to be borne by the investor;

Whereas interest rebates should be granted only on loans intended for the financing of investments meeting the criteria set out in Article 4 (1)(a) of Regulation (EEC) No 724/75 and located in the regions or in the areas referred to in Article 3 thereof provided that such regions or areas have been the subject of regional development programmes and that these programmes have been submitted to the Commission;

Whereas the Commission will decide on the requests for interest rebates on individual loans on the basis of the criteria referred to in Article 5 of Regulation (EEC) No 724/75 and that it will fix the criteria to be observed by the intermediary agencies for granting subsidiary loans;

Whereas it is necessary to simplify the consultation procedure for the Fund Committee;

Whereas, finally, provision must be made for the analogous application of Article 9 of Regulation (EEC) No 724/75,

HAS ADOPTED THIS REGULATION :

Article 1

Loans from the European Communities or from the European Investment Bank may receive an interest rebate paid from the European Regional Development Fund. Such interest rebates may be granted in accordance with the rules laid down in this Regulation.

Article 2

Interest rebates may be granted on:

- a) global loans made to intermediary agencies for the purpose of allocating subsidiary loans to finance investments to be carried out by undertakings with total employment of less than 500 people, with net fixed assets employed of less than 30 million European units of account and in whose capital structure larger enterprises, other than institutions responsible for contributing to regional development by promoting industrial projects, hold no more than a one-third participation, or
- b) individual loans to undertakings.

Article 3

The maximum rate of the interest rebate shall be 5% per year of the initial capital value of the loan expressed in or converted to European units of account on the basis of the rates published in the Official Journal of the European Communities. It shall apply for the first five years of the loan.

The interest rebate shall not exceed 40% of the rate of interest on the national long term capital market of the Member State concerned at the time of the application for the rebate.

The interest rebate shall not reduce the rate of interest payable by the investor for the first five years of the loan to less than 4% taking into account any interest rebates granted by the Member State concerned.

The maximum individual loan or, in the case of a global loan, the maximum subsidiary loan eligible for the interest rebate shall not exceed 50,000 European units of account per job created or maintained, within the meaning of Article 4 of Regulation EEC No 724/75.

Article 4

Applications for interest rebates shall be made to the Commission by the borrowers either directly or through the European Investment Bank in the case of loans from the latter. The application shall specify the amount of the loan requested, the terms and conditions governing the grant of the loan and all details required to justify and fix the interest rebate.

Applications for global loans shall be accompanied by a description of the intermediary borrower and its activities.

Applications shall be notified by the Commission to the Member State in which the investment is carried out. The Member State shall inform the Commission of any objections within 30 days.

Article 5

1. The Commission shall decide to grant an interest rebate, subject to a decision to grant a loan by the responsible Community body in accordance with the procedure laid down in Article 15 of Regulation (EEC) No 724/75.

The Commission may consult the Fund Committee by way of written procedure.

In this case Member States shall inform the Commission of their observations and any objections within 15 days of the date on which the draft decisions were sent.

At the request of a Member State, the written procedure shall be suspended and a special meeting of the Fund Committee shall be convened within the following 15 days to examine the draft decision in question.

2. Interest rebates may be granted on loans intended to finance investments meeting the following conditions:
 - a. investments carried out in regions or areas referred to in Article 3(1) of Regulation (EEC) No 724/75, for which regional development programmes have been communicated to the Commission pursuant to Article 6 thereof.
 - b. investments conforming to the criteria laid down in Article 4(1)(a) thereof.
3. The Commission shall decide to grant an interest rebate on individual loans taking account of Articles 5 and 6 of Regulation (EEC) No 724/75.
4. The Commission shall indicate from time to time to the European Investment Bank the criteria and priorities that the Commission will take into account in granting rebates on individual loans granted by the Bank.
5. In the case of global loans the Commission shall lay down the criteria to be observed by the intermediary agencies when granting subsidiary loans.

Article 6

1. The interest rebate shall be calculated and paid in European units of account.
2. In the case of individual loans, the rebate shall be paid directly to the borrower, at its request when the corresponding interest payments fall due.

Applications for payment shall be accompanied by information as to the amount and date of the corresponding interest payment and by a certificate to the effect that the loan repayments have been made up to date.

3. In the case of global loans, the interest rebate shall be calculated in European Units of Account, on the day of signature of the loan contract, on the basis of a rate of interest at 75% of the rate of interest of the corresponding loan.

The total capitalised amount of the interest rebate shall be paid by the Commission to the European Investment Bank or, as the case may be, to the ECSC budget on the day of signature of the loan contract.

Every three months the European Investment Bank shall communicate to the Commission each allocation made from a global loan, accompanied by the necessary information to assess the case.

If an open loan account is cancelled or an issued loan is repaid before the due date, in whole or in part, a sum corresponding to that part of the loan account cancelled or to that part of the issued loan repaid, with interest added, capitalized at the same rate as that referred to in the first subparagraph for the period between the date of payment of the total capitalized interest rebate and the date of repayment, shall be remitted to the Commission.

Article 7

Article 9 of Regulation (EEC) No 724/75 shall apply by analogy to the investments and loans which receive an interest rebate under this Regulation.

Article 8

The Commission shall inform the recipients of individual loans of the interest rebates granted to them. Recipients of subsidiary loans from global loans shall be informed in their contract with the intermediary agency that the loan conditions are a consequence of Community aid and interest rebates from the European Regional Development Fund.

.../...

A list of the loans that have benefitted from interest rebates shall be published every six months in the Official Journal of the European Communities.

Article 9

The Commission shall report to the Parliament and to the Council on the application of this Regulation in the report provided for in Article 20 of Regulation (EEC) N° 724/75.

Article 10

This Regulation shall enter into force on the third day following its publication in the Official Journal of the European Communities.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels

For the Council

The President.

~~I/~~ as amended.