

# COMMISSION OF THE EUROPEAN COMMUNITIES

COM(81) 589 final

Brussels, 26th October 1981

## PROPOSAL FOR A COUNCIL REGULATION (EEC)

amending Regulation (EEC) n° 724/75 establishing an  
European Regional Development Fund

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(presented by the Commission to the Council)

COM(81) 589 final

STATEMENT OF GROUNDS

The Commission, acting in accordance with Article 22 of Regulation (EEC) n° 724/75 establishing a European Regional Development Fund (1) communicates to the Council a proposal to amend the Fund Regulation (2) which seeks to adapt this financial instrument to the new requirements of Community regional policy, as defined in the Report by the Commission to the Council in application of the mandate of 30 May 1980 (3) and in the new guidelines and priorities of regional policy, as defined in the Commission's communication to the Council of 24 July 1981 (4).

I. GENERAL CONSIDERATIONS

1. The first report on the social and economic trend of Community regions (5) showed that, despite the development of the Common Market, the substantial economic growth of the sixties and measures agreed by all Member States in the regional field and by the Community, imbalances continued to grow. This trend, which is a serious obstacle in itself to greater integration of European economies was aggravated still further by the present economic crisis.

It is therefore necessary to re-define the aims and detailed aid rules of the various regional policy instruments of the Community, in particular especially those of the European Regional Development Fund, in order to strengthen their effects and increase their efficacy.

The task is on the one hand to amend the detailed rules governing ERDF aid in order to produce measures better adapted to the specific requirements of regions. On the other hand, the analyses in the report show that Fund aid must be concentrated on two types of regional problems. In the first place are the regions seriously affected by structural under-development; in future the ERDF quota section will be reserved for these regions. On the other hand are the regions especially affected by serious recent problems of industrial decline or (by the effects of certain Community policies; these regions will receive priority treatment from the quota free section.

(1) O.J. n° L 73 of 21.03.1975

(2) The European Regional Development Fund was first examined in February 1979, resulting in Council Regulation (EEC) n° 214/79 of 6 February 1979; a second examination in December 1980 resulted in a Council Regulation (EEC) n° 3325/80 of 16 December 1980, the sole purpose of which was to adapt quotas to take account of Greek accession.

(3) Document COM(81) 300 final of 24.6.1981

(4) Document COM(81) 152 of 24 July 1981

(5) Document COM(80) 816 of 7 January 1981

Moreover, coordination of national regional development programmes must also be strengthened and examination of the regional impact of main Community activities must also be developed in order to increase the contribution which these activities may make to solving regional problems.

2. In making these proposals, the Commission has also taken account of the views of the European Parliament recorded on many occasions. It has in particular retained the principle of Fund aid for regions defined at Community level according to Community criteria, of an increase in the "quota free" section, of closer relations with regional and local authorities, of greater transparency in Fund aid due to the programmes approach, of technical aid to regions and to SMC (small & medium concerns) and to inspection and checking of the outcome of Fund assistance.

## II. AMENDMENTS PROPOSED

3. These concern, in the order of the respective articles of the Regulation :
- a) the definition of rules governing coordination of regional policies (Article 1 and 2);
  - b) having regard to the quota section of the Fund,
    - the geographical concentration of Fund assistance (Article 4)
    - the financing of programmes (Article 7)
    - the financing of operations to exploit the local development potential of the regions (Article 16)
    - the introduction of a system of advance payments to accelerate the flows of funds to the benefit of the regions (Article 24);
  - c) having regard to the quota-free section, an increase in financial means (Article 4), broadening the field of aid and simplification of procedure (Article 27);
  - d) special measures for integrated development operations (Article 29).

### Definition of rules governing coordination of regional policies (Articles 1 and 2)

4. At present, the Fund Regulation has no special provisions on coordination of regional policies. Now it is indispensable for this coordination to be strengthened to promote in due course the convergence of economies of Member States and to contribute to a better equilibrium of economic activities in Community territory. The relevant guidelines were laid down in the Council Resolution of 6 February 1979 (1).
5. This coordination becomes increasingly necessary because aid from the quota section should only in the future concern regions, experiencing particularly serious structural problems. The Commission proposes to define on the one hand the aims and detailed rules of coordination and on the other hand its essential instruments : first (1), the periodic report on the social and economic situation and trend of Community regions, which is also a report on national regional policies; secondly the regional development programmes, which must in consequence concern not only the regions eligible for Fund aid but also all regions and areas

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(1) O.J. n° C 36 of 9.2.1979

aided by Member States and lastly the assessment of the regional impact of the main Community policies.

Concentration of aid measures in regions with particularly serious structural problems (Article 4)

6. The provisions of the Regulation in force provide that the Fund may contribute in aided areas established by Member States in application of their systems of aid for regional policy purposes with priority given to investments in priority national areas.
7. The Commission proposes to concentrate still more the aid from the quota section in regions experiencing particularly serious structural problems, defined on the basis of Community criteria and particularly with regard to the relative intensity of the social and economic problems of regions, in relation to the Community average, assessed both with regard to the level of economic development and to the employment situation. In view of the specific problems of these regions, which should be the object of a long term development programme requiring dependable and regular financial assistance, the Commission considers it opportune to have a quota system that will allow the Community to give them permanent support. The regions involved are Greece, Les certain zones, the Mezzogiorno, Ireland, the least favoured regions of the United Kingdom, Greenland and the overseas departments of France.

New provisions of financing programmes (Article 7)

8. The present regulation provides for Fund assistance, within the framework of the quota section, for financing investments, both in the sector of infrastructures and in that of industry, handicraft and service activities. The detailed rules governing applications to and grants from the Fund vary according to projects costing more or less than 10 million ECUS.

This procedure has had certain advantages, in particular the possibility for the Commission to examine in detail the investment projects of more than 10 million ECUS. On the other hand, it has the drawback of rendering it difficult to obtain an overall view of Fund assistance measures so that it becomes difficult to direct these to meeting the priority needs

of regions. Moreover it only barely allows for securing guarantees on applying the principle of complementary character between Fund aid measures and those of Member States.

9. The Commission considers that the moment has come for the Fund to pass from work of a mainly book-keeping nature to that of conceiving, promoting and programming, that is to say to a more active role. To this end, the Commission proposes to replace gradually the system of financing individual projects by a system of financing programmes; these may concern both infrastructure and national aid systems in the sector of industrial, handicraft and service activities.
10. The Commission considers that this procedure would be the best suited to harmonise for the benefit of a given region, the use of credits from the Fund, the Member State or the region itself. Moreover, Fund assistance could, in the event, be subject to specific conditions within the finalising of the detailed rules governing the programme contract.
11. The system of financing programmes would be introduced progressively over a transitional three year period. At the end of that time, it would become the general rule, with financing of individual projects being maintained nevertheless for very large projects (more than 40 million ECUS), which could not fall practically within the framework of a programme financed by the Fund, either for geographical reasons or because of their special character.
- New provisions for the financing of operations to exploit the indigenous development potential of the regions (Article 16)
12. If exception is made for the provisions of Article 12 with regard to studies, the provisions of the Fund Regulation, in its present form, only allow for Fund assistance on behalf of tangible investments, whether in the field of infrastructure or in that of industry and service activities.

13. Now, and the point has been made clearly by the Commission in its new guidelines and priorities on regional policy, the economic situation within the Community and that of employment require adapting the methods of development to the social and economic features of the less favoured regions in order to make the maximum use of the growth potential and capacity to adapt, which are available to them. In other words, the task is above all to use the human capital available, in particular by developing the latent capacities of concerns, for which the required support should be given with regard to information, research, technical assistance, etc...

14. To this end, the Commission proposes that the field of aid should be broadened for the quota section to include a series of measures on behalf of small and medium concerns, handicraft business and rural tourism, comprising aids to studies sectoral, to improving management, to creating joint services for several concerns, to promoting rural tourism, etc ...

Moreover, given that certain Community regions may have difficulties in implementing the work of analysis and programming needed for the new Commission approach on financing programmes, aids are planned for technical assistance to regional or local authorities, which wish them.

Accelerated financial flows of benefit to regions by the introduction of a system of advanced payments (Article 29)

15. When the Regulation was examined in February 1979, a notable improvement had already been made to the rhythm of payments by introducing the system of accelerated payments. Nevertheless, since speed in Fund payments is essential to the Fund's efficiency in contributing to regional development the Commission thinks it necessary to go further and to assist rapid availability to national and regional authorities of the credits needed in particular for launching programmes which are the subject of a financing contract.

16. The Commission proposes therefore to introduce, under certain conditions, a system of advance payments to ensure a regular fast financial flow to recipient regions, subject however to restrictive conditions to ensure that the grant of advances will be accompanied by a satisfactory rate of implementation of the programmes.

New provisions for regions particularly affected by recent and serious problems of industrial decline, or by certain Community Policies (Article 4 and 27)

17. Pursuant to the guidelines on Community regional policy in the Commission's report on the mandate of 30 May 1980 and in the Commission's communication to the Council of July 1981, a notably increased part of Fund resources should be allocated to the quota free section.

To this end, the Commission proposes that Fund credits granted to specific Community measures of regional development can reach 20 % of its resources. This level is however a maximum, with the exact amount of the credits of the quota free section being fixed annually and clearly within the framework of standard budget procedure.

18. Moreover, the Commission proposes that the credits of the quota free section should go more to Community regions especially affected by recent, serious problems of industrial decline or, as the existing Regulation already provides, by the effects of certain Community policies.
19. Lastly, the Commission proposes that specific Community measures of regional development should no longer be adopted by the Council but by the Commission according to procedure of the Management Committee of the Fund.

Special measures for integrated development operations (Article 29)

20. On the strength of experience, use must also be promoted experimentally of a coordinated use of Community financial instruments for structural purposes within the framework of integrated development operations. These operations take the form of a coherent group of measures and public and private investments, bearing on a limited geographical area. The Community and the national and local authorities of Member States contribute to their realisation in a closely coordinated manner with the Community by making combined use of various financial instruments for structural purposes.



21. To facilitate implementation of such operations, which in any event, due to the complex issues involved in putting them into practice, should be launched in a relatively limited number, the Commission proposes that the Fund contribution on behalf of measures located within the framework of an integrated development operation should be granted a preferential rate.

Brussels, 22 September 1981

DRAFTthe  
—Regulation (EEC) n° ..... 81 of the Council  
of ..... 1981, amending Regulation (EEC)  
n° 724/75 establishing a European Regional Development  
Fund

Having regard to the Treaty establishing the European 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) n° 724/75 of 18 March 1975 establishing a European Regional Development Fund (1), as last amended by Council Regulation (EEC) n° 3325/80 of December 1980 (2), established a European Regional Development Fund designed to correct the main regional imbalances in the Community;

Whereas Article 22 of the said Regulation provides that the Council, on a proposal from the Commission, should reconsider this Regulation before 1 January 1982;

Whereas the coordination of national regional policies with each other and with that of the Community is an essential element in Community regional policy, intended to promote the convergence of national economies and a more balanced distribution of economic activities within Community territory;

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(1) O.J. n° L 73 of 21.03.1975, p. 1

(2) O.J. n° L 349 of 23.12.1980, p. 10.

Whereas it appears necessary, in view of the trend of the economic and social situation of the Community, on the one hand to adapt the section of the Fund, which is divided in national quotas, to concentrate Fund assistance on regions experiencing particularly serious structural problems and on the other hand to allocate more credits from the section not distributed in national quotas to regions particularly affected by recent, serious problems of industrial decline or by the consequences of certain Community policies;

Whereas the regions with particularly serious structural problems in which the Fund is called upon to give assistance must be decided according to Community criteria, taking account in particular of the relative intensity of the social and economic problems of regions, in relation to the Community average, which problems are to be assessed both by the level of economic development and by the situation with regard to employment;

Whereas to improve the impact of Fund assistance and the complementary character of Fund assistance measures and those of national and regional authorities, it is appropriate to replace the system of financing individual investments gradually by a system of financing programmes, which contracts may concern both infrastructure and national aid systems in industrial, handicraft and service activities;

Whereas the economic situation and that of employment in the Community require seeking the best possible use of growth potential in less favoured regions;  
Whereas to this end it is desirable to broaden the field of aid of the section of the Fund divided in national quotas to include financing of operations designed to promote the local development potential of regions;

Whereas accelerated Fund payments are of a nature to facilitate realisation of measures assisted by the Fund; whereas the introduction, under certain conditions, of a system of advance payments complies with this purpose;

Whereas the eminently Community character of specific measures of regional development justifies their adoption by the Commission after consulting the Fund Committee.

Whereas to enable a better integration of financial resources, both Community and national, in the areas affected by especially serious problems, due particularly to delayed development or industrial or urban decline, it is appropriate to promote the implementation in those areas of integrated development operations, closely concerted between the Community and the national authorities concerned :

HAS ADOPTED THIS REGULATION :

Article 1

The text of Regulation (EEC) n° 724/75 of 18 March 1975 establishing a European Regional Development is replaced by the text annexed to this Regulation.

Article 2

This Regulation shall enter into force on 1 January 1982.

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

Done at Brussels

For the Council  
The President

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

Deletions from the present text of the Regulation are indicated by the sign [...], and additions or amendments are underlined.

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TITLE I

COORDINATION OF REGIONAL POLICIES

Article 1 (new)

1. In order to contribute to the achievement of a high degree of convergence of the economies of Member States and a more balanced distribution of economic activities throughout the Community, Member States and the Commission shall institute coordination between national regional policies and between those policies and Community regional policy according to the procedures provided for in Article 2 below.
  
2. The object of such coordination shall be:
  - the adaptation of national regional policies so as to avoid, in particular, contradictory results;
  
  - the closer convergence between national regional policies and Community objectives and priorities in particular the regional;
  
  - to ensure especially that aids take account of the severity of the regional problems existing within each member country and at Community level.
  
3. This coordination must take account of the impact upon regions of the economic and sectoral policies of the Community and of the Member States.

Article 2 (new)

1. Preparation of the periodic report and examination of regional development programmes and the regional impact assessment shall be instrumental in promoting the said coordination, with a key role also being performed by coordination of general regional aid schemes.
2. The Commission, working in close association with the Regional Policy Committee, shall prepare a periodic report on the situation and socio-economic changes in the regions of the Community and on national regional policies. To this end, Member States shall provide the Commission with the relevant information. This report shall be prepared at regular, two-and-a-half-year intervals, with every other report coinciding with the examination of the medium-term economic policy programmes. On the basis of this report, the Council, acting on a proposal from the Commission and after consulting the European Parliament and the Economic and Social Committee, shall adopt the regional policy guidelines and priorities.
3. a) Member States shall communicate to the Commission their regional development programmes, and any amendments thereto, for the regions and areas covered by a regional State aid scheme. Such programmes shall be prepared in accordance with the joint outline drawn up by the Economic Policy Committee (1) and in the light of the Commission Recommendation of 23 May 1979 (2). They shall be indicative in nature and shall specify the objectives of the development of the region concerned and the means to be employed. They shall be prepared in close association with the regional authorities concerned. When communicating these programmes, Member States shall transmit to the Commission the information concerning, where their entire territory is concerned, the essential public measures that are likely to influence the regional balance, including expenditure in each region under their infrastructure budgets.

The regional development programmes shall be examined by the Commission and the Regional Policy Committee in the light of the coordination objectives as laid down in Article 1 above. The Regional Policy Committee shall make known its views on them to the Commission, which shall, where necessary, address the appropriate recommendations to Member States.

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(1) OJ No C 69, 24.3.1976, p. 2.

(2) OJ No C 143, 12.6.1979, p. 9.



b) Before 31 May each year, Member States shall send to the Commission a report on the implementation of the regional development programmes, giving for each region and for the preceding year:

- quantified information on the results of measures carried out in the regions in terms of investment and jobs;
- the financial means employed, both from national and Community sources, making separate mention, where applicable, of those provided by the Fund or under the Community's other financial instruments;
- the rate of utilization of the major infrastructures completed during the year, when possible.

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

TITLE II

GENERAL PROVISIONS RELATING TO THE EUROPEAN REGIONAL DEVELOPMENT FUND

Article 3 (former Article 1)

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

Article 4 (former Article 2)

1. /...../, the endowment for the Fund shall be determined annually in the general budget of the European Communities, with a distinction being made between the measures referred to in Title III and Title IV.
2. The annual budget shall indicate for the relevant year under the heading for the Fund:
  - a) appropriations for commitment;
  - b) appropriations for payment.

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

3. The following may be financed by the Fund with a view to contributing to attainment of the objectives referred to in Article 3:
  - a) Community measures to assist regions suffering from especially serious structural problems, as provided for in Title III. [.....]  
The resources of the Fund intended for financing such measures shall be allocated as follows:
    - The Mezzogiorno as defined in Article 1 of Decree No 218 of 6 March 1978 issued by the President of the Italian Republic 43,67%
    - Greek regions, with the exception of A areas as defined in Article 4 of the Greek Law no. 1116/81 of 14 January 1981, paragraph 1, taking into account Article 4, paragraph 2 of the same Law 15,97%
    - Ireland 7,31%
    - Assisted areas as defined in section 7, paragraph 7 of the United Kingdom Industry Act of 9 August 1972 and elaborated upon in the decision of the United Kingdom Government of 17 July 1979 and in the subsequent decisions implemented with effect from 1 August 1982 in Northern Ireland, Scotland, Wales and the North and North West of England 29,28%
    - Greenland 1,30%
    - French overseas departments 2,47%

The distribution of the resources of the Fund referred to above shall be applied on a global basis for periods of 3 years. When granting aid from the Fund, priority will be given to investments located in national priority zones, taking account of the principle of coordinating regional state aid : schemes at Community level.

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

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

Article 5 (new)

Measures referred to in Article 4(3) (b) which are carried out in regions or areas covered by a regional State aid scheme and all the measures referred to in Article 4(3) (a) shall form part of a regional development programme as referred to in Article 2, paragraph 3.

TITLE III

COMMUNITY MEASURES TO ASSIST REGIONS EXPERIENCING ESPECIALLY SERIOUS  
STRUCTURAL PROBLEMS

Chapter 1

Geographical scope

Article 6 (new)

1. The list of regions and zones referred to in Article 4(3)(a) may be revised by the Council, acting by a qualified majority on a proposal from the Commission, in particular where the analysis made in the periodic report referred to in Article 2(2) reveals substantial changes in the relative severity of socio-economic problems in the regions of the Community.
2. The Commission may, at the request of the Member State concerned and in accordance with the procedure laid down in Article 31, decide to make amendments to the said list which shall not have the effect of increasing the population in the eligible regions and areas in a particular Member State by more than 0,5 %.

Chapter 2

Operational rules

Section 1: Provisions relating to the financing of programme contracts

Article 7 (new)

1. The Fund shall participate in the measures referred to in Article 4(3)(a) by financing programmes stipulating the conditions for financial assistance by the Community in respect of infrastructure investments and/or State aid schemes for industry, the artisanat or the services sector, including tourism.
2. Infrastructures to be financed under investment programmes shall contribute to the development of the region or area in which they are located.
3. State aid schemes for industry, the artisanat or the services sector shall be financed in respect of economically sound activities that create or maintain jobs. The Community may finance all or only part the aid schemes.

Article 8 (new)

1. As a general rule, the duration of programmes referred to in Article 7 may not be less than three years.
2. The programmes shall concern one or more, or part, of the regions or areas referred to in Article 4(3)(a).
3. They shall include the following:
  - a) expected results, where possible in quantified form;
  - b) measures to be taken to achieve these results, together with the implementation schedule;
  - c) plan for financing the programme, making a distinction between Community, national and regional sources of finance;
  - d) designation of the authorities or agencies responsible for implementing the programme and the actions within it;
  - e) essential ancillary measures that are taken by the Member State in question and do not benefit from Community financing;
  - f) information showing that Community aid will result in additional financing and, consequently, additional practical measures to promote development of the region covered by the programme contract;
  - g) steps relating to the measures envisaged to protect the environment in the regions concerned;
  - h) arrangements to publicize the provision of Fund assistance, the purpose being to inform potential beneficiaries and the various sections of the economy of the opportunities afforded by the programme and of the role played by the Community.
4. The details of elements provided for at paragraph 3 to be contained in the programmes shall be determined by the Commission in accordance with the procedure referred to in Article 31.



Article 9 (new)

1. Programmes that might qualify for assistance from the Fund shall be submitted to the Commission by the Member State in question. They shall be drawn up by the latter in close association with the authorities concerned.
2. The Fund's contribution to programme financing may amount to 50 % of the expenditure taken into account in determining the amount of Fund assistance.  
The Commission shall lay down the criteria for implementing this paragraph in accordance with the procedure provided for in Article 31.
3. The Commission shall assess a programme taking due account of its consistency with the regional development programmes and of its contribution to attainment of the Community's regional objectives and priorities, and notably the creation or maintenance of productive jobs, mobilization of the indigenous potential of the region concerned and strengthening of its economic base.
4. If the Commission considers that the programme submitted can receive assistance from the Fund, it will inform the Member State concerned adding its observations. The Commission and the Member State concerned shall finalise the programme by common consent which must in particular detail the complete financial plan. A programme which becomes in this way the subject of an agreement between the Commission and the Member State is considered to be, under the terms of the present regulation, a programme contract.
5. The programme and the programme contracts, in which the Commission may among other things lay down special conditions relating especially to the implementation of Article 8(3)(f), shall be approved by the Commission in accordance with the procedure provided for in Article 31. The provision of Fund assistance shall be decided upon by the Commission at the same time and in accordance with the same procedure.
6. The Commission shall decide the aids from the Fund in accordance with Article 31. The programme contract shall be attached to the grant decision.
7. The aids from the Fund shall be published in the Official Journal of the European Communities.

Article 10 (new)

1. Each year, before 31 May, the Member State concerned shall submit to the Commission a report giving details of the progress made in implementing each programme during the preceding calendar year and making reference to the information required under Article 8(3). These reports shall enable the Commission to verify implementation of the programme, to take note of their effects and, where necessary, to determine whether the operations are being carried out in a consistent manner. They shall be communicated to the Fund Committee.
2. On the basis of these reports, the Commission shall present a report in the manner set out in Article 36.
3. In the event of a programme in the course of implementation being substantially amended, the procedure provided for in Article 31 shall apply.
4. Upon completion of each programme, the Commission shall inform the Fund Committee of the results achieved.

Article 11 (new)

1. For a transitional period of three years beginning on 1 January 1982, the Fund may contribute both to the financing of programmes in accordance with the arrangements laid down in this Section and to the financing of investment projects in accordance with the arrangements laid down in Section 2.
  
2. In the second and the third year of the transitional period and subject to the provisions of paragraph 3 hereafter and sections 3 and 4, the proportion of Fund assistance allocated to the financing of programmes may not, for each Member State, be lower than 30% and 60% respectively of the appropriations available for Community measures to assist regions having particularly serious structural problems. After the end of the transitional period, all available appropriations shall, also subject to paragraph 3 below and to the provisions of Section 3 and 4, be used for the financing of programmes.
  
3. At the end of the transitional period, investment projects costing more than 40 million ECU may continue to be financed by the Fund, in accordance with the arrangements laid down in Section 2.

Section 2: Provisions relating to the financing of investment projects

Article 12 (former Article 4(2))

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

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

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

Such aids may include aid granted in respect of an investment project and linked to the transfer of plant and workers. The aid equivalent shall be calculated in accordance with an implementing regulation adopted pursuant to Article 31. Aid granted in the form of rent reductions or exemptions in respect of buildings, including plant, may also be taken into account provided the same calculation can be carried out.

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

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

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

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

3. All or part of the Fund's contribution may be in the form of an interest-rate subsidy on Community loans made in the regions or areas referred to in Article 4(3)(a).

Article 13 (former Article 5)

1. The provision of Fund assistance shall be decided upon by the Commission in the light of the relative severity of the economic imbalance of the region in which the investment project is carried out and of the direct or indirect impact of the project on employment. The Commission shall examine, in particular, the consistency of the project with all the measures taken by the Member State concerned to assist that region, as described in the information supplied by Member States pursuant to Article 2, with particular reference to:
  - (a) the project's contribution to the economic development of the region;
  - (b) its consistency with the Community's programmes or objectives;
  - (c) the situation in the economic sector concerned and the profitability of the investment made;
  - (d) whether the project is located in a frontier area, i.e. in a region adjacent to one or more other Member States;
  - (e) other assistance granted by Community institutions or by the European Investment Bank, either in respect of the same project or for other measures in the same region. In this way, Fund assistance will be coordinated with other Community assistance in such a way as to promote comprehensive convergent and coordinated measures in a given region and to guarantee, in particular, consistency between regional policy and the policy on agricultural structures.
  
2. (a) In the case of investments of 5 million ECU or more, the provision of Fund assistance shall be decided upon by the Commission in accordance with the procedure provided for in Article 31.  
[.....]
  
- (b) In the case of investment projects costing less than 5 million ECU, the Commission shall decide on the Fund contributions and shall inform the Fund Committee of these decisions taken.

Article 14 (former Article 7)

1. Applications for Fund assistance shall be submitted to the Commission by Member States, together with such information as will enable the Commission to assess the merit of the investment projects in the light of Articles 2 and 13.
2. In the case of investments of less than 5 million ECU, Member States shall present grouped applications at the beginning of each quarter. These applications shall be submitted on a region-by-region basis, with a distinction being made between investments in industry, the artisanat or the services sector and investments in infrastructure.

These applications shall state:

- (a) in respect of investments in industry, the artisanat or the service sectors, the names of the undertakings concerned, their sector of activity, and the location of each investment and its object (establishment, extension, conversion or restructuring of an undertaking), the total amount of investment involved, the predicted overall effect on employment (creation or maintenance of jobs) the estimated implementation schedule, total aids granted in connection with which Fund assistance is requested, and the planned schedule of payments;
  - (b) in respect of investments in infrastructure, the location of each investment and its object, its contribution to the development of the region, predicted total expenditure and expenditure to be borne by public authorities, the planned schedule of payments, the name of the responsible authorities, the total amount of assistance requested from the Fund, and the estimated implementation schedule.
3. In the case of investment projects costing 5 million ECU or more, applications shall be submitted separately and shall include the following information:
    - (a) in respect of projects in industry, the artisanat or the services sector, the name of the undertaking, the sector of activity, the object of the project and its location, the effect on employment, the planned implementation schedule, the details of any grants, interest-rate subsidies or loans at reduced rates of interest, the planned schedule for payment of such aids, any other form of aid granted or planned by the public authorities and the financing plan, indicating in particular any other Community aids requested or planned.

The Member State shall specify in its application the total amount of assistance which, in its opinion, should be granted to the undertakings and the contribution it is seeking from the Community.

(b) in respect of infrastructure projects, the responsible authority, the object of the project, its location, its contribution to the development of the region, its cost, its financing plan, the implementation schedule and the planned schedule of payments.

4. Provision of Fund assistance shall be decided upon by the Commission:

(a) on an aggregated basis for each application covered by paragraph 2;

(b) on a case-by-case basis for applications covered by paragraph 3.

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



Article 15 (former Article 10)

1. The investors concerned shall be informed, in agreement with the Member States in question, that part of the aid granted to them has been provided by the Community. In the case of infrastructure projects, Member States, in agreement with the Commission, shall take all necessary steps to ensure the assistance from the Fund is given suitable publicity.
  
2. The list of projects that have received Fund assistance shall be published every six months in the Official Journal of the European Communities. It shall specify the nature and location of each project and the amount of investment involved.

Section 3: Provisions relating to the financing of operations aimed at exploiting the indigenous development potential of the regions

Article 16 (new)

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

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

- (c) measures to promote the establishment and expansion of small and medium-sized businesses by providing them with easier access to the capital market, in accordance with arrangements to be adopted by the Council, acting on a proposal from the Commission, pursuant to an implementing regulation.

Article 17 (new)

The Fund contribution of measures provided for in Article 16 shall be determined as follows:

a) for the operations provided for at (a) first and third to fifth indents are degressive for a period of 3 years, at a rate of 70% for the first year, and shall not exceed an average of 55% for the period of 3 years.

For the feasibility studies provided for at (a) first indent, the Fund contribution shall not exceed 70% of the cost of the study, with a limit of 50 000 ECU per study.

1. b) for the operations provided for at (a), second indent, 70% of the cost of the studies and expenditure relating to the dissemination of their results;

2. For operations provided for at (b), 70% of the expenses to be borne by the regional or local authorities.

3. The Fund contribution shall be decided by the Commission according to the procedure set out in Article 31.

Section 4: Provisions relating to studies

Article 18 (former Article 12)

1. The Fund may contribute to the financing of studies closely related to Fund operation and conducted at the request of a Member State.
2. Fund assistance may not exceed 50% of the cost of the study.

Chapter 3

Payments and checks

Section 1: Provisions relating to programmes

Article 19 (new)

1. The budget appropriations for the financing of a programme shall be committed in allocations covering a period of one year. The first allocation shall be committed once the grant decision has been taken by the Commission. Subsequent allocations shall be committed subject to the budget resources available and the progress of the programme.
  
2. Those expenditures which the authorities concerned have or expect to be made from 1 January of the year in which the programme is presented to the Commission shall be eligible for Fund contributions.

Article 20 (new)

1. Each payment application shall be accompanied by a certificate issued by the Member State and evidencing execution of the operations and the existence of detailed supporting documents. It shall contain the following information:

- object of the operations covered by the payment application;
- amount and type of expenditure incurred in respect of the individual operations during the period covered by the application;
- confirmation that the operations described in the payment application were started as provided for in the programme.

2. The Member State in question shall keep available for inspection by the Commission for a period of three years following the last payment made in connection with the programme all the documents in support of expenditure incurred under the programme or certified copies thereof.

The Commission reserves the right to make a detailed examination of each individual project being implemented in the framework of the programme.

3. Payments shall be addressed by the Commission:

- to the public authorities commissioning the work where the programme contract concerns the financing of an infrastructure investment programme;
- to an agency designated for this purpose by the Member State concerned where the programme contract concerns the financing of a State aid scheme in industry, the artisanat or the services sector.

Section 2: Provisions relating to investment projects

Article 21 (former Article 8)

1. The amount of Fund assistance, calculated where applicable on the basis of the aid equivalent according to an implementing regulation adopted pursuant to Article 31, shall be paid as and when expenditure is incurred, upon presentation by the Member State concerned of quarterly statements certifying expenditure and the existence of detailed supporting documents and containing the following information:
  - a) for intermediate payment applications:
    - the name of the undertaking concerned or, in the case of infrastructure projects, the name of the responsible authority;
    - the location of the project;
    - total public expenditure incurred after the date referred to in Article 22 and that part of the amount for which payment is requested;
    - the amount of the payment requested from the Fund;
    - a forecast of future payment applications;
  - b) for final payment requests, all the information referred to at (a), with the exception of the last indent, together with:
    - the amount actually invested and confirmation that the project carried out corresponds to the initial project;
    - the date of completion of the project;
    - the number of jobs created or maintained by a project in industry, the artisanat or the services sector;
    - the amounts of public expenditure.
2. Where expenditure provided for in the decisions referred to in Article 14 consists in aids granted in the form of interest-rate subsidies or loans at reduced rates of interest, the amount of the Fund's contribution in respect of such aids that is still due when the projects are completed shall be paid in a single transaction upon presentation of the certificate evidencing completion.



3. Member States shall designate the authorities or agencies authorized to issue the certificates referred to in this Article. In the case of infrastructure investment projects, payments shall be addressed by the Commission to the bodies supervising the work concerned in the particular investment. In the case of investments in industry or the service sector payments shall be addressed to the Member State or to a body designated by it for this purpose.

Article 22 (former Article 11)

Payments made by Member States as from 1 January of the year  
during which the grant application was submitted and in respect of  
projects not completed by that date shall be eligible for contributions  
from the Fund. This time limit may be extended by six months for  
payments in respect of projects in Greenland.

Section 3: Provisions relating to operations aimed at exploiting the indigenous development potential of the regions

Article 23 (new)

1. Grant applications shall be submitted to the Commission via the Member States.
2. They shall state:
  - for measures referred to in Article 16(a), the object of the measure, its location, the nature of the agencies or businesses benefiting from the measure, its effect on employment, the planned implementation schedule and the financing arrangements;
  - for measures referred to in Article 16(b), the object of the measure, its location, the effect expected by the regional or local authorities and the duration of and arrangements for financing the measure.
3. Payment requests shall be submitted to the Commission by Member States, together with a certificate issued by the latter and evidencing execution of the operations and the existence of detailed supporting documents. They shall contain the following information:
  - object of the operations covered by the payment application;
  - amount and type of expenditure incurred in respect of the individual operations during the period covered by the application.
4. Payments shall be addressed by the Commission to the public authorities, agencies or businesses concerned. The aids provided for at Article 16 (a) third and fourth indents and, when they directly benefit businesses, the aids provided for at Article 16 (a) first indent, shall not reduce the businesses' share of total expenditure to less than 20%.

Section 4: Advances

Article 24 (new)

1. In the case of measures referred to in Articles 7, 12 and 16, undertaken after the entry into effect of the revised version of the present Regulations, advances of up to 80% may be granted by the Fund in the light of progress made in the operations and available budget resources.
2. At the Member State's request, the Commission can make an initial advance of 80% of its aid in respect of the first annual allocation, after the starting date scheduled for the implementation of operations.
3. Applications for advances in respect of the other annual allocations may be submitted where at least 60% of the planned operations covered by the preceding allocation have been completed and where work covered by any other previous allocations has been concluded.
4. The balance shall be paid at the request of the Member State upon presentation of a certified statement that the operations covered by the first allocation can be deemed to have been completed, and of a statement of public expenditure made.
5. The form and conditions of the applications for advances referred to in paragraphs 2 and 3 shall be determined in accordance with the procedure laid down in Article 31.

Section 5: Provisions relating to checks

Article 25 (former Article 9)

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

Any sums paid [.....] shall be repaid to the Community by the Member State concerned or, where applicable, by the body to which the Fund contribution has been paid within twelve months of the date on which the relevant decision was communicated.

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

2. Member States shall make available to the Commission all the information necessary to ensure effective operation of the Fund and shall take all the steps likely to facilitate such monitoring as the Commission may deem useful in managing the Fund, including on-the-spot checks. They shall notify the Commission of the cases referred to in the first subparagraph of paragraph 1.
3. Notwithstanding checks carried out by Member States in accordance with national laws, regulations or administrative provisions, and without prejudice to Article 206 of the Treaty or to any inspection arranged on the basis of Article 209(c) of the Treaty, on-the-spot checks or enquiries in respect of operations financed by the Fund shall, be carried out by the competent authorities of the Member State and by officials of the Commission or any other persons empowered by the Commission for this purpose. The Commission shall determine time limits for the performance of the checks and inform the Member State concerned of them in advance in order to obtain all the assistance necessary.

4. The purpose of such on-the-spot checks or enquiries in respect of operations financed by the Fund shall be to verify:
  - (a) the conformity of administrative practices with Community rules;
  - (b) the existence of supporting documents and the fact that they correspond to the operations financed by the Fund;
  - (c) the conditions under which operations financed by the Fund are executed and monitored;
  - (d) the conformity of projects carried out with the operations financed by the Fund.
  
5. The Commission may suspend payment of assistance in respect of a particular operation if a check reveals irregularities or a substantial change in the object or conditions of the project for which the Commission's approval has not been sought.
  
6. By way of derogation from Article 6(2) of the Financial Regulation of 21 December 1977 applicable to the general budget of the European Communities<sup>(1)</sup>, if an operation that has received assistance from the Fund has not been completed or has been carried out in such a manner that payment of only part of the Fund assistance granted in respect of that project is justified, the outstanding part of the Fund's contribution shall be allocated to another activity in one of the eligible regions of the same Member State under the conditions laid down in this Regulation.

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(1) OJ No L 356, 31.12.1977, p. 1.

Article 26 (new)

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

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

TITLE IV

SPECIFIC COMMUNITY REGIONAL DEVELOPMENT MEASURES

Article 27 (former Article 13)

1. In the case of Community measures referred to in this Title, the Fund shall also grant assistance in regions or areas which may differ from those referred to in Article 4(3)(a) provided the Member State concerned has already taken action, or takes action at the same time, to tackle the problems which the Community measures in question are intended to resolve.
  
2. The measures referred to in this Title may differ in whole or in part from the measures referred to in Title III. They shall be aimed at Community regions and zones particularly affected :
  - either by recent, serious problems of industrial decline,
  - or by certain Community policies or by measures adopted by the Community in order to facilitate the implementation or to mitigate the regional consequences of these policies.

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

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

3. Member States shall provide the Commission with the information on regional problems that might qualify for a specific measure within the meaning of paragraph 2.
  
4. Without prejudice to the responsibilities of the Commission with regard to State aids under Article 92, 93 and 94 of the Treaty, the Commission shall fix, according to the procedure provided for at Article 31:



- (a) the nature of the operations eligible for Fund assistance;
- (b) the areas and regions in which the Fund may grant assistance;
- (c) the national public aid taken into consideration in granting Fund assistance;
- (d) the contribution of the Fund;
- (e) the categories of beneficiaries of Fund assistance;
- (f) the financing arrangements;
- (g) the arrangements to publicise the provision of Fund assistance, the purpose being to inform potential beneficiaries and the various sections of the economy of the opportunities afforded by the programme and of the rôle played by the Community.

Article 28 (former Article 14)

1. The Fund may bear all or part of the cost of preparatory studies for specific Community regional development measures. [....]
2. The Commission shall decide the amount of Fund contribution and inform the Fund Committee of the studies undertaken and of their results.

TITLE V

GENERAL AND FINAL PROVISIONS

Chapter 1

Provisions relating to the integrated  
operations of development

Article 29 (new)

1. In the granting of Fund assistance, investments and measures referred to in Titles III and/or IV which form part of an integrated development operation may be accorded priority treatment and a preferential rate.
2. An "integrated development operation" comprises a coordinated package of public and private measures and investments which have the following characteristics :
  - (a) they relate to a limited geographical area suffering from particularly serious problems associated in particular with under-development or with industrial or urban decline and likely to affect the region in question;
  - (b) the Community through the combined use of various structural financial instruments, and the national and local authorities in Member States, contribute in close association to their implementation.
3. The Member States concerned shall ensure the concerted use of Community and national financial resources and close coordination between the individual public authorities taking part in the implementation of the integrated operation.
4. The Commission too shall ensure the concerted use of the various Community structural financial instruments.
5. The Fund's contribution to investments and measures that form part of the operations referred to in this Article may be increased by 10% points, but shall not exceed 80% of expenditure, according to the Article 31.

Chapter 2

Other provisions

Article 30 (former Article 15)

1. A Fund Committee (hereinafter referred to as 'the Committee') is hereby established. It shall be composed of representatives of the Member States and chaired by a representative of the Commission.
2. Within the Committee, the votes of the Member States shall be weighted in accordance with Article 148(2) of the Treaty. The Chairman shall not vote.

Article 31 (former Article 16)

1. Where the procedure laid down in this Article is to be followed, the Chairman shall bring the matter before the Committee, either on his own initiative or at the request of a representative of a Member State.
2. The representative of the Commission shall submit drafts of decisions to be taken. The Committee shall deliver its opinion on such drafts within a time limit that the Chairman may determine in the light of the urgency of the matters under consideration. Opinions of the Committee shall be adopted by a majority of forty-five votes.
3. The Commission shall take decisions which shall apply immediately. However, if these decisions are not in accordance with the opinion of the Committee, they shall forthwith be communicated by the Commission to the Council. In that event, the Commission shall defer application of the decisions taken by it for not more than two months from the date of such communication. The Council, acting by a qualified majority, may take a different decision within two months.

Article 32 (former Article 17)

The Committee may consider any other matter relating to the Fund's operation referred to it by its Chairman, either on his own initiative or at the request of a representative of a Member State.

Article 33 (former Article 18)

The necessary measures for implementing this Regulation shall be adopted in accordance with the procedure laid down in Article 31.

Article 34 (former Article 19)

1. Member States shall take the measures necessary to indicate separately and in a manner reflecting the special characteristics of national budget systems the amounts received from the Fund.
  
2. At the request of the Commission, Member States shall provide it with information on the allocation of the amounts received from the Fund.



Article 35 (former Article 20)

Assistance from the Fund shall not distort the conditions of competition in a manner incompatible with the principles set out in the relevant provisions of the Treaty and elaborated upon in the principles for the coordination of the general regional aid schemes. In particular, the provisions of this Regulation shall not prejudice application of Articles 92, 93 and 94 of the Treaty, particularly as regards establishing and modifying the areas covered by a regional aid scheme and referred to in Article 2(3) /...../.

Article 36 (former Article 21)

1. Before 1 October each year, the Commission shall present to the Council, to the Parliament and to the Economic and Social Committee a report on the implementation of this Regulation during the preceding year.
  
2. The report shall also deal with the financial management of the Fund and discuss the Commission's conclusions based on the checks carried out in respect of Fund operations.

Article 37 (former Article 22)

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

Article 38 (former Article 23)

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