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**Report and proposals  
on ways of increasing the effectiveness  
of the Community's structural Funds**

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## Introduction

1. The persistence of structural imbalances within the Community, the obsolescence of the industrial fabric, trends in agriculture and the development of Community policies make it more necessary than ever for the Community to take structural action through its Funds.

It was for this reason that the Commission, through its President, speaking before Parliament in February, proposed that expenditure under the structural Funds should be doubled in real terms, with this objective being linked to the achievement of the reforms proposed and thus to an increase in the effectiveness of the Funds in serving the purposes of the Community.<sup>1</sup>

More recently, as part of the 'broad action to ensure the relaunch of the European Community' which it decided to undertake, the European Council in Stuttgart, similarly anxious to improve the effectiveness of the Funds, asked the Commission to present a report with proposals.<sup>2</sup>

Before describing the approach adopted by the Commission, a brief outline will be given of the Funds together with their financial and technical characteristics.

### Presentation of the structural Funds<sup>3</sup>

2. Two structural Funds were set up by the EEC Treaty:

(i) the *European Agricultural Guidance and Guarantee Fund (EAGGF), Guidance Section*, provided for in Article 40 in order to attain the objectives of the common agricultural policy, primarily increased productivity through rational development of agricultural production and the optimum utilization of the factors of production, in particular labour;

(ii) the *European Social Fund* set up under Article 123 'in order to improve employment opportunities for workers in the common market and to contribute thereby to raising the standard of living ...'

3. A third structural Fund was added to this armoury in 1975, i.e. 17 years after the establishment of the Community. This was the *Regional Development Fund*, whose purpose was 'to

correct the principal regional imbalances within the Community resulting in particular from agricultural preponderance, industrial change and structural underemployment'.<sup>4</sup>

4. The Community has other financial instruments for structural purposes in addition to the structural Funds referred to in the Stuttgart declaration. These are:

(i) the *European Investment Bank*, which was established under Article 129 of the EEC Treaty and whose task under Article 130 is 'to contribute ... to the balanced and steady development of the common market ...' by granting loans which facilitate the financing of projects, primarily those 'for developing less-developed regions';<sup>5</sup>

(ii) a set of instruments provided for by the ECSC Treaty: *industrial loans* (Article 54), *aid for the retraining of workers* (Article 56) and *subsidized loans* for the conversion of undertakings (Article 56).

### Financial resources and their growth<sup>6</sup>

5. Considered as a whole, the growth of the financial resources made available by the Community's structural instruments is impressive. The amount of grants and loans has increased twelvefold in nominal terms and fourfold in real terms during the last 10 years.

However, it must be remembered that Community structural action is relatively recent: it was only from 1975 onwards that the resources made available took on significant proportions.

<sup>1</sup> Programme of the Commission for 1983-84; see also Bull. EC 2-1983, point 2.4.11.

<sup>2</sup> Bull. EC 6-1983, points 1.5.3. and 1.5.5.

<sup>3</sup> A more detailed description of each of the Community's structural Funds is annexed to this report.

<sup>4</sup> Article 1 of Council Regulation (EEC) No 724/75 of 18 March 1975: OJ L 73, 21.3.1975; OJ L 111, 30.4.1975.

<sup>5</sup> This was later supplemented by the implementation of the borrowing and lending provisions laid down in the Euratom Treaty and by the NCI and, as from 1979, by the interest subsidies granted to the least-prosperous countries under the EMS.

<sup>6</sup> The annexed tables give a breakdown by recipient country of the commitments and payments made by each of the Community's financial instruments (EAGGF Guidance Section, Social Fund, Regional Fund and, since 1979, EMS interest subsidies) from 1974 to 1982.

## Growth of financing for structural purposes

(million ECU)

| Year | Grants <sup>1</sup> | Year                        | Loans <sup>2</sup> |
|------|---------------------|-----------------------------|--------------------|
| 1973 | 351.3               | 1968-72<br>(annual average) | 324.7              |
| 1975 | 827.5               | 1973-77<br>(annual average) | 966.6              |
| 1977 | 1 197.5             | 1980                        | 2 950.8            |
| 1980 | 2 765.3             | 1982                        | 4 244.2            |
| 1982 | 4 235.6             |                             |                    |

<sup>1</sup> (EAGGF Guidance Section, Social Fund, ERDF), commitments.

<sup>2</sup> Loans from EIB own resources within the Community and NCI loans as from 1979 (loans signed).

6. Parallel to the increase in resources, there has been a very distinct concentration on the least-favoured countries and regions: the proportion of grants received by the least-prosperous countries (Italy, Ireland, the United Kingdom and Greece) rose from 40% to 70% between 1974 and 1982, while these countries also received 75% of EIB loans between 1958 and 1982.

Thus, even though modest (the total amount of Community structural financing is equivalent to around 0.3% of Community GDP), the resources made available are significant where they are concentrated on precise targets. For example, Community assistance (grants and loans) to some of the least-favoured regions have in recent years reached significant levels and intensity, whether in terms of income (from 2 to 4% of *per capita* GDP) or in terms of investment (9 to 14% of gross fixed capital formation).<sup>1</sup>

### Characteristics of the Community's structural Funds

7. Before assessing the effectiveness of the Community's structural funds, attention must be drawn to the following facts:

(i) Assistance from the Funds is closely linked to national measures and policies and in financial terms represents only a small proportion of these.<sup>2</sup> It is therefore subsidiary.

(ii) The degree of conditionality of Community measures (i.e. the Community's scope for ensuring that the objectives which it has set are complied with and for thus making its assistance subject to its own considerations of effectiveness)

is restricted or neutralized by a number of factors: the low degree of autonomy in decision-making which the Commission is allowed; the difficulty of adapting a measure to the specific features of certain situations; and the relationship between Community and national expenditure (financial volume and rate of aid).

(iii) There are appreciable differences between the Funds (legal bases, specific objectives, scope, links with Community policies, operating characteristics and rules).

(iv) There is considerable diversity in the measures and types of aid (productive investment, infrastructure categories, wages, incomes, cost of vocational training, intangible investments) provided by the Funds.

8. The effectiveness of Community structural action, which is the key element in the examination requested by the European Council, may be assessed at two different levels:

(i) the first level is the effectiveness of the structural Funds from a Community point of view, i.e. the *value added by Community action to national measures* in pursuing objectives set by the Community;

<sup>1</sup> See annexed Table 10, which shows the impact of Community structural financing in a number of less-favoured regions.

<sup>2</sup> By way of indication, Community assistance is equivalent to the following proportions of national public expenditure in the relevant fields: EAGGF Guidance Section 6.5% (in 1977); ERDF quota section (productive investment) 4 to 6%; ESF (vocational training) 10 to 12%.

(ii) the second level is effectiveness in the management of the Funds, including that which can be achieved through their close *coordination*.

These two approaches must be pursued simultaneously, and proposals for improvements will be presented in each case.

The Commission attaches the greatest importance to the first level of effectiveness. It is here that the shortcomings are greatest. They cannot be remedied without substantial changes in the existing framework.

With regard to the second level of effectiveness, the Commission is particularly anxious to achieve all the improvements that are possible. However, it notes that the very mechanisms governing the Funds (largely automatic decisions on the basis of projects which the Member States present and which they are responsible for drawing up, monitoring and justifying) limit the possible scope for any major improvement in effectiveness from a strict management angle.

### **Enhancing the effectiveness of the structural Funds in the interests of the development of the Community**

9. If the structural Funds are to be effective tools in the development of the Community, it is not enough that they should be adequately financed.

There are a number of political and institutional conditions which must also be met. Most of these conditions are not met now. We cannot talk of effectiveness of Community action so long as the Community's discretion in the use of the structural Funds is so tightly restricted.

If the effectiveness of Community action is to be enhanced, the following principles must be recognized:

(i) the structural Funds must first and foremost be *tools of development and structural adaptation*, rather than financial redistribution mechanisms;

(ii) the structural Funds must act in support of *objectives defined by the Community itself*: those laid down in the Treaty and the Funds' basic regulations, those which are today imposed on

the Community by the economic crisis, and those which derive from the development of its other policies;

(iii) any automatic intervention by the structural Funds reduces the Community's role to merely checking that the requirements are in fact met, and must therefore be ruled out.

### **General conditions for effectiveness in the Community interest**

10. The first condition of the effectiveness in the Community interest of the structural Funds is the conditionality of assistance from them. This conditionality is in the Commission's view one of the essential points in this report.

Simply checking that a project is in line with the aims of the basic regulations, and meets the criteria they lay down, is not sufficient.

As a general rule there must be a dialogue between the Commission and the Member State concerned in order to dovetail the Community priorities and the national priorities so that joint action can be taken.

The Commission, which has the responsibility of advancing the Community interest, must be able to take part in decision-making in order to establish that a measure is in line with the Community's specific objectives and does promise the necessary degree of effectiveness.

If this twofold evaluation is to be possible, the Community assistance must be provided in the form of programme financing whenever the measures in question so permit. It is at this level, rather than in individual projects, that a convergence between Community priorities and national priorities can best be achieved, and joint action can best be organized, either in the form of programme contracts concluded between the Community and the relevant Member State or in the form of common strategies; the essential point is that the Member States must accept the Community as a partner in structural initiatives.

11. This first condition for effective Community action implies a second one, which relates to the specifically Community character of the objectives the structural Funds are required to pursue.

If the structural Funds were assigned no other function than that of participating in the financing

of national policies, their own impact would be reduced to that of a redistribution mechanism, and it would be impossible to distinguish any special contribution made by Community action.

But the purpose of Fund assistance is to serve aims spelt out by the Community itself.

12. The third condition of the effectiveness of Community structural Fund action is that it must be concentrated on well-defined targets, in order to avoid resources being scattered too thinly over too wide an area of action.

This concentration can be divided into three kinds, which may be combined:

(i) *geographical concentration* on certain regions whose difficulties (in employment, underdevelopment, restructuring, etc.) are the most acute in terms of the specific objectives of each Fund;

(ii) *concentration of targets*, on the basis of priorities adopted by the Community; these priorities must be defined so as to strengthen the links between the pursuit of the basic objectives of the structural Funds, as laid down by the Treaties, and those of other Community policies which overlap with the Funds' fields of operation;

(iii) *concentration of financial resources*, in particular by raising the Community Funds' rates of participation in cofinancing projects with the Member States where these rates are currently too low for Community action to have a significant impact.

The right combination of these various forms of concentration will permit of an appreciable improvement in effectiveness.

#### **Application to the three structural Funds**

13. The Community's three structural Funds have their own specific objectives, rules of operation and links with Community and national policies. These specific features must be preserved. None the less, the proposals below represent the application to each of the Funds of the general principles set out above.

If adopted by the Council, they would enable the three Funds, applying the same kind of conditionality, to work together and to undertake in tandem integrated development or conversion operations more easily and more effectively than is the case at present.

#### *EAGGF Guidance*

14. There are many positive features in the way the EAGGF Guidance Section operates: obvious link with a common policy, conditionality well established by the regulations and directives applicable to it.

The Commission notes however that, within the limit of the funds available, the conditions for ensuring efficiency, which are met in the EAGGF Guidance Section, cannot yield their full effect. The Section's tasks have in fact grown in number as time has gone on. In addition to the conventional 'horizontal' schemes, a wide range of regionalized operations of differing nature were started up from the end of the 1970s onwards. The funds available have not kept pace with the diversification of tasks, and this has forced the authorities to insert into the regulations a considerable number of technical limits which are not necessarily compatible with the objectives pursued;<sup>1</sup> the results has been that the money has had to be spread out too thinly over too wide an area.<sup>2</sup>

15. The Commission proposes, therefore, that the action of the EAGGF be more closely focused on a number of priority tasks, so as to avoid spreading resources too thinly:

(i) the promotion of *modernization* and *conversion* projects in farming;

(ii) the *processing* and *marketing* of agricultural products, these being two measures to which greater importance must be attached;

(iii) the *preservation* and *improved use* of non-productive rural areas (e.g. expansion of forestry);

(iv) an *improvement in agricultural income* in the less-favoured regions.

This concentration is particularly important as the EAGGF now stands at a crossroads. The adjust-

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<sup>1</sup> A typical example is that of the limitation of the areas to which the vineyard conversion programme or reforestation measures can apply.

<sup>2</sup> As the implementation of the hill-farming directives accounted for 47% of the commitment appropriations authorized for 1983 for measures to assist the less-favoured areas (Chapter 32), the rest (25% of all EAGGF Guidance appropriations) has to be spread over 24 regional programmes ranging from forestry or irrigation work to the integrated development programme for particular rural regions, and including the programmes to encourage farmers to convert out of surplus products.

ments to the CAP will engender a need for intensified but more selective efforts under the 'horizontal' EAGGF operations.

16. At the same time, with some regions lagging even further behind the rest because of general economic trends, and given the need to rationalize policy concerning prices and markets, schemes are now needed even more than before for these regions, for many of which farming is a major source of income.

To be fully effective, such specific EAGGF Guidance intervention must be dovetailed into a more comprehensive regional development framework alongside, but coordinated with, the other Funds. This basic approach has guided the Commission in its preparation of the integrated Mediterranean programmes.<sup>1</sup>

Under the circumstances, it is clear that the concentration of the tasks assigned to the EAGGF Guidance Section must be accompanied by an increase in the funds available to it, whether this be for the purposes of the Mediterranean programmes already proposed or for some other purpose.

This increase must take place as part of a transfer of financing for purely national policies to the Community policies that will flow from, among other things, the decisions on the adjustments to the CAP.<sup>2</sup>

For it is essential that the Community policies which determine the pattern of production through price-fixing, guarantee thresholds and market organizations are matched by Community solidarity in the provision of the resources needed to make a success of agricultural adjustment.

#### *Social Fund*

17. The Council came to a common position on the review of the Fund at its meeting on 2 June 1983.<sup>3</sup> Upon completion of the conciliation procedure requested by Parliament it will finalize a new basic Decision under the implementing Regulation, with a view to its entry into force for the 1984 budget year.

In its common position, the Council has indicated that it will introduce provisions under which:

(i) 40% of the allocation for general measures will go to schemes to promote employment in

Greenland, Greece, the French overseas departments, Ireland, the Mezzogiorno and Northern Ireland, with the remainder being concentrated in the other areas having to contend with high and long-term unemployment and/or involved in industrial and sectoral restructuring. Responsibility for drawing the precise borders of those areas will remain part of the Commission's management tasks;

(ii) at least 75% of the allocation available will be used to foster employment for young people under 25, thereby continuing an existing trend within the Social Fund and reflecting the evolution of vocational training and employment policy at national and Community level.

Other changes have been planned that will simplify the Fund's structure and improve procedures for the submission and approval of applications and for payments. They will enable the Commission to play a more active role than hitherto in monitoring and evaluating operations, in promoting innovations in projects related to Community action programmes, and in the dissemination of information and experience.

18. These guidelines are in line with the Commission's proposals for tightening up conditionality and strengthening the qualitative concentration of the Fund's objectives.<sup>4</sup>

The Commission will use the framework offered by the review of the Social Fund<sup>5</sup> to strengthen the links between Fund intervention and the Community policies on employment and vocational training.

By and large, the projects and programmes submitted for Fund financing will continue to be appraised primarily in the light of their relevance to the general objectives of those policies, notably the guarantee of a job or proper training for young people.

More specifically, however, the Commission will, when drawing up the annual guidelines for Fund

<sup>1</sup> Bull. EC 3-1983, points 1.3.1. to 1.3.13. and 3.4.1. to 3.4.3.

<sup>2</sup> The necessary room for manoeuvre exists since the Community spends on schemes for improving agricultural structures an amount equal to only some 6% of that disbursed by Member States for the same purpose. See also Supplement 4/83 - Bull. EC.

<sup>3</sup> Bull. EC 6-1983, point 2.1.73.

<sup>4</sup> OJ C 308, 25.11.1982; Bull. EC 10-1982, points 1.2.1. to 1.2.8.

<sup>5</sup> OJ L 28, 4.2.1971; OJ L 337, 27.12.1977.



management, attach priority, in the context of conditionality, to the programmes that dovetail with common policies, such as those helping to rectify the shortcomings, identified at Community level, in training for the new information technologies.<sup>1</sup>

Lastly, the Commission will work with Member States in devising ways of bringing about a qualitative and quantitative improvement in their training and job promotion schemes. This will take place not only as part of the procedure for drawing up the Fund's annual guidelines but also within the context of the longer-term objective of national and regional programme planning and appraisal.

### *ERDF*

19. The impact of the present crisis on Community regions affected by particularly serious structural problems points up more than ever the ERDF's traditional role as an instrument of harmonious Community development.<sup>2</sup> Certain drastic consequences of the adaptations associated with the decline of some industries mean that the ERDF must take on new tasks.

The proposals which the Commission put forward in October 1981 were designed to equip the ERDF to carry out these new tasks and at the same time to give it greater impact.<sup>3</sup>

The Commission proposed, in line with the principles set out in this report, a series of qualitative improvements to the Fund's administration: first, a smooth changeover from the current support for individual projects to the joint financing of infrastructure programmes and regional aid schemes on the basis of contract programmes agreed between the Member State concerned and the Commission; second, a greater concentration of objectives, and emphasis on direct support for the indigenous development potential of the regions together with a legal framework and preferential rates for integrated operations; third, a more clearly defined legal form for the coordination of national regional policies.<sup>4</sup>

In order to adapt the Fund to its changing priority tasks, to derive the maximum benefit from the qualitative improvements and to prevent Fund aid from being spread too thinly, the Commission also proposed a radical reorganization for the use

of Fund resources. A more concentrated use of the quota section, reduced to 80% of the Fund, was intended to enable the least-favoured regions in the less-prosperous countries to retain the level of guarantee that they enjoy under the current distribution arrangements; however, a non-quota section with increased resources totalling 20% of the Fund would allow a more flexible response to regional problems throughout the Community, and in particular to the new tasks connected with industrial conversion. The increase – modest in itself – in financial solidarity which stemmed from the proposal therefore represented only one of the aims in view, the other being to adapt the Fund to the tasks confronting it.

20. Some progress has been made in discussions within the Council on a number of important issues, in particular the coordination of national regional policies, programme financing, support for the indigenous potential of regions and the promotion of integrated operations. But more progress is needed to maximize the impact of the planned innovations.

No satisfactory outcome has been reached in discussions on other fundamental matters, in particular the need for a greater qualitative concentration of aid together with a higher rate of participation for priority measures.

Furthermore, the negotiations have so far failed as regards the concentration of the quota section and the volume of the non-quota section. As the months have gone by, the overall view has become blurred and discussions have got bogged down in a search for marginal adjustments to existing quotas. The Commission, which has helped to work towards reasonable compromises in a constructive spirit, is not prepared to accept that the negotiations deal solely with the financial redistribution function of the ERDF. While a greater concentration of Fund resources in the most disadvantaged regions, especially in the less-prosperous countries, is still important, it cannot be the sole objective and may well be reduced simply to a transfer of funds if it is not made part of a coherent programme of reform.

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<sup>1</sup> OJ C 166, 25.6.1983; Bull. EC 6-1983, points 1.4.1. to 1.4.9. and 2.1.81; OJ C 162, 29.6.1982; Bull. EC 5-1982, point 2.1.41; Bull. EC 12-1982, point 2.1.65.

<sup>2</sup> Supplement 4/81 – Bull. EC, pp. 59 to 63.

<sup>3</sup> Bull. EC 10-1981, points 1.2.1. to 1.2.9.

<sup>4</sup> OJ C 36, 9.2.1979; Bull. EC 10-1981, point 1.2.9.

21. Meanwhile, the Commission is administering the Fund as usual pending a decision from the Council.<sup>1</sup> It is pressing for discussions to be resumed on a new basis and proposes an approach which, if accepted by the Council, would enable real progress to be made towards increasing the effectiveness of Community action. This presupposes that the Council will agree to take full account of the twin requirements, inextricably bound together, of Community solidarity and effectiveness as a means of attaining the objectives set by the Community itself.

The essential, inseparable features of the plan proposed are as follows:

1. The Community will set two main priority tasks for the ERDF geared to the fundamental objectives of the Community's structural action:

(i) the *development and structural adjustment* of the less-developed regions;

(ii) the *conversion* of declining industrial areas.

2. ERDF assistance in the context of these priority tasks will take the form of programme contracts jointly financed with the Member States concerned.

These programme contracts will concern regional development or conversion programmes and sets of measures adopted in the light of the Community's ineluctable priorities stemming from the economic crisis (for example, conversion of the steel industry) and the trend of agriculture or deriving from Community policies, notably in the fields of energy, innovation, the environment, transport, etc.

3. These programmes will be closely coordinated with the other structural financial instruments, in particular Community loans; the Commission is maintaining its 1981 proposal<sup>2</sup> aimed at promoting greater recourse to the technique of subsidized loans for productive investments and would like to see an increase in their share of Fund assistance.<sup>3</sup> In the same vein, the Commission is examining whether a revolving fund mechanism could prove feasible.

4. In the light of experience acquired and with enlargement ahead, this new plan will have to be introduced gradually. During an initial stage lasting several years, it will have to be stipulated that programmes financed by the ERDF will be:

(i) either Community programmes governed by appropriate legal provisions broadly outlined in the general regulation;

(ii) or national programmes of value to the Community satisfying the criteria laid down in the general regulation.

In a later stage all ERDF operations should be in the form of programmes satisfying specifically Community objectives governed, within a framework regulation, by provisions adapted to the different types of programme.

The Commission attaches utmost importance to the fact that this legal framework should include decision-making procedures compatible with effective management of structural policy.

5. In both cases, ERDF assistance should be the result of a dialogue between national and Community authorities, involving prior assessment of the benefits of each programme to the Community and of its economic effectiveness, and leading to a programme contract.

6. The Community will have to have the financial and operational resources to conduct technical assistance and information schemes designed to help those national and regional authorities which so desire to draw up their development or conversion programmes and to give them a clearer idea of the opportunities for recourse to the various structural Funds and other Community financial instruments.

7. The distinction between non-quota and quota sections will be abolished.

8. As for the quotas themselves, they will eventually lose their *raison d'être*.

During the transitional phase, therefore, the geographical distribution of total Fund operations could be governed by quantitative guidelines involving a certain degree of concentration compared with the present distribution. These guidelines might, for instance, be indicative ranges for the approximative share for each Member State from the entire Fund during a

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<sup>1</sup> It is also hoping that the Council will take an early decision on the second series of non-quota measures.

<sup>2</sup> OJ C 336, 23.12.1981.

<sup>3</sup> In any event a minimum participation will be required from the investor.

given period. At all events, the Commission cannot accept that a quota be considered a virtually unconditional drawing right.

In the final stage the guidelines for the geographical distribution of assistance from the Fund would be largely predetermined owing to:

- (i) the stress placed by the ERDF framework regulation on the priority to be given to the least favoured regions in the exercise of its two fundamental tasks;
- (ii) the indications contained in the Community programmes as to the nature and location of the planned operations.

### **Improved coordination and management of the Funds**

22. The Community must take steps to make the coordination and management of the Funds more effective, particularly if the approach proposed by the Commission is adopted by the Council, because it would automatically involve increased responsibilities for Community bodies.

#### **Problems of coordination: complementarity, overlapping and combination of assistance**

23. The Commission is convinced that the most important task in coordinating the Funds lies in strengthening the complementarity of assistance.

This is the approach which it has adopted with the first integrated programmes and operations<sup>1</sup> and the approach which it proposes the Council adopt with the integrated Mediterranean programmes. It is also adopting this approach in deploying in a cohesive fashion various instruments (ECSC, ERDF, social field) to overcome the serious social and conversion problems in the regions affected by the crisis in the steel industry. This is also one of the reasons why the Commission has proposed a better link-up between the basic objectives of the structural Funds and the priorities which arise from other Community policies, whose field of application overlaps that of the Funds.

The cohesiveness of Community action further demands that major structural imbalances in the

Community also be taken into account when these policies are formulated. With this approach, the coordination of the Funds and the strengthening and enlargement of their scope for assistance serve a development objective which takes equal account of the sectoral, regional and social dimensions of the problems.

24. That being said, discussion of complementarity raises the question of overlapping between the Funds. Such overlapping arises where a category of measure is in theory eligible for assistance from more than one Fund. To reduce these possibilities, would the ideal solution not be strict separation of the Funds?

The Commission does not think so. The facts of the situation are far too complex to allow of such simplifications; a problem is seldom exclusively agricultural or exclusively social or exclusively regional. Consequently, while making due allowance for the specific features of the three Funds, every opportunity must be taken to achieve synergy between the structural Funds and with other national and Community financial instruments. It is therefore necessary to strengthen the complementarity of instruments where this is necessary and desirable, while at the same time eliminating lack of cohesion and duplication, which would lead to the wastage of public funds.

Overlapping raises the possibility of combinations of aid, in that a project may receive financial aid from several sources.<sup>2</sup>

25. Such combined assistance is occasionally desirable so as to make possible or to speed up an operation which is economically justified. But it must be governed by strict rules. Apart from such cases, however, any combination leading to duplication must be strictly prohibited.

An examination of Community legislation shows that the combination of assistance is generally prohibited. For example, the various Regulations prohibit the combining of assistance for rural infrastructure projects (electricity, drinking water, roads) which may be financed in some regions either by the ERDF or the EAGGF Guidance Section.

<sup>1</sup> Naples, Belfast, Western Isles, Lozère, south-east Belgium.

<sup>2</sup> For example, grants and loans.

Failing explicit legal provisions, the combination of assistance is excluded<sup>1</sup> or controlled by internal management rules. These rules are based on two main principles:

(i) in the case of *public sector* investment projects (infrastructure), the total of Community financing (grants and loans) and national aid may never exceed 100% of the eligible investment cost; in general, total Community financing stays well below this limit;

(ii) in the case of investment in *productive activities*, the total of Community and national aid must be such that financial responsibility continues to lie with the operator, account also being taken of Community rules on State aids.

To this end, there are administrative guidelines for combining the structural Funds with the lending instruments and for combining the latter with one another. Like the internal rules applicable to the Funds, these guidelines maintain the instruments' flexibility of action, while at the same time limiting the dangers of an uncontrolled combination of aid.

However, there are a number of cases, particularly in the fields of vocational training and assistance to small and medium-sized businesses, where the combination of aid is neither prohibited nor controlled. Abuse is theoretically possible. It is prevented under existing rules and regulations through the close operational coordination which the Commission enforces in the administration of the three Funds through the Task Force responsible for coordinating the structural instruments.

The Commission thus ensures that the legal provisions and internal rules relating to the combination of aid are observed. In order to do this, it has carried out a systematic analysis, Regulation by Regulation, of the possible overlapping between the various categories of measure in which the Funds may be involved. This documentation is available to the Council and its groups of experts.

It has also decided to establish a central register of projects or programmes submitted for financial assistance from the structural Funds and other Community instruments in order to keep the possibilities of combining aid under control. This should greatly facilitate the assessment and monitoring work referred to below.

## **Problems of management : assessment, monitoring and advances**

26. The application of conditionality normally requires an *ex ante* technical, economic and financial assessment and *ex post* monitoring of the results of operations, the latter not being limited to a mere check as to whether aid granted has been correctly used but including also an economic assessment of the results (for example, as to whether investment projects are profitable, whether they are effective in the light of the objectives pursued, etc.).

It is true that, in the case of very limited measures with specific objectives and simple and well-defined eligibility criteria, the conformity of projects with these criteria, backed up by a subsequent check on whether funds have been properly used, generally offers an adequate guarantee that the desired outcome will be achieved. The assessment and monitoring procedure can then be limited to an examination of such conformity and to a financial check.

In the case of more complex operations, however, an *ex ante* economic assessment (cost-benefit analysis) and detailed *ex post* financial and economic monitoring are essential ingredients of sound management. This applies particularly to cofinanced operations under regional, national or Community structural development programmes.

In practice, assessment and monitoring capability varies from one Fund to another. It is most developed in the case of the EAGGF Guidance Section, which has the advantage of long experience in certain fields, the necessary expertise (particularly in the 'technical' divisions responsible for the management of agricultural markets and structures), an information network in the Member States, direct contacts with aid recipients and just enough staff and resources to carry out such work. Nevertheless, *ex post* monitoring is still too infrequent to have any real impact on the checking of the effectiveness of indirect measures.

The situation is different in the case of the ERDF and the Social Fund. These Funds have developed

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<sup>1</sup> The combination of assistance is in practice excluded by a division of work between the Funds. For example, while, in the Mezzogiorno, the ERDF helps to finance the large irrigation infrastructure projects, the EAGGF is concerned with projects directly connected with agriculture, downstream from the main infrastructure work.

rapidly in recent years, but this development has not been matched by a corresponding increase in their administrative resources. Management difficulties are particularly severe as projects are individually processed. The assessment of these numerous projects must therefore be based almost exclusively on information from the national authorities that is generally not sufficiently detailed; it is frequently limited to a mere examination of conformity, subsequently followed by a financial check.<sup>1</sup> This is a further reason for recommending the extension of the approach based on programmes, and particularly integrated programmes, whenever the nature of the operations so permits.

27. The Commission has therefore decided:

(i) to reinforce the resources allocated by the department responsible for administering the Funds to *ex ante* economic assessment in order to limit the danger of failure as much as possible, particularly in the case of cofinanced programmes and direct measures; this requires in return better and more detailed information for the Commission from the Member States;

(ii) to set up a unit to monitor economic effectiveness, overseeing all three Funds and supplementing financial checks of documents, in order to ensure that the conditions set for the financing of the programmes and main projects are met.<sup>2</sup> To this end, it proposes, where necessary, to call on outside experts to strengthen its own departments.

However, these measures are really only worthwhile if the Community approach proposed above is adopted.

28. A further management problem is that of the use of advances. The Commission introduced a system of advances for the structural Funds in order to improve the administrative effectiveness of its work.<sup>3</sup>

But the results have not always been satisfactory. In many cases, advances have not even been used and it has not proved possible to speed up spending as hoped. Furthermore, the Commission has been compelled in several cases to require advances to be repaid because of undue delays in projects being carried out.

The Commission therefore proposes that not only interest be paid on advances paid out and used late or not used at all but also penalties imposed.

To this end, it will provide itself with the necessary means of carrying out systematic checks on the actual use made of advances.

## Budgetary implications

29. Given the need for budgetary discipline, the growth of structural spending must be predictable and controllable. To this end, the Commission is proposing that the growing resources allocated to the structural Funds should be entered in the budget under a multiannual indicative plan.

Hitherto the resources allocated to the Social Fund and the ERDF, being non-compulsory expenditure, have been decided each year by the budgetary authority without any commitments being made for the following year. The growth in the resources allocated to this section of the Community budget has in fact been remarkable. Nevertheless, the unpredictability of resources considerably undermines the effectiveness of the Funds and prevents any clear definition of the scale and direction of the effort on the part of the Community. It is therefore earnestly to be hoped that both arms of the budgetary authority can be associated in the definition of a medium-term plan which would take account of the structure of the budget, the rate of increase in own resources and the objectives of the structural policies.

For its part, the European Parliament has already indicated its desire that good budgetary management should move in this direction.

Two factors must be borne in mind when determining the volume of resources to be allocated to the Funds in the course of the next few years: first, the original objectives assigned to the Funds with a view to reducing the structural imbalances in the Community are as important as

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<sup>1</sup> In the period 1975-82, 80% of the projects submitted to the ERDF (i.e. 17 771 projects out of a total of 22 500 applications submitted) and more than 82% of the assistance requested were approved.

<sup>2</sup> This must go hand in hand with the extension, recommended elsewhere, of the approach based on programmes; the *ex post* monitoring of thousands of individual projects, even on a sampling basis, clearly cannot be envisaged.

<sup>3</sup> In this connection, the Commission requests that at budgetary level the Member States agree to incorporation of the corresponding administrative costs in the total allocation for the programmes.

ever; secondly, the obsolescence of the industrial fabric, the restructuring of the agricultural policy and the development of Community policies add a new dimension to the Funds' task.

30. In these circumstances, the Commission has proposed that the budgetary plan be such that the proportion of the Community budget allocated to structural spending gradually increases. It believes that, in view of the magnitude of the task and the context in which it conceives it, the target should be a doubling of expenditure in real terms over a five-year period.

The Commission acknowledges that an increase in transfers of public resources is not in itself a guarantee of success. Steps must also be taken to ensure the participation of private enterprise, the support of the various groups of people concerned and the effective cooperation of national and regional authorities.

This being so, the needs generated in the Community by the requirements of development and structural adjustment are such that they amply justify acceptance by the Council of the Commission's proposals aimed at improving, both qualitatively and quantitatively, the effectiveness of the Community Funds, having regard in particular to:

- (i) the need for a strong Community impetus to give *consistency* to fragmented national measures;
- (ii) the opportunities for rationalizing the total structural expenditure of the Member States from the time their financial solidarity is placed at the service of jointly-defined objectives.

## Conclusions

31. The Commission's proposals to improve the effectiveness of the structural Funds introduce an

innovation in the history of the Funds, short as it is.

Instead of allocating most of the financial resources employed by the Community Funds to the financing of national policies without any guarantee that such policies actually contribute to convergence within the Community, and instead of confining within narrow limits the resources allocated to serving specifically Community objectives, the Commission proposes the introduction of a Community development and structural adjustment policy in the service of priority activities defined by the Community and implemented by the entire armoury of the Community's structural Funds and other financial instruments.

It rejects, on the other hand, approaches which distort the vocation of the Community Funds because they would give priority to their redistribution function over their structural functions.

It wishes to see the three Funds, in conjunction with the borrowing and lending instruments, together making a more effective contribution to economic convergence within the Community. This is possible, provided that:

- (i) the links between the fundamental objectives of the Funds and those of the other Community policies are strengthened;
- (ii) the joint action of the three Funds forms part of development or conversion plans such as that proposed by the Commission for the Mediterranean regions;
- (iii) the Member States grant the Community both the right and the resources to give practical expression to the Community interest as they themselves have defined it;
- (iv) the conditionality attaching to Community action is matched by genuine solidarity among the Member States in the allocation of budget resources for structural policy.

## **Annexes**

## Description of the structural Funds

### EAGGF Guidance Section

#### *General objectives*

32. The EAGGF Guidance Section has three main objectives:

- (i) the improvement of farming conditions;
- (ii) the improvement of marketing and processing of agricultural products;
- (iii) the adaptation and guidance of agricultural production in terms of the common policy for markets.

These objectives are linked to the CAP and are a response to the desiderata of the policy as defined in Article 39 (1) of the EEC Treaty; they are generally given more specific and practical expression in the definition of the tasks assigned to the EAGGF Guidance Section.

#### *Specific features*

33. Being closely linked to the CAP, the approach of the EAGGF Guidance Section is thus essentially geared to the agricultural sector. The specific tasks are set out in specific regulations or directives, governed by a framework regulation. A number of major regulations and directives run out at the end of 1983. The EAGGF Guidance Section is the only structural Fund the resources of which have since 1 January 1980 been allocated under a multiannual financial ceiling arrangement, expiring at the end of 1984.

#### *Financial resources*

34. The EAGGF Guidance Section is, with 759 million ECU (appropriations for commitment) in 1982, the smallest of the structural Funds. Its expenditure accounts for about 5% of total EAGGF expenditure and, on the basis of an estimate for 1977 (the only year for which figures are now available), about 6.5% of national

agricultural expenditure in the socio-structural field, leaving out of account national expenditure on social security for farmers and farm workers.

#### *Geographical distribution*

35. The end-1982 cumulative total of EAGGF Guidance expenditure shows no marked geographical concentration (save for mild concentration in northern regions). However, since the second half of the 1970s there has been a growing tendency towards the regionalization of intervention, either through the introduction of specific schemes, or through the regional modulation of certain requirements and intervention rates. Thus, in recent years, a new shift of emphasis to the southern regions and to Ireland has got under way.

#### *Types of intervention*

36. About half of EAGGF Guidance expenditure goes to fund 'horizontal schemes' the other half to 'common measures' of a regional character. The former may be broken down according to the three main objectives mentioned above: improvement of production conditions (including modernization of farms – about 25%), improvement of marketing and processing structures (about 15%), adaptation and guidance of production (about 10%).

The main regional scheme is governed by the directive on mountain and hill farming and farming in certain less-favoured areas.<sup>1</sup> It concerns about 1 million holdings and 25% of the agricultural area of the Community; it accounts for 30% of the budget approved for 1983. In addition to this central measure, there is a growing number (24 for 1983) of specific regional schemes ranging from forestry or irrigation measures to integrated development programmes for given rural areas, and including programmes for the conversion of certain regional agricultural products (20% of the payments authorized for 1983).

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<sup>1</sup> OJ L 128, 19.5.1975.



## *Annex I (contd)*

The rates of EAGGF Guidance participation in 'common measures' range from 25% to 65% depending on the type of scheme and the region concerned. In general, the EAGGF contribution is therefore definitely more than a marginal one, at least in the spheres covered by those measures.

37. In conclusion, a review of the EAGGF Guidance Section shows a number of positive features: close links with a common policy, precise objectives, 'predictability' of available funds, relative flexibility to allow adaptation of the range of schemes, marked conditionality.

There are also a number of difficulties and problems. Thus, some schemes have not had the success that was hoped for, partly because of the change in the economic situation during the 1970s, which substantially inhibited structural change in agriculture, but partly also because of more specific problems, including:

- (i) difficulties in connection with coordination between Community and national schemes;
- (ii) delays and difficulties encountered by certain Member States in adopting and executing implementing procedures;
- (iii) difficulties encountered by certain Member States in finding the funds to cover their share of costs;
- (iv) inadequacies in connection with the regional policies which should underpin policy on agricultural structures in the less-developed rural areas;
- (v) conditionality needs proper assessment and verification, and facilities for this purpose have not always been adequate;
- (vi) the inadequate adaptation of the regulations, particularly those concerning 'horizontal' schemes, to certain specific situations, so that implementation of these regulations has not been satisfactory in the areas which needed them most.

In addition, increases in funds have lagged steadily further behind the expansion of the work, and the disequilibrium between the appropriations for the Guarantee Section and the Guidance Section of the Fund is still very wide. It will be recalled, in this context, that originally (Regulation No 25),<sup>1</sup> it had been hoped to achieve a proportion of 25% of total EAGGF expenditure

to be accounted for by the EAGGF Guidance Section.

## **Social Fund**

### *General objectives and specific features*

38. Pursuant to Article 123 of the EEC Treaty, the Social Fund has the task of rendering the employment of workers easier and of increasing their geographical and occupational mobility within the Community. As an instrument of employment policy, the Fund is concerned mainly with helping to finance the whole range of measures taken by the Member States in the field of vocational training aimed at integrating workers into working life, the reintegration of unemployed persons and the fight against unemployment. It likewise provides assistance for a series of additional actions concerned with the integration of disabled persons into the labour market and with the social integration and mobility of migrant workers and their families. In line with the development of labour market policies in the Member States, the Fund has, in addition, for several years been playing a part in the field of aid for job creation, in particular recruitment premiums and wage aids for jobs which benefit the Community.

### *Financial resources*

39. There has been a rapid increase in the Social Fund budget over the last five years, a fact which reflects the increase in unemployment and the increased endeavours of the Member States in the field covered by the Fund. However, although the budget rose from some 570 million EUA in 1978 to just under 1 600 million ECU in 1982, the gap between applications for assistance and the available appropriations has continued to widen.

In line with the guidelines for the management of the Fund, which are adopted annually by the Commission, this increase in the budget went

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<sup>1</sup> OJ 30, 20.4.1962.

hand in hand with a gradual focusing on the regions which have the most serious problems as regards employment imbalances and are the least prosperous.

Thus the proportion of appropriations authorized for the ERDF regions within the total of Fund interventions is increasing every year. In 1982, it accounted for nearly 90% of the aid provided by the Fund (1 365 million ECU). Among the ERDF regions, the absolute priority regions<sup>1</sup> have, in real terms, likewise received a steadily growing amount of aid from the Fund, rising from 299 million ECU in 1979 (38% of the Fund's total budget) to 616 million ECU in 1982 (40% of the total budget).

#### *Forms of intervention*

40. The rules currently in force provide for two main categories of Fund intervention: the aim of the first, which is based on specific decisions made by the Council, is to back up Community policies (relating to sectors, to groups, etc.) by influencing the labour market; the second aims at doing away with unemployment or underemployment of a structural nature. At present these two categories cover nine fields of intervention.

Fund aid is granted on the basis of grouped applications submitted by public or private bodies and channelled through the Member States. The intervention rate is usually 50% of the eligible expenditures where an equivalent contribution is guaranteed by the public authorities. It is up to the Commission, after consulting the tripartite committee of the Social Fund, to choose those projects which will receive aid among those applications which are both admissible and eligible under the rules in force and which are in line with the priorities set out by the Commission in its annual guidelines.

A system of financing by weighted reduction is applied when the available appropriations are inadequate. The sum calculated for each Member State by applying the reduction coefficient is subsequently divided among the operations which the Commission judges to be particularly deserving, after consulting the Member States in question.

41. The obstacles to a greater effectiveness on the part of the Fund are to be found mainly in two

factors: the complexity of the Fund, which is characterized by a multiplicity of fields of intervention, each with a separate budget and set of guidelines, and the decision-making procedures, which are still lengthy despite endeavours to speed them up and mean that most projects cannot be authorized before they are due to begin. The Commission has submitted its opinion on the review of the Fund, taking account of the need to solve these two problems.<sup>2</sup>

## **ERDF**

### *General objectives*

42. The ERDF was set up in 1975 and fits into the general context of achieving balanced development of the Community since it 'is intended to correct the principal regional imbalances within the Community resulting in particular from agricultural preponderance, industrial change and structural underemployment' (Article 1 of the basic Regulation).<sup>3</sup>

The EIB and the ERDF are thus the Community's two financing bodies entrusted with the general task of assisting regional development. However, the operation of these two bodies differs substantially, since the former is a bank and the latter a Fund administered by the Commission which makes grants at the request of the Member States.

### *Main features of the ERDF*

43. The endowment for the Fund has been determined annually since 1978 in the general budget of the European Communities. It is used to finance:

(i) support for regional policy measures adopted by the Member States (95% of the budget endowment, shared out in national quotas);

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<sup>1</sup> The French overseas departments, Greenland, Greece, the Mezzogiorno, Ireland and Northern Ireland.

<sup>2</sup> OJ C 308, 25.11.1982; Bull. EC10-1982, points 1.2.1. to 1.2.8.

<sup>3</sup> Council Regulation (EEC) No 724/75 of 18 March 1975: OJ L 73, 21.3.1975; OJ L 110, 30.4.1975.

## *Annex I (contd)*

(ii) specifically Community-oriented measures with appropriations not subject to national quotas (5 % of the endowment).

In the areas and regions covered by the non-quota section, the ERDF participates in financing investments – mainly in infrastructure, but also in the industrial, craft and services sectors. It operates by paying the Member States grants (or equivalent interest subsidies); the amount is a percentage of the investment cost and varies according to whether the investment is in infrastructure or productive activities.<sup>1</sup>

The recent introduction of a non-quota section has made it possible to implement Community measures and thus to establish a link between ERDF action and specific Community priorities. However, there can be no talk of real change in the way the ERDF operates, given the budgetary limitations (5 % of the Fund).

### *Financial resources*

44. Three features have characterized the development and use of the appropriations set aside for the ERDF since its inception: firstly, their rapid, steady growth (payments increased from some 75 million ECU the first year to around 1 000 million ECU in 1982); secondly, heavy concentration on the least-prosperous countries and regions of the Community (Italy, United Kingdom, Ireland and Greece): between 1975 and 1982 over three-quarters of total payments went to these countries, while the assistance per head of population in the least-favoured regions of the Community reached an average of 55 ECU in 1982 as against 26.5 ECU in the period 1976-82; lastly, the considerable significance of infrastructure projects (86 % of ERDF assistance in 1982), in particular large-scale projects as apparent from the breakdown of commitment appropriations for 1982.<sup>2</sup>

### *Forms of intervention*

45. Under the procedures governing the grant of ERDF assistance, the Commission – with the

help of the Fund Committee and the Regional Policy Committee – assesses the contribution made by the investment to regional development and its consistency with Community programmes or objectives. It also ensures that the various Community measures of assistance are coordinated as much as possible and certain cases of combination of aids avoided. In addition, each project must form part of a regional development programme established in accordance with a common outline drawn up by the Regional Policy Committee.

Many projects fail to qualify under these provisions; but the discretion which the Commission has is limited on account of the rigid system of national quotas. The Member States tend to restrict their applications for assistance to their national quota under the Regulation.

46. In the vast majority of cases ERDF assistance backs up regional policy measures decided upon at national level without there being any guarantee that these contribute to economic convergence within the Community. As things now stand, the Commission's power to coordinate and guide these measures is very limited on account of the set-up. This consideration, together with the widening of disparities, inspired the proposal to reform the ERDF presented by the Commission to the Council in 1981.<sup>3</sup>

Since ERDF assistance is subsidiary to national measures, it is hard to measure its economic impact. As a guide, the table below compares ERDF assistance with certain key aggregates such as gross domestic product and gross fixed capital formation (GFCF) in certain regions.

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<sup>1</sup> From 10 to 40% for infrastructure; 20% for productive activities but no more than 50% of State aid.

<sup>2</sup> Out of a total of 3 269 projects, 118 concerned investments in infrastructure costing more than 10 million ECU each (water engineering, transport, energy, telecommunications) and accounted for 55% of total appropriations.

<sup>3</sup> OJ C 336, 23.12.1981; OJ C 261, 6.10.1982.

| Priority regions <sup>1</sup> | ERDF assistance per inhabitant<br>(ECU, average 1979-82) | GDP per head<br>(ECU, 1980) |
|-------------------------------|--|-----------------------------|
| Ireland                       | 16.6   | 3 768 (0.4%)                |
| Northern Ireland              | 18.1   | 4 928 (0.36%)               |
| Mezzogiorno                   | 14.5   | 3 531 (0.4%)                |
|                               | ERDF assistance<br>(million ECU, 1979)                   | GFCF<br>(million ECU, 1979) |
| Ireland                       | 62.2   | 3 442 (1.8%)                |
| Northern Ireland              | 42.5   | not available               |
| Mezzogiorno                   | 394.7  | 13 400 (2.9%) <sup>2</sup>  |

<sup>1</sup> Excluding Greenland and the overseas departments.

<sup>2</sup> Excluding Marche and Lazio.

**Annual commitments and payments to Member States: EAGGF Guidance Section, Social Fund, Regional Fund, EMS interest subsidies (1974-82)**

**Table 1 – Breakdown of structural grants by recipient country – 1974**

|                            | <i>(million ECU)</i> |                |         |              |        |             |         |            |         |       |
|----------------------------|----------------------|----------------|---------|--------------|--------|-------------|---------|------------|---------|-------|
|                            | Italy                | United Kingdom | Ireland | Germany (FR) | France | Netherlands | Belgium | Luxembourg | Denmark | EC 9  |
| EAGGF Guidance Commitments | 53.3                 | 22.6           | 9.8     | 68.6         | 55.6   | 18.3        | 15.3    | 1.1        | 10.2    | 254.8 |
| EAGGF Guidance Payments    | 15.9                 | —              | —       | 56.9         | 34.1   | 15.6        | 12.4    | 0.2        | —       | 135.1 |
| Social Fund Commitments    | 58.3                 | 50.9           | 13.8    | 33.1         | 51.6   | 7.6         | 7.0     | 0.0        | 12.4    | 234.7 |
| Social Fund Payments       | 76.5                 | 37.2           | 9.4     | 42.3         | 26.6   | 8.6         | 5.5     | —          | 4.1     | 210.2 |
| Regional Fund Commitments  |                      |                |         |              |        |             |         |            |         |       |
| Regional Fund Payments     |                      |                |         |              |        |             |         |            |         |       |

**Table 2 – Breakdown of structural grants by recipient country – 1975**

|                            | <i>(million ECU)</i> |                |         |              |        |             |         |            |         |       |
|----------------------------|----------------------|----------------|---------|--------------|--------|-------------|---------|------------|---------|-------|
|                            | Italy                | United Kingdom | Ireland | Germany (FR) | France | Netherlands | Belgium | Luxembourg | Denmark | EC 9  |
| EAGGF Guidance Commitments | 52.4                 | 27.4           | 8.6     | 67.8         | 51.5   | 15.7        | 13.4    | 0.2        | 10.2    | 247.2 |
| EAGGF Guidance Payments    | 28.8                 | 12.9           | 1.0     | 64.4         | 46.0   | 17.1        | 10.3    | 0.6        | 6.0     | 187.1 |
| Social Fund Commitments    | 73.7                 | 82.0           | 16.8    | 50.0         | 77.1   | 12.6        | 8.8     | 0.0        | 9.4     | 330.4 |
| Social Fund Payments       | 19.4                 | 29.5           | 7.2     | 12.2         | 17.1   | 0.8         | 0.7     | —          | 0.7     | 87.5  |
| Regional Fund Commitments  | 95.7                 | 64.1           | 14.8    | 11.4         | 48.0   | 6.5         | 4.4     | 0.9        | 4.1     | 249.9 |
| Regional Fund Payments     | 34.2                 | 13.9           | 5.2     | —            | 16.8   | 3.3         | —       | 0.2        | 1.6     | 75.2  |

Table 3 - Breakdown of structural grants by recipient country - 1976

*(million ECU)*

|                            | Italy | United Kingdom | Ireland | Germany (FR) | France | Netherlands | Belgium | Luxembourg | Denmark | EC 9  |
|----------------------------|-------|----------------|---------|--------------|--------|-------------|---------|------------|---------|-------|
| EAGGF Guidance Commitments | 62.5  | 36.7           | 18.1    | 81.9         | 62.9   | 17.3        | 17.6    | 0.1        | 13.3    | 310.4 |
| Payments                   | 25.4  | 29.2           | 6.2     | 64.9         | 46.5   | 18.3        | 12.9    | 0.4        | 7.2     | 211.1 |
| Social Fund Commitments    | 98.5  | 71.3           | 21.2    | 57.7         | 79.6   | 15.4        | 9.2     | 0.1        | 11.5    | 364.4 |
| Payments                   | 25.2  | 44.3           | 7.5     | 77.3         | 30.9   | 15.8        | 10.8    | 0.0        | 23.3    | 235.1 |
| Regional Fund Commitments  | 137.2 | 95.1           | 23.1    | 25.9         | 79.5   | 12.2        | 7.8     | --         | 7.1     | 387.9 |
| Payments                   | 75.8  | 59.2           | 12.1    | 17.4         | 30.0   | 6.7         | 7.1     | 0.5        | 4.4     | 213.2 |

Table 4 - Breakdown of structural grants by recipient country - 1977

*(million ECU)*

|                            | Italy | United Kingdom | Ireland | Germany (FR) | France | Netherlands | Belgium | Luxembourg | Denmark | EC 9  |
|----------------------------|-------|----------------|---------|--------------|--------|-------------|---------|------------|---------|-------|
| EAGGF Guidance Commitments | 50.5  | 44.8           | 17.5    | 85.3         | 64.8   | 18.6        | 17.0    | 0.6        | 13.6    | 312.7 |
| Payments                   | 21.3  | 41.7           | 9.4     | 96.4         | 58.8   | 25.7        | 20.3    | 2.7        | 15.9    | 292.2 |
| Social Fund Commitments    | 74.5  | 145.5          | 30.0    | 82.0         | 124.6  | 15.9        | 11.4    | 0.0        | 15.1    | 499.0 |
| Payments                   | 55.6  | 65.2           | 16.8    | 52.5         | 35.2   | 10.5        | 8.0     | 0.1        | 10.6    | 254.5 |
| Regional Fund Commitments  | 119.3 | 91.5           | 19.3    | 59.1         | 70.2   | 8.1         | 10.5    | 0.6        | 7.2     | 385.8 |
| Payments                   | 92.8  | 79.5           | 14.1    | 34.4         | 45.4   | 7.0         | 3.5     | 0.1        | 6.3     | 283.1 |

Table 5 – Breakdown of structural grants by recipient country – 1978

|                                     | (million ECU) |                |         |              |        |             |         |            |         |       |
|-------------------------------------|---------------|----------------|---------|--------------|--------|-------------|---------|------------|---------|-------|
|                                     | Italy         | United Kingdom | Ireland | Germany (FR) | France | Netherlands | Belgium | Luxembourg | Denmark | EC 9  |
| EAGGF Guidance Commitments Payments | 39.1          | 38.8           | 18.9    | 86.1         | 54.8   | 12.6        | 5.7     | 0.5        | 12.6    | 269.2 |
|                                     | 31.3          | 40.5           | 16.8    | 125.1        | 60.5   | 16.3        | 15.7    | 1.4        | 16.0    | 323.6 |
| Social Fund Commitments Payments    | 233.2         | 111.9          | 44.4    | 57.3         | 86.2   | 9.8         | 11.1    | 0.2        | 14.3    | 568.3 |
|                                     | 30.4          | 89.5           | 30.9    | 51.6         | 52.0   | 14.4        | 12.2    | 0.1        | 3.7     | 284.8 |
| Regional Fund Commitments Payments  | 223.2         | 151.5          | 35.0    | 48.7         | 82.6   | 8.2         | 6.2     | 0.5        | 5.5     | 561.4 |
|                                     | 78.5          | 59.0           | 20.5    | 42.2         | 40.6   | 6.5         | 6.0     | 0.2        | 1.4     | 254.9 |

Table 6 – Breakdown of structural grants by recipient country – 1979

|                                     | (million ECU) |                |         |              |        |             |         |            |         |       |
|-------------------------------------|---------------|----------------|---------|--------------|--------|-------------|---------|------------|---------|-------|
|                                     | Italy         | United Kingdom | Ireland | Germany (FR) | France | Netherlands | Belgium | Luxembourg | Denmark | EC 9  |
| EAGGF Guidance Commitments Payments | 106.8         | 71.0           | 33.1    | 113.3        | 111.2  | 27.4        | 24.7    | 2.9        | 16.9    | 507.3 |
|                                     | 38.3          | 64.2           | 28.2    | 118.5        | 91.4   | 25.3        | 17.1    | 0.6        | 15.1    | 398.7 |
| Social Fund Commitments Payments    | 281.3         | 196.4          | 58.1    | 52.9         | 134.9  | 19.3        | 15.9    | 1.0        | 14.7    | 774.5 |
|                                     | 166.8         | 197.5          | 38.9    | 58.0         | 93.4   | 10.9        | 5.8     | 0.1        | 24.3    | 595.7 |
| Regional Fund Commitments Payments  | 394.5         | 263.1          | 62.2    | 58.5         | 159.4  | 11.3        | 9.1     | 0.8        | 11.5    | 970.4 |
|                                     | 143.7         | 165.7          | 32.9    | 46.0         | 103.6  | 8.6         | 3.1     | 0.3        | 9.1     | 513.1 |
| EMS interest subsidies              | 133.9         | -              | 66.1    | -            | -      | -           | -       | -          | -       | 200.0 |

**Table 7 – Breakdown of structural grants by recipient country – 1980**

|                            | <i>(million ECU)</i> |                             |         |              |        |             |         |            |         |         |
|----------------------------|----------------------|-----------------------------|---------|--------------|--------|-------------|---------|------------|---------|---------|
|                            | Italy                | United Kingdom <sup>1</sup> | Ireland | Germany (FR) | France | Netherlands | Belgium | Luxembourg | Denmark | EC 9    |
| EAGGF Guidance Commitments | 167.3                | 98.2                        | 49.1    | 99.2         | 152.6  | 22.2        | 14.7    | 0.6        | 20.8    | 624.7   |
| Payments                   | 102.0                | 105.9                       | 45.1    | 143.0        | 133.3  | 26.3        | 25.3    | 1.0        | 24.6    | 607.1   |
| Social Fund Commitments    | 327.2                | 236.5                       | 79.7    | 108.0        | 195.0  | 18.3        | 29.3    | 0.9        | 19.4    | 1 014.2 |
| Payments                   | 199.7                | 162.8                       | 71.5    | 74.8         | 193.0  | 4.4         | 8.9     | 0.2        | 14.5    | 729.9   |
| Regional Fund Commitments  | 489.7                | 242.6                       | 77.8    | 71.1         | 198.8  | 22.5        | 11.9    | 0.5        | 11.6    | 1 126.4 |
| Payments                   | 249.0                | 233.2                       | 69.5    | 50.4         | 99.6   | 7.7         | 6.5     | 0.9        | 9.4     | 726.7   |
| EMS interest subsidies     | 129.8                | —                           | 67.2    | —            | —      | —           | —       | —          | —       | 197.0   |

<sup>1</sup> Excluding the supplementary measures in favour of the United Kingdom (1980: 193.5 million ECU).

**Table 8 – Breakdown of structural grants by recipient country – 1981**

|                            | <i>(million ECU)</i> |                             |         |        |              |        |             |         |            |         |         |
|----------------------------|----------------------|-----------------------------|---------|--------|--------------|--------|-------------|---------|------------|---------|---------|
|                            | Italy                | United Kingdom <sup>1</sup> | Ireland | Greece | Germany (FR) | France | Netherlands | Belgium | Luxembourg | Denmark | EC 10   |
| EAGGF Guidance Commitments | 210.8                | 115.8                       | 71.5    | 17.4   | 107.1        | 138.6  | 26.3        | 16.1    | 2.3        | 19.6    | 725.4   |
| Payments                   | 84.6                 | 112.5                       | 60.4    | —      | 134.5        | 121.4  | 21.9        | 22.1    | 2.3        | 20.9    | 580.6   |
| Social Fund Commitments    | 341.0                | 249.1                       | 105.7   | 30.6   | 74.6         | 141.8  | 12.7        | 23.2    | 0.6        | 24.5    | 1 003.8 |
| Payments                   | 211.9                | 192.1                       | 60.5    | 6.6    | 68.0         | 150.8  | 14.2        | 13.8    | 0.5        | 18.6    | 737.2   |
| Regional Fund Commitments  | 721.9                | 362.3                       | 108.9   | 250.2  | 56.5         | 172.7  | 12.4        | 2.8     | 1.6        | 19.3    | 1 708.9 |
| Payments                   | 211.7                | 255.2                       | 80.3    | 122.0  | 36.2         | 66.8   | 5.7         | 9.2     | 1.0        | 10.7    | 798.7   |
| EMS interest subsidies     | 126.6                | —                           | 66.6    | —      | —            | —      | —           | —       | —          | —       | 193.2   |

<sup>1</sup> Excluding the supplementary measures in favour of the United Kingdom (1981: 1 244 million ECU).



Table 9 — Breakdown of structural grants by recipient country — 1982

(million ECU)

|                        | Italy | United Kingdom <sup>1</sup> | Ireland | Greece | Germany (FR) | France | Netherlands | Belgium | Luxembourg | Denmark | EC 10   |
|------------------------|-------|-----------------------------|---------|--------|--------------|--------|-------------|---------|------------|---------|---------|
| EAGGF Guidance         |       |                             |         |        |              |        |             |         |            |         |         |
| Commitments            | 234.8 | 71.7                        | 90.5    | 30.6   | 96.6         | 200.7  | 27.8        | 13.9    | 1.6        | 19.6    | 787.8   |
| Payments               | 131.6 | 69.6                        | 87.8    | 14.5   | 108.3        | 168.0  | 32.4        | 17.9    | 1.6        | 22.0    | 653.7   |
| Social Fund            |       |                             |         |        |              |        |             |         |            |         |         |
| Commitments            | 461.7 | 467.7                       | 145.3   | 60.4   | 90.0         | 262.9  | 16.4        | 24.0    | 0.5        | 27.3    | 1 556.2 |
| Payments               | 259.5 | 271.3                       | 114.9   | 23.6   | 80.5         | 121.9  | 8.3         | 16.0    | 1.1        | 17.8    | 914.9   |
| Regional Fund          |       |                             |         |        |              |        |             |         |            |         |         |
| Commitments            | 620.5 | 463.1                       | 114.3   | 224.6  | 55.3         | 357.0  | 17.5        | 19.3    | 2.2        | 17.8    | 1 891.6 |
| Payments               | 281.8 | 225.1                       | 93.5    | 152.3  | 61.6         | 130.0  | 3.2         | 10.9    | 0.1        | 14.6    | 973.1   |
| EMS interest subsidies | 137.2 | —                           | 72.7    | —      | —            | —      | —           | —       | —          | —       | 209.9   |

<sup>1</sup> Excluding the supplementary measures in favour of the United Kingdom (1982: 1 804 million ECU).

## Regional impact of structural financing

Table 10 - Regional impact of structural financing

|                          | I<br>Grants per inhabitant <sup>2</sup><br>(1978-80)<br>ECU | II<br>Loans per inhabitant <sup>3</sup><br>(1978-80)<br>ECU | III<br>GDP per head<br>(1978-80)<br>ECU | (IV) = $\frac{(I) + (II)}{(III)}$ % |
|--------------------------|---|---|---|-------------------------------------|
| Mezzogiorno <sup>1</sup> | 33.4  | 37.4  | 3 012                                   | 2.35                                |
| Ireland                  | 53.0  | 84.9  | 3 337                                   | 4.13                                |
| Northern Ireland         | 45.2  | 34.4  | 4 014                                   | 1.98                                |
|                          | I<br>Grants <sup>4</sup><br>(1979, million ECU)             | II<br>Loans <sup>3</sup><br>(1979, million ECU)             | GFCF<br>(1979, million ECU)             | (IV) = $\frac{(I) + (II)}{(III)}$ % |
| Mezzogiorno <sup>1</sup> | 540.6   | 662.8   | 13 400                                  | 8.9                                 |
| Ireland                  | 137.2   | 353.5   | 3 442                                   | 14.2                                |
| Northern Ireland         | 46.5  | 77.7  | n.a.                                    | —                                   |

<sup>1</sup> Excluding Marche and Lazio.<sup>2</sup> EAGGF Guidance Section direct and specific measures, ESF, ERDF, EMS interest subsidies, specific energy measures.<sup>3</sup> EIB, NCI, ECSC, Euratom.<sup>4</sup> EAGGF Guidance Section direct and specific measures, ERDF, EMS interest subsidies, specific energy measures, but excluding ESF.

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At a time of budgetary restraint and economic crisis, as the Community reflects upon the size of its resources and how they should be allocated, the effectiveness of the Community's structural Funds (EAGGF Guidance Section, ERDF and Social Fund) needs to be increased. After due consideration the Commission has drafted proposals designed to improve coordination and redefine the tasks of the Funds, as instructed by the European Council at its Stuttgart meeting in June 1983.