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NEW REGIONAL POLICY GUIDELINES AND PRIORITIES

Commission communication to the Council

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New regional policy guidelines and priorities¹

¹ In addition to this paper, the Commission sent the Council on 29 October 1981 a proposal for a Regulation amending Regulation (EEC) No 724/75 establishing a European Regional Development Fund. The proposal was published in OJ C 336, 23.12.1981.

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Introduction

1. The Council resolution of 6 February 1979¹ provides that the Commission should prepare a periodic report on the situation and socio-economic developments in the regions of the Community and propose guidelines and priorities to the Council on the basis of that report. This initiative introduces a means of regularly updating Community regional policy. In the resolution, the Council observed that the disparities between regions remained, and laid down certain fundamental principles:

- regional policy is an integral part of the economic policies of the Community and the Member States;
- it contributes to the convergence of these economic policies;
- the strengthening of regional policy is one of the conditions on which the economic integration of the Community depends;
- the principal Community policies have regional implications which must be taken into account when these policies are being formulated and implemented;
- coordination of national regional policies and Community regional policy is essential.

The Commission's first report on the regions² shows that regional disparities not only persist but have widened, that the principal cause lies in indigenous structural factors and that the recession is accentuating the factors that generate imbalances, further impeding the flow of capital to the less-favoured regions and creating intractable problems for reconversion and innovation in those regions.

In the present world economic situation, the best way to solve regional problems is to improve competitiveness and productivity throughout the entire European economy. In the face of ever-tighter budgetary constraints, the Member States, particularly the less prosperous where regional problems are often very acute, are finding it increasingly difficult to reconcile efforts to maintain or create jobs in the weaker regions with the general requirement to restructure and improve competitiveness. In the circumstances, the persistent and widening

gaps between the regions form a major obstacle to the greater convergence of the economies of the Member States. The problem can be solved only by coordination and solidarity at Community level as well as within Member States. The Community's regional policy must therefore promote the integration of the Member States' economic and regional policies through measures to alleviate the most serious regional problems.

Experience has shown that the Community's present regional policy instruments, in particular the European Regional Development Fund, cannot realize their full potential because their financial resources are limited, the effort is spread too widely and too thinly and certain operational procedures are too inflexible. If the Community's action is to involve more than the mere transfer of financial resources, new guidelines are needed for regional policy. Some initial suggestions on this point were put forward by the Commission in its report on the mandate of 30 May 1980.¹

These guidelines relate to the Community in its present form. The problems and the requirements of the Community after enlargement will be analysed in the next report on the regions.

Guidelines and priorities for the Community's regional policy

Employment

2. Within the context of the integrated social and economic strategy being developed at Community level to combat unemployment,² top priority must be given in regional policy as in other relevant policy sectors to the creation of new productive jobs. The first report on the regions forecasts significant divergences in regional labour market trends up to 1985, particularly as regards demographic structure and the numbers of young job-seekers.

There will certainly be less interregional labour mobility than in the past. The regions in greatest difficulty will be those where structural unemployment is already high. Regional policy measures in these regions must be aimed at

¹ OJ C 36, 9.2.1979.

² Bull. EC 12-1980, point 2.1.61.

¹ Supplement 1/81 — Bull. EC.

² Bull. EC 4-1981, points 1.1.1 to 1.1.11.

encouraging labour-intensive activities based on modern technology as well as services. This does not preclude restructuring that involves labour-shedding where productivity can thereby be improved. Specific youth employment schemes will also be required, together with measures to ensure the forward-looking management of the labour market at regional level. Above all, action by all the instruments of intervention — the Funds, loan machinery and national incentive schemes — must be directed towards the objective of securing the highest level of employment possible.

Productivity

3. The report shows that the main reason for the worsening of regional disparities is the growing divergence of productivity trends. It must be a priority aim of the regional policies of both the Community and the Member States to raise productivity, primarily by promoting the use of the right technologies for releasing indigenous development potential and harnessing local resources. This is the way to raise the standard of living — not merely by transferring financial resources. Positive adjustment measures (restructuring, conversion and innovation) must take precedence: measures to shore up activities that are not competitive should be exceptional and of very short duration.

Indigenous development potential

4. The regional development programmes must focus on the forms of development suited to the socio-economic characteristics of the less-favoured regions, in order to release and exploit their growth potential and their adaptability. This relates particularly to the available 'human capital', to alternative energy and environmental resources, and to dormant business capacity (especially in small and medium-sized enterprises, crafts and rural tourism), which need support services in terms of information, research, technical assistance, market analysis, etc. The European Regional Development Fund must be given the means to make an adequate contribution to these initiatives, and regional and local representative bodies should be called upon to play an active part.

Geographical concentration

5. In the face of increasingly serious problems and limited financial resources, priority must be accorded to regional problems where the Community's efforts can make a significant additional contribution. In its report on the mandate of 30 May, the Commission has already stated that it intends to propose adapting the quota section (the part of the Fund allocated among the Member States by quota) so as to concentrate intervention even more heavily on the regions suffering from serious structural underdevelopment.¹

A considerably greater share of Regional Fund resources should be assigned to the non-quota section, for which there are no national quotas. Measures under the non-quota section will be primarily aimed at the regions of the Community now suffering serious problems of industrial decline or the side-effects of certain Community policies.

Effective use of Community instruments

6. The guidelines laid down in the Council resolution referred to in the last two points of the first paragraph of the introduction to this communication call for the concerted and simultaneous application of the various Community and national instruments. Among the former, loans are of particular importance, especially where accompanied by interest rebates.

The specific role of the ERDF, and especially its non-quota section, must be considered in the light of the evolution of other Community instruments; for example, a closer relationship must be established between the ERDF and the Social Fund.

The Commission has begun to carry out 'integrated operations' involving the coordinated application of various instruments in specific areas with particularly acute and complex problems (Naples, Belfast).

The ERDF will have to step up its operations in conjunction with other specific policies (for example, on agricultural structures, energy,

¹ Including Greenland and the French Overseas Departments.

research, innovation; SME) by drawing more heavily on the non-quota section.

Coordination of regional policy and other Community policies

7. Policies must be coordinated at three stages:

- at the stage of formulating and implementing the principal Community policies (as laid down in point 2 of the Council resolution). This involves the systematic assessment of the regional impact of Community policies (RIA) proposed by the Commission in its regional policy guidelines of 3 June 1977 and approved by the Council and Parliament;
- at the stage of adopting accompanying measures aimed at facilitating the implementation of other policies or offsetting any adverse effects they are liable to have on a region. These measures could be adopted under the policy in question (this concerns particularly the CAP, under which there is considerable scope for such measures), or be implemented by means of specific operations conducted in parallel (for example, the non-quota measure connected with the restructuring of the steel industry);
- at the stage of combining measures to serve common priorities (for example, for the development of alternative energy sources in less-favoured regions).

Coordination between the Community's regional policy and national regional policies

8. This is based on the regional development programmes submitted by the Member States to the Commission in accordance with the ERDF Regulation. The contents of these programmes must be spelt out more clearly and made more operational, particularly in regard to the labour market. Community supervision of regional aids should ensure that the ceilings and amounts of aid are assessed on the basis of the severity of regional problems both within Member States and at Community level. Coordination between the Community and Member States will become more effective with the transition to joint financing by the Community and the Member States, since the infrastructure and investment aid programmes (programme contracts) will form part of the regional development programmes, which would incorporate individual Community-aided projects. Other Community instruments (particularly loans) will have a part to play. In this way, Community assistance will at last be seen to be additional to national aid. And the Commission's regional activities will be cast in a new mould, evolving from tasks mainly to do with bookkeeping and checking conformity with the Regulation towards devising policy, promotion, planning and providing technical assistance; from the functions of a financing body to those more clearly identified with a development agency.