HELPING EUROPE'S REGIONS

Europe on the move

The social, historical and cultural diversity of its regions is one of the European Community's many strengths. Regions also provide EC citizens with a deep sense of identity — a feeling increasingly apparent in countries as far apart as Germany, France and Spain. Unfortunately, there is also economic diversity. In crude terms, the 10 most prosperous regions, headed by Groningen in the Netherlands and Hamburg in Germany, are three times as rich and invest three times as much in their basic economic fabric as the 10 poorest regions in Greece and Portugal. The Community is committed to reducing that gap and to ensuring that no one is a second class citizen. Everyone should share in the benefits from the evolving Community as it embraces a single market and contemplates economic and monetary union.

The European Community has consistently recognized the need for special efforts both to help its less developed regions and to encourage them to help themselves. For it is the regions that must take the lead in meeting these challenges. It is their ideas — to which the Commission is always ready to listen — initiatives and endeavour which will ultimately determine the success of EC-backed policies to improve their local economies.

It is not the Community but the Member States, together with regional authorities, that decide development programmes. It is the Member States, together with the European Community, that have to ensure the coherence of the overall programme. In general, our actions are the result of working together and keeping each other informed.

Up-to-date farming methods help the agricultural regions to develop.

THE CHALLENGES

Economic differences between the EC's regions are nothing new. In every country some areas are more prosperous than others. The same is true in the Community. The gross domestic product (GDP) per head — a basic measurement of a country's wealth — of Greece, Portugal and Ireland is less than 75% of the EC average.

There is a danger that the gap between the Community's richer and poorer regions could grow with the completion, in January 1993, of the single market and abolition of national frontiers. Without special efforts, weaker regions could, as they have done in the past, lose many of their most able workers or be starved of the finance needed to create local jobs. This is why the Single European Act of 1986 launching the single market went hand in hand with a radical reform of the EC's structural Funds in 1989. The new strategy is already bearing fruit. Estimates suggest that EC aid has helped create 500 000 new jobs in less developed regions and stimulated the GDP of Portugal by 4% and of Greece by 2.6%.

The structural Funds enable the Community to combat long-term unemployment and to help the young find work.

INITIATIVES BY EUROPE'S REGIONS

Almost 50 of Europe's regions have now established permanent offices in Brussels, helping them to deal with, and learn from, each other and the European Commission. Others are actively involved in organizations such as the Association of European Border Regions or the European Association of Development Agencies. Computer links increasingly enable regional and local authorities to satisfy diverse transfrontier requests like help with waste recycling or management of public heating.

A new development is the creation of Euroregions, straddling traditional national frontiers. Four million people living along the Meuse and Rhine rivers in Germany, Belgium and the Netherlands now share use of town halls, schools and conference centres. Franco-Belgian frontier regions are trying to create a special status easing the fiscal and administrative difficulties of local businesses. French and Spanish regions either side of the Pyrenees now collaborate to maximize the benefits of the single market for their inhabitants.

COMMUNITY POLICIES

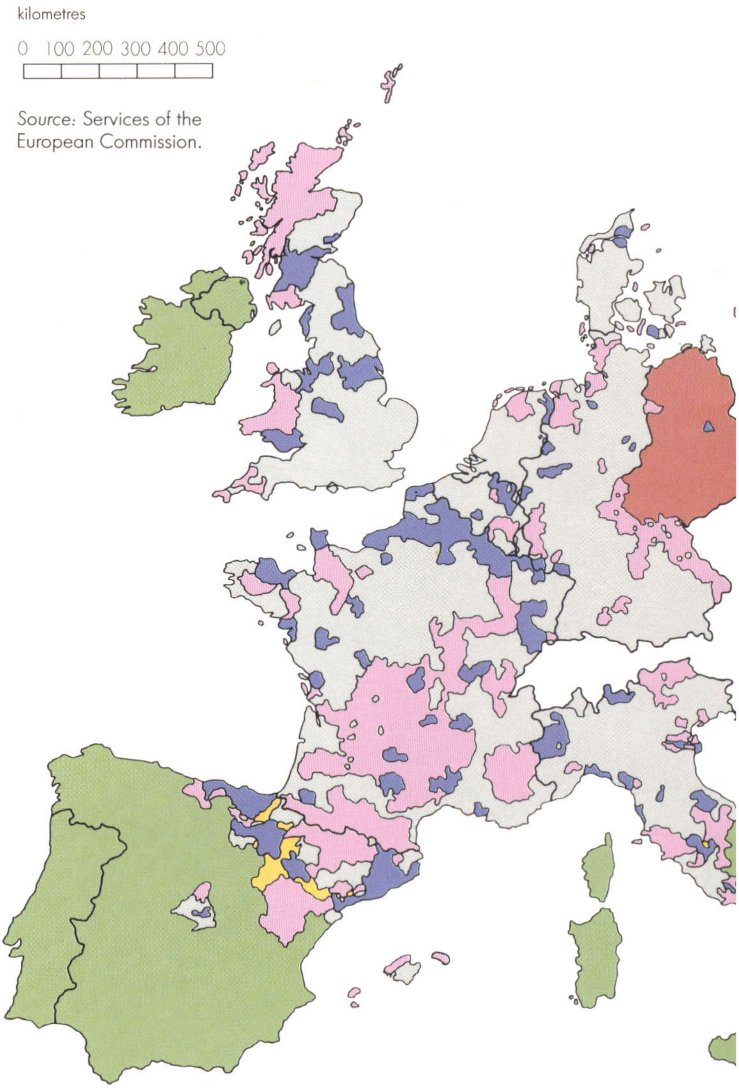
The Commission actively helps regions in different parts of the Community to cooperate and establish self-help networks. Increasingly, these include Eastern Europe, enabling the new authorities to benefit from the experience of their EC counterparts. Research institutes are encouraged to analyse trans-European, rather than national, trends. The Commission also ensures that wide ranging Community policies in areas ranging from R&D to energy take fully into account their impact on the regions. The European Parliament is an equally keen supporter of measures to help the regions. Among several initiatives it has taken was the allocation in 1989 of EC funds to preserve historically important parts of Lisbon and Palermo.

The Community wants to strengthen the voice of Europe's regions. At the Maastricht European Summit in December 1991, it was decided to create the Committee of Regions, whose 189 members will be able to express their views on any EC measures directly affecting them.

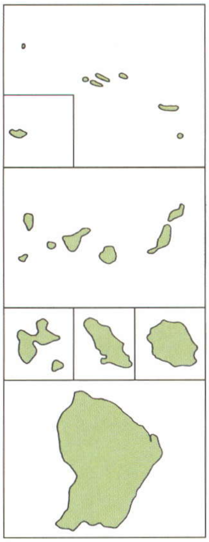
Throughout the Community five priority categories have been identified. Three of these are purely regional.

Regions eligible under the objectives of the structural Funds of the European Community

- Regions lagging behind (Objective 1)
- Declining industrial areas (Objective 2)
- Rural areas (Objective 5b)
- Regions with declining industrial and rural areas (Objectives 2 and 5b)
- Regions eligible in accordance with Regulation (EEC) No 3575/90



Source: Services of the European Commission.



TARGET AREAS

• Objective 1 regions: These underdeveloped areas have missed out on the progress of other regions and are at the heart of the Community's efforts to bridge the economic divide. Their per capita GDP is less than 75% of the Community average. Over 20% of the EC's population lives in such areas. They cover the whole of Greece, Portugal, Ireland and Northern Ireland, large parts of Spain and Italy, Corsica and France's overseas departments of Guadeloupe, Guyana, Martinique and Réunion.

• Objective 2 regions: Suffering from the decline of traditional industries like coal and steel, these areas need help in adjusting their economies to new industrial activities. Their unemployment rates and percentage share of industrial activity are worse than the EC average. Over 50 million people live in these regions, 20 million of them in the United Kingdom alone.

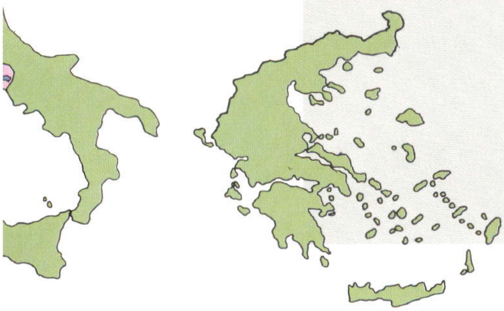
• Objective 5b regions: These are rural areas, like the Highlands and Islands of Scotland, an area larger than Belgium and yet the least populated part of the Community, where economic development needs to be encouraged.

The other target areas are not defined on a purely regional basis, but are supported alongside the above three. They are: Objective 3 (the fight against long term unemployment), Objective 4 (help for young people to get jobs), and Objective 5a (modernization of the EC's farms).

• In the Objective 1 regions, emphasis is placed on making up lost ground by creating sound infrastructure: modernizing transport and communication links, improving energy and water supplies, encouraging research and development, providing training and helping small businesses.

• In the Objective 2 regions, priority is given to creating jobs and improving the environment by encouraging new businesses, renovating land and buildings, developing R&D and fostering links between universities and industry.

• In the Objective 5b regions, efforts focus on developing new jobs outside farming in small businesses and tourism. Now farms provide a living for less than 7% of the EC's workforce. Thirty years ago 21% lived off the land. Improvements to transport and basic services are promoted to prevent rural depopulation and ensure better harmony between the Community's urban and rural areas.



The Community supports regions that help themselves by making the best use of their human and economic resources.

THREE PRINCIPLES

Three basic principles lie behind EC activity to ensure that aid to the regions is as efficient as possible:

(i) active involvement of everyone with a contribution to make at the regional, national and Community level (partnership);
(ii) clear delegation of decision-making to the local, regional, national or Community level ensuring maximum efficiency and responsibility (subsidiarity);
(iii) unambiguous commitment to EC money being used in addition to, not instead of, national funds (additionality).

FUNDING PROCEDURES

A three-stage procedure, closely involving the Community, governments and regions, is used to decide on schemes for EC funding. Priorities first set by regional and local authorities, are carefully constructed into an overall programme lasting several years. This establishes detailed targets and explains how EC finance will dovetail with national measures. Emphasis is placed on flexibility and careful planning.

The regions have an essential part to play in the construction of Europe. We are striving to create a European Union which is based on the economic, social and cultural traditions and which makes sense when these different traditions are respected.

FINANCE

To implement its policies the Commission can use three main sources of finance, known as the structural Funds: the European Regional Development Fund (ERDF), the European Social Fund (ESF) and the European Agricultural Guidance and Guarantee Fund (EAGGF). By themselves these cannot cure the Community's regional imbalances, but they can help. In 1992 the structural Funds contributed 11% of total investment in Greece, 8% in Portugal and 7% in Ireland. This money is added to finance from governments, local authorities and even the private sector. In some cases, loans may also be provided by the European Coal and Steel Community (ECSC) or the European Investment Bank (EIB).

The money available from the structural Funds has grown in both relative and real terms. In 1988 it represented 17% of a ECU 45 billion EC annual budget. In 1992 the ECU 17.6 billion spent on structural programmes accounted for 27% of a ECU 66 billion budget. These resources are concentrated on places of greatest need, helping the Community's hardest hit regions. However for the programmes to be successful, money alone is not enough. Quality ideas and carefully implemented policies are also needed and it is here that the Commission can help with its expertise.

Income variations within the Community

(Per capita gross domestic product in PPS* in 1990),[1] with the Community average = 100

Region	Per capita GNP in PPS*	Region	Per capita GNP in PPS*
EUR 12	**100.0**	**EUR 12**	**100.0**
Belgium	**105.0**	South-West	95.0
Flanders	106.4	Centre-East	106.0
Wallonia	84.7	Mediterranean	96.2
Brussels	164.4	Overseas territories	n. a.
Denmark	**107.3**	**Ireland**	**68.2**
Metropolitan	128.0	**Italy**	**102.5**
East (excluding Metropolitan)	91.0	North-West	119.5
West	100.0	Lombardy	137.4
Germany[2]	**117.0**	North-East	116.8
Schleswig-Holstein	98.2	Emilia-Romagna	128.9
Hamburg	183.5	Centre	108.2
Lower Saxony	100.8	Lazio	115.8
Bremen	147.7	Campania	65.5
North Rhine-Westphalia	111.4	Abruzzi-Molise	85.7
Hesse	135.5	South	66.3
Rhineland-Palatinate	103.1	Sicily	67.8
Baden-Württemberg	124.0	Sardinia	74.4
Bavaria	119.6	**Luxembourg (Grand Duchy)**	**123.2**
Saarland	107.9		
Berlin	114.9	**Netherlands**	**100.9**
Greece	**47.1**	North	100.5
Northern Greece	47.8	East	84.8
Central Greece	47.1	West	109.1
Attica	51.8	South	93.8
The Islands	44.2	**Portugal**	**56.2**
Spain	**75.4**	Continent	54.9
North-West	63.4	Azores	n. a.
North-East	88.7	Madeira	n. a.
Madrid	91.5	**United Kingdom**	**100.7**
Centre	63.2	North	86.7
East	86.9	Yorkshire and Humberside	91.6
South	58.8	East Midlands	96.9
Canaries	75.4	East Anglia	102.8
France	**111.5**	South-East	121.4
Île-de-France	166.9	South-West	96.1
Paris Basin	101.7	Wales	83.7
Nord-Pas-de-Calais	91.0	Scotland	92.6
East	104.1	Northern Ireland	74.4
West	93.7		

* **PPS** = Purchasing power standard — a common unit representing an identical volume of goods and services for each country

[1] 1988 figures for Denmark; 1989 figures for Greece and Holland.

[2] Figures for the *Länder* in the former German Democratic Republic are not available (n. a.).

A coherent policy is needed to help the Community's regions develop and to enable them to take full advantage of the single market.

OTHER ACTIVITIES

In general, European Commission involvement is undertaken in close collaboration with EC Member States; but it can also act on its own where it thinks action is necessary to complete the internal market or help regions prepare for economic and monetary union.

• Community initiatives can accompany other EC policies to boost their regional impact or contribute to tackling similar problems confronting different regions. Between 1989 and 1993 some ECU 5.5 billion is set aside for a wide range of projects.

On of the most effective programmes, Interreg, encourages cross-border links. The Community has 6 000 kilometres of internal borders between its members, and it is these areas, in which 10% of its population lives, that are in the front line when frontiers disappear with the single market. Schemes being supported range from a Spanish/Portuguese national park to opening canal links between Ireland and Northern Ireland to create one of the biggest navigable waterways in Western Europe. The programme extends to the EC's neighbours. A business and exhibition centre in Salonika, northern Greece, will also be used by Bulgaria. Since 1987 the Commission has run over a dozen different Community initiative programmes. Some have helped specific industries to adapt (steel, shipbuilding and textiles), others to improve the environment or encourage greater use of modern telecommunications in the Community's less developed regions.

• Pilot projects help regions and cities within, and occasionally outside, the Community, to build networks and exchange ideas on common problems. The Commission's help acts as a catalyst, putting local politicians and officials in touch with like-minded colleagues in other countries. The programme has helped in developing an Atlantic arc of regions stretching from Portugal to the United Kingdom, created networks of several dozen cities collaborating on urban regeneration and traffic problems and fostered links with emerging local authorities in Eastern Europe.

WORKING TOGETHER FOR A MORE COMPETITIVE EUROPE

The Community's efforts have contributed to higher incomes, new jobs and an improved environment. But despite closing the wealth gap, considerable economic differences remain. For a region to raise its overall wealth from 50 to 70% of the EC average its economy must grow 2% above the Community average every year for 20 years.

1993-97. The Commission has proposed that to meet this challenge funds for the Community's weaker regions and countries should rise to ECU 29.3 billion by 1997. Over the five years this would mean Community finance of ECU 125 billion. This would allow overall structural Funds for Greece, Ireland, Portugal and Spain (and for the EC's most remote regions of Madeira, the Azores, Canary Islands and French overseas departments) to double from their 1992 levels. Money for the underdeveloped areas (Objective 1) of Italy, France and the United Kingdom would rise by two-thirds. For all other regions eligible for aid, the increase would be 50%. For the first time regions heavily dependent on the fishing industry (to be called Objective 6 regions) would also qualify for specific help. This would partly offset the loss of jobs from the shrinkage of the Community's fishing fleet.

A special Cohesion Fund was agreed by government leaders at their Maastricht meeting. This is due to be established before the end of 1993 with a proposed initial annual budget of ECU 1.5 billion, rising to ECU 2.5 billion by 1997. It would be used specifically for the four Member States — Portugal, Greece, Ireland and Spain — with the lowest standards of living in the Community, helping them to finance — environmental improvements and better trans-European transport links.

'First of all, the European dream can only become a reality if it is rooted in the traditions and lives of our people. We must arouse the interest of our citizens and make the creation of Europe a joint adventure that increases the level of civic awareness and responsibility. If we want our project to grow, to make it more comprehensible and efficient, we should, where possible, leave the power of decision to the regions, as it is at this level that democracy is closest to its roots. This is where applying the "subsidiarity" principle makes sense.'

Jacques Delors,
President of the
European Commission

Community initiatives can give the kiss of life to regions which have major problems with plant and factory closures, provided that everyone rolls up their sleeves and joins in.

EN

This booklet is part of the *European File* series and appears in all the official Community languages — Danish, Dutch, English, French, German, Greek, Italian, Portuguese and Spanish.

Commission of the European Communities
Directorate-General for Audiovisual, Information, Communication and Culture
Editor: Publications Unit, rue de la Loi 200, B-1049 Brussels

Manuscript completed in September 1992
Photos: Eureka Slide
Layout: ACG Brussels

Printed in Germany

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Office for Official Publications
of the European Communities
L-2985 Luxembourg

ISSN 0379-3133

Catalogue number: CC-73-92-950-EN-C