

**ECONOMIC AND SOCIAL COMMITTEE
OF THE EUROPEAN COMMUNITIES**

**Regional Development Problems
of the Community
during the Period 1975/1977
and Establishment
of a Common Regional Policy**



OPINION

Brussels

The European Communities' Economic and Social Committee, chaired by Mr Henri Canonge, approved this opinion at its 138th plenary session, which was held on 31 March and 1 April 1976.

The preliminary work was done by the Section for Regional Development under the chairmanship of Mr A. Laval. The Rapporteur was Mr T.J. Maher.

THE ECONOMIC AND SOCIAL COMMITTEE
Press and information division

Rue Ravenstein 2
1000 BRUSSELS

Tel. 512 39 20
513 95 95

Telegrams : ECOSEUR
Telex : 25 983 CESEUR

ECONOMIC AND SOCIAL COMMITTEE
OF THE EUROPEAN COMMUNITIES

**Regional Development Problems
of the Community
during the Period 1975/1977
and Establishment
of a Common Regional Policy**

OPINION

Brussels, March 1976.

THE ECONOMIC AND SOCIAL COMMITTEE

Having regard to the decision taken by its Bureau on 18 March 1975, instructing the Section for Regional Development to prepare a Study on the Regional Development Problems of the Community during the Period 1975/1977 and the Establishment of a Common Regional Policy ;

Having regard to the Study adopted at its Plenary Session held on 25 and 26 February 1976 (meeting of 26 February 1976) ;

Having regard to its earlier Opinions and Studies on regional development, and, in particular, its Opinion of 25 October 1973 ;

Having regard to its decision of 26 February 1976, instructing the Section for Regional Development to draft, on the basis of the Study the Committee had that day adopted, an Opinion which the Committee would issue on its own initiative (fourth paragraph of Article 20 of the Rules of Procedure) ;

Having regard to the Opinion submitted by the Rapporteur, Mr Maher, and adopted by the Section for Regional Development using the written procedure (Article 47 of the Rules of Procedure) ;

Having regard to the discussions at its 138th Plenary Session, held on 31 March and 1 April 1976 (meeting of 31 March 1976) ;

Has adopted by a unanimous vote, the following Opinion :

The Committee welcomes the Council's Decision to set up a Regional Development Fund and a Regional Policy Committee, and supports the efforts to establish a Common Regional Policy. It has the following comments to make on the subject :

Designation of regions eligible for regional aid

1.1. Under the regulation setting up the Regional Development Fund, 1 300 m.u.a. have been set aside for the 1975/77 period. These moneys are to be distributed in accordance with the following table :

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

Further, a sum of 6 m.u.a. shall be granted to Ireland which shall be deducted from the share of other Member States with the exception of Italy.

1.2. The Committee recognizes that a certain flexibility may be called for in the initial period with regard to the criteria for the distribution of Fund moneys. It also considers that the present distribution system ensures to some extent that aid is concentrated where the need is greatest, and rules out the undesirable practice of 'fair return', the application of which would jeopardize future Fund activities and the establishment of a Common Regional Policy.

1.3. The Committee is, nevertheless, of the opinion that the system of allocating aid from the Regional Fund to Member States in accordance with fixed national quotas might not always be compatible with the principle that under a common regional policy the relative need of the regions should be the sole criterion for allocating regional aid resources. The Committee insists that steps be taken to ensure that future Fund moneys be allocated in accordance with this principle.

1.4. The Committee points out that it is a precondition to the application of this principle that common criteria for the identification of the most needy regions be established and applied throughout the Community.

1.5. Such Community criteria should preferably be as simple as possible and should include *per capita* income, migration level, unemployment and the existence of infrastructural, social and educational facilities. In establishing the criteria it should be borne in mind that economic growth is not necessarily synonymous with development and therefore social and environmental consideration should play an important role in the shaping of the future of the regions.

1.6. The Committee is aware that national criteria for allocation of regional development aid are already in operation in some Member States and invites the Commission to study the experience gained in the application of these criteria with a view to the establishment of Community criteria. The Committee finds that the thorough study of national regional development programmes referred to in Article 6 of the Fund regulation is highly relevant to the establishment of Community criteria and urges that the submission of these programmes be accelerated as much as possible.

1.7. In its Opinion of 25 October 1973, concerning the proposals presented by the Commission for the creation of a Committee for Regional Policy and a Regional Development Fund, the Committee urged that aid should be concentrated in the regions of greatest need rather than being dispersed over areas which, though underdeveloped, could not be considered priority areas, in connection with the distribution of limited resources.

1.8. The Committee notes with satisfaction that the recommendation has been taken into account by the Council in the establishment of the Regional Fund and urges that the Commission maintains this principle in the allocation of aid within the Member States. The Committee draws the attention to the fact that the United Nations Development system, in designating among the underdeveloped countries 25 least-developed countries eligible for special and increased development aid, has adopted a similar principle.

1.9. The Committee draws attention to the fact that the regional structures and administrative systems which at present form the basis of planning and implementation of regional development at national level vary considerably from one Member State to

another. This, moreover, may constitute an obstacle to efficient planning and reduce transparency. The Committee therefore urges the Commission to encourage harmonization of the national systems in order to evolve a common system.

1.10. The Committee recommends that further studies be carried out on the particular problems of the internal border areas of the Community. Although the Committee recognizes that the areas bordering third countries pose problems of a different and more complicated nature it nevertheless feels that the Community has a responsibility towards these areas and their development and that their problems ought to be carefully examined.

Objectives and principles of regional policy

2.1. The Committee wishes to emphasize that economic growth should not be considered as an objective in itself, nor as the sole yardstick of human welfare. In fact, some of the serious problems which at present haunt western societies have arisen or been aggravated in a period of economic expansion and in regions which have experienced the greatest economic development.

2.2. On the other hand, economic stagnation or decline have proved to be the source of other equally serious social scourges, such as unemployment and emigration which are now threatening social and political stability in certain less-favoured regions all over the Community and which constitute an obstacle to the creation of European Economic and Monetary Union.

2.3. It should, however, be borne in mind that each type of habitat, urban or rural, has its own characteristics, its own advantages and drawbacks. It would thus be extremely unrealistic to expect any regional policy to create identical living conditions in the different regions. What can be done is to maximize the advantages and minimize the drawbacks of the different regions to the point where the different regions offer living conditions which, though different, are generally considered satisfactory.

2.4. The Committee is, therefore, of the opinion that the ultimate objective of regional policy should be, by improving the position of the least developed regions, to make living conditions attractive or, at least, acceptable in all areas of the Community. This implies, among other things the need to check and, if required, reverse the current development trends which devalue living conditions in the big cities, as well as in the peripheral rural areas, and which to an increasing extent are having damaging political, economic and social consequences.

Means and priorities of regional policy

3.1. To attain the objectives of regional policy, as set out above, a wide range of means and methods are at the disposal of the Community and national governments, such as the creation of infrastructure and the promotion of industrial and service enterprises through financial aids, tax incentives and subsidies. The decentralization of government agencies can also contribute to this end. It is in the correct combination and timing of these means and methods that the key to a successful regional policy is to be found. Due to the complexity of the subject, the Committee wishes to confine

itself at the present stage to some general observations on the means and their respective degrees of priority in relation to the particular problems to be solved in the different regions of the Community. The matter should be subjected to further study.

3.2. The Committee is of the opinion that the creation or maintenance of a system of basic infrastructure is an indispensable condition of general economic development in the less-favoured regions. However, experience seems to indicate that the existence of such systems is not in itself sufficient to attract economic activities, but should be complemented by other measures and policies to encourage the setting up of productive activities.

3.3. In rural areas not designed for large-scale industrial development, infrastructure, such as roads, arterial drainage, piped water, and telecommunication facilities should serve to lessen the isolation of people and to create living conditions sufficiently attractive to maintain the population in the areas. But here again, the mere creation of an infrastructure system may be insufficient to attain the objectives and should be combined with other measures, such as promotion of small business and structural reorganization in agriculture.

3.4. Certain large-scale infrastructure projects, which may be considered a natural Community responsibility, should be implemented with a view particularly to linking the peripheral regions of the Community to its central regions. Improved communications systems between Ireland/UK and the continent are a case in point. The Committee does, however, recognize that the present inadequacy of the Regional Fund constitutes a serious obstacle to the undertaking of such projects at Community level and sees herein an essential argument for a substantial increase in the Fund.

3.5. Decentralization of government agencies has the double effect of easing pressure in congested areas and bringing new impulses to the regions in which they are implemented. The same holds true of educational, cultural and social facilities and institutions such as vocational training centres which are at the same time instrumental in maintaining the young people in the regions.

3.6. The characteristics of each region, the existence of basic infrastructure systems, environmental considerations, agricultural or tourist potential, etc., will determine which activities should form the economic backbone of the regions. The choice between agriculture, industry or service activities will thus vary according to the type of region such as :

- declining or stagnant agricultural regions with a high emigration rate ;
- regions of obsolete industrialization with a high rate of unemployment ;
- peripheral regions ;
- border areas.

The Committee is of the opinion that although it is desirable to establish Community criteria and guidelines for the choice and combination of the various means and instruments available to a regional policy, a large measure of flexibility is indispensable to take into account the particularities and potential of the individual region.

3.7. A similar flexibility is called for as regards the structure, financing and administration of the projects to be implemented under a regional policy. In this connection the Committee notes that the Fund regulation requires the creation of ten new jobs (or maintenance of old ones) as one of the conditions for providing Community aid to the financing of the project. The Committee recognizes that administrative considerations necessitate a certain simplification of the Fund operations, but would nevertheless like to draw attention to the fact that this condition may exclude types of projects which, in the circumstances, may be the most suitable means of developing a region and maintaining the population in the region.

3.8. Small- and medium-scale enterprises may in certain cases be the sole or the most appropriate means of solving the economic and social problems of a region and the Commission is invited to examine to what extent such enterprises may be aided. In support of its viewpoint the Committee observes that the investment/job creation ratio generally seems to be more favourable for small-scale projects than for large-scale ones.

3.9. On the other hand, the Committee recognizes the considerable advantage in terms both of administration and public relations of concentrating Community aid on major projects rather than spreading it thin over a large number of small and unrelated ones. As stated above, it is nonetheless very valuable to be able to assist small- and medium-scale enterprises in certain regions. The Committee therefore invites the Commission to examine ways and means of stimulating such enterprises to group themselves into professional or multi-professional organizations, which may serve as agents for distribution and administration of regional aid.

3.10. The more obvious and recognizable the projects, the easier it is for the population to appreciate that the Community is actively participating in development efforts and doing something which would not otherwise have been done.

3.11. The Committee is in favour of large-scale Community projects involving more than one Member State. Such projects are particularly necessary for promoting the development of border and outlying areas and creating an efficient infrastructure. For such projects, funds provided by the Community must however be additional to normal regional development funds provided by Member States (principle of additionality and suitable checks should be made in each case to verify that this is so). The Committee is aware of the considerable problems of a political, administrative and operational nature presented by this approach and recommends that such projects should not be embarked upon without thorough research and preparation.

Vertical and horizontal planning and coordination of policies and activities dealing directly or indirectly with regional development

4.1. The Committee is of the opinion that in the long term no efficient and realistic planning of regional development within the Community is possible without balanced and integrated involvement of regional, national and Community authorities in the planning process. The Committee therefore urges the Community institutions in cooperation with the Member States to examine this problem with a view to establishing procedures which will ensure appropriate influence of the different authorities concerned with regional development planning.

4.2. To ensure realistic and up-to-date planning, the Committee recommends the introduction of pluri-annual planning periods setting out annual targets and providing for annual and pluri-annual target reviews. These target reviews should include an analysis of the extent to which the targets have been attained and in cases where targets had not been attained, the reasons for such negative results.

4.3. The Committee notes with satisfaction the initiatives being taken by various member countries in this respect. The Regional Report recently introduced in the Scottish regions is an example. The Committee recommends that further studies be carried out in this field.

4.4. The Committee welcomes the 'Outline for the Preparation of National Regional Development Programmes', which has recently been adopted by the Committee for Regional Policy (Appendix IV). This document, which will serve as a guideline for the Member States in the preparation of their national regional development plans represents an important step forward towards the planning procedure referred to above.

4.5. The Committee emphasizes the need to formulate regional policy in stages each of which should be considered equally important. One such stage is represented by the need for immediate action at national and Community level to help out the regions in most urgent need and to halt and reverse the most disastrous trends in economic and social development in the Community. Another stage is long-term planning aimed at correcting or preventing harmful regional imbalances and ensuring a fair distribution of wealth and opportunities in all regions of the Community.

4.6. The Committee considers that inter-sectoral planning and coordination at both Community and national level are of paramount importance for the efficient implementation of regional development activities and in order to avoid waste of efforts and resources.

4.7. At Community level there is a vital need to establish an institutionalized, systematic and permanent coordination of the various Community policies and instruments relevant to regional development (The Agricultural Fund, the Social Fund, the EIB, the ECSE, transport policy, industrial policy, etc.). The Committee therefore welcomes the initiative recently taken by the Commission in creating an inter-departmental planning and coordination group and will follow the important work to be performed by this group with close interest.

Harmonization and improvement of statistical information

5.1. Further development of regional planning, transparency of accounts and budgets, monitoring of regional development, identification of regional problems, etc. are heavily dependent on the existence of reliable and standardized information systems applicable throughout the Community. Such systems do not seem to exist at present although steps have been taken in this direction, both inside and outside the Community. The Committee urges the Commission to speed up and intensify its efforts to solve this problem.

The principle of additionality

6.1. The Committee firmly supports the principle that Community aid in its totality should be allocated to the most needy regions of the Community and should complement the national efforts deployed in these regions. Community aid should be utilized to support development activities which would otherwise not have been undertaken or which would only have been undertaken at a later stage. Under no circumstances should national governments be allowed to absorb, totally or partially, Community aid moneys in their national budget or to curtail their own original development efforts at the prospect of receiving support from the Community.

6.2. The Committee finds that non-respect of the principle of additionality is contrary both to the words of the preamble to the Fund Regulation and to the spirit of the Regulation itself. It would jeopardize the aims and value of the Fund and would constitute a serious blow to the Community solidarity professed at the summit conferences. A practice of absorbing, totally or partially, Community regional funds in the national exchequers would also tend to discourage net donors to the Regional Fund.

6.3. The Committee therefore urges the Commission to ensure that the principle of additionality be respected by all Member States and to establish suitable control measures in this respect. The Committee is also of the opinion that pluri-annual planning periods and greater transparency and harmonization of national budgets constitute an important step towards the full respect of the principle.

The resources available

7.1. The Committee emphasizes that the present size of the Regional Fund is totally inadequate to meet the existing needs and that its impact on regional development will be minimal compared to the efforts of the Member States in this field. The Committee is of the opinion that without support of adequate financial means it will not be possible to establish and carry out a Common Regional Policy.

7.2. This consideration, however, does not prevent the Committee from appreciating the importance of the creation of the Fund and the considerable positive psychological effects of its existence and operation. It is a significant first step towards correcting the regional imbalances within the Community and towards transforming Community solidarity into practical action.

7.3. The Committee does, however, urge that steps be taken immediately to ensure that future development funds will be of sufficient size to meet the needs and will be established in accordance with objective criteria.

7.4. The Committee recommends that supplementary ways of financing the Fund should be looked for and would like to point to the possibilities of Community loans. The matter should be given further study.

Participation of interested regional authorities and professional organizations in planning and execution of regional development

8.1. The Committee holds the view that there is a growing need to involve the regions more directly in the planning and implementation of regional development

activities and at the same time to plan regional development in the Member States in a Community context. There can be no doubt that the national Governments for some time still, will constitute the main political, administrative and financial centre for regional development activities, but the tendencies on the one hand towards decentralization of power and responsibilities to the regions and on the other hand towards planning, coordination and implementation at Community level are unmistakable.

8.2. The Committee in recognizing the complexity and the dimensions of this matter, invites the Council and the Commission, in collaboration with the Member States, to formulate common principles and guidelines for the roles of the various authorities, in particular regional authorities and professional and social organizations involved in the planning and implementation process, in the field of regional development.

8.3. In particular the Committee recommends that :

- each region should be assured of means of exercising adequate influence on the planning and implementation of development activities within its own area and of participating actively in the administration of such activities. It should in turn contribute to national regional development programmes ;
- the region should be consulted in connection with the establishment of the criteria for selecting the regions eligible for regional aid, the means, methods and procedures of regional development and other important elements of regional policy ;
- the regions should be given the possibility of following, on a permanent basis, the development and results of the regional policy and have the right to propose or be consulted on changes in this policy.

8.4. The Committee notes with satisfaction that in some Member States substantial progress has been made towards ensuring adequate participation and influence for the regions and invites the Commission to stimulate and promote this development in all Member States.

8.5. The Committee notes that the consultation of regional authorities and professional organizations referred to in Article 5 of the Decision on the creation of a Committee for Regional Policy is only facultative and regrets the lack of initiative and determination on the part of the Community in securing adequate participation and influence of all interested parties.

8.6. The Committee insists that it be kept regularly informed and consulted on the activities of the Regional Fund and of the Committee for Regional Policy. In this connection the Committee recalls that it has not been included in Article 16, paragraph 1 of the Fund Regulation as one of the Community bodies which are to receive the annual Commission report on the application of the Fund Regulation, and expresses the wish that this omission be corrected as soon as possible.

Other activities of the Regional Fund

9.1. The Committee is of the opinion that publicity for the Fund's work should be an integral part of the tasks assigned to the Fund. Opportunities, time and resources

will be wasted if regional and local authorities and investors are not adequately informed in good time of the possibilities and conditions for obtaining aid from the Regional Fund.

9.2. It is equally important to keep the public informed of the activities of the Fund and of the implementation and progress of Fund-assisted programmes and projects. In this connection, the large-scale Community-assisted projects offer particularly good opportunities to demonstrate the Community's active involvement in development activities. The use of signboards and other publicity media in connection with Community-assisted projects as well as direct contacts with the regions for information purposes, could be among the means available to the Commission.

9.3. The Committee invites the Commission to examine to what extent other measures of an administrative or technical nature could be employed to assist Member States and ensure the smooth and efficient operation of the Fund. The Committee draws attention to the possibility of creating one or more 'trouble-shooting' multidisciplinary teams to assist, at the request of the Member States and for a limited period of time, with, for example, the launching of Community-assisted projects. Another useful assistance to Member States would be the creation of a high-level permanent consultation bureau

