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**EUROPEAN REGIONAL  
DEVELOPMENT FUND**

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## Chapter I — Introduction

1. The European Regional Development Fund was established in March 1975.<sup>1</sup> This third annual report deals with Fund activities during 1977. Although the time elapsed since the creation of the Fund is still relatively short, it is by now possible to draw a certain number of conclusions from acquired experience. These conclusions are given in Chapter VIII; they also form the basis of the proposals for amending the Fund Regulation which were adopted by the Commission and presented to the Council in June 1977.<sup>2</sup>

2. The Fund endowment in 1977 was 500 million u.a. (out of 1 300 million for the three years since establishment). In 1977 the Commission adopted 378 grant decisions in respect of 2 020 investment projects representing a total investment of 4 498 million u.a. Since 1975 4 748 projects have been approved. Virtually all of the appropriations available in 1977 were committed, bringing to 1 289 million u.a. the total committed since 1975. Of the assistance granted in 1977, 41% (1975-77: 35%) concerned industrial and service sector projects creating or maintaining 70 000 jobs (1975-77: 185 000 jobs); 59% (1975-77: 65%) concerned infrastructure projects.

Payments made in 1977 were 372 million u.a., bringing the total payments made since the Fund was created to 740 million u.a. This figure represents 57% of total commitment appropriations. The Commission considers that this percentage is satisfactory given that payments from the Fund are made only after payment of the national aids on the basis of which Fund contributions are calculated, and that these national aids are paid out as work on the projects progresses.

3. However it must be stressed that the impact of the Fund cannot be judged in isolation. The Fund must contribute to the achievement of a whole range of objectives defined at Community level and which seek to remedy the traditional imbalances between regions by improving the situation of the less favoured, and to prevent new imbalances from appearing.

The achievement of these objectives implies not only a Regional Fund endowed with larger resources and greater flexibility than in the past, but also, as stated in

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<sup>1</sup> By Regulation (EEC) No 724/75 of the Council of 18 March 1975, establishing a European Regional Development Fund (OJ L 73 of 21.3.1975), hereinafter called the Fund Regulation.

<sup>2</sup> Points 5 and 6.

the second annual report, an increased coordination of all Community financial instruments which provide assistance in the less-favoured regions, of all Community policies with regional implications, and of national regional development policies.

4. These considerations were among the factors which led the Commission in January 1977 for the first time to give one of its Members the specific task of coordinating all Community financial instruments with structural purposes.

5. In addition, in June, in the context of its Guidelines on Community Regional Policy<sup>1</sup> the Commission proposed to the Council various amendments to the Fund Regulation. The main changes, accepted by the Council in June 1978, are:

- the creation of a non-quota section of the Fund for which 5% of total Fund resources will be reserved;<sup>2</sup>
- changed national quotas to give an increase of 2% in the French quota, to benefit the Overseas Departments;
- a more flexible definition of infrastructure qualifying for Fund assistance.

6. The Commission also included in the Guidelines other proposals on regional policy in general:

- the preparation of a periodic report on the economic and social situation of the regions, upon which basis regional policy guidelines and priorities could be set for the following years. In June 1978 the Council noted the Commission's intention and undertook to examine this report.<sup>3</sup>
- a system of regional impact assessment enabling account to be taken of the effect the main Community policies may have on the regions, especially with regard to employment. The Council has adopted a similar commitment.<sup>3</sup> The Commission will, where necessary, propose supplementary action, including specific measures financed by the non-quota section of the Regional Fund, to ensure the achievement of the aims of the policies concerned and at the same time the correction of possible negative effects on the regions.
- closer coordination of national regional development policies. Member States have also committed themselves to this.<sup>3</sup>

The Economic and Social Committee and the Parliament gave their support to the Commission proposals on their opinions of 29 September<sup>4</sup> and 13 October 1977<sup>5</sup> respectively.

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<sup>1</sup> OJ C 161 of 9.7.1977; Supplement 2/77 — Bull. EC.

<sup>2</sup> Representing roughly 29 million EUC in 1978.

<sup>3</sup> These commitments will be confirmed in a Council resolution.

<sup>4</sup> OJ C 292 of 3.12.1977.

<sup>5</sup> OJ C 266 of 7.11.1977.

7. When the general budget of the Communities for 1978 was adopted in December 1977, Fund appropriations were fixed at 581 million EUC.<sup>1</sup> This figure, representing an increase of 56% on 1977, resulted from the political agreement within the European Council of December 1977, which also agreed on 620 and 650 million EUC for 1979 and 1980 respectively. The final figures for those two years will of course be fixed according to the normal budgetary procedures.

## Chapter II — The economic situation in 1977 and the future outlook<sup>2</sup>

### The general situation in 1977<sup>3</sup>

8. By comparison with 1976 when the trend was slightly positive, the economic situation again declined in 1977. Indeed, the volume of GDP increased by only 1.9% compared with 4.6% in 1976, and industrial production by 1.9% in volume compared with 7.8% in 1976. The average rate of use of Community industrial production capacity as a whole hardly improved at all.

9. Since the beginning of 1977, employment in the Community remained below the 1975 level. The working population increased and there was consequently an increase in unemployment to 6.3 million unemployed in September 1977. The unemployment rate was therefore 5.9% of the working population compared with 5% in October 1976. In relation to the total number of unemployed, the proportion under 25 years of age rose to exceed 37.5% in July (more than 2 million persons).

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<sup>1</sup> *Note on units of account :*

The new European unit of account (EUC), which has been in use since 1.1.1978, is based upon a weighted average of the nine national currencies; its value varies therefore from day to day. The former unit of account (u.a.) used until 31.12.1977 had a fixed value in relation to national currencies. At the exchange rate operative on 1.1.1978, 1 EUC = 1.34 u.a. On that date therefore the 500 million u.a. available to the Fund in 1977 was the equivalent of 372.34 million EUC.

<sup>2</sup> Figures in this chapter are taken from 'The economic situation in the Community', No 4, 1977 and No 1, 1978, unless otherwise indicated.

<sup>3</sup> Table 1 and Graphs I, II and III of the Annex.



The female jobless accounted for 43% of all unemployed and trends indicate a further rise. Partial unemployment also rose sharply in all Community countries, almost reaching the 1975 level.

10. The trend of investment, which is particularly important for regional development, was hardly encouraging. The volume of fixed investment rose by only 1.1% compared with 2.8% in 1976. Ireland and the Netherlands recorded in 1977 an increase in volume of gross fixed capital formation of respectively 8 and 16%; in the other countries investment hardly rose or even declined. In all, the volume of investment in 1977 exceeded the highest pre-crisis level only in France.

11. The year 1977 saw no fundamental change in the economic situation of the Community nor in the relative situations of the member countries. In the context of a mediocre economic performance for the Community as a whole, the weaker economies felt to a similar extent the repercussions of the crisis. There was thus no significant catching-up in terms of growth; and though the increase in unemployment was better contained than in the countries with stronger economies, this is essentially a consequence of the different social and economic conditions on which the activity rate depends. Within this context, the countries concerned remain subject to the same internal and external constraints as have limited their past efforts to catch up.

## Regional consequences

12. At regional level, the outcome of the divergent trends since 1974 was that product per head remained well below the Community average in all regions of the United Kingdom, Ireland and Italy. Since then, the situation has not improved and it can be assumed that the economic trend in 1977 has barely altered the scale of existing regional imbalances.

13. During 1977 unemployment<sup>1</sup> developed as follows in the different Member States:

— *Federal Republic of Germany*: unemployment continued its slow decline begun in 1976 and reached 4.8% in January 1978. Regional data show that the situation has developed differently: it has improved in Hesse, Baden-Wurttemberg, and Bavaria (with the exception of the Upper Palatinate and Lower Franconia) and

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<sup>1</sup> Registered unemployed as percentage of work force; based on national figures and not completely comparable as between Member States.

has worsened in Lower Saxony and North Rhine-Westphalia. Nevertheless, the regions most affected by unemployment remain, as in 1976, Aurich (Lower Saxony), the Saar and Bremen.

- *France*: unemployment has continued to rise and was 5.2% in January 1978. The regions most affected by the increase were Champagne-Ardenne, Haute-Normandie, Nord-Pas-de-Calais and Lorraine. However the highest unemployment rates are still in Languedoc-Roussillon and Provence-Côte d'Azur-Corsica.
- *Italy*: as in France, unemployment has continued to rise and was 7.7 % in January 1978. The regions most affected are those of the Mezzogiorno.
- *Netherlands*: unemployment has declined and was 4.7% in January 1978. All regions, have benefited from this decline except Zeeland and Limburg. Unemployment is highest in the last-named region.
- *Belgium*: unemployment reached 8.5% in January 1978 (8.0% in Flanders; 9.8% in Wallonia); the increase in unemployment has been highest in the provinces of Limbourg, East and West Flanders and Luxembourg. The rate of unemployment however remains highest in Limbourg and Liège provinces.
- *Luxembourg*: unemployment, although it has increased by more than three-fold, is still very low at around 1%.
- *Denmark*: unemployment has increased sharply to reach 7.8% of the workforce.
- *Ireland*: unemployment has fallen slightly and is now around 9%.
- *United Kingdom*: unemployment rose by some 100 000 in the year to reach 6.1%. This increase was fairly widespread, the regions most affected being Scotland, Wales, the North of England and Northern Ireland. The last-named region has the highest unemployment level.

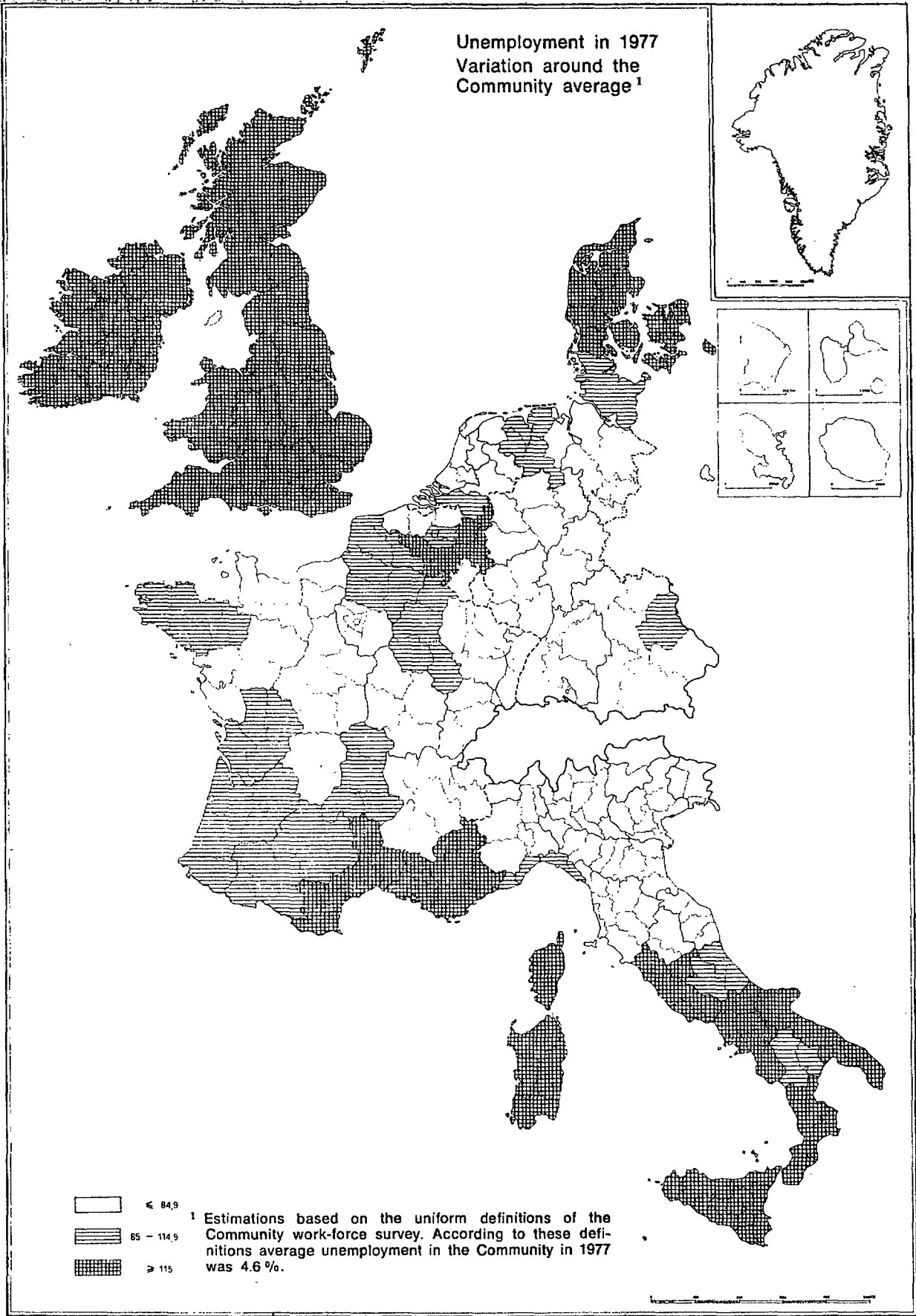
## The outlook for 1978 <sup>1</sup>

14. The general economic outlook for 1978 is slightly better than for 1977. Industrial production will doubtless continue to make slow progress during the first six months of 1978; it is however doubtful whether the utilization of productive capacity can accelerate to an appreciable degree. If there is no notable improvement in the second half-year, the growth rate in real terms of gross domestic product for the Community could at most achieve 3.5% for the whole year.

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<sup>1</sup> Table 2 of the Annex.

Unemployment in 1977  
Variation around the  
Community average<sup>1</sup>



15. With regard to employment, the moderate growth of economic activity and of fixed investment and the slight improvement in the immediate economic situation will doubtless be insufficient to restore the position on the labour market. It is not even certain that, due to an increasing working population, the level of unemployment will not rise again somewhat during 1978, except in the Federal Republic.

16. The measures for encouraging fixed investment planned in most Member States, combined with steady improvement in financing conditions, should help increase slightly the readiness to invest. As shown by the results of the latest inquiry into the investment outlook for Community industry, it is expected that fixed investment will grow rather faster in 1978 than in 1977.

17. The rise in prices should continue to slow down. The current restraining factors — lax demand, lower wage pressures in some countries and a trend towards lower raw-material prices — are likely to persist in the near future. Community imports from non-member countries will increase only slightly in coming months and in general the balance of current payments will doubtless continue to improve.

18. These economic difficulties, structural and short term, which concern both employment and output capacity, and have been apparent since the start of the economic crisis, will continue with still greater emphasis. It should be noted that it will be difficult to compensate for past and foreseeable losses in employment in sectors such as textiles, clothing, leather, shipbuilding and steel by sufficient new jobs in growth sectors, which are usually highly capital intensive.

### Chapter III — The Fund's activity in 1977

19. The operations of the Fund in 1977 were carried out in difficult economic conditions. As indicated in the preceding chapter, the general economic situation of the Community deteriorated after the slight improvement of 1976; divergences between national economies and the imbalances which persist between regions continue to hinder progress towards economic integration.

An economic recovery would not of itself overcome these difficulties. Consequently, an active regional and structural policy is needed at Community level, the Regional

Fund being one of the instruments of that policy. Yet, if the economic situation makes the Fund more necessary, it also makes its task more difficult. On the one hand, in a period of economic difficulty and a generally low level of investment, it is clearly more difficult to guide investment towards the less-favoured regions; on the other, the high rate of inflation, above all in the countries faced with the most severe regional imbalances, had clear and adverse consequences for the real value of the resources which were available to the Fund in 1977 but which were fixed in December 1974. It is within the framework of this economic situation that the Fund's operations in 1977 must be judged.

## **Budget aspects**

20. The 1977 commitment appropriation for the Fund, included in Chapter 55 of the general budget of the European Communities, amounted to 500 million u.a. as provided for in the Fund Regulation. Payment appropriations in the budget for 1977 were 400 million u.a. to which were added 82 million u.a. brought forward from 1976 (see Table 10 of the Annex).

## **Applications**

21. The first series of grant decisions adopted by the Commission in January 1977 concerned only applications submitted in 1976 but which could not be approved within the 1976 budget. Applications for 1977 reached the Commission from mid-January and continued up to the beginning of October. In all 397 applications were presented during the year, concerning 2 294 investment projects. To this figure must be added 182 projects stemming from 43 applications submitted in 1976 or 1975. During 1977 the Commission therefore considered 440 applications in all, concerning 2 477 projects.

22. 378 out of these 440 applications were approved, relating to 2 020 investment projects. No decision was taken on 457 projects.

The detailed figures on applications submitted are given in the following tables:

TABLE 1

## Analysis by category of investment of applications submitted in 1977

Investment category	Amount of investment	
	million u.a.	%
<i>Industry and services</i>		
projects of more than 10 million u.a.	1 852.74	35.73
projects of less than 10 million u.a.	1 193.62	23.02
Sub-total	3 046.36	58.75
<i>Infrastructure</i>		
projects of more than 10 million u.a.	1 301.43	25.10
projects of less than 10 million u.a.	700.66	13.51
projects in mountain and hill-farming areas <sup>1</sup>	136.59	2.64
Sub-total	2 138.68	41.25
Total	5 185.04	100.00

<sup>1</sup> As defined in Directive No 75/268/EEC of 28 April 1975 (OJ L 128 of 19.5.1975) on mountain and hill farming and certain less-favoured areas.

TABLE 2

## Projects approved and projects on which no decision was taken

Member State	Number of projects presented in 1977, or brought forward from 1975-76 <sup>1</sup>	Number of projects financed in 1977	Number of projects presented in 1977 on which no decision was taken <sup>2</sup>					Total
			01	02	03	04	06	
Belgium	47	47	—	—	—	—	—	—
Denmark	60	59	—	1	—	—	—	1
FR of Germany	424	410	1	12	—	1	—	14
France	370	184	5	35	3	64	79	186
Ireland	78	73	1	2	—	2	—	5
Italy	900	736	—	39	—	30	95	164
Luxembourg	1	1	—	—	—	—	—	—
Netherlands	5	5	—	—	—	—	—	—
United Kingdom	592	505	5	4	3	58	17	87
Total	2 477	2 020	12	93	6	155	191	457

<sup>1</sup> Projects submitted in 1975 and 1976 for which grant was awarded in 1977.

<sup>2</sup> 01: industrial projects of more than 10 million u.a.

02: industrial projects of less than 10 million u.a.

03: infrastructure projects of more than 10 million u.a.

04: infrastructure projects of less than 10 million u.a.

06: infrastructure projects in mountain and hill-farming areas.

23. The reasons why no decision was taken on 457 projects were as follows:

- some projects did not comply with the formal provisions of the Fund Regulation (creating at least 10 jobs, volume of investment of more than 50 000 u.a., etc);
- other projects were not accepted for sectoral reasons (structural overcapacity);
- lastly, insufficient commitment appropriations limited the Commission's possibilities of decision in some cases.

Some of the projects not approved may however be approved in 1978. This is particularly the case for projects which could not be approved due to lack of available resources; these projects may be financed out of 1978 appropriations.

24. In accordance with the Commission's request in 1977, most Member States presented applications for more than their entitlement from the Fund as is shown in the following table:

TABLE 3

Value of applications submitted in 1977 as percentage of shares according to the Fund Regulation <sup>1</sup>

France	135
FR of Germany	133
United Kingdom	122
Belgium	117
Luxembourg	108
Italy	105
Denmark	103
Ireland	95
Netherlands	75

<sup>1</sup> These figures do not take account of cases where shares were exceeded or under-utilized in the preceding year.

25. The surplus of applications made easier the Commission's choice of projects and also, for most Member States, made it possible to align Fund commitments for 1975-77 exactly with the national quotas as set out in Article 3.1 of the Fund Regulation. The high level of applications introduced by the Federal Republic was necessary in view of delay by this Member State in taking up its entitlement in the two previous years.

26. It should be remembered that the distribution ratio laid down in the Fund Regulation refers to the total available for the three years 1975-77. In 1977 the Commission had therefore to ensure the quotas were strictly adhered to for the whole period, taking account of over and under-utilization during the two previous years. <sup>1</sup>

<sup>1</sup> Point 38, Table 5.

## Grant decisions

27. In 1977 the Commission adopted four series of grant decisions, in January, May, July and December, after receiving the necessary opinions from the Fund Committee and the Regional Policy Committee. Table 4 of the Annex gives, for each Member State and for each investment category as defined by the Fund Regulation, the number of grant decisions, the number of projects aided, the volume of investment concerned and the total of grants approved from the Fund. The distribution of grants was as follows:

**TABLE 4**  
**Distribution of assistance granted by category of project**  
(in brackets: total investment concerned)

<i>Industry and services</i>	projects of 10 million u.a. or over	18.3%	(31.0%)
	projects under 10 million u.a.	23.0%	(25.0%)
	Sub-total	41.3%	(56.0%)
<i>Infrastructures</i>	projects of 10 million u.a. or over	25.3%	(27.1%)
	projects of under 10 million u.a.	28.1%	(14.7%)
	infrastructures in mountain, hill areas	5.3%	(2.2%)
	Sub-total	58.7%	(44.0%)
	total	100.0%	(100.0%)

28. This table calls for three comments:

- The reason why industrial and service projects account for 56% of investment financed but only 41.3% of grants is that grants for these investments may not exceed 20% of investment cost (compared with 30% for infrastructures) and 50% of national aid granted to the investment. They are also subject to a ceiling linked to the number of jobs created or maintained.
- Infrastructure projects represent a smaller proportion of total grants than in 1976, in which year it was 75%. It seems that the urgent request of the Commission to Member States to give priority to applications for projects which directly create jobs had a positive result here.
- The proportion of grants to projects of 10 million u.a. or more declined by comparison with 1976, falling from 52.9% to 43.6%. The Commission considers that, in view of the priority referred to in Article 7 of the Fund Regulation, more than half the aid granted should go, as in 1976, to projects of 10 million u.a. or more.



## *Principal types of project assisted*

Tables 5 and 6 in the Annex indicate the types of investment for which Fund grants were made. These tables reveal the following facts:

### *29. Industry and service sector investments*

- The average volume of investment per project was 35.7 million u.a. for projects of 10 million u.a. or more, and 1.8 million u.a. for projects of less than 10 million u.a. The level of Fund assistance for large projects amounted to 35.6% of national aid and 6.6% of total investment, and for small projects 42.6% and 10.3% respectively.
- As to the economic sectors concerned, metal goods manufacturing tops the list for the number of projects financed of less than 10 million u.a., followed by non-metallic minerals, mechanical engineering, and electrical and electronic engineering. Chemicals lead for large projects, followed by mechanical engineering, and motor vehicles and spare parts.

### *Infrastructure*

30. In general, industrial-estate development was the most important type of investment assisted, accounting for 62% of large projects and 69% of small projects.
- Categories of infrastructures vary however as between Member States in the light of regional priorities and national policies. In all Member States, with the exception of Denmark, France and Ireland, emphasis has been put on the development of industrial estates; yet it should be noted that there has been substantial assistance for road and port infrastructure linked with industrial estates in the Netherlands, for public works projects in mountain areas in Italy, and in road and telephone infrastructure in France. In Ireland priority has been given to telephone installations, water supply and sewerage; all infrastructure projects for Denmark were in Greenland and concerned mainly port installations. The more flexible definition of eligible infrastructure accepted for the modified Fund Regulation will allow the types of infrastructure projects aided to be even better fitted to regional priorities and to the national policies followed.
  - The level of Fund assistance averaged 27.4% of eligible public expenditure for small projects<sup>1</sup> and 16.5% for major projects. This is because some applications were for grants at less than the maximum rate of 30%, and in some cases the

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<sup>1</sup> Investments of less than 10 million u.a.

Commission itself, in agreement with the Regional Policy Committee and the Fund Committee, varied the level of grant. For major projects, where assistance may, according to the Fund Regulation, vary between 10% and 30% of investment cost, lower rates have more often been applied to infrastructure projects directly linked to the development of industrial and service-sector activity<sup>1</sup> but also serving the general public. For smaller projects, at the request of the Member State concerned, the Commission applied a lower rate of grant in a number of cases.

Under the modified regulation the maximum rate of grant is raised to 40 % for infrastructure projects in certain regions. This will give to Community assistance a selective and incentive character, favouring projects of particular interest to the development of the region where they are located but whose implementation could be prevented or delayed for financial reasons.

### *Projects on which work has already been carried out*

31. The Fund Regulation provides that the Commission should consider as eligible for Fund assistance all expenditure incurred by Member States after 1 January 1975, even if the projects concerned have already been started or even finished at that date. The Commission has however stressed to Member States that priority must be given to projects where the bulk of the work starts in the year in question, so that Fund assistance may be an incentive for new projects.

32. In this connection it is noteworthy that the Member States sent practically no completed projects to the Commission in 1977; this shows a marked improvement over previous years. Many projects were however already in progress. While this is understandable for major projects, which require generally several years for completion, the Commission considers nevertheless that there should be more emphasis on financing entirely new projects so that Fund assistance may have a real influence on solving regional problems.

### **Impact of Fund assistance on employment**

33. One of the main aims of the Fund is the creation and maintenance of jobs in predominantly agricultural regions and those subject to industrial change or structural underemployment. Declining investment in the industrial sector, and a corresponding increase in unemployment in Member States as a whole, has rendered the role of the Fund particularly important in this field.

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<sup>1</sup> Article 4.1.b of the Fund Regulation.

34. In this connection, the fact that the proportion of industrial and service-sector projects financed by the Fund was higher in 1977 than in 1976 (41.3% compared with 25%) produced a noticeable increase in the impact made by the Fund on job creation. Projects in receipt of Fund assistance in 1977 in these sectors created or maintained some 70 000 jobs compared with 55 000 in 1976 according to the estimates attached to applications. Indeed, it is the industrial and above all the service sectors which create the greater proportion of necessary new permanent jobs. Nevertheless, infrastructure projects, for which job-creation figures are not available, do create substantial work which, even though temporary, often lasts several years and also provide the basis for the later growth of industrial and service-sector activity. In addition, the maintenance of completed infrastructure networks is also a not negligible source of permanent work. A serious assessment of the impact on employment must in any event be based on regional development programmes <sup>1</sup> and statistical summaries <sup>2</sup> rather than on the above figures which are only forecasts.

35. As in previous years, projects of less than 10 million u.a. created most jobs in relation to the total volume of investment and/or Fund aid. This is because the volume of capital invested per job is generally more for large projects than for small ones, the latter often being strongly labour intensive.

### **Financing studies**

36. No study was financed from the Fund in 1977 under Article 10 of the Fund Regulation, no Member State having requested one. This was so essentially because the cost of a study had to be deducted from the quota of the Member State concerned. Under the modified Fund Regulation it will be possible to finance studies also under the 'non-quota' section of the Fund so as to overcome this difficulty.

### **Complementary character of Fund activity and national measures**

37. The question of the additional character of Fund activity to national measures was examined in detail in the two previous Annual Reports. <sup>3</sup> The information given in the Second Annual Report remains valid for 1977. During that year

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<sup>1</sup> Point 92.

<sup>2</sup> Point 109.

<sup>3</sup> Points 52 to 67 and 36 to 40 respectively.

again, according to the information available to the Commission, the assistance granted for infrastructure projects (59% of the total) was in most cases paid over to regional and local authorities, if these were responsible for the investments involved. On the other hand no Member State used the option provided for in the Regulation of transferring Fund aid to industrial investors. For these projects all Member States treated Fund assistance as partial repayment of national aid. The Member States report that in both cases Fund assistance has enabled a greater number of projects to be financed than would otherwise have been possible.

## Summary of the three-year situation, 1975-77

38. At the end of the three-year period referred to in Article 2 of the Fund regulation the balance-sheet of Fund activities stands as follows.

### *Commitment appropriations*

TABLE 5  
Total Fund commitments in 1975, 1976 and 1977

million u.a.

Member State	Appropriations available 1975 + 1976 + 1977 <sup>1</sup>	Appropriations committed			Decommitted <sup>2</sup>	Total (C + D + E - F)	% use of appropriations available (G over B)
		1975	1976	1977			
A	B	C	D	E	F	G	H
Belgium	19.35	4.04	6.67	8.62	—	19.33	100.0
Denmark	16.76	3.88	6.42	6.58	0.12	16.76	100.0
FR of Germany	82.49	9.47	19.88	42.85	0.22	71.88	87.3
France	193.33	46.01	76.46	70.85	—	193.32	99.9
Ireland	84.00	19.93	34.54	30.32	0.96	83.83 <sup>3</sup>	99.8
Italy	520.00	123.99	204.23	192.18	0.40	520.00	100.0
Luxembourg	1.29	0.75	—	0.54	—	1.29	100.0
Netherlands	21.91	5.58	10.00	6.33	—	21.91	100.0
United Kingdom	360.89	86.18	141.92	45.91	13.12	360.89 <sup>3</sup>	100.0
Total	1 300.00	299.83	500.12	504.18	14.82	1 289.31	99.2

<sup>1</sup> Article 2(1) of the Fund Regulation.

<sup>2</sup> Projects withdrawn by a Member State after decision to award grant.

<sup>3</sup> Includes financing of a cross-frontier study approved in 1976.

The preceding table shows that all Member States have virtually used their quota, with the exception of Germany which has an unused balance of 10.5 million u.a. (12.7% of quota).

### *Fund assistance*

The principal features of Fund assistance over the three years are:

- 4 747 projects have been financed, representing a total investment of 11 700 million u.a.;
- 65% of Fund grants have been allocated to infrastructure projects and 35% to industrial or service-sector projects;
- projects of 10 million u.a. or more have received 47% of Fund assistance compared with 53% for projects of less than 10 million u.a.;
- finally, projects financed in the industrial and service activity sector should create or maintain 185 000 jobs.

## **Chapter IV — Regional analysis of Fund activity**

### **Geographical concentration of Fund activity**

39. Table 7 of the Annex shows the regional distribution of Fund assistance in 1975, 1976 and 1977.

40. The Fund Regulation states that regions and areas eligible for Fund assistance shall be limited to those areas aided by Member States under their own systems of regional aid. To give maximum impact to Fund assistance, priority must however be given to investments located in national priority areas, taking account of the principles for Community-level coordination of regional aids. In 1977 the situation was as follows for the various Member States:

- *Belgium*: Fund assistance was located in areas covered by the Commission Decision of 26 April 1972<sup>1</sup> on aids granted under the Belgian law on economic expansion of 30 December 1970;
- *Denmark*: 82% of Fund assistance went to Greenland, the remainder to special priority areas;
- *Federal Republic of Germany*: 62% of Fund assistance went to Berlin, to the Zonenrandgebiet and to first priority development poles qualifying for 20% aid;
- *France*: 79% of Fund assistance went to regions of the west and south-west, to Corsica and to the overseas departments;
- *Ireland*: 59% of aided projects were in the 'designated areas', mainly in the west of the country;
- *Italy*: 91% of Fund assistance went to the Mezzogiorno; exceptionally, as part of the special measures to help the areas in Friuli affected by the earthquake of 6 May 1976, 9% of assistance went to Friuli-Venezia Giulia.
- *Netherlands*: Fund assistance was limited to the two priority areas in the north and south of the country;
- *United Kingdom*: some 86% of Fund assistance went to projects located in the priority areas, namely Northern Ireland, the Special Development Areas and the Development Areas.

41. It is to be noted that in some Member States the geographical concentration of Fund assistance was less in 1977 than in 1976. The Commission takes the view in these circumstances that efforts to concentrate Fund assistance in priority regions must be accentuated, given the limited resources available to the Fund.

## **Fund activities in certain priority regions**

42. This part of the report deals with Fund assistance in certain regions selected on the basis of the following criteria:

- in the first instance, the regions included in the five areas recognized as having priority in the Commission's 'Guidelines on regional policy'<sup>2</sup> and in the modified Social Fund Regulation,<sup>3</sup> i.e.:

<sup>1</sup> OJ L 105 of 4.5.1972.

<sup>2</sup> Supplement 2/77 — Bull. EC.

<sup>3</sup> OJ L 337 of 27.12.1977. Regulation (EEC) No 2893/77 of the Council.

- Mezzogiorno <sup>1</sup> {
  - Abruzzi
  - Basilicata
  - Calabria
  - Campania
  - Molise
  - Apulia
  - Sardinia
  - Sicily

- Ireland
- Northern Ireland
- Greenland
- French overseas departments

— in the second instance, the region of each Member State (Luxembourg excepted) which has been the principal beneficiary of Fund assistance in relation to population over the years 1975-77, unless this region is already included in the list above. On the basis of this criteria the following regions are included:

- Corsica
- the North of England
- the North of the Netherlands
- Schleswig-Lower Elbe
- Wallonia

43. Each region has been analysed as follows:

- a reminder of the economic situation of the region;
- an indication of national and Community aids <sup>2</sup> as a whole in recent years;
- a brief analysis of Regional Fund assistance given in 1977.

The analysis of the Mezzogiorno <sup>1</sup> comprises a section on the whole of this huge region, followed by sections on each of the administrative regions within it. For other countries, there is a separate section for each region.

It should be noted that in many cases the Commission does not possess full and accurate data on national aids. <sup>3</sup> The figures shown are therefore often only approximate estimates; the importance of the Community's aid can, nevertheless, be

<sup>1</sup> Italian regions only partly within the Mezzogiorno are excluded.

<sup>2</sup> Concerning the EAGGF, only assistance from the Guidance Section under Regulation 17/64/EEC is included.

<sup>3</sup> Points 95 and 110.

judged by comparison with these orders of magnitude. National amounts have been converted into 'budget' units of account (u.a.)<sup>1</sup> as used for the Regional Fund up to the end of 1977.

As far as Community assistance is concerned, the value of loans from the European Investment Bank and the ECSC is expressed in new 'European' units of account (EUC)<sup>2</sup> and must not therefore be added to the figures for the Regional and Agricultural Funds, expressed 'budget' units of account (u.a.).

44. The following table summarizes Regional Fund assistance for the regions concerned.

*TABLE 6*  
Fund assistance in 1975-77

Region	Total (million u.a.)	Per head of population (u.a.)
Mezzogiorno:	423.91	21.67
Abruzzi	30.20	25.02
Basilicata	13.01	21.22
Calabre	39.77	19.60
Campagna	103.09	19.61
Molise	6.69	20.33
Pulia	66.12	17.65
Sardinia	83.46	54.02
Sicily	81.57	16.85
Ireland	83.83	26.79
Northern Ireland	58.37	37.98
Greenland	13.14	265.45
DOM <sup>1</sup>	12.73	10.73
Corsica	7.53	34.07
North of England	108.55	34.72
Northern Netherlands	12.77	23.74
Schleswig-Lower Elbe	5.12	7.40
Wallonia <sup>2</sup>	9.28	2.89

<sup>1</sup> French overseas departments.

<sup>2</sup> Assistance per head is based on the total population of Wallonia, and not on that of the aided areas alone.

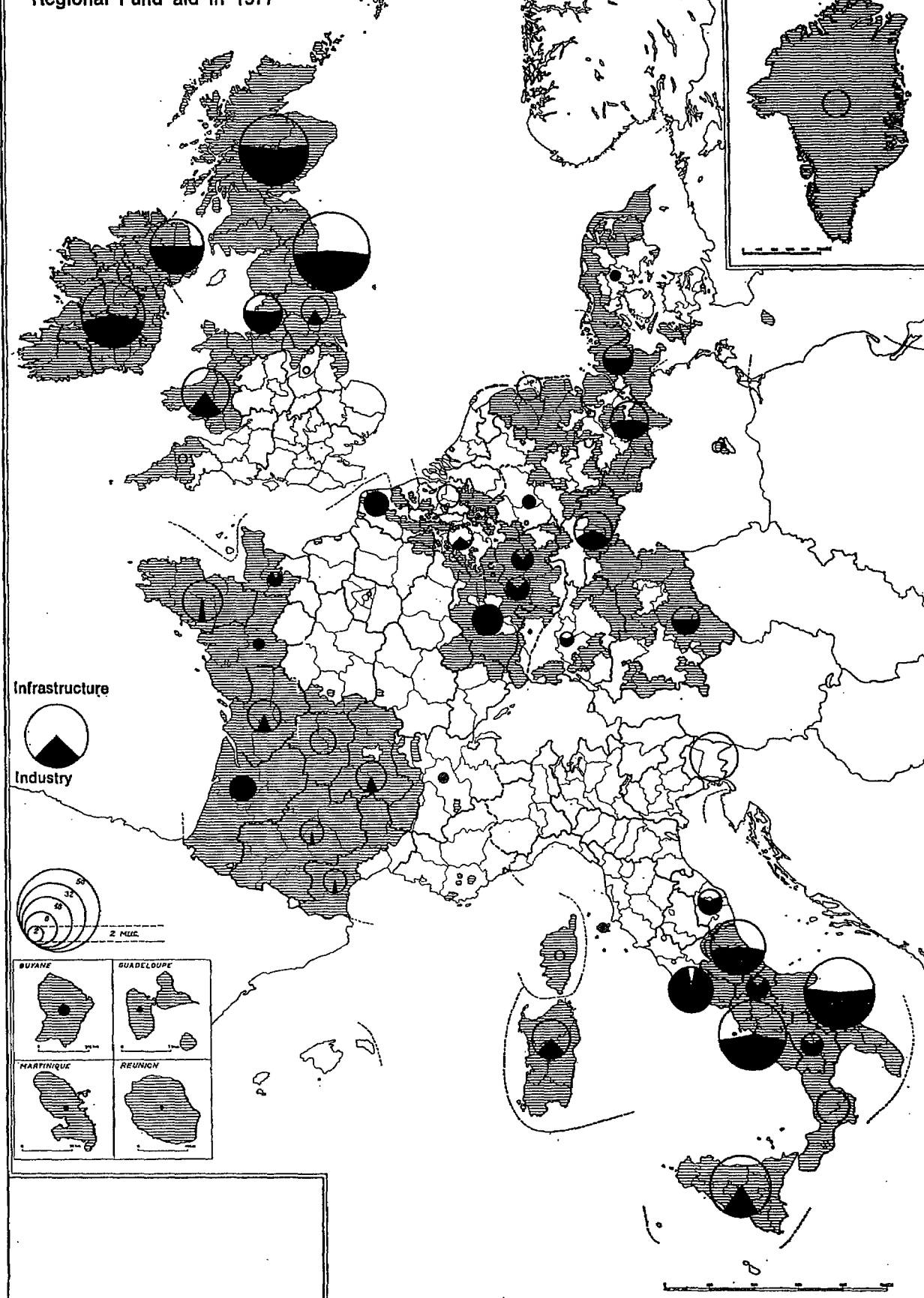
As indicated at point 39, the figures for Fund grants in all eligible regions are given in Table 7 of the Annex.

<sup>1</sup> 1 u.a. = BFR 50; DKR 7.5; DM 3.66; FF 5.55419; UKL 0.416667; LIT 625; HFL 3.62.

<sup>2</sup> EUC : new unit of account used for the general Community budget since 1.1.1978 but for already several years by the EIB and the ECSC. See also footnote to point 7.



# Regional Fund aid in 1977



## *Mezzogiorno*

45. The Mezzogiorno has a surface area, 33% of it mountain, which covers 40.8% of the whole of Italy, and a population comprising some 35% of the Italian population (7.8% of the Community), yet it provides only 30% of employment throughout the country (5.9% of the Community total). The southern regions provide 54.4% of national employment in agriculture, against 23% for industry and 27.7% for the service sector. The activity rate is only 34.8% and in October 1977 unemployment stood at 10.5%. In absolute terms there were 700 000 unemployed in the Mezzogiorno, of whom over 400 000 were aged between 15 and 19 years.

It is not possible to give a precise indication of the amounts of public expenditure on the development of the Mezzogiorno, but one can estimate, very approximately, the capital expenditure of certain public administrations<sup>1</sup> for the period 1974-76. These amount to some 12 000 million u.a., of which 5 100 million u.a. is accounted for by operations of the Cassa per il Mezzogiorno. It is in comparison with these orders of magnitude that Community assistance in the Mezzogiorno during the three years of Regional Fund (1975-77) must be judged:

### *Grants*

— Regional Fund	423 million u.a.
— Agricultural Fund: (Guidance Section)	74 million u.a.

### *Loans<sup>2</sup>*

— European Investment Bank	772 million EUC
— ECSC	267 million EUC

Regional Fund grants in each region of the Mezzogiorno are examined in the following pages. In comparing Regional Fund grants and national public expenditure (especially that of the Cassa) the following points should however be borne in mind: the choice of the projects submitted for Fund grant made by the Italian Government concerned the Mezzogiorno taken as a whole and also took account of the time-scale for the implementation of certain projects; and secondly, national public expenditure in the Mezzogiorno covers projects which are ineligible, or only partly eligible, for Regional Fund grant. It is therefore possible that Regional Fund grants to a given region may not be in proportion to national expenditure.

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<sup>1</sup> For the Cassa per il Mezzogiorno: expenditure other than on interest rebates for industrial investments; for the central administration: expenditure by the Ministries of Agriculture and Public Works; for the regions: budget estimates.

<sup>2</sup> Point 43.

## *Abruzzi*

46. The most northerly region of the Mezzogiorno, Abruzzi has a relatively small population of 1 221 000 inhabitants. Product per head is among the highest of the Mezzogiorno, but nevertheless in 1976 reached only 43% of the Community average (at 1976 prices and exchange rates). Unemployment, at 8.2% in October 1977, is near the Mezzogiorno average.

Over 65% of the region is mountain, with only 25% of the population in towns with a population of over 50 000; there is a clear imbalance between inland areas suffering from a process of depopulation and congested coastal zones. The region suffered from a net outward migration from 1951 to 1971 (300 000 persons, or 1.2% of the population per year) and there is consequently an ageing population, with the birth-rate (12.9%) lower than the Italian average. More recently Abruzzi has seen a return of many migrants, above all from abroad (some 20 000 persons from 1971 to 1976).

During the period 1974-76 capital expenditure by the Italian public authorities<sup>1</sup> can be estimated very roughly at 830 million u.a. which corresponds on average to 9% and 33% respectively of GDP and investment in the region. Of this, 460 million u.a. represents expenditure by the Cassa per il Mezzogiorno.

The Community contribution for the first three years of Regional Fund activity must be judged in comparison with the above figures:

### *Grants*

— Regional Fund	30 million u.a.
— Agricultural Fund: Guidance Section	6 million u.a.

### *Loans*<sup>2</sup>

— European Investment Bank <sup>3</sup>	52 million EUC
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### *Regional Fund aid in 1977*

Of the 23.97 million u.a. granted to the region in 1977 (12.5% of total contributions to Italy), 44.8% (10.73 million u.a.) was for 37 projects in *industry* representing a total investment of 57.4 million u.a. and designed to create 2 000 jobs. By amount of investment, projects in the rubber and plastics sectors are in the lead, followed by metal production and processing, processing of non-metal minerals and the food industry.

<sup>1</sup> Point 45, footnote 1.

<sup>2</sup> Point 43.

<sup>3</sup> Of which 50 % (9.2 million EUC) of a loan concerning Molise as well.

*Infrastructure projects* received 13.24 million u.a. Nine industrial estate projects were aided, with a contribution of 1.9 million u.a., and a road project concerning various communes of Chieti province received 11.3 million u.a. towards an investment of 48.5 million u.a.

## *Basilicate*

47. With its small population (617 000 persons in 1976) and the lowest population density (62 persons per square kilometre) of the southern regions, Basilicate is among the poorest of the Community's regions. Gross domestic product per head in 1976 (38.1% of the Community average at current prices and exchange rates) is a few points lower than the average for the Mezzogiorno, and unemployment (14.0% in October 1977) is rather higher.

Only 8% of the surface area of the region is flat, with 47% mountain and 45 % other hill areas. Industrial development cannot therefore be widely spread, and the imbalance between the interior and the limited coastal planes is pronounced. There are few large towns (only 10% of the population live in towns of over 50 000 people) and urban infrastructures and services are inadequate. A high net outward migration (222 000 persons, that is nearly 36% of the current population, over the period 1951-76) has led to a gradual increase in average age. The main activity remains agriculture, which provided 35% of employment in 1976.

Over the period 1974-76 capital expenditure by the Italian public authorities <sup>1</sup> can be estimated very roughly at 810 million u.a., which corresponds to 20% and 46% respectively of the gross domestic product and of investment in the region. Of this total, 390 million u.a. represents the expenditure of the Cassa per il Mezzogiorno.

The Community contribution over the three years of the Regional Fund's activity (1975-77) must be judged by comparison with the above figures:

### *Grants*

— Regional Fund	13 million u.a.
— Agricultural Fund: Guidance Section	18 million u.a.

### *Loans* <sup>2</sup>

— European Investment Bank <sup>3</sup>	100 million EUC
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<sup>1</sup> Point 45, footnote 1.

<sup>2</sup> Point 43.

<sup>3</sup> Of which, 50% (61.3 million EUC) of loans involving also Apulia and Calabria.

## *Regional Fund aid in 1977*

In 1977, Fund grants to Basilicata amounted to 2.3% of total Fund assistance to Italy. Total contributions were 4.36 million u.a., of which 2.98 million u.a. (68.3%) were for *industrial activity*. Eight projects in this field were financed, representing a total investment of 17.1 million u.a. These projects should create more than 500 jobs. By amount of investment, mechanical engineering is in the lead, followed by motor-vehicle construction and the processing of non-metallic minerals.

Three tourist *infrastructure projects* received aid totalling 200 000 u.a.; Fund grants were also made for 43 public infrastructure projects in less-favoured mountain and hill-farming areas (amounting to 1.18 million u.a.).

## *Calabria*

48. Situated in the extreme south of Italy, with an average size of population (2 048 000 in 1976) and 42 % of its surface area mountain, Calabria is the poorest region in the Community. In 1976 gross domestic product per head was almost 8% below the average for the Mezzogiorno and only 30% of the Community average. The unemployment rate, at 13.6% in October 1977, is close to the Mezzogiorno average.

As a result of the high birth-rate in the 1950s, now down to 16.2%, the massive emigration between 1951 and 1976 (730 000 persons, or 36% of the present population) barely reduced the total population, although the region lost large numbers of people of working age. An agriculture with very low productivity still dominates economic activity, and provided 29.2% of total employment in 1976. Past investment has been very low so that industrial activity hardly exists. Urban structures and services are also very weak.

Capital expenditure in the region by the Italian public authorities<sup>1</sup> over the period 1974-76 can be estimated very approximately at 1 140 million u.a., which corresponds to 10% and 29% of GDP and investment respectively. Of this, 600 million u.a. was accounted for by the operations of the Cassa per il Mezzogiorno.

The Community contribution during the three years of Fund activity (1975-77) must be assessed in relation to the above figures:

### *Grants*

— Regional Fund	39.8 million u.a.
— Agricultural Fund: Guidance Section	4.9 million u.a.

### *Loans*<sup>2</sup>

— European Investment Bank	74 million EUC
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<sup>1</sup> Point 45, footnote 1.

<sup>2</sup> Point 43.

## *Regional Fund aid in 1977*

In 1977, Fund aid to Calabria totalled 10.12 million u.a. (5.3% of total Fund assistance to Italy) and was allocated entirely for *infrastructure* projects:

- one project concerning the second phase of construction of the international airport of Lamezia Terme at Catanzaro for which 6.2 million u.a. was granted, towards a total investment of 33.0 million u.a.;
- 95 public infrastructure projects in less-favoured mountain and hill-farming areas, which received aid of 3.92 million u.a. The projects concerned were mainly country roads.

## *Campania*

49. With 5 335 000 inhabitants in 1976, Campania has a population density of 392 persons per square kilometre, the highest in Italy after Lombardy (national average 187). Gross domestic product per head in 1976 was just below the Mezzogiorno average but only 37.3% of the Community average. Unemployment, at 11.2% in October 1976, is slightly above the average for the Mezzogiorno.

The rate of natural population increase, overwhelmingly concentrated in the coastal areas and mainly in the Naples-Salerno-Caserta triangle, is among the highest in the Nine (1.3%). Income distribution is also very unbalanced as a result, among other things, of the concentration of population on the coast and depopulation in inland areas.

Campania possesses the most extensive industrial sector in the Mezzogiorno and consequently the share of industrial employment (32.7% of total employment in 1976) is also the highest. Much of the industry however requires major modernization and conversion.

Capital expenditure in the region by the Italian public authorities<sup>1</sup> from 1974 to 1976 can very estimated very roughly at 1 980 million u.a., representing 6% of GDP and 33% of investment. Of this total, 930 million u.a. is accounted for by the operations of the Cassa per il Mezzogiorno.

The Community contribution for the three years of Regional Fund activity to date (1975-77) must be assessed in relation to the above figures:

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<sup>1</sup> Point 45, footnote 1.

### *Grants*

— Regional Fund	103 million u.a.
— Agricultural Fund: Guidance Section	6 million u.a.

### *Loans*<sup>1</sup>

— European Investment Bank	138 million EUC
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### *Regional Fund aid in 1977*

In 1977, total grants came to 33.95 million u.a., of which 14.11 million u.a. (41.6%) were for industrial activities and 19.84 million u.a. (58.4%) for infrastructure. They comprised 17.7% of all aid to Italy.

The 44 *industrial projects* which benefited represented a total investment of 92.7 million u.a., and should create some 3 000 jobs. The most important project was for the creation of a copper-wire factory in Avellino province; total investment was 12.8 million u.a. and the Fund grant 1.0 million u.a. Among the other projects, by volume of investment, the processing of non-metallic minerals was in the lead, followed by metal production and processing, rubber production, plastics, and the electrical and electronics industry.

119 infrastructure projects were financed:

- 4 'large' projects,<sup>2</sup> of which one involved constructing a water-purification system to overcome the pollution of the Bay of Naples in various communes of the provinces of Naples and Caserta; two concern link roads to industrial estates, and the last the building of an aqueduct carrying water to the island of Capri. The grants totalled 13.7 million u.a. and the investments concerned 275.2 million u.a.
- 14 projects (with grants of 3.03 million u.a.), of which 12 were seaside tourist developments, one an inland tourist project and one the development of an industrial estate.
- 102 public infrastructure projects in less-favoured mountain and hill-farming areas, for a total aid of 3.11 million u.a. These projects were concerned essentially with rural roads.

### *Molise*

50. A tiny region with 331 000 inhabitants and whose surface area is 55% mountain, Molise is undoubtedly one of the least-favoured regions of the Community. Gross

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<sup>1</sup> Point 43.

<sup>2</sup> Equal to or more than 10 million u.a.

domestic product per head is well below the average for the Mezzogiorno and in 1976 amounted to only 34.8% of the Community average. Unemployment, 8.3% in October 1976, is slightly less than the Mezzogiorno average.

The regional economy is based essentially on agriculture which in 1976 provided 21% of regional product and 41% of employment. Over the period 1951-71 the population declined considerably (by 19%) and employment even more seriously (by 41%). The massive emigration (2.1% per year from 1951 to 1976) has led to a high proportion of older people in the population, which has a birth-rate, at 12.8%, now among the lowest in Italy. There are no towns with over 50 000 inhabitants and urban structures and services are inadequate. The gap between the relatively strong zones and the mountainous areas is growing and communications within the region remain very difficult.

Over the period 1974-76 capital expenditure by the Italian public authorities<sup>1</sup> may be estimated very roughly at 230 million u.a., representing on average 11% of GDP and 31% of investment in the region. This total includes expenditure by the Cassa per il Mezzogiorno of 75 million u.a.

The Community contribution over the three years of Regional Fund activity (1975-77) must be assessed in the context of the above figures for national expenditure:

*Grants*

— Regional Fund	6.7 million u.a.
— Agricultural Fund: Guidance Section	0.9 million u.a.

*Loans*<sup>2</sup>

— European Investment Bank <sup>3</sup>	15.4 million EUC
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*Regional Fund aid in 1977*

In 1977, Fund aid to Molise totalled 4.18 million u.a. or 2.2% of the total for Italy.

Six *industrial projects* were financed with grants amounting to 3.08 million u.a. (73.7% of the total contribution to Molise) for a total investment of 19.9 million u.a.; these should create more than 500 jobs. By volume of investment, metal manufacturing was in the lead, followed by the food industry and the processing of non-metallic minerals.

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<sup>1</sup> Point 45, footnote 1.

<sup>2</sup> Point 43.

<sup>3</sup> Including 50% (8.2 million EUC) of a loan involving Abruzzi as well.



The Fund financed one *infrastructure project*, concerning the development of an industrial estate at Campobasso, with a grant of 150 000 u.a. Forty-two public infrastructure projects were also financed in less-favoured mountain and hill-farming areas, with grants totalling 950 000 u.a.

## *Apulia*

51. Economic and social indicators give hope that Apulia, the only large flat region in southern Italy (only 1.5% of its area being mountain), and with a relatively large population (3 819 000 in 1976), will be among the first regions of the Mezzogiorno to reach economic viability. Gross domestic product, while only 38.2% of the Community average in 1976, is well above that for the Mezzogiorno; unemployment, at 7.2% in October 1977, is below the average rate for the Mezzogiorno regions taken together.

Apulia has not suffered from the same mass emigration as other Mezzogiorno regions, and even if agricultural employment is still fairly high (33.9% in 1976) the good quality of the land will allow a slower rundown than elsewhere, giving other sectors, especially industry, time to take up the slack. The good quality land — 45% of the land which is irrigated or can be irrigated through the Mezzogiorno is situated in Apulia — means that productivity is relatively satisfactory. The region also has adequate and diversified urban structures and services; and investment undertaken in the past has been substantial in nearly all sectors.

Public capital expenditure during 1974-76 by the Italian authorities<sup>1</sup> may be estimated very roughly at 1 970 million u.a., which corresponds to some 7% and 23% respectively of GDP and investment. Expenditure by the Cassa per il Mezzogiorno accounts for 1 070 million u.a. within that amount.

The Community contribution for the three years of the Regional Fund's activity (1975-77) must be judged beside the above national figures:

### *Grants*

— Regional Fund	66 million u.a.
— Agricultural Fund: Guidance Section	11 million u.a.

### *Loans*<sup>2</sup>

— European Investment Bank <sup>3</sup>	255 million EUC
— ECSC	261 million EUC

<sup>1</sup> Point 45, footnote 1.

<sup>2</sup> Point 43.

<sup>3</sup> Including half (30 million EUC) of a loan involving also Basilicata.

## *Regional Fund aid in 1977*

In 1977, Fund aid to Apulia amounted to 17.9% of total Fund assistance to Italy. Total grants were 34.45 million u.a. of which 18.04 million (52.5%) were for industrial activities and 16.4 million (47.6%) for infrastructure.

### *Industrial activities*

Two projects of more than 10 million u.a. were financed in 1977: one was for the extension of a factory for the manufacture of heating equipment at Bari, the other for a factory producing chemical products at Brindisi. The total investment was 84 million u.a. and Fund aid 6.7 million u.a. These investments should create nearly 700 jobs.

In addition 42 smaller projects have received a total contribution of 11.34 million u.a. for investments totalling 64 million u.a.; these should create 2 400 jobs. In investment volume the processing of non-metallic minerals headed the list, followed by electrical and electronic engineering, food manufacturing and metal goods.

### *Infrastructure*

Two infrastructure projects were financed. One concerns the development of the port of Taranto (investment 73.2 million u.a.; grant 11.5 million u.a.); the other an industrial estate at Foggia. Additionally 63 public infrastructure projects have been financed, to a total of 13.06 million u.a. in grants, in less-favoured mountain and hill-farming areas. These projects are concerned essentially with the extension of electrical supply networks and rural roads.

## *Sardinia*

52. With its relatively small population (1 568 000 in 1976) and low population density (65 persons per square kilometre), Sardinia has perhaps made more progress than any other Mezzogiorno region since the war. Gross domestic product per head stands among the highest in the Italian south, although it amounted in 1976 to only 41.4% of the Community average. Unemployment (12.2% in October 1977) is however worse than the Mezzogiorno average.

Tourism has brought a considerable expansion of the services sector which in 1976 provided 52% of total employment. Employment in agriculture has declined to 20%, which is the lowest rate in the Mezzogiorno, but still high compared with the Community average. Past industrial development, mainly in the basic sectors such as petrochemicals and oil refining has been geographically unbalanced and is

concentrated almost exclusively around Cagliari and Sassari, with the central belt and above all the eastern part of the island still gravely lacking in terms of urban development, industrialization and infrastructure.

Capital expenditure by the Italian public authorities <sup>1</sup> in 1974-76 can be very roughly estimated at some 1 620 million u.a., which represents 14% of regional GDP and 34% of investment. Of this total, 650 million u.a. is accounted for by expenditure by the Cassa per il Mezzogiorno.

The Community contribution for the three years of the Regional Fund's activity (1975-77) must be assessed in comparison with the above approximate figures for national expenditure:

*Grants*

— Regional Fund	83 million u.a.
— Agricultural Fund: Guidance Section	2 million u.a.

*Loans* <sup>2</sup>

— European Investment Bank	16 million EUC
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*Regional Fund aid in 1977*

In 1977, Fund contributions totalled 11.79 million u.a., of which 2.73 million u.a. (23.1%) were for 12 *industrial projects* representing a total investment of 15.5 million u.a., and which should create more than 500 jobs. By investment volume, non-metallic minerals were in the lead, followed by wood and metal goods.

*Infrastructure projects* financed totalled 17 projects involving the development of industrial estates, (grants of 8.39 million u.a.) and a further 17 in less-favoured mountain and hill-farming areas (grants of 670 000 u.a.).

Total aid in 1977 was 6.1% of total Fund grants to Italy, compared with 16% for the three years 1975-77. The difference is due mainly to the very large grant (36.6 million u.a.) made in 1976 for the new industrial canal-port at Cagliari.

*Sicily*

53. One of the largest Italian regions (25 708 square kilometres in area with a population of 4 902 000 in 1976), Sicily is one of the least-developed parts of the Community. Gross domestic product per head, slightly above the average for

<sup>1</sup> Point 45, footnote 1.

<sup>2</sup> Point 43.

the Mezzogiorno, amounted in 1976 to 38.4% of the Community average. In October 1977 the number of registered unemployed stood at 10.9% of the working population despite substantial emigration amounting to nearly a million persons, or almost 1% per year, over the period 1951-76.

Sicily also manifests major internal imbalances: on the one hand, the polarization of expansion in the Palermo conurbation and cities of Syracuse, Augusta and Catania, and on the other, the impoverishment of the inland areas largely dependent on relatively backward agriculture.

The inadequate urban structures and services go hand in hand with a weak structure of production and a work force amounting in 1977 to only 32.6% of the population — the lowest activity rate throughout the Mezzogiorno.

Capital expenditure by the Italian public authorities<sup>1</sup> during 1974-76 can be estimated very approximately at 3 400 million u.a., corresponding to 10% and 37% respectively of regional GDP and investment. This figure includes 940 million u.a. of expenditure by the Cassa per il Mezzogiorno.

The Community contribution during the three years of Fund activity (1975-77) must be assessed by comparison with the above figures for national expenditure:

*Grants*

— Regional Fund	82 million u.a.
— Agricultural Fund: Guidance Section	25 million u.a.

*Loans<sup>2</sup>*

— European Investment Bank	147 million EUC
— ECSC	6.5 million EUC

*Regional Fund aid in 1977*

In 1977, total Fund assistance to Sicily came to 28.59 million u.a., of which 4.72 million (16.5%) were for industrial activities and 23.87 million u.a. (83.5%) for infrastructure projects. Sicily received 14.9% of total contributions to Italy (15.7% for the three years 1975-77). Seventeen *industrial projects* were financed, representing a total investment of 24.6 million u.a., which should create 800 jobs. In investment volume, rubber and plastics were in the lead, followed by chemicals and non-metallic mineral products.

<sup>1</sup> Point 45, footnote 1.

<sup>2</sup> Point 43.

Two major *infrastructure projects* were financed from the Fund for a total of 17.8 million u.a. One was for building a road network to link the industrial estates of Catania and Misterbianco; the other for developing the industrial and port area of Syracuse. The latter was in fact a further stage of works which received Fund grants in 1975 and in 1976; a further application is expected for 1978.

## *Ireland*

54. The Republic of Ireland, which is eligible in its entirety for Fund aid, has a population of 3 160 000 people. It is largely dependent on a relatively poor agriculture, providing 24% of total employment in 1975, and, linked with this, the food-processing industry. Manufacturing industry represents only some 30% of employment, although it shows rapid growth, as does the economy as a whole (an estimated growth in gross domestic product of 5.5% in 1977). However, major problems remain in the employment field, stemming in particular from the rapid increase of the active population, a very high birth-rate and a pronounced drop in outward migration. Within the country there is a difference between the Dublin region, with a third of the total population, and the rest of the country where a sparser population is heavily dependent on agriculture. On average, in 1971, farming provided some 36% of employment in these latter regions. Unemployment in 1977 was at an annual average rate of 9.4% of the active population. Gross domestic product, in 1976, although slightly higher than that of the Mezzogiorno, was still among the lowest in the Community at some 48% of the Community average (at current prices and exchange rates).

Over the period 1975-77 expenditure on aids to industry by the Irish authorities totalled 725 million u.a. in grants (plus some 660 million u.a. in loans). In addition, public infrastructure investment amounted to 1 210 million u.a. Community financial assistance granted, which must be seen in relation with the above figures for national expenditure, were in the same period:

### *Grants*

— Regional Fund	84 million u.a.
— Agricultural Fund: Guidance Section	52 million u.a.

### *Loans*<sup>1</sup>

— European Investment Bank	175 million EUC
— ECSC	2.5 million EUC

<sup>1</sup> Point 43.

## *Regional Fund aid in 1977*

In 1977 Fund aid to Ireland totalled 30.32 million u.a., of which 13.47 (44.4%) were for industry and 16.85 (55.6%) for infrastructure.

### *Industrial activity*

Four large projects, of more than 10 million u.a., were financed, representing grants of 8.7 million u.a. and total investment of 83.7 million u.a. These four projects, which should create 3 700 jobs, concern new factories making synthetic fibres (in County Kerry), electrical equipment (County Kildare), refrigerated units for lorries (Galway) and surgical products (County Mayo).

Eleven other projects have also been financed, representing a total investment of 37.9 million u.a.; these should create nearly 2 500 jobs. In investment volume, mechanical engineering was in the lead, followed by chemicals and electrical and electronic engineering.

### *Infrastructure*

The Fund financed 58 infrastructure projects in 1977:

- 42 projects, with a total investment cost of 47.1 million u.a., including one large project<sup>1</sup> concerning the development of Cork harbour. Grants amounted to 10.8 million u.a. In investment volume, the development of industrial estates topped the list followed by telephone installations.
- 16 public infrastructure projects in less-favoured mountain and hill-farming areas. The projects essentially concern water supply, sewerage and telephone installations, and the total grant amounted to 6.03 million u.a.

## *Northern Ireland*

55. Northern Ireland is faced with two types of major problem. Unlike the other regions of the United Kingdom, it depends fairly heavily on agriculture, which provides 8.1% of total employment, compared to a national average of 2.6%. It also suffers from the decline of traditional industries situated mainly in the Belfast area. Jobs in textiles, clothing and shipbuilding, accounted for 19% of employment ten years ago, but only 12.5% in 1976. There is an imbalance within the region between the heavily populated urban area of Belfast and the other areas where the population is generally widely dispersed.

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<sup>1</sup> Investment of 10 million u.a. or over.

The unemployment rate is the highest in the United Kingdom, with an annual average of 10.0% in 1977; outward migration is also significant. With a very high birth-rate until recently, the active population is increasing considerably. Gross domestic product per head in 1976 stood at 59% of the Community average.

For the financial years 1975/76 and 1976/77 total aids to industry amounted to 348 million u.a. Public investment in infrastructure benefiting economic development (but also the population in general) totalled some 670 million u.a. Community help to the region must be judged in relation to the above figures:

*Grants*

— Regional Fund	58 million u.a.
— Agricultural Fund: Guidance Section	17 million u.a.

*Loans*<sup>1</sup>

— European Investment Bank	28 million EUC
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*Regional Fund aid in 1977*

In 1977, Fund aid totalled 22.47 million u.a., of which 11.27 million (50.1%) were for industry and 11.20 million (49.9%) for infrastructure. The overall figure amounts to 15.4% of all the Fund aid to the United Kingdom.

*Industrial activity*

The Fund financed four large projects<sup>2</sup> representing a total investment of 142.6 million u.a., and grants of 10.1 million u.a. These projects, which should create 2 500 jobs, concern a textile factory in Londonderry and three factories in Belfast for metal processing, manufacture of carburettors, and drilling equipment.

Eight other projects were financed, with a total investment cost of 6.5 million u.a., and intended to create more than 600 jobs. In investment volume mechanical engineering and the hotel sector were most important, followed by electrical and electronic engineering.

*Infrastructure*

One project of more than 10 million u.a. was financed, concerning high-tension electricity supply in various areas. Total investment was 47.9 million u.a., and the Fund aid 6.4 million. Twenty-six other projects (representing a total investment of

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<sup>1</sup> Point 43.

<sup>2</sup> Investment equal to or more than 10 million u.a.

31.6 million u.a.) received Fund help totalling 4.78 million u.a. By amount of investment the development of industrial estates headed the list, followed by port developments. One water-supply project in a less-favoured mountain farming area received a grant of 20 000 u.a.

### *Greenland*

56. Greenland faces quite special problems due to the harsh climate, the size of the territory and the low population density (0.1 per square kilometre). It is in fact the largest and least-populated region of the Community (50 000 inhabitants). The increase in population is due to a fairly high rate of immigration. At the end of the 1960s unemployment started to increase following the fishing crisis, and in 1974 the level of unemployment was estimated at some 8%. Income per head was 1 380 u.a. for Greenlanders and 4 890 u.a. for immigrants, who represented 20% of the population.

Public investments by the Ministry for Greenland in housing, electricity, transport and communications totalled 72 million u.a. in 1975 and 1976, and are estimated at some 60 million u.a. in 1977. Community aid over the same period amounted to 13.14 million u.a. from the Regional Fund 390 000 u.a. from the Guidance Section of the Agricultural Fund, and a loan of 7 million EUC<sup>1</sup> from the European Investment Bank.

### *Regional Fund aid in 1977*

Grants to Greenland in 1977 came to 5.37 million u.a., or 82% of all grants to Denmark, and they all concerned *infrastructure projects*. In all 51 projects were aided, representing a total investment of 20 million u.a. Port installations, educational buildings, and airport and telephone installations, in that order were of the greater importance in volume of investment.

### *French Overseas Departments (DOM)*

57. The overseas departments considered in this report are:<sup>2</sup>

	<i>Population</i>	<i>Density/sq. km</i>
	(1974)	(1974)
Guadeloupe	324 530	182
Martinique	324 852	295
Réunion	476 675	190
Guyane	55 125	0.6

<sup>1</sup> Point 43.

<sup>2</sup> The islands of St Pierre-et-Miquelon opted for DOM status in 1976 but no aid from the Regional Fund has been applied for to date.



Despite the efforts already undertaken the DOM face particular problems related to distance from metropolitan France, to population growth (57% in 20 years), to population density, to unemployment (affecting 20% of the active population) and the predominance of agriculture which employs twice as high a proportion of the active population as in metropolitan France. This situation has much to do with the negative migratory balance of the DOM with the exception of Guyane.

The following figures, though incomplete, give an indication of the importance of French Government expenditure for the economic development of the four departments:

— special tax benefits for productive investments (1976-77)	18.0 million u.a.
— equipment grants (1975-77)	16.2 million u.a.
— infrastructure investment (1974-76)	31.9 million u.a.

Community aid over the three years of the Regional Fund's activity (1975-77) amounted to:

	Guadeloupe	Martinique	Réunion	Guyane	Total
<i>Grants</i>					
— Regional Fund (million u.a.)	4.17	3.56	2.79	2.21	12.73
— Agricultural Fund (Guidance) (million u.a.)	0.65	2.91	1.12	0.75	5.43
— European Development Fund	—	—	—	1.55	1.55
<i>Loans</i> <sup>1</sup>					
— EIB (million EUC) <sup>2</sup>	0.70	—	—	—	0.70

<sup>1</sup> Point 43.

<sup>2</sup> Loan made from resources of the European Development Fund.

### *Regional Fund aid in 1977*

The 2.06 million u.a. granted to the DOM in 1977 represented 2.9% of all Regional Fund grants to France. The aid granted was for 18 *industrial projects*, representing a total investment of 16.6 million u.a., which should create 650 jobs. In volume of investment the manufacture of wooden goods heads the list, followed by mineral extraction, and the chemical and food industries. The breakdown between departments was as follows: 1.33 million u.a. for Guyane; 310 000 u.a. for Guadeloupe; 230 000 u.a. for Martinique and 190 000 u.a. for Réunion.

## *Corsica*

58. Corsica was treated until recently as forming part of Provence-Côte-d'Azur; there are therefore relatively few statistics on Corsica alone. The island's economy is based mainly on agriculture and tourism, small and medium-sized industry still being little developed. Population density is the lowest of Community regions although it has risen more rapidly than the national average. The unemployment recorded is relatively low (annual average rate of 3.4% in 1977). Some standard of living indicators (domestic electricity consumption and the number of private cars, for example) suggest a level of development which will have to be supported to reach that of the other French regions. However, these figures are insufficient to make an assessment of this region, geographically very different from the rest of France.

In 1976 France made available 800 000 u.a. for grants for productive investments and decentralization grants in the region, plus more than 300 000 u.a. in tax remissions. Investment in transport, airport and other infrastructure, including that in less-favoured mountain regions, were some 20 million u.a. in 1975.

The Commission has no other figures, but compared with these approximate totals Regional Fund aid to Corsica (7.5 million u.a. in 1975-77, or 3.9% of total contributions to France) seem to have been relatively high. The region also benefited from nearly 1 million u.a. received from the Guidance Section of the Agricultural Fund over the same three years.

### *Regional Fund aid in 1977*

In 1977 Fund aid to Corsica was 2.1% of total Fund aid to France, at 1.47 million u.a. It concerned 11 *infrastructure projects*, all for new roads, for which the total investment cost was 4.9 million u.a.

## *The North of England*

59. The Northern Region of England, with 3 120 000 inhabitants, is an old industrial region which suffers from the run-down of its traditional industries. In 1976 coal, steel, shipbuilding, textiles and clothing accounted for 16% of total employment, against 25% ten years ago. Shipbuilding and repairing, which employ within the region roughly a quarter of national employment in the sector, pose particular problems.

The region also faces severe urban and environmental problems — poor housing, inadequate economic infrastructures, social problems and the loss of jobs and population in inner-city areas.

Unemployment in 1977 reached 8.4% of the work force as against a national rate of 5.9%. Gross domestic product per head in 1975 was 95% of the national average and 74% of the Community average.

For the financial years 1974-75, 1975-76 and 1976-77, national expenditure on industrial aid was 1 200 million u.a., of which some 400 million were for regional employment premiums, now discontinued. No figures are available on which to estimate the importance to economic development of infrastructure investments. Community assistance to the region in 1975-77 was:

*Grants*

— Regional Fund	108 million u.a.
— Agricultural Fund: Guidance Section	3 million u.a.

*Loans*<sup>1</sup>

— European Investment Bank <sup>2</sup>	240 million EUC
— ECSC	362 million EUC

*Regional Fund aid in 1977*

Total aid in 1977 was 46.06 million u.a., of which 21.17 million (46.0%) were for industrial activities and 24.89 million (54%) for infrastructure.

*Industrial activities*

The Fund granted 19 million u.a. for six large projects of over 10 million units of account, representing a total investment of 182 million u.a. These projects should create 1 800 and maintain 4 500 jobs. Of particular importance were the construction of a cigarette factory at Darlington, and the modernization of a British Steel Corporation works at Redcar and of a glassworks at Sunderland.

Six other projects received Fund grants, representing a total investment of 9.9 million u.a.; they aim to create or maintain some 400 jobs. Electrical and electronic equipment was the principal sector concerned.

*Infrastructure*

Five large projects, over 10 million u.a., were aided: the Kielder dam, the Eden-South Lakeland water supply network, road improvements in Cleveland, harbour improvements at Tees-Dock (Cleveland) and an electricity supply network at Stockton-

<sup>1</sup> Point 43.

<sup>2</sup> Including 50% (98.5 million EUC of loans also involving other regions (Yorkshire and Humberside, and Scotland).

on-Tees. Total investment involved was 288.8 million u.a. and total Fund aid 17.4 million u.a. It should be noted that the Kielder dam is part of the major project for building a reservoir and aqueducts linking three rivers and serving industrial areas on the east coast of the region. During the three years of Fund activity this project has received grants totalling 25.5 million u.a.

Seventy-seven smaller projects have also been financed, with a total investment cost of 76.5 million u.a. and grants totalling 7.5 million. By investment volume, general services for industrial estates were in the lead, followed by energy supply and port installations.

### *The North of the Netherlands*

60. The provinces of Groningen, Friesland and Drenthe taken together cover some 22% of Netherlands territory with only 11% of the population. After Zeeland, they have the lowest population density. Employment in farming (11.6% of the workforce) is above the Community average and the highest in the country (national average 6.5%). Unemployment is the highest in the country after Limburg; and gross domestic product per head, quite high in Groningen, is conversely only 82% and 84% of the Community average in Friesland and Drenthe respectively, and 76% and 78% of the national average.

The aided region of the North of the Netherlands covers the three provinces mentioned above, plus the north-west and north-east parts of Overijssel province, and is thus characterized by a peripheral situation compared to the country as a whole, by a concentration of economic activity in certain sectors, and by its rural nature and low population density.

For the three years 1974-76 aids to productive investment in this region totalled 45 million u.a., to which must be added 41 million u.a. for infrastructure projects closely linked to installation of industrial estates. Community aid for 1975-77 amounted to 30.55 million u.a., of which 15.36 million were from the Regional Fund and 15.29 million from the Guidance Section of the Agricultural Fund.<sup>1</sup>

### *Regional Fund aid in 1977*

Apart from the North, the only other Netherlands region eligible for regional aids is the much smaller area of South Limburg; this explains why Regional Fund aid in the North was nearly 84% of total Fund aid to the Netherlands for 1977 (70% in 1975-77). Fund contributions amounted to 5.34 million u.a. for four *infrastructure projects*. One large project<sup>2</sup> was financed: a road link between Emshaven and

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<sup>1</sup> EAGGF aid in Overijssel not included.

<sup>2</sup> Equal to or more than 10 million u.a.

the national road network, in Groningen province. The total investment was 22.1 million u.a. and the Fund grant 1.3 million. The three other projects financed, also in Groningen province, concerned the extension of Port-Juliana (Eemshaven section), and rail and road improvements linking the port to the national networks. The total investment was 13.4 million u.a., and the Fund's contribution 4.0 million u.a.

### *Schleswig-Lower Elbe*

61. The *Land* of Schleswig-Holstein is divided into two development programme regions (Regionale Aktionsprogramme): Schleswig-Lower Elbe, comprising the north and the west of the *Land*, along the Atlantic coast and the Danish frontier; and Holstein. The *Land* as a whole lost 14% of population between 1950 and 1955. There has been slow growth since but the population in 1975 had not yet regained the level of 1950. Unemployment reached an annual average of 4.6% in 1977.

Schleswig-Lower Elbe in particular is characterized by a weak industrial structure. Unemployment was 5.6% in 1975; and gross domestic product per head in 1974 was only 83% of the national average, though 114% of the Community average. The most severe problems are encountered in Schleswig, that is the western part of the programme region, where the weak economic structure is demonstrated by the lowest rate of industrialization in the country.

For the three years of Regional Fund activity national expenditure on aids to industry was some 34 million u.a., plus about 13 million u.a. for investments in infrastructure. Community assistance must be judged in relation to these amounts. The Regional Fund made grants of 5.12 million u.a., and the Guidance Section of the Agricultural Fund 5.3 million u.a.

### *Regional Fund aid in 1977*

In 1977 Fund aid to Schleswig-Lower Elbe amounted to 2.46 million u.a., or 5.7% of all grants to Germany. Of this amount, 1.12 million u.a. (54.5%) were granted to *industrial or service projects*,<sup>1</sup> representing total investment of 154 million u.a. and creating 424 jobs. In volume of investment the chemical industry was in the lead, followed by paper and petroleum. Eight *infrastructure projects* were financed, all concerning the development of industrial estates. Aid for these projects totalled 1.12 million u.a. and the investment concerned 3.7 million u.a.

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<sup>1</sup> Including two projects of more than 10 million u.a., both in the chemicals industry.

## Wallonia

62. This Belgian region covers 55% of national territory but comprises only 33% of the population, with a slightly falling birth-rate. Employment in the agricultural, industrial and services sectors is approximately at the national average but the ratio between non-working and working population is worse than the national and Community averages. This imbalance is reflected in the gross domestic product per head of the region, which amounts to 92 and 86% of national and Community averages respectively.

The average level of unemployment in 1977 was 10.6% of the labour force. The region's problems stem essentially from decline of the traditional coal, steel and textile industries, plus problems in the rural areas of the south-east of the country.

Only some areas of Wallonia are eligible for aids for regional policy purposes.<sup>1</sup> In 1975-77 these areas benefited from 193 million u.a. of industrial investment aids under Belgian laws on economic expansion. In addition, public investment on industrial estates in 1974-76 was 53 million u.a. It is not possible to estimate what part of other public infrastructure investments is directed specifically at economic development, but it may however be noted that in 1976 investment in transport infrastructure alone, for Wallonia as a whole, amounted to 256 million u.a.

Community aid for Wallonia over the first three years of Regional Fund activity must be judged by comparison with the above figures.

### *Grants*

— Regional Fund	9.3 million u.a.
— Agricultural Fund: Guidance Section	11.8 million u.a.

### *Loans*<sup>2</sup>

— European Investment Bank	18 million EUC
— ECSC	43 million EUC

### *Regional Fund aid in 1977*

Total Fund grants in 1977 for eligible areas of Wallonia amounted to 4.75 million u.a. Five *industrial projects* were financed, including a large project<sup>3</sup> in the motor

<sup>1</sup> Point 40.

<sup>2</sup> Point 43.

<sup>3</sup> Investment of 10 million u.a. or more.

industry, with a total investment of 17.3 million u.a., and which should create 600 jobs. The remaining four projects, with a total investment of 11 million u.a., should create 300 new jobs; the total Fund contribution was 1.35 million u.a. In volume of investment, mechanical engineering tops the list, followed by electrical engineering and paper.

Of the 16 *infrastructure projects* for which grants totalling 3.4 million u.a. were made, 15 concerned mainly industrial estates, with a total investment of 6.6 million u.a. Lastly, one project in a less-favoured mountain and farming area, in Luxembourg province, was for the extension of the water supply network in the central Ardennes. This project received a grant of 1.35 million u.a.

## Chapter V — Payments and controls

### Payments

63. Total payments in 1977 amounted to 372.51 million u.a. This figure compares with 277.33 million u.a. in 1976 and brings the total payments since the Fund was established to 740.51 million u.a., or 57% of the total of 1 289.31 million u.a. committed up to the end of 1977.

Table 10 of the Annex shows the relationship between the commitment and payment appropriations contained in the general Community budget for 1977. Table 9 of the Annex gives details of payments made to each Member State from 1975 to 1977 as compared with the commitments of Fund aid to these countries in those years. The table below summarizes the payments and commitments position for each Member State.

TABLE 7

## Payments made

(million u.a.)

Member State	Commitments 1975-1977	Payments				Payments as % of commitments
		Comm. 1975	Comm. 1976	Comm. 1977	Total	
Belgium	19.330	—	6.114	2.825	8.939	46
Denmark	16.756	1.556	3.983	5.763	11.302	67
FR of Germany	71.974	—	13.348	24.891	38.239	53
France	193.326	16.126	28.867	45.828	90.820	47
Ireland	83.832	6.996	18.032	22.111	47.139	56
Italy	520.000	44.296	112.864	149.517	306.677	59
Luxembourg	1.289	0.227	0.405	0.117	0.750	58
Netherlands	21.911	2.849	5.448	2.817	11.115	51
United Kingdom	360.889	18.618	88.269	118.639	225.527	62
Total	1 289.306	90.668	277.332	372.508	740.508	57

64. The rate of payment of commitments in 1977, 57%, compares with 46% at the end of 1976. All countries contributed to this advance, except Belgium, Luxembourg and the Netherlands where the payment rates declined in 1977.

Payments in 1977 (372.51 million u.a.) were made partly from payment appropriations which had been unused at the end of 1976 and were carried forward to 1977 (82 million u.a.), and partly from payment appropriations in the 1977 budget (289.49 million u.a.).

65. Applications for payments in fact exceeded slightly the amounts paid out in 1977: 382.34 million u.a. as against 372.51 million u.a. paid.

For the third year in a row, payments from the Fund fell short of the appropriations provided in the budget for this purpose. The following is the position.

(million u.a.)

Year	Payment appropriations	Actual payments
1975	150	90.67
1976	300	277.33
1977	400	372.51
Total	850	740.51



The 109.49 million u.a., equivalent to 83.08 million European units of account (EUC), unused at the end of 1977 have been added to the 525.00 million EUC<sup>1</sup> of payment appropriations for which there is a provision in the 1978 budget.

66. The volume of payments made in 1977 is regarded by the Commission as satisfactory. As pointed out in previous annual reports of the Fund, since payments are made in step with the corresponding expenditure of the Member States, the rate of Fund payments reflects to a large extent the speed at which demands for payment are presented by the authorities in the Member States. Once demands are received in the Commission they are cleared in a few weeks except in cases where necessary supplementary information is not made available rapidly. Once again the Commission wishes to acknowledge the cooperation of the national administrations in ensuring the high rate of payment of Fund aid. Under the modified Fund regulation it will be possible to make accelerated payments of up to 75% of the Fund grant for a given project, provided that at least one-third of the relevant national expenditure has been incurred. These arrangements will enable payments to be made more rapidly, notably for investments which are at an early stage of implementation.

## Controls

67. The main objective of the control activities of the Commission is to ensure — together with the responsible authorities in the Member States and in accordance with the provisions of the Fund Regulation — sound administration and proper implementation of the projects aided by the Fund.

68. The checking of investments which are the subject of Fund aid involves in the first instance the detailed examination within the Commission of the application for aid and demands for payment. In addition, as provided for in Article 9 of the Fund Regulation, the Commission may seek from Member States any information it deems necessary for the proper management of the Fund. It may also request Member States to arrange for on-the-spot checks of aided projects by the responsible national authorities. The Commission may participate in these checks<sup>2</sup> The on-the-spot checks entail the verification of supporting documentation relating to the investments, the examination of the projects concerned to ensure their correspondence with the applications made to the Fund, and an assessment of the likely contribution of the schemes to the development of the regions involved.

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<sup>1</sup> Point 7, footnote 1.

<sup>2</sup> The Control Commission (now Court of Auditors) also takes part in some on-the-spot checks.

69. The programme of on-the-spot checks is designed to cover a sample of the different types of projects for which Fund aid is given. While particular emphasis has been given to the regions mainly benefiting from the Fund, the intention is that, over time, investments in all regions of the Community should be checked. The wide geographical spread of projects visited can be seen from Table 9 in the Annex. In 1977 the Commission attached particular importance to the checking of large projects and of those projects where supplementary information had to be requested when the grant application was being examined.

70. In line with the expansion of the operations of the Fund and with the completion of investments in respect of which Fund aid was awarded in 1975 and 1976, the Commission requested the Member States to carry out in 1977 a larger number of on-the-spot checks than in earlier years.

The total number of on-the-spot checks carried out in 1977 was 119 (1975: 44; 1976: 87). The breakdown by Member State, type of investment and year was as follows:

**TABLE 8**  
Number of projects inspected since the establishment of the Fund

Member State	Industry			Infrastructure			Total
	1975	1976	1977	1975	1976	1977	
Belgium	—	2	—	—	8	—	10
Denmark	—	6	—	—	17	2	25
France	—	6	13	—	7	7	33
FR of Germany	—	1	6	—	5	6	18
Ireland	5	4	3	4	10	6	32
Italy	4	3	12	5	7	19	50
Luxembourg	—	—	—	—	1	—	1
Netherlands	—	—	—	—	3	—	3
United Kingdom	—	1	14	26	6	31	78
	9	23	48	35	64	71	
Total		80			170		250

71. Over the three-year period 1975 to 1977 about 9.3% of all projects were subject to on-the-spot checks; this falls just short of the 10% of projects which the Commission considers is the minimum acceptable level. This target would indeed have been attained had not some Member States postponed until 1978 the carrying out of inspections scheduled for 1977. Only in three of the Member States (United

Kingdom, Federal Republic of Germany and France) is the percentage of the projects checked below the average of the Community as a whole (9.3%) and the Commission proposes that this position be corrected in 1978. No control visits were carried out in Belgium, Luxembourg and the Netherlands since a high percentage of Fund-aided projects in these countries had already been checked in 1976.

72. No irregularities were discovered in the course of the checks undertaken during 1977. Some particular points are however worthy of mention. The arrangements by the French authorities for the inspection of industrial projects have been such that Commission officials were not allowed to visit the projects concerned; the checks had therefore to be limited to the examination of documents held by the responsible authorities. The matter is currently the subject of discussions between the Commission and the French authorities. In Ireland and Italy the mechanisms for the transfer of moneys between different public sector organizations made it difficult to define qualifying expenditure under the Fund Regulation. In Germany some discrepancies in public expenditure figures were discovered; these arose largely because of changes in estimates as work progressed.

## Chapter VI — Coordination and programmes

73. As emphasized in previous annual reports, the Regional Fund must not be confused with regional policy. It is but one instrument of that policy, which contains a number of other basic aspects, such as the coordination of national regional policies, the assessment of the regional impact of Community policies and the regular analysis of the situation and problems of the regions of the Community. In addition, the other Community financial instruments for structural purposes are also very important from a regional point of view.

### Coordination of national regional policies

74. The Commission emphasized in its 'Guidelines for Community regional policy' the importance of coordinating national regional policies. It should be recalled here that Community regional policy is conceived as complementary to national regional policies and that the latter retain a decisive importance in defining

development measures for less-favoured Community regions. Their coordinated implementation is therefore a major requirement for reaching a balanced distribution of economic activities within the Community.

75. This coordination must therefore take account of the various structural measures which have a regional impact, of infrastructure developments with a direct or indirect regional effect and of financial transfers between regions within a country. Coordination of general regional aid systems is also an essential element. Regional development programmes will form the most suitable framework for the practical coordination of national regional policies. In June 1978 the Council confirmed that this coordination is an integral and essential part of Community regional policy.<sup>1</sup>

### **Assessment of the regional impact of Community policies**

76. The main Community policies have regional implications, among others, and especially consequences for employment. The Commission considers it indispensable, from now on, to take due account of the regional dimension of these policies both in their planning and their implementation. In addition the creation within the Fund of a non-quota section enables specific Community measures to be undertaken, linked to Community policies and action in order to take better account of the regional dimension of these policies or to mitigate their adverse regional consequences. The purpose of these measures is not the internal restructuring of the sectors concerned but to help the creation of alternative jobs in regions or areas of difficulty by the establishment of new economic activities.

77. In anticipation of the systematic implementation of procedures for 'regional impact' assessment and of the non-quota section, the Commission continued its efforts in 1977 to ensure better coordination between regional and other Community policies so as to take better account of the regional consequences of those policies. Of particular importance here are the policies concerning farming, fishing, Community enlargement, industrial policy, competition, transport and the environment.

78. The Commission has sent a communication to the Council<sup>2</sup> laying down guidelines for developing Mediterranean regions and containing a first series of proposals for Mediterranean agriculture. The proposals take account of the special structural problems of these regions in both the production and marketing sectors.

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<sup>1</sup> The Council position will be confirmed in a Council resolution.

<sup>2</sup> Bull. EC 12-1977.

79. In its proposals for a common fisheries policy the Commission has planned to give special attention to less-favoured areas primarily dependent on fishing

80. Within the context of Community enlargement, the Commission has had to take account both of the extremely serious character of regional problems of the three applicant countries, which will provide a real challenge for Community regional policy, and the repercussions of enlargement on certain regions of the existing Community, in particular the Mediterranean regions.

81. In recent years, the recession and the changes in world economic structures have affected a growing number of industrial sectors which face problems of competitiveness and/or production capacity: these sectors include certain parts of the textile and clothing industry, footwear, shipbuilding, oil refining and steel. Work is in progress to ensure that the regional effects of this trend are appreciated and appropriate policies followed.

82. Other Community policies with notable regional effects include competition policy, implying a permanent dialogue on aid systems in general and on individual cases; transport policy, where the revised procedure for coordinating transport infrastructure projects of Community interest should improve coherence between national policies; and environment policy, where the proposed development of a system for environmental impact analysis could have important implications for project location and land-use planning in the longer term.

83. It should also be noted that the Commission, in its action programme for 1978,<sup>1</sup> has indicated that the development of Community structural and social policies, both in their sectoral and regional dimensions, is one of the three major priority areas for its future action.

84. In June 1978 the Council took note of the Commission's intention to assess the regional impact of Community policies and to draw the necessary consequences. The Council has also stated that it intends to take account of the regional effect of these policies in its own decisions.<sup>2</sup>

## **The regional impact of other financial instruments**

85. The year 1977 once again illustrated clearly the importance at regional level of the activities of the various Community financial instruments for structural

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<sup>1</sup> COM(78)52 final.

<sup>2</sup> The decisions will be confirmed in a Council resolution.

policy purposes. The need for a closer coordination of their regional aspects was one of the reasons for the Commission's decision in January 1977 to entrust one of its Members with the specific task of coordinating all financial instruments for structural policy purposes and to set up a permanent interdepartmental task force to undertake the necessary work.

86. Loans from the European Investment Bank within the Community amounted to 1 401 million EUC<sup>1</sup> in 1977, of which 69% (964 million EUC) were for regional development projects. As in the previous year, the Commission notes with regret that no Member State has availed itself of the possibility under the Fund Regulation to aid infrastructure projects by way of interest rebates on loans issued by the European Investment Bank.

The Commission will seek to increase its cooperation with the Bank in particular through the coordination of Regional Fund activity and Bank operations for regional purposes.

87. The difficulties of the coal and steel industries have long been one of the main causes of the poor economic situation of some Community regions. In consequence a large proportion of ECSC aids, whether aids for industrial retraining, loans for modernization and restructuring, and in particular conversion loans, go to areas eligible for Regional Fund aid.

In the light of the crisis in the steel industry, the Commission adopted in July 1977 new criteria for the granting of conversion loans. Their aim is to encourage the creation of sufficient alternative jobs in the regions affected by the drop in employment in coal and steel. Young people entering the labour force will be able to take advantage of these new jobs which will not be reserved exclusively for ex-coal and ex-steel workers, although the latter will still have priority. The value of conversion loans in fact increased substantially in 1977, totalling 120 million EUC approved<sup>2</sup> compared with 62 million in 1976 and 64.5 million in 1975.

88. In 1977 some 73% of Social Fund grants, which totalled 877 million u.a., went to less-favoured regions, including about 50% under the special regional heading of Article 5.<sup>3</sup> The amended Social Fund regulation<sup>4</sup> adopted in December lays down that in future at least 50% of all aid granted will be allocated under this regional heading, and that the level of Social Fund aid can go up to 55% instead of

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<sup>1</sup> Point 7, footnote 1.

<sup>2</sup> The fact that only 16.4 million u.a. of the 120 million approved was actually paid out reflects the fact that a large proportion of approval decisions were made at the end of the year.

<sup>3</sup> OJ L 28 of 4.2.1971. Council Decision No 71/66/EEC.

<sup>4</sup> OJ L 337 of 27.12.1977. Council Regulation (EEC) No 2893/77.

50% in certain priority regions such as the Mezzogiorno, Ireland, Northern Ireland, Greenland and the French overseas departments. The Commission, in its annual report on the Social Fund, will examine annually its regional impact, and if it considers that impact is insufficient, it will propose appropriate changes.

89. With regard to agricultural guidance policy, the Commission made its statutory five-yearly re-examination of the three socio-structural directives of 1972.<sup>1</sup> As some Member States have only recently implemented the enabling legislation for these measures, it is necessary to treat results to date with caution. Nevertheless the Commission considered it desirable to make certain proposals to the Council which, among other items, provide for a greater recognition of the economic and structural differences which exist between regions. Thus the Commission proposed that the level of Agricultural Fund assistance towards the cost of modernization of farms<sup>2</sup> be increased from 25% to 50% in the mountain and other less-favoured areas<sup>3</sup> of the west of Ireland and the Mezzogiorno. Proposed changes in the rules concerning the Community contribution towards the annuities for those retiring from farming aim to stimulate the transfer of land in these same regions, where farm structures are evolving particularly slowly.<sup>4</sup> The Commission also proposed that the Agricultural Fund's share of the special payments to farmers to offset natural handicaps in mountain and other less-favoured farming areas be increased in the case of Ireland and Italy from 35% to 50%.<sup>5</sup>

90. The new non-quota section of the Regional Fund will be much more flexible than the quota section. This will facilitate much closer coordination with other financial instruments than in the past.

## **Periodical analysis of the regional situation and problems in the Community**

91. It is essential in the regional policy field to establish at regular intervals a balance-sheet of the problems arising, measures adopted, difficulties encountered and results obtained in order to establish priorities for future action. With this in view, and in line with its 'Guidelines for Community regional policy' the Commission continued its efforts in 1977 to establish a framework for analysis and policy

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<sup>1</sup> OJ L 96 of 23.4.1972. Directives 72/159, 72/160 and 72/161.

<sup>2</sup> OJ L 96 of 23.4.1972. Directive 72/159.

<sup>3</sup> As defined in Directive 75/268. See footnote 5.

<sup>4</sup> OJ L 96 of 23.4.1972. Directive 72/160.

<sup>5</sup> OJ L 128 of 19.5.1975. Directive 75/268.

formulation in the regional policy field in order to create a common basis of assessment of regional problems in the Community. In this context the Commission will submit to the Council, every 2½ years<sup>1</sup> a report on the social and economic situation and trends of the regions. This will provide the opportunity for a Council debate on the priorities and guidelines proposed by the Commission.

## **Regional development programmes**

92. Regional development programmes provide the reference framework for Fund activity. Projects financed from the Fund have to fall within that framework, so as to ensure coherence between national measures of regional development and the Community's effort. Moreover, in addition to their importance in relation to the Fund, the programmes will form the basic means of ensuring better coordination of national regional policies since they provide, first, an analysis of the social and economic situation and trends of regions eligible for Fund aid, and also a fairly detailed description of regional measures undertaken in the fields of both aids and infrastructure, in the light of existing problems, aims pursued and resources.

93. 31 December 1977 was, under the Fund Regulation, the final date for submission of programmes, prepared according to joint outline rules.<sup>2</sup> From 1978 all applications for Fund aid will be examined in the light of these programmes, whereas previously this was done in relation to the annual information statements<sup>3</sup> which took the place of programmes for the first three years of the Fund.

94. All the programmes for all the regions eligible for Fund assistance were sent to the Commission before the final date of 31 December 1977. All were prepared according to the joint outline, even though important differences exist between countries. And they all emphasize the serious problems of employment which the economic crisis has made more acute and more difficult to solve, and which, with the advent of young people on the labour market, will be felt even more in the future than in the past. Many regions register levels of unemployment around 10% — with pockets of 20% — and job-creation prospects, all things being equal, are not encouraging. It appears more and more that, without some move towards a system of work-sharing without real increase in incomes, only very rapid growth, with a level of investment well above that of the past, could eventually bring a

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<sup>1</sup> The 2½ yearly timing is designed to allow alternative issues of the report to be considered in conjunction with the medium-term economic programme, which is prepared every 5 years.

<sup>2</sup> OJ C 69 of 24.3.1976.

<sup>3</sup> Point 106.



solution to the serious problems of employment arising in these regions. In reality it will doubtless be necessary to take action in respect of both job supply and demand in such a way as to give priority to solutions in areas where the problems are the most serious.

95. As a whole the programmes, covering a period of three to four years ending generally in 1980, analyse the situation and the trends in the regions concerned fairly well; they indicate the main bottlenecks and stress development possibilities. In some cases, however, there is no reference to the general national and Community economic framework and it is difficult to see how these regions fit into the overall economy, and how their structures are moving towards greater autonomy of growth, greater productivity and higher income. This reflects perhaps the major uncertainty which persists about the future development of the Community's economy in a rapidly changing world.

96. All the programmes have to be considered by the Regional Policy Committee, which is due to give an opinion on them in June 1978. For its part the Commission is currently examining each programme but nevertheless feels it is useful to present a brief summary of them here and now. It intends to begin now the process of publishing the programmes.

### *Programmes for Belgium*

97. The regional development programmes communicated by Belgium refer to both major regions containing areas eligible for Fund contributions, namely Flanders and Wallonia. Average disposable income per head is 97.2 of the national average in Flanders and 94.1 in Wallonia. These programmes are still provisional, and the Belgian authorities requested in early 1978 that their examination by the Commission and the Regional Policy Committee be postponed. A new programme bringing together all partial (mainly sectoral) plans and covering the period 1979-80 was submitted in June 1978.

The programmes show a relatively unfavourable demographic situation, disturbing unemployment and a decline in industrial investment. A series of targets have been partly quantified, especially with regard to infrastructure and workers' housing. Various development measures are envisaged for restructuring sectors in difficulty, principally steel and textiles. Measures are also planned to help small and medium-size businesses. Financial resources are shown globally in the form of estimates of budget expenditure.

### *Programmes for Denmark*

98. Denmark has submitted two programmes both referring to the years 1977-79, one dealing with Greenland and the other with four regions of Denmark.

Greenland has a population of 50 000 of which 80% were born in the country. Development depends mainly on fishing, mining and the public sector, the latter employing nearly 55% of the working population. Planned public expenditure over the period concerned is DKR 1 000 million (134 million u.a.) per year, at 1976 prices. An urgent problem is that of training skilled workers. It is planned that Greenland will gain internal autonomy in 1979.

The programmes for Denmark itself cover the priority zones of the development areas of the country: North Jutland, the Thisted area, South Jutland and Bornholm, comprising a population of 770 000. These are predominantly agricultural regions where fishing also plays an important part. The level of unemployment is high (some 10%) and job creation is a priority target. With direct aids of DKR 120 million (16 million u.a.) per year in the form of loans and grants, it is hoped to create 1 500 jobs each year. The improvement of communications and the development of tourism play an important part in the economy of these regions.

### *Programmes for the Federal Republic of Germany*

99. The 22 regional development programmes of the Federal Republic of Germany concern the 21 'Regional action programmes' of the fifth Outline Plan for the common task 'Improvement of regional economic structures', plus Berlin. They have been prepared by the Federal Economics Ministry in collaboration with the responsible authorities of the *Länder*, and cover the years 1976-79, with the exception of the Berlin programme for which no time-scale is given. These 22 programme regions had a population of 23.15 million at the end of 1975 (37.6% of the total population of the Federal Republic) and cover some 147 000 square kilometres (59% of the national territory). The programme regions have very varied structures: they include both farming regions (for example, in Schleswig-Holstein or Bavaria) and industrial regions (such as the North Ruhr or Saarland). Except for Berlin the gross domestic product per head of working population is below the average of the Federal Republic of Germany; the average for the 21 regions is 12% below the national average.

The aims for the 21 regions over the years 1976-79 are to create 430,800 new jobs and to secure 177,700 more; the industrial investment should amount to DM 37,234 million (10 200 million u.a.) and investment in regional infrastructure to DM 2,446 million (668 million u.a.). To this end it is proposed to allocate a total of DM 3,700 million (1,000 million u.a.) of public funds to industrial investment and DM 1,453 million (400 million u.a.) to investment in infrastructure. The programme for Berlin has no quantified targets.

## *Programmes for France*

100. The VIIth Plan (1976-80) defines the aims and the economic and social development strategy of metropolitan France and the overseas departments. It comprises priority action programmes (PAPs), which represent a firm commitment by the national authorities, and also priority action programmes initiated regionally (PAPIRs), which are the responsibility of the regions.

The PAPs are 25 in number and refer to the principal measures which central government intends to adopt or to assist during the VIIth Plan. These programmes are established according to targets and receive a fixed financial contribution from the State. Some PAPs concern or interest specific geographical areas. They refer especially to improving the river links between the North Sea and the Mediterranean, to improving the situation of rural areas, to opening up the West, South-West and Massif Central, and to measures to help small and medium-size business. In all 11 PAPs with a clear regional impact represent public finance of FF 246 000 million (44 000 million u.a.) during the life of the Plan.

For each of the 21 programme regions (concerning all of France except the Paris region) and for the overseas departments, the French programme fixes specific development aims. In particular it gives the main indicators of regional trends, sets out the social and economic characteristics of the region and analyses the main problems. It contains estimates for expenditure on public infrastructure, and indications of the regional implications of implementing the PAPs and PAPIRs. The State contribution to carrying out the latter amounts to FF 20 000 million (3 600 million u.a.).

The overseas departments benefit from certain PAPs (acceleration of economic progress, reduction of energy expenditure and of the cost of raw materials) and from PAPIRs. Additionally, various national programmes of regional economic development are planned outside the PAPs (modernization of the sugar industry, development of stock rearing, support for the exports of bananas and tobacco).

## *Programme for Ireland*

101. The central document on Ireland is the white paper 'National Development' 1977-80.<sup>1</sup> This document lays down social and economic aims and examines the measures which may be necessary to attain them. It will be followed by a national plan introducing new structural measures.

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<sup>1</sup> Published by the Government of Ireland early in 1978.

Quantified targets for the years 1978 to 1980 are set:

	1978	1979	1980
Increase in GNP	7%	7%	7%
Reduction in numbers out of work	20 000	25 000	30 000
Rate of inflation	7%	5%	5%
Public-sector borrowing as percentage of GNP	13%	10%	8%

The implications are calculated for private and public consumption, employment and productivity changes by main sector, investment, total and manufactured exports and for imports. Investment would give to rise as a proportion of GNP from 27% in 1977 to 31% in 1980 and manufactured exports grow at 15% a year.

Such growth could be constrained by inadequate investment (particularly private), the need to reduce public-sector borrowing, the increased balance-of-payments deficit forecast and the growth of world trade.

To establish conditions favourable to growth, satisfactory income and manpower policies and improved industrial relations are needed, as are certain reforms of the public services. A growing population implies increased public expenditure but public resources will be under severe strain and so must be husbanded for essential purposes.

The annexes to the white paper contain social and economic analyses, and descriptions of development incentives and the arrangements for programming public investment and implementing the programme.

### *Programme for Italy*

102. The programme presented by the Italian authorities concerns the Mezzogiorno: namely all of southern Italy and the islands, <sup>1</sup> plus the aided parts of Latium, Marche and Tuscany. The programme is in two parts: one dealing with the Mezzogiorno as a whole, the other with each region and area within the Mezzogiorno. The years covered are 1977-80, and an annual revision is planned.

The Mezzogiorno is a large underdeveloped region, with a population of 20 million and a gross domestic product per head more than 30% below the national and some 60% below the Community average. It is therefore largely dependent on external

<sup>1</sup> Point 42.

resources: 20% of the available resources are formed from net imports of goods and services. The most serious problem for the Mezzogiorno is employment. Unemployment (700 000) covers 10.5% of the working population and it is estimated that in 1980 there will be 300 000 additional job seekers. This is in spite of massive past emigration; from 1951 to 1971, the Mezzogiorno experienced net emigration of 4 million people, which is approximately 1% of its population per year.

The economic structure of the Mezzogiorno is very weak, both with regard to the productive sectors (predominantly agricultural) and infrastructure, and to territorial imbalances between flat coastal regions and inland areas.

Substantial resources have been committed for the implementation of the programme, deriving from the Cassa per il Mezzogiorno, central government and the regions. National resources allocated for the special operations of the Cassa amount to LIT 18 080 000 million (28 900 million u.a.). Of this total, the Cassa is entitled to commit LIT 3 500 000 million (5 600 million u.a.) between 1976-80 for aids to industry, LIT 3 000 000 million (4 800 million u.a.) to special projects and LIT 700 000 million (1 100 million u.a.) to industrial infrastructure. The Community's financial effort is considered an essential element for the implementation of the measures envisaged in the programme.

### *Programme for Luxembourg*

103. The programme for the Grand Duchy covers the entire territory of Luxembourg, considered as a single Community regional unit. It reveals two major problems: maintaining existing economic potential in the depopulated northern area, and planned priority measures to help the steel-producing area of the southwest. In the medium term (1978-80) the programme provides for various measures to stimulate economic growth and to protect full employment while also restructuring the steel industry. To this end, a pluriannual public expenditure programme has been prepared for the years 1977-80. This provides for recourse to a loan of LFR 1 000 million (20 million u.a.) per year.

### *Programmes for the Netherlands*

104. The Netherlands programmes concern two regions considered as having priority for regional development, namely:

- the 'Northern incentive area' (Noordelijk stimuleringsgebied) with a population of 1.5 million;
- the 'South-Limburg restructuring area' (Herstructureringsgebied Zuid-Limburg) with 700 000 inhabitants.

These programmes are based on two detailed studies on the two priority regions and on a government memorandum on regional policy for the years 1977-80. (The studies have still to be approved by the national parliament, though the note on regional policy is already approved.) They are overall programmes involving a balanced presentation of their economic, social/cultural and physical planning aspects.

The South Limburg programme is based on the conversion of an economic structure based essentially on the mining industry to a more diversified and balanced one. It has the general aim of creating 21 000 jobs.

The programme for the North is less detailed than that for South Limburg: it aims at a more balanced development of an economy where farming is particularly important. Its general aim is to create 36 000 jobs by 1980.

The financial resources available are shown in detail, by type and globally, for all aided regions of the Netherlands. They include special headings for infrastructure development in each of the two regions, and an aid fund planned for projects which are ineligible for assistance from other instruments. The regional development budget for all aided areas provides for HFL 330 million a year (91 million u.a.), plus supplementary aid for 1977-80 of HFL 187 million (52 million u.a.) for the North and HFL 92 million (25 million u.a.) for South Limburg. The two programmes are drawn up jointly by the central and provincial authorities, with the Ministry for Economic Affairs responsible for overall coordination.

### *Programme for the United Kingdom*

105. The United Kingdom programme covers regional problems and measures both in general terms and for each region where regional incentives to industry are available. The assisted areas contain 43% of total employment. In recent years unemployment rates have been typically one and a half times to twice the national average, and gross domestic product per head 10% below the national average, with the exception of Northern Ireland where the problems are more severe. The programme describes in detail the system of industrial incentives as a whole. Some reference is made to major investments, mainly in infrastructure.

The United Kingdom's regional problem is primarily industrial and urban, caused by the continuous decline of employment in traditional industries which tend to be concentrated in the assisted areas. The major declining industries are coalmining (in the North, North-West, Yorkshire and Humberside, East Midlands, Scotland and Wales), shipbuilding and marine engineering (in the North, North-West and Scotland), textiles (in the North-West, Yorkshire and Humberside, and Scotland), iron and steel (in the North, North-West, Scotland and Wales). There are also remote areas with falling employment in agriculture, particularly in the South-

West, Scotland, Wales and Northern Ireland. Various traditional industrial areas suffer severely from poor housing, dereliction, obsolete and inadequate infrastructure and social problems, particularly in the centre of the older cities.

The measures for development are of four types: incentives for manufacturing and service industries; restrictions on development in non-assisted areas; infrastructure; and assistance to tourism. Industrial incentives are given without discrimination between industries or between locations within one class of assisted area. Infrastructure programmes are not usually drawn up on the basis of standard regions but determined by national or local authorities. In the case of integrated national systems, regional breakdowns of investment are not considered meaningful.

A revised programme was submitted in April 1978.

## **Annual information statements**

*106.* In 1977 all Member States sent annual information statements<sup>1</sup> to the Commission in the light of which applications for Fund contributions were considered. The statements themselves were considered by the Regional Policy Committee, and summaries were then sent to the Parliament and to the Economic and Social Committee, where they were examined at the same time as the second annual report on Fund activity.

*107.* The annual information statements show that, although differences in rates of economic progress have been aggravated since the crisis, both weak and prosperous regions have suffered from the recession; further analyses are needed to show how the differences between regions have evolved, both at national and Community level. Although the recession has made long-term structural trends rather unclear, it is to be feared that existing regional problems will grow worse in coming years and that new problems will appear.

*108.* Although regional development programmes are now available, Member States will continue to send in annual information statements. They should furnish for the year in question all useful information not contained in the programmes, more particularly on financial means allocated to regional development, priority measures and the use to which Community financial resources are put in carrying out these priority measures.

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<sup>1</sup> Fund Regulation, Article 6.6.

## Annual statistical summaries

109. At present the Commission possesses statistical summaries<sup>1</sup> for the first two years of the Fund. These documents were for the most part sent to the Commission after the final date of 1 April laid down in the Fund Regulation. It seems that certain Member States have had technical difficulties in respecting the time limit. For this reason, although the Commission proposed that this date be retained in the amended Regulation so that it could receive in time the information required for preparing the annual report on the Fund, the Council decided to extend the time limit to 1 October.

110. Generally, and despite a clear improvement in 1976 compared with 1975, the statistical summaries do not as yet enable the Commission to check the results obtained for each region in the previous year, as required by the Fund Regulation. For that purpose the Commission would need comparable statistical data, for each region eligible for Fund assistance, on the investments aided by the Fund, on resources committed and on jobs created or maintained for each of the main industrial sectors. For infrastructure, it would need data on the volume of approved investment per major category. Then for a follow-up policy, it would be necessary to know the amount of investment undertaken and expenditure incurred, and the number of jobs actually created. It is possible that the collection of this kind of information still presents statistical or other problems for some national administrations. However a basic statistical summary of this nature is indispensable for assessing the real impact on regional development of the policies carried out.

## Chapter VII — Information on Fund activities

### *Press information*

111. As in the past, the Commission issued after each of the four allocations of Fund grants a press release, together with regional statistics and lists of the projects financed, in order to show in as precise and concrete a way as possible the contribution of the Community to a given region or locality. This information is distributed widely by the Commission's offices in the Member States.

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<sup>1</sup> Fund Regulation, Article 6.6.



### *Information hoardings*

112. The number of hoardings in place appears to have increased in 1977, especially in Italy and the United Kingdom, although the information available to the Commission on this question is still incomplete. The hoardings, erected on the sites of major infrastructure projects, show that the project in question is partly financed from the Regional Fund.

### *Publication in the Official Journal*

113. The list of projects financed under the grant allocations of July and December 1976 was published in July 1977;<sup>1</sup> projects concerned by the allocations of January and July 1977 appear in the list published in April 1978.<sup>2</sup> The list relating to the allocation of December 1977 will be published together with that concerning the first 1978 allocation.

### *Information to investors*

114. The investors concerned by Fund grants continue to be informed of grant decisions, either directly or via the relevant national authorities.

## Chapter VIII — Conclusions

115. Within the framework of its new guidelines for regional policy adopted in June 1977, the Commission made proposals for amending the Fund Regulation, and on the basis of these the Council adopted in June 1978 the main points of a modified Regulation. These proposals were based on lessons learned from the two initial years of Fund activity (1975 and 1976), which are confirmed by the experience of 1977. The following points are particularly worthy of mention.

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<sup>1</sup> OJ C 166 of 13.7.1977.

<sup>2</sup> OJ C 99 of 24.4.1978.

116. The average of two to three months between receipt of applications and grant decisions has been maintained, but, as stated in the previous report, some improvements in administrative procedures are still possible; they will be taken account of in the modified Fund Regulation.

It should also be noted that in some cases the Commission would have wished to see more detailed information supplied in the application submitted by some Member States.

117. The resources available to the Fund in 1977 (500 million u.a.) had clearly declined in their real value, since they were fixed in December 1974 and not subsequently corrected to take account of the very high rates of inflation which struck the economies of all European countries — and in particular those which face the most severe regional problems and absorb three-quarters of all Fund aid. From 1975 to 1977 the Fund had available 1 300 million u.a. Political agreement with the European Council has increased the figure to 1 800 million EUC<sup>1</sup> for the next three years. The passage from the 'budgetary' unit of account (u.a.) to the European unit of account (EUC will in fact enable account to be taken of the different trends in inflation rates in the different countries.

118. The Commission continues to insist on the principle that Fund aid is additional to national regional development efforts. It is politically as well as economically important that this principle be respected as far as both infrastructure and industrial projects are concerned.

119. Every region eligible for national regional aids is eligible for Fund aid. Nevertheless, the Commission has always stressed with Member States that they should concentrate Fund assistance on priority areas and on projects which have a significant impact on regional development. It considers that such concentration is particularly necessary in view of the limited means available to the Fund. In the 1976 report the Commission noted a slight tendency to less concentration by comparison with the previous year. It regrets that this tendency showed no improvement in 1977.

120. The Commission notes that, as in 1975 and 1976, no Member State made use of the facility provided by the Fund Regulation to give aid in the form of interest rebate on loans issued by the European Investment Bank.

This possibility would have increased the impact of both of these instruments, on the one hand by providing easier credit for a number of investors, and on the other, by mobilizing greater resources for regional development purposes via the Fund.

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<sup>1</sup> Point 7.

121. The Commission continues to insist on the great importance of information on the Regional Fund. The concrete and localized nature of Fund activity makes it of special interest to public opinion. It is clear, however, that the impact of information is reduced if the additional nature of Fund aid cannot be shown and if projects aided are not identified individually.

122. The regional development programmes and the annual information statements submitted by Member States supply basic information of great value. However, they mostly lack the detail needed to serve as a guide to the allocation of the Fund's resources or to coordinate them more closely with assistance from the other Community financial instruments. For this reason the Commission considers that the programmes submitted in 1977 are not yet in their final form but provide a basis for progressive development.

The Commission also considers that grant applications should be presented in a manner to show more clearly the link between the investment project in question and the achievement of the aims of the programme for the region in which it is located.

123. Concerning the statistical summaries which should allow the Commission to assess the economic impact of Fund aid, it must be noted that the documents submitted by the Member States in 1977, as in 1976, were not sufficiently detailed to enable this assessment to be made.

124. The obligation that infrastructure projects aided must be directly linked to the development of industrial or service activities<sup>1</sup> continued to render a certain number of projects of undoubted interest to the development of a given region ineligible for Fund aid; it therefore made it impossible to the Fund to take sufficient account of the differing needs of the various regions. The more flexible definition of eligible infrastructure in the modified Regulation should remove this difficulty.

125. Very few applications have been made concerning the services sector, as in previous years. The Commission regrets this fact, since it believes that the services sector, and tourism in particular, can and should play a very important role in the development of many regions. This question is being examined by the Regional Policy Committee.

126. In the circumstances of economic crisis experienced by the Community in recent years, the promotion of regional development has been particularly difficult both at Community and national level. These circumstances have had their effect

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<sup>1</sup> Fund Regulation, Article 4.1.b.

on the impact of the Fund. It should be noted furthermore that the economic crisis, the new international division of labour and the requirements of Community policies affect some economic sectors more immediately than others and can therefore aggravate existing regional imbalances and/or create new ones. The Regional Fund, in 1977 as before provided significant support to national regional development measures. Its relative inflexibility has not however allowed it to play its part in dealing with these new problems for which the Community must accept a special responsibility. The Commission remains convinced that the specific measures taken within the framework of the non-quota section of the Fund, closely coordinated with the activities of other Community financial mechanisms, can help supply the means to fill this major inadequacy of Community regional policy.

**ANNEX**

**TABLE 1**  
**Trends in principal macro-economic aggregates in the Community in 1977 <sup>1</sup>**

Member State	GDP (volume) % <sup>2</sup>	Unemployment rate (1977 average) <sup>3</sup>	Consumer prices <sup>2</sup>	Current payments balance (USD 1 000 million)
Belgium	2.4	7.8	6.5	— 0.1
Denmark	0.9	5.9	10.5	— 1.7
FR of Germany	2.6	4.0	3.9	+ 2.6 <sup>4</sup>
France	2.3	4.9	9.3	— 3.0
Ireland	5.6	9.4	13.6	— 0.2
Italy	1.8	7.0	18.5	+ 2.0
Luxembourg	1.1	0.6	6.7	— <sup>5</sup>
Netherlands	2.4	4.3	7.0	+ 0.5
United Kingdom	— 0.1	5.8	14.9	+ 0.3
Community	1.9	5.4	9.6	+ 0.5

<sup>1</sup> Points 9 to 13.

<sup>2</sup> Change over previous year.

<sup>3</sup> Registered unemployed as percentage of active population. As definitions are not completely uniform, unemployment rates should not be compared as between countries.

<sup>4</sup> USD 3.5 million according to the German Federal Bank.

<sup>5</sup> Included under Belgium (BLEU).

Source : The economic situation in the Community, No 4-1977 and No 1-1978.

**TABLE 2**  
**Forecasts for 1978 <sup>1</sup>**

Member State	GDP (volume) % <sup>2</sup>	Unemployment rate 1978 <sup>3</sup>	Consumer prices % <sup>2</sup>
Belgium	2.3	8.5	5.5
Denmark	1.5	7.8	10.5
FR of Germany	3.1	4.7	3.5
France	2.7	5.2	7.0
Ireland	7.0	8.9	6.5
Italy	1.7	7.7	12.0
Luxembourg	1.4	0.9	4.0
Netherlands	2.1	4.7	5.5
United Kingdom	3.5	6.1	8.4
Community	2.8	5.9	6.9

<sup>1</sup> Points 14 to 18.

<sup>2</sup> Change over previous year.

<sup>3</sup> Registered unemployed as percentage of active population. As definitions are not completely uniform, unemployment rates should not be compared as between countries.

Source : The economic situation in the Community, No 4-1977 and No 1-1978.

**TABLE 3**

**Trend in investment <sup>1</sup> - Gross fixed-asset formation  
(% change over previous year)**

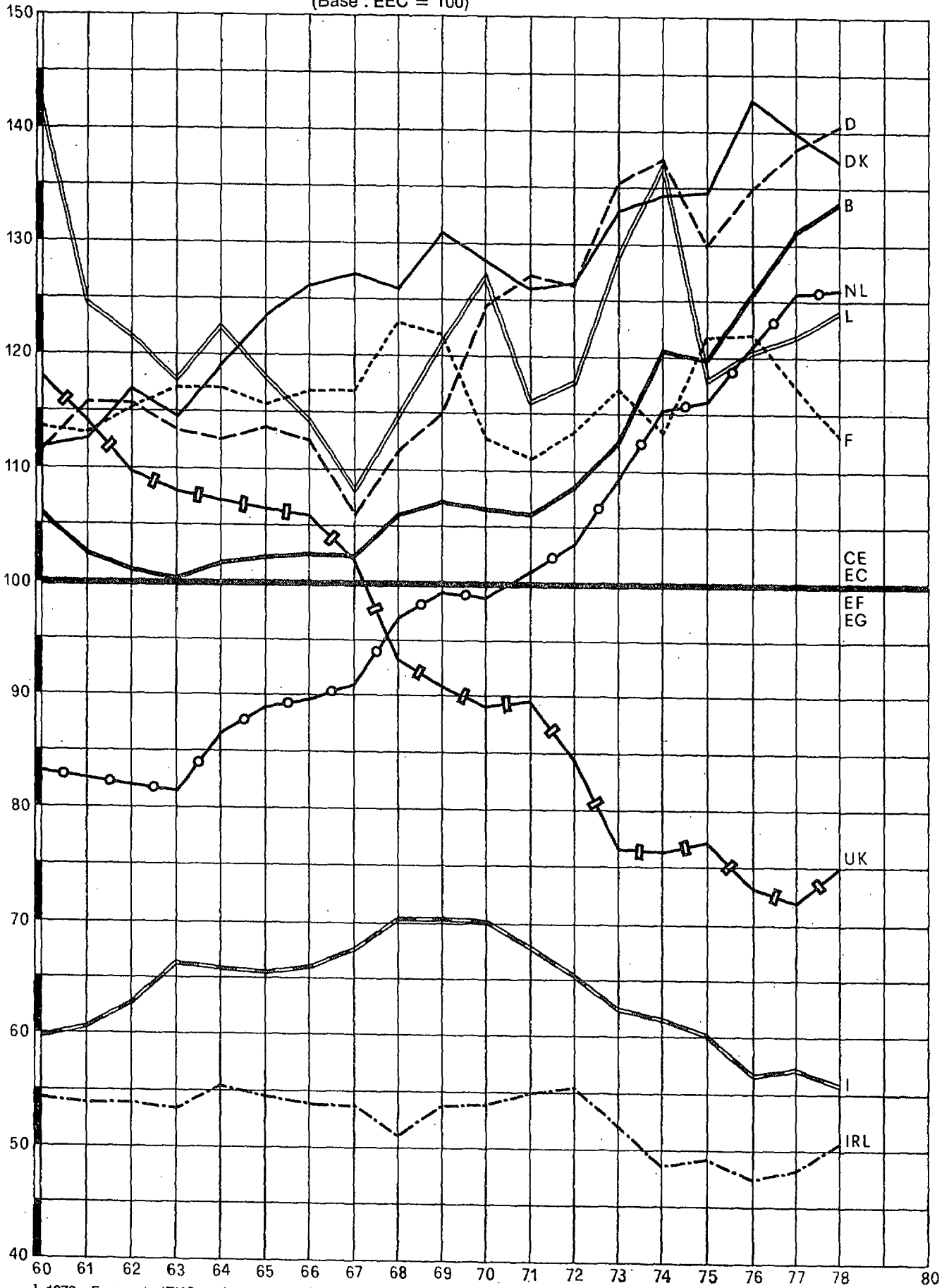
	1976		1977		1978 <sup>2</sup>
	Volume	Value	Volume	Value	Volume
Belgium	— 0.1	8.7	0.8	8.4	0.9
Denmark	16.3	24.1	— 3.5	4.5	1.5
FR of Germany	5.0	8.5	3.5	7.5	4.3
France	4.5	14.0	0.5	10.7	2.0
Ireland	4.4	23.1	8.0	26.5	9.5
Italy	2.3	21.3	4.0	23.6	3.2
Luxembourg	— 4.6	2.4	3.1	11.8	0.0
Netherlands	— 1.9	7.5	7.5	15.0	1.5
United Kingdom	— 4.4	12.3	— 4.1	8.2	2.8
Community	2.8	12.2	1.1	10.3	2.9

<sup>1</sup> Points 10 and 16.

<sup>2</sup> Forecast by Commission services.

Source : The economic situation in the Community, No 4-1977 and No 1-1978.

Graph 1 — Indices of GDP in EUC per head at current prices <sup>1</sup>  
 (Base : EEC = 100)

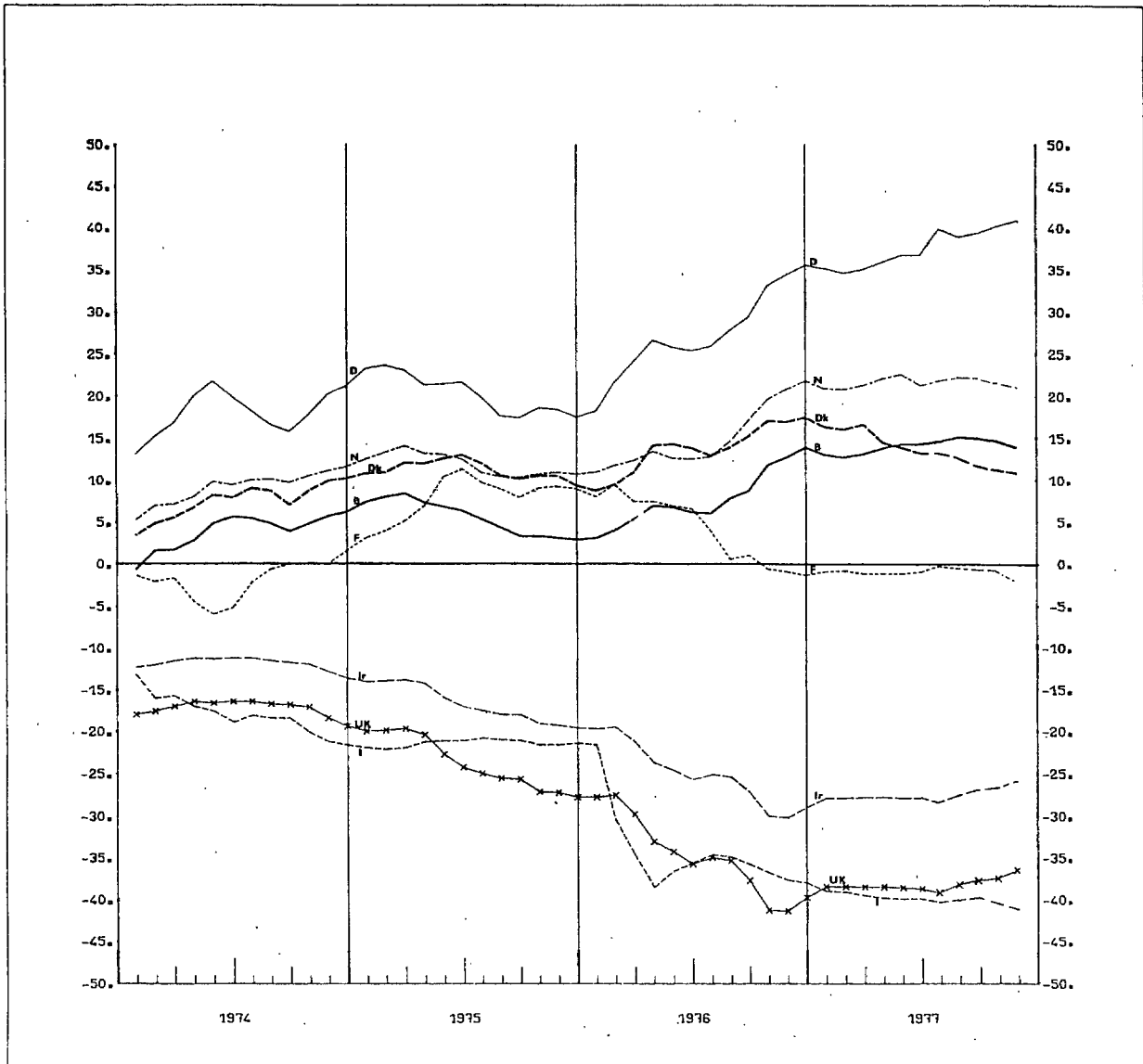
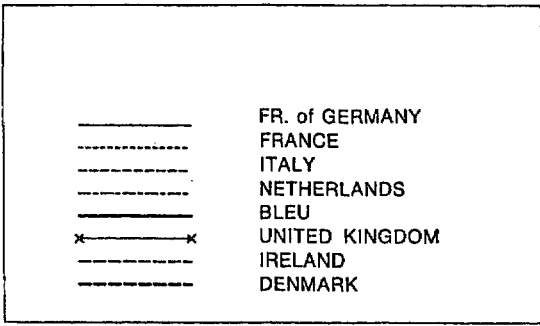


<sup>1</sup> 1978 : Forecasts (EUC exchange rate of 17.3.1978).

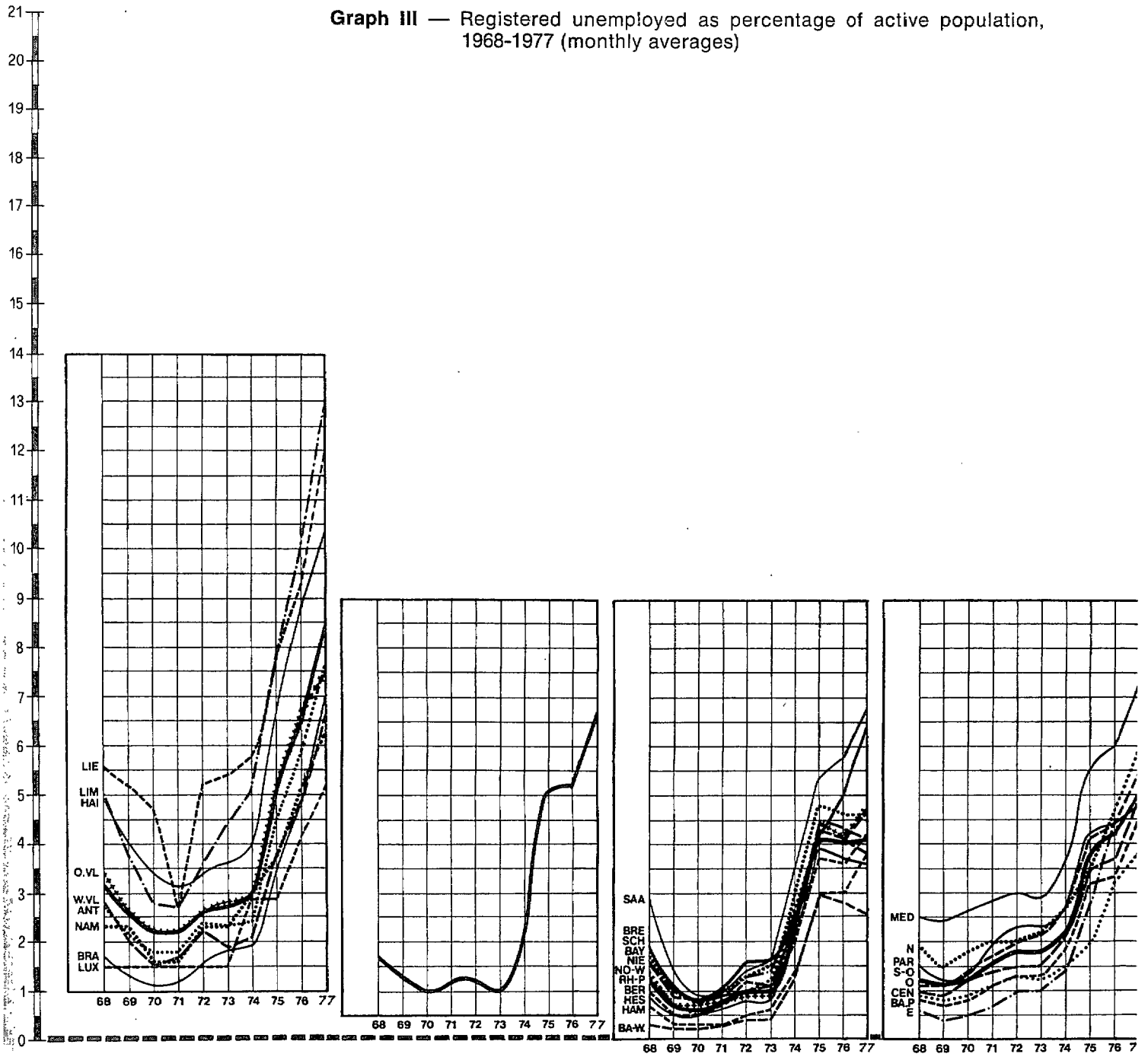


**Graph II — Appreciation or depreciation of the currencies of Member States — 1974-77**

*Weighted variation, in per cent, compared with 1st quarter 1972 ; weighting according to the structure of foreign trade*



**Graph III — Registered unemployed as percentage of active population, 1968-1977 (monthly averages)**



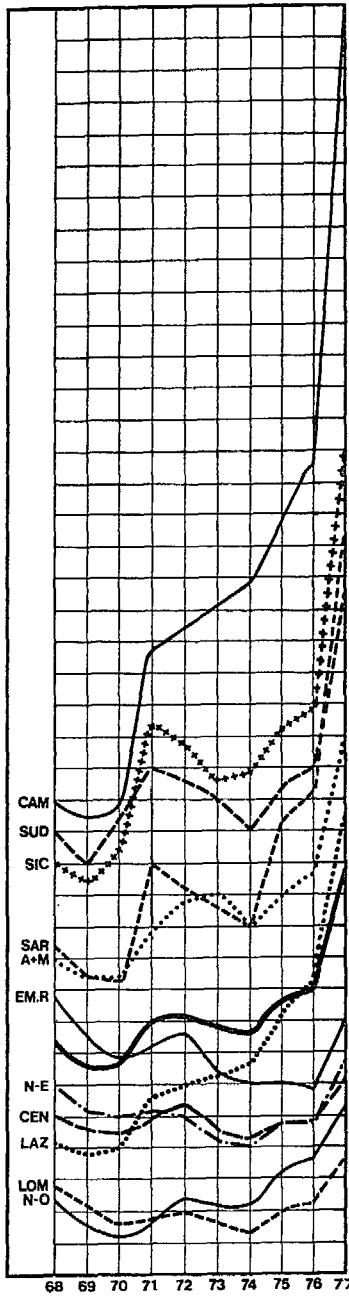
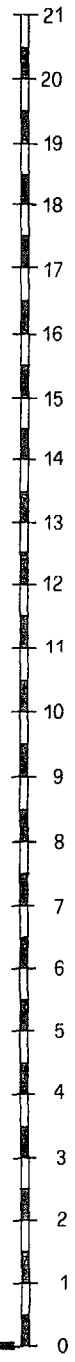
**BELGIË-BELGIQUE**

**DANMARK**

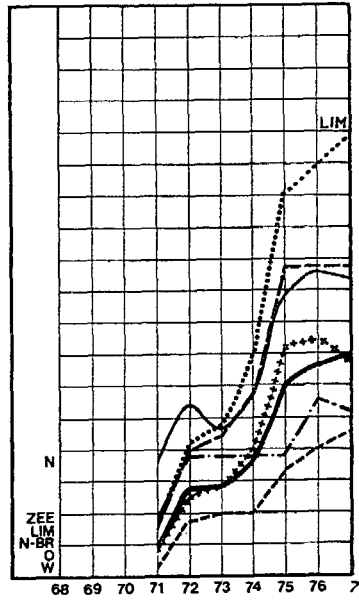
**BR DEUTSCHLAND**

**FRANCE**

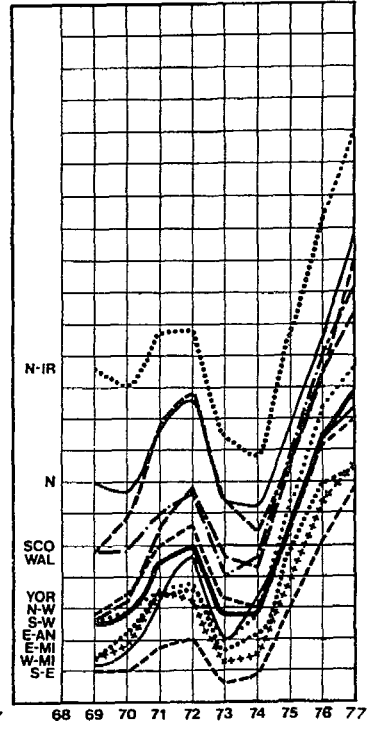
Source : SOEC



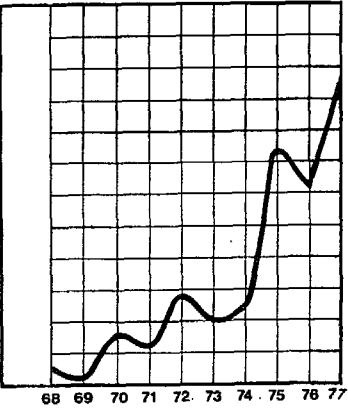
ITALIA



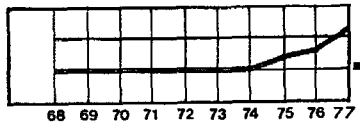
NEDERLAND



UNITED KINGDOM



IRELAND



LUXEMBOURG

TABLE 4

Summary of aid decisions in 1977, analysed by Member State and by main category of investment <sup>1</sup>

Key:

A: industrial and service investments of 10 million u.a. or more

B: industrial and service investments under 10 million u.a.

C: infrastructure investments of 10 million u.a. or more

D: infrastructure investments under 10 million u.a.

E: infrastructure investments in hill-farming areas

Member State	Number of aid decisions (in brackets: number of investment projects) <sup>2</sup>						Investment involved (million u.a.)						Aid granted (million u.a.)					
	A	B	C	D	E	Total	A	B	C	D	E	Total	A	B	C	D	E	Total
Belgium	1 (1)	1 (4)	—	3 (41)	1 (1)	6 (47)	17.30	11.00	—	19.73	5.67	53.70	0.57	0.78	—	5.73	1.54	8.62
Denmark	1 (1)	3 (7)	—	10 (51)	—	14 (59)	10.33	7.85	—	20.01	—	38.19	0.67	0.54	—	5.37	—	6.58
FR of Germany	9 (9)	61 (269)	1 (1)	55 (131)	—	126 (410)	332.52	459.26	38.52	62.79	—	893.09	2.34	20.55	1.18	18.78	—	42.85
France	3 (3)	18 (80)	3 (3)	13 (98)	—	37 (184)	304.72	161.58	74.52	66.97	—	607.79	16.42	12.39	22.35	19.69	—	70.85
Ireland	4 (4)	3 (11)	1 (1)	6 (41)	3 (16)	17 (73)	83.70	37.95	14.28	32.78	21.85	190.56	8.88	4.79	2.45	8.37	6.03	30.32
Italy	4 (4)	15 (213)	10 (10)	17 (81)	10 (428)	56 (736)	107.94	370.78	512.62	124.43	66.53	1 182.30	8.84	65.30	64.17	35.54	18.33	192.18
Luxembourg	—	—	—	1 (1)	—	1 (1)	—	—	—	3.90	—	3.90	—	—	—	0.54	—	0.54
Netherlands	—	—	1 (1)	2 (4)	—	3 (5)	—	—	22.10	16.70	—	38.80	—	—	1.31	5.01	—	6.32
United Kingdom	17 (17)	11 (34)	13 (13)	74 (435)	3 (6)	118 (505)	536.51	78.61	555.97	316.56	2.46	1 490.11	54.87	11.50	36.48	42.44	0.62	145.91
Totals	39 (39)	112 (618)	29 (29)	181 (883)	17 (451)	378 (2 020)	1 393.02	1 127.03	1 218.01	663.87	96.51	4 498.44	92.39	115.85	127.94	141.47	26.52	504.17
				378 (2 020)					4 498.44						504.17			

<sup>1</sup> Points 27 and 28.<sup>2</sup> For the projects of 10 million u.a. or more in columns A and C each decision relates to a single project.

TABLE 5.1

Types of investment financed by the Regional Fund in 1977: industry and services <sup>1</sup>

Category as defined in the Fund Regulation	Total amount of investment (million u.a.)	Total amount of national aid concerned (million u.a.)	Number of projects and main types of infrastructure concerned
<i>Industry and Services</i>	1 392.02	259.77	39 of which <ul style="list-style-type: none"> <li>3 Metal production and processing</li> <li>2 Non-metallic minerals</li> <li>8 Chemicals</li> <li>1 Artificial and synthetic fibres</li> <li>2 Metal goods</li> <li>7 Mechanical engineering</li> <li>2 Electrical and electronic engineering</li> <li>6 Motor manufacture and accessories</li> <li>1 Manufacture of other means of transport</li> <li>2 Food, drink and tobacco</li> <li>1 Footwear and clothing</li> <li>2 Paper, paper goods, printing, publishing</li> <li>1 Rubber and plastics</li> <li>1 Financial institutions</li> </ul>
	1 127.03	271.87	618 of which <ul style="list-style-type: none"> <li>82 Metal goods</li> <li>63 Non-metallic minerals</li> <li>59 Mechanical engineering</li> <li>58 Electrical and electronic engineering</li> <li>49 Rubber and plastics</li> <li>42 Food, drink and tobacco</li> <li>39 Wood and furniture</li> <li>34 Chemicals</li> <li>32 Paper, paper goods, printing and publishing</li> <li>160 Miscellaneous industries and services</li> </ul>
Total	2 520.05	531.64	657 projects

<sup>1</sup> Point 30.

TABLE 5.2

Types of investment financed by the Regional Fund in 1975-77: industry and services

Category as defined in the Fund Regulation	Total amount of investment (million u.a.)	Public expenditure taken into account (million u.a.)	Number of projects and main types of infrastructure concerned
<p style="text-align: center;"><i>Industry and services</i></p>	3 266.20	607.33	<p>85 of which</p> <ul style="list-style-type: none"> <li>8 Metal production and processing</li> <li>4 Non-metallic minerals</li> <li>18 Chemical               <ul style="list-style-type: none"> <li>1 Artificial and synthetic fibres</li> <li>3 Metal goods</li> </ul> </li> <li>9 Mechanical engineering</li> <li>9 Electrical and electronic engineering</li> <li>12 Motor manufacture and accessories</li> <li>1 Manufacture of other means of transport</li> <li>9 Food, drink and tobacco</li> <li>1 Textiles</li> <li>2 Footwear and clothing</li> <li>1 Wood and wooden furniture</li> <li>4 Paper, paper goods, printing, publishing</li> <li>2 Rubber and plastics</li> <li>1 Financial institutions</li> </ul>
	2 767.60	606.25	<p>1 519 of which</p> <ul style="list-style-type: none"> <li>44 Metal production and processing</li> <li>120 Non-metallic minerals</li> <li>71 Chemicals</li> <li>198 Metal goods</li> <li>147 Mechanical engineering</li> <li>157 Electrical and electronic engineering</li> <li>55 Motor manufacture and accessories</li> <li>35 Other transport equipment</li> <li>30 Precision and optical instruments</li> <li>50 Textiles</li> <li>50 Footwear and clothing</li> <li>102 Wood and furniture</li> <li>83 Paper, paper goods, printing and publishing</li> <li>103 Rubber and plastics</li> <li>61 Catering and hotels</li> <li>119 Food, drink and tobacco</li> <li>94 Miscellaneous industries and services</li> </ul>
Total	6 033.80	1 213.58	1 604 projects

TABLE 6.1

Types of investment financed by the Regional Fund in 1977: infrastructure <sup>1</sup>

Category as defined in the Fund Regulation		Total amount of investment (million u.a.)	Amount of national aids concerned (million u.a.)	Number of projects and main sectors concerned	
Infra-structure	Projects of 10 million u.a. or more	1 218.01	775.26	29 of which	18 General services to industrial estates (roads, rail links, water supply and purification, sewers, etc.) 4 Port development 3 Energy supply 2 Water disposal; water purification 1 Road works 1 Airport development
	Projects under 10 million u.a.	663.87	516.50	883 of which	26 Site preparation for industrial estates 609 General services to industrial estates (roads, water supply, sewers, etc.) 37 Advance factories 59 Tourist developments 20 Road works 38 Port developments 9 Airports 85 Miscellaneous infrastructure (energy production, telecommunications, etc.)
	Projects in hill-farming areas	96.51	88.69	451 of which	451 General services (road, water supply, etc.)
Total		1 978.39	1 380.45	1 363 projects	

<sup>1</sup> Point 30.

TABLE 6.2

Types of investment financed by the Regional Fund in 1975-77: infrastructure

Category as defined in the Fund Regulation		Total amount of investment (million u.a.)	Amount of national aids concerned (million u.a.)	Number of projects and main sectors concerned	
Infra-structure	Projects of 10 million u.a. or more	3 654.89	2 264.79	85 of which	59 General services to industrial estates (roads, rail links, water supply and purification, sewers, etc.) 8 Port development 3 Energy supply 5 Road works 2 Airport development 8 Miscellaneous infrastructure (energy supply, telecommunications, etc.)
	Projects under 10 million u.a.	1 771.08	1 342.65	2 250 of which	31 Purchase of land for industrial use 137 Site preparation for industrial estates 1 183 General services to industrial estates (roads, water supply, sewers, etc.) 384 Advance factories 82 Tourist developments 122 Road works 107 Port developments 23 Airports 181 Miscellaneous infrastructure (energy production, telecommunications, etc.)
	Projects in hill-farming areas	251.12	218.90	809 of which	809 General services (road, water supply, etc.)
Total		5 677.09	3 826.34	3 144 projects	



TABLE 7

**European Development**  
Regional statistics: Aid granted, in rounded

	I. Industrial handicraft and service activities				II. Infrastructure			
	1975	1976	1977	Total 75 + 76 + 77	1975	1976	1977	Total 75 + 76 + 77
<i>Belgium</i>								
Flanders	—	—	—	—	2.28(19)	3.90(19)	3.87(26)	10.05(64)
Wallonia	0.89(5)	1.43(6)	1.35(5)	3.67(16)	0.87(12)	1.34(3)	1.85(15)	4.06(30)
Total	0.89(5)	1.43(6)	1.35(6)	3.67(16)	3.15(31)	5.24(22)	5.72(41)	4.11(94)
<i>Denmark</i>								
Greenland	—	—	—	—	3.25(25)	4.52(31)	5.37(51)	13.14(107)
Other regions	0.62(9)	0.57(10)	1.21(8)	2.40(27)	—	1.33(1)	—	1.33(1)
Total	0.62(9)	0.57(10)	1.21(8)	2.40(27)	3.25(25)	5.85(32)	5.37(51)	14.47(108)
<i>Germany</i>								
Schleswig-Holstein	0.01(1)	0.89(14)	3.73(28)	4.63(43)	1.02(4)	1.26(8)	3.58(24)	5.86(36)
Bremen	—	0.11(1)	—	0.11(1)	0.05(1)	—	0.11(1)	0.16(2)
Lower Saxony	0.53(6)	0.78(7)	5.30(50)	6.61(63)	0.97(8)	0.70(7)	5.84(37)	7.51(52)
North-Rhine Westphalia	0.24(3)	0.12(7)	1.84(24)	2.20(34)	—	—	—	—
Hesse	0.35(8)	0.35(13)	1.75(22)	2.45(43)	0.38(4)	0.38(4)	3.29(15)	4.05(23)
Rhineland-Palatinate	0.46(9)	1.20(37)	2.82(52)	4.48(98)	0.37(3)	0.55(8)	0.65(11)	1.57(22)
Saarland	1.83(2)	0.97(2)	3.00(49)	5.80(53)	—	0.75(4)	1.48(10)	2.23(14)
Bavaria	—	3.27(34)	3.29(35)	6.56(69)	1.66(11)	6.05(42)	3.23(26)	10.94(79)
Baden-Württemberg	—	0.38(4)	1.16(18)	1.54(22)	0.64(3)	0.12(3)	0.60(7)	1.36(13)
Berlin	—	—	—	—	1.00(1)	1.99(1)	1.17(1)	4.16(3)
Total	3.42(29)	8.07(119)	22.89(278)	34.38(426)	6.09(35)	11.80(77)	19.95(132)	37.84(244)
<i>France</i>								
Alsace	0.51(6)	0.58(2)	0.28(2)	1.37(10)	—	—	—	—
Aquitaine	1.51(8)	1.31(3)	5.54(7)	8.36(18)	—	6.42(17)	—	6.42(17)
Auvergne	0.17(4)	0.15(1)	1.09(6)	1.41(11)	2.18(4)	12.60(2)	6.61(3)	21.39(9)
Basse-Normandie	1.38(7)	0.44(3)	1.12(4)	2.94(14)	0.54(2)	—	0.59(2)	1.13(4)
Burgundy	0.31(5)	0.22(3)	—	0.53(8)	—	—	—	—
Britanny	1.13(11)	1.76(9)	0.67(6)	3.56(26)	9.60(8)	18.96(2)	12.55(4)	41.11(14)
Champagne	0.59(4)	0.09(1)	—	0.68(5)	—	—	—	—
Corsica	—	—	—	—	4.69(12)	1.37(8)	1.47(11)	7.53(31)
Franche-Comté	0.01(1)	—	—	0.01(1)	—	—	—	—
Haute-Normandie	0.23(1)	0.05(1)	—	0.28(2)	—	—	—	—
Languedoc-Roussillon	0.76(9)	1.26(3)	0.40(2)	2.42(14)	0.56(1)	—	4.16(27)	4.72(28)
Limousin	0.66(6)	0.72(4)	—	1.38(10)	1.94(3)	3.86(1)	5.81(16)	11.61(20)
Lorraine	3.09(19)	5.56(19)	7.81(1)	16.46(39)	—	—	—	—
Midi-Pyrénées	1.17(9)	1.58(9)	0.78(3)	3.53(21)	0.72(2)	0.97(7)	4.13(21)	5.82(30)
Nord-Pas-de-Calais	0.97(12)	2.57(7)	5.21(10)	8.75(29)	—	—	—	—
Pays de la Loire	1.74(16)	2.89(12)	1.21(9)	5.84(37)	1.70(3)	4.17(28)	—	5.87(31)
Picardie	0.01(1)	0.42(3)	—	0.43(4)	—	—	—	—
Poitou-Charente	0.25(4)	1.28(6)	1.35(10)	2.88(20)	—	—	6.72(17)	6.72(17)
Provence-Côte d'Azur	0.05(2)	—	—	0.05(2)	—	—	—	—
Rhône-Alpes	1.54(10)	0.70(4)	1.29(5)	3.53(19)	—	—	—	—
Guadeloupe	0.85(19)	1.70(16)	0.31(4)	2.86(39)	1.22(11)	0.09(2)	—	1.31(13)
Guyane	0.12(1)	0.31(3)	1.33(4)	1.76(8)	0.22(1)	0.23(2)	—	0.45(3)
Martinique	0.97(8)	1.13(7)	0.23(4)	2.33(19)	—	1.23(12)	—	1.23(12)
Réunion	0.75(16)	0.48(7)	0.19(6)	1.42(29)	—	1.37(5)	—	1.37(5)
Total	18.77(179)	25.20(123)	28.81(83)	72.78(385)	23.37(47)	51.27(86)	42.04(101)	116.68(234)

1 Point 39.

Fund grants, 1975-77.<sup>1</sup>

figures (in brackets: number of projects)

III. Rural infrastructure				IV. Totals				Less de- commitals	Total
1975	1976	1977	Total 75 + 76 + 77	1975	1976	1977	Total 75 + 76 + 77		
—	—	—	—	2.28(19)	3.90(19)	3.87(26)	10.05(64)	—	—
—	—	1.55(1)	1.55(1)	1.76(17)	2.77(9)	4.75(21)	9.28(47)	—	—
—	—	1.55(1)	1.55(1)	4.04(36)	6.67(28)	8.62(47)	19.33(111)	—	—
—	—	—	—	3.25(25)	4.52(31)	5.37(51)	13.14(107)	0.01	13.13
—	—	—	—	0.62(9)	1.90(11)	1.21(8)	3.73(28)	0.10	3.63
—	—	—	—	3.87(34)	6.42(42)	6.58(59)	16.87(135)	0.11	16.76
—	—	—	—	1.03(5)	2.15(22)	7.31(52)	10.49(79)	0.003	10.487
—	—	—	—	0.05(1)	0.11(1)	0.11(1)	0.27(3)	—	—
—	—	—	—	1.50(14)	1.48(14)	11.14(87)	14.12(115)	0.060	14.060
—	—	—	—	0.24(3)	0.12(7)	1.84(24)	2.20(34)	—	—
—	—	—	—	0.73(12)	0.73(17)	5.04(37)	6.50(66)	0.007	6.493
—	—	—	—	0.83(12)	1.75(45)	3.47(63)	6.05(120)	0.013	6.037
—	—	—	—	1.83(2)	1.72(6)	4.48(59)	8.03(67)	—	—
—	—	—	—	1.66(11)	9.32(76)	6.52(61)	17.50(148)	0.127	17.373
—	—	—	—	0.64(3)	0.50(7)	1.76(25)	2.90(35)	0.010	2.890
—	—	—	—	1.00(1)	1.99(1)	1.17(1)	4.16(3)	—	—
—	—	—	—	9.51(64)	19.87(196)	42.84(410)	72.22(670)	0.220	72.00
—	—	—	—	0.51(6)	0.58(2)	0.28(2)	1.37(10)	—	—
—	—	—	—	1.51(8)	7.73(20)	5.54(7)	14.78(35)	—	—
0.74(1)	—	—	0.74(1)	3.09(9)	12.75(3)	7.70(9)	23.54(21)	—	—
—	—	—	—	1.92(9)	0.44(3)	1.71(6)	4.07(18)	—	—
—	—	—	—	0.31(5)	0.22(3)	—	0.53(8)	—	—
—	—	—	—	10.73(19)	20.72(11)	13.22(10)	44.67(40)	—	—
—	—	—	—	0.59(4)	0.09(1)	—	0.68(5)	—	—
—	—	—	—	4.69(12)	1.37(8)	1.47(11)	7.53(31)	—	—
—	—	—	—	0.01(1)	—	—	0.01(1)	—	—
—	—	—	—	0.23(1)	0.05(1)	—	0.28(2)	—	—
0.32(1)	—	—	0.32(1)	1.64(11)	1.26(3)	4.56(29)	7.46(43)	—	—
1.33(1)	—	—	1.33(1)	3.93(10)	4.58(5)	5.81(16)	14.32(31)	—	—
—	—	—	—	3.09(19)	5.56(19)	7.81(1)	16.46(39)	—	—
1.49(3)	—	—	1.49(3)	3.38(14)	2.55(16)	4.91(24)	10.84(54)	—	—
—	—	—	—	0.97(12)	2.57(7)	5.21(10)	8.75(29)	—	—
—	—	—	—	3.44(19)	7.06(40)	1.21(9)	11.71(68)	—	—
—	—	—	—	0.01(1)	0.42(3)	—	0.43(4)	—	—
—	—	—	—	0.25(4)	1.28(6)	8.07(27)	9.60(37)	—	—
—	—	—	—	0.05(2)	—	—	0.05(2)	—	—
—	—	—	—	1.54(10)	0.70(4)	1.29(5)	3.53(19)	—	—
—	—	—	—	2.07(30)	1.79(18)	0.31(4)	4.17(52)	—	—
—	—	—	—	0.34(2)	0.54(5)	1.33(4)	2.21(11)	—	—
—	—	—	—	0.97(8)	2.36(19)	0.23(4)	3.56(31)	—	—
—	—	—	—	0.75(16)	1.85(12)	0.19(6)	2.79(34)	—	—
3.88(6)	—	—	3.88(6)	46.02(232)	76.47(209)	70.85(184)	193.34(625)	—	—

TABLE 7

	I. Industrial handicraft and service activities				II. Infrastructure			
	1975	1976	1977	Total 75 + 76 + 77	1975	1976	1977	Total 75 + 76 + 77
<i>Ireland</i> <sup>1</sup>								
Donegal	(4)	—	—	(4)	(11)	(5)	(3)	(19)
North-West	(1)	(1)	—	(2)	(5)	(1)	(2)	(8)
West	(9)	(5)	(5)	(19)	(9)	(4)	(5)	(19)
Mid-West	(5)	(2)	(1)	(8)	(7)	(5)	(4)	(15)
South-West	(8)	(3)	(2)	(13)	(4)	(7)	(3)	(14)
South-East	(5)	(2)	(1)	(8)	(3)	(11)	(6)	(20)
Midlands	(7)	(1)	(2)	(10)	(8)	(10)	(3)	(21)
East	(4)	(3)	(2)	(9)	(3)	(7)	(10)	(20)
North-East	(9)	—	(1)	(10)	(3)	(2)	(4)	(9)
Multi-regional	—	—	(1)	(1)	—	(2)	(2)	(4)
<b>Total</b>	<b>13.23(52)</b>	<b>12.73(17)</b>	<b>13.47(15)</b>	<b>39.43(84)</b>	<b>6.63(53)</b>	<b>16.69(54)</b>	<b>10.82(42)</b>	<b>34.19(149)</b>
<i>Italy</i>								
Abruzzi	1.33(6)	—	10.73(37)	12.06(43)	4.18(6)	—	13.24(10)	17.42(16)
Basilicata	—	2.20(5)	2.98(8)	5.18(13)	—	2.61(4)	0.20(3)	2.81(7)
Calabria	—	1.83(4)	—	1.83(4)	—	22.71(5)	6.20(1)	28.91(6)
Campania	16.82(25)	7.36(23)	14.11(44)	38.29(92)	12.64(4)	28.63(12)	16.73(18)	58.00(34)
Friuli-Venezia Giulia	—	—	—	—	—	—	13.02(22)	13.02(22)
Lazio	19.12(7)	—	13.11(38)	32.23(45)	2.80(1)	13.57(3)	2.49(2)	18.86(6)
Marche	1.16(1)	—	3.83(9)	4.99(10)	0.51(1)	—	2.36(6)	2.87(7)
Molise	—	—	3.08(6)	3.08(6)	0.61(2)	—	0.15(1)	0.76(3)
Puglia	12.13(18)	—	18.04(44)	30.17(62)	14.40(3)	5.14(8)	13.06(2)	32.60(13)
Sardinia	3.08(3)	—	2.73(12)	5.81(15)	10.87(6)	55.28(9)	8.39(17)	74.54(32)
Sicily	—	7.11(14)	4.72(17)	11.83(31)	17.80(2)	26.10(7)	23.87(9)	67.77(18)
Tuscany	—	—	0.81(2)	0.81(2)	—	—	—	—
multi-regional (Basilicata-Puglia)	—	—	—	—	—	16.18(1)	—	16.18(1)
<b>Total</b>	<b>53.64(60)</b>	<b>18.50(46)</b>	<b>74.14(217)</b>	<b>146.28(323)</b>	<b>63.81(25)</b>	<b>170.22(49)</b>	<b>99.71(91)</b>	<b>333.74(165)</b>
<i>Luxembourg</i>	—	—	—	—	0.75(1)	—	0.54(1)	1.29(2)
<i>Netherlands</i>								
Groningen	—	—	—	—	3.48(2)	3.95(1)	5.34(4)	12.77(7)
Limburg	—	—	—	—	2.10(1)	3.56(4)	0.99(1)	6.65(6)
Friesland	—	—	—	—	—	2.49(3)	—	2.49(3)
<b>Total</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>5.58(3)</b>	<b>10.00(8)</b>	<b>6.33(5)</b>	<b>21.91(16)</b>
<i>United Kingdom</i>								
N. England	3.95(34)	23.762(46)	21.17(12)	48.88(92)	13.26(70)	21.516(113)	24.89(82)	59.67(265)
N.W. England	1.04(15)	5.969(17)	7.68(8)	14.69(40)	6.24(49)	10.467(85)	5.54(63)	22.25(197)
Yorkshire & Humberside	—	2.974(24)	1.27(3)	4.24(27)	2.38(43)	2.050(36)	4.88(72)	9.31(151)
E. Midlands	—	0.430(8)	—	0.43(8)	0.27(8)	0.504(10)	0.79(9)	1.56(27)
S.W. England	0.85(9)	0.372(9)	—	1.22(18)	1.02(34)	1.403(13)	1.10(17)	3.52(64)
Scotland	9.16(45)	10.264(12)	21.07(4)	40.49(61)	10.24(77)	22.004(90)	17.32(69)	49.57(236)
Wales	0.96(7)	9.413(40)	3.90(12)	14.27(59)	13.91(115)	10.664(77)	13.22(109)	37.79(301)
N. Ireland	13.36(1)	4.870(25)	11.27(12)	29.50(38)	5.24(15)	11.354(38)	11.18(27)	27.78(80)
W. Midlands	—	—	—	—	0.03(1)	0.008(1)	—	0.04(2)
<b>Total</b>	<b>29.32(111)</b>	<b>58.054(181)</b>	<b>66.36(51)</b>	<b>153.72(343)</b>	<b>52.59(412)</b>	<b>79.970(463)</b>	<b>78.92(448)</b>	<b>211.49(1323)</b>

<sup>1</sup> As Ireland is considered as a single region, the grouped applications submitted make it impossible to give a regional breakdown of the aid granted.

(continued)

III. Rural infrastructure				IV. Totals				Less de- commitals	Total
1975	1976	1977	Total 75 + 76 + 77	1975	1976	1977	Total 75 + 76 + 77		
—	(2)	(4)	(6)	(15)	(7)	(7)	(29) E	—	—
—	(1)	(3)	(4)	(6)	(3)	(5)	(14)	—	—
—	(9)	(2)	(11)	(18)	(18)	(12)	(49)	—	—
—	—	(1)	(1)	(12)	(17)	(6)	(24)	—	—
—	(6)	(1)	(7)	(12)	(16)	(6)	(34)	—	—
—	—	—	—	(8)	(13)	(7) 1/2	(28)	—	—
—	—	(3)	(3)	(15)	(11)	(8) 1/2	(34)	—	—
—	—	—	—	(7)	(10)	(12)	(29)	—	—
—	—	(2)	(2)	(12)	(2)	(7)	(21)	—	—
—	—	—	—	—	(2)	(3)	(5)	—	—
—	5.07(18)	6.03(16)	11.10(34)	19.91(105)	34.49(89)	30.32(73)	84.72(267)	0.96	83.76
0.18(5)	0.54(9)	—	0.72(14)	5.69(17)	0.54(9)	23.97(47)	30.20(73)	0.34	29.86
1.66(26)	2.18(29)	1.18(43)	5.02(98)	1.66(26)	6.99(38)	4.36(54)	13.01(118)	—	—
2.15(27)	2.96(60)	3.92(95)	9.03(182)	2.15(27)	27.50(69)	10.12(96)	39.77(192)	—	—
0.44(13)	3.25(54)	3.11(102)	6.80(169)	29.90(42)	39.24(89)	33.95(164)	03.09(295)	—	—
—	—	4.83(63)	4.83(63)	—	—	17.85(85)	17.85(85)	—	—
0.20(2)	2.21(15)	0.19(10)	2.60(27)	22.12(10)	15.78(18)	15.79(50)	53.69(78)	0.01	53.68
—	—	0.13(3)	0.13(3)	1.67(2)	—	6.32(18)	7.99(20)	—	—
0.34(3)	1.56(7)	0.95(42)	2.85(52)	0.95(5)	1.56(7)	4.18(49)	6.69(61)	—	—
—	—	3.35(63)	3.35(63)	26.53(21)	5.14(8)	34.45(109)	66.12(138)	0.05	66.07
1.30(8)	1.14(4)	0.67(7)	3.11(19)	15.25(17)	56.42(13)	11.79(36)	83.46(66)	—	—
0.31(5)	1.66(9)	—	1.97(14)	18.11(7)	34.87(30)	28.59(26)	81.57(63)	—	—
—	—	—	—	—	—	0.81(2)	0.81(2)	—	—
—	—	—	—	—	16.18(1)	—	16.18(1)	—	—
6.58(89)	15.50(187)	18.33(428)	40.41(704)	124.03(174)	204.22(282)	192.18(736)	520.43(1192)	0.40	520.03
—	—	—	—	0.75(1)	—	0.54(1)	1.29(2)	—	—
—	—	—	—	3.48(2)	3.95(1)	5.34(4)	12.77(7)	—	12.77(7)
—	—	—	—	2.10(1)	3.56(4)	0.99(1)	6.65(6)	—	6.65(6)
—	—	—	—	—	2.49(3)	—	2.49(3)	—	2.49(3)
—	—	—	—	5.58(3)	10.00(8)	6.33(5)	21.91(16)	—	21.91(16)
—	—	—	—	17.21(104)	45.278(159)	46.06(94)	108.55(357)	2.14	106.41
—	—	—	—	7.28(64)	16.436(102)	13.22(71)	36.94(237)	0.38	36.56
—	—	—	—	2.38(43)	5.024(60)	6.15(75)	13.55(178)	0.51	13.04
—	—	—	—	0.27(8)	0.934(18)	0.79(9)	1.99(35)	—	—
—	—	—	—	1.87(43)	1.775(22)	1.10(17)	4.74(82)	0.07	4.67
4.24(11)	2.778(30)	0.60(5)	7.62(46)	23.64(133)	35.046(132)	38.99(78)	97.68(343)	5.56	92.12
—	—	—	—	14.87(122)	20.077(117)	17.12(121)	52.06(360)	1.50	50.56
—	1.065(17)	0.02(1)	1.09(18)	18.60(16)	17.289(80)	22.47(40)	58.37(136)	2.96	55.41
—	—	—	—	0.03(1)	0.008(1)	—	0.04(2)	—	—
4.24(11)	3.843(47)	0.62(6)	8.71(64)	86.15(534)	141.867(691)	145.90(505)	373.92(1730)	13.12	360.89

TABLE 8

Commitments and payments by Member States <sup>1</sup>

Member State	Commitments <sup>2</sup>				Payments								
	1977		1975-77		1977				Total 1975-77				
	million u.a.	%	million u.a.	%	committed 1975		committed 1976		Total 1977		million u.a.	%	% committed 1975-77
					million u.a.	%	million u.a.	%	million u.a.	%			
Belgium	8.619	2	19.330	1	—	—	6.114	2	2.825	1	8.939	1	46
Denmark	6.576	1	16.756	1	1.556	2	3.984	1	5.763	2	11.302	2	67
FR of Germany	42.829	9	71.974	6	—	—	13.348	5	24.891	6	38.239	5	53
France	70.856	14	193.326	15	16.126	18	28.867	10	45.828	12	90.820	12	47
Ireland	30.308	6	83.832	7	6.996	8	18.032	7	22.111	6	47.139	6	56
Italy	192.180	38	520.000	40	44.296	49	112.864	41	149.517	40	306.677	41	59
Luxembourg	0.539	—	1.289	—	0.227	—	0.406	—	0.117	—	0.750	—	58
Netherlands	6.323	1	21.911	2	2.849	3	5.448	2	2.817	1	11.115	2	51
United Kingdom	143.551	29	360.889	28	18.618	20	88.269	32	118.639	32	225.527	31	62
Community	501.781	100	1.289.306	100	90.668	100	277.332	100	372.508	100	740.508	100	57

<sup>1</sup> Points 63 and 64.<sup>2</sup> Commitments made and then cancelled within 1977 are excluded, which explains certain minor differences, for 1977, between the figures in this table and those in Table 7.

**TABLE 9**  
**Inspection visits carried out in 1975 and 1976 <sup>1</sup>**

Country and region	Number of projects inspected			
	1977		1975-1977	
	Industry	Infrastructure	Industry	Infrastructure
Flanders	—	—	—	8
Wallonia	—	—	2	—
<i>Belgium</i>	—	—	2	8
Greenland	—	2	—	19
North Jutland	—	—	5	—
Viborg	—	—	1	—
<i>Denmark</i>	—	2	6	19
Schleswig-Holstein	—	—	—	1
Lower Saxony	—	—	1	4
Bavaria	3	3	3	3
Hesse	3	3	3	3
<i>Germany</i>	6	6	7	11
Auvergne	5	4	5	4
Basse-Normandie	—	—	—	2
Britanny	—	—	—	2
Pays de la Loire	—	—	—	3
Lorraine	—	—	6	—
Midi-Pyrénées	8	3	8	3
<i>France</i>	13	7	19	14
Donegal	—	—	—	4
North-West	—	—	1	1
West	—	—	1	1
Mid-West	—	—	1	5
South-West	3	6	3	6
South-East	—	—	1	—
Midlands	—	—	2	2
East	—	—	1	—
North-East	—	—	2	1
<i>Ireland</i>	3	6	12	20

<sup>1</sup> Point 70.

TABLE 9 (continued)

Country and region	Number of projects inspected			
	1977		1975-1977	
	Industry	Infrastructure	Industry	Infrastructure
Abruzzi	3	3	3	3
Basilicata	3	4	3	4
Calabria	3	5	3	5
Campania	—	—	—	4
Lazio	—	—	—	1
Marche	1	2	1	2
Molise	—	4	—	4
Puglia	2	1	6	1
Sardinia	—	—	2	3
Sicily	—	—	1	4
<i>Italy</i>	12	19	19	31
<i>Luxembourg</i>	—	—	—	1
Groningen	—	—	—	2
Limburg	—	—	—	1
<i>Netherlands</i>	—	—	—	3
Northern England	3	8	3	17
North-West England	2	13	2	13
Yorkshire & Humberside	2	5	2	5
Scotland	3	5	3	23
Wales	4	—	5	5
<i>United Kingdom</i>	14	31	15	63
<i>Community</i>	48	71	80	170

**Budget situation <sup>1</sup>**  
*Use of commitment appropriations (million u.a.)*

Appropriations available for 1977			Use in 1977		
1977 budget	Brought forward from 1976	Total	Commitments 1977	% use	Approps. available at 31.12.1977
500.00	12.48	512.48	501.78	97.91 %	10.70

*Use made of payment appropriations (million u.a.)*

Appropriations available in 1977			Payments made in 1977			Approps. outstanding at 31.12.1977	
Brought forward from 1976	1977 budget	Total	On sums brought forward 1976	On 1977 appropriations	Total	On sums brought forward 1976	On 1977 appropriations
82.00	400.00	482.00	82.00	290.51	372.51	—	109.49

*Development of commitments (million u.a.)*

Commitments unpaid at 1.1.1977	Commitments in 1977			Total commitments	Commitments paid and liquidated in 1977	Commitments unpaid at 31.12.1977
	On sums outstanding from 1976	On 1977 appropriations	Total			
419.53	12.48	489.30	501.78	921.31	372.51	548.80

<sup>1</sup> Points 20 and 63.



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The Council Regulation of 18 March 1975 establishing a European Regional Development Fund requires that :

1. Before 1 July each year the Commission shall present a report to the European Parliament and to the Council on the implementation of this Regulation during the preceding year.
2. This report shall also cover the financial management of the Fund and the conclusions drawn by the Commission for supervision of the Fund's operations.

This third report is accordingly presented by the Commission on the operation of the Fund during 1977.