

EUROPEAN BACKGROUND INFORMATION COMMUNITY

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BACKGROUND NOTE

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EUROPEAN REGIONAL DEVELOPMENT FUND MARKS FIRST YEAR

One of the European Community's more recent instruments for economic integration -- the Regional Development Fund -- has begun to work. The first annual report on its activities has just been published. The development fund is not to be confused with the Community's regional policy, of which it is but an instrument. Nevertheless, the fund will play a role in correcting those regional disparities within the Community which present a major block to further European integration. Indeed, over the last five years, the gaps have widened not only between rich and poor member nations, but between prosperous and poorer regions within those nations.

Whereas in 1970 gross domestic product per head in the three countries facing the greatest economic and regional difficulties (Ireland, Italy, and the United Kingdom) was respectively 53.6 per cent, 70.3 per cent, and 88.8 per cent of the Community average, in 1975 the equivalent figures were down to 48.0 per cent, 60.1 per cent, and 77.7 per cent. At the other end of the scale, the same figures for Denmark and Germany rose from 128.7 per cent and 124.5 per cent to 136.2 per cent and 130.7 per cent respectively.

The comparisons between regions are even more striking. Per capita GDP in 1970 in Hamburg was five times higher, and that in Paris four times higher, than in the Community's poorest regions, the west of Ireland and the south of Italy. By 1975 the Hamburg figure was six times higher, and the Paris figure five times higher, than the lowest.

These were the economic circumstances, coupled with the general recession, in which the Regional Fund started to function in 1975. It operates as an addition to the development efforts of member state governments, and any development projects to which the fund makes grants must fall within the framework of regional development programs prepared by member states.

First Grants Made

This first report on the fund's activities covers a very short period. It did not get the go-ahead until March 1975; its budget was adopted in April; the first grants were approved in October, and the first payments were begun in December. Even so, the grants approved used up the whole 300 million Unit of Account (about \$396 million) budget that was available and payments actually disbursed covered some 91 million UA (about \$120 million).

1521 investment projects were submitted and of these 1183 got grants (Those which were rejected either did not meet the stipulations set out in the fund's regulations or were still pending.). 40 per cent of the grants went to projects involving industry or services, and infrastructure projects got the remaining 60 per cent. In the former category, the chemical industry heads the list of large projects, followed by the food industry. Among smaller projects, the manufacture of metal goods came first, followed by electrical, electronic and mechanical engineering. Few projects in the service sector were submitted.

The types of infrastructure projects for which assistance was granted varied according to regional priorities and national policies. In Belgium, Germany and Italy the emphasis was on the development of industrial estates; in France on roads and transport infrastructure; all the Danish infrastructure projects were in Greenland, and concerned mainly port facilities and electricity supply; a significant part of the assistance granted to Ireland and the United Kingdom related to advance factory building and the development of industrial estates.

Italy got the largest share of the grants -- UA 124 million (with UA 44 million actually paid out by the end of the year).

It is still too early to assess the fund's impact on the development of the regions to which it has given aid, but the European Commission sets great store by this new instrument -- all the while cautioning that it must be only a part of a comprehensive regional policy so necessary to combat worsening regional imbalances in the European Community.