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(Acts whose publication is obligatory)

**REGULATION (EEC) No 724/75 OF THE COUNCIL
of 18 March 1975
establishing a European Regional Development Fund**

THE COUNCIL OF THE EUROPEAN
COMMUNITIES,

Having regard to the Treaty establishing the European
Economic Community, and in particular Article 235
thereof;

Having regard to the proposal from the Commission;

Having regard to the Opinion of the European Parlia-
ment⁽¹⁾;

Having regard to the Opinion of the Economic and
Social Committee⁽²⁾;

Whereas, by virtue of Article 2 of the Treaty, the
Community has been assigned the task of promoting
throughout the Community a harmonious develop-
ment of economic activities;

Whereas the Paris conference of Heads of State or of
Government in October 1972, desirous of finding a
Community solution to regional problems, invited the
Community institutions to create a Regional Develop-
ment Fund whose intervention, in conjunction with
national aids, should permit, with the progressive reali-
zation of economic and monetary union, the correc-
tion of the main regional imbalances in the Commu-
nity and particularly those resulting from the prepon-
derance of agriculture and from industrial change and
structural underemployment;

Whereas this undertaking was reiterated at the confer-
ence in Copenhagen in December 1973; whereas it
was decided at the conference in Paris in December
1974 that the European Regional Development Fund
should be implemented as from 1 January 1975;

Whereas pursuant to the decision taken by the Heads
of Government at the Paris Conference in 1974, the

Fund should be allocated specific amounts for the
years 1975 to 1977; whereas, however, it is advisable
to reserve the decision as to the nature of the Fund's
expenditure for subsequent financial years;

Whereas the Treaty does not provide the necessary
powers; whereas the Community should be granted
such powers pursuant to Article 235 of the Treaty;

Whereas an effective policy on regional structures is
an essential prerequisite to the realization of
economic and monetary union;

Whereas regional development requires investment in
industrial or service activities ensuring that new jobs
are created and existing jobs maintained on the one
hand, and on the other, investment in infrastructures
directly linked to the development of these activities;
whereas it is necessary to contribute to the creation in
certain less-favoured agricultural areas, of adequate,
collective facilities to ensure that farming is continued
and a minimum population maintained;

Whereas the principle should be adopted that the
Fund's assistance should be allocated according to the
relative severity of regional imbalances; whereas
account should also be taken of other factors deter-
mining the interest of investments from the point of
view of the region concerned as well as from that of
the Community;

Whereas the management of the Fund should be the
responsibility of the Commission assisted by a Fund
Committee;

Whereas aid from the Fund will be effective only if
investments benefiting from the Community's aid are
included in regional development programmes;
whereas the results obtained in each region from year
to year should be monitored;

⁽¹⁾ OJ No C 108, 10. 12. 1973, p. 51.

⁽²⁾ OJ No C 8, 31. 1. 1974, p. 11.

Whereas the Fund's assistance should not lead Member States to reduce their own regional development efforts but should complement these efforts ;

Whereas the Commission should ensure, with the cooperation of Member States, the proper administration of investments receiving aid from the Fund and exercise effective control of the operation of the Fund ;

Whereas the extent of the Community's activities requires specific information to be provided to the Council and to the European Parliament in the form of an annual report,

HAS ADOPTED THIS REGULATION :

Article 1

A European Regional Development Fund is hereby established, hereinafter referred to as 'the Fund', intended to correct the principal regional imbalances within the Community resulting in particular from agricultural preponderance, industrial change and structural under-employment.

Article 2

1. For the period 1975 to 1977, financial assistance from the Fund shall be granted to the applicant Member States, subject to the conditions set out in this Regulation and within the limits of the following appropriations :

300 million units of account in 1975,
500 million units of account in 1976,
500 million units of account in 1977.

This total amount of 1 300 million units of account shall be financed to the extent of 150 million units of account by the appropriations not presently utilized from the European Agricultural Guidance and Guarantee Fund (Guidance Section).

The resources of the Fund shall be distributed in accordance with the following table :

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

Further, a sum of six million units of account shall be granted to Ireland, which shall be deducted from the share of other Member States with the exception of Italy.

2. When re-examining the Regulation as provided for in Article 18, the Commission shall in due course make the appropriate proposals for the Community's regional policy and for aid from the Fund during the subsequent period.

3. The annual budget shall indicate for the relevant year under the Fund heading :

- (a) commitment appropriations ;
- (b) payment appropriations.

Save where otherwise provided for in special provisions laid down in this Regulation, the Financial Regulation applicable to the general budget of the Communities shall apply to the management of the Fund.

Article 3

Regions and areas which may benefit from the Fund shall be limited to those aided areas established by Member States in applying their systems of regional aids and in which State aids are granted which qualify for Fund assistance.

When aid from the Fund is granted, priority shall be given to investments in national priority areas, taking account of the principles for the coordination at Community level of regional aids.

Article 4

1. The Fund may contribute to the financing of investments which individually exceed 50 000 units of account, and come under any of the following categories :

- (a) Investments in industrial, handicraft, or service activities which are economically sound and which benefit from State regional aids, provided that at least 10 new jobs are created or that existing jobs are maintained. In the latter case, the investments should fall within the framework of a conversion or restructuring plan to ensure that the undertaking concerned is competitive. Preference shall, however, be given to operations which both maintain existing jobs and create new jobs.

Service activities qualifying for assistance shall be those concerned with tourism and those which have a choice of location. Such activities should have a direct impact on the development of the region and on the level of employment.

- (b) Investments in infrastructures directly linked with the development of activities covered by (a) above and totally or partially financed wholly or in part by public authorities or by any other agency responsible, on a similar basis as a public authority, for the creation of infrastructures.

(c) Investments in infrastructures cover in Article 3 (2) of the Council Directive on mountain and hill farming and farming in certain less-favoured areas, provided that the less-favoured area in question corresponds to or is located within one of the regions or areas covered by Article 3 of this Regulation.

2. The amount of the Fund's contribution shall be :

(a) In respect of investments covered by paragraph 1 (a), 20 % of the investment cost without however exceeding 50 % of the aid accorded to each investment by public authorities under a system of regional aids, such contributions being limited moreover to that part of the investment which does not exceed 100 000 units of account per job created and 50 000 units of account per job maintained.

The State aids to be taken into consideration in this connection shall be grants, interest rebates, or their equivalent where loans at reduced rates of interest are concerned, whether these aids are linked to the investment or to the number of jobs created. The aid equivalent will be calculated in accordance with an implementing Regulation referred to in Article 17. The aid granted in the form of rent rebates or exemptions from payments of rents of factories may also be taken into account, provided that this form of calculation can be applied.

The contribution from the Fund thus defined may, pursuant to a prior decision of the Member State concerned communicated at the same time as the request for this contribution, either supplement aid granted to the relevant investment by public authorities or remain credited to those authorities and considered as a partial repayment of such aid.

(b) In respect of investments covered by paragraph 1 (b) and (c), 30 % of the expenditure incurred by public authorities when the investment is less than 10 million units of account, and from 10 to 30 % maximum for investments of 10 million units of account or more, the Fund's assistance being able to consist wholly or in part of a rebate of three percentage points on loans made by the European Investment Bank, pursuant to Article 130 (a) and (b) of the Treaty, in the regions and areas referred to in Article 3 of this Regulation. In this event, the aid from that Fund shall be paid to the bank in one instalment, the rebate being a capitalized sum expressed as a percentage of the investment.

Article 5

1. The Fund's assistance shall be decided by the Commission in accordance with the procedure laid

down in Article 12, according to the relative severity of the economic imbalance of the region where the investment is made and the direct or indirect effect of the investment on employment. The Commission shall examine, in particular the consistency of the investment with the range of actions undertaken by the relevant Member State in favour of the region concerned, as apparent from information supplied by Member States pursuant to Article 6 and taking special account of :

- (a) the investments contribution to the economic development of the region ;
- (b) the consistency of the investment with the Community's programmes or objectives ;
- (c) the situation of the economic sector concerned and the profitability of the investment ;
- (d) whether the investment falls within a frontier area, that is to say, within adjacent regions of separate Member States ;
- (e) other contributions made by Community institutions or by the European Investment Bank, either to the same investment or to other activities within the same region. Thus contributions from the Fund will be coordinated with other Community contributions, in such a way as to favour a range of converging and coordinated actions within a given region and to guarantee in particular consistency between regional policy and structural policy for agriculture.

2. In respect of infrastructures costing 10 million or more units of account, the Commission shall, before obtaining the Opinion of the Fund Committee referred to in Article 12, consult the Committee for Regional Policy.

Article 6

1. Investments may benefit from the Fund's assistance only if they fall within the framework of a regional development programme, the implementation of which is likely to contribute to the correction of the main regional imbalances within the Community which are likely to prejudice the attainment of economic and monetary union.

2. By way of derogation from paragraph 1 the annual information referred to in paragraph 6 shall take the place of programmes, until such programmes have been prepared for regions where they have not yet been established. A timetable will be set for the preparation of these programmes, such that all programmes will be available by the end of 1977.

3. Member States shall notify the Commission of regional development programmes and alterations thereto as and when they are drawn up.

4. The programmes shall indicate the objectives and the means for developing the region. For this purpose, one of the priority tasks of the Committee for Regional Policy shall be to study the technical methods for preparing these programmes, so as to provide, by 31 December 1975 at the latest, an outline of the information to be included in these programmes.

5. The Committee for Regional Policy must be consulted about the programmes. The Commission shall examine them, having regard to the provisions of the Treaty and the decisions adopted by Community institutions.

6. Member States shall provide the Commission at the beginning of each year, and initially before the beginning of the third month following the entry into force of this Regulation, with all useful information concerning :

- (a) the development of the economic and social situation of the regions referred to in Article 3 ;
- (b) the resources which they have decided to allocate or which they proposed to allocate to the development of these regions ;
- (c) the measures envisaged in respect of infrastructure and the creation of economic activity, together with an implementation schedule ;
- (d) where applicable, the aid ceiling.

They shall also provide annually, at the latest by 1 April, an overall statistical summary indicating by region the results achieved during the previous year as a result of action taken in each region. Those results to which the Fund has contributed shall be indicated separately.

Article 7

1. Member States shall submit requests for assistance from the Fund to the Commission, and shall indicate any factors which will allow the Commission to assess the value of the investments proposed in the light of the criteria laid down in Article 5.

2. In respect of the investments referred to in Article 4 (1) of an amount less than 10 million units of account, Member States shall present their global requests at the beginning of each quarter year. They shall group these requests by regions and shall separate investments referred to in Article 4 (1) (a) from investments in infrastructure.

These requests shall indicate :

- (a) In respect of the investments referred to in Article 4 (1) (a), the names of the undertakings concerned,

the sector of their activity and the location of each investment, also its character (foundation, extension, conversion or restructuring of the relevant concern), the total amount of investment involved, the predicted overall effect on employment (creation or maintenance), estimates regarding the implementation schedule, total aids granted for which a contribution from the Fund is requested and the schedule laid down for their payment.

- (b) In respect of investments in infrastructure, the location of each investment and its character, and its direct link with the development of the activities referred to in Article 4 (1) (a), the predicted total costs and the costs borne by public authorities and the schedule laid down for their payment, the name of the responsible authorities, the total contribution requested from the Fund, and estimates regarding the implementation schedule.

3. In respect of investments of 10 million units of account or more, requests shall be presented separately and shall include the following information :

- (a) In respect of the investments referred to in Article 4 (1) (a) the name of the undertaking, the sector of activity, the nature of the investment, its location, the effect on employment, the implementation schedule, the grants, interest rebates or loans at reduced rates of interest and the schedule laid down for the payment of such aids, any other form of aid granted or provided for by public authorities and the financing plan, indicating in particular any other Community aids requested or provided for.

The Member State shall state in its request the total aid which in its opinion should be granted to the undertaking and the contribution it is seeking from the Community.

- (b) In request of investments in infrastructure, the responsible authority, the nature of the investment, its location, its direct link with the development of the activities referred to in Article 4 (1) (a), its cost, its financing plan, its implementation schedule and the schedule laid down for payments.

4. Aid from the Fund shall be determined by the Commission :

- (a) in the aggregate for each request referred to in paragraph 2 ;
- (b) case by case, for requests covered by paragraph 3.

5. Member States shall give priority to the presentation of requests for contributions towards investments of ten million units of account or more.

Article 8

1. The amount of the contribution from the Fund defined, where applicable, by calculating the aid equivalent pursuant to the implementing regulation referred to in Article 4 (2) (a), shall be paid *pari passu* with expenditure upon presentation by the Member State of quarterly statements certifying expenditure and the existence of detailed supporting documents, and containing the following information :

(a) In respect of investments included in the requests referred to in Article 7 (2) :

— with reference to the request for the Fund's contribution the total payments made, the location of the investment, the total payment requested from the Fund, the names of the undertakings concerned or, in respect of infrastructure, of the responsible authorities.

(b) In respect of investments appearing in the the requests referred to in Article 7 (3) :

— with reference to the request for the Fund's contribution, the nature of the expenditure, the investment and its location ;

— the authorizing officer, the date, the amount, and the recipient of the payment ;

— the period of time which the payment covers, compared with :

— the time-scale laid down for the implementation of the investment,

— the phasing or installments planned for the relevant investment ;

— the location, at the date of request for payment, of the detailed supporting documents covering the expenditure.

2. In cases where the request for payment is made after completion of the investment, the quarterly statement shall also certify that the investment has been carried out and contain the following further information :

(a) In respect of investments included in the requests referred to in Article 7 (2) :

— the amount actually invested and the nature of the expenditure ;

— the date of completion and the number of jobs created or maintained ;

— all other information referred to in paragraph 1 (b).

(b) In respect of investments appearing in the requests referred to in Article 7 (3) :

— the amount actually invested, the date of completion and the number of jobs created or maintained.

3. In cases where expenditure provided for by the decisions referred to in Article 7 consists of aids

granted in the form of interest rebates or loans at reduced rates of interest, the contribution of the Fund relating to these aids and which is still due when the investments are completed shall be settled in a single payment on presentation of the certificate covering completion of the investments.

4. Member States shall designate the authority or the institution authorized to furnish the certification referred to in this Article. The Commission shall make payments to the Member State, to an agency designated by the Member State for this purpose, or if necessary to the European Investment Bank.

Article 9

1. Where an investment which has been the subject of a contribution from the Fund has not been made as planned, or if the conditions of this Regulation are not fulfilled, the contribution from the fund may be reduced or cancelled, if the Commission so decides after consulting the Fund Committee.

Any sums which have been paid in error shall be repaid to the Community by the Member State concerned or, where applicable, by the European Investment Bank, within 12 months following the date on which the relevant decision has been communicated.

2. Member States shall make available to the Commission all information required for the effective operation of the Fund and shall take all steps to facilitate such supervision as the Commission may consider useful in managing the Fund, including on-the-spot checks.

3. Notwithstanding verification carried out by Member States in accordance with national laws, regulations and administrative provisions, and without prejudice to the provisions of Article 206 of the Treaty or to any inspection arranged on the basis of Article 209 (c) of the Treaty, at the request of the Commission and with the agreement of the Member State, the competent authorities of that Member State shall carry out on-the-spot checks or enquiries about operations financed by the Fund. Officials of the Commission may take part in these proceedings and the Commission may fix a time limit for carrying them out.

4. The objective of these on-the-spot checks or enquiries about operations financed by the Fund shall be to verify :

(a) the conformity of administrative practices with Community rules ;

(b) the existence of supporting documentary evidence and its conformity with the operations financed by the Fund ;

- (c) conditions under which the operations financed by the Fund are executed and checked;
- (d) the conformity of projects implemented with the operations financed by the Fund.

5. The Commission may suspend payment of aid to a particular project if an inspection reveals either irregularities, or a substantial change in the character or conditions of the project for which the Commission's approval has not been sought.

6. If a project receiving aid from the Fund is not completed or is implemented in such a manner as no longer to justify payment of part of the aid from the Fund granted on behalf of that project, the outstanding part of the Fund's contribution shall be granted to another investment located in one of the eligible regions of the same Member State under the conditions laid down in this Regulation.

Article 10

1. The Fund may contribute part of its resources to finance studies which are closely related to the operations of the Fund and undertaken at the request of a Member State.
2. The Fund's contribution may not exceed 50 % of the cost of the study.

Article 11

1. A Fund Committee (hereinafter referred to as 'the Committee') is hereby established. It shall be composed of representatives of the Member States and chaired by a representative of the Commission.
2. Within the Committee the votes of Member States shall be weighted in accordance with Article 148 (2) of the Treaty. The Chairman shall not vote.

Article 12

1. Where the procedure laid down in this Article is to be followed, the Chairman shall refer the matter to the Committee either on his own initiative or at the request of the representative of a Member State.
2. The representative of the Commission shall submit drafts of the decisions to be taken. The Committee shall deliver its Opinion on the drafts within the time limit which the Chairman may fix according to the urgency of the questions under consideration. An Opinion shall be adopted by a majority of 41 votes.

3. The Commission shall adopt decisions which shall apply immediately. However, if these decisions are not in accordance with the Opinion of the Committee, they shall forthwith be communicated by the Commission to the Council. In that event the Commission shall defer application of the decisions which it has adopted for not more than two months from the date of such communications. The Council, acting by qualified majority, may take a different decision within two months.

Article 13

The Committee may consider any other question concerning the Fund's operations referred to it by its Chairman either on his own initiative or at the request of the representative of a Member State.

Article 14

1. The investors concerned shall be informed by agreement with the Member States in question that part of the aid granted to them has been provided by the Community. For infrastructure projects, the Member States, by agreement with the Commission, shall take all necessary steps to ensure that assistance from the Fund is given suitable publicity.
2. The list of projects which have received contributions from the Fund shall be published every six months in the *Official Journal of the European Communities*.

Article 15

The provisions of this Regulation shall not prejudice the application of Articles 92 to 94 of the Treaty, particularly as regards establishing and re-aligning the areas aided for regional purposes referred to in Article 3 and in respect of the amount of the contributions from the Fund referred to in Article 4 (2) (a).

Article 16

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 from supervision of the Fund's operations.

Article 17

The necessary measures for the implementation of this Regulation shall be adopted in accordance with the procedure laid down in Article 12.

Article 18

On a proposal from the Commission, the Council shall re-examine this Regulation before 1 January 1978.

Article 19

This Regulation shall enter into force on the day following its publication in the *Official Journal of the European Communities*.

When deciding on the aid to be granted from the Fund, the Commission shall take into consideration expenditure in connection with the investments referred to in Article 4, incurred or still to be incurred after the first day of January 1975.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels, 18 March 1975.

For the Council

The President

R. RYAN
