

A narrowing of the gap between the Community's prosperous areas and backward regions was a main goal set by the EEC Treaty. Most under-developed areas depend on farming or on old-fashioned industries for their peoples' livelihoods. These areas include Southern Italy, Western and South-western France, Northern Holland, Germany's eastern border, half of Ireland, and parts of Northern England and Scotland.

To correct major imbalances caused by heavy dependence for jobs on agriculture, high unemployment and declining industries, a European Regional Development Fund came into effect in January 1975. The Fund is endowed with u.a. 1.3 billion (about \$1.56 billion) for an initial three-year trial period. It helps finance investments in areas that receive national aid and have *per capita* income below the Community average.

The Community's regional aid antedates the EEC Treaty. The 1951 ECSC Treaty authorized the Community to give loans to attract new industries into declining coal and steel regions and to train workers for new jobs. Over \$250 million has been spent on helping some 544,000 workers prepare for other tasks. ECSC reconversion loans totaling more than \$283 million have created new jobs in former coal and steel centres.

Unlike the common agricultural policy, which the EEC Treaty set forth in detail, what has become regional policy was described only in general terms, of "reducing the differences existing between the various regions". The Treaty did, however, give the Community three instruments that could be

used for regional aid: the Social Fund, the Farm Fund's guidance section, and the European Investment Bank.

SOCIAL FUND: The Social Fund has eased regional difficulties by providing over \$970 million to retrain and resettle 2.9 million workers. Shipbuilding, the textile industry, and Italian sulphur-mining have been among the industries receiving special aid from the fund.

FARM FUND'S GUIDANCE SECTION: The Farm Fund's guidance section allocates u.a. 325 million (about \$390 million) a year for modernizing farming and raising living standards in poor agricultural areas. Council directives allow member countries to vary aid according to the needs of the region and to protect the countryside, and to give aid to farmers to keep them on the land in particularly backward rural areas.

EUROPEAN INVESTMENT BANK: The European Investment Bank (EIB) is an independent, non-profit public body. It lends money — around \$5,000 million between 1958 and 1974 — to financial institutions, autonomous public authorities, public enterprises, and private companies for projects:

- to develop backward areas;
- to modernize or convert undertakings or develop new activities that individual member countries on their own might find too expensive;
- likely to benefit more than one member state.

EIB loans are seed money, paying only part of the cost of each project. Investors and

other institutions furnish the rest of the capital needed.

About two-thirds of the Bank's loans and guarantees within the Community have involved regional development. The EIB also gives financial aid to Community associates, such as Greece and Turkey.

Typical EIB-financed regional-development projects include port and telecommunications improvements and highway construction.

All EC member countries belong to the EIB. The Bank's subscribed capital is u.a. 3543.75 million (around \$4,330 million). It has borrowed over \$3,390 million by issuing bonds.