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REPORT

on the Commission's draft communication to the Member States "The regions in the new economy" - Guidelines for innovative measures under the ERDF in the period 2000-2006
(C5-0572/2000 – 2000/2270(COS))

Committee on Regional Policy, Transport and Tourism

Rapporteur: Helmuth Markov

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PROCEDURAL PAGE

By letter of 5 September 2000, the Commission forwarded to Parliament a draft communication to the Member States "The regions in the new economy" - Guidelines for innovative measures under the ERDF in the period 2000-2006 (2000/2270(COS)).

At the sitting of 13 November 2000, the President of Parliament announced that she had referred the draft communication to the Committee on Regional Policy, Transport and Tourism as the committee responsible (C5-0572/2000).

The Committee on Regional Policy, Transport and Tourism had appointed Helmuth Markov rapporteur at its meeting of 12 September 2000.

It considered the Commission's draft communication and the draft report at its meetings of 21 and 22 November 2000.

At the latter meeting it adopted the motion for a resolution by 52 votes to 2, with 0 abstentions.

The following were present for the vote: Konstantinos Hatzidakis chairman; Emmanouil Mastorakis and Rijk van Dam, vice-chairmen; Helmuth Markov, vice-chairman and rapporteur and Sir Robert Atkins, Elspeth Attwooll, Emmanouil Bakopoulos, Rolf Berend, Theodorus J.J. Bouwman, Philip Charles Bradbourn, Martin Callanan, Felipe Camisón Asensio, Carmen Cerdeira Morterero, Luigi Cesaro, Luigi Cocilovo (for Francesco Musotto), Gerard Collins, Danielle Darras, Francis F.M. Decourrière, Alain Esclopé, Giovanni Claudio Fava, Jacqueline Foster (for Carlos Ripoll i Martínez Bedoya), Mathieu J.H. Grosch, Ewa Hedkvist Petersen, Mary Honeyball, Marie Anne Isler Béguin (for Reinhold Messner), Juan de Dios Izquierdo Collado, Georg Jarzembowski, Dieter-Lebrecht Koch, Giorgio Lisi, Sérgio Marques, Hugues Martin (for Dana Rosemary Scallon), Erik Meijer, Rosa Miguélez Ramos, Camilo Nogueira Román, Juan Ojeda Sanz, Josu Ortuondo Larrea, Karla M.H. Peijs, Wilhelm Ernst Piecyk, Giovanni Saverio Pittella (for John Hume), Samuli Pohjamo, Adriana Poli Bortone, Alonso José Puerta, Reinhard Rack, Guido Sacconi (for Demetrio Volcic), Isidoro Sánchez García, Marieke Sanders-ten Holte (for Paolo Costa), Gilles Savary, Agnes Schierhuber (for Renate Sommer), Ingo Schmitt, Brian Simpson, Dirk Sterckx, Ulrich Stockmann, Joaquim Vairinhos, Johan Van Hecke (for Margie Sudre) and Mark Francis Watts.

The report was tabled on 24 November 2000.

The deadline for tabling amendments will be indicated in the draft agenda for the relevant part-session.

MOTION FOR A RESOLUTION

European Parliament resolution on the Commission's draft communication to the Member States "The regions in the new economy" - Guidelines for innovative measures under the ERDF in the period 2000-2006 (C5-0572/2000 – 2000/2270(COS))

The European Parliament,

- having regard to the Commission communication (C5-0572/2000¹),
 - having regard to Articles 158 and 159 of the EC Treaty,
 - having regard to the conclusions of the Lisbon European Council of March 2000,
 - having regard to Council Regulation (EC) No 1260/1999 of 21 June 1999² laying down general provisions on the Structural Funds, particularly Articles 22 and 23 thereof,
 - having regard to its resolutions of 19 November 1998³ and 6 May 1999⁴ on the regulation laying down general provisions on the Structural Funds,
 - having regard to its resolution of 18 January 2000⁵ on the Commission communication on the guidelines for programmes in the period 2000-2006,
 - having regard to the code of conduct on the implementation of structural policies by the Commission on which the European Parliament and the Commission agreed on 6 May 1999,⁶
 - having regard to Rule 47(1) of its Rules of Procedure,
 - having regard to the report of the Committee on Regional Policy, Transport and Tourism (A5-0354/2000),
- A. whereas the implementation of the present 'guidelines for innovative measures under the ERDF in the period 2000-2006' must not serve only the purpose formulated by the Lisbon European Council of March 2000 of 'preparing the transition to a knowledge-based economy and society by better policies for the information society and R&D, as well as by stepping up the process of structural reform for competitiveness and innovation',
- B. whereas the current marked differences between the regions of the European Union are also reflected in levels of use of modern information and communications technologies, expenditure on, and results of, RTD and innovation,

¹ OJ C not yet published

² OJ L 161, 26.6.1999, p. 1.

³ OJ C 379, 7.12.1998, p. 1.

⁴ OJ C 279, 1.10.1999, p. 292.

⁵ OJ C 304, 24.10.2000, p. 7

⁶ OJ C 279, 1.10.1999, p. 488.

- C. whereas the processes of globalisation are accompanied by a growth in competition on national and international markets and make increased demands on the competitiveness of businesses and the flexibility of their response to new technological developments, training and further training of human resources and lifelong learning;
- D. whereas the existing ERDF financial instruments and the Community initiatives are only partially geared to the special challenges of the new economy as far as innovation and utilisation are concerned, particularly as regards the less developed regions (Objectives 1 and 2) and the ultra-peripheral regions,
- E. whereas highly qualified professionals and technicians working with the new technologies are migrating from the less developed regions of Europe in which they were educated to richer European countries with a higher level of employment,
- F. whereas with the new guidelines for innovative measures in 2000-2006, the framework is established and funding made available for the development and testing of new methods and practices to improve the quality of interventions for Objectives 1, 2 and 3 which fall outside the usual framework of programmes co-financed by the ERDF,
- G. whereas all financial instruments must be incorporated in a common European regional policy geared towards sustainability, strengthening economic and social cohesion, increasing competitiveness and, in particular, creating skills-based and economically viable, long-term employment,
- H. whereas the new programme is expressly harmonised with other Community policies in the areas of research, the information society, companies, the environment, rural development (common agricultural policy), equal opportunities and competition, and dovetails with the Commission guidelines for the 2000-2006 programmes,
- I. whereas innovative approaches should also be used to enhance regional characteristics and identities, which can help, on the basis of long-term employment, to deepen the roots of local populations,
- J. whereas it is necessary for the partners needed for the testing and implementation of innovative measures and methods at regional level (SMEs, universities and research institutes, regional and local actors and authorities and non-governmental organisations) to be mobilised and involved in relations of partnership,
- K. whereas the following subjects are of particular importance for the process of catching up by less developed regions in the new economy:
- a regional economy based on knowledge and technical innovation
 - eEuropeRegio: the information society in the service of regional development
 - regional and local identity and sustainable development,
- L. whereas the competitiveness of European businesses in a globalised economy can best be

sustainably ensured by means of research, technological development and innovation, rather than through a race to cut costs (wage dumping, reduction of social protection),

- M. whereas regional cooperation must be geared towards the creation of regional innovation systems, the establishment of the environment they need in order to flourish, including an institutional framework, in order to become, through a reinforcement of human resources, the creation and dissemination of knowledge and its incorporation in production structures, the main source of innovation and competitive advantages,
- N. whereas the information society is especially well suited to overcoming the geographical and economic isolation of the regions and, as well as offsetting the resulting disadvantages for their inhabitants and the businesses established in them, to making a positive contribution to establishing equality of opportunity,
- O. whereas the foundations for a mastery of, and ability to use, modern technologies and innovations in all areas of the economy and society are already laid in school and in vocational training, and the same qualifications and conditions must be made available to young people in all regions of the EU,
- P. whereas exchange between the regions on a comparative basis and the dissemination of best practice advances the learning process of those involved and leads to an interlinking of the regions,
- Q. whereas the Commission selects the programmes to be co-financed itself and has drawn up a list of 10 criteria for this purpose,
- R. whereas the funding for the programme accounts for 0.4% of the ERDF's annual budget, i.e. about €400 million, for the 2000-2006 period; whereas the possibility of increasing this sum by means of the flexibility instrument is provided for in the Interinstitutional Agreement,
- S. whereas in the proposed procedures for implementation of the programme the same managing authorities are to be appointed as for the programmes in the framework of Objectives 1 and 2 in which the ERDF is involved, and the same procedures are to be used,
- T. whereas the players involved are asked to form a Steering Committee, in which the authorities responsible for the Objective 1 and 2 programmes in which the ERDF is involved, the financial partners and the public and private players in the region will participate,
- U. whereas this programme, like the other interventions funded from the structural funds in 2003, is subject to a mid-term review, and corrections are possible, particularly with respect to the priority themes to be supported,
- V. whereas, in addition, as of 2002 the Commission will present an annual progress report to the European Parliament, the Advisory Committee on the Development and Conversion of Regions, the Committee of the Regions and the Economic and Social Committee,

Innovative measures 2000-2006

1. Stresses the importance of the guidelines for innovative measures in the period 2001-2006 in fulfilling the objectives set by the Union for a transition to a knowledge-based economy and society through the use of the information society, research, development and innovation, as well as a stepping up of the process of structural reform by strengthening competitiveness and economic and social cohesion;
2. Calls for the innovative measures to be incorporated in a common European regional policy geared towards sustainability, strengthening economic and social cohesion, increasing competitiveness and, in particular, creating skills-based, long-term and economically viable employment,

The three planned priorities

3. Supports the choice of the planned priority areas for the innovative measures and sees these as crucial to the catching-up process for the regions whose development is lagging behind in the new economy; considers it necessary, however, in the interests of consistency and the new form of programme-based support, to combine priority areas 1 and 2 to form a common target for action and to provide support for innovatory measures in the areas of energy efficiency, the dissemination of renewable energies and the practical application of climate protection measures in both business and the public sector as a new priority area 3 on the basis of Chapter B of the guidelines for the Structural Funds;
4. Is convinced that the competitiveness of European businesses in a globalised economy can mainly be sustainably ensured through research, technological development and innovation;
5. Takes the view that the development of innovative measures and methods serves to enhance regional characteristics and identities, which can help, on the basis of long-term employment, to deepen the roots of local populations, to improve their living standards and to stimulate interest in safeguarding their cultural heritage;
6. Welcomes the involvement of as many players as possible at regional level (businesses, SMEs, universities and research institutes, regional and local actors and authorities and non-governmental organisations) in relations of partnership, and the close linking of the innovative measures aimed at raising technological levels with the other ERDF interventions, with a view to developing a strategic regional policy plan for each region concerned for the period 2000-2006 and calls for the involvement of the private sector at all levels of the process;
7. Stresses that, in accordance with the aims of eEurope, schools and training institutions, constituting as they do an important preliminary phase of, and the precondition for, the development and use of modern technologies, should be incorporated in the themes of the guidelines, since the number of young people using computers is particularly high; calls for the educational establishments with the most gifted students and apprentices to be incorporated in the programmes at an early date, in close cooperation with the other financial instruments;

8. Calls on the responsible authorities at national, regional and local levels to create the same terms and conditions for the acquisition of modern information technologies by educational establishments in all parts of the EU;
9. Notes with satisfaction that it is expressly stated that the regional innovative measures are to include pilot and demonstration projects intended to find ways of bringing all citizens, households, schools, businesses and administrations to the internet and into the digital age;

Budgetary resources and management structure

10. Notes with regret the approach chosen by the Commission of opting for programme-based rather than a project-based financing, to be implemented by the national and regional authorities; considers that the relinquishment of this last possibility existing within the structural funds to create direct links between project operators at local and regional level and the European Union represents a loss of European added value, visibility and closeness to the citizen; observes that the disappearance of transnational partnerships means an excessive reduction in the European exchange of innovations and calls, therefore, for continued support for local and regional partnerships under the programme;
11. Seeks measures to ensure that the programmes for innovative measures will not, because of their low funding, be treated simply as part of a package and given the attention that their innovative and original character deserves;
12. Stresses the fact that, given the importance of the innovative measures for regional development, the budget of €400 million for seven years represents an absolute minimum and that the possibilities that offer themselves in the second half of the programme planning period under the flexibility instrument should therefore be used to the full whilst ensuring that there is an even usage of the funds available across the whole programme period; suggests likewise, given the scant budget allocation set aside for innovatory measures, that the Commission encourage the incorporation of this type of project in the regional operational programmes;
13. Welcomes the fact that the Commission intends to include in the guidelines a 10-point catalogue of criteria for the selection of programmes for innovative measures with a view to carrying out objective, transparent evaluation and insists that clear audit lines and exit strategies are formulated alongside these measures;
14. Likewise welcomes the fact that it is planned to include the regional programmes for innovative measures in the mid-term review of the interventions financed from the structural funds, with the possibility, if necessary, of making changes in the priority themes to be supported; welcomes the proposed presentation of an annual progress report as of 2002;
15. Instructs its President to forward this resolution to the Commission and the Parliaments of the Member States.

EXPLANATORY STATEMENT

INTRODUCTION

Since the reform of the structural funds in 1988 the European Regional Development Fund (ERDF), in addition to its main tasks (supporting productive investment, construction and modernisation of infrastructure and exploiting the internal potential of the regions), has participated in financing 'studies or pilot schemes concerning regional development at Community level' (Regulation 2052/88, Article 3). In the first period (1989-1993) these pilot schemes, later called innovative measures, covered subjects such as regional planning (Europa 2000), cross-border cooperation, cooperation networks between towns and regions (PACTE, RECITE, ECOS and OUVERTURE) and problems of urban areas. The two Community initiatives INTERREG (as of 1991) and URBAN (as of 1994) financed from the ERDF are essentially based on this kind of pilot project. Despite their low budgets (1% of the ERDF between 1989 and 1999) the innovative measures proved to be a successful field for experimentation outside the regional programmes.

It is planned that the innovative measures should continue in the period 2000 to 2006. On 12 July 2000 the Commission adopted its guidelines for the new generation of innovative measures funded by the European Regional Development Fund (ERDF) and in the framework of the code of practice for the implementation of structural policies by the Commission of 6 May 1999, submitted them to the European Parliament for its opinion. This draft, which is being considered at the same time as consideration by Parliament of the Member States in the framework of the committee pursuant to Article 48 of Regulation 1260/99, forms the basis for the present report.

OVERVIEW OF THE INNOVATIVE MEASURES 1994-1999

Projects were developed for eight subject areas in the context of the 1994-1999 innovative measures:

- encouraging innovation (*RIS* - Regional Innovation Strategies);
- information society (*RISI* - Regional Information Society Initiative);
- new employment possibilities;
- culture and cultural heritage;
- urban pilot projects;
- regional development (*TERRA*)
- internal interregional cooperation (*Recite*)
- and external regional cooperation (*Ecos-Ouverture*).

The priorities corresponded essentially to those of 1989-1993. Following its call for submission of proposals the Commission selected and followed through about 350 innovative projects, in which more than 2000 organisations participated. On the basis of a preliminary evaluation the measures allowed a test bed to be created for new ideas, methods and institutional provisions outside the rigid framework of the regional programmes. New, more effective social partnerships and a strengthening of the local and regional levels were the encouraging results of this type of initiative. Since assistance was project-based, the project operators had a direct link to the European Union, which provided local participants in

particular with both a stimulating experience and an enhancement of their status.

Because of the innovative nature of the measures, implementation - from both the practical and the financial points of view - was often a slow business. In addition, they brought with them a considerable administrative burden for the services of the Commission. Against this background the innovative measures were not given high priority in the reform of the structural policies (Agenda 2000). The extension of the URBAN Community initiative called for by the European Parliament did in fact lead to a last-minute reduction of the resources earmarked for the innovative measures. In view of the generally positive experience of this type of measure, your rapporteur very much wishes to restore to these initiatives the attention merited by their importance as a testing ground for new approaches.

THE COMMISSION PROPOSALS

The Commission proposals for the 2000-2006 innovative measures concern three key areas of the modern economy which offer particular opportunities: the development of a regional economy based on knowledge and technological innovation; support for the Commission's eEurope initiative aimed at promoting the information society and, particularly, an extension of its use to the regions; regional identity and sustainable development. There is also to be a **concentration of the number of priority thematic areas, which are to be reduced from the former 8 to just 3.**

This concentration on the area of technological development is more than justified. The gap in technological development between prosperous and less-developed regions is very much greater than differences in GDP. The Union's 25 least prosperous regions spent four times less on R&D in recent years than the European average (0.5% of their GNP as opposed to the European average of 2%). Large differences also strike one in the numbers of people employed in the new technologies: 14.6% of the working population in the 25 most developed regions, as opposed to little more than 4% in the 25 poorest regions.

Promotion of innovation in the framework of the structural funds has become more and more important in the past 10 years. Following the reform of the structural funds, about 5.8% of the total resources of the structural funds were spent on research and technological development (RTD), innovation and telecommunications in the 1989-1993 period. In the 1994-1999 planning period this share rose by 5% in the Objective 1 regions and by an average of 15% in the Objective 2 regions.

This increasingly important subject area is therefore virtually made for trying out new approaches through initiatives outside the regional programmes. This approach, which already existed in the framework of the RIS/RITTs and RISI programmes, is now to become the main objective of the innovative measures, a decision which corresponds to the Union's priorities as stated in the conclusions of the Lisbon summit. Your rapporteur supports this prioritisation of content.

As well as this thematic concentration, the Commission proposal contains two important managerial innovations. First, this new generation of innovative measures **is to be placed directly under the management of the regions coming under Objectives 1 and 2**, and each of them will cover a whole region. The second innovation is the proposed **transition from**

project-based to programme-based support. This would mean that the programmes of innovative measures would be managed in a similar way to the operational programmes from the administrative and financial points of view. These two aspects will be looked at a little later, when the new priorities have been presented.

A regional economy based on knowledge and technological innovation

In the framework of this thematic priority the disadvantaged regions are to be supported in creating competitive advantages for themselves based on technological innovation by introducing, in accordance with the bottom-up principle, cooperation aimed at the creation of efficient regional innovation systems between the public sector, the institutions responsible for research and development and businesses.

This promotion of technological innovation was successfully implemented in the previous planning period using RIS+ projects in the framework of RIS/RITTS. The cooperation networks, support systems and financial instruments aimed at raising technological levels can thus continue to be usefully employed.

eEuropeRegio: the information society in the service of regional development

The intention is to release the disadvantaged regions from their isolation with the help of the powerful networking effects of the information society. These regions should then be able to reduce their disadvantages and use their assets by making optimal use of the new possibilities offered by the information society with respect to the production sector (particularly SMEs), public services and the individual needs of inhabitants.

This priority theme ties in with the eEurope initiative decided on by the Lisbon summit, which is intended to contribute to boosting the competitiveness of the European economy. The projects financed by these measures are aimed at achieving region-wide internet provision and use. The declared aim is to use the possibilities of the information society in an innovative way in order to compensate for disadvantages.

Regional identity and sustainable development

The regions are to be encouraged to make more use of their advantages in order to develop a sustainable, competitive economy and to improve the living conditions and employment situation for their inhabitants. All of these possibilities – whether they relate to using the heritage to best advantage, to special cultural characteristics or to particular abilities – are to be explored in the context of the regional innovative measures.

Project possibilities in the framework of this priority are relatively wide-ranging and could cover areas from tourism and SMEs to the environment. The themes were also partially covered in the previous period and are aimed at developing the internal potential of the disadvantaged regions. Despite their small size, these projects for local development are of immense importance.

BUDGET

The financial resources for the innovative measures are, in keeping with the type of project, limited. As mentioned earlier, in the framework of the Agenda 2000 reform the budget for innovative measures was reduced at the very last minute from 0.7% to 0.4% of the total sum, and technical assistance from 0.3% to 0.25%, in order to give more to the budget for the URBAN programme. In accordance with Article 22 of Regulation 1260/99, the available resources now amount to 0.4% of the ERDF's annual budget, which is equivalent to a budget of about €400 million in the 2000-2006 period. However, the Interinstitutional Agreement also contains a declaration to the effect that the €200-million reduction in the budget for innovative measures is to be offset by making available resources from the flexibility instrument in 2000-2006.

The Commission's financial contribution per programme is, according to the proposal, to be between €0.3 million and 3 million. In the Objective 1 regions co-financing can cover up to 80% of the total costs. In the Objective 2 regions the maximum level of co-financing is normally set at 50%, but can in justified cases where there is a Community interest be raised to 60%. Up to 6% of the total budget is to be used for exchanging proven methods and for the dissemination of results.

ELIGIBILITY FOR ASSISTANCE AND MANAGEMENT STRUCTURE

As in the 1994-1999 programme planning period, only those regions which come within structural fund objectives 1 or 2 at least in part, and hence within the 'regional' objectives, are eligible for assistance.

The management structures, on the other hand, are to be fundamentally changed. According to the proposal, the regional authorities will be called upon to present to the Commission proposals for measures in these areas in the form of a programme. The proposals should contain a clearly defined action plan or a precisely defined strategy. The Commission will authorise the proposals in the framework of an annual decision, with a number of criteria, ten in all, being applied and the resources available to the Commission borne in mind.

The programmes are to be the result of a strategy which will be developed by a Steering Committee in the framework of a regional partnership involving the financial partners, the authorities responsible for the Objectives 1 and 2 structural funds programmes and the public and private players. They will form the basis for implementing individual projects, the results of which will be transferred to the programmes co-financed in the Objective 1 and 2 areas of the structural funds.

However, this proposed shift from a project-oriented to a programme-oriented approach is somewhat surprising. The programme should in fact follow the same logic as the mainstream programmes (administrative board, paying agency, steering committee, monitoring process, etc.). One of the important advantages of the project-oriented approach is the creation of direct links between the European level and the regional and, above all, local levels. This was shown not least by the evaluation of the 1994-1999 innovative measures. Because of the number of projects and the resulting administrative burden, the regional target programmes cannot provide this kind of link. It is regrettable therefore that the Commission should now be thinking of handing over this last area of the structural funds which is mainly administered by itself to the regional or national administrative bodies. It should also be pointed out that not all

the Member States have set up regional authorities of this kind. Even though such a development may be in keeping with the reform of the structural funds and more efficient management, a piece of European added value, visibility and closeness to the citizen will be lost as a result. There is a danger that the innovative measures will drift too far in the direction of the mainstream programmes, in which funding is distributed regionally via the indirect route of the Commission, without the European added value always being visible. There is also the fear that, because of the financial volume involved, the programmes will not be given the attention that their innovative and original nature deserves. The competitions proposed by the Commission to identify and use best practice will do nothing to change this fact.

Your rapporteur therefore calls for this proposal to be rethought and asks the Commission to examine the possibility of playing a more active role in the development of innovative measures in order to maintain the European added value factor.