

# EUROPEAN PARLIAMENT

2004



2009

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*Committee on Industry, Research and Energy*

**2004/0167(COD)**

21.4.2005

## **OPINION**

of the Committee on Industry, Research and Energy

for the Committee on Regional Development

on the proposal for a regulation of the European Parliament and of the Council  
on the European Regional Development Fund  
(COM(2004)0495 – C6-0089/2004 – 2004/0167(COD))

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## SHORT JUSTIFICATION

The proposal under consideration should be considered together with the General Provisions Regulation (COM (2004) 492 fin.) on the reform of the Union's structural funds and cohesion fund, and this is important for three reasons:

- a) It lays down the general rules governing three Funds: the ERDF (being the main instrument of EU regional policy), the European Social Fund (ESF) and the Cohesion Fund;
- b) It defines the specific areas of the EU, which will be eligible for financing provided that the *objectives* (convergence, regional competitiveness and territorial co-operation) are met; the ERDF is therefore a derivative legal instrument;
- c) It defines practically most of the general terms and reference for ERDF assistance; hence the ERDF proposal cannot be treated separately from the General Provisions Regulation.

However, *the Specific Provisions of the ERDF proposal* may be examined against one criterion called "*the syndrome of peripherality*". It encompasses the *hindrances* (i.e. natural endowment, insufficient capital accumulation, lack of dynamism due to low human capital, poor infrastructure, poor services, non-existent cultural activities, etc.), which *cause divergence of economic performance and activity and of economic well-being (GDP per capita)*.

Given this underlying premise, the draftsman concentrates on the ITRE competence in matters related to industrial policy and SMEs, research and science, energy, telecommunications, information society and TENs in energy and telecommunications. It is important to explain that these policies contribute significantly to regional development.

Furthermore, the draftsman underlines the lack of competence conferred on the European Parliament in matters related to the real causes of regional disparities. Yet he proposes substantial modifications to the EU regional policy.

The *purpose* and *scope* described in the Commission's ERDF proposal are welcomed by the draftsman but they need clarity and further elaboration in view of the stock of knowledge the EU has gained since the creation of the ERDF and the new priorities set out in the revised Lisbon Agenda and the Financial Perspectives for 2007-2013.

The importance of innovations should be embedded in the proposal. Inclusion of the Lisbon and Göteborg agendas and the proposals made by the Kok-report should be seen as essential conditions for attaining the objectives of the ERDF. A flexible interpretation of the innovative actions in order to create exchange of information and gain from experience and best practices should be welcome. The innovative actions should create the opportunity for regions to experiment in the fields having a potential for the future. Regions and local authorities have a role in defining the scope of European Regional policy.

The SMEs are at the base of the production structure of the regions. They should be given the opportunity to anticipate the new innovative challenges and to put them in practice as close to the citizens as possible. Less bureaucracy, transparency and new mechanisms of inducing

investment and securing funding are necessary for making it easier for SMEs and other private actors to gain access to the European programmes and to execute the programmes in the most efficient way.

There are other factors influencing the regional development and policy. One of them is associated with new forms of endogenous cooperation conceived to provide for synergies of regions and Member States with other funding opportunities (i.e. between Objective 2 (ERDF) and the research Framework Programme ), flexibility in the co-financing of the programmes, including a well-specified private-public partnership (PPP), and more effective means of implementation of the regional policy. These new forms are partnerships such as private/public consortia, civil society/universities, SMEs/local authorities, etc.. The draftsman welcomes the Commission's proposals focusing on the importance of cross-border cooperation.

All these issues are transposed in appropriate amendments accompanied by brief justifications.

## AMENDMENTS

The Committee on Industry, Research and Energy calls on the Committee on Regional Development, as the committee responsible, to incorporate the following amendments in its report:

Text proposed by the Commission<sup>1</sup>

Amendments by Parliament

### Amendment 1 Recital 3

(3) The ERDF should provide assistance within the framework of an overall strategy for cohesion policy which ensures greater concentration of assistance on the priorities of the Community, particularly *outside* the less-developed regions.

(3) The ERDF should provide assistance within the framework of an overall strategy for cohesion policy which ensures greater concentration of assistance on the priorities of the Community ***and seeks to address the underlying causes of regional disparities***, particularly ***in*** the less-developed regions.

### *Justification*

*This amendment should be considered in conjunction with the one introduced to Article 2. It adds to the overall strategy of the ERDF, i.e. the priority of this Fund to address and*

<sup>1</sup> OJ C ... /Not yet published in OJ.

*eradicate the causes of regional disparity.*

#### Amendment 2

##### Recital 6

(6) Building on the experience and strengths of the Urban Community initiative foreseen by Article 20(1)(b) of Council Regulation (EC) No 1260/1999 of 21 June 1999 laying down general provisions on the Structural Funds<sup>1</sup>, the urban dimension should be reinforced by fully integrating measures in that field into the operational programmes co-financed by the ERDF.

(6) Building on the experience and strengths of the Urban Community initiative foreseen by Article 20(1)(b) of Council Regulation (EC) No 1260/1999 of 21 June 1999 laying down general provisions on the Structural Funds<sup>2</sup>, the urban dimension should be reinforced by fully integrating measures in that field into the operational programmes co-financed by the ERDF. ***In doing so, local development and employment initiatives and their innovation potential should play an important role.***

#### Amendment 3

##### Recital 8 a (new)

***(8a) It is desirable to enlarge the means and areas of support under the convergence objective by introducing a new mechanism of assistance to the SMEs and a new approach to regional development by making available to the SMEs, free of charge, the fruit of research financed wholly by public funds.***

#### *Justification*

*This amendment introduces an innovative approach to research. First, it obliges those research institutes financed wholly by public (European or national) budgets to offer the results of their research to SMEs seeking to transpose it into a concrete industrial application. Second, it specifies the conditions for a direct transfer of knowledge gained by public funds to those interested in developing it further for the purpose of regional development.*

#### Amendment 4

##### Article 2

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<sup>1</sup> OJ L 161, 26.6.1999, p. 1. Regulation as last amended by the 2003 Act of Accession.

<sup>2</sup> OJ L 161, 26.6.1999, p. 1. Regulation as last amended by the 2003 Act of Accession.

The ERDF shall contribute to the financing of assistance *towards the reinforcement of* economic, social and territorial cohesion by *reducing* regional disparities and supporting the structural development and adjustment of regional economies, including the conversion of declining industrial regions.

In so doing, the ERDF shall give effect to the priorities of the Community, and in particular the need to strengthen competitiveness *and innovation*, to create sustainable jobs, and to promote environmentally sound growth.

The ERDF shall contribute to the financing of assistance *seeking to reinforce the* economic, social and territorial cohesion by *addressing and dealing with the underlying causes of* regional disparities and supporting the structural development and adjustment of regional economies, including the conversion of declining industrial regions.

In so doing, the ERDF shall give effect to the priorities of the Community, and in particular the need to strengthen competitiveness *by an approach linking innovation to regional development, with a specific attention to the role of the regions in the Technology Platforms, intended* to create sustainable jobs, and to promote environmentally sound growth.

#### *Justification*

*This amendment makes the case that the main purpose of the ERDF is to uproot the causes of regional disparities. Hence ERDF assistance should be concentrated on the underlying factors inducing and accentuating regional disparities. Furthermore it clarifies that innovations per se do not necessarily lead to lessening regional disparities, nor do they lead to sustainable growth. On the other hand, an innovations approach would help induce a multiplier effect on job creation.*

#### Amendment 5 Article 3, paragraph 2, point (b)

b) infrastructure;

b) *physical and technological* infrastructure;

#### *Justification*

*The two adjectives: 'physical and technological' define the type of infrastructure considered eligible for ERDF financing. Infrastructure of any kind would not necessarily contribute to increasing the productivity of regions. Hence the clarification proposed by this amendment becomes necessary.*

#### Amendment 6 Article 3, paragraph 2, point (c)

c) *other* development initiatives *including* services to enterprises, creation and development of financing instruments such

c) development initiatives *consisting of* services to enterprises, creation and development of financing instruments such

as venture capital, loan and guarantee funds and local development funds, interest subsidies, neighbourhood services, and exchange of experience between regions, towns, and relevant social, economic and environmental actors;

as venture capital, loan and guarantee funds and local development funds, interest subsidies, neighbourhood services, and **networking or** exchange of experience between regions, towns, **joint local initiatives** and relevant social, economic and environmental actors;

#### *Justification*

*The first part of the amendment is definitional in the sense that the 'development initiatives' should be specific, not abstract notions. The second part introduces the 'networking of experience' as an innovative means to attaining the scope of ERDF assistance, together with 'joint local initiatives', which promote the participation of the local authorities in regional development.*

#### Amendment 7

##### Article 4, paragraph 1

1) Research and technological development (R&TD), innovation and entrepreneurship, including strengthening of regional research and technological development capacities, aid to R&TD in small and medium-sized enterprises (SMEs) and to technology transfer, improvement of links between SMEs and universities, and research and technology centres, development of business networks and clusters, support for the provision of business and technology services to groups of SMEs, fostering of entrepreneurship and innovation funding for SMEs through new financing instruments;

1) Research and technological development (R&TD), innovation and entrepreneurship, including strengthening of regional research and technological development capacities **and closing the technology gap between regions**, aid to R&TD in small and medium-sized enterprises (SMEs) and to technology transfer, improvement of links between SMEs and universities, and research and technology centres, development of business networks and clusters, support for the provision of business and technology services to groups of SMEs, fostering of entrepreneurship and innovation funding for SMEs through new financing instruments **and co-financing of regional venture and local investment development funds to create a leverage effect and attract private capital to support entire economic development of the region;**

#### *Justification*

*To reduce the digital gap existing between regions. As finding the start-up and development capital is one the major problems for SMEs, it is necessary to attract private investors through creation of venture capital funds and their co-financing from public sources. These funds are one of the best instruments to support economic development of the country by*

*providing SMEs with the necessary resources to increase their innovative potential.*

Amendment 8  
Article 4, point (1 a) (new)

***(1a) Research financed wholly by public funds via the EC budget or national research institutes, which are not yet patented, may be offered to the SMEs free of charge provided that such research is directly transformed into an innovation leading to an industrial good entailing less energy content;***

*Justification*

*In the EU and in most Member States, there is no mechanism by which research undertaken by universities or research institutes would lead to an industrial application. This missing mechanism constitutes a hindrance to development and this amendment seeks to remedy it. It introduces a new mechanism of support for SMEs by applying existing knowledge originating in research institutes to industrial innovation. Such research was rendered possible because of public sector financing. However, if not used appropriately, public funding is wasted. On the other hand, if offered to SMEs under minimum legal provisions, they would be encouraged to invest in new products.*

Amendment 9  
Article 4, point (2)

2) Information society, including development of local content, services and applications, improvement of access to and development of on-line public services, aid and services to SMEs to adopt and effectively use information and communication technologies (ICTs);

2) Information society, including development of local content, services and applications, improvement of access to and development of on-line public services, aid and services to SMEs to adopt and effectively use information and communication technologies (ICTs) ***or to exploit new ideas;***

*Justification*

*This amendment is the logical follow-up of the underlying premise of ICTs. Essentially, the information society should embrace the 'exploitation of new ideas'.*

Amendment 10  
Article 4, point (4)



4) Prevention of risks, including development and implementation of plans to prevent and cope with natural and technological risks;

4) Prevention of risks *stemming from the development of the financial or capital markets*, including development and implementation of plans to prevent and cope with natural and technological risks;

*Justification*

*There are many sources of risk, requiring different techniques or approaches to their 'prevention'. For the regions covered by this regulation, an important source of risk is the volatility of the 'financial or capital markets', which affects adversely ex-ante investment. Hence a public guarantee would ensure an element of support and less uncertainty.*

Amendment 11

Article 4, paragraph 6

6) Transport investments, including trans-European networks and integrated city-wide strategies for clean urban transport, which contribute to improving the access to and quality of passenger and goods services, to achieving a more balanced modal split, to promoting intermodal systems and reducing environmental impacts;

6) Transport investments, including trans-European networks, **major European technological and logistical projects** and integrated city-wide strategies for clean urban transport, which contribute to improving the access to and quality of passenger and goods services, to achieving a more balanced modal split, to promoting intermodal systems and reducing environmental impacts;

*Justification*

*Including investment in major technical, logistical and spatial projects under the convergence objective.*

Amendment 12

Article 4, paragraph 8

8) Education investments, which contribute to increasing the attractiveness and quality of life in regions;

8) Education investments, which contribute to increasing the attractiveness and quality of life in regions **through the application of new technologies (such as digital blackboards) to facilitate remote access;**

*Justification*

*Closing the technology gap between regions in the field of education through the application of new technologies.*

## Amendment 13

### Article 5, first paragraph

Under the “Regional competitiveness and employment” objective, the ERDF shall focus its assistance, in the context of regional sustainable development strategies, *on* the following *priorities*:

Under the “Regional competitiveness and employment” objective, the ERDF shall focus its assistance, in the context of regional sustainable development strategies, ***and taking into account the objectives of the 7th Framework Programme primarily in*** the following *areas*:

#### *Justification*

*It is essential that better synergy exists between the Framework funding programme and the structural funding programme.*

## Amendment 14

### Article 5, point (1)

1) innovation and the knowledge economy, through support to the design and implementation of regional innovation strategies conducive to efficient regional innovation systems, and specifically:

1) innovation and the knowledge economy, through support to the design and implementation of regional innovation strategies conducive to efficient regional innovation systems, ***or through the transposition of research wholly funded by the EC or Member States' budgets leading into new industrial goods or new services,*** and specifically:

#### *Justification*

*See amendments to Recital 8a (new) and to Article 4(1a) (new) for the logic of this proposal.*

## Amendment 15

### Article 5, point (1), point (b)

b) stimulating innovation in SMEs by promoting university-enterprise cooperation networks, by supporting business networks and clusters of SMEs and by facilitating SMEs' access to advanced business support services, by supporting the integration of cleaner and innovative technologies in SMEs;

b) stimulating innovation in SMEs by promoting ***business support agencies-research centres, civil-society enterprise and*** university-enterprise cooperation networks, ***and other inter-sectoral cooperation networks,*** by supporting business networks and clusters of SMEs and by facilitating SMEs' access to advanced business support services, by supporting the

integration of cleaner and innovative technologies in SMEs;

*Justification*

*Partnerships are new forms of cooperation seeking to promote industrial innovation. This amendment simply introduces the civil society-university partnership. All relevant institutions should be involved in networking with SMEs in order to facilitate innovations and their implementation and to facilitate transfer of know-how and knowledge. Innovative approaches could be developed not only within the university-enterprise framework or specialised business networks but also through new ways of inter-sectoral cooperation.*

Amendment 16

Article 5, point (1), point (c a) (new)

***ca) promoting the public/private partnership in the production of products and services;***

*Justification*

*This is a clarifying amendment that adds the 'public/private partnership' to the armoury of instruments.*

Amendment 17

Article 5, point 1), point d)

d) creating new financial instruments and ***incubation*** facilities conducive to the ***creation or expansion of knowledge-intensive firms.***

d) creating new financial instruments and facilities conducive to the ***research and technological development capacity of SMEs and encouraging entrepreneurship and new business formation by investment capital and by incubation facilities.***

*Justification*

*It is essential that better synergy exists between the Framework funding programme and the structural funding programme.*

Amendment 18

Article 5, point (1), point (d a) (new)

***(da) creating new regional markets for***

***ecological products;***

*Justification*

*There is need to enlarge or even create the regional markets whose size determines regional specialisation and creation of sustainable jobs. Ecological products are in the main the natural endowments of peripheral regions. Yet there are no organised markets for such products.*

Amendment 19

Article 5, point 1, point d b (new)

***db) building and equipping technological centres and research and development centres.***

*Justification*

*To support the development of innovation policy.*

Amendment 20

Article 5, paragraph 2, point b

(b) stimulating energy efficiency and renewable energy production;

(b) stimulating energy efficiency and renewable energy production, ***the development of efficient energy management systems ;***

Amendment 21

Article 5, point (2 a) (new)

***(2 a) And for tourism, including promotion of natural and cultural assets as potential for the development of sustainable tourism protection and enhancement of the cultural heritage in support of economic development, aid to improve the supply of tourism services through new high value-added services.***

*Justification*

*Tourism and promotion of natural and cultural assets play an important part in building regional competitiveness and employment. This premise has been accepted under the present*

*round of structural funds and has been successfully used to achieve targets. There is no reason why targeting under the subjects outlined in 4 (5) should be confined to the least developed Member States alone, particularly since the purpose of the fund outlined in Article 2 talks about “supporting the structural development and adjustment of regional economies, including the conversion of declining industrial regions”.*

Amendment 22  
Article 6, point (1)

1) the development of cross-border economic **and** social activities through joint strategies for sustainable territorial development, and primarily:

1) the development of cross-border **research, energy, economic, social and cultural** activities through joint strategies for sustainable territorial development, and primarily:

*Justification*

*This is a pure clarification, possibly a missing activity that seems to be necessary for cross-border cooperation and better understanding of different cultures.*

Amendment 23

Article 6, paragraph 2, point d)

d) the creation of scientific and technological networks connected with issues relating to the balanced development of transnational areas, including the establishment of networks between universities and links for accessing scientific knowledge and technology transfer between R&TD facilities and international centres of R&TD excellence, the development of transnational consortia for sharing R&TD resources, twinning of technology transfer institutions, and development of joint financial engineering instruments directed at supporting R&TD in SMEs.

d) the creation of scientific and technological networks connected with issues relating to the balanced development of transnational areas **and closing the technology gap**, including the establishment of networks between universities and links for accessing scientific knowledge and technology transfer between R&TD facilities and international centres of R&TD excellence, the development of transnational consortia for sharing R&TD resources, twinning of technology transfer institutions, and development of joint financial engineering instruments directed at supporting R&TD in SMEs.

*Justification*

*To close the technology gap between regions.*

Amendment 24  
Article 6, point (1), point (d a) (new)

***(da) by promoting the decentralised INTERREG management model.***

*Justification*

*This amendment clarifies the logic of Recital (12) which lays down specific provisions, one of which is management. The decentralised INTERREG model has proved its worth and therefore should be considered useful for the purpose of territorial cooperation.*

Amendment 25

Article 6, point (1), point (d b) (new)

***(db) protection and enhancement of the natural and/or physical cultural heritage in support of economic development, urban or rural regeneration or tourism by promoting the decentralised INTERREG management model.***

*Justification*

*This area of activity is not confined simply to local or regional activity. There are clear examples where trans-national cooperation in problem solving and sharing best practice are offering substantial European value-added in ways that will not be addressed in networks. Regeneration issues often encompass the historic environment and it has been found that across the EU regions the same problems are being tackled in order to bring about sustainable development. More work needs to be done and trans-national projects are an effective means of making progress, ensuring best available techniques and know-how are employed.*

Amendment 26

Article 6, point 3)

3) reinforcement of the effectiveness of regional policy by promoting networking and exchange of experience among regional and local authorities focusing on the topics referred to under Article 5(1) and (2) and Article 8, including cooperation network programmes covering the whole Community and actions involving studies, data collection, and the observation and analysis of development trends in the Community.

3) reinforcement of the effectiveness of regional policy by promoting networking and exchange of experience among regional and local authorities ***and public bodies*** focusing on the topics referred to under Article 5(1) and (2) and Article 8, including cooperation network programmes covering the whole Community and actions involving studies, data collection, and the observation and analysis of development trends in the Community.

### *Justification*

*The current wording is too restrictive. Great European value-added can be found by facilitating a range of organisations to network so as to improve European standards and expertise in subjects affecting regional policy.*

### Amendment 27

Article 6, point (3 a) (new)

***(3 a) Networking projects shall be coordinated under a single EU wide zone .***

***There will be a mid-term evaluation of existing networks such as ESPON, URBAct and INTERACT.***

### *Justification*

*INTERREG IIIc is currently divided into a North, South, East and West zone. Since the networks demonstrably cut across these zones they are unnecessarily bureaucratic, costly to run and pointless. There is a clear case for rationalising and re-focussing into one EU wide zone for networks. This would be a more efficient use of the budget and would improve efficiency and delivery of coherent projects.*

*The current networks funded under INTERREG IIIc include three Commission sponsored networks for which there has been no review: ESPON, URBAct and INTERACT.*

### Amendment 28

Article 9, subparagraph 2, point (5 a) (new)

***(5 a) Preservation and maintenance of historic farm buildings***

### *Justification*

*One of the problems facing rural development is the number of derelict farm buildings. This is a problem faced by rural areas throughout the enlarged EU. These are often historic buildings whose preservation and re-use can play an important role in improving the quality of life in rural areas. This would work towards sustainability, but is not investment aid, since the state of these buildings is a result of market failure.*

### Amendment 29

Article 10, paragraph 2

Without prejudice to Article 3 and 4, the ERDF shall in particular contribute towards

Without prejudice to Article 3 and 4, the ERDF shall in particular contribute towards

the financing of investments aimed at improving accessibility, promoting and developing economic activities related to the cultural heritage, promoting the sustainable use of natural resources, and stimulating the tourism sector.

the financing of investments aimed at improving accessibility, promoting and developing **all kinds of** economic activities, **not only those** related to the cultural heritage, **but also those connected with innovation and new technologies particularly suited to the characteristics of the region (rural telecentres, etc.)**, promoting the sustainable use of natural resources, and stimulating the tourism sector.

*Justification*

*Strengthening innovation policies and new technologies in the field of tourism, in rural areas and other areas suffering natural handicaps.*

Amendment 30

Article 11, point b a (new)

**ba) aid to overcome deficits in technological innovation and research and development (RDI);**

*Justification*

*Problems relating to accessibility are encountered not only in goods transport and transport services, but also and above all in the field of electronic communications, telecommunications and development of the information society.*

Amendment 31

Article 17, paragraph (2 a) (new)

**(2a) Contributions shall be paid to the lead beneficiary and to the individual beneficiaries before, during and after the implementation of a project.**

*Justification*

*Many companies and organisations have difficulty accessing risk capital and therefore have liquidity problems when all the contributions are paid long after expenditure has been effected. In extreme cases, projects have had to be abandoned because individual beneficiaries have gone bankrupt. If 25% of the contributions are paid before the project starts, 50% while the project is in progress and 25% after completion, this problem would be remedied.*





