

Opinion of the European Economic and Social Committee on the Proposal for a Regulation of the European Parliament and of the Council on a European Regional Development Fund

(COM(2004) 495 final — 2004/0167 (COD))

(2005/C 255/18)

On 21 December 2004 the Council of the European Union decided to consult the European Economic and Social Committee, under Article 262 of the Treaty establishing the European Community, on the above-mentioned communication.

The Section for Economic and Monetary Union and Economic and Social Cohesion, which was responsible for preparing the Committee's work on the subject, adopted its opinion on 18 March 2005. The rapporteur was Mr Matousek.

At its 416th plenary session on 6 and 7 April 2005 (meeting of 6 April), the European Economic and Social Committee adopted the following opinion by 123 votes to 1 with 4 abstentions:

1. Preamble

1.1 This opinion has been developed within the overall context of the discussion on the EESC Opinion on the General Regulations ⁽¹⁾. It also relates to the other opinions of the Committee on the Regulations for Cohesion Fund ⁽²⁾, on the European Grouping of Cross-Border Cooperation (EGCC), on European Social Fund ⁽³⁾ and on the Agricultural Fund for Rural Development (EAFRD) ⁽⁴⁾.

1.2 The opinion reflects the impact of changes in the world economy, of the dramatically increased competition in world markets and the challenges for the European Union. Its starting point is the urgent need to use all means possible to reach the position of the EU in the world which will correspond to the European potential. It recognises the necessity to mobilise all significant resources in the short or medium term required to enhance the capacities of new Member States as an integral part of the EU economy and society including the hidden strength of regional structures. This means increasing the rate of progress towards reaching higher level of real convergence of the economies with the synergy for the overall economy of the Union. Therefore the Cohesion policy and its instruments respecting actively the main goals of EU developments based on sustainable development and quality European social model, are subject to increase of significance.

2. Summary

2.1 This document first provides a brief description of the challenges facing European Cohesion and Structural Policies, and makes some general comments and then presents a summary of the proposed Regulation.

2.2 In the concluding section the Committee comments in more detail on the particular Articles of the proposed Regulation. The Committee generally welcomes the broad approach of the Commission in drafting these regulations. The Committee particularly concludes that:

2.2.1 It welcomes the fact that the actions to be supported by the Fund will be concentrated on the European Union's priorities as defined at the Lisbon and Gothenburg Summits.

2.2.2 Expenditure on housing and refurbishment that is related to regeneration and development should be permitted.

2.2.3 Research and technological development, innovation and entrepreneurship should be given high priority, particularly to support Small and Medium Enterprises (SMEs) development.

2.2.4 Sustainable tourism, public transport and renewable energy are all also important.

2.2.5 Innovation should be broadly viewed with support for the development and take-up of information and communication technology.

2.2.6 The proposals to promote European Territorial Cooperation are welcomed and should be strengthened.

2.2.7 The provisions on Urban areas and conurbations should explicitly facilitate closer cooperation between the cities of the Community.

2.2.8 Rural areas should be supported to encourage greater diversification.

2.2.9 The regulations should explicitly enable full programmes of convergence to be implemented in the areas with natural handicaps and the outermost regions as well as on islands facing particular problems (including small island states).

⁽¹⁾ COM(2004) 492 final – 2004/0163 (AVC), CESE 389/2005.

⁽²⁾ COM(2004) 494 final – 2004/0166 (AVC), CESE 390/2005.

⁽³⁾ COM(2004) 493 final – 2004/0165 COD, CESE 250/2005.

⁽⁴⁾ COM(2004) 490 final – 2004/0161 (CNS), CESE 251/2005.

3. General comments

3.1 In the Third Report on Economic and Social Cohesion⁽⁵⁾ the Commission noted the challenges that faced the Union in reducing disparities and with enlargement. It specifically noted:

- low levels of participation in continuing training in less prosperous regions with significantly lower rates in new Member States;
- major disparities in Research and Development (R & D) expenditure;
- continuing disparities in terms of regional access to Information and Communication Technology (ICT);
- the need for sustained high levels of growth, particularly in new Member States;
- disproportionate amount of foreign direct investment going into the economically stronger regions;
- employment rates well below the Lisbon Objectives.

3.2 The EESC has welcomed the report and the positive contribution of the Structural Funds but has recognised that 'very significant differences remain in terms of prosperity and economic performance'. The Committee also recognised that 'enlargement would significantly expand the Community's internal market, bringing new opportunities', but that enlargement would also bring wider disparities⁽⁶⁾.

3.3 Reform is therefore needed to address the disparities detailed above, to respond to the specific challenges of enlargement and to take forward the objectives of the Lisbon Agenda for increased competitiveness, more and better jobs, social inclusion and environmental sustainability. The Committee wishes to stress that the Regulation should make this concentration clear and that the range of activities described under the various priorities should be seen as a menu or a collection of tools that regions and Members States will use to produce programmes that raise long term growth rates and strengthen competitiveness.

3.4 As noted in the preamble this opinion has been drawn up in the context of the EESC opinion on the General Regulations⁽⁷⁾. That work has commented in detail on the context and on the necessity to strengthen the involvement of the social and economic partners⁽⁸⁾. Social partners and other organisations which represent the specific and/or general interest of citizens should be included in all the stages of developing and implementing programmes and have full rights on Monitoring Committees. That opinion also argues that the Commission should promote effective partnerships. It is the Committee's view that to be most effective, then the decisions

⁽⁵⁾ Third report on economic and social cohesion - A new partnership for cohesion, COM(2004) 107 final.

⁽⁶⁾ EESC opinion on Third Report on economic and social cohesion, OJ C 302 of 7.12.2004, p. 60.

⁽⁷⁾ CESE 389/2005.

⁽⁸⁾ CESE 389/2005, point 3.3.

of those partnerships should be respected. That opinion also set out the view of the Committee in respect of the New Priorities⁽⁹⁾ that are necessary to respond to the challenge posed by enlargement. This opinion reflects those priorities as they relate to the specific regulations of the European Regional Development Fund. The Committee has already expressed its general view that there should be sufficient resources devoted to Cohesion Policy to achieve its objectives. In addition, there are points that concern both 'old' and 'new' Member States.

3.4.1 Firstly the problem of limited resources and their optimal allocation when compared with the absorption capacity (co-financing) of the new members and the regions and areas of great extremes of poverty.

3.4.2 Secondly the problem of statistical effect and 'phasing out' which has challenges for 'old' Members States and also implications for recent new Member States after the next enlargement of the EU after 2007 as they have to adjust to the possible loss of eligibility for some regions.

3.4.3 Related to this point, there are also questions on the methods to be used for computation of performance indicators (Gross Domestic Product — GDP) where new members could also face the threat of losing eligibility especially for the European Regional Development Fund (ERDF) assistance. Although Eurostat has available only full regional data for the three years 2000-2002, this could cause difficulties for those regions whose share of EU Gross National Income (GNI) is in decline.

3.5 There are many other EESC opinions already available or being developed, concerning the EU political and economic strategies, industrial or structural changes, R&D and innovation, development of tourism, the problems of urban agglomerations, infrastructures, handicapped and outermost regions etc. with the regional and cohesion dimension. Some of them should be reviewed as a result of enlargement. Eastern enlargement brings opportunities and challenges of the totally different quality when compared with former enlargements.

4. Summary of the proposal for a regulation

4.1 The proposed Regulation sets out the 'tasks of the European Regional Development Fund'.

4.2 The purpose of the Fund is defined as contributing to the funding of assistance to activities to reduce regional disparities and in so doing to contribute to the objectives of the Community to strengthen competitiveness, create jobs and promote sustainable growth. The scope of the fund is to support productive investment, infrastructure, other development initiatives and technical assistance. The fund will focus its assistance on the thematic priorities of Convergence; Regional Competitiveness and Employment; and European Territorial Cooperation.

⁽⁹⁾ CESE 389/2005, paragraph 3.4.

4.2.1 On Convergence, the proposed regulation focuses ERDF assistance on supporting sustainable development by mobilising and strengthening endogenous capacity and sets out the range of activities that are to be supported. They include Research and technological development, promotion of the information society, sustainable production and environment, promoting tourism, investments in transport, improving the security and efficiency of energy supplies, Education investments that make regions more attractive, improvements to health to contribute to economic development and aid to SMEs to create jobs.

4.2.2 In respect of Regional Competitiveness and Employment, the proposed regulation would focus assistance on first promoting innovation and the knowledge economy. Specifically enhancing Research and Technological Development (R&TD) and innovation capacities directly linked to regional development objectives, strengthening innovation in SMEs, promoting economic exploitation of new ideas and creating new financial instruments and incubation facilities to promote knowledge intensive firms. Secondly, attention is given to environmental risk and prevention, including stimulating investment in reclamation of contaminated sites, energy efficiency, clean public transport and risk prevention. Thirdly under this theme the fund will support investments outside the major urban centres to improve access to transport networks and promote the use of ICT.

4.2.3 Activity under the thematic priority of European Territorial Cooperation focuses first on developing cross-border strategies for sustainable territorial development. Specifically to encourage entrepreneurship and SME development, and the development of tourism, culture and cross-border trade. In addition activities are proposed that seek to improve access to transport and ICT networks, cross-border water and energy networks, collaboration on health and education. ERDF can also fund the promotion of cross-border labour-market initiatives. This theme secondly seeks to support transnational cooperation, including bilateral cooperation between maritime regions to promote approaches to waste and water management, accessibility to trans-European transport networks and advanced ICT systems, environmental risk prevention and scientific and technological networks. Thirdly this theme seeks to reinforce the effectiveness of regional policy by promoting networking and exchanging of experience specifically in innovation, environment and risk prevention and urban regeneration.

4.3 The proposal for a Regulation defines the eligible expenditure and contains specific provisions concerning the following elements:

4.3.1 Urban areas: the ERDF will support the development of participative, integrated strategies to tackle the high concen-

tration of economic, environmental and social problems affecting urban agglomerations. This Article also permits a limited amount of ERDF to be used to support activities that fall within the scope of the European Social Fund.

4.3.2 Rural areas: It is proposed that ERDF intervention in these areas concentrate on economic diversification, whilst ensuring complementarity with measures supported by European Agricultural Fund for Rural Development (EAFRD) and European Fund for Fisheries (EFF).

4.3.3 Areas of natural hardship: For regional programmes that cover areas facing natural handicaps ERDF shall in particular invest in improving accessibility, promoting cultural heritage, sustainable use of natural resources and tourism.

4.3.4 Outermost regions: ERDF shall support goods transport services and additional costs of storage, maintenance and labour supply.

4.3.5 There are also specific provisions on European Territorial Cooperation. These provisions set out the required content of Operational Programmes; these include analysis of the issues and justification of priorities, financial tables and implementation. They also set out possible arrangements for managing the programme, including a specific legal instrument to set up a specific body for cross-border cooperation.

4.3.6 Final provisions: These confirm the transitional provisions under the current regulations (EC) No. 1783/99 and formally record the proposed beginning and review dates of the regulations, as from 1 January 2007 and by 31 December 2013.

5. Opinion of the Committee

5.1 Introduction, Scope of the regulations and Eligible Expenditure (Articles 1, 2, 3, 7 and 13)

5.1.1 The Committee welcomes the clear link made in Article 2 between the purpose of the fund and the objectives of the Community and particularly the Lisbon agenda. Similarly the Committee would endorse the focus of assistance on clear thematic priorities. The renewed Lisbon objectives of raising long-term growth rates in the weakest regions and strengthening competitiveness across the European Union must be the objectives of the new programmes. The Regulation then has to set out a menu of activities that can be brought together in specific programmes that will respond to the specific conditions in each region whilst contributing to the overall objectives of raising growth and strengthening competitiveness. The process of drawing up EU-wide Guidelines and National

Strategies must focus on delivering the renewed Lisbon agenda. Social Partners must also be closely involved in drawing up these documents. In its Opinion ⁽¹⁰⁾ the Committee argued that the renewal of housing and the provision of affordable housing for key workers was an integral part of regeneration and had a particular role to play in urban and indeed rural policy, therefore the Committee is disappointed that expenditure on housing is explicitly excluded by Article 7. It is the view of the Committee that expenditure on housing that is related to regeneration and development should be permitted and also that expenditure on housing that is part of programmes of refurbishment of older urban and industrial areas should also be eligible.

5.2 Activities to promote Convergence (Article 4)

5.2.1 The Committee has stressed the importance of R & TD and innovation and entrepreneurship. The analysis of the third cohesion report pointed to the significant disparities in R & TD investments and noted that innovation and entrepreneurship are critical to sustaining high levels of economic growth in less prosperous regions of the Community. The Committee reiterates its view of the importance of these activities. It also notes that for some new Member States this ERDF assistance will be particularly significant in developing the necessary networks of R&TD centres linking regional universities and enterprises (with particular challenges in supporting SMEs) to bring up the region closer to the situation in developed Europe.

5.2.2 The Committee has also argued that ensuring access to broadband communication networks and assisting SMEs to take advantage of ICT is also very important in regions that are lagging behind.

5.2.3 The provisions on the Environment contain a range of actions; it would be helpful if the Article clarified that it was the contribution these investments make to sustainable development and promoting renewable energy that is of importance.

5.2.4 The promotion of sustainable tourism with high value added is to be welcomed as it makes a significant contribution to the development of regional economies and has significance in both rural and urban areas. Tourism has an under-estimated role in the trans-European transport framework in that it has a positive effect on the European awareness of citizens. In addition investment in appropriate infrastructures, services and a good environment can raise the attractiveness of regions not currently seen as tourism destinations.

5.2.5 The strength of transport infrastructure is one of the key enablers of growth. Investments that connect regions to the main European networks and markets are to be welcomed. Good, clean integrated public transport systems are important in towns and cities to ease congestion and in both rural and urban areas to help reduce social exclusion.

5.2.6 The development of trans-European energy networks will contribute to security of supply and closer integration of Member States. Energy efficiency and renewable energy also provide opportunities for new business that can also contribute to growth and competitiveness in lagging regions.

5.2.7 The investment in education also has direct benefits for innovation and competitiveness and for the development of human capital. As was noted above lagging regions are also more likely to have fewer opportunities for life-long and continuing education. The regulation as currently drafted refers only to 'increasing the attractiveness and quality of life in regions'. The Committee recognises the need for concentration and also recognises the role of the European Social Fund but, given the importance of Education wishes to see greater scope in this article and for the closer coordination between the ERDF and ESF ⁽¹¹⁾. The Committee also notes the importance of promoting new solutions to the problems of communication in a multilingual Union. Despite the formal commercial offer of language training, the situation, despite improvements, is still unsatisfactory.

5.2.8 The article provides for investments in the health-care system which contribute to regional development and quality of life, and is welcomed by the Committee.

5.2.9 Support for SMEs is important and good regional entrepreneurial policy can attract investment into structurally affected or economically weak regions. Incentives and other significant system measures in economies should be able to be used to attract foreign investors to regions in need, to support sectors of strategic importance to the EU and to support innovative clusters of companies and organisations.

5.3 Activities to promote Regional Competitiveness (Article 5)

5.3.1 On innovation the Committee may wish to propose a broad view of the innovation process, often new ways of working and innovations in management and Human Relations can contribute as much to the success and competitiveness of enterprises as totally new technologies, products or processes.

⁽¹⁰⁾ The programming of the Structural Funds 2000-2006: an initial assessment of the Urban Initiative, OJ C 133 of 6.06.2003, p. 53, points 3.3 and 4.7.1.

⁽¹¹⁾ The Committee has strongly argued that it would have preferred a single fund for the whole of cohesion policy, which would have overcome these issues (COM(2004) 492 final – 2004/0163 (AVC), CESE 389/2005).

Moreover modernisation of industrial relations can be a prerequisite for the successful introduction of new technologies and as such is critical to the achievement of the Lisbon objectives. The regulation should reflect these factors and whilst recognising the primary role of the ESF in these areas, support for network to promote best practice in innovation as widely defined should be supported.

5.3.2 The Committee welcomes the commitment to sustainable development, energy efficiency and the promotion of renewable energy sources as desirable goals in themselves. However there are also specific business opportunities for design engineers and manufacturers in environmental technology that can also contribute to regional economic development. The Committee also welcomes the reference to clean public transport and recognises that well supported and integrated public transport systems also make a key economic contribution to easing the burden of congestion in urban areas and in tackling social exclusion in both urban and rural areas.

5.3.3 The strengthening of key transport and other links is recognised as an important component of development. Rural areas can be disadvantaged as the market is not sufficient to provide the range of infrastructure desirable. The interaction between other Community policies will be of significance here and the Committee wishes to ensure that the activities to be promoted in this theme are not unnecessarily constrained. Access to ICT outside the major urban centres is also necessary, but it is not just physical access and connectivity that is important but advice, business support and skill development is also essential to enable SMEs to benefit from ICT. In addition the Committee believes that we need to ensure that access to ICT is available for all citizens to avoid creating a digital divide that reinforces social exclusion. These latter points are also very relevant in major urban centres.

5.4 Activities to promote European Territorial Cooperation (Article 6)

5.4.1 The Committee has welcomed the Commission's proposals for support for cross-border, transnational and inter-regional cooperation building on the experience of Interreg⁽¹³⁾. However the Commission's proposals provide different sets of activities in cross-border or transnational projects and the current regulation appears to exclude a number of important areas of activity supported by the programme from the scope of interregional networks, for example, the activities to promote convergence, specific activities in rural areas, areas with natural handicaps and outermost regions.

5.4.2 The Committee specifically supports measures to enhance cross-border cooperation between the EU-15 and new Member States on the internal borders of these countries. The

⁽¹³⁾ OJ C 302 of 7.12.2004, p. 60, Opinion on Third report on economic and social cohesion.

aim should be to establish in reality new, dynamic and vibrant regions with common or commonly used infrastructure (including health care and education), relations among people, efforts to overcome language problems and enjoying the best of cultures. Structural Funds will help address problems of disparities in income and price levels and promote economic development. The Committee welcomes the new 'European Neighbourhood Policy'⁽¹³⁾, its new instruments and also the possible link to third countries and wishes to see it established in the next programming period and also that the ERDF should also be able to support these activities.

5.4.3 The Committee notes the provisions for cross-border labour-market initiatives and suggests that there is an explicit reference in the regulations that reflect support for the commitments given in accession agreements on labour-market standards and the Lisbon objectives. The Committee also argued⁽¹⁴⁾ that these programmes should also take account of the need to combat the various forms of social discrimination. The Committee wishes to seek clarification on this matter and press to ensure that all ERDF supported activities are eligible subjects for interregional networks. The Committee had specifically called for a special programme for regions that share a border with new Member States, this has not been included and the Committee wants the regulation to support such activities and it would be helpful to include a specific reference in the regulation.

5.4.4 The proposal for a Regulation makes provision for the establishment of a European grouping of cross-border cooperation. The Committee has drawn up a specific Opinion on this matter⁽¹⁵⁾ and the conclusion of that work should also be incorporated into the regulations.

5.4.5 Eligibility of expenditure is to be established at national level with certain exceptions, for which it is necessary to lay down specific provisions. This significant condition should be clarified. In the case of Value Added Tax (VAT), non-recoverable VAT should be eligible as it is a real cost to the projects.

5.5 Specific provisions on territorial features

5.5.1 Urban (Article 8)

5.5.1.1 The EESC proposed a separate urban programme. The activities set out in Article 8.1 should contain all the features of the Urban Community Initiative and the Committee would like to see explicit regulations to enable the cities of the Community to work together.

⁽¹³⁾ COM(2004) 628 final 2004/0219 (COD).

⁽¹⁴⁾ OJ C 302 of 7.12.2004, p. 60, point 7.8, Opinion on Third report on economic and social cohesion.

⁽¹⁵⁾ CESE 388/2005.

5.5.1.2 There is also provision in this particular article to permit the funding of activities within the scope of Regulation (EC) No. 1784/1999 of the European Social Fund ⁽¹⁶⁾. The regulation limits this derogation to activities under the 'Regional Competitiveness and Employment' objective and also to 10 % of the 'priority concerned' ⁽¹⁷⁾. The Committee takes the view, in the context of the intention to have a single fund for a single programme that there should be greater scope to fund labour market and human capital activities in these programmes. This derogation should perhaps be applied throughout ERDF funded programmes, not just the urban dimension and should be applicable across the three thematic priorities. The 10 % level therefore should apply to the programme as a whole to enable sufficient flexibility.

5.6 Rural areas and areas dependent on fisheries (Article 9)

5.6.1 The Committee specifically commented on the need to ensure that these activities were not limited to agricultural projects and welcomes the focus on infrastructure, telecommunications, new economic activities, links between urban and rural areas and promoting tourism. However this list should also include access to services of general interest, innovation, and links to Higher Education Institutions that have all been identified as of significance for rural diversification. The Committee also welcomed the Commission's original guarantee that the new instruments would be 'incorporated into the Common Agricultural Policy' ⁽¹⁸⁾. This proposal for a regulation requires Member States to demonstrate 'clear demarcation criteria' between measures financed by ERDF and the EAFRD and EFF and also to demonstrate and complementarity and coherence between the actions financed by these funds. The Committee welcomes this and refers to the more detailed work also undertaken by the Committee on the EAFRD.

5.7 Areas with natural handicaps and outermost areas (Articles 10 and 11)

5.7.1 The Committee has argued for the continuation of solidarity with these regions with particular difficulties and

broadly welcomes these proposals. In a separate Opinion ⁽¹⁹⁾ the Committee has assessed the needs of regions with permanent natural and structural handicaps and specifically commented on the Commission's broad proposals that were set out in the Third Cohesion Report. The Regulation for the ERDF contains many of the points raised in that opinion and the Committee welcomes the territorial dimension in the criteria for ERDF support. Article 10 contains the phrase 'without prejudice to Article 3 and 4', implying that these regions are also eligible for support under those priorities, it would be useful to explicitly set out in the Regulation that this indeed is the case. Similarly Article 11 indicates that this provision permits the funding of additional costs to activities set out in Article 4, which the Committee welcomes. It would again be helpful to clarify that these regions could also be eligible for support under the other objectives.

5.8 Specific provisions on territorial cooperation objective (Article 12 and Articles 14-22)

5.8.1 The Committee welcomed the proposal for a new legal instrument to facilitate cooperation. These additional regulations seek to facilitate effective cooperation, but in one respect they are deficient in that there is no explicit provision for the involvement in monitoring arrangements of social partners and other organisations which represent the specific and/or general interest of citizens. The relationship between ERDF (Article 18) and the new European Grouping of Cross-border Cooperation (EGCC) needs to be clarified, particularly for conferring by Member States the responsibilities of the managing authority on EGCC.

5.8.2 These matters have been considered in more detail and the Committee has drawn up specific conclusions on establishing a European grouping of Cross-Border cooperation ⁽²⁰⁾.

5.9 Final provisions (Articles 22 — 26)

5.9.1 These confirm the transitional provisions under the current regulations (EC) No. 1783/99 and formally record the proposed beginning and review dates of the regulations.

Brussels, 6 April 2005.

The President
of the European Economic and Social Committee
Anne-Marie SIGMUND

⁽¹⁶⁾ COM(2004) 493 final - 2004/0165 (COD).

⁽¹⁷⁾ Article 8.2.

⁽¹⁸⁾ OJ C 302 of 7.12.2004, p. 60, point 7.10, Opinion on the Third report on economic and social cohesion.

⁽¹⁹⁾ EESC opinion on How to achieve better integration of regions suffering from permanent natural and structural handicaps, CESE 140/2005.

⁽²⁰⁾ CESE 388/2005.