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COMMUNICATION FROM THE COMMISSION

"The regions and the new economy"

**GUIDELINES FOR INNOVATIVE ACTIONS UNDER THE ERDF
IN 2000-2006**

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I. The regulatory framework

1. Article 22 of Council Regulation (EC) No 1260/1999 laying down general provisions on the Structural Funds (OJ L 161, 26 June 1999) states that, in accordance with Article 4 of Regulation (EC) No 1783/1999 on the ERDF (OJ L 213, 13 August 1999), "At the initiative of the Commission the Funds may finance innovative actions[which] contribute to the preparation of innovative methods and practices designed to improve the quality of assistance under Objectives 1, 2 and 3. They shall be implemented in a simple, transparent fashion and in accordance with the principles of sound financial management."

II. Aims, general principles and value-added of innovative actions

2. This Communication forms part of the European Union's overall strategy aimed at reinforcing the competitiveness of the European economy¹. It contributes to the operational implementation at regional level of the objective 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."
3. There is at present a wide gap between regions in the fields of innovation and RTD (research and technological development) and in the level of use of the new information and communications technologies. In order to prevent this gap from widening further and, at the same time, to take advantage of the opportunities offered by the new economy for catching up swiftly, the less-favoured regions must be in a position to introduce innovative practices which effectively explore these opportunities. The new generation of innovative measures is aimed specifically at reducing these gaps by giving regions where development is lagging behind or conversion is under way easier access to experimental tools in future-oriented fields.
4. Globalisation is resulting in stiffer competition on account of the greater integration of markets, whether in the form of the internationalisation of financial markets, the growth of trade and direct investment or the rising number of inter-company co-operation agreements, etc. The transition to a knowledge-based economy and the promotion of the use of new technologies in regional economies as a whole are, therefore, becoming priorities.

¹ European Council held in March 2000 in Lisbon, Presidency Conclusions.

5. If they wish to be more competitive, businesses and in particular small and medium-sized enterprises (SMEs), which form the basis of the regions' productive fabric, must anticipate and adapt to the technological changes that are occurring increasingly rapidly on international markets. In this new economy, knowledge and knowhow are becoming the raw materials. Consequently, the possibility of gaining swift, easy access to them will be one of the principal strategic competitive weapons. In these circumstances, human capital is proving to be more and more of a determining factor; continuing training and lifelong learning are becoming the keys to innovation and regional competitiveness.
6. It is important, therefore, that innovative actions should help the less-favoured regions to devise a regional policy which effectively meets the new challenges of the future, particularly the globalisation of the economy and the acceleration of technological change, while promoting economic and social cohesion in the European Union. At the same time, the regions must find innovative solutions which guarantee sustainable development and the enhancement of regional identities - the factors which form the basis of regional human and physical capital. The regional level is particularly appropriate for mobilising a critical mass of partners able both to promote innovation and to implement it effectively and at grass-roots level. The regions which may present proposals for innovative actions are listed in Annex A.
7. The capacity of the regions to innovate and continually adapt to economic change will enable them to acquire most of the assets they need in order to increase their competitiveness and thereby achieve the objective of reducing disparities and creating high-quality jobs. It is, therefore, a matter of identifying and disseminating the best innovative practices and encouraging the regional-policy authorities and managing authorities to promote these practices. Innovative actions can be seen as a laboratory for the development of Community regional policy and its adaptation to new challenges.

Improving the quality of assistance under Objective 1 and 2 programmes part-financed by the ERDF

8. The prime objective of innovative actions is to influence the quality of the assistance provided by programmes part-financed by the ERDF under Objectives 1 and 2. Strengthening the links between innovative actions and operational programmes requires the introduction of incentives to experiment with innovative regional-policy methods and practices. Closer collaboration between those responsible for innovative actions and the authorities responsible for managing Objective 1 and 2 programmes part-financed by the ERDF is essential in order to achieve this goal.

This is especially vital if innovative actions are to act as a catalyst and an experimental tool in exploring the future orientation of regional policy in areas of strategic importance to the least-developed regions of the Union, namely:

■ *regional economies based on knowledge and technological innovation*

■ *e-EuropeRegio: the information society at the service of regional development*

■ *regional identity and sustainable development.*

9. As a means of reinforcing competitiveness, these strategic themes are consistent with the new Structural Fund guidelines adopted by the Commission for programmes part-financed by the ERDF under Objectives 1 and 2².

Accordingly, the challenge will lie in ensuring that actions part-financed in the context of innovative actions do not duplicate those covered by mainstream assistance but positively influence them in an innovative direction. These actions should be more adventurous - even though this may entail some risk of failure - and should offer the least advanced regions an opportunity to experiment with more sophisticated ideas which may not usually be dealt with in the context of programmes part-financed by the ERDF.

10. Community regional policy must help regions, particularly those which are less developed, to better incorporate such intangibles into their Objective 1 and 2 programmes part-financed by the ERDF. It should be emphasised that, in terms of the three strategic themes under consideration, the less-developed regions tend to under-invest compared with the more developed regions.

It should in fact be noted that the programmes in the least-developed regions and Member States still lean towards reducing development gaps in areas such as physical infrastructure (transport and communications, energy, environment). There is, therefore, reason to fear that disparities will grow in the context of both the knowledge-based economy and intangible competitive factors, such as the capacity to innovate, an enterprise culture which encourages the spirit of initiative, management quality, etc.

Developing and strengthening the regional public/private partnership

11. As in the case of the Objective 1 and 2 programmes part-financed by the ERDF, the Commission wishes the competent authorities in the regions to participate as fully as possible in these innovative actions. This will involve them establishing, at regional and local level, a reinforced partnership including the authorities responsible for Objective 1 and 2 programmes part-financed by the ERDF and the private sector. This partnership will pave the way for the emergence of high-quality regional programmes of innovative actions and stimulate the exchange of experience and networking between regions.

Synergy with other Community policies

12. Innovative actions in 2000-06 should help to demonstrate how to exploit the synergies between regional policy and other Community policies, particularly those which help to reinforce the spirit of enterprise and innovation at regional level, implement the e-Europe initiative and encourage the setting up of a European research area. Consequently, innovative actions will have to be better coordinated with measures under Objective 1 and 2 programmes part-financed by the ERDF so that they make a greater impact on cohesion. These activities should complement, as much as possible, those financed by the ESF under the same Objectives. There is obviously no question of any funding overlapping with other Community financial instruments.

² Commission Communication concerning the Structural Funds and their coordination with the Cohesion Fund – Guidelines for programmes in the period 2000 to 2006 (OJ C 267, 22.9.1999).

13. Innovative actions constitute a particularly appropriate means of facilitating interregional exchanges and collective learning through the comparison and dissemination of best practice. The new innovative actions will make it possible to enrich the regions working within a thematic network, while respecting their specific characteristics. Innovation is by its very nature closely linked to the idea of risk and change. The new generation of innovative actions gives regions greater control over change and allows them to take the risks required in order to test out certain key regional policy guidelines for the future.

III. Past experience

14. In 1994-99, the Commission distributed the ERDF resources available for innovative actions (less than 1% of the Structural Fund budget) among eight themes: new sources of employment, culture and heritage, spatial planning (Terra), urban pilot projects (UPPs), internal interregional co-operation (Recite II), external interregional co-operation (Ecos-Ouverture), promotion of technological innovation (RIS and RTTs) and the information society (RISI I and II). These resulted in some 350 innovative projects involving over 2 000 bodies. They made it possible to experiment with new practices and promote the development of the public-private partnership at local, regional and international level as well as stimulating co-operation between different regions within the European Union and in the applicant countries. In this way, a genuine experimentation policy has been established on the basis of endogenous regional and local economic development factors.
15. Innovative actions involving new sources of employment provided a framework for the new Community approach used in the Territorial Pacts for Employment. The experience gained from other innovative interregional co-operation actions, such as Terra, Recite II and Ecos-Ouverture, fed into the preparation of the interregional dimension of the Interreg III Community Initiative, while experience gained from the urban pilot projects inspired the new Urban II Community Initiative.
16. The experience acquired in the context of the innovative actions carried out in 1994-99 fuelled the general debate on innovation in regional policy, which resulted in three Commission communications, on technological innovation, the information society and urban development respectively³, highlighting the relevance of the approach followed in the preceding period.
17. Five years after the projects were launched in 1994, an assessment carried out by a group of independent experts showed that a large proportion of those financed under ERDF innovative actions for the period 1994-99 had already produced sound results (see Annex B). A final evaluation will be carried out on completion of these projects which will give further indications of their likely impact. Some innovative actions under Article 10 of the ERDF Regulation for the period 1994-99, including Regional Innovation Strategies (RIS) and the Regional Information Society Initiative (RISI),

³ "Reinforcing cohesion and competitiveness through research, technological development and innovation" (COM(98) 275), "Cohesion and the information society" (COM(97) 7) and "Sustainable urban development in the European Union: A framework for action" (COM(98) 605).

have been successful examples (see Annex C), which have illustrated the significant role played by the regions in promoting innovation. In this respect, the complementary role of the RITTS projects, which form part of the Innovation Programme, should be noted and reinforced in the future, particularly with regards to accompanying measures⁴.

18. These strategies have contributed to the emergence and implementation of pilot projects in the context of a broad-based public-private partnership, the result of which has been to boost investment in technological development and the information society under programmes part-financed by the ERDF. Taking account of the lessons of the past⁵, the objective of the new generation of innovative actions is to deepen and broaden this approach, particularly in the areas mentioned.

IV. New approach: types of actions and beneficiary regions

19. With a view to reinforcing the links with Objective 1 and 2 programmes part-financed by the ERDF and guaranteeing simple, transparent implementation based on sound financial management principles, the Commission is proposing a programming approach as opposed to an individual project approach, a reduction in the number of strategic themes and a structured co-operation between those responsible for the management of innovative actions and those in charge of the Objective 1 and 2 programmes part-financed by the ERDF.
20. The new generation of innovative actions will comprise three strands:
 - part-financing of regional programmes of innovative actions and of the pilot projects deriving from them;
 - accompanying measures: support for exchange of experiences and the creation of interregional networks;
 - organisation of competitions aimed at identifying and developing best practice.

⁴ Regional Innovation and Technology Transfer Strategy projects (RITTS) were carried out under the "Innovation and Participation of SMEs" programme in the RTD framework programme, complementing the 1994-99 ERDF innovative actions. These projects involved more than 60 European regions and led to the establishment of the IRE (Innovative Regions of Europe) network, to which over 100 regions belong.

⁵ European Commission, 1999, "On-going evaluation of the Regional Innovation Strategies Under Article 10 of the ERDF ", ECOTEC Research and Consulting Ltd.

European Commission, 1999, "The Evaluation of the Inter-regional Information Society Initiative (IRISI)", Technopolis Ltd.

European Commission, 1997, "External evaluation of the Regional Technology Plans", Technopolis Ltd. in co-operation with the University of Athens (Greece).

European Commission, 1999, Evaluation of research, technological development and innovation-related actions under the Structural Funds (Objective 2), ADE – Entrepise Plc – Zenit.

European Commission, 1999, "Thematic evaluation of the impact of the Structural Funds (1994/99) on research, technology, development and innovation (RTDI) in Objective 1 and 6 regions", T. Higgins and L. Tsipouri.

European Commission, 2000, "Assessment of the Regional Innovation and Technology Transfer Strategies and Infrastructures (RITTS) scheme", Centre for Urban and Regional Development Studies, University of Newcastle.

21. The beneficiaries will be the regions listed in Annex A which are eligible in whole or in part under Objective 1 or Objective 2 and those receiving transitional support under those Objectives. The entire region, including those areas not covered by Objectives 1 or 2, is considered eligible under the regional programme of innovative actions .

V. Strategic themes 2000-06

22. For reasons of simplification and with a view to concentrating resources, the Commission proposes to reduce the number of strategic themes from eight in 1994-99 to three in 2000-06. These three themes are interlinked. Their complementary nature should be exploited in such a way as to develop the strategic approach which best meets the specific requirements of each region. The new generation of innovative actions is intended to promote innovatory methods and practices in the following strategic areas.

■ *Regional economies based on knowledge and technological innovation: helping less-favoured regions to raise their technological level*

23. A substantial technology gap still divides the advanced and less-developed regions of the European Union, in both the public and private sectors, in the sphere of research, technological development and innovation (RTDI) systems. It is necessary, therefore, to help Community regions to develop competitive assets based on innovation⁶ rather than leave them to base their regional competitive advantage on costs (particularly wage costs), since such an advantage could be swiftly eliminated in an increasingly globalised economy.
24. For this reason, innovative actions should be introduced in the regions in order to try and establish co-operation between the public sector and the bodies responsible for RTDI and businesses, with a view to creating efficient regional innovation systems. The aim is to encourage links not only between enterprises⁷, but also with the universities, advisory services, financial markets and other technology partners. In other words, it is a matter of establishing an environment and a regional institutional framework which will promote, by reinforcing human capital, the creation, dissemination and integration of knowledge within the productive fabric as a principal source of innovation and competitive advantage.
25. The content of regional programmes of innovative actions in this area could, for example, cover the following aspects:
- creation or reinforcement of co-operation networks between firms or groups of firms, research centres and universities, organisations responsible for improving the quality of human resources, financial institutions and specialist consultants, etc.;

⁶ The term "innovation" designates both a process and its result (Green Paper on Innovation, European Commission, 1996, COM(95) 688). It involves the transformation of an idea into a marketable product or service, a new or improved manufacturing or distribution process, or a new method of social service. The term also covers social, institutional and organisational innovation, including in the services sector.

⁷ I.e. universities, technology centres and training institutions.

- staff exchanges between research centres, universities and firms, particularly SMEs;
- dissemination of research results and technological adaptation within SMEs;
- establishment of technological strategies for the regions, including pilot projects;
- support for incubators for new enterprises which have links with universities and research centres; encouragement for spin-offs from university centres or large companies oriented towards innovation and technology;
- schemes for assisting science and technology projects carried out jointly by SMEs, universities and research centres;
- contribution to the development of new financial instruments (venture capital) for business start-ups.

■ *e-EuropeRegio: the information society at the service of regional development*

26. There is a greater risk than ever that the particularly swift development of information and communication technologies will create new gaps between the regions of the European Union in the field of access to the information society.
27. In these circumstances, the less-favoured regions need to be able to rise to the challenges generated by the growth of these technologies by taking full advantage of the new opportunities offered by the information society where the productive sector, public services or inhabitants' individual needs are concerned.

Consequently, through its powerful networking effects ("net-economy", on-line digital and mobile services), the information society can contribute to the geographical and economic opening-up of these regions. This will enable them to reduce their handicaps (particularly peripheral location) and develop their assets by reinforcing the competitiveness of businesses, especially SMEs. Information society applications which assist citizens and administrations are also a factor which can promote equal opportunities for their inhabitants.

28. This approach is in keeping with the strategy and objectives adopted by the Lisbon European Council in March 2000 in the context of the e-Europe initiative and, in particular, the application at regional and local level of the following aspects:
 - bringing all citizens, households, businesses, schools and administrations into the digital era and giving them on-line access;
 - introducing into Europe a digital culture underpinned by a spirit of enterprise that encourages the funding and development of new ideas;
 - ensuring that this entire process is geared towards social integration, wins consumer confidence and builds social cohesion.
29. Innovative actions should play a leading role in this approach by making it possible, especially through pilot and demonstration projects, to promote:

- awareness and networking of all regional actors as regards regional development applications of the information society;
 - development of skill centres which are specific to the region and are based on its assets and economic, cultural and social potential;
 - transfer of technology and exchange of experience and good practices in this area.
30. The content of regional programmes of innovative actions in this area could, for example, cover the following aspects :
- establishing strategies for innovation in the region and encouraging the formation of partnerships in the sphere of the information society;
 - improving digital and mobile services for young people, the elderly and the disabled, and for healthcare purposes;
 - encouraging SMEs to include electronic commerce in their development strategies and to find suitable ways of meeting their employees' needs in computer skills;
 - identifying and developing specific areas for experimenting with the innovative use of information-society technology;
 - providing collective access to the Internet, digital applications and multimedia resources (e.g. public Internet access points);
 - using and experimenting with advanced digital technology (e.g. access to the Internet by radio/satellite) for the benefit of rural, remote and otherwise isolated areas;

■ ***Regional identity and sustainable development: promoting regional cohesion and competitiveness through an integrated approach to economic, environmental, cultural and social activities***

31. The regions should rely to a greater extent on their assets for the purpose of developing a sustainable and competitive economy and improving the living and working environment of their inhabitants. These assets and opportunities may be based on the region's heritage and cultural diversity, or else on specific skills, a strategic location, an exceptionally high-quality environment, educational and cultural infrastructure, language skills, musical traditions, handicrafts, regional products or cuisine, etc.
32. As job mobility tends to increase, thanks to the technological progress that is reducing the constraint of physical location, individuals will be freer to choose where to work and live. Less densely populated, rural or outlying regions, including border areas, can try to turn this development to their advantage and attract inhabitants by offering them a different way of life from the towns and cities and other densely populated areas. Conversely, the latter can attempt to improve their quality of life through better use of transport and energy systems, a reduction in noise and atmospheric pollution, the organisation of collective services, etc. Innovative actions should explore these avenues.

33. The content of regional programmes of innovative actions in this area could, for example, cover the following aspects:
- assistance for micro-companies in the craft or traditional handicraft industries aimed at improving their technological awareness so as to achieve greater market integration;
 - development of culture-based and ecological tourism;
 - support for SMEs starting up in innovative media and cultural fields;
 - development of new forms of local services;
 - new working arrangements between the public and private sectors in order to optimise use of existing resources and infrastructures;
 - assistance for micro-companies wishing to benefit from research activities in their region;
 - development of schemes targeted at environmental management, adoption of clean technologies, recycling of waste and economical use of energy.

VI. Regional Programmes of innovative actions

Preparation of submissions

34. The Commission invites the competent authorities in the regions defined in point 21 to submit their draft regional programmes of innovative actions to the Commission. The designation of a managing body and a paying body must be included in the programme proposal.
35. The competent authorities in the region may submit a programme proposal no later than 31 May of each year from 2001 to 2005. The maximum length of a programme is two years. Community support is limited to two programmes per region for the period 2000-06. A second programme may be submitted only once the Commission has received and approved the financial and final reports for the first programme.
36. The competent authorities in the region should set up a Steering Committee, which draws up the proposal for a regional programme of innovative actions in the context of a regional partnership including the financial partners, the authorities responsible for programmes under Objectives 1 or 2 part-financed by the ERDF, those responsible for other Community programmes in the region (where relevant), and the public and private actors involved at regional level.

Content of programmes

37. Each proposal should contain a strategy for defining innovative actions agreed between the different regional actors. This strategy should provide the framework for the implementation of individual projects, the transfer of results to programmes under Objectives 1 or 2 part-financed by the ERDF in the regions concerned and the exchange of experience between regions. The strategy may be based on one of the

three strategic themes proposed by the Commission, or on a combination of these themes, in order to meet the specific needs of each region as fully as possible.

38. Each proposal must contain the elements required for the Commission to approve a regional programme of innovative actions in accordance with Article 24(1) of the General Regulation governing the Structural Funds. These elements are set out in more detail in Annex D.

Appraisal of regional programmes of innovative actions

39. The Commission will appraise the programmes for part-financing on the basis of the points set out below. It will allocate between €300 000 and €3 million to the programmes selected.
- **Quality of the proposal**, in particular the clarity of the strategic approach, the innovative nature of the goals and the targeting of resources on a limited number of actions.
 - **Potential influence on programmes** under Objectives 1 and 2 part-financed by the ERDF.
 - **Feasibility of the proposal and consistency between the goals set and the resources allocated.**
 - **Expected impact in the Objective 1 and 2 areas:** effects on the modernisation and diversification of the regional economy, creation of long-term quality jobs, enhanced performance (including in environmental terms), etc.
 - **Private-sector contribution** to the financing of the programme.
 - **Commitment and quality of the regional public-private partnership** in preparing the regional programme of innovative actions and ability to enlist other regional and local agents, particularly small firms.
 - **Arrangements for co-operation** between the competent authorities in the region responsible for the preparation and implementation of the regional programmes of innovative actions and the managing authorities for programmes under Objectives 1 and 2 part-financed by the ERDF.
 - **Expected sustainability of the actions** when the regional programme of innovative actions has finished.
 - **Transferability of the results** to other regions.
 - **Synergy and compatibility with the other Community policies** such as research, the information society, enterprise, the environment, rural development (common agricultural policy), equal opportunities and competition; consistency with the Commission guidelines for programmes in 2000-06.

Finance and administrative management

40. The Commission's contribution will be granted to the managing body designated under a financing agreement in accordance with Article 24 of Regulation (EC) No 1260/1999.
41. A paying body and a control system should be designated in the programme proposal.⁸ Payment procedures will be specified in the financing agreement. The control system should be a separate function from the paying body. The latter shall certify the correctness of the request for final payment.

In accordance with Article 24(3) of Regulation (EC) No 1260/1999, Articles 38 and 39 of that Regulation do not apply.

42. The Steering Committee is to oversee the implementation and monitoring of the regional programme of innovative actions, including the selection of the resulting pilot projects, and is to approve the final report at the end of the programmes.

The Committee should establish co-operation between regional programmes of innovative actions and programmes under Objectives 1 and 2 part-financed by the ERDF. The projects are to be chosen in accordance with selection criteria agreed for each programme.

Evaluation

43. An evaluation of programmes will be conducted in 2003. This may result in changes being made in the remaining period, particularly as regards the strategic priority themes to be supported.

VII. Accompanying measures: Promoting the exchange of experience and establishing networks between regions

44. Using appropriate assistance and with the aid of the Commission, regions should seek to exchange the lessons they have learned from their projects and the good practice used with other European regions, especially those responsible for programmes under Objectives 1 and 2 part-financed by the ERDF.
45. Regions wishing to participate in networks or act as a lead partner in a network or undertake other forms of exchange of experience may include a specific action for this purpose in their proposal for a regional programme of innovative actions. Participating regions are invited to set aside a minimum of 1% and a maximum of 3% of the total programme finance for this purpose.

⁸ To avoid duplicating channels for the payment and checking of Community appropriations within a given region, which is likely to cause problems, particularly in terms of deadlines, the Commission suggests that the competent authorities in the regions designate the same paying and control bodies as for programmes under Objectives 1 and 2 part-financed by the ERDF to be responsible for the sound implementation of Community appropriations for the regional programmes of innovative actions.

46. In addition, the Commission will part-finance specific programmes to set up and operate networks which involve a minimum of five regions from at least five Member States. Groups of interested regions should designate a lead partner to submit programme proposals to the Commission by no later than 31 May each year over the period 2001-2004.⁹

The duration of programmes may vary depending on the proposals but the end-date for part-financing of these specific programmes to set up and operate networks and their work will be 31 December 2006. Regions may participate in one or more specific network programmes but may act as a lead partner in only one programme at a time. The programme proposal must include the designation of a managing body and a paying body.

47. Each programme proposal should contain the elements necessary for the Commission to approve a specific network programme as set out in Annex E.

The Commission will select the best proposals for ERDF part-financing based on the quality of the proposal, the degree of participation among the regions, and the capacity to transfer best practices to Objective 1 and 2 programmes part-financed by the ERDF.

48. All regions are invited to take an active part in the accompanying measures, particularly the networks for the exchange of experiences.

49. Regions which wish to establish specific measures for interregional cooperation involving regional innovation which go beyond networking may seek support under Interreg III C.

VIII. Competitions to identify and exploit best practice

50. In the period 2000-06, the Commission will publish two announcements of competitions in the Official Journal and on the Inforegio site¹⁰ relating to the strategic themes. The Commission will invite the regional authorities to nominate the project in each region which they regard as the most innovative.

A panel of high-level experts will be set up to select the best projects.

IX. Finance

51. The budget for innovative actions in 2000-06 will stay within the ceiling set in Article 22 of Regulation (EC) No 1260/1999, i.e. 0.4% of the annual funding of the ERDF. The annual amount of funds allocated to innovative actions under the ERDF for the period 2000-06 will be established in the light of the allocations agreed by the European Council in Berlin and in accordance with the budget appropriations adopted each year.

⁹ These supporting measures will be carried out in tandem with existing networks part-financed by the Commission in the areas covered by the strategic themes for innovative measures in 2000-2006.

¹⁰ <http://www.inforegio.cec.eu.int>

52. No more than 6% of the total allocation should be spent on the exchange of experience, the establishment of networks between regions and the organisation of assistance, with the remainder going to part-finance regional programmes of innovative actions. Technical assistance measures undertaken at the initiative of the Commission will be financed in accordance with Article 23 of Regulation (EC) No 1260/1999.
53. The Commission will part-finance regional programmes of innovative actions at up to 50%. However, a maximum rate of up to 80% may be applied to projects located in Objective 1 regions and, in justified cases of particular Community interest as regards innovative actions, a maximum rate of 60% may be applied in Objective 2 areas.

The Commission will part-finance specific programmes to set up and operate networks, as referred to in point 46, up to a maximum of 50%.

X. Reporting to the European Institutions

54. From 2002, the Commission is to present an annual report to the European Parliament, the Committee for the Development and Conversion of Regions, the Committee of the Regions and the Economic and Social Committee on progress with innovative actions.

XI. Other matters

55. Any correspondence about this notice should be sent to:
Mr G. Crauser
Director-General
Directorate-General for Regional Policy
Rue de la Loi, 200
1049 Brussels Belgium

Annex A

List of eligible regions

Note :

The regions below are those which are eligible in whole or in part under Objective 1 or Objective 2 and those receiving transitional support under those Objectives. In most cases the regions are classified at NUTS I or NUTS II level, as established by Eurostat.

Country	Name	NUTS level	Objective (including phasing out)
BE	BELGIQUE-BELGIË	P000	
BE1	REG. BRUXELLES-CAP. / BRUSSELS HFDST. GEW.	0123	02
BE2	VLAAMS GEWEST	0100	02
BE3	RÉGION WALLONNE	0100	01 and 02
DK	DANMARK	P120	02
DE	DEUTSCHLAND	P000	
DE1	BADEN-WÜRTTEMBERG	0100	02
DE2	BAYERN	0100	02
DE3	BERLIN	0120	01 and 02
DE4	BRANDENBURG	0120	01
DE5	BREMEN	0120	02
DE6	HAMBURG	0123	02
DE7	HESSEN	0100	02
DE8	MECKLENBURG-VORPOMMERN	0120	01
DE9	NIEDERSACHSEN	0100	02
DEA	NORDRHEIN-WESTFALEN	0100	02
DEB	RHEINLAND-PFALZ	0100	02
DEC	SAARLAND	0120	02
DED	SACHSEN	0100	01
DEE	SACHSEN-ANHALT	0100	01
DEF	SCHLESWIG-HOLSTEIN	0120	02
DEG	THÜRINGEN	0120	01
GR	ELLADA	P000	
GR11	ANATOLIKI MAKEDONIA, THRAKI	0020	01
GR12	KENTRIKI MAKEDONIA	0020	01
GR13	DYTIKI MAKEDONIA	0020	01
GR14	THESSALIA	0020	01
GR21	IPEIROS	0020	01
GR22	IONIA NISIA	0020	01
GR23	DYTIKI ELLADA	0020	01
GR24	STEREA ELLADA	0020	01
GR25	PELOPONNISOS	0020	01
GR3	ATTIKI	0123	01
GR41	VOREIO AIGAIO	0020	01
GR42	NOTIO AIGAIO	0020	01
GR43	KRITI	0020	01

List of eligible regions

ES	ESPAÑA	P000	
ES11	GALICIA	0020	01
ES12	PRINCIPADO DE ASTURIAS	0023	01
ES13	CANTABRIA	0023	01
ES21	PAIS VASCO	0020	02
ES22	COMUNIDAD FORAL DE NAVARRA	0023	02
ES23	LA RIOJA	0023	02
ES24	ARAGÓN	0020	02
ES3	COMUNIDAD DE MADRID	0123	02
ES41	CASTILLA Y LEÓN	0020	01
ES42	CASTILLA-LA MANCHA	0020	01
ES43	EXTREMADURA	0020	01
ES51	CATALUÑA	0020	02
ES52	COMUNIDAD VALENCIANA	0020	01
ES53	ISLAS BALEARES	0023	02
ES61	ANDALUCÍA	0020	01
ES62	REGIÓN DE MURCIA	0023	01
ES63	CEUTA Y MELILLA	0020	01
ES7	CANARIAS	0120	01
FR	FRANCE	P000	
FR1	ÎLE DE FRANCE	0120	02
FR21	CHAMPAGNE-ARDENNE	0020	02
FR22	PICARDIE	0020	02
FR23	HAUTE-NORMANDIE	0020	02
FR24	CENTRE	0020	02
FR25	BASSE-NORMANDIE	0020	02
FR26	BOURGOGNE	0020	02
FR3	NORD - PAS-DE-CALAIS	0120	01 and 02
FR41	LORRAINE	0020	02
FR42	ALSACE	0020	02
FR43	FRANCHE-COMTÉ	0020	02
FR51	PAYS DE LA LOIRE	0020	02
FR52	BRETAGNE	0020	02
FR53	POITOU-CHARENTES	0020	02
FR61	AQUITAINE	0020	02
FR62	MIDI-PYRÉNÉES	0020	02
FR63	LIMOUSIN	0020	02
FR71	RHÔNE-ALPES	0020	02
FR72	AUVERGNE	0020	02
FR81	LANGUEDOC-ROUSSILLON	0020	02
FR82	PROVENCE-ALPES-CÔTE D'AZUR	0020	02
FR83	CORSE	0020	01
FR91	GUADELOUPE	0023	01
FR92	MARTINIQUE	0023	01
FR93	GUYANE	0023	01
FR94	RÉUNION	0023	01
IE	IRELAND	P000	
IE01	BORDER, MIDLAND AND WESTERN	0020	01
IE02	SOUTHERN AND EASTERN	0020	01

List of eligible regions

IT	ITALIA	P000	
IT11	PIEMONTE	0020	02
IT12	VALLE D'AOSTA	0023	02
IT13	LIGURIA	0020	02
IT2	LOMBARDIA	0120	02
IT31	TRENTINO-ALTO ADIGE	0020	02
IT32	VENETO	0020	02
IT33	FRIULI-VENEZIA GIULIA	0020	02
IT4	EMILIA-ROMAGNA	0120	02
IT51	TOSCANA	0020	02
IT52	UMBRIA	0020	02
IT53	MARCHE	0020	02
IT6	LAZIO	0120	02
IT71	ABRUZZO	0020	02
IT72	MOLISE	0020	01
IT8	CAMPANIA	0120	01
IT91	PUGLIA	0020	01
IT92	BASILICATA	0020	01
IT93	CALABRIA	0020	01
ITA	SICILIA	0120	01
ITB	SARDEGNA	0120	01
LU	LUXEMBOURG (GRAND-DUCHÉ)	P123	02
NL	NEDERLAND	P000	
NL11	GRONINGEN	0020	02
NL12	FRIESLAND	0020	02
NL13	DRENTHE	0020	02
NL21	OVERIJSEL	0020	02
NL22	GELDERLAND	0020	02
NL23	FLEVOLAND	0023	01
NL31	UTRECHT	0023	02
NL32	NOORD-HOLLAND	0020	02
NL33	ZUID-HOLLAND	0020	02
NL34	ZEELAND	0020	02
NL41	NOORD-BRABANT	0020	02
NL42	LIMBURG (NL)	0020	02
AT	ÖSTERREICH	P000	
AT11	BURGENLAND	0020	01
AT12	NIEDERÖSTERREICH	0020	02
AT13	WIEN	0023	02
AT21	KÄRNTEN	0020	02
AT22	STEIERMARK	0020	02
AT31	OBERÖSTERREICH	0020	02
AT32	SALZBURG	0020	02
AT33	TIROL	0020	02
AT34	VORARLBERG	0020	02

List of eligible regions

PT	PORTUGAL	P000	
PT11	NORTE	0020	01
PT12	CENTRO (P)	0020	01
PT13	LISBOA E VALE DO TEJO	0020	01
PT14	ALENTEJO	0020	01
PT15	ALGARVE	0023	01
PT2	AÇORES	0123	01
PT3	MADEIRA	0123	01
FI	SUOMI/FINLAND	P000	
FI13	ITÄ-SUOMI	0020	01 and 02
FI14	LÄNSI-SUOMI	0020	01 and 02
FI15	POHJOIS-SUOMI	0020	01 and 02
FI17	ETELÄ-SUOMI	0020	02
FI2	AHVENANMAA/ÅLAND	0123	02
SE	SVERIGE	P100	
SE01	STOCKHOLM	0020	02
SE02	ÖSTRA MELLANSVERIGE	0020	02
SE04	SYDSVERIGE	0020	02
SE06	NORRA MELLANSVERIGE	0020	01 and 02
SE07	MELLERSTA NORRLAND	0020	01 and 02
SE08	ÖVRE NORRLAND	0020	01 and 02
SE09	SMÅLAND MED ÖARNA	0020	02
SE0A	VÄSTSVERIGE	0020	02
UK	UNITED KINGDOM	P000	
UKC	NORTH EAST	0100	02
UKD	NORTH WEST (INC. MERSEYSIDE)	0100	01 and 02
UKE	YORKSHIRE & THE HUMBER	0100	01 and 02
UKF	EAST MIDLANDS	0100	02
UKG	WEST MIDLANDS	0100	02
UKH	EASTERN	0100	02
UKI	LONDON	0100	02
UKJ	SOUTH EAST	0100	02
UKK	SOUTH WEST	0100	01 and 02
UKL	WALES	0100	01 and 02
UKM	SCOTLAND	0100	01 and 02
UKN	NORTHERN IRELAND	0120	01
UK	GIBRALTAR		02

Annex B

Lessons from the past: innovative measures in the 1994-99 programming period

Review of innovative actions between 1994 and 1999 by independent experts¹¹

Note:

The following conclusions do not necessarily reflect the position of the Commission.

“From experience of innovative measures, we would say that the most innovative features of Article 10 measures are as follows.

1. The measures have succeeded in being a **laboratory for experimentation** for new ideas, methods and institutional arrangements, a learning process which is sadly lacking in most less-favoured regions of the EU. For reasons which we examine later, there is very little scope for genuine experiments in the mainstream Structural Funds, therefore Article 10 has a unique status which needs to be preserved for the sake of innovation in the broadest sense. Although innovation and experimentation are largely ‘bottom-up’ processes, there is not doubt that regions involved in the RTP [*Regional Technology Plan*], RIS and RISI have benefited enormously from the ‘top-down’ guidance and methodological support provided by the Commission.
2. The measures have triggered new and more effective social **partnerships**, at least in the most receptive regions and cities, and these partnerships have been most effective where the local actors appreciate the significance of social capital (i.e. the norms and networks of trust, reciprocity and civic engagement).
3. The measures provided the recipients with a **direct link with the EC**, without the political mediation of, and interference from, central governments, and this direct link has been a stimulating experience for the local actors even though this has caused management problems for the EC itself.
4. The **regional focus** of the measures is something to be valued because it allows good practice to be disseminated more broadly than the local level and this allows for the development of critical mass, which is essential for the growth of networks and clusters.
5. The urban focus of the UPPs [*urban pilot projects*] has helped the measures to address the important issue of **local governance** by supporting innovative approaches to local empowerment, local capacity building and public-private partnerships.
6. The capacity for **inter-regional exchange** of experience has been of great benefit to regions and cities which are committed to ‘learning to learn’. A number of regional beneficiaries extolled this dimension of Article 10 because it was a good antidote to parochialism and because firms/regions/cities often learn best from other firms/regions/cities.

¹¹ European Commission, 1999, review of Article 10 projects by a group of external experts (1998): Professors Kevin Morgan, Massimo Florio, Sylvie Harburger and Frieder Naschold.

If these are the assets which need to be enhanced, there are also problems which need to be overcome. From our experience the main problems are as follows:

1. At the regional level Article 10 runs the risk of being a potential **ghetto**: since Article 10 measures are autonomous of the mainstream Structural Funds (which is necessary to provide space for experimentation), there have been problems in integrating these activities with the mainstream programmes. [...]
2. At the European level, the **audit culture** of the Commission threatens to turn it into a risk-averse institution which is afraid to innovate because of the fear of failure. [...]
3. One of the major flaws in the design of Article 10 (at least as far as the RTP, RIS and RISI programmes were concerned) was the **conception/execution barrier**: the regional beneficiaries were not funded for implementing their projects, so they had no means of testing their innovative designs in practice. [...]
4. The heterogeneity of programmes, selection procedures and objectives proves that **diversity** can be a liability as well as a potential asset. [...]
5. Last but not least is the problem of evaluation, especially the lack of in-depth ***ex-post* evaluation**. [...]"

Annex C

Examples of innovative measures 1994-99

Technological innovation (RIS)¹²

Limburg (NL) has developed a regional innovation strategy (RIS+Limburg) in close collaboration with intermediary R&TDI organisations and with firms. Five programmes and more than 144 projects have been implemented as part of this strategy, and an advisory system and investment system have also been set up; some 3 000 enterprises are involved altogether. RIS projects account for a total of EUR 125 million, including a Community contribution of nearly EUR 30 million from the various Structural Funds, which is helping to create and preserve more than 2 000 jobs. The 'R&D vouchers' project is an innovative example of one such project: the research department of a large regional enterprise (DSM) is helping small businesses solve their technology problems by means of technology mentoring. Other examples of RIS projects include the launch of a new type of public aid to encourage small businesses in the Limburg region to adopt ICT applications as quickly as possible; special public support for technology start-ups, etc.

Over the past three years **Yorkshire and Humberside** has seen more than EUR 50 million invested in projects supporting innovation under the framework of the Y&H RIS regional innovation strategy. Investments have helped set up a Chemicals Industries Regional Centre of Excellence (CIRCE) (EUR 5 million) and a new EMM Venture Capital Fund for engineering and manufacturing (EUR 12 millions), design a new web site – Finance2Business.com – to simplify and promote access to financial assistance for SMEs, and set up a centre of technology and innovation in the food sector and a knowledge-based web site, etc. The Y&H RIS has also introduced a strategy and operational structure for complementary aid to existing regional and local measures which support innovation in the region, which includes setting up fifteen major sectoral clusters for the local economy.

Information society (RISI)¹³

The regional approach underlying this RISI project has had a unifying impact in the **Nord Pas-de-Calais Region**. It has acted as a catalyst and innovator, helping to develop new skills, new activities and a new culture. Its influence is acknowledged by nearly all regional actors. The carefully structured approach, which is in line with the regional strategy, has had a positive influence on job creation in particular, including within the framework of the Structural Funds.

This positive result has had a strong impact on integration in the key structural operations. Two NICT [new information and communication technologies] measures have been set up under the ERDF, one under Objective 1 (1994-99) and the other under Objective 2, with a total allocation of FRF 197 million. Together these measures have helped part-finance 141 projects in various fields: education and distance learning, economic and business development, health, culture, cyber centres, public services, digital sites and transport. A total

¹² Detailed information on RIS measures, including the results of evaluations, may be found at <http://www.innovating-regions.org>

¹³ Detailed information on RISI measures, including the results of evaluations, may be found at <http://www.ispo.cec.be/risi>, <http://www.erisa.be> and <http://www.inforegio.cec.eu.int/>

of FRF 392 million has been invested in these projects, with the ERDF providing a 30% share.

More generally, by integrating the RISI approach the ERDF has had a significant multiplier effect in terms of project development, job creation, setting up centres of specialised regional skills (e.g. 'health and multimedia', 'image and multimedia', 'education and training', 'transport ticketing, 'e-commerce', etc.). This has helped position the region as one of the major centres of development of teleservices and teleworking in France, and as a key actor in Europe's 'Net Economy' and 'Net Culture'.

Annex D

Information to be provided in proposals for a regional programme

of innovative actions 2000-2006¹⁴

Programme proposals should contain the following information to help the Commission decide on a contribution from the ERDF budget for innovative measures. Proposals should not exceed 25 pages as a rule. Before taking its decision, the Commission may ask the competent authorities in the region to provide more information.

Introduction

A brief description of the region, identifying its particular strengths and weaknesses and the opportunities and threats to development.

The proposed programme of regional innovative actions

A description of the proposed programme, its scope including geographical coverage, its specific aims and the composition of the partnership involved in preparing the programme proposal.

- Objectives (quantified if possible)
- A description of the strategy to promote innovation covering one or more of the three strategic themes in the light of the specific features of the region:
 - (i) regional economies based on knowledge and technological innovation,
 - (ii) e-EuropeRegio: the information society at the service of regional development,
 - (iii) regional identity and sustainable development.
- A description of the types of operation to be funded (studies, pilot projects, strategic planning, participation in networks, technical assistance,¹⁵ etc.).
- A description of the potential impact of the regional programme of innovative actions on the Objective 1 and 2 programmes part-financed by the ERDF in the region.
- Compatibility and synergy with other Community policies.
- Project selection criteria (indicative).
- Procedures and conditions for applications by potential beneficiaries.

¹⁴ Information on the submission of regional programmes of innovative actions will be available at <http://www.inforegio.cec.eu.int/innovating>

¹⁵ In accordance with Commission Regulation (EC) No 1685/2000 of 28 July 2000 – OJ L 193 – on the eligibility of expenditure of operations co-financed by the Structural Funds.

- Main target groups.

Bodies responsible for management and implementation

- Managing body (to be designated by the competent authorities in the region)
- Paying body (to be designated by the competent authorities in the region)
- Composition of the Steering Committee
- A description of the implementation system
- A description of the financial system
- A description of the control system
- Practical arrangements for exchange of information and co-operation between the partners
- Monitoring and evaluation provisions.

Financing plan (attached tables to be completed)

- Total cost: the ERDF contribution and public and private contributions broken down by
 - the actions proposed and Objective 1 and 2 areas concerned,
 - the three strategic themes.
- Rate(s) of assistance envisaged for actions in different parts of the region (Objective 1 areas, Objective 2 areas and non-Objective areas).

Partnership

- Description of the consultation procedure at the programme drafting stage.

Information and promotion

A description of publicity and information activities to promote the programme in the region.

Annex E

Information to be provided in proposals for a specific network programme

Programme proposals should contain the following information to help the Commission decide on a contribution from the ERDF budget for innovative actions. Proposals should not exceed 25 pages. Before taking its decision, the Commission may ask the programme applicants to provide more information.

The proposed network programme

A description of the proposed programme, its scope including geographical coverage, its specific aims, its duration and the composition of the participating regions.

- A description of the themes involved in the network's activities:
 - (i) regional economies based on knowledge and technological innovation,
 - (ii) e-EuropeRegio: the information society at the service of regional development,
 - (iii) regional identity and sustainable development.
- A description of the types of actions to be funded:
 - conferences,
 - seminars and workshops,
 - study-trips,
 - websites,
 - newsletters,
 - other forms of exchange of experience, etc.
- Detailed workplan and timetable for the implementation of the programme.
- A description of the links with Objective 1 and 2 programmes part-financed by the ERDF.

Bodies responsible and arrangements for implementation

- Lead region (to be designated by the participating regions).
- Managing body (to be designated by the participating regions).
- Paying body (to be designated by the participating regions).
- Practical arrangements for exchange of information and co-operation between the partners.
- Monitoring and evaluation provisions.

Financing plan (attached tables to be completed)

- Total cost showing:
- the ERDF contribution and public and private contributions broken down between
 - the different actions proposed,
 - the three strategic themes.
- Detailed breakdown of the cost of each action.