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THE DIRECTOR GENERAL

To the members of
the REGI and ITRE committees
of the European Parliament

By e-mail

19 March 2019

Dear Member of the European Parliament,

Plenary vote on the European Regional Development Fund on 27 March 2019

You will be voting on the important report regarding the European Regional Development Fund on 27 March 2019. BusinessEurope is concerned about the proposal from the Commission regarding article 4 (and recital 16) of the regulation, which defines the scope of support from the ERDF. In particular, when it comes to productive investment, the proposal limits its access to SMEs only, and larger companies can only access it when in cooperation with SMEs for research and innovation activities. These restrictions are significant when compared with the current regulation, and we fear these can bring unintended consequences, including for SMEs.

Evidence shows that large enterprises act as a crucial anchor in local and regional economic development, often forming important value chains with SMEs. In fact, many SMEs exist primarily as part of such value chains with large enterprises. It is in the interaction between these companies that knowledge and best practices transfer works better. Such value chains are also a key factor in the creation of innovative regional clusters. Larger companies also play an important role in the development of peripheral development centres, which are crucial to spur growth and ensure employment in rural regions. It is however important to realise that these collaborations grow gradually as local presence expands, but should not be a pre-condition to access funding as it may create an unproductive and artificial cooperation.

Excluding larger companies, could also negatively impact important synergies with other EU funds, in particular Horizon Europe, hindering wider EU strategies such as smart specialisation strategies, impeding innovation and cutting off companies from vital partnerships.

While incentives alone do not drive investment decisions, direct financial supports continue being an important tool for Regions, mainly the less developed ones, to use in trying to attract large globally-mobile investments. The EU must provide a clear signal to private investors and work to maximize the potential yield that these funds can produce in terms of job creation, job retention and innovation. This is particularly relevant at a time when Europe's competitors are becoming more aggressive and are taking

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significant steps to improve their business environment and attract international investment.

It is also important to bear in mind that ESI Funds already apply a set of rules able to protect investments and to prevent delocalization outside European borders, and that large enterprises projects, co-financed by structural funds, represent the investments with the highest long-term effects.

Finally, according to the Commission's ex-post evaluation for the ERDF 2007-2013, it appears only 2% of total cohesion policy go to large enterprises. Also, the report mentions that 70% of the large corporations benefitting from the funds showed a positive behavioural change and that 90% of the projects realised had positive societal outcomes. These results signal that the concerns leading to the proposal to restrict access to large enterprises are overly emphasised.

We therefore insist that access to the productive investment part of this fund should be evaluated on the quality of the investment and its economic impact, and not on the size of the company, and we hope that these important points will be taken into account during the plenary vote on the European Regional Development Fund on 27 March 2019.

Yours sincerely,

Markus J. Beyrer