



The situation in the regions - progress report

On 3 February the Commission adopted the Sixth Periodic Report on the socio-economic situation and development of the regions of the European Union. This shows real convergence towards the EU average of per capita GDP (or output) in the regions that are lagging furthest behind, achieved with support from the Structural Funds. The situation as regards unemployment continues to be much less positive, however.

The report shows in general that considerable progress has been achieved in reducing regional disparities. Significant catching up has occurred mainly in terms of output in the poorer regions of the Union: in the period from 1986 to 1996, GDP per head in the 10 regions where this was lowest increased from 41% of the Community average to 50%, and in the 25 poorest regions from 52% to 59%.

In the Objective 1 regions, the EU Funds induced additional growth of 0.5% a year from 1989 to 1999. The cumulative effects of the Funds between 1989 and 1999 have also made it possible for the GDP of Greece, Ireland and Portugal to rise by 10%, and that of Spain by 4%.

Outlook

There is a long way to go yet, however. Despite some closing of the gap with the remainder of the Union, labour-market figures show that unemployment in the Objective 2 regions, and especially long-term unemployment, is still a serious problem. The worst affected are women and young people. It appears also that the spurt in economic growth has not enabled these

disadvantaged groups to be reintegrated sufficiently into the labour market. Achieving this target will call for a strategy which combines strengthening the economic base of a region with training programmes which match the skills requirement on the labour market.

Given the narrowing of disparities in basic infrastructure and human capital, competitiveness in the poorer regions is coming to depend on less tangible factors such as:

- the capacity of firms to develop innovative processes and products through technology transfers and local R&D;
- institutional factors such as the efficiency of local government, the prevailing business culture and private-sector networking;
- the quality of provision of support services for small businesses.

The financial resources available in these regions need to be accurately targeted. From the rise in patent applications, it is clear that there has been some progress in recent years in the area of innovation.

The challenge of enlargement

In the period 2000-06, the Structural Funds will have to respond to the challenges raised by enlargement of the Union. While most of the 10 central and east European countries (CEECs) have been experiencing a period of economic recovery since 1993, the gap in output between these countries and the EU average is still considerable. Per capita GDP in the majority of them is less than 40% of the EU average. Major disparities exist in most, moreover, between the

prosperity of their urban areas or those more to the west and the relative poverty of the regions further east or those heavily dependent on traditional industries and agriculture. The Report stresses that the CEECs will have to put in place appropriate institutional and budgetary structures before the Structural Funds can address these economic and social problems successfully.

Cyprus

The position of Cyprus is different: in many respects its economy is prepared for EU membership. Per capita GDP is apparently now close to 75% of the EU average and the rate of unemployment is low, though productivity is poor.

The full Report is available on the Inforegio website <<http://inforegio.cec.eu.int/6rp>> or on request by fax to: +32-2-296.60.03.

Structural Funds and Cohesion Fund: draft guidance 2000-06

On 3 February the Commission published draft guidance for programmes under the Structural Funds in the period 2000-06 (new Objectives 1, 2 and 3) and their coordination with the Cohesion Fund. The paper seeks to present the priorities of the Commission to national and regional authorities, based on both past experience and current EU policies for structural assistance.

In general the Commission underlines the need for broader partnership at all levels with the regional and local authorities, economic actors and the two sides of industry and other relevant organisations. It also recommends the development of integrated schemes as part of programming strategies. Equal opportunities and sustainable development are presented as principles to be applied across the board.

Improving regional competitiveness

The Commission feels that improving competitiveness is a necessary precondition for regional economic development. This is why it is important to make sure that firms can carry out their activities in an environment favourable to optimising productivity and employment. This approach will include paying attention to the quality of infrastructures (in transport, energy and telecommunications), of the natural environment, of R&D and of the Information Society. Companies, especially small businesses, should also have access to direct assistance and counselling services. Help can be provided by capital grants, but also by alternative sources of funding such as investment capital and loans.

Tourism, culture, the environment and the social economy are among the sectors that the Commission considers particularly promising in terms of regional development and job creation.

Employment and development of human resources

Another general aim is preventing and fighting unemployment as well as developing human resources in order to promote a high level of employment. The schemes funded by the European Union will have a reference framework in the National Action Plans for Employment envisaged under the new Community strategy for employment (see Treaty of Amsterdam). The general priorities of these plans are readiness for taking up work, entrepreneurial spirit, the ability to adapt and equal opportunities. The schemes supported will aim above all to promote active labour-market policies, facilitate access to the labour market and support vocational training, on-going education and training and employment services.

The development of urban and rural areas

The Commission stresses the importance of ensuring balanced and complementary development of urban and rural areas, while taking into account their specific features.

In towns and cities, priority should go to their leading role in contributing to regional growth, to social integration and improving the environment and quality of life, and to systems of sound urban and local management.

In the countryside, attention should be given to strengthening the agricultural sector, improving competitiveness and safeguarding the environment and Europe's rural heritage.

In areas dependant on fishing, special attention needs to be paid to rationalising production methods and to collective measures benefiting the whole of the fisheries sector.

The complete text of the draft guidelines is available on the Inforegio site at: <<http://inforegio.cec.eu.int/guidance>> or on request by fax: +32-2-296.60.03.



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CX-AB-99-002-EN-C