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European Union
Regional policy

inforegio panorama

9 March 2003

Interview

Göran Ekström, President of EURADA

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Discovering a region

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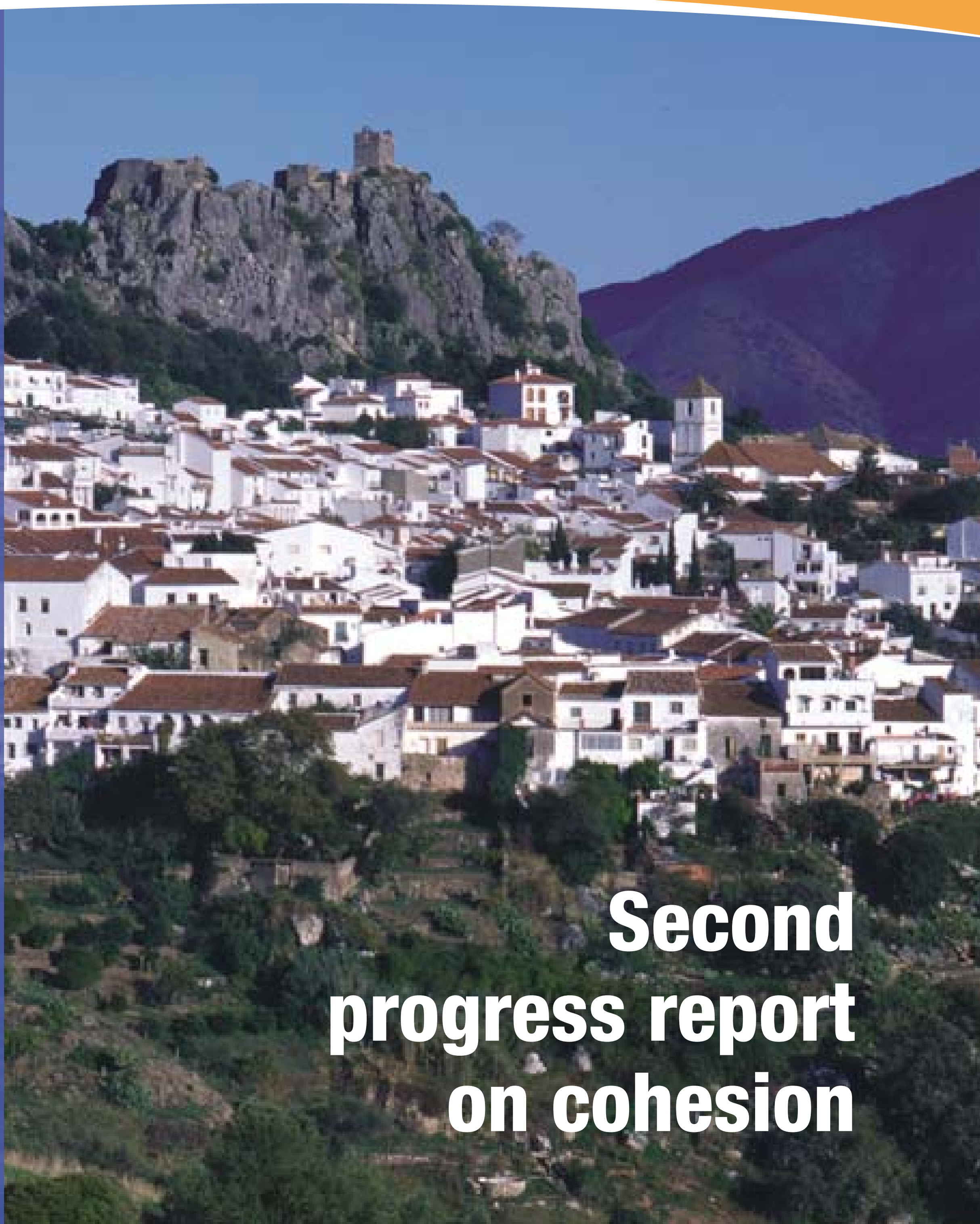

Second progress report on cohesion

Inter view

Göran Ekström

President of EURADA

Why the decision to create a European Association of Regional Development Agencies in 1991?

EURADA's creation in 1991 has to be set within the context of the late 1980s, when the spotlight was on completing the single internal market and implementing the Structural Funds' first multiannual programming period. As a result of completing the internal market, some regional development agency leaders felt the need to find out what other leaders were doing to prepare their social and economic fabric for closer European union.

The 1988-1994 Structural Fund period was also interesting for regional development agencies as it marked the emergence of the concepts of Community Initiatives, global grants and interregional cooperation. These subjects encouraged dialogue with the European Commission and exchanges of views among regional development agency leaders.

EURADA is the tangible result of DG REGIO funding under what was later to become its RECITE programme1. Twenty or so regional development agencies, linked together in an informal network, received Community co-financing to facilitate the exchange of experience in the field of locally generated development. The fact that EURADA is still around ten years later proves that the RECITE([1]) programme has achieved its objectives. EURADA's aim to be the leading association of regional economic development professionals has not changed in the ten years since its inception.

The term "development agency" covers a wide variety of organisations, ranging from small local development agencies to national government agencies. How do EURADA members position themselves between the two extremes?

EURADA has adopted clearly defined criteria regarding the types of development agency that can be admitted for membership to the association. Basically EURADA's regional development agency members must operate on a wider geographical scale than a municipality. This has led to good, homogeneous membership. In practice, we have seen that very often the subjects addressed by the association are really only of interest to development agencies with a certain critical mass in terms of size and population, and also with regard to the numbers of entrepreneurs.

The diversity of organisations in the European Union therefore does not pose any real problem. However, we often have the impression that a number of regional actors would have much to gain in terms of knowledge and know-how if they were to join in our activities. At our annual "Agorada" event in November 2002, which was based on the theme of "How to make your region entrepreneurial for the next ten years?" there were only a few participants from Objective 1 regions. Therefore, given that the exchange of experience should boost capabilities, EURADA has in fact had a negative impact. It has helped to boost the capabilities of regional development agencies in the most dynamic regions, while having little impact in regions whose development is lagging behind.

How do you balance the two main strands of EURADA's activities: dialogue with the European Commission and managing specific projects?

EURADA has always positioned itself as a lobbying organisation in the advance information niche. We therefore attach great importance to dialogue with the various European Commission

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Editor: Thierry Daman, European Commission, Directorate General for Regional Policy

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Photos (pages): Eurada (2), Chris Heymans (4), Children of Ireland Group (6), FORMA (10), Ministerstvo pro Místní Rozvoj (11), Região do Norte (13), AEIDL (15)
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departments. This dialogue covers a broad range of issues, such as simplification of the administration of the Structural Funds, the policy of state aids, entrepreneurship, sustainable urban development, access to finance for SMEs, and so on.

Of course EURADA has also managed specific projects. The types of project it has implemented over the years all responded to one of two criteria: either to permit a real exchange of know-how through mentoring or networking regional operators, or to address new issues.

EURADA has worked extensively on benchmarking, the comparative study of regional competitiveness. What lessons can be drawn from this work at this stage?

Since 1997 EURADA has been developing a model for comparing the performance of organisations promoting regional economic development. This model is based on collecting and interpreting statistical data. In addition, any best practices identified are described in a standardised form, which allows a real comparison of the practices of the regional development agencies participating in the exercise. The model that has been developed differs from other similar exercises of which we are aware because it does not seek to classify practices or establish any kind of ranking, neither is it limited to a compendium of more or less self-proclaimed good practices.

We can draw the following lessons from our work so far: (a) it is possible to benchmark public regional policies; (b) the model is easy to use and understand and it is financially affordable as it does not require a vast amount of work; (c) the model makes it possible to identify best practices in regions that would not normally be held up as an example; (d) the model forces participants to critically reassess their own activities.

The experience acquired has also shown that regions do not necessarily define the same concept in the same way.

We are aware that, for it to be really significant, our pilot experiment must secure the backing of as many regional organisations as possible. We also know that a benchmarking approach will only be really successful if top-level decision-makers get involved and use the lessons learned to develop and enhance their structures.

What is EURADA's stance in relation to enlargement, and to the next programming period due to start in 2007?

For EURADA, enlargement actually happened in 1995, when we decided to allow regional development agencies from Central and Eastern Europe countries to become members. Since 2000 we have been holding a major annual event specifically for regional development agencies in these countries. With regard to the Structural Funds, we have focused special attention on problems associated with implementing the Funds, and also on the importance of investment in fields related to entrepreneurship, access to finance for SME's and innovation. We have also highlighted the difficulties related to interaction, or the lack of interaction, between the various Community policies and the Structural Funds (environment, controlling state aids, public procurement, research and development, etc.) and the need for administrative simplification. In many cases the procedures are made even more complex by requirements imposed by Member State authorities.

One of EURADA's priority demands for the post-2006 period is to boost Community policy in favour of SMEs, especially in regions that will no longer be eligible for the Structural Funds.

(1) RECITE (Regions and cities for Europe) was an action programme to promote knowledge exchanges between networks of local authorities. From 1991 to 1995, the sum of 4.2 million ECU was made available to the 15 European networks.

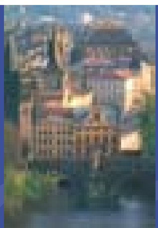
Linking regional development agencies

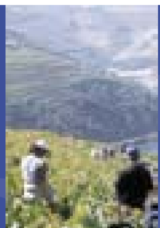
EURADA, the European Association of Regional Development Agencies, was established in December 1991. Its current membership includes some 150 development agencies from 25 countries in the European Union and Central and Eastern Europe.

EURADA's programme of activities focuses on:

- Exchanging regional development information, supporting companies and training development agency managers.
- Analysing the impact of Community policies.
- Developing cooperation projects between development agencies.
- Promoting innovative and transferable practices in the sphere of local and regional economic development.
- Disseminating relevant information and raising awareness about Community policies and best practices in the field of local and regional economic development.
- Managing cooperation projects co-financed by the European Commission.

Contact:
EURADA Secretariat
Avenue des Arts, 12
Box 7 - B-1210 Brussels
Tel. +32 2 218 43 13
Fax. +32 2 218 45 83
E-mail: info@eurada.org
Web: www.eurada.org





Second progress report on economic and social cohesion

On 30 January 2003, the Commission adopted the Second progress report on economic and social cohesion.

This document was published as part of the European Commission's undertaking to regularly report to the Council on preparations for its proposals on continuing the cohesion policy after 2006. The report assesses what changes and trends have occurred with regard to European economic and social cohesion since the first interim report was published in January 2002.

Slow-down

In 2001 the European Union experienced a significant slow-down in economic growth, with the GDP of the current fifteen Members States rising by only 1.5%, compared with 3.5% in 2000. This slow-down is expected to have the greatest impact on the Union's poorest regions.

All the cohesion countries, except for Greece, have continued to catch up with the other Union countries. Ireland has experienced sustained growth. In 2001 its GDP per head at purchasing power parity reached 118% of the Community average (compared with 115% in 2000 and only 64% in 1988).

Regional disparities within the Member States continued to grow in 2000. However, because of the convergence between Member States, the overall disparities between regions in the fifteen Member States remained virtually the same between 1995 and 2000.

In 2000 per capita income in the Objective 1 regions remained slightly higher than 71% of the Community average. However, it is easier to measure the catch-up effect over a five-year period, when we see that the overall income difference fell by 2 points between 1995 and 2000 and by two points in Objective 1, underlining the long-term effectiveness of the Structural Funds.

We find three groups of countries in the Union of 25:

- The eight poorest future Member States, with a per capita GDP of 42% of the Community average.
- An intermediary group (Spain, Cyprus, Portugal, Slovenia and Greece) with a per capita GDP of between 71% and 92% of the Community average.
- A group including the other current Member States, with an average per capita GDP of at least 115% of the Community average.

Therefore, regional disparities are set to grow following enlargement. According to the latest statistics, 48 regions in the current Member States (i.e. 18% of the population - 68 million) have a per capita income of less than 75% of the Community average. In the Union of 25, there will be 67 such regions, or 25% of the population - 116 million. In the enlarged Union, the ratio between the richest 10% of regions and the poorest 10% of regions is 4.3 (compared with 2.6 in the Union of 15).

The impact of the economic slow-down on employment has been less than expected. The major employment trends in the Union are as follows:

- Employment grew marginally in 2001. The unemployment rate rose slightly in the first half of 2002 to reach 7.7%. Unemployment is particularly severe in Italy, Greece and Spain, where it hits women and young people especially hard.
- Although regional disparities in terms of employment have diminished, they are still wide: the regions with the highest employment rates have an average rate of 78.1%, and those with the lowest rates, an average rate of 48%. The gap in unemployment rates ranges from 2.3% to 19.7%, depending on the region. France (if the Overseas Departments are included) and Italy have the widest gap between regions in a single Member State.
- Social cohesion continues to improve slowly. The gap between the total income of the richest and poorest regions has diminished, as has the number of Europeans living under the national poverty line.

In the applicant countries:

- Employment was hit by the economic crisis of 2001. The steady fall in the employment rate over the past five years has continued, in spite of a sharp rise in the service sector. Only Slovenia and Cyprus have an employment rate higher than the Community average. It is estimated that 3 million new jobs must be created in the new Member States in order to achieve the same levels of employment that currently exist in the EU.
- While there are fewer regional employment disparities than in the EU, they remain substantial. In 2001 the unemployment rate was 13%. It ranged from 3.6% in the least affected regions to 24.3% in the hardest-hit regions.

New insights

The results of the Commission study on the expected economic impact of Objective 1 financing between 2000 and 2006 are encouraging. For example, it is estimated that Portugal's total GDP over this period will be 3.5% higher than it would have been without Community support (2.2% for Greece, 1.7% in Italy's Mezzogiorno region, 1.6% in East Germany and 1.1% in Spain). In addition, support for Objective 1 regions has also had a knock-on effect outside of those regions, with one quarter of the original expenditure benefiting other areas in the Union and one-tenth benefiting non-Union countries.

New indicators on technological progress confirm that southern European countries are lagging behind in terms of technological innovation and growth in the knowledge economy. Finland, Sweden and Germany file at least double the number of patents per million inhabitants than the European average. This is compared with fewer than half the European average in Greece, Ireland, Italy, Portugal and Spain. Regional disparities in this field are very marked, especially in leading-edge technologies. These trends are widely confirmed by research and development spending. Among the applicant countries, Slovenia and the Czech Republic have the highest levels of research and development investment.

The European Commission has launched a series of studies on the regional component of cohesion. One of the studies examines island regions. Another looks at mountain areas. Two studies on human capital analyse its role in regional development and in the global and knowledge economies.

Debate on the future of the cohesion policy

The Second progress report also reviews the debates that took place in 2002 on the future of the cohesion policy. It summarises the opinions expressed by a number of European institutions (Council, European Parliament, Economic and Social Committee, Committee of the Regions), as well as concerns expressed by participants in four major seminars held by the Commission last year. At this stage the debate on the future of Europe's cohesion policy has raised the following issues:

- It is unanimously agreed that priority should be given to the least developed regions, with widespread acceptance that the criterion of 75% of the European Union's average GDP applied at NUTS II level is used to define these regions. Many call for additional criteria to be taken into account.
- The possibility of including islands and ultra-peripheral regions in this category, referred to in article 299 of the Treaty, was raised by their representatives. The "statistical effect" on the regions in the Fifteen Member States currently eligible for Objective 1 could be offset by means of a transitional regime or by raising the eligibility threshold. The representatives of islands and sparsely populated regions of Nordic countries also advanced arguments that their special situation should be taken into account in future cohesion policy.
- Many people support aid outside regions whose development is lagging behind. Points frequently mentioned in this context include more simplification and decentralisation, as well as a focus on Community priorities and regional competitiveness. Zoning such aid is no longer considered appropriate. The consequences of abandoning zoning of Objective 2 state aid for regional purposes was raised several times.
- The exchange of experience and cooperation are widely acknowledged as having a beneficial impact, especially at the cross-border level.
- There was frequent mention of raising the contribution from Community policies (fisheries, competition, agriculture, transport, environment, research and development) to economic and social cohesion in 2002.

Preparations for enlargement

Finally, the Second progress report briefly mentions preparations for enlargement. Following the closure of the accession negotiations at the Copenhagen Council, these preparations mainly consist of finalising the future Member States' structural programmes and ensuring that they are operational on the actual day of accession. In July 2003, a special report will be presented on the formalisation of the applicant countries' commitments under the regional policy negotiations.

*The **Second progress report on economic and social cohesion** is available at: http://europa.eu.int/comm/regional_policy/sources/docoffic/official/reports/interim2_en.htm*

Copenhagen Council (December 2002): Distribution of the Cohesion Fund and the Structural Funds in the new Member States for the period 2004-2006

(in millions of euros, 1999 prices)

	Cohesion Fund	Structural Funds						
Country	Indicative distribution as a percentage of the total	Objective 1	Objective 2	Objective 3	IFOP (Fisheries)	Community Initiative Programmes		Total
						INTERREG	Equal	
Cyprus	0,43 %-0,84 %	0	24,9	19,5	3,0	3,8	1,6	52,8
Estonia	2,88 %-4,39 %	328,6	0	0	0	9,4	3,6	341,6
Hungary	11,58 %-14,61 %	1 765,4	0	0	0	60,9	26,8	1 853,1
Latvia	5,07 %-7,08 %	554,2	0	0	0	13,5	7,1	574,8
Lithuania	6,15 %-8,17 %	792,1	0	0	0	19,9	10,5	822,5
Malta	0,16 %-0,36 %	55,9	0	0	0	2,1	1,1	59,1
Poland	45,65 %-52,72 %	7 320,7	0	0	0	196,1	118,5	7 635,3
Czech Rep.	9,76 %-12,28 %	1 286,4	63,3	52,2	0	60,9	28,4	1 491,2
Slovenia	1,72 %-2,73 %	210,1	0	0	0	21,0	5,7	236,8
Slovakia	5,71 %-7,72 %	920,9	33,0	39,9	0	36,8	19,7	1 050,3
Total	7 590,5	13 234,3	121,2	111,6	3,0	424,4	223,0	14 117,5

Cohesion: a few key figures

- In the Union enlarged to 25 Member States, the ratio between the 10% richest regions and the 10% poorest regions is 4.3 (compared with 2.6 in the Union of 15).
- Forty-eight regions in the existing Member States (18% of the population, i.e. 68 million inhabitants) have a GDP of less than 75% of the average Community GDP. In the Union enlarged to 25, only 30 regions in the current Member States (12% of the population, i.e. 47 million) would remain under the threshold of 75% of the new average. In a Union of 27, only 18 would remain (6% of the population, i.e. 24 million inhabitants).
- 15% of Europeans are living under the national poverty line (excluding social transfers other than old-age pensions, the rate would be 24%).
- Every euro spent from the Structural Funds in Objective 1 regions has led to a EUR 1.33 increase in the GDP of those regions and has also had a knock-on effect in wealthier regions: one quarter of the original expenditure benefited other areas in the Union.

The PEACE programme for Northern Ireland and the Border Counties of Ireland

In aid of peace and reconciliation

Its unique mission in the Structural Funds and the pioneering approach to implementation make the PEACE programme exemplary in more ways than one.

In the mid-1990s, Northern Ireland embarked on the road to peace. The ceasefires agreed by all sides since 1994, and the 1998 Belfast Agreement ("Good Friday Agreement") were two major milestones on this difficult – and still incomplete – path to peace.

The European Union is actively supporting the peace process through a unique Structural Funds programme. In late 1994, the Commission mooted the idea of a five-year Community Initiative to assist Northern Ireland and the Irish Republic's border counties. This was the "Special Support Programme for Peace and Reconciliation", now better known as "PEACE I".

With EUR 500 million from the Community, PEACE I funded no fewer than 12,000 projects between 1995 and 1999, benefiting a total population of some two million inhabitants in pre-defined priority sectors: employment, urban

and rural renewal, social integration, support for production investment and businesses, and cross-border cooperation. However, the main advantage of the PEACE programme is that it has benefited categories of people particularly hard-hit by the conflict in Northern Ireland, by means of projects that had hitherto never been eligible for Community funding: psychological and social support for assault victims and their families, helping former prisoners involved in paramilitary organisations to find employment, young people and women involved in projects for building closer relations between Catholics and Protestants in buffer zones between the two communities, etc.

The PEACE programme is also original in terms of its innovative implementation mechanisms: it was the first time the EU had ever tackled a programme of this scale that was cross-border (like an INTERREG-type programme), that prioritised a form of management that was closer to needs on the ground by entrusting most of the funding to local partnerships and NGOs, and that explicitly involved all the region's religious communities and political factions.

From PEACE I to PEACE II

Acknowledging the success of PEACE I, and the continuing special needs associated with the peace process, in March 1999 the Berlin European Council decided to extend the programme for a further five years.

The total budget earmarked for the new phase, "PEACE II", for the 2000-2004 period, is more than EUR 700 million, including a EUR 531 million contribution from the Structural Funds. As with PEACE I, around 80% of the programme's total resources are allocated to projects in Northern Ireland and 20% to the Border Counties of Ireland. 15% of the entire programme is devoted to cross-border projects.

PEACE II is being implemented in a different institutional context than its predecessor. Under the Belfast Agreement, cross-border administrative bodies have been set up to cover the whole of the island of Ireland. One of these, the Special EU Programme Body, now acts as the single managing authority for the PEACE programme, as it does for the INTERREG programme. PEACE II retains, and even reinforces, the special features that made PEACE I so successful. The financing effort now focuses on groups, sectors and areas earmarked as having suffered particularly severely from the conflict. Furthermore, it places the emphasis on cross-community projects or projects that can demonstrate a long-term rapprochement between Catholics and Protestants. PEACE II is more economically oriented than its predecessor, with priorities that include economic renewal, social inclusion, integration and reconciliation, local development initiatives, opening up the regions and cross-border cooperation.

Releasing goodwill

As the Northern Ireland conflict has always taken place under the spotlight of the international media, the peace process itself also attracts interest from the rest of the world. However, in spite of the ceasefires and the Belfast Agreement, Northern Irish society is still dogged by political violence. Since it responds to a European rationale – that of the Structural Funds – the PEACE programme has in a way created its own arena of work and dialogue that is open to individuals of goodwill who are seeking reconciliation, in spite of the current problems. In this respect the PEACE programme fits in perfectly with the new political order, supporting the political peace process with grass-roots social and economic initiatives. It is a particularly important challenge for the European Union, and an experience that may be transferable to other regions emerging from conflict.

Contact:
Special EU Programmes Body (SEUPB)
6 Cromac Place, UK-Belfast BT7 2JB
Tel.: +44 28 90 26 6660
Fax: +44 28 90 266661/92
E-mail: info@seupb.org
Web: www.seupb.org (site of the managing authority) www.eugrants.org (Structural Funds in Northern Ireland)

EU Programme
for Peace and Reconciliation

Cross-cultural cooperation between Ballymacarret (Northern Ireland) and Ballybofey (Ireland)

Learning to live side by side

Besides the economic and religious issues, the Northern Ireland conflict has also opened up a deep cultural divide between Protestants and Catholics. As a result, each community has maintained its own culture, folklore, songs, sports and so on. By presenting new opportunities for interaction between the two communities, cooperation projects between young Protestants from Belfast and young Catholics from the border counties of Ireland aims to lay the foundations for lasting peace.

Ballymacarret, a Protestant working-class district in east Belfast, is a Unionist bastion and it would be an understatement to say that relations with the neighbouring Catholic community are not naturally close, and even less so with Catholics south of the border.

Founded in 1996, originally to promote a Protestant culture of peace, the Ballymacarret Arts and Cultural Society received EUR 45,000 in PEACE I funding in 1999 for a drama cooperation project with Catholic counterpart organisations in the Border Counties of Ireland.

Its chosen partner was the Balor Development Group from Ballybofey in the county of Donegal, which also believes that cultural differences are partly to blame for misunderstandings between the Protestant and Catholic communities. The Belfast association started by staging two plays in the Republic of Ireland to explore the culture, values and aspirations of the Protestant working class.

Cultural pathways

To strengthen and further this cross-border, and especially cross-community, cooperation, the two partner associations went on to develop their "Cultural Pathways Project" to enable young Protestants from Belfast and young Catholics from Ballybofey to come together to explore, compare and enjoy their cultural differences.

With funding of EUR 150,000 from PEACE II, the project consisted of setting up six "Cultural Learning Partnerships" involving young people from the two communities - the Protestant community of Ballymacarret and the Catholic community of Ballybofey.

Each partnership developed modules around key themes to enable the participants to get to know one another better and learn to find common ground and celebrate their differences.

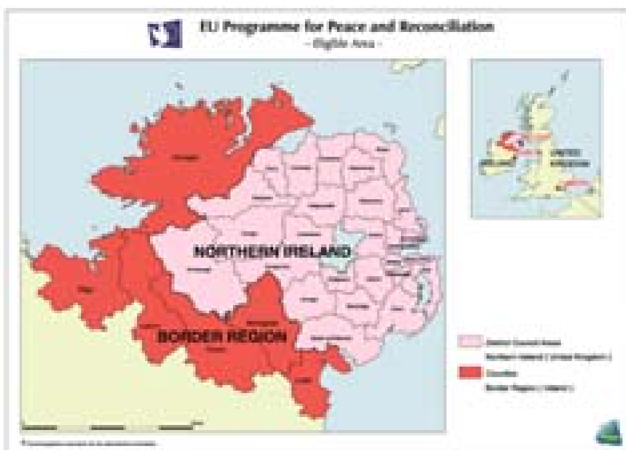
The "Social Interaction" module takes the form of enjoyable activities including visits to both areas to take part in sports, drama workshops, dances, quizzes, etc.

The "Trust and Confidence Building" module gives each group the opportunity to participate in the activities of the other group. In the sporting field, for example, the young Catholics attend Glentoran FC soccer matches, while the young Protestants attend Gaelic football matches.

As its name would indicate, the "Cultural Understanding" module enables the young people to learn more about one another's cultural background. This involves dance, drama and Gaelic language workshops, as well as joint participation in events that are highly symbolic to the two communities, such as the July parades for Protestants and Saint-Patrick's Day for Catholics.

The final unit, the "Political Awareness" module, is designed to encourage the young people to gain a better understanding of the impact politics can have on their day-to-day lives and the lives of their communities. The participants have an opportunity to visit the seats of political power (e.g. the Irish Parliament, the Northern Ireland Assembly, Belfast and Dublin city councils, etc.) and to meet the people who have been elected to represent them.

This cross-cultural cooperation between Ballymacarret and Ballybofey is exemplary on two counts. Firstly, by relying on the initiative of its young participants, it reflects the PEACE programme's bottom-up philosophy. Secondly, these young people, Catholic and Protestant alike, return to their home communities with a better understanding and less prejudicial view of the other side in the conflict.



The Czech Republic

Ready for action

With a skilled workforce, a strong industrial tradition and other key assets, the Czech Republic is expected to soon become one of the European Union's leading economic powers.

The Czech Republic covers the historic regions of Bohemia and Moravia, which were ruled by the Hapsburgs from 1526 to 1918. Like Slovakia, the Czech Republic was the result of the peaceful partition of Czechoslovakia into two independent states in January 1993.

The Czech Republic has a surface area of 78,866 km2, much of which is hilly or mountainous. Dubbed in French as the "water tower of Central Europe", the country has numerous rivers, some flowing directly into the sea, like the Elbe and the Oder, providing a link with the North and Baltic Seas.

The Czech Republic has a population of around 10,280,000 inhabitants, and a population density of 132 inhabitants per km2. The population is fairly evenly distributed in a multitude of small- and medium-sized towns. In fact the country has few large cities. Prague (1,300,000 inhabitants), the country's capital and by far the largest city in the Czech Republic, has not hampered the activities of the other three large towns: Brno (400,000 inhabitants), Ostrava (350,000) and Plzen (180,000).

Human resources

Despite the lack of significant natural resources, the Czech regions have long been among of the most developed in Europe. Between 1945 and 1989, the country's standard of living was one of the highest in the Soviet bloc. However, nearly all holdings were in state hands and trade was done almost exclusively with the other Eastern European countries.

The market economy therefore had to be rebuilt virtually from scratch. However, the country did benefit from a stable infrastructure, and the privatisation plan, under which Czech citizens were allowed to buy cheap coupons and exchange them for shares in companies, facilitated the privatisation of broad sectors of the economy. Through the National Property Fund (FNM), the central government has completed around 97% of the privatisation projects planned in 1991. The private sector is well established and represents by far the largest proportion of the Czech economy. In 2001, private firms generated 79.8% of GDP.

Since 1989, the Czech economy has been growing in fits and starts, alternating between periods of expansion (1993-96 and 2000-01) and periods of recession (1989-92 and 1997-99). The catastrophic floods that struck the country in August 2002 could also affect short-term economic performance and slow down the recent economic upturn.

Since 2000, the Czech Republic has made little progress in terms of real income convergence with the European Union. In 2001, the average per capita income expressed as purchasing power standards was equivalent to 57% of the Community average. There is also a wide disparity between the capital and the rest of the country in terms of income. Prague has achieved 124% of the Community average, while all the other regions remain below 75%. However, overall, success has been the by-word: the Czech Republic is the fourth richest applicant country in terms of buying power, after Cyprus, Malta and Slovenia.

Prospects for redeveloping the country are very good, thanks chiefly to its highly skilled workforce: according to the OECD(¹), the Czech Republic has the highest percentage of science and technology graduates of all OECD member countries.

Industrial, tourism and trade redevelopment

In 2001, agriculture in the Czech Republic generated 4.2% of gross added value and agricultural employment represented 4.6% of total employment. The recession in farming has been long and far-reaching and the recovery has been practically non-existent compared with the economy as a whole.

The secondary sector represents 42% of GDP. Since 1989, many unprofitable corporations and mines have been closed. While heavy industry and metalworking remain important, some traditional industries (footwear, glass and textiles) have been revived.

The tertiary sector represents 53% of GDP. Since 1990, tourism has seen a significant increase: Prague has become one of the most visited capitals in Europe. The rest of the country is also very attractive, with 2,500 or more fortified castles and palaces and 900 thermal springs (world record). Over the past few years the Czech Republic received around 12 million visitors a year.

The Czechs have also succeeded in shifting their trade to the West and in securing substantial foreign loans and investment. Trade with the European Union continues to grow. In 2001, European Union exports to the Czech

(¹) Organisation for Economic Cooperation and Development

Discovering an applicant country

Republic totalled EUR 27.3 billion (i.e. 61.8% of Czech imports) and European Union imports from the Czech Republic totalled EUR 25 billion (i.e. 68.9% of Czech exports).

In 2001 the leading categories of exports from the European Union to the Czech Republic were machinery and electrical supplies, transport equipment and non-precious metals. The main exports from the Czech Republic to the European Union were in the same categories, as well as textiles.

A "European" regional structure

On 1 January 2000, the Czech Republic increased its number of administrative regions from seven to fourteen. These Länder are based on the Germano-Austrian model and are endowed with a considerable degree of autonomy. A law of June 2000 also identifies eight NUTS II "cohesion regions" for local and regional development purposes. Seventy-three districts ("okresi") and four municipalities ("mesto") constitute the basic regional echelon.

During the 2000-2002 period, total annual European Union financial assistance to the Czech Republic to prepare for accession included around EUR 79 million under the Phare programme (support for economic and social transition), EUR 22 million under the SAPARD programme (agriculture and rural development) and EUR 57 to 83 million under the ISPA programme (infrastructure projects in the environmental and transport fields).

The budget adopted at the Copenhagen summit for the Czech Republic for the 2004-2006 period can be broken down as follows: EUR 1,286.4 million under Objective 1; EUR 63.3 million under Objective 2; EUR 52.2 million under Objective 3; EUR 60.9 million for the INTERREG Initiative and EUR 28.4 million for the EQUAL Initiative. Contributions to the Czech Republic from the Structural Funds and the Cohesion Fund are expected to total more than EUR 2,327 million.

Contact:
Ministerstvo pro Místní Rozvoj (the Czech Republic's Ministry of Regional Development)
Staromestske namesti 6
CZ-110 15 Praha 1
Tel.: +420 22486 1111
Fax: +420 22486 1333
Web: www.mmr.cz

Surface area
78,866 km²

Population
10,299,125 inhabitants
Density: 131 inhabitants/km² (EU-15: 118 inhabitants/km²)

Economy and employment
GDP per capita (2001): 13,300 EUR (EU-15: 23,200 EUR)
GDP per capita (PPP) index (2001): 57 (EU-15: 100)
Unemployment rate (2002): 7.7% (EU-15: 7.7%)

Interview with Mr Pavel Nemec, the Czech Republic's minister for regional development

What are the principal economic and social challenges facing the Czech Republic?

Barely thirteen years after the "Velvet Revolution", the Czech Republic has made considerable progress along the road to a stable and prosperous economy. However, further efforts are needed to balance public finances by curbing the growing deficit; to gain more control over social security spending; to deregulate the property market to promote new housing construction and to encourage worker mobility. Regions with structural problems and those lagging behind in their development also pose a very significant problem.

How does the country's regional policy address these challenges?

The Ministry of Regional Development is seeking effective solutions to these problems. For example, the government is currently examining our proposal for new housing legislation in order to gradually liberalise the market. The recently approved Joint Regional Operational Programme will make it possible to implement development strategies specifically for problem areas, in particular the mining and steel regions undergoing restructuring in Moravia-Silesia and northern Bohemia. In addition, the new Sectoral Operational Programmes are intended to reduce regional disparities, especially in the area of new technology.

What does your country most hope to achieve by joining the European Union?

We are proud to once again take our place, after a short interlude, in the economic area to which we had belonged for centuries. We would like to take maximum advantage of the free movement of people, goods, services and capital. However, the Czech Republic does not intend only to take, it has a lot to offer too. We still have excellent industrial know-how, which we are starting to redevelop, and dynamic small-and medium-sized enterprises and open and innovative workers. I hope to show that we are the most western of the enlargement countries.

What points still remain to be resolved in the accession process?

As you know, the Czech Republic has successfully completed the accession process and we are very impatient to join the European Union in May 2004. However, that is only the start of accession. We still need to negotiate all those transitional regimes, some of which are unfavourable to our country, like restrictions on the free movement of workers, (although we appreciate the fact that many Member States have decided not to apply these restrictions) or the limitation on cargo for Czech road hauliers. For our part, we must also be aware that the regimes adopted to protect our internal market and businesses are also temporary and that we must successfully complete our adjustment.

In regional policy terms, what contribution can the Czech Republic make to the European Union, and what can the European Union and its Member States contribute to your country in return?

Both economically and geographically, the Czech Republic lies somewhere in between the west and east of the European continent. It can therefore act as an "agent of integration" for a wider region. Despite a few periods of upheaval in the past decade due to industrial restructuring, our country has always been able to preserve its opportunities and life style, in particular a certain balance between urban and rural life. We will be able to make the benefits of our experience available to the "old" as well as the "new" European Union countries. In return, the European Union can help our country improve its levels of investment, in particular via the Structural Funds and Cohesion Fund since, for the time being, only the Prague region exceeds Europe's per capita GDP average. This is why my ministry is currently finalising the establishment of an administrative organisation to make optimum use of European funding for the development of the entire Czech Republic.

Interview on 3 February 2003.

Discovering a region

Norte (Portugal)

Balance and innovation

The two major priorities of the Norte region in northern Portugal are to close the gap between the coastal region and the hinterland and to make the predominantly industrial enterprises in this region more competitive.

Thanks primarily to its flagship product, Port wine, made from the famous grape varieties grown in the Upper Douro region, Norte is the Portuguese region that is most open to the outside world, accounting for more than 40% of national exports. With 3.7 million inhabitants, the Norte region is also home to nearly one third of Portugal's total population and 39% of its inhabitants under the age of 25, making it one of the youngest regions in the country.

However, in the Norte region as in the rest of Portugal, there is a marked contrast between the coastland and the interior. Whilst the coastal area is densely populated and home to most of the young population, the hinterland suffers from depopulation and population ageing.

This demographic disparity also extends to economic and social aspects. The metropolitan zone of Porto is highly dynamic and industrialised, the sparsely populated interior lacks innovative capacity and entrepreneurial initiative.

The challenges facing the Norte region therefore include better structuring of the Porto area (particularly in terms of combating social exclusion, intermodal transport systems and water sanitation) as well as developing urban centres in the hinterland, turning them into regional growth centres capable of injecting new dynamism into surrounding rural areas. Cross-border cooperation with the two neighbouring Spanish regions, Galicia and Castile- Leon, forms part of this approach.

SMEs

Norte is Portugal's most industrialised region and Europe's tenth most industrialised region. Nearly one third of its businesses and around half the workforce are employed in the secondary sector, dominated by the textile, clothing and footwear industries.

The region's economic structure is also characterised by the predominance of SMEs. Just 1.2% of Norte's businesses have more than 100 employees. The regional development strategy therefore also involves helping SMEs by creating infrastructure and support services, investing in innovation, internationalising companies and supporting any initiative that will make the region's production base more competitive.

Operation Norte

Dubbed "Operação Norte" (Operation Norte), the operational programme for the Norte region for the 2000-2006 period reflects the regional development strategy. The focus is on three major objectives:

- To enhance the skills of the Norte region's population, increase their employability and promote social cohesion.
- To promote regional competitiveness and develop the region's production systems.
- To ensure a sustainable and balanced planning and regional development policy.

Contact:
Comissão de Coordenação da Região do Norte
Rua Rainha D. Estefânia, 251
P–4150-304 Porto
Tel.: +351 22 608 6325
Fax: +351 22 608 6309
E-mail: norte@ccr-n.pt
Web: www.ccr-n.pt

Surface area
21,289 km^2

Population (2001)
3,687,212 inhabitants
Density: 173.2 inhabitants/km^2

Economy and employment
GDP per capita (2000): 9,260 EUR (EU-15: 21,258 EUR)
GDP per capita (PPP) index (2000): 56 (UE-15=100)
Unemployment rate (2001): 3.7% (EU-15: 7.7%)

Structural Funds (2000-2006)

Objective 1

EU	Other public funds	Private funds	Total
7,644,147,000 EUR	4,402,017,000 EUR	4,362,430,000 EUR	16,408,594,000 EUR

Alto Douro Wine Region, a World Heritage Site

Its inclusion in the list of UNESCO World Heritage sites should help promote, protect and develop the world's oldest "appellation contrôlée" [guaranteed origin] wine-growing region.

The river Douro is one of the symbols of Portugal's Norte region. It flows from Castile-Leon right across the Norte region as far as the Porto estuary. However, the name "Douro" is primarily associated with the oldest "appellation contrôlée" wine-growing region in the world: the Alto Douro Wine Region. Man's unremitting labours have transformed this vast slaty-soiled region into a real agricultural and landscape monument, *"the sole immeasurable evidence with which we can amaze the world"*, in the words of Portuguese poet, Miguel Torga. The Douro Wine Region, a cultural landscape of nearly 250,000 hectares, 20% of which is given over to wine production, produces the exceptional and world-famous Port wine, providing a livelihood for no fewer than 9,000 wine-growers.

Convinced of the exceptional cultural value of the Douro Wine Region and the uniqueness of its landscapes, a group of local, regional and national Portuguese figures and entities worked hard to promote the Douro Wine Region's inclusion in UNESCO's World Heritage list, and to seek an integrated solution for the region's preservation, promotion and sustainable development.

On the initiative of the Rei Afonso Henriques Foundation, and with the support of the University of Trás-os-Montes e Alto Douro, Community funds were harnessed to: draw up an intercommunal regional development plan; create an association to promote the Douro Wine Region that includes 13 municipalities as well as other entities; and to draw up an application for the inclusion of the Alto Douro Wine Region on the UNESCO World Heritage list.

It was a successful venture that culminated in the announcement by UNESCO's World Heritage Committee in Helsinki on 14 December 2001 that the Douro Wine Region had been included in the Heritage list in the category of evolving and living cultural landscapes. This has been a great leap forward in terms of international recognition, which will allow the region to be promoted and developed, initially by giving tourism a fresh impetus.

The Douro Wine Region's inclusion in the World Heritage list shows that Community funds are not used only for financing infrastructure. The Norte region's coordination committee believes that the venture's success proves that even projects like this, with modest funding, can provide structural solutions for regional planning and development.

INTERREG IIIA Rhein-Maas-Nord

Cross-border food safety

Producers and the authorities in the Germano-Dutch Euroregion of Rhein-Maas-Nord have joined forces to develop a cross-border quality label to guarantee the safety of agricultural food products whilst boosting a key sector of the regional economy.

INTERREG programmes between Germany and the Netherlands benefit from a long tradition of cooperation and well-established cooperative structures. In fact it was here, in 1958, that the "Euroregion"(2) concept - now widespread in the European Union's border areas - was first applied and launched.

Agricultural food production, whether for human or animal consumption, is a very important economic sector in the Rhein-Maas-Nord Euroregion, which is located on the borders of the German region of North Rhine/Westphalia and the Dutch region of Limburg.

However, the string of food crises that have hit Europe in the past few years, including BSE, classical swine fever, and dioxin and salmonella contamination, have made consumers wary and highlighted the fragility of the farming and agrifood sectors.

The Euroregion's German and Dutch partners therefore decided to take pre-emptive action, by launching a joint research and development project under INTERREG, for an integrated cross-border quality label in the agrifood and cattle feed industries of the Rhein-Maas-Nord Euroregion.

The project involves five main phases:

1. Producers and veterinary authorities jointly define and adopt a quality control process extending from the beginning to end of the chain.
2. Cross-border advisory teams are set up which are specifically assigned to the production chain in processing firms.
3. A joint communication system on health issues is developed.

(2) The Gronau/Enschede Euroregion, founded in 1958, is Europe's oldest cross-border cooperation structure.

4. Participating companies draw up and implement a HACCP-type *(Hazard Analysis Critical Control Point)* quality control system.

5. Identification and tracing systems, as well as suitable control mechanisms, are introduced into four pilot firms. These firms exchange experiences and ensure that information is fed to all those involved in each branch, as well as via the advisory team system.

Moreover, a number of selected small-and medium-sized agrifood enterprises are jointly developing a quality management software programme in collaboration with Wageningen and Bonn universities.

The project also includes integrated training and exchanges of experience, which help to resolve problems and promote understanding and risk analysis. The fact that it is led by a Germano-Dutch partnership also encourages a cross-cultural approach to economic relations. By boosting quality and safety, the project is expected to consolidate the viability and competitiveness of the Euroregion's agrifood and cattle feed sector.

Contact:
Euregio Rhein-Maas-Nord /
Euregio Rijn-Maas-Noord
Stadt Mönchengladbach
D-41050 Mönchengladbach
Tel.: 0049 (0) 2161 259 230
Fax: 0049 (0) 2161 259 239
E-mail: info@euregio-rmn.de
Web: www.euregio-rmn.de

Recent publications

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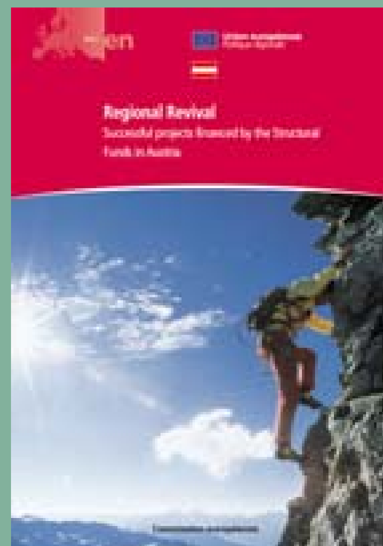
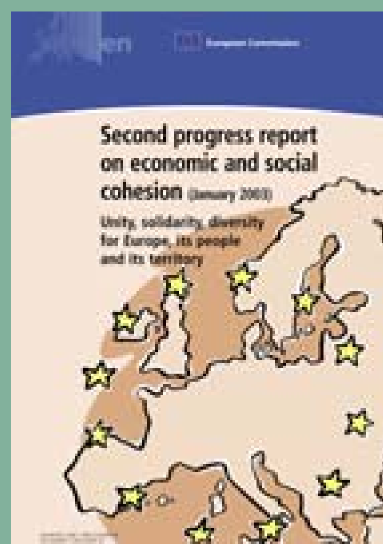


Available in German and English (April 2003).

Second progress report on economic and social cohesion



Available in all eleven languages of the European Union and ten languages of the enlargement countries.

Online

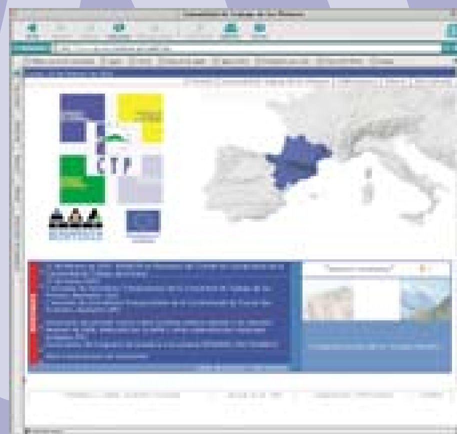
http://www.localdeveurope.org

"Financial engineering for local development" is the product of a partnership of organisations and experts from six European Union countries: Belgium, Germany, France, Italy, Spain and the United Kingdom. Financed by the European Commission's Employment and Social Affairs Directorate General, the project aims to promote the design and use of effective financial instruments in local and regional government in order to stimulate local development in the regions. The site is in three languages: English, French and Italian.

KN-LR-01-009-EN-C

http://www.ctp.org

This is the site of the Pyrenees Working Community, founded in 1983, on the Alpine Arc model, to foster cross-border cooperation between seven European regions (Aquitaine, Aragon, Catalonia, Basque Country, Languedoc-Roussillon, Midi-Pyrénées and Navarra) and Andorra. A large amount of information is already available in Spanish and will soon also be available in French, Catalan and Basque.



http://www.eminderproject.com

"e-Minder" (electronic CoMmerce LeveragIng Network for Developing European Regions / Réseau de commmerce électronique pour développer the regions européennes) is a cooperation project between Cyprus, Galicia (Spain) and Pomerania (Poland) under the IST (Information Society Technologies) priority of the sixth Community framework programme for research and technological development (www.cordis.lu/ist). The site contains many useful links regarding electronic commerce from a regional development perspective.

Contacts

European Commission, Directorate-General for Regional Policy
Unit 01 "Information and Communication"
Thierry Daman
41, avenue de Tervuren, B-1040, Brussels
Fax: +32 2 296 60 03
E-mail: regio-info@cec.eu.int,
http://europa.eu.int/comm/dgs/regional_policy/index_en.htm

Commissioner Michel Barnier
http://europa.eu.int/barnier

Information on European Union regional development programmes
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