



**MID TERM EVALUATION UPDATE OF THE OPERATIONAL
PROGRAMME FOR THE CANARY ISLANDS,
2000-2006**



Gobierno de Canarias



European Union

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0. EXECUTIVE SUMMARY

The Mid Term Evaluation Update of the Operational Programme for the Canary Islands has persecuted four priority objectives, in accordance with European Commission Working Paper n° 9:

- To evaluate the development of the OP in financial and physical terms to 31 of December of 2004.
- To assess the capacity to achieve settled the programme outputs both financial and physical.
- To appreciate OP macroeconomic impact on key regional indicators.
- To establish the bases for 2007-2013 Programming period, taking into account the guidelines given by the OP for the Canary Islands 2000-2006, Planning and Execution, the economic, social and territorial context, as well as the communitarian principles and strategy.

The analysis makes to understand a series of questions that will guide the reading of the present evaluation document, in which causes and explanatory elements of the results are detailed with greater depth. The next pages show a preview of these.

Evaluation of the OP development until 2004

Is the shown absorption capacity adequate concerning the programming for all measures of the Programme?

- 1) The increases in the execution during years 2003 and 2004 and the progressive adjustment of the programmed objectives to the regions reality, as well as the acquired experience of the managers during the development of the Programme, has allowed an improvement in the financial and physical effectiveness of the OP of the Canary Islands.
- 2) The financial effectiveness of the Programme for period 2000-2004 can be described as positive, surpassing 71%. The main Priorities have been those performances destined to **Local and urban Development (Priority 5)**, **Agriculture and rural development (Priority 7)** and **Human Resources development, employability and equal opportunities (Priority 4)**.
- 3) In fact, the three more effective measures belong to **Subpriority 41. Educational Infrastructure and enhanced technical and professional training** and only 25 of the 59 measures have an effectiveness inferior to 30%. In addition, measure **1.10**, directed to development, promotion and services to tourist, and the **2.7** have had a very favourable performance.

- 4) Considering the Funds, the obtained results are quite homogenous, reaching all of them levels over 70%. In this respect, the changes introduced in the OP after the last reprogramming and the allocation of the effectiveness reserve have supposed a greater adaptation of the programming to the execution rate of the intervention.

Have been achieved the annualised physical objectives by 2004?
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- 5) The **physical degree** of effectiveness reached for the period 2000-2004 can be considered **acceptable**. The structural intervention is bringing considerable profits and it is benefiting outstandingly as much to the canary productive structure, in terms of beneficiary companies, as to the economically active population, thanks to the created or consolidated jobs and the performed training actions.
- 6) The measures whose physical results reveal greater levels of effectiveness for most indicators that are defined correspond to **1.6** (Internationalisation and promotion abroad), **2.7** (Information Society) and **7.8** (services provision for agricultural exploitations, commercialisation of quality agricultural products and final engineering).
- 7) The improvements occurred in the Programme are due to several factors:
- The changes in the physical objectives of some indicators have allowed a higher adjustment of them to the real possibilities of the managing authorities. However, there are still some indicators whose aims do not seem to correspond in relation to the advances obtained to date (specially in Priority 3).
 - The reach of a constant high speed of the OP, once the starting problems of the Programme has been surpassed. The own experience given by the execution over the years has allowed the execution rate to accelerate.
 - The results related to the horizontal priorities have been more positive in the environmental aspect. In the area of Equal Opportunities, in spite of the obtained advances, the reduced financial execution of the measures directly related to this principle has conditioned the achievement of greater physical results.

Are being efficient the submeasures carried out by the OP for the Canary Islands?

- 8) The **efficiency** of the OP for the Canary Islands can be described as **acceptable**. The conducted analyses conclude that three fourths of the evaluated expenditure has been applied in performances that have obtained suitable efficiency margins.
- 9) The physical achievements keeps a suitable correspondence with the financial achievements of the Programme, this, a priori, reveals a clear capacity of the spending to generate results and a manifest symptoms of efficiency for most measures.

- 10) The calculation of the unit costs as efficiency indicator has been centred for those measures that display a greater reliability. From this perspective, the submeasures related to the Business support, Information Society or the improvement in **airport infrastructure** provision have been achieved at a cost lower than the initially predicted one.
- 11) In any case, the efficiency in the infrastructure projects is guaranteed by the attendance in the awarding of this type of projects. On the other hand, the aids for training and for the productive structure reach a cost that it is close to the programmed one.

Assessment of the possibilities to achieve the settle objectives

Will be achieved the objectives established in the financial programming? It is possible to execute all the programmed spending if the present execution rate is maintained?

- 12) The forecast for the execution results expected by the end of the programming period, and considering the observed behaviour over the five years of Programme execution, allows to anticipate that the established financial objectives for the present period of programming will be achieve within the terms established by the rule n+2.
- 13) Nevertheless, the financial effort in the next years should not slow down; it needs, at least, to stay at the present rate of execution in order to reach the total volume of programmed commitments, which amounts to 2.932, 8 million Euros.

Will be achieved the established physical aims by the end of the present programming period?

- 14) The probability considered in order to reach the established physical objectives is high. An important part of the OP measures will obtain the fixed aims for most of their indicators, in accordance with the made forecasts.
- 15) Nevertheless, in some cases the results have been particularly modest. In particular, approximately 25% of the physical objectives that were determined for 2006 by the monitoring indicators seem of difficult achievement, these problems are concentrated in not even ten measures (2.3, 2.4, 2.5, 45.16, 45.18 y 6.8, among others). Therefore, it is necessary to intensify efforts in some important aspects, such as:
- The progress in Equal Opportunities requires an intensification of the submeasures by the managing authorities, in addition to a greater integration of the principle in all measures of the OP. Although the made efforts have contributed to the positive evolution of women situation in the Canary labour market, it is necessary to continue to progress in this field.

- Intensify the spending, especially in the business area and in the research and development activities, in contrast with what occurs in the Information Society field, where the achievements have been very important.
- 16) Nevertheless, it is necessary to consider that the executed spending of some measures it is still small, and it did not reach the necessary dimension in order to generate results, from this, it is found that, under this circumstances, the projection is situated at levels that are far from the objectives.

The effects and macroeconomic impact of the OP

Which have been the achievements in order to improve the infrastructure provision?

- 17) The OP has invested 921,30 million Euros for the construction of transport infrastructures, 436,15 million in environmental infrastructures and 175,77 for the improvements of the social equipment. Those resources have been carried out through Priority 3,4, and 6.
- 18) The mentioned spending has meant, among other achievements, the construction of 46 new Kilometres of motorways, railcars and roads, and the improvement of other 142,4 Kilometres. This means that more than a fourth part of the new kilometres constructed in the archipelago in the last four years have been cofinanced.
- 19) Similarly, there have been constructed or improved five water tanks in order to palliate the deficit of water resources of the Islands, these have benefited directly to 612.700 people, which supposes 32% of the Canary total population. In relation to the submeasures of social equipment, for example, it is relevant to emphasize the 21 health centres that have been supported through the OP.
- 20) Such progress has allowed consolidating the regions relative advantage position in relation to infrastructure provision, which is very necessary considering the peculiar existing territorial characteristics that force to undertake a higher effort. The resources of airports, ports and highways, railcars and freeways are greater in comparison with the rest of Objective 1 regions, because it is necessary to undertake a higher effort because of the geographic peculiarities of the region, which are clearly different to those of the rest of the territory.
- 21) Nevertheless, it is necessary to increase the effort carried out in particular aspects up to date, specially for those particularly deficient aspects of the region, such as the installed power electrical provision; this, will reduce an excessive external dependency.

Which have been the achievements in the area of business network?

- 22) The measures that direct or indirectly, pursue this objective are included within Priorities 1, 2, 4 and 7. Therefore, the OP approach to support the Canary productive structure is centred in three basic elements:
- To favour the attraction of productive investment in the Islands, stimulating the location and creation of new companies, and improving the capacity of the existing ones in order to modernize its activity; for what, 257,23 million Euros have been invested.
 - To intensify the internationalisation processes and the presence of the Canary Companies in the external markets, through an effective spending of 67,29 million Euros.
 - To promote the productive diversification in the countryside, with the purpose of exploiting the existing endogenous advantages in such areas, where the made investment to date amounts to 135,88 million Euros.
- 23) There have been 2.515 companies that have benefited from the aids, being most of them SMEs, along with the *European Letter of Small and Medium-sized Enterprises* and the *European Program Promoting entrepreneurship*. These represent 5% of the companies with less than 50 employees located in the Islands.
- 24) The OP effect becomes noticeable in the internationalisation field, since the SMEs that have entered the international markets for the first time due to the OP intervention, represent a 35% of the overall exporting companies of the region. This shows the Canary Government intention to promote the internationalisation of their companies.
- 25) The obtained achievements in relation to the private investment stimulated by the executed communitarian aids, show an acceptable involvement of the private sector in order to articulate viable and concrete business proposals for those lines cofinanced by the OP. The volume of this investment has increased up to more than 328 million Euros, near a 4% of the increase of the total volume of credits of the financial system (in accordance with the information given by the OP for the Canary Islands and the financial statistics of the *Banco de España* – Spanish Central Bank-).
- This has allowed improving the companies' financial capacity, as the OP has promoted the level of existing private indebtedness in the region not to increase. In addition, if it is considered that the given subsidies mean for the companies an exclusion of these credits, it is possible to assess, as well, the opportunity to undertake alternative actions with an equally productive use ¹.
- 26) The evolution of the production structure of the Canary Islands shows very important achievements in the area of exporting companies that, in spite of having not reached the

¹ The aid within the OP framework implies a liberalisation of resources for the companies, or the possibility to apply for credits with alternative uses, so that the possibilities of investment in the productive system are expanded.

average levels of the country, it has moved from a divergence process to converge with the average; as a result of the observed greater rate of growth, as it is stated by the information contained in *Fondos 2000* and the consulted statistics. However, there are other areas in which the effort must be maintained, in order to increase the presence of companies in the island territory.

Which have been the achievements in the area of innovation, technological development and the Information Society?

- 27) The OP is a very important instrument for the promotion of technological progress, from a sectorial perspective, but also as a horizontal principle. Although the measures related to this field of performance are essentially framed in Priority 2, its horizontal character makes it latent in other Priorities of the Programme (Priority 1 - new applied technologies constitute a determinant of the companies competitiveness-, Priority 4 – training direct to the active population for the knowledge and use of the technological advances- or Priority 3 - waste treatment-).
- 28) The OP for the Canary Islands has used an amount of 55,89 million Euros to increase the technological profile of the companies in the region and to favour the processes of innovation, as well as 39,60 million Euros to implant Information Society processes in the area of Public Administrations, the economic activity and the population in general.
- 29) The main results achieved in this area, can be seen in the greater number of users of new networks that almost reach the 136.000, the creation of 1.349 networks within the Public Administration, the granting of aids for research to 915 people (the 38% of the total researchers of the Canary Islands) and the carrying out of 352 R&D&I cofinanced projects. Similarly, an 11% of new technological premises have receivers of aids cofinanced through the OP (as it is shown in the information given by the OP and DIRCE – *Directorio Central de Empresas, INE*; National Statistics Institute Database).
- 30) The recent evolution has allowed the region to locate in an advantage position in relation to the Information Society, since the access to computers and Internet by the households is located over the average of Objective 1 regions (97,51 people for each 1000 inhabitants have access to Internet in the Canary Islands, in contrast to the number of 82,78 found for Objective 1 regions). In addition, it maintains a higher growth rate of the Objective 1 average, this tendency has even accentuated in the last years. On the other hand, the effort made in order to stimulate the R&D in the region needs to be increased significantly, with the purpose of reaching a convergence process with the Spanish average.

Which have been the profits in relation to the employability objectives and the human resources qualification improvement?

- 31) For the period 2000-2004, the total spending in the area of human resources has been mainly concentrated in Priority 4. The financial effectiveness for the performances cofinanced by the ESF is located in 56,6% over the overall programmed for period 2000-2006, where it is relevant the good performance of measures 41.12 and 41.13 with an effectiveness of 93,22% and 126,80% respectively.
- 32) There have been 1.500.303 people that have benefited from the carried out submeasures in this area for the period 2000-2004, among which it is included the beneficiary population of Measure 45.18, that pursues the final objective of making the population aware of the inequality in the labour market due to gender reasons. In relation to the mid term evaluation, there has been an increase in the participation of people in 627.220 people more, and the women participation has also been increased, with a weight in the total of 85,9%. This high participation is observed in most of the measures cofinanced by the FSE, this indicates the achievement of the principle of gender equality and the EES directive 6.
- 33) The greater participation shown in the field of human resources can be observed in the Integrated itineraries for the integration in the labour market and the Official professional education and training. For the first case, the results are very effective due to the adequate combination of individual guidance, training and employment, according to the necessities detected in the beneficiary. On the other hand, the Official professional education and training is the predominant education and training in the OP as opposed to the Occupational and Continuing Training, where there have been achieved good integration results.
- 34) Due to a greater participation of women in the labour market and the important presence of immigrant population, the economy of the Canary Islands accounts with a significant active population. Nevertheless, the unemployment rate is superior to the national average, mainly the one in relation to women and young people.
- 35) In short, it is necessary to increase the effort mainly in the training of the labour force and to reinforce its relation with the productive system. At the same time, the aids to the most underprivileged groups (unemployed, young, women, immigrants, etc.) must be maintained in order to facilitate its social integration.

Which have been the achievements in the area of rural development?
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- 36) There has been a support for the setting up of processor industries of dimensions adapted to the traded volume. This favours the modernization of premises and the introduction of eco-compatible innovative technologies. The stimulated private investment ascended to € 76.910.889,60.

- 37) There has been a promotion of quality products protected under the designation of origin or protected geographic indications, which includes 58 Projects of quality agricultural product commercialisation that has contributed to the valuation of the local productions.
- 38) On the other hand, the performances located in the rural areas demand the highest possible architectonic integration considering the environment singularities, in order to minimise possible impacts to the landscape.
- 39) There has been a reinforcement of the ecological, economic and social function for forest ecosystems and zones that undergo a high degree of erosion due to forestry treatments, fire prevention equipment and infrastructures, forest routes and forests development and planning aids. In particular, there have been 123 public mountain projects and 4 private mountain projects, reaching a total of 26.215,36 ha of surface that had been influenced by the infrastructures.
- 40) There has been a habitat restoration for wild species, forest water and public use infrastructures restoration and species conservation. In particular, 126 projects have taken place that have involved 14 protected species and have operated on 21 recreational areas. There has been improved and promoted the different productions quality reducing costs and diversifying production. Investments for the development and advice in viticulture have been developed, as well as for the improvement of laboratories for cattle and agricultural product control.
- 41) The quality of the different productions reducing costs and diversifying the production has been improved and fomented. Investments for the development and advising in *vitivinícola* matter have been helped, as well as for the improvement of laboratories of cattle and agricultural product control.
- 42) A private investment of € 106.155.585,96 has been introduced, that has improved the quality, protecting the natural environment, the hygiene conditions and the well-being of the animals, increasing the physical and economic dimension of the livestock farms and farms.
- 43) The diversification of the agrarian activity as well as the quality of life and the social welfare has been favoured, increasing the employment possibilities, and increasing the value of the natural environment and landscape. In concrete, 65 performances directed to the local development support have been made, 16 jobs have been created and 14 maintained, with a promoted private investment of 2.459.183,06 Euros, with 582.598 benefited inhabitants from rural areas.
- 44) There have been created 70 substitution and attendance services for the management of the agrarian farms. A total of 11.937 farms have been controlled. The integrated production and the ATRIAS (*Agrupación para el Tratamiento Integrado en Agricultura*- Unit for the

Integrated Treatment in Agriculture) have reached a surface of 6.494,67 hectare. A total of 190 jobs have been created in this area.

What achievements have been obtained concerning the horizontal priorities of environment and equal opportunities?

- 45) The integration of the horizontal principle of environment in the programming is considered satisfactory. The OP submeasures execution has reached achievements of diverse nature in the environmental integration:
- Biodiversity improvement.
 - Increase of the water resources availability.
 - Purification and re-use of waste water.
 - Improvement of the agrarian areas; increase the quality of the urban areas.
 - Silvicultural system.
 - Research projects in the area of renewable energies.
 - Aids for the introduction of quality systems.
 - Environmental improvement in SMEs.
- 46) From the Government of the Canary Islands there has been given special consideration to the prevention of possible impacts of projects on the environment and, particularly, on the areas classified as spaces established of communitarian importance and the Bird Special Protection Areas (Natura 2000 Network).
- 47) Las OP promotes submeasures in relation to gender issues display a direct relation with the established guidelines in the *Community Action Plan on Community Strategy on gender equality (2001-2005)*, this has contributed to achieve the objectives established in the Programme.
- 48) An example of this, is the accomplishment of numerous sensitising, informative and diffusion activities, such as:
- Workshop "Women, new technologies and education".
 - Conference: "Business women and professionals from Las Palmas" or "Women in the management of culture".
 - Information on European policies of Equal Opportunities in the area of employability.
 - Studies accomplishment: "Woman and social environment in the Canary Islands", "Conference on Women and Technology", "Figures to diagnose the Equal Opportunities in the Canary Islands", and "Socio-working and familiar situation of the rural women from the Canary Islands".
 - Actions directed to fight horizontal and vertical segregation, related to social awareness and education in the subject.
 - Actions on women with difficulties for its integration in the labour market.

- Definition and design of a plan for the labour integration of women.
- Edition of the book "Public cultural politicises and women's creation".

49) In output terms, the evolution of women in the labour market shows two outstanding tendencies: in one way, women unemployment rate has grown over the national average. On the other hand, the variable that has maintained a more favourable behaviour has been the women activity rate, which is located over the national average.

Which is the OP macroeconomic impact?
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- 50) The OP final impact on the real production of the Canary Islands is equivalent to a differential in the real annual GDP growth rate of 0,39 percentage points during the period 1999-2006, that would cause a rent per inhabitant (GDP per capita) that in average would be 330 Euros of 1995 (constant prices) superior of the resultant one in absence of the OP.
- 51) In relation to the labour market, it is estimated that the total effects of the OP investments would generate or maintain 13 thousand more employments, as an average during the period 2000-2006, than those than would be created in a basis framework, this is translated in an average reduction of the unemployment rate of 0,89 percentage points during the same period.
- 52) This production and the employment behaviour would have as a result a maintained increase in the labour productivity (GDP per occupied), that would register a cumulative average rate of the -1,33 percent with the OP investments during period 1999-2006, as opposed to a fall of the -1,55 percent in absence of these investments.
- 53) In addition, the OP will make possible for the stock of private capital to grow in real terms at an annual cumulative rate of 2,79 percent during period 1999-2006 (as opposed to a growth of 2,21 percent in absence of the OP investments), whereas the infrastructure stock grows in real terms at an annual cumulative rate of 3,21 percent during that same period (as opposed to a growth of 2,07 percent in the absence of the OP).

Strategic guidelines for 2007/2013 future programming

Which is the OP contribution to the Lisbon and Gothenburg strategic priorities?
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- 54) The OP from the Canary Islands contribution to the Lisbon and Gothenburg Strategies is unquestionable. Not in vain, both the Regional Development Plan and the OP share the strategic priorities established by the Lisbon and Gothenburg Agenda, this is:
- The improvement of policies related to the Information society and R&D.

- The acceleration of the structural reform process to favour competitiveness and innovation.
 - The modernization of the social model through the investment in human capital and combat social exclusion.
 - The economic development sustainability in environmental terms.
- 55) The 85% of the measures included in the OP from the Canary Islands have a clear relation with the objectives established in Lisbon and Gothenburg. The area of competitiveness receives, that, in addition, it constitutes one of the weaknesses of the canary economic system. This demonstrates the important coherence of the planning made for the Canary Islands with the communitarian directives of Lisbon and Gothenburg.
- 56) In financial terms, the programmed spending for the period 2000-2004 that it is closely is related to the Lisbon and Gothenburg objectives amounts to 2.055.873.885 Euros, this correspond to around 90% of the total. The priorities that receive a more important support are the relatives to the competitiveness policies (57,61%) and social cohesion and employment (12,94%).
- 57) The results the region reached in relation to the Lisbon indicators show a necessity of an increased effort for the next years, although the relative situation in relation to the Objective 1 average shows a positive behaviour with regard to certain specific aspects, as the ones related to the employment rate (55-64 years) and renewable energies.
- 58) The recent evolution of the Lisbon structural indicators shows an improvement that makes it possible a gradual approach of the Canary Islands reality to the Strategy objectives, although the effort required is still remarkable. From this perspective, the future OP for the Canary Islands would have to emphasize more intensively these priorities.

Which is the OP contribution to the European Employment Strategy?

- 59) The OP for the Canary Islands has introduced the main EES objectives (High level of employment, work quality and productivity, and social cohesion and inclusion), since the Programme favours all of them. Although all Priorities consider the EES objectives, it is observed a greater incidence in Priorities 4, 1 and 2.
- 60) In financial terms, the EES importance is reflected in the fact that 80,36% of the programmed spending for period 2000-2004 shows a clear linkage with some of the directives that articulate the EES objectives.
- 61) The EES directive that has a greater budgetary attention is number 10 (to overcome regional employment disparities), which influences around half of the Programme. The cross-sectional character of it makes it necessary to consider other factors such as infrastructure provision that, at least indirectly, affect the employment creation. This effect

is even greater in a territory such as the Canary Islands, whose geographic disadvantages require intervening in this respect with greater intensity.

- 62) In relation to Priority 4, it is the one that constitutes a greater contribution to the EES, from the perspective that it contributes to achieve a greater number of directives. However, the greater attention is centred in the areas of *Human capital and continuing education*.
- 63) The programmed spending that contributed to the directives destined to the most deprived groups (Directives 1, 6 and 7) hardly surpasses 3% on the overall of the OP, therefore this is an area on which the Programme shows a more discrete contribution.
- 64) The achievements in terms of employment creation have been high, both for the results consequent of infrastructures construction as those resultant of business promotion, showing average efficiency degrees. The ESF submeasures to generate employment carried out through employment and training aids, have not being able to be quantified due to the unavailability of data, since, although the actions are being carried out, these have not yet had an effective influence on the available indicators.
- 65) In relation to employment maintenance, it emphasizes the important achievements reached through business promotion policies, with an effectiveness rate over 90%.
- 66) The achievement in education and training have been high, with more than one hundred thousands beneficiary, of which 51,5% are women. Nevertheless, the expected objectives for the period 2000-2004 have not been reached, this places the indicator effectiveness in a 56,43%.

Which are the main challenges the Canary Islands need to cope with in the future in order to face them successfully in the next programming period?

- 67) The natural growth registered in the last years has brought its rent per inhabitant to surpasses the 75% of the Europe of Fifteen and, therefore, also the one of the Europe of Twenty-five.
- 68) However, the carried out diagnosis shows a series of obstacles to the economic growth that are still present in the region, in spite of the important achievements obtained through the development of the regional policy. These obstacles determine the pending challenges that the Canary Islands must overcome in the future:
- Geographic obstacles, due to its peripheral and island character, that maintain the islands apart from the main European production and consumption centres, situation that has been intensified after the recent European enlargement.
 - Obstacles related to the adopted model of economic growth, which is based on the tourism monoculture as an engine of an extremely service based economy due its noticeable specialization in this type of activities.

- Obstacles related to the provision of productive factors. The shortage of natural resources, such as water or energy, causes a great dependency on external markets for these products.

The deficiencies are remarkable in the area of R&D, where the public effort as mainly the private one are insufficient, and the workers qualification presents significant margins of improvement.

69) This situation makes it necessary to count on new favourable factors of regional growth based on the EU territorial disparities. From the previous, it is deduce that the Canary Islands has, among other relevant aspects, the necessity to improve its competitive position within its territorial field of reference - national, European and world-wide- and to find impelling factors of competitiveness. Such factors are related to:

- Productive capital: entrepreneurship, internationalisation, innovation, access to financing, among others.
- Human capital: workforce availability, high qualification, high managing capacity...
- Public capital: basic, energy, technological and knowledge infrastructures.

70) In this frame, the main challenges are located in the area of competitiveness, specially for the small and medium companies, the promotion of employment, innovation, sustainable development and the access to Transeuropean networks and to the information and communication technologies:

- Development of New Technologies and introduction of the Information Society.
- Promotion of employment and improvement in the professional qualification.
- Diversification of the Islands productive structure
- Development of the Islands economic influence environment.
- Infrastructures provision
- Consolidation the energetic supply in the Archipelago.

<p>Which would have to be the essential priorities for the Development strategy of the Canary Islands?</p>
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71) The rent per inhabitant growth will locate the Canary Islands in the groups of regions which are susceptible to received aids directed to reinforce its competitiveness and to promote the employment, with special emphasis on innovation, small and medium companies, sustainable development and access to Transeuropean networks and the information and communication technologies.

72) Nevertheless, the Commission recognizes a specific treatment as Ultra Peripheral Region (UPR), this means the necessity to consider countervailing funds from the continental

programmes that are not applied in the UPR (specially the Transeuropean transport networks and their interconnection with the national networks, that are very important in order to articulate a real European single market); this consideration also promotes an economic diversification to improve its situation, as it turns towards sectors with great future potential.

73) In any case, the next planning document will have to give an answer to the necessities and opportunities resulted from the transformations occurred in the canary environment, and to certainty face the pending challenges pointed previously.

74) Therefore, the main strategic reference of the future *Plan of Economic, Social and Territorial Development for the Canary Islands* (Plan de Desarrollo Económico, Social y Territorial de Castilla La Mancha) would have to be based on the stimulation of a greater economic growth, generator of more and better jobs, and the creation of the required conditions in order to favour more intensively the real convergence with Spain and the EU. This means:

- To increase the economy competitiveness, as a mean for the regional economic progress, stimulating the economic growth determining factors (innovation, infrastructures and human capital).
- To improve the accessibility of the Archipelago and to reduce the negative effects of the ultra peripherality.
- To favour a greater social cohesion and welfare, as well as the integration and inclusion the most deprived groups of the Canary population.
- To stimulate the development sustainability in environmental terms.

75) This guideline proposal, that would advance the main directives to follow, means an extension of the scope and an enrichment of the content of the established objectives for period 2000-2006, trying:

- To modernize and to diversify the productive structure of the economy of the Islands.
- To favour the creation and consolidation of companies, specially those with a greater potential demand and elevated technological content, with ability to act as a complementary motor for the development of other activities.
- To increase the modernization of the traditional companies, through the promotion of intangible elements.
- To stimulate the exit of regional products to external markets.
- To expand and to improve basic infrastructures of transport, telecommunications and energy.
- To increase the research and to assure a continuous increase processes of technological development in companies.
- To stimulate the cooperation, through collaboration mechanisms among companies and the creation of business networks, to increase its technological profile.

- To consolidate the Information Society in all the areas of life (administration, economy and households).
- To invest in human capital, to improve the labour force adaptability and employability of the active population of the Canary Islands, stimulating, in gender issues, the co-responsibility and equal opportunities.
- To maintain the natural environment of the archipelago.

¿ What instruments must be stimulated by the future Operative Programme in order to advance in the attainment of such priorities?

76) The analysis on which this strategy would have to be based is focus on two essential components:

- The investment as a stimulus mechanism to the endogenous development of the Canary Islands and as a fundamental element in relation to wealth creation and generation of employment in the Canary territory.
- The education, training and innovation through which the capitalization of the economy is centred in the intangible elements of development, like the human or technological capital.

77) This reconsideration of priorities implies to emphasise the boost to the transition from a relatively simple model of economic promotion - fundamentally based in the provision of productive factors- to another one centred in the innovation and investment in intangibles.

- Competitiveness and economic progress: To stimulate convergence:
 - Promotion of the entrepreneurship and diversification of the productive structure.
 - Consolidation of the regional market or orientation towards the internationalisation of the economy.
 - To promote the Information Society principles.
 - To establish the basis for a scientific-technological regional system, to increase the investment in R&D and to favour the technological transference.
- To improve the territorial accessibility of the region:
 - To improve and to optimise transport infrastructures.
 - To promote the implantation of a more sustainable transport system.
 - To extend and improve the telecommunications infrastructures and services.
- Employability and adaptability as a vehicle of social cohesion:
 - To improve the quality of the labour force.
 - To create integration mechanisms that are more adapted to those groups seeking employment.
 - To fortify the connection between the educative system and the work centres.

- To favour the principle of equal opportunities.
- To guarantee the environment conservation:
 - Prevention and conservation of the natural and cultural heritage.
 - To improve the energetic and water efficiency, and to promote environmental innovations ("eco-innovations").
 - To improve an effective integration of the environment.

<p>Which must be the role of the Structural Funds within the Development strategy of the Canary Islands?</p>
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- 78) The instrumentation of the previously stated strategic bases, in spite of its scope, does not imply a multiplication of the number of instruments for its implementation.
- 79) In particular, the role of ERDF it is considered very important for the priorities of competitiveness, innovation and environment.
- 80) On the other hand, the ESF is essential in order to face an increase the investment in human capital, social integration and the workers adaptability to the changes in the environment.