

**Draft report  
on employment and territorial development  
in the Mediterranean region**

This draft report has been prepared by Ms Eleni Loukaidou (Municipality of Nicosia, Cyprus), for discussion at the first meeting of the Commission for Sustainable Territorial Development that will take place in the autumn 2015, with a view to its adoption at the 7th ARLEM plenary session.

## 1. Background

Employment and territorial development are two topics that are inextricably linked. A city or region with good governance, with adequate infrastructure and public services and whose population enjoys a good level of education and training is more likely to attract job-creating investment – which in turn can contribute to sustainable territorial development. Furthermore, unemployment is a recognised cause of social and political instability, which in turn hampers economic development, while integrated economic development, at several levels, has a positive impact on social and political stability and hence on investment and employment.

The southern and eastern Mediterranean form a region with high population growth, suffering from an acute and often uncontrolled rural exodus and where the economic growth of recent years has not been enough to create jobs for the large numbers of young people entering the labour market. In addition to internal migration, people are being displaced as a result of the various conflicts in the region, and there is external migratory pressure from the countries bordering with those of the European Neighbourhood. All these factors combine to make the unemployment rate in the region one of the highest in the world.

The economic exclusion of young people is even more serious in the rural and/or outermost areas of these countries, where job opportunities are becoming scarcer and wages are lower than in the large cities. The regions furthest from the seat of political power are more at risk of marginalisation and underdevelopment, and thus constitute a kind of "far edge of the outermost edge" — which would indicate the need for the recognition of a territorial dimension of development, aimed at territorial cohesion and a better balance between regions.

Euro-Mediterranean cooperation, as part of the renewed European Neighbourhood Policy, can play a major role in realising people's ambitions in terms of economic growth and job creation. Local and regional authorities could be key players in this cooperation, provided they have the necessary resources and technical assistance. The changes that have occurred in recent years in the southern Mediterranean, where new political governance rules have been adopted and, in certain cases, decentralisation and regionalisation processes have been implemented, provide an opportunity that needs to be seized in order to achieve the goals that have been set.

The example of European regional policy shows that targeted investments in the most disadvantaged regions can boost their competitiveness and hence economic growth and job creation, while improving people's quality of life. EU regional policy aims to reduce the major disparities that still exist between Europe's regions, thereby reflecting the EU's solidarity with regions that are lagging behind in development terms. To achieve this goal, it makes use of the Structural Funds that are intended for investments in basic infrastructure, human capital, social inclusion, business support and institutional capacity building and allocated on the basis of priorities identified locally and forming part of regional strategies. Multi-level management, bringing together the European, national and sub-national authorities has thus become essential in this respect.

Experience gained from European regional policy, as well as from other examples of good practice in the Euromed region, can help both to design new employment policies and increase the scale and effectiveness of existing policies. The aim of this report is to use this important experience as a basis for proposing guidelines for drafting policies in the framework of the European Neighbourhood Policy (ENP) and the funds available to it, through programmes targeting Mediterranean partner countries, and more specifically their local and regional authorities. To this end, the report can build on the conclusions and recommendations of a number of other relevant reports approved previously by ARLEM or currently under discussion (which are mentioned in more detail in section 3 below).

## 2. Framing the issues in the context of EU and UfM priorities

### 2.1 The Europe 2020 strategy and the investment plan for Europe

The Europe 2020 strategy was adopted in 2010 and is intended to coordinate EU economic policies over a ten-year period with a view to supporting jobs and growth and protecting the environment, whilst boosting Europe's competitiveness at global level. The Europe 2020 strategy focuses on investments in job creation, research and innovation, green growth and education and aims to achieve sustainable and inclusive development in the EU, which means strengthening its social and territorial cohesion.

The Europe 2020 strategy identifies a series of quantitative objectives to be reached at European level by 2020 at the latest, including the goal of increasing the employment level of 20-64 year-olds to 75%. These goals are then divided into flagship initiatives that set out their operational arrangements at national and sub-national levels on the basis of the plans adopted at European level. One of the flagship initiatives to be put in place at European and national levels is the strategy for new skills and jobs, which should improve employment, while encouraging the training of workers and students, gender equality and the employment of older people.

As part of its mid-term review of the EU 2020 strategy and the work on its renewal (scheduled for the end of 2015), the Committee of the Regions (CoR) made recommendations for giving the strategy a territorial dimension. These were presented in the Athens Declaration entitled *A territorial vision for growth and jobs*<sup>1</sup>, which was adopted in March 2014, at the 6th European Summit of Regions and Cities, and in the *Blueprint for a renewed Europe 2020 strategy from a territorial perspective*<sup>2</sup>, presented in 2015 and which translated the Athens Declaration into practical proposals.

In November 2014, the European Commission also announced *An investment plan for Europe*<sup>3</sup> which is an ambitious programme of infrastructure investment that is likely to have a wide impact on

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1 <http://cor.europa.eu/en/news/Documents/2210-athens-declaration-a5.pdf>.

2 <http://cor.europa.eu/en/documentation/brochures/Documents/Blueprint%20for%20a%20revised%20Europe%202020%20strategy/2459-brochure-BlueprintEU2020.pdf>.

3 <http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52014DC0903&from=EN>.

employment and territorial development in the EU. This programme (also known as the *Juncker package*) plans to release EUR 315 billion of public and private investment into the real economy over a three-year budgetary period (2015-2017).

Still in the field of European investment, it should be recalled that the European Investment Bank (EIB) also supports the economic and social development of Mediterranean partner countries through the Facility for Euro-Mediterranean Investment and Partnership (FEMIP), which focuses on micro-, small and medium-sized enterprises and the industrial sector and encourages the creation of an environment favourable to investment.

## **2.2 European Neighbourhood Policy**

The European Neighbourhood Instrument (ENI), which finances the EU's activities to help the ENP partner countries (which include Algeria, Egypt, Israel, Jordan, Lebanon, Libya, Morocco, Palestine, Syria and Tunisia), has a budget of EUR 15.4 billion for the 2014-2020 period.

The ENI objectives include sustainable development and economic, social and territorial cohesion, gradual inclusion in the EU's internal market, and improving regional and sub-regional cooperation as well as cross-border cooperation. Cross-border cooperation programmes, aimed at strengthening interaction between EU Member States and the partner countries of the Neighbourhood, have recently been amended, in order to facilitate their implementation and make the process faster and more efficient.

In this respect, it should be remembered that the EU can draw on several years of experience in managing European Groupings of Territorial Cooperation (EGTCs), which allow public entities in more than one EU Member State to cooperate by setting up a new entity with a legal personality. At present, entities from states that are not members of the EU can also belong to an EGTC.

As regards closer integration in the EU internal market, the ENI promotes linkages with the EU's internal instruments and policies, particularly by promoting mechanisms for pooling funds from internal and external instruments of the EU budget. The aim is to enable partner countries and their citizens to participate in successful EU internal programmes in areas such as research and innovation, youth programmes, development of small and medium enterprises and industrial cooperation.

## **2.3 Union for the Mediterranean**

The Union for the Mediterranean (UfM) has implemented targeted projects and initiatives focusing on business development, employment opportunities and skills for employment. Particular emphasis has been placed on young people and women and on cross-cutting issues such as promoting women's economic independence and the employability of young people. In this context, the Mediterranean Initiative for Jobs (Med4Jobs) was launched in 2013 by the UfM secretariat and special attention was also given to micro-, small and medium-sized enterprises in order to assess their needs and provide them with resources in the form of technical assistance and financial instruments.

A high-level working group, made up of representatives of the UfM Member States and representatives of the social partners, but also other entities, such as the International Labour Organisation and the European Training Foundation, is currently addressing the issue of the transition from the informal to the formal economy. This work, which will continue in the coming months and will cover topics such as the performance of public employment services and the role of social dialogue in the transition to the formal economy, will culminate in 2016 in a Euro-Mediterranean ministerial meeting devoted exclusively to the subject of employment.

Since its creation, the issue of employment, especially with regard to young people, has always been at the centre of the UfM's activities in different sectors of the economy. In recent years, the UfM has deployed efforts in the area of industrial cooperation to develop the digital economy in the region and support the creative industries. It is currently also focusing its attention on implementing a strategy for the private sector as part of Euro-Mediterranean economic integration. The development of the "blue economy", which includes sectors with job-creating potential such as tourism and fishing and the food industries, is currently under discussion in the Euro-Med framework and will be the subject of a UfM ministerial meeting in November 2015.

### 3. **ARLEM contributions on policies relating to employment and territorial development**

Job creation is a decisive issue for the future of the Mediterranean region as it determines economic growth, social cohesion and political stability. Based on the first-hand experience of many of its members, ARLEM has consistently supported the position that an additional dimension of territorial cohesion needs to be added to employment policies, fostering their "territorialisation". In accordance with its status as a territorial assembly, ARLEM has already offered its contribution in a number of specific but highly relevant issues pertaining to job creation policies, such as the role of small and medium-sized enterprises, technical education and vocational training or migration management in the Mediterranean, which were covered in ARLEM reports in 2011<sup>4</sup>, 2012<sup>5</sup> and 2014<sup>6</sup> respectively, or that of a sustainable urban agenda for the region, which is also the subject of a report in 2015<sup>7</sup>:

- The population is expanding fast in the southern and eastern Mediterranean region, which is experiencing a rapid process of often uncontrolled urbanisation. A sustainable urban agenda of the kind currently being discussed at European, Euro-Mediterranean and global levels includes issues such as basic infrastructure, public services, education and training, which have a direct impact on employment and territorial development.

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4 ARLEM report on the role of small and medium-sized enterprises in the Mediterranean (rapporteur: Fathallah Oualalou, Mayor of Rabat, Morocco) - CDR378-2011-REV-TCD; ARLEM reports are available at: <http://cor.europa.eu/en/activities/arlem/Pages/arlem.aspx>.

5 ARLEM report on education and vocational training in the Mediterranean (rapporteur: Peter Bossman, Mayor of Piran, Slovenia) - CDR9113-2012-00-02-TRA-TCD.

6 ARLEM report on the role of local and regional authorities in managing migration in the Mediterranean (rapporteur: Antonio Costa, Mayor of Lisbon) - COR-2014-01464-00-03-TCD-TRA.

7 Discussion paper on a sustainable urban agenda for the Mediterranean region for the report to be prepared by Fawzi Masad, city manager in Greater Amman Municipality (Jordan) - COR- 2015-01557-00-00-TCD-ORI.

- In addition to the migration towards the cities, there are also significant external migration flows. The local and regional authorities are on the front line in coping with these migration flows, where good management requires integration policies, including policies for promoting job creation.
- The high unemployment rate and the difficulties in creating jobs in the countries in the south and east of the Mediterranean are largely due to the characteristics of the “human capital” available and the mismatch between demand for and supply of employment. Higher levels of education, but also a technical education system and vocational training more in line with business needs, would improve the quality of human resources and could make a significant contribution to job creation and combating unemployment.
- Job creation needs a favourable environment for developing businesses and investment. Beyond the national legislative framework, which should promote businesses and investment, measures at local or regional level in the form of technical assistance and/or financial instruments should also be considered, and the support policy for small and medium-sized enterprises should be "territorialised" (i.e. tailor-made in accordance to the specific characteristics of each region, and in coordination with local and regional authorities).

The effectiveness of the policies designed to create jobs and foster territorial development requires a multi-level approach, from the Euro-Mediterranean and national levels to the regional and local levels, as well as regional, sub-regional and cross-border cooperation capable of mobilising the EU Member States, the partner countries and their local and regional authorities. For that effect, ARLEM proposed in 2014 that a macro-regional approach should be introduced gradually in the Mediterranean region, considering that the ENP should incorporate methodologies, concepts and instruments from the European Cohesion Policy, and offer the opportunity for Mediterranean partner countries to participate in the European structural programmes on a progressive basis<sup>8</sup>.

For the same purpose, support for cross-border and interregional cooperation should be given particular priority, thus enabling LRAs to benefit from real opportunities to implement joint programmes and projects, designed through partnerships, including those modelled on the EGTCs. In the consultation process on the future of the ENP, ARLEM has also called for the institutional capacity of the LRAs to be reinforced and for their role to be strengthened in both the action plans and the indicative plans established under the bilateral component of the ENP, with the aim of promoting a territorial (and not merely sectoral) approach to distributing aid within the national plans<sup>9</sup>.

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<sup>8</sup> Report on a cohesion policy for the Mediterranean, drafted by Joana Ortega y Alemani, vice-president of the Generalitat of Catalonia, president of the Intermediterranean Commission of the CPMR - COR-2013-02318-01-03-TCD-TRA.

<sup>9</sup> ARLEM Position Paper on the Joint Consultation Document: Towards a New Neighbourhood Policy, issued by the European Commission and the High Representative for Foreign Affairs and Security Policy – COR-2015-01585-00-01-TCD-TRA.

The set of reports listed above summarises a significant proportion of the political work carried out by ARLEM since its creation in 2010. On the one hand, they show the importance given to employment and territorial development issues by this assembly, and of the considerable experience that was gathered in the process; on the other, they throw more light on the institutional implications of possible solutions, which are an essential part of their effective implementation. (to talk about)

#### 4. **Proposed new guidelines for policies on employment and territorial development**

As previously stated, the purpose of this report is twofold:

- To take stock of the most relevant contributions put forward by the main stakeholders in the Euro-Mediterranean process in the area of employment and territorial development;
- To add to them new practical guidelines, aimed at establishing effective policies in the framework of the EU Neighbourhood policies and the accompanying funds, through programmes targeting Mediterranean partner countries, especially at the level of local and regional authorities.

For that purpose, a consultation took place among ARLEM members, allowing the following conclusions to be drawn:

- a) Overall, the strategies encouraging employability and job creation at regional level that have been put in place under the umbrella of the ENP and the UfM are considered appropriate and satisfactory. The Med4Jobs initiative, in particular, has been very well received in the countries of the region.

However, it has to be stressed that the EU Neighbourhood budget is probably not adequate to support the related objectives, in spite of an increase of resources in comparison to the period 2007-2013<sup>10</sup>.

Financial matters aside, forging a comprehensive and regional approach – and enhancing the dialogue between governments, the private sector, civil society, international and local organisations and stakeholders – is key to tackle unemployment in the region in a more effective way.

From this point of view, an instrument that could contribute to achieving these objectives can be identified in the establishment of an Integrated Macro-Regional Mediterranean Strategy made up of three interconnected strategies (the already existing EUSAIR, or Adriatic-Ionian strategy; the Western Mediterranean strategy; the Eastern Mediterranean strategy).

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The European Neighbourhood and Partnership Instrument (ENPI), which was the financial instrument for the ENP (covering both Euro-Mediterranean Regions and regions of Eastern Europe) had a budget amounting to 11,181 million euros for the period 2007-2014. The ENPI was replaced by the European Neighbourhood Instrument (ENI), which has a budget of 15,433 million euros for the period 2014-2020.

In this time of crisis (economic, north of the Mediterranean, and socio-political, in the south), linking economic development strategies with political guidance seems especially important too, for political stability is the basis of any strategy to promote employment; the particular historical and geographical features of the southern partner countries must also be taken into account.

- b) The challenge of unemployment in southern and eastern Mediterranean has to be met by responding first to the structural needs of those countries, such as qualification and training. National strategies to achieve that purpose should be translated into local actions and involve all the relevant stakeholders – training institutions, universities, businesses, public services, etc.

In the framework of the ENP and the UfM, and with a view to promote the multilateral dimension of cooperation in the Euromed region in terms of territorial development, the following policies should be given priority:

- energy cooperation;
- transport connections;
- migration and mobility of people;
- youth and employment;
- gender equality promotion;
- civil-society engagement;
- strengthening of the private sector;
- institutional capacity building, at territorial level.

- c) The Commission's Communication on the Europe 2020 strategy stated that this latter "...is not only relevant inside the EU, it can also offer considerable potential to candidate countries and our neighbourhood and better help anchor their own reform efforts. Expanding the area where EU rules are applied, will create new opportunities for both the EU and its neighbours". To a great extent, the objectives of the Europe 2020 Strategy overlap with the different layers of EU-Mediterranean cooperation, showing that a common Euro-Med strategy in the field of growth and employment is perfectly feasible.

A Euro-Mediterranean strategy should consider inclusive growth and social cohesion like a goal per se, prioritising investment in inclusive growth in a smart and sustainable way and the wellbeing of people as a way to strengthen economic growth. Among the positive lessons that can be drawn from the Europe 2020 strategy it is worth mentioning the priority given to speeding up the roll-out of high-speed internet, through the Digital Agenda for Europe flagship initiative, as a key enabler of development.

- d) At national and Euro-Mediterranean levels, priority should be given to the following areas of cooperation:
- Developing a comprehensive strategy for transforming informal employment into formal employment;
  - Fixing the imbalance between training and job demand;
  - Promoting equal opportunities of employment for men and women;

- Improving "people to people" contacts; enhancing the mobility of students, researchers and business people in the area, through visa facilitation;
  - Promoting the exchange of best practices on employment related policies between northern and Southern Mediterranean local and regional authorities, by allowing these latter to learn first-hand from partners experiences that can be applied to their particular circumstances.
- e) In order to create a favourable environment for enterprises, and in particular for micro-, small and medium-sized enterprises, the measures to be undertaken as a priority in Euro-Mediterranean cooperation should be among the following:
- training and qualification of the local population adapted to the needs of the business world (connections between training centres, universities and companies);
  - to foster gender equality and promote women's access to the labour market, the provision of education, training and equal rights for women should be considered as a condition of EU funding;
  - to ensure fair access to the market to local companies in calls for tenders launched in the context of EU funding, in order to avoid the trend (noticeable in several developing countries) of a purely multinational's driven development;
  - to promote investment in digital equipment and infrastructures, offering broadband access to the region's business and industries and allowing them to become more competitive in the global world economy.
- f) Building on previous positions adopted by ARLEM on migration and the management of migration flows, the following policy recommendations regarding the inclusion of migrants into the labour market should be observed:
- It should be recognised the essential fact that the mobility of persons, notably the migration of students, researchers and entrepreneurs and circular migration are essential to deepening the economic integration of the Mediterranean.
  - As a means of reducing outbreaks of racism and xenophobia, information and awareness campaigns in the countries of destination should be run, to combat negative stereotypes surrounding immigration.
  - Appropriate resources for language learning for newly arrived immigrants should be allocated.
  - The participation of immigrants in training programmes should also be fostered, to equip them with the working skills that enable them to integrate in the formal labour market.
  - Policies to combat undeclared work and false self-employment should be strengthened; the use of service vouchers should be promoted, notably in the care/domestic sector, in order to limit incentives to informal, undeclared caregiving.
  - Incentives for families with children abroad to bring them soon after arrival and into formal education institutions should be provided, so as to facilitate their long-term integration and allow their smooth school-to-work transition.
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