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**COMMUNICATION FROM THE COMMISSION  
TO THE COUNCIL AND THE EUROPEAN PARLIAMENT**

**TO PREPARE THE FOURTH MEETING OF EURO-MEDITERRANEAN FOREIGN  
MINISTERS**

**“REINVIGORATING THE BARCELONA PROCESS”**

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**INTRODUCTION**

The EU's relations with the countries to the South and East of the Mediterranean are based on a proximity policy which reflects the political and strategic importance of the region to the EU, extending far beyond trade and assistance programmes. The Barcelona process aims at giving full expression to the EU's historical and political links with the Mediterranean region.

The Barcelona process, established in 1995, is a regional framework which brings partners together at both political and technical level to promote their common interests. It builds on the various Mediterranean policies developed by the EU since the 1960's but marked a new departure in that, for the first time, it created a framework for strategic relations going beyond the traditional areas of trade and assistance co-operation. It represents the wish of the EU to work together with its partners and to get away from the previous situations where the EU made proposals and its Mediterranean partners either accepted or rejected them.

This multilateral process is underpinned by a network of bilateral relations between each partner country and the EU, embodied in Association Agreements. The full potential of the Barcelona process can only be achieved within this framework of comprehensive bilateral agreements in a wider regional setting of political, economic, social and cultural co-operation.

The three main goals of EU Mediterranean policy are set out in the Barcelona Declaration<sup>1</sup> and in the common strategy adopted by the European Council in Feira in June 2000. They can be summarised as follows:

- The creation of an area of peace and stability based on fundamental principles, including respect for human rights and democracy.
- The creation of an area of shared prosperity through the progressive establishment of free trade between the EU and its partners and among the partners themselves in view of the creation of the wider Euro-Mediterranean free trade area by 2010. This process is accompanied by substantial financial support from the EU for economic transition and to help partners deal with the social and economic challenges which come with transition.

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<sup>1</sup> Barcelona Declaration adopted at the Euro-Mediterranean Conference of Foreign Ministers, 27-28 November 1995

- The improvement of mutual understanding among the peoples of the region and the development of an active civil society.

The notion of "regional integration" goes hand in hand with that of economic transition. In macro economic terms, substantial progress have been made since almost all the Mediterranean partners have now corrected their imbalances. Also, since 1992, a certain opening has taken place in their trade, their exports and imports having progressed faster than their GNP. But these progress are insufficient and fragile. These fragility stems from the narrowness of their fiscal base, from the lack of diversification and competitiveness of the specialisation developed so far, from the rigidities affecting their labour market, and more generally from the insufficient liberalisation of their economic system. Mediterranean partners are indeed in need of a more dynamic growth, which they will achieve only if they commit themselves to a double strategy: an acceleration of reforms towards a deep integration with EU; and adaptation to the realities of the new economy.

As far as trade is concerned, partners send globally around 51% of the exports to the EU, and receive 53% of their imports. There is here a weakness of the Mediterranean productive base. Similarly, the weakness of Foreign Direct Investments flows is worrying. The insignificant share (5%) that is accounted by the Mediterranean out of the FDI flows towards emerging countries is an indication that, overall the Mediterranean does not offer yet the necessary attraction to investors.

#### **ACHIEVEMENTS TO DATE**

In the five years since the Barcelona Declaration a new spirit of partnership has been built between the EU and its Mediterranean partners. Despite the ebb and flow of the Middle East peace process all partners have participated in the process and it is the only forum where Israel, Syria and Lebanon meet at Ministerial level; many new regional networks have been established (such as Chambers of Commerce, industrial federations, foreign policy institutes, economic policy institutes) bringing people together to work towards common goals. Association agreements have entered into force with Tunisia, Morocco, Israel and the Palestinian Authority and the Agreement with Jordan is in the process of ratification. Most of the partners have embarked on ambitious programmes of economic transition necessary to promote private sector development and to help encourage investment. The EU has mobilised over €9 billion in grant and loan funding to support this process. Regional programmes have brought together representatives of civil society, particularly in the cultural sphere, helping to increase mutual understanding.

Annex I reviews activities undertaken during the period 1995 – 1999.

#### **DIFFICULTIES ENCOUNTERED**

Given the ambition of the Barcelona process there have inevitably been some problems :

- Difficulties in the Middle East peace process have slowed progress and limited the extent to which full regional co-operation could develop. Not only are the countries in the region very different in terms of political systems and levels of economic development but some are much more affected by the evolution of the peace process than others. Willingness to co-

operate more actively with neighbours has been held back by the politics of the peace process.

- The process of negotiation and ratification of the Association Agreements has been slower than expected.
- The spirit of partnership has not led to a sufficiently frank and serious dialogue on issues such as human rights, prevention of terrorism or migration. EU Human Rights policy in the region has lacked consistency. The traditional EU approach of constructive advocacy and supporting civil society activists has not always been supported by local governments. More must be done to promote respect for universal human rights.
- Some partners have been reluctant to accelerate the pace of the economic transition and to introduce the reforms necessary to meet the obligations contained in the Association agreements. The Associations Agreements could not be a substitute for domestic reform efforts. The two are complimentary processes and mutually reinforcing.
- Trade between Mediterranean partners (South-South trade) has not increased from its very low starting point. The levels of EU investment in the region remain low and well below the flows of investment to other parts of the world. Part of the problem lies in the diversity of rules, absence of cumulation of origin, inadequate physical and administrative infrastructure and lack of a transparent legal and economic framework for doing business. In some countries public companies have been resisting the restructuring which is needed in order to compete in more open markets and other interest groups have been stalling wider economic reforms. The Association Agreements provide opportunities, not guarantees, and their full benefits can be reaped by countries which are prepared to modernise and open their economies only.
- Implementation of the MEDA programme has been hampered by complicated procedures both in the EC and in partner countries. Although a new emphasis has been put on structural and sectoral adjustment in order to help governments press ahead with economic and social reform there have often been problems in finalising agreements or in meeting conditions because of hesitation over reform.
- Despite awareness of the Barcelona process at political level, there is insufficient awareness of the opportunities and benefits of the process in society at large.

#### **THE NEED TO RE-INVIGORATE THE BARCELONA PROCESS**

Recognising the strategic importance of their relations, all partners are committed to the further development of the process. As the stock taking of the first five years shows the basic approach and the main instruments are still valid. The Commission considers that the global and comprehensive approach agreed at Barcelona is the only one capable of avoiding the stagnation of the past and that it should be reaffirmed. However, there is a need to draw a number of lessons from the initial period and to reinvigorate the process in several important respects.

On several occasions the Council has called for further strengthening of the Euro-Mediterranean partnership. Most recently, in May 2000 Euro-Mediterranean Foreign Ministers met informally to review the process and to consider how to take it forward. At the June 2000 meeting of the European Council in Feira a Common Strategy of the European Union on the Mediterranean region was adopted to guide the policies and activities of the Union in developing the Euro-Mediterranean Partnership established by the Barcelona Declaration.

This Communication reviews the experience of the first five years of the Barcelona process and makes specific proposals for taking it forward in a number of areas where difficulties have been encountered.

## **INSTRUMENTS AVAILABLE**

In pursuing the three main goals of its Mediterranean policy the EU has a variety of existing and potential instruments

- Bilateral Association Agreements which provide for political dialogue, free trade between each partner and the EU to be established over a transitional period, financial and other forms of co-operation
- The MEDA programme which provides financial support for the objectives of the Association Agreements, through bilateral, national allocations and through regional programmes. This includes appropriate forms of technical assistance for adapting the legal and regulatory regimes.
- The Euro-Mediterranean Committee of the 27 partners which oversees all aspects of the process, together with regular meetings of senior officials on political and security matters
- A future Charter for Peace and Stability, guidelines for which were agreed at the Stuttgart Foreign Ministers Conference in 1999

The institutional framework in which these instruments are applied needs to be reviewed and adapted to the 're-invigoration' process.

This Communication examines some of the main issues which arise in relation to the application of these policy instruments, each of which serves in different ways to underpin the three themes of the Barcelona process.

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### **a) Association Agreements**

- (i) **Completing the Association Agreement Framework – the need to accelerate negotiation, signature and ratification** : Four Association Agreements are outstanding. Negotiations with Egypt were concluded in June 1999 but the Egyptian Government is not yet ready to sign. Negotiations with Lebanon, Syria and Algeria are making very slow progress. As experience with Tunisia, Morocco, Israel and the Palestinian Authority shows, the entry into force of the Association Agreements brings important benefits. Moreover, the aim of Euro-Mediterranean free trade cannot be realised until all of the

Agreements have entered into force. Therefore, it is important to speed up the conclusion of the remaining agreements.

***The Commission calls on Egypt to sign the Association Agreement and on Lebanon, Syria and Algeria to work with the Union to accelerate negotiations with a view to concluding them by June 2001 at the latest while being aware that this will require major efforts on all sides.***

Experience has shown that ratification by Member States can also be a slow process (rarely less than four years, at present).

***The Commission calls on Member States to take steps to accelerate ratification of the Agreement with Jordan and to ensure that subsequent Agreements are ratified within two years of signature.***

## **(ii) Trade**

One of the repeated requests from the Mediterranean partners is for greater market access for their agricultural products, driven both by the economic and social importance of agriculture in these countries and by their perception of having a comparative advantage in certain agricultural products. The Association Agreements which have already been concluded provide for a review of their provisions on trade in agriculture. Since the Association Agreements are free trade Agreements which include provisions for furthering the progressive and reciprocal liberalisation of trade in agriculture and since all parties are bound by WTO rules it is appropriate to carry out a detailed examination of the obstacles to be overcome in order to ensure that the FTAs are fully GATT compatible at the end of the transitional period. This review should be carried out in the context of the partners' broader agricultural support policies and the implications for water, the environment and social issues.

***For each country for which an Association Agreement is in force, the Commission will carry out a detailed examination of the further steps needed in order to reach, by the end of the transition period, a GATT compatible Free Trade Agreement, covering all sectors including greater liberalisation of reciprocal trade in agriculture. This examination will be carried out by the end of 2000, subject to work already underway, and on the basis of that analysis and if necessary, the Commission will make further proposals for trade liberalisation in accordance with the Barcelona Declaration. As far as possible consistency should be pursued in any further preferences granted to partners. .***

In relation to trade in services, there are significant barriers to market access in many – if not all – of the Mediterranean partners. This prevents service suppliers from taking full advantage of the opportunities available and also reduces the ability of the partners to attract foreign investment and promote their own economic development. Liberalisation of market access and improved regulation of trade in services will form an important dimension of the economic development of the Mediterranean partners. Those which are members of the WTO should therefore be encouraged to, play a full part in the current GATS 2000 negotiations.

- b) Other economic and trade issues
- (i) **South-South trade** : Enhanced regional and sub-regional trade and economic cooperation are a prerequisite for attaining the objectives set out in the Barcelona Declaration. At present intra-regional trade accounts for less than 6% of the total trade flows of the Union's Mediterranean partners. Development of South-South trade would bring considerable economic gains, not only in terms of trade but also in terms of inward investment since investors would be attracted by the possibility of serving regional rather than purely national markets. The completion of the Euro-Mediterranean free trade area depends on implementation of agreements between the partners themselves. The implementation of sub-regional free trade areas, in accordance with WTO rules, is a useful vehicle for accelerating the wider Euro-Mediterranean free trade area which is meant to be in place by 2010. Making a reality of free trade in the Maghreb and in the Mashraq, together with the agreements which Turkey and Cyprus are already establishing with these partners, would bring an early harvest of some of the benefits foreseen in the Barcelona process. The further development of South-South trade is both a political and a technical matter. The countries in the region need to decide for themselves to open their economies to doing business with their neighbours but the Commission can facilitate the process by providing technical assistance on what is needed in order to make South-South trade work (for example, by advising on rules of origin, on tariff reductions and on fiscal reform which will be necessary in order to offset the loss of revenue resulting from tariff reduction)
- (ii) **Cumulation of Origin<sup>2</sup>**: this is an important issue in this context since it helps to make better use of complementarities, division of labour and economies of scale. Cumulation of origin is also an important factor in establishing a large South-South market and thus attracting inward investment. In order to encourage this process of sub-regional co-operation among the partners concerned the Commission calls on the Mediterranean partners to adopt the harmonised protocol on rules of origin (as already accepted with Jordan and the PLO) which is the basic condition for the functioning of a system of diagonal cumulation between all partners.. Once this is achieved full cumulation can be reached once it has been demonstrated that all partners are correctly implementing the rules for diagonal cumulation.
- (iii) **Single Market – harmonisation/integration** : The section on free trade in the Barcelona Declaration goes beyond tariff dismantling and deals with broader economic issues. The European experience of establishing a Single Market should be used to identify an appropriate regulatory framework for a Euro-Mediterranean Free Trade Area. The Commission has issued a Communication<sup>3</sup> on the Euro-Mediterranean Partnership and the Single Market and the Euro-Mediterranean industrial co-operation working group is discussing further co-operation on customs, public procurement, norms and standards, competition policy, taxation, intellectual property protection, financial services, data

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<sup>2</sup> "Cumulation" permits the use, in one partner, of material originating from one or more other partners, with the final product being regarded as originating from the first partner.

<sup>3</sup> COM (1998) 538 final of 23.9.98.

protection, accounting and auditing. A regional action programme focussed on awareness raising and training, is to be launched towards the end of 2000.

Actions to encourage the decompartmentalisation of markets will be of particular importance, especially in regulated sectors such as energy and telecoms.

The entry into force of the Euro also provides a substantive element of influence for the economic relation between the EU and the Mediterranean Partners, in terms of minimization of risk for potential investors in the Mediterranean.

- (iv) **Integration into the world economy:** A number of the partners are not yet WTO members. Those who have not yet applied should do so as soon as possible. Those who have applied but not completed the accession process should take steps to accelerate the procedure.

*The Commission proposes that :*

- Those partners which have not yet applied to the WTO should do so by the end of 2000, and those which have applied should complete the process of accession as quickly as possible with a view to conclude by the end of 2002.
- *at the latest within five years of signature, each country which signs an Association Agreement with the EU should sign free trade agreements with all other Association Agreement signatories*
- *diagonal cumulation should be introduced immediately between all the partners establishing free trade among themselves and applying identical rules of origin.*
- *building on the expected outcome of the forthcoming “euro-market” regional programme, a time-table should be defined by 2002 for single-market type harmonisation measures of certain priority sectors such as rules of origin, customs matters, norms and standards, and intellectual property protection. The implementation of this harmonisation programme, which would cover both convergence with the EU and intra-Mediterranean harmonisation, would take place as of 2004.*

**b) The MEDA programme –bilateral and regional financial co-operation**

**(i) Country programmes**

The MEDA programme provides financial assistance in support of the aims of the EU’s Mediterranean policy as set out in the Barcelona Declaration. Since 1995 MEDA has concentrated on supporting economic transition and on helping partners meet the socio-economic challenges which come with transition, in line with the objectives of the Association Agreements. Although the MEDA programme has a good record on commitments, disbursements have only reached 26% of the amount committed. Although it is natural that, in the early years of a programme, disbursement should be slow there is a clear need

to improve the performance of the programme, both in the EU and in the partner countries.

Performances in terms of disbursements have shown substantial variations, ranging from very low levels up to 42-48%. Factors behind these variations are multiple : the Commission has to go through an important internal reform in aid delivery ; the Council and the Parliament need to equip the EU with a more effective Meda Regulation, but also, Mediterranean Partners have to play their part through greater commitment in the programming dialogue and the presentation of credible and mature project proposals.

In the light of five years' experience the Commission has concluded that the programming and implementation of assistance must be improved in order to enhance its strategic content, to sharpen its focus and increase its impact. In the context of the revision of the MEDA Regulation the Commission has proposed to draw up a Country Strategy paper for each country which will set the context for triennial national indicative programmes and the annual programming proposals. This process will help place MEDA's priorities in the context of each country's own national development objectives and take account of the activities of other donors including bilateral Member State programmes and the international financial institutions. In future the emphasis will be on a small number of strategic programmes and isolated or small projects which do not fit into this approach will no longer be funded.

Since the purpose of providing financial assistance is to support the objectives of the Association Agreements, future programming will be more focussed and concentrated on a smaller number of priorities, directly linked to the Agreements and will take greater account of the readiness of partners to demonstrate by their actions their commitment to enhance regional trade and economic cooperation as well as to the necessary measures of economic reform, notably in the financial sector, in order to complete the process of economic and political transition, including where appropriate, their willingness to conclude the Association Agreement negotiations.

In view of the importance of the regional dimension of the Barcelona process increased attention needs to be paid to the transfer of results from regional programmes to country- specific MEDA programmes. As the regional programmes begin to generate results, for example on regulatory frameworks or possible harmonisation measures based on the EU Single Market, these should be implemented through the national programmes. The Commission has recently taken important decisions on the implementation of its external aid policy with a view to accelerating delivery. These will benefit MEDA where implementation also needs to be simplified and streamlined. This objective can be combined with that of increasing the strategic influence and impact of MEDA by increasing the emphasis given in the programme to structural and sectoral adjustment, taking account of the activities of the international financial institutions. This will encourage the development of support programmes with conditions linked to specific sectors and the objectives of the Association Agreements. Deconcentration of implementation of the programme to the Commission's Delegations in the partner countries will help to bring the

programmes closer to the beneficiaries, speed up the handling of projects and allow for closer monitoring.

The Commission is determined to reduce the length of time taken to implement MEDA programmes through more focused programming, only financing mature projects and limiting the widespread practice of extending programme duration. The Commission therefore proposed on 26 July 2000 (proposal to recast the financial regulation COM(2000) 461 that contracts which implement financing memoranda need to be concluded at the latest on the 31 December of the third year following the budgetary commitment. It may also be necessary for partner countries to make changes in the way they implement MEDA projects.

*In order to ensure greater impact in line with agreed priorities, the Commission proposes that funding under MEDA be more explicitly linked to progress in the implementation of the Association Agreements. Future financial allocations should also reflect the willingness of partners to pursue the objectives of the Agreements, notably as regards the acceleration of economic reforms and to raise their absorption capacity in presenting fully mature projects. At the same time, increased efforts should be made to transfer the results of regional programmes into national action programmes*

**(ii) Regional co-operation**

The emphasis on regional co-operation is one of the key features of the Barcelona process. However, in the early stages it has been difficult to overcome the political and technical obstacles to co-operation. Regional cooperation focuses on the following key areas: industry, water, energy, environment, transport and the information society. Cooperation in research and development within these sectors is also encouraged.

While it is important to maintain the principle that all regional programmes are open to all partners it also makes sense to provide for smaller groups of partners to move ahead together without waiting until all are ready to participate. Thus certain regional co-operation projects could be developed on a sub-regional basis such as bilateral or trilateral projects within the Maghreb, the Mashraq or any other trans-Mediterranean composition. This would mean making greater use of the “cluster” approach already used in MEDA regional programmes where programmes open to all partners are made up of individual projects involving smaller number of partners.

*The Commission proposes to make greater use of the plurilateral nature of regional co-operation programmes, developing projects with smaller numbers of Member States and Mediterranean partners in configurations which can vary from one project to another.*

MEDA regional co-operation programmes aim to promote the exchange of experience and best practice, raise awareness and to develop ways of dealing with issues which can then be implemented nationally. A number of innovations could be proposed in existing programmes and a limited number of new programmes should be introduced in order to further promote this kind of regional co-operation:

- **investment and business** : investment, both foreign and domestic, is crucial for economic development and successful transition. It is clear that the main effort to modernise their economies, create legal and administrative transparency and certainty, create a business friendly, pro-competition environment, promote good governance and develop sub-regional co-operation must come from the countries themselves. However, drawing on its own experience and with financial assistance from MEDA the EU can support this process. In this context a regional envelope is being developed within MEDA to support risk capital financing. A network of investment promotion agencies is being launched and the Commission will update the investor's guides to the region which have already proved very successful. Member States should also consider carrying out information campaigns with their own business communities so as to inform potential investors of developments and opportunities. The recent creation of the UNIMED BN network of employers federations will create a useful focal point for understanding the needs and concerns of investors. A new regional programme on innovation, technology and quality will also help business to compete in the global economy. The regional EUMEDIS programme is designed to promote the information society. In particular the results of its activities on e-commerce will be further developed as an instrument of economic modernisation in the region.
- **environment** : Environmental protection is a prime example of an issue which must be tackled through regional co-operation. In 1997 Euro-Mediterranean Ministers agreed on a series of priority areas for action to protect the environment (Short and Medium Term Priority Environmental Action Programme – SMAP). The first series of regional co-operation projects in the five priority areas<sup>4</sup> identified by Ministers is now being launched. These regional projects aim to address, among others, water, waste, coastal zones, biodiversity and desertification. To reflect the increasing importance of environmental protection the financial resources allocated for the SMAP are being increased.

More generally, attention must be paid to the integration of environmental concerns and the objectives of sustainable development into all activities undertaken within the Partnership

- **infrastructure** : Beyond the legislative and administrative framework for economic modernisation, it is clear that the necessary infrastructure must also be in place. In the Mediterranean context, investment in large infrastructure projects such as road, ports, telecoms etc. should be financed either by the private sector or through loans. The use of grant money should be limited to the funding of feasibility studies and preparatory actions. MEDA funds should be used to develop concepts and feasibility studies for regional infrastructure networks which aims to connect national systems to each other (South-South) or to Trans

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<sup>4</sup> Integrated water management, waste management, hot spots (polluted areas and threats to biodiversity), integrated coastal zone management and combating desertification.

European Networks (trans Mediterranean). The profile of major regional projects could be raised by giving them a “Euro-Mediterranean Partnership” label.

- **social dimension** : The need to take account of the social impact of economic transition is repeatedly stressed in all studies on transition. The national indicative programmes under MEDA already include measures to support the social consequences of transition but there is also room for action at the regional level

*The Commission also intends to develop a new regional social programme during 2001 which will concentrate on :*

- *implementing best practice on linking training policies with employment needs*
- *enhancing the role of women in economic development*
- *designing social safety nets and modern social security systems as well as methods of co-operating on health matters*

*The Commission proposes to carry out a sustainability impact assessment of the future Euro-Mediterranean free trade area and on this basis will make recommendations for future action.*

- **justice and home affairs**: given the importance of justice and home affairs issues, the Commission suggests to favour cooperation initiatives in this field. Such an approach has also been endorsed by the report on the external dimension of JHA adopted by the European Council in Feira which identified the Mediterranean as one of the priority areas for cooperation.

The Common Strategy on the Mediterranean region adopted at the Feira European Council also indicated that greater attention should be paid to this sector. *The Commission therefore proposes, in addition to action taken in the country specific programmes, to develop a regional justice and home affairs programme during 2001. It will focus on : activities concerning the right of asylum and in favour of refugees; co-operation in the fight against illegal immigration, in particular trafficking in human beings; addressing questions relating to migration including the social inclusion of migrants lawfully resident in a Member State and co-development with their countries of origin; conformity of judicial systems including on family and inheritance law; co-operation in the fight against organised crime through training of judicial and policy officials.*

### c) Political dialogue and civil society

The Barcelona process involves regular meetings of Ministers and senior officials to discuss political and foreign policy matters. Issues such as human rights, democracy, good governance and the rule of law should be regularly raised by the EU side and should acquire greater

prominence in the partnership. The emphasis should be on a structural approach, addressing the fundamental questions underlying policy choices and on encouraging an evolutionary approach. All instruments available must be used to this end. Positive actions, including support for NGOs, should be funded under the MEDA national programmes as well as through the MEDA Democracy programme. ***MEDA country allocations should be more dependent on substantial progress in these areas.***

In parallel these issues should also be discussed regularly with partners in the Association Councils and Committees, Troikas etc) so that a direct policy dialogue can be engaged on measures which governments need to take to ensure satisfactory evolution of the situation. ***This could lead to the establishment of joint working groups on human rights*** at officials level; these groups would aim to agree on a number of concrete benchmarks and objective criteria to be reviewed within the various Association Councils.

***Where they have not already done so, Mediterranean partners should be encouraged to accede to the relevant international instruments, conventions etc on human rights.***

A free and flourishing **civil society** is a basic prerequisite for the success of the partnership in all its aspects. Organisations outside government which act within the law have a valuable contribution to make in many areas of the partnership. Co-operation on human rights, good governance and the rule of law should have as one of its main objectives the creation of a climate where NGOs can work productively. In the long run this is the most useful way in which the EU can support them.

#### **d) A Charter for Peace and Stability**

At their meeting in Stuttgart in 1999 Euro-Mediterranean Foreign Ministers agreed the guidelines for a Charter for Peace and Stability. The text of the Charter should be agreed at the next ministerial meeting in November 2000 and the Charter would be applicable whenever sufficient progress has been made in the Middle East peace process.

The Charter should be a politically binding document aimed at preventing tensions and crises and maintaining peace and stability by means of co-operative security. It would not replace nor supersede the Barcelona Declaration, but serve as an instrument for the implementation of the Barcelona Declaration where issues of peace and stability are concerned, while recognising that all aspects of the Barcelona Process have their part to play in reinforcing peace and stability.

A measure of agreement has already been reached on questions of principle. The time has now come to draft a text. The Charter's main purpose should be to institutionalise the existing political dialogue and set up concrete mechanisms to address security and stability questions relevant to the region. ***The existing ad hoc meetings of Senior Officials should be converted into an institutional forum for dialogue on political and security issues and mechanisms should be established for operational joint action on terrorism as well as on conflict prevention and crisis management.***

***Partnership building measures should be implemented in a flexible way so that these questions could be addressed by a smaller number of partners wishing to advance more quickly, without prejudice to the principle that all Barcelona partners have the right to participate if they so wish. The Charter should confirm this principle of flexibility.***

e) **Institutional arrangements**

The Barcelona Process and the individual Association Agreements already provide for regular contacts between the partners through a number of instances and institutions. However, as the process intensifies there will be a need for more effective co-ordination and the Euro-Mediterranean Committee for the Barcelona Process needs to be given the opportunity to play a more strategic role as a steering committee, particularly on multilateral activities. The Committee should be asked to agree on proposals which go in this direction, by November 2000. Decisions on this aspect will need to take account of whatever institutional body may be set up under the Charter for Peace and Stability.

f) **Information and Communication**

The Barcelona process will only fulfil its real potential when there is a widespread sense of “ownership” of the process in the region. More could be done to explain the objectives and benefits of the process and to make it an active and vibrant partnership.

*The Commission will prepare an information and communication programme designed to raise awareness both in EU Member States and in partner countries. In order to give increased visibility to projects supported under the partnership a “Euro-Mediterranean partnership” label will be used on all projects.*

**Conclusion**

Five years after the launch of the Barcelona process it is time to take stock of its achievements and of the difficulties encountered. In the light of this experience there are several steps which should now be taken in order to reinvigorate the process and enhance its ability to deliver its full potential. The proposals set out in this Communication are designed to stimulate discussion among partners in the run up to the Ministerial Conference (meeting of Euro-Mediterranean Heads of Government) in Marseilles in November 2000 and to help pave the way for agreement on a programme to reinvigorate the Barcelona process be adopted at that meeting.

The Commission makes the following recommendations:

- **Association Agreements:** to call on Egypt to sign the Association Agreement, on Lebanon, Syria and Algeria to work with the Union to accelerate negotiations with a view to concluding them by June 2001 at the latest while being aware that this will require major efforts on all sides and on Member States to take steps to accelerate ratification of the Agreement with Jordan and to ensure that subsequent Agreements are ratified within two years of signature.
- **Trade:** for each country for which an Association Agreement is in force, to carry out a detailed examination of the steps which need to be taken in order to reach greater liberalisation of reciprocal trade in agriculture by the end of the transitional period in accordance with relevant GATT/WTO provisions. This examination will be carried out by the end of 2000, subject to work already underway, and on the basis of that analysis and if necessary, the Commission will make further proposals for trade liberalisation. **As far as possible consistency should be pursued in any further preferences granted to partners.** Partners members of the WTO should play a full part in GATS 2000 negotiations. At the latest within five years of signature, each country which signs an Association Agreement with the EU should sign free trade agreements with all other

Association Agreement signatories. Diagonal cumulation should apply immediately to partners establishing free trade among themselves and applying identical rules of origin. Building on the expected outcome of the forthcoming “euro-market” regional programme, a time-table should be defined by 2002 for single-market type harmonisation measures of certain priority sectors such as rules of origin, customs matters, norms and standards, and intellectual property protection. The implementation of this harmonisation programme, which would cover both convergence with the EU and intra-Mediterranean harmonisation, would take place as of 2004.

- **MEDA** : in order to ensure greater impact, the link between the implementation of the Association Agreements and funding under MEDA should be made more explicit and future financial allocations should reflect the willingness of partners to pursue the economic transition objectives of the Agreements. Similarly, increased efforts should be made to transfer the results of regional programmes into national action and this process should also be reflected appropriately in annual financial allocations. The plurilateral nature of regional co-operation programmes should be confirmed, but projects should be open to smaller numbers of Member States and Mediterranean partners in configurations which can vary from one project to another. A sustainability impact assessment of the future Euro-Mediterranean free trade area will be carried out and on this the Commission will make recommendations for future action. During 2001 new regional programmes will be drawn up on social issues and on justice and home affairs.
- **Political and security co-operation:** the Euro-Mediterranean Charter for Peace and Stability should be agreed at the forthcoming Euro-Mediterranean meeting in Marseille in November 2000
- Co-operation on **respect for human rights and democracy, good governance and the rule of law** should be enhanced. The EU should raise these issues through a structural approach and MEDA allocations should become more dependent on progress on these issues
- **Information and communication,** a new programme designed to raise awareness both in EU Member States and in partner countries will be launched. In order to give increased visibility to projects supported under the partnership a “Euro-Mediterranean partnership” label will be introduced.
- This Communication is transmitted to the Council and the European Parliament in order to prepare the EU’s position in the run-up to the Euro-Mediterranean meeting of Foreign Ministers in November 2000.

## ANNEX

### **BALANCE SHEET OF ACTIVITIES**

#### **GENERAL**

1. Barcelona is the only forum where Ministerial meetings take place involving Israel, Syria and Lebanon. This was of particular importance during the three years of blockage in the Middle East Peace Process. Foreign Ministers of the 27 partners have met regularly since the Barcelona Conference (1995): Malta (1997), Palermo (1998, informal), Stuttgart (1999), Lisbon (2000, informal). In addition there have been 12 meetings of Ministers with sectoral responsibilities.
2. The Euro-Mediterranean Committee for the Barcelona Process (senior Foreign Ministry officials of the 27 plus the Commission) meets regularly, at least 4 times a year, to act as a steering committee of the process and discuss guidelines for and implementation of regional cooperation.
3. Guidelines for the Charter for Peace and Stability were agreed at the Stuttgart Foreign Ministers meeting and further progress has been made by Senior Officials since then (cf. Lisbon Report of the Presidency).

#### **ASSOCIATION AGREEMENTS**

**(see table attached)**

4. Progress has been made as follows:

Agreements are in force with Tunisia, Morocco, Israel and the Palestinian Authority (interim agreement).

The Agreement with Jordan has been signed and ratification procedures are under way.

Negotiations with Egypt have been concluded and signature awaits completion of Egyptian internal procedures.

Negotiations are still under way with Lebanon, Syria and Algeria.

Cyprus, Malta and Turkey are covered by pre-existing Association Agreements providing inter-alia for customs unions with the EC.

#### **FINANCIAL COOPERATION**

5. Implementation of financial cooperation can be summarised as follows:

Total commitments for EC aid to the Mediterranean region 1995-1999: € 4 422 M

Of which - MEDA € 3 435 M

- Peace Process € 424 M

(aid to the Palestinians)

Total payments for EC aid to the Mediterranean region 1995-1999: € 1 615 M

Of which - MEDA € 890 M

- Peace Process € 256 M

(aid to the Palestinians)

Total EIB loans to the Mediterranean region 1995-1999 : € 4 672 M

### MEDA Commitments 1995-1999

Total commitments under MEDA I were € 3435 M with the following annual distribution:

TABLE 1 € M

	1995	1996	1997	1998	1999	Total
Commitment appropriations available	173	403	981	943	937	3.437
Commitment appropriations used	173	403	981	941	937	3.435
Implementation rate of commitment appropriations	100%	100%	100%	99,8%	100%	99,9%

The commitments thus exceeded the financial reference amount of € 3424.5 fixed in the MEDA Regulation.

The following table indicates the distribution of commitments by partner/programme for the period 1995-1999:

TABLE 2 € M

MEDA	1995	1996	1997	1998	1999	1995-1999
<i>Bilateral</i>						
Morocco	30		235	219	172	656
Algeria			41	95	28	164
Tunisia	20	120	138	19	131	428
Egypt		75	203	397	11	686
Jordan	7	100	10	8	129	254
Lebanon		10	86		86	182
Syria		13	42		44	99
West Bank/Gaza	3	20	41	5	42	111
Turkey		33	70	132	140	375
<b>Total bilateral</b>	<b>60</b>	<b>370</b>	<b>866</b>	<b>875</b>	<b>783</b>	<b>2.954</b>
<b>Regional</b>	<b>113</b>	<b>33</b>	<b>93</b>	<b>46</b>	<b>133</b>	<b>418</b>

<b>Technical assistance</b>			<b>22</b>	<b>20</b>	<b>21</b>	<b>63</b>
<b>GRAND TOTAL</b>	<b>173</b>	<b>403</b>	<b>981</b>	<b>941</b>	<b>937</b>	<b>3.435</b>

### Payments 1995-1999

Total payments under MEDA I were € 890 M with the following annual distribution:

TABLE 3 € M

	<b>1995</b>	<b>1996</b>	<b>1997</b>	<b>1998</b>	<b>1999</b>	<b>Total</b>
Payment credits available	91	202	315	285	256	1.149
Payment credits used	50	155	211	231	243	890
Implementation rate of payment credits	55%	77%	67%	81%	95%	77%

At the end of 1999 the cumulative gap between commitments and payments was € 2545 M. Thus over the period 1995-1999 payments represented 26% of commitments, as indicated in the table below:

TABLE 4 € M

	<b>1995</b>	<b>1996</b>	<b>1997</b>	<b>1998</b>	<b>1999</b>	<b>Total</b>
Commitments	173	403	981	941	937	3.435
Payments	50	155	211	231	243	890
Ratio of payments to commitments	29%	38%	21%	24%	26%	26%

The following table shows the distribution of commitments/payments by partner:

TABLE 5 € M

	<b>Commitments</b>	<b>Payments</b>	<b>Implementation rate %</b>
Morocco	656	127	19.4
Algeria	154	30	18.2
Tunisia	428	168	39.3
Egypt	686	157	22.9
Jordan	254	108	42.5
Lebanon	182	1	0.5
Syria	99	0	0.0
Turkey	375	15	4.0
West Bank/Gaza	111	54	48.6

Regional (incl TA)	480	230	48.0
<b>TOTAL</b>	<b>3,435</b>	<b>890</b>	<b>26</b>

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The main activities supported under the MEDA national indicative programmes were the following :

**Structural adjustment** direct budgetary support accompanying the effective implementation of programmes generally coordinated with the Bretton Woods institutions; a total of € 600 M or 20% of MEDA commitments for 1995-1999. The partners concerned were Morocco, Algeria, Tunisia, Jordan and Lebanon.

**Economic cooperation** support for the creation of an environment favourable to the development of the private sector including risk capital operations managed by the EIB; a total of € 1,035 M or 30% of MEDA commitments for 1995-1999. The partners mainly concerned were Morocco, Tunisia, Jordan, Egypt, Turkey and the Palestinian Authority.

**Social sector** activities in the social sector in the widest sense (health, education ...) aim to support the socio-economic balance in the partners and to mitigate the short-term negative effects of economic transition. They mainly take the form of social funds and, more recently, a sectoral adjustment facility (health insurance in Tunisia); a total of € 1,000 M or 29% of MEDA commitments for 1995-1999.

**Environment** activities have been supported in Morocco and Jordan; in addition all partners except Syria have benefited from interest rate subsidies on EIB loans for environmental projects; a total of € 235 or 7% of MEDA commitments for 1995-1999.

**Rural development** programmes have been agreed for Morocco, Tunisia and Syria; a total of € 155.5 or 4.5% of MEDA commitments for 1995-1999.

Under the regional indicative programme priority has been given to **industrial cooperation, environment, water, energy, transport and the information society**, with the emphasis on policy dialogue, networking, the interconnection of infrastructure and reforming the legal and administrative framework to encourage pro-competitive regulation. Under the third heading of the Barcelona Process the main activities have been in the fields of **cultural heritage, audio-visual cooperation and youth exchanges**. Most of the regional cooperation programmes are open to **civil society** as is the Meda-Democracy programme (€36 M for the period concerned).

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## MEDA BILATERAL PROGRAMMES

### Algeria

Commitments were initially slow due to the political situation and the low absorptive capacity of the Algerian administration. However, since the end of 1998, cooperation has regained a certain dynamic.

The **economic transition and reform** process has been supported by a structural adjustment facility of €125 M committed in 1997. This programme covers essential reforms in the fields of external trade liberalisation, privatisation, social safety net and housing. Complementary to these reforms, technical assistance projects to strengthen private sector development have been launched. A privatisation project (€38 M) and a SME support programme (€57 M) were committed at the end of 1998. A financial sector modernisation project (€23 M) was committed in December 1999. In addition, the Commission supports industrial pollution abatement by an interest rate subsidy for an EIB loan (€10,75 M).

To support the **socio-economic equilibrium**, a programme on institutional support to NGOs (€5 M) has been committed in 1999 to strengthen decentralised, anti-poverty oriented development activities, mainly for poor target groups. A comprehensive assistance programme to the Algerian social fund (€60 M) is presently under preparation. The latter will mainly promote employment creation and community development activities.

## Egypt

The main objectives of measures financed in Egypt through the MEDA programme are to achieve economic transition and a better socio-economic balance. Both tracks should back-up Egypt in its medium-term objective of a sustained economic growth beyond 5.5% per annum.

The MEDA Programme supports **economic transition** in Egypt with the **Industrial Modernisation Programme (IMP)** (€250 M) : this is conceived as a shared vision between the Egyptian Government, private sector and the European Union to help Egypt compete successfully in both the domestic and international markets. As Egypt further integrates into the world economy and trading system, the performance of the industrial sector will become a crucial factor of the country's future income and employment generation.

The objectives of the IMP will work at three levels. First at the policy/enabling environment level, second at the sectoral level, and third at the individual enterprise level. Assistance will be given to the Ministry of Industry to help it continue to facilitate the growth of the private business sector and produce a more business-friendly policy environment. Assistance will also be given to businessmen's associations and to other related organisations to address the needs of the business sector. At the enterprise level, some 5,000 enterprises have been targeted for assistance to improve their competitiveness.

As far as support for **socio-economic balance** is concerned, EU-Egypt co-operation has progressively evolved from population planning initiatives, decentralised co-operation, NGO support and substantial contribution to the Social fund for Development, where the EU was among the first major donors. Under MEDA, EU-Egypt co-operation in the social sector focuses on policies favouring the development of human capital, promoting programmes in support of acceptable demographic restraints, creating job and business opportunities within micro and small enterprises located in rural sectors and other deprived areas.

Acknowledging the challenges that lie ahead, the Government of Egypt has embarked on a major effort to improve the quality of **basic education** (EU contribution €100 M) and has defined a long-term policy. It emphasises three areas: (1) increasing access to compulsory

education, particularly for girls and under-privileged children; (2) improving the quality of education through reducing wastage and ensuring the attainment of basic skills to a grade nine level; and (3) improving system efficiency by enhancing resource use, planning and management and accountability of teachers and system managers.

In **health** (EU contribution €110 M), the Government has also set the goals of a comprehensive 10-15 years health reform framework, whose ultimate objective is to improve the health status of the Egyptian population through universal access to high-quality and cost effective services in the context of a fiscally sustainable and efficient system. Much of the first five-year efforts will focus on primary care, while taking into account the issues of overall health manpower and system capacity for which policies will be developed and implemented progressively.

Ongoing support to the **Social Fund for development** constitutes another considerable contribution to Egypt's efforts to mitigate the adverse effects of economic transition. €155 M have been committed to the second phase of this operation to increase employment.

### Jordan

Most of the funds have been used to support **economic transition including reforms** : €180 M were allocated to two structural adjustment operations (1996, 1999). The support concentrated on economic and social reforms, such as improved budgetary management and transparency of economic statistics, trade liberalisation, modernisation of the tax system, privatisation and public sector reform, the social safety net and investments in social infrastructure. Moreover, both operations contributed to easing the balance of payments constraints. €62 M have been dedicated to programmes in favour of SME (€7 M) and industrial modernisation (€40 M), including risk capital resources managed by EIB in support of SMEs (€15 M).

Poverty reduction measures in order to ensure the **socio-economic equilibrium** despite Jordan's high indebtedness and budgetary constraints focussed on the water sector (€17,3 M, mainly for Greater Amman), protection of the environment (€2,6 M interest subsidies for EIB loan) and tourism development (€3,9 M).

Other commitments in 1996-99 concerned contributions to UNRWA, ECHO operations and food security.

### Lebanon

For the period 1995-1999 the principal objectives of EU assistance have been to assist Lebanon's post-war institutional and economic reconstruction :

- rehabilitation of public institutions and industrial modernisation
- economic transition and fiscal reform
- balanced social development.

**Rehabilitation of public administration** is designed to strengthen Lebanon's planning and operational capacity of ministries, state agencies and institutions in carrying out social sector activities (€38 M). An investment planning programme provides management support to state

institutions responsible for infrastructure and utilities, i.e. energy, water, transport, waste, environment, industry (€25 M). The private sector is also to benefit from strengthening of norms and certification capabilities (€6 M), and an industrial modernisation project is under way to help private sector manufacturing at SME level to compete more effectively in local and export markets (€11 M). Two EIB interest subsidies for environment sector loans were provided (€30 M).

A €50 M structural adjustment facility in 1999 was approved to underpin Lebanon's **economic transition**, coupled with assistance for the introduction of VAT (crucial to pave the way for renewed negotiations on the Association Agreement).

A €25 M Social and Economic Development Fund has been agreed to improve **social development** needs of Lebanon's more vulnerable communities at risk in an economy in transition. This provides micro credit lines and assistance to NGOs, municipalities and other agencies concerned with rural and urban social welfare and economic needs. Lebanon has also benefited from humanitarian and rehabilitation programmes directed principally to displaced persons affected by civil war.

### Morocco

The capacity for absorption of MEDA funds by Morocco has been very satisfactory. Total commitments for the period reached approximately € 650 M.

In terms of **economic reform**, a structural adjustment facility has been put in place with the cooperation of the World Bank (€120 M). A new government came into power in March 1998. As a result of the political reorientation which followed, Morocco experienced a delay in the disbursement of funds, the last of which was paid in December 1999.

To complement the Structural Adjustment Facility, several technical assistance programmes are contributing to an improved economic environment in the private sector. Priority areas include Privatisation (€5 M), the Creation of Guarantee Funds (€30 M), Standardisation and the Management of Quality (€15.5 M), Support for the National Agency for the Regulation of Telecommunications (€5 M), a Support Programme for Professional Training (€38 M), Support for Professional Associations (€5 M) a Micro-Credit Pilot Project (€700.000) Support for the National Plan for Geological Mapping (€5 M) in addition to an information centre for SMEs, Euro-Maroc Enterprise (EME), which was started with MEDA funds in 1995. In addition to these projects, risk capital administered by the EIB has been granted in view of the new competitiveness visible in Moroccan firms (€45 M).

Support for the **socio-economic balance** is mostly concerned with the reduction of inequalities in the living conditions of rural populations, especially in the North of the country: Water purification in rural areas (€40 M), Rural Paths and Roads (€30 M), Integrated Rural Development (€28 M), Support for Basic Health (€20 M), Integrated Development of Forest Zones (€24 M), Support for Basic Education (€40 M), Mediterranean Coastal Road (€80 M), Support for coastal fishing (€21 M), Hydro-Agricultural Land Reform (€29 M), Support for Development NGOs (€4 M) Support for the Social Development Ministry (€2 M).

Other projects are directed specifically towards the improvement of living standards in towns: Aid for Young People and Sport (€6 M), Sanitary Systems for Major Towns (€8 M, supplemented by the EIB), the Sanitary Systems for Meknès, Settat and Agadir (€13 M,

supplemented by the EIB), Public Housing in Tangiers (€7 M), Aid to Employment creation (€3 M), Cultural institutions (€5 M).

## Syria

Implementation of cooperation with Syria under MEDA was frozen pending ratification by Syria of the Framework Financing Convention. The following projects have been agreed.

A number of programmes have been agreed to support **economic transition**. The programme for Modernisation of the Ministry of Finance (€10.5 M) aims to modernise legislation and regulation concerning fiscal policy, budgetary reform, customs tariffs and practices; provide assistance in the reorganisation of the administration to ensure the implementation of reform policies.

The Business Sector Support Programme II (€10 M) focuses on improving the performance of local businesses while increasing output, quality, exports and employment to develop EU-Syrian business co-operation; developing capacities in consultancy and advisory services; improving the business environment with a view to developing local businesses.

The Business Administration School (€14 M) will contribute to an improved management of Syrian enterprises by promoting state-of-the-art management, education and training.

The Institutional and Sector Modernisation Facility (€21 M) will assist the Syrian administration in formulating and implementing comprehensive economic modernisation; establish a high-level discussion forum on economic policy and strategy, and create an atmosphere of change through upgrading administrative capacities and services provided by the Syrian public sector, complementing the other economic support and modernisation programmes financed by the EU.

The Municipal Administration Modernisation Programme (€18 M) is aimed at an improvement in the delivery of services by selected municipalities to their inhabitants.

Other programmes concern support for **socio-economic balance**. The Telecommunications Sector Support Programme (€10 M) aims to modernise the telecom sector and its organisation, strengthen its institutional, financial and managerial competence; deliver improved, sustainable services to the public; upgrade technical, managerial and operational procedures and skills.

The Power Sector Action Programme (€11 M) aims to improve the efficiency of generation, transmission and distribution of electrical energy, improving the financial and managerial efficiency, autonomy and self-reliability of electrical utilities, promoting the application of tariffs for the provision of electrical energy services, reflecting the actual cost of supply.

Other programmes cover the forestry sector, cultural tourism and archaeological training.

## Tunisia

The Association Agreement with Tunisia was the first to enter into force, and Tunisia has even anticipated its tariff dismantlement by 2 years. The same applies to the restructuring of its economy. Even before the signature of the Association Agreement, programmes were set up to prepare Tunisian industry for future competition from Europe.

The **economic transition and reform** process has been supported by two structural adjustment facilities (€180 M) covering reforms essentially in the social field, privatisation of public companies and financial sector modernisation.

Several technical assistance projects have been launched to strengthen private sector development: a project in support of the Tunisian privatisation programme (€10 M), a project in favour of external direct investment (€4 M), a project to support the upgrading of the vocational training sector (€45 M) and a project to enhance the Tunisian economy (€10 M). Two risk capital operations have been prepared by the EIB in support of privatisation and upgrading of SMEs.

The **socio-economic balance** has been supported by two technical assistance projects concerning rural development (€50 M) and job creation (€9,6 M).

A sectoral adjustment facility (€40 M) has been financed in support of health insurance sector reform. EIB environment operations have benefited from interest rate subsidies (€29,8 M).

## Turkey

The overall objectives of the activities financed under the MEDA programme in Turkey were to support economic development and transition in the light of the EC-Turkey Customs Union and at promoting a better socio-economic equilibrium in Turkey.

For these goals a budget of €376 M was committed during the period 1996-1999. 55 co-operation projects were financed. Due to supplementary restrictions for Turkey imposed by the EP in 1996, the project identification only picked up speed as of 1998. The absence of a signed Framework Agreement (signed only on 19.3.1999) further delayed the actual implementation of projects.

The projects focus on the following priority areas:

**Modernisation and promotion of the private sector.** The 10 projects financed (in total €42 M) support Small and Medium Sized Enterprises (SMEs), the development of the productive infrastructure, institutional co-operation and assistance for privatisation. In this respect the creation of Business Centres in Izmit, Izmir and Gazientep and a project on the effective enforcement of intellectual property rights were supported. Furthermore, risk capital for SMEs was provided through the EIB.

**Public health.** The 5 projects identified under this priority (in total €95 M) include a project on the improvement of the reproductive health services, on food inspection, cancer prediagnosis for women and a rehabilitation project of two districts in Istanbul.

**Education.** The 6 projects supported (in total €182 M) will help to improve and reform in particular the system of basic and vocational education and increase the quality of the education provided.

**Environment.** The 5 projects identified (in total €42 M) focus mainly on the improvement of waste water treatment.

**Human rights, strengthening of democracy and civil society.** Under this priority 29 projects have been supported (in total €14 M). Amongst the subjects covered by the projects

are community empowerment, consumer protection, child protection, human rights, women's rights and development, press and EU-Turkish relations. Except for a project aimed at the development of the civil society in Turkey (€8 M) and a community empowerment project (€1.3 M) all projects had an EU contribution below €1 M for information & education activities, training, awareness campaigns, etc.

## West Bank and Gaza Strip

The Palestinian Authority participated in the Barcelona Conference in November 1995 and the Palestinians continue as full and equal partners in the Barcelona process and are eligible for MEDA funding. In addition, it was considered that due to the particular conditions in the West Bank and Gaza Strip (WBGs), a specific instrument, established following the signature of the Declaration of Principles in 1993, should be retained.

Assistance to the Palestinians for the period 1995-1999 amounts to approximately €88 M per year in grants. The priority areas for co-operation **are infrastructure, institution building and private sector development**; The development assistance in these areas, both directly and indirectly, aim at reaching the overall objectives of the Barcelona process.

The EC has set up and is implementing the Municipal Support Programme (phase 1-3) amounting to €45 M; the programme aims at upgrading infrastructure through small-scale projects (water supply, sewerage, road rehabilitation) in the municipalities of the WBGs; in addition, the EC has committed €21 M to the Local Rural Development Programme; the project's overall objective is the improvement of living standards of people living in selected rural areas. In late 1999, the EC committed itself to the construction of the Cargo Facility at the Gaza Airport (€25 M) - the prerequisite for any independent Palestinian trade with third parties from the airport.

In the area of private sector development, the Palestinian Development Fund (PDF) is a development agency established to promote the growth of Palestinian small and medium-sized enterprises. The PDF provides medium-term loans and associated financial and investment services. As from 1995 the EC has committed around €20 M to the PDF that, despite a difficult economic environment, aims at supporting the establishment of a more stable economic structure and to reduce dependence on the Israeli economy.

## **MEDA REGIONAL PROGRAMME**

### Political

Senior (Foreign Ministry) Officials have pursued the dialogue on political and security matters meeting regularly, at least 4 times a year. In particular they have agreed on a number of **partnership building measures** and have made considerable progress on the **Charter on Peace and Stability**.

The guidelines for the Charter on Peace and Stability were agreed at Stuttgart (April 1999) and Foreign Ministers made a commitment to have the text ready by Barcelona IV while formal adoption will take place as soon as political conditions allow.

The following partnership building measures have been agreed :

- training seminars for diplomats,
- network of foreign policy institutes (EuroMeSCo)
- cooperation among civil protection services on natural and man-made disasters
- register of bilateral agreements

- exchange of information on international conventions on human rights, disarmament, humanitarian rights.

MEDA finances the civil protection project, EuroMeSCo and the training seminars for diplomats (c €3 M).

Three ad hoc senior officials meetings have been held to discuss cooperation in the fight against **terrorism**.

### Economic and Financial

Regional fora have been set up covering the priority sectors agreed by Ministers for regional cooperation: **industrial cooperation, environment, water, energy, transport and information society**. In each case sectoral experts from the 27 meet to agree the guidelines for regional cooperation programmes, subject to endorsement by the Euro-Mediterranean Committee. The emphasis in regional cooperation is **on policy dialogue, networking, promoting the interconnection of infrastructure and reforming the legal and administrative framework to encourage pro-competitive regulation**.

**Industrial cooperation:** four main axes have been identified –investment, innovation, single market measures and SMEs. Cooperation projects have already been formulated, notably a network of investment promotion agencies (€4 M), or are in the course of formulation, such as a single market action programme (€5-10 M) and a programme on quality and innovation for SMEs (€10-15 M), both to be launched in 2000. MEDA has so far financed the MEDSTAT programme of cooperation among statistical offices (€20 M), a number of economic networks (chambers of commerce, SME organisations, industrial federations c €6 M) and a network of economic institutes FEMISE (€2 M).

**Environment:** a Short and Medium Term Priority Action Programme (SMAP) has been agreed and a first series of projects launched (€7 M). The second series is to be launched in 2000 (€20 M).

**Water:** the general lines of an action programme have been agreed and a first series of projects is to be launched in 2000 (€20 M).

**Energy :** projects have been launched on legal and administrative framework ; dialogue on policy, interconnection and analysis ; energy and urban environment ; solar energy applications ; training network ; and joining up electricity grids (total c € 10 M).

**Transport :** a first series of maritime transport projects was launched in 1997 (€ 9 M) ; an integrated transport project should be launched in 2000 (? €10 M).

**Information society:** a project has been launched on the regulatory framework (€ 3 M) and the major EUMEDIS programme (networking, interconnection and pilot projects on specific applications of information technology) is operational (€45 M).

### Social, Cultural and Human

**Culture:** priorities for action have been agreed at two meetings of Culture Ministers. The Euro-Med Heritage programme of cooperation on the cultural heritage is operational (€17 M) and Euro-Med Heritage II is to be launched in 2000 (€20 M).

**Audio-visual:** the Euro-Med Audio-visual programme on cooperation in the field of radio, television and cinema is operational (€20 M).

**Youth:** the Euro-Med Youth programme for youth exchanges is operational (€ 6 M).

<p><b>PROGRESS OF NEGOTIATIONS ON EURO-MEDITERRANEAN ASSOCIATION AGREEMENTS</b></p>
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PARTNER	CONCLUSION OF NEGOTIATIONS	SIGNATURE OF AGREEMENT	ENTRY INTO FORCE
Tunisia	June 1995	July 1995	March 1998
Israel	September 1995	November 1995	June 2000
Morocco	November 1995	February 1996	March 2000
PLO for the benefit of the Palestinian Authority	December 1996	February 1997	July 1997
Jordan	April 1997	November 1997	-
Egypt	Negotiations concluded in June 1999	-	-
Lebanon	Negotiations in progress	-	-
Algeria	Negotiations in progress	-	-
Syria	Negotiations in progress	-	-