

*EURO-MEDITERRANEAN
PARTNERSHIP*

Private Sector Development



European Commission

I. THE EURO-MEDITERRANEAN PARTNERSHIP

In November 1995, the Euro-Mediterranean Conference of Foreign Ministers in Barcelona established a Euro-Mediterranean Partnership including the European Union and 12 Mediterranean Partners (Algeria, Cyprus, Egypt, Israel, Jordan, Lebanon, Malta, Morocco, Syria, Tunisia, Turkey, Palestinian Territories). The Partnership has three chapters:

- a **political and security chapter**, aiming for a common area of peace and stability;
- a **social, cultural and human chapter**, aiming to develop human resources, promote understanding between cultures and exchanges between civil societies;
- an **economic and financial chapter**, aiming for a zone of shared prosperity.



... convinced that the general objective of turning the Mediterranean basin into an area of dialogue, exchange and cooperation guaranteeing peace, stability and prosperity requires a strengthening of democracy and respect for human rights, sustainable and balanced economic and social development, measures to combat poverty and promotion of greater understanding between cultures, which are all essential aspects of partnership ...



from the Barcelona Declaration

2. ECONOMIC TRANSITION IN THE EURO-MEDITERRANEAN PARTNERSHIP

The Euro-Mediterranean economic and financial dialogue is based upon a simple premise: the European Union and its Mediterranean Partners believe that accelerated growth requires the development of more open, competitive, market economies - a real economic transition.

Most Mediterranean Partners have been implementing economic reforms since the late 1980s. They can be grouped into five main themes:

- **macro-economic stabilisation:** better fiscal and monetary policy, aiming at low inflation, a sustainable balance of payments and a steady real exchange rate so that businesses can plan for the future;
- **privatisation and deregulation:** the transfer of key economic decisions from the state to the market, so that businesses can work efficiently and flexibly to supply what the economy needs;
- **freeing-up of foreign trade:** the reduction of tariffs and other barriers to trade and the removal of currency con-

trols, so that businesses can buy from the best suppliers and sell to the best customers in the international market;

- **fewer and better regulations** so that businesses can sell what the customer wants and not face unfair competition from state enterprises;

- **better social protection** to provide families with economic security in a period of rapid change.

The Barcelona Declaration adds two new ingredients to this menu of economic reform:

- **free trade.** *The European Union and the Mediterranean Partners agreed to the gradual creation of a Euro-Mediterranean Free Trade Area;*

- **modernisation of economic legislation.** The European Union and the Mediterranean Partners will work together to transfer European best practice regarding legislation on the right of establishment and services, currency movements, competition, state aid and monopolies to the Mediterranean Partner countries.

ECONOMIC REFORM IN JORDAN

Jordan's medium-term economic objectives are described in the Economic and Social Development Plan 1993-97. Under this, the aim of achieving average annual growth rates of some 6% is seen as the outcome of policies to achieve fiscal and monetary stability, creating an appropriate investment environment and addressing structural imbalances through economic liberalisation and a greater role for the private sector. This will include promoting private-sector export-oriented growth and improved private savings ratios.

A further key element of the plan is to achieve sustainable social development. The Government aims to see growth translated into expanded job opportunities and improved living standards.

3. EUROPEAN UNION SUPPORT FOR ECONOMIC TRANSITION

Working closely with each Mediterranean Partner, and taking account of their diversity, the European Commission is developing programmes of support for economic transition, to be financed from the MEDA Programme. The European Union cannot determine the

nature or the pace of these reforms. That responsibility falls to the Mediterranean Partners and to them alone. But the European Union is ready and willing to support and facilitate their efforts.



... Whereas the ultimate establishment of a Euro-Mediterranean free-trade area is likely to foster stability and prosperity in the Mediterranean region;

- Whereas for the Mediterranean Partners the establishment of a free-trade area may involve profound structural reforms;

- Whereas it is therefore necessary to support the efforts that have been or will be undertaken by the Mediterranean partners to reform their economic, social and administrative infrastructures ...



from the Regulation initiating the European Union's MEDA Programme

The European Union aids economic transition at different levels:

Support to Structural Adjustment Programmes

- *at the macro-economic level*, with direct financial transfers to strengthen the balance of payments and the government budget;
- *at the structural level*, with direct financial transfers to cover the short-term costs to the government budget of economic reforms.

Support to Private Sector Development Programmes

- *with public sector institutions*, helping them to devise and implement economic reforms;
- *with the private sector*, helping companies and business associations to restructure and improve their competitiveness.

4. EUROPEAN UNION SUPPORT FOR PRIVATE SECTOR DEVELOPMENT

The European Union and the Mediterranean Partners believe that only the private sector can supply the region's growing population with the jobs, goods and services it needs. They believe that the experience of the 1960s and 1970s has demonstrated the inefficiency and inequity that results from an excess of state intervention. They believe that, given the right economic environment, private enterprise is innovative, efficient, dynamic and a positive force for social change.

That is why the MEDA Programme is designed, among other things, to provide grants and risk capital to support private sector development, including the development of the financial sector.

The development of the private sector calls for new approaches to the delivery of aid. It requires the development of new networks of communication and new styles of programme management. At the same time, there is a need to work closely with governments and other agencies to tackle tricky policy issues and the practical implications of programmes.

The European Union's support for Private Sector Development is never a fixed menu of activities. It is flexible and responds to the different needs, circumstances and levels of development of the Mediterranean Partners. It is never prescriptive, but defined and refined through a constant dialogue between the European institutions and representatives of the private and public sectors in the Mediterranean countries.

The Private Sector Development Programme belongs to the Mediterranean Partners. They make the decisions, because it is they who have chosen reform as the price to pay for long-term economic success.

The Union supports the development of tolerant, pluralistic societies which both provide human security and satisfy human needs. Private sector development is an important means of achieving social development and releasing human potential.

Creating an enabling environment

The public sector remains of central importance. Governments must provide a secure and stable environment for the business community. Sound economic policies are therefore a condition for durable economic growth. Many Mediterranean Partner Governments are implementing reforms which will provide a predictable and coherent policy environment.

Effective legislation and institutions covering such topics as normalisation, standards, statistics, utility regulation and competition are key factors in developing a competitive market-oriented economy. The Commission stands ready to share European Union experience in these domains to upgrade the legal and institutional environment in the Partners.

IMPROVING COMMERCIAL AND INDUSTRIAL NORMS IN LEBANON

After many years of war, the quality of Lebanese industrial goods is limited by a lack of qualified personnel, efficient technology and modern management. The European Union's "Industrial and Commercial Norms Project" will reinforce the legal and institutional framework of normalisation in Lebanon.

The project will support Lebanese efforts in:

- the creation of a national normalisation organisation;
- the definition of norms;
- the setting up of laws and regulations on certification;
- the accreditation of laboratories;
- cooperation with international organisations.

For each of these activities, the project will provide specialised technical assistance, training and some of the necessary equipment. It will also finance pilot actions in the fields of industrial quality, investment promotion and marketing.

SOME OTHER ONGOING STANDARDISATION PROJECTS

Morocco	1 575 000 ECU
Tunisia	5 000 000 ECU
Algeria	400 000 ECU
Jordan	30 000 ECU

Facilitating trade

Trade liberalisation is a key element in achieving international competitiveness. A key objective of the Mediterranean Partners' economic policy is therefore the establishment of a Euro-Mediterranean Free Trade Area. Whilst the process will start with bilateral agreements between the European Union and individual Partners,

particular importance is attached to regional integration.

The European Union will provide technical assistance for trade facilitation. Innovative instruments to promote trade are being further developed (for example EUMAGEX in Morocco).

EUMAGEX - PROMOTING EXPORTS IN MOROCCO

The Euro-Moroccan Export Management Company - EUMAGEX - was created in 1994 with financial and technical assistance from the European Union. Its aim is to help small and medium enterprises to set up their overseas sales networks.

In the first instance, EUMAGEX works as a classic "export service" on contract to the firm in question. Then, when a pre-agreed level of turnover has been reached, EUMAGEX trains export managers for the firm and the firm integrates them into its own payroll.

In agreement with the Moroccan Government, EUMAGEX works in the following sectors: mechanical and electrical engineering and agri-food. Its shareholders include banks and a private investor.

Promoting investment

Foreign Direct Investment (FDI) is an important way of transferring know-how, technology and capital. However, the southern Mediterranean region has been unable to take advantage of the growth of FDI flows since the end of the 1980s.

Many Mediterranean Partners are working to create domestic environments which are attractive to foreign, especially European, investment, as well as conducive to increased local private investment. Laws, regulations

and administrative procedures all need to be streamlined to make life easier for the investor.

At the policy level, the European Union provides expertise and information on comparative experiences in attracting investment resources. At the level of individual investment projects, the commercial loans and MEDA risk capital managed by the EIB play an important role in mobilising private cofinanciers.

FIPA - ATTRACTING INVESTMENT TO TUNISIA

The European Union is providing Tunisia's Foreign Investment Promotion Agency (FIPA), with long- and short-term technical assistance at a total cost of 4 million ECU. The aim is to help FIPA to manage a medium-term campaign of investment promotion in Europe as well as to strengthen its long-term capacity to attract FDI. FIPA's efforts will concentrate initially upon certain key sectors: vehicle parts, electrical and electronic components, agri-food, pharmaceuticals and parapharmaceuticals.

The project has two interesting features. Firstly, it involves the direct transfer of European (in this case Irish) expertise on investment promotion to Tunisia. Secondly, an important element of the project will be the reinforcement of FIPA's ability to communicate foreign investors' needs to other departments of the Tunisian administration.

Developing the financial sector

The financial sector plays a critical role in the development of competitive economies, not only by mobilising savings but also through ensuring efficient investment. The efficient transfer of funds, i.e. the basic mechanics of the banking system, is also critical.

In this field, the MEDA Programme supports Mediterranean Partners' efforts to

- develop and implement financial sector policy;
- reform and modernise central banks and clearance systems;
- ensure the development of independent, competitive commercial banks;
- improve small enterprises' access to capital;
- promote the use of a greater range of financial instruments, such as risk capital investments, tradable equity, commercial paper, unit trusts etc.; MEDA risk capital managed by the European Investment Bank often serves as an instrument for the introduction of such new forms of risk-sharing;
- develop financial markets. Stock markets are relatively undeveloped in the region for many reasons; MEDA provides technical assistance to reinforce them.

MODERNISING THE BANKING SECTOR IN SYRIA

Improvements in the quality of banking services in Syria are urgently required to improve the mobilisation of domestic savings, to increase the level of investment resources, and to reduce financial transactions costs for the business community.

The European Union project, worth 4 500 000 ECU, will assist the Syrian government in its efforts to modernise the economy and to increase economic growth through the private sector. The immediate objectives of European Union assistance are thus to provide direct assistance to the Syrian Central Bank (SCB) and the Commercial Bank of Syria (CB), in the former case to assist in reorganisation and the introduction of information technology and in the latter case to modernise its operations and introduce computerisation.

Improving business performance

Over the next decade businessmen and women of the Mediterranean Partner countries will be upgrading their businesses in preparation for the Euro-Mediterranean Free Trade Area. In many countries, such as Morocco and Tunisia, governments are already supporting them with modernisation campaigns.

Upgrading of competitiveness for existing businesses will require access to specialist business skills. However, throughout the region the availability of business services like management consultancy is severely limited; know-how and information are lacking.

This is the aim of the European Union-funded Business Centres in Egypt, Syria, Jordan, Palestinian Territories, Morocco and Tunisia. They will provide a range of consulting, information and training services to individual companies on a demand-led basis. Services include business planning, management development, marketing, packaging and promotion, export development, product design and development, productivity improvement, technology procurement and quality manage-

ment. The Centres will use local consultants as much as possible in order to develop the market for local services.

The scope of the Business Centres' potential is vast. For example, a major part of the work of the Business Centres is the encouragement of collaboration between European and Mediterranean companies in a variety of forms including joint ventures, licensing, franchising and sub-contracting. Another example is support for business associations, whose needs are ideally matched to the Centres' flexible and demand-led approach.

Although European Union grant funds are not generally used for credit, the MEDA risk capital and commercial loans managed by the European Investment Bank play an important role. By working through local intermediary financial institutions, they encourage commercial banks in the country itself to become financially and technically involved in the process of industrial restructuring.

WHAT DO THE BUSINESS CENTRES DO? SOME EXAMPLES

All Centres have started to conduct business diagnosis as a first phase to take SMEs through a cycle of strategy development and company restructuring.

The Centre in Syria has run several workshops and training seminars on management techniques for Syrian businessmen.

Euro Maroc Enterprise is preparing a programme of support to Moroccan business associations.

The Centre in Egypt has hosted various workshops on ISO 9000 development and conducted various match-making events, bringing together local and European businessmen.

The Palestinian-European Business Centre is reviewing the performance of dozens of companies in the textile and other industry sector as part of the first industrial survey of Palestine. The Syrian European Business Centre is about to launch the first ever detailed investment promotion study in Syria.

The Syrian European Business Centre and the Palestinian European Business Centre ran training seminars and workshops on economic management in their respective countries.

The Centre in Egypt has co-ordinated the participation of European businessmen in the MENA summit.

Euro Tunisie Enterprise has started to recruit consultants for direct assistance to SMEs, focusing on a detailed performance review.

Enhancing the role of business associations

Local business federations and associations have a key role in private sector development, both in lobbying for policy reform from government and in providing busi-

ness services to their members. The European Union's aim is to ensure that these organisations become more effective.

Developing new partnerships - "Competitive Morocco"

The "Competitive Morocco" project was launched in July 1995 with finance from the European Union. The project's innovative approach is based upon a participatory process which aims at the development of partnerships within the private sector as well as between the private and public sectors. It focuses on the defi-

inition of development strategies for four clusters of activity (tourism, textiles and clothing, sea products and electronics/information technology). It has resulted in the formulation of concrete action plans to be implemented by promoters from both the private and public sectors.

Facilitating business collaboration

The European Community Investment Partners (ECIP) programme supports joint ventures between private companies with funding for identification studies, feasibility studies, training and capital investment. A new ECIP instrument also funds governments' feasibility studies for the mobilisation of private participation in infrastructure.

The European Union funds multi-sectoral Med-Partenariat

and sectoral Med-Interprise encounters between businesspeople in Europe and the Mediterranean region. It also finances the attendance of entrepreneurs from the Mediterranean region in Europartenariat gatherings.

Lastly, the European Union funds information facilities such as BC-NET, BRE and Euro Info Correspondence Centres in Mediterranean Partner countries in order to facilitate business contacts with Europe.

CREATING BUSINESS PARTNERSHIPS

Europartenariat are multisectoral business meetings where entrepreneurs from different European Union countries can make new contacts. They take place twice a year in different regions of the European Union. Since the Europartenariat at Bari, Italy in 1992, more than 2000 small and medium enterprises from Mediterranean Partners have attended Europartenariat, often with European Union funding.

Med-Partenariat are the Euro-Mediterranean version of the Europartenariat. They are mounted by organisations from the host country with financial and technical support from the European Union. By the end of 1997, five Med-Partenariat will have taken place:

Turkey	April 1994
Morocco	May 1995
Israel	October 1995
Jordan	July 1997
Tunisia	September 1997

Med-Interprise is the Euro-Mediterranean version of the European Union's Interprise programme. Organisations from one or more Mediterranean Partners work with their counterparts in at least two European Union Member States to mount a trade fair covering a limited number of sectors. Since 1992, the European Union has funded Med-Interprise events for businesses from Tunisia, Turkey, Morocco, Lebanon, Cyprus, Egypt, Algeria and the Palestinian Territories. The result : contacts with European Union companies for over 1000 small or medium enterprises from Partner countries.

Over 4 years, Europartenariat, Med-Partenariat and Med-Interprise have put over 4000 Mediterranean Partner businesses in touch with their European Union counterparts.

Promoting privatisation

Many Mediterranean Partners have embarked upon programmes of divestiture, recognising that privatisation programmes can be an important element in the development of a competitive private sector. A high priority will be attached to broadening these programmes in the future and to ensuring that they result not only in the transfer of ownership but also in the creation of genuine competition.

It is essential that Partner governments' political commitment to privatisation should not be constrained by administrative or technical bottlenecks. The European Union therefore supports their initiatives with technical assistance wherever possible. The programmes may also be complemented by risk capital and European Investment Bank lending operations.

EUROPEAN UNION SUPPORT FOR PRIVATISATION: THE EXAMPLE OF EGYPT

The Government of Egypt has undertaken to reform and restructure a major part of the Public Enterprise Sector. 17 Holding Companies have been formed, which together control 314 affiliated companies. These 314 companies form the pool from which candidates for privatisation are to be drawn.

The European Union is financing a programme designed to support Egyptian efforts to privatise parts of their public sector. The Public Enterprise Reform and Restructuring Programme financed by the European Union has a total volume of 43 million ECU. It will be administered by a Project Management Unit (PMU), which works in close collaboration with the associated ministries. The PMU is staffed by two highly qualified European privatisation advisors as well as a number of high calibre Egyptian professionals. Its role will be to ensure the achievement of project objectives by selecting and appointing short-term consultants, by managing implementation of assignments and follow-up.

The duration of the project is five years and the PMU has been operational since September 1995. In order to recruit the best European consultants for the different privatisation assignments a formal pre-qualification exercise was conducted. For each particular assignment a shortlist of five companies was established taking into account the qualifications and competencies of the pre-qualified consortia.

Examples of activities:

Preparation of six metal companies for privatisation

Analyses and evaluation of several hotels earmarked for privatisation.

Review of the two large Nile river transport companies with a view to potential privatisation.

Upgrading infrastructure in the Mediterranean Partners

The business sector in the Mediterranean relies heavily upon infrastructure services such as electricity, water and communications (including ports and telecommunications) provided by publicly-owned and operated util-

ity companies. These services are critical for the competitiveness of business but in many instances poor performance detracts from private sector growth.

THE ISTANBUL CONFERENCE ON PRIVATE/PUBLIC PARTNERSHIPS IN INFRASTRUCTURE IN THE MIDDLE EAST AND NORTH AFRICA, OCTOBER 1996

“ Participants at the Conference agreed that aiming at an improved growth performance in the region requires massive financing in infrastructure (up to \$ 16 billion per year over the next 10-15 years) ...

The Conference has confirmed the willingness of all governments in the region to open the infrastructure to a much higher degree of private participation and to take the necessary policy steps to that effect ...

The World Bank and the European Commission, as well as the Arab Fund for Economic and Social Development, the European Investment Bank and the International Finance Corporation, stated their readiness to support this evolution with both technical advice and finance according to their respective procedures.

”

from the Conference conclusions

(The Conference was funded by the European Union and the World Bank and attended by Ministers from Algeria, Egypt, Jordan, Morocco, Tunisia, Turkey and the Palestinian Authority, as well as an official delegation from Israel.)

In addition to EIB support through lending and risk capital operations, the European Union supports programmes which are designed to improve service quality and reduce costs. The European Union aims wherever

possible to bring in private capital and know-how, as well as making maximum use of competition. Interest rate subsidies are made available on EIB loans for environmental projects.

Supporting micro-enterprises

The development of “entrepreneurship” critically depends upon a thriving micro-enterprise sector. Micro-enterprises, and especially family-based businesses, are probably the main motor of economic growth and dynamism in the Mediterranean region. It goes without saying that they make an important contribution to employment creation.

Recognising the vital role of microenterprise, Mediterranean Partner countries have launched initiatives to ensure their full integration into the process of economic growth. Such activities include:

- training in technical and business skills;
- the development of credit lines, sometimes backed by guarantee funds;
- the development of appropriate savings products and advisory services.

The European Union supports these initiatives by financing credit lines, training and technical assistance. The European Union places particular emphasis upon the involvement of female entrepreneurs and poorer groups in its projects and emphasises the importance of ensuring that activities can continue after the end of project funding.

SUPPORTING MICRO-ENTERPRISES IN THE MEDITERRANEAN REGION: SOME EXAMPLES

In action:

FIAP, Tunisia: vocational and managerial training;

FONAPRA, Tunisia: credit and training in the country's most disadvantaged regions;

Social Fund for Development, Egypt: credit and expertise for participatory micro-projects.

In preparation:

- Micro-enterprise support, Tunisia;

- Micro-enterprise support, Morocco.

Human Resource Development

Human resource development and institutional development are at the heart of many of the activities set out above. In addition to the specific interventions mentioned elsewhere, the European Union supports pro-

grammes which aim to improve the management, targeting and quality of vocational and management training in the Mediterranean.

5. A NOTE TO CONSULTANTS

Consultancy companies interested in working on the Euro-Mediterranean Private Sector Development Programme may read the Official Journal of the European Communities (Series S), where forthcoming contracts are prenotified quarterly. Each notice names a contact person within the European Commission from whom further information may be obtained. Consultants and consultancy companies may also send expressions of interest directly to certain projects (see addresses below).

The announcements in the Official Journal provide an up-to-date and complete picture of forthcoming opportunities. Any enquiries of a more general nature should be addressed to:

*The Head of Unit, Legal Matters and Award of Contracts,
Office SC14-6/59,
Directorate General 1B, European Commission,
Rue de la Loi 200,
B-1049 Brussels, Belgium.*

6. A NOTE ON THE MANAGEMENT OF THE PRIVATE SECTOR DEVELOPMENT PROGRAMME

The European Commission receives many requests from independent institutions for funding for projects that they have developed themselves. Bilateral projects (i.e. concerning only one Mediterranean

Partner) are programmed within the context of annual discussions between the European Commission and the country's government. Direct requests for funding for bilateral projects are therefore rarely accepted.

Ongoing projects: Where can European or local service providers register ?

EGYPTIAN - EUROPEAN BUSINESS CENTRE

Director: Mr Knut Paulsen
3A, Mohamed Mazhar Street
Zamalek - Cairo
Tel: 202 3411764
Fax: 202 3411767

SYRIAN - EUROPEAN BUSINESS CENTRE

Director: S. Rogerson
Farabi Street /East Mezzeh
Damascus P.O. Box 36453
Tel: 963 - 116115772
Fax: 963 - 11 6133866

PALESTINIAN - EUROPEAN BUSINESS CENTRE

Director: P. Carr
Post Box 1106
Ramallah
Fax: 02 - 9986787
Tel: 02 - 9986786

EURO MAROC ENTREPRISE

Director: M. Langstaff
c/o EC Delegation in Rabat
2bis, Avenue de Meknès,
B.P. 1302 Rabat
Fax: 212 7 76.11.56
Tel. 212 7 76.12.17

EURO TUNISIE ENTREPRISE

Director: M. Van Frausum
c/o EC Delegation in Tunis
21 Avenue Jugurtha
B.P. 143 - Cité Mahrajène
1082 Tunis
Fax: 216 1 788.201
Tel: 216 1 788.600

JORDANIAN - EUROPEAN BUSINESS SERVICE TEAM

Director: n/a
c/ o EC Delegation in Amman
P.O. Box 926794
Amman 11110
Fax: 962 6 686746
Tel: 962 6 668191

Pictures : INTERTRONIC, Casablanca

© Copyright European Commission, Directorate General I B External Relations, April 1997.

The content of this brochure does not necessarily reflect the official views of the European Commission.

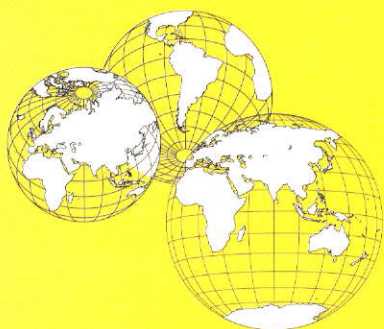
Already published :

The European Union and the Palestinians (French, English and Arabic)

Barcelona Declaration (French and English)

MEDA-Democracy Programme (French, English and Arabic)

Euro-Mediterranean Partnership (French, English and Arabic)



European Commission

Directorate General I B External Relations

Rue de la Loi, 200

B-1049 Brussels

Fax : +32 (2) 299 02 04