



COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 7.06.1995  
COM(95) 204 final

95/0127 (CNS)

Proposal for a

COUNCIL REGULATION (EC)

on financial and technical measures to support the reform of economic and social structures in  
Mediterranean non-member countries and territories

(presented by the Commission)



## EXPLANATORY MEMORANDUM

A new Regulation has been made necessary by the creation of the new MEDA budget heading (B7-410), for financing of technical and financial co-operation measures in favour of the Mediterranean region and by the significant increase in funds which is foreseen, given the strategic importance of the region. The present proposal for a Council Regulation sets out the rules for the administration of this budget heading. Proposals for the objectives, activities and instruments of such co-operation over the years to come were presented by the Commission in its Communication of 8 March 1995 entitled "Strengthening the Mediterranean Policy of the European Union: proposals for implementing a Euro-Mediterranean partnership".

A number of modifications are made to the existing arrangements. In particular:

1. The bilateral financial protocols and the Regulation for regional co-operation will, for the most part, be replaced by the proposed Regulation after a transitional period. Under the latter, the measures to be taken shall be selected taking into account both the beneficiaries' priorities and the objectives of the Community. This selection process shall lead to the establishment of a rolling three year indicative programme; however, budget funds and projects will continue to be adopted annually. A Management Committee of type IIa is proposed to assist the Commission in order to streamline decision making in the context of the additional volume of co-operation which is envisaged.
2. Article 235 of the Treaty establishing the European Community provides the legal base given that, on the one hand, the envisaged activities go beyond those belonging to traditional development and that, on the other hand, certain countries in the region do not belong to the category of 'developing country'. The regulation is open ended.
3. The beneficiaries (referred to as Mediterranean partners) under the proposed Regulation are the Maghreb and Mashrek countries and territories as well as Turkey, Cyprus and Malta. Explicit provision is made for decentralised co-operation in order to allow more flexibility and better targeting in view of the wide range of measures which are envisaged.
4. In line with the communication of 8 March 1995 and with the strategic objective of a Euro-Mediterranean partnership, the priority axes of co-operation are: support to economic transition and the establishment of a Euro-Mediterranean free trade area, support to a better socio-economic balance and support to regional co-operation. Promotion of good governance shall also be an important theme for future co-operation.
5. The participation of women shall be promoted and provisions have been made regarding the respect of democratic principles and human rights.
6. The Commission considers it appropriate that invitations to tender and contracts be open on equal terms to all natural and legal persons of the Member States and of Mediterranean partners.

As in the past, co-financing is possible with the recipient countries, the Member States, the European Investment Bank, third countries or multilateral bodies. Co-operation with the European Investment Bank on risk capital and interest rate subsidies for environment

projects continues to be foreseen Particular importance is attached to co-ordination and co-operation with the Member States, international financial institutions and other donors.

COUNCIL REGULATION (E C) N° ...../...  
of ... 1995

on financial and technical measures to support the reform of economic and social structures in  
Mediterranean non-member countries and territories

The Council of the European Union,

Having regard to the Treaty establishing the European Community, and in particular Article 235 thereof,

Having regard to the proposal from the Commission,

Having regard to the opinion of the European Parliament,

Whereas the stability and prosperity of the Mediterranean region require a new phase of relations to be established which foresee the establishment of a free trade area between the European Community and Mediterranean non-member countries and territories as well as the associated applicant countries Cyprus and Malta and a customs union with Turkey,

Whereas the Essen European Council of 9-10 December 1994 affirmed that the Mediterranean constitutes a priority area of strategic importance to the European Union and adopted the aim of establishing a Euro-Mediterranean partnership,

Whereas it is necessary to pursue efforts to ensure that the Mediterranean becomes an area of political stability and security founded on respect for democracy, good governance and respect for human rights,

Whereas for the non-member Mediterranean countries and territories the establishment of a free trade area will involve profound structural reform,

Whereas it is therefore necessary to support the efforts that Mediterranean non-member countries and territories will undertake to reform their economic and social structures,

Whereas intensified regional co-operation and in particular the development of economic links and trade flows between Mediterranean non-member countries and territories which are conducive to economic reform and restructuring should be encouraged,

Whereas the bilateral protocols on financial and technical co-operation concluded by the Community with Mediterranean non-member countries provided a useful initial basis for co-operation and now it is necessary to build on the experience which has been acquired and to enter into a new partnership within a unified framework

Whereas rules for the administration of such partnership have to be determined,

Whereas to this end the present regulation will apply to the range of measures which came under Council Regulation (EEC) N° 1762/92 on the implementation of the protocols on financial and technical co-operation concluded by the Community with Mediterranean non-member countries, Council Regulation (EEC) N° 1763/92 concerning financial co-operation in respect of all Mediterranean non-member countries for measures whose scope extended beyond the scope of a single country, Council Regulation (EEC) N° 1734/94 on financial and technical co-operation with the Occupied Territories and proposal COM(94) 289 final for a Council Regulation in the field of employment creation and support to small and micro-enterprises in the Maghreb countries,

Whereas therefore, the present regulation replaces the above mentioned regulations as from 1 January 1997, whilst it is necessary to maintain Council Regulation (EEC) N° 1762/92 in force for the management of financial protocols still applicable at this date and for the commitment of funds remaining under the expired financial protocols,

Whereas in respect of environmental projects the loans granted by the European Investment Bank, hereinafter referred to as "the Bank", from its own resources under conditions laid down by it, in accordance with its Statute, may receive an interest-rate subsidy,

Whereas in loan operations involving interest-rate subsidies, the granting of a loan by the Bank from its own resources and the granting of an interest-rate subsidy financed by the budgetary resources of the Community must be linked and are conditional upon each other; whereas the Bank may, in accordance with its Statute, and in particular by a unanimous decision of its Board of Directors in the presence of an unfavourable opinion by the Commission, decide to grant a loan from its own resources, subject to granting of the interest-rate subsidy; whereas, on account of this aspect, it is necessary to ensure that the procedure adopted for granting interest-rate subsidies results in every case in an express decision, whether to grant the subsidy or to refuse it, where appropriate;

Whereas it is necessary to make provision for a Committee consisting of representatives of the Member States to assist the Bank in the tasks attributed to it to implement this Regulation;

Whereas to allow for effective management of the measures foreseen in this regulation and to facilitate policy dialogue with the beneficiary countries a multiannual approach is required,

Whereas the measures foreseen by the present regulation go beyond the framework of development cooperation and are destined to apply to countries which cannot be classified as developing countries; therefore this regulation cannot be adopted other than on the basis of the competences foreseen by Article 235 of the EC Treaty.

HAS ADOPTED THIS REGULATION:

#### Article 1

1. The Community shall implement measures to support the efforts that Mediterranean non-member countries and territories listed in Annex 1 (hereinafter referred to as 'Mediterranean partners') will undertake to reform their economic and social structures.
2. The beneficiaries of support measures may include not only States and regions but also local authorities, regional organisations, public agencies, local or traditional communities, organisations supporting business, private operators, co-operatives, mutual societies, associations, foundations and non-governmental organisations.

## Article 2

1. Support measures shall be undertaken in coherence with the objective of achieving long term stability and prosperity and in particular in the fields of economic transition, achieving socio-economic equilibrium and regional and cross-border co-operation.
2. Support to economic transition and the establishment of a Euro-Mediterranean free trade area shall include notably:
  - private sector development and employment creation, including improvement of the business environment and support to SMEs
  - promotion of European private investment, including industrial co-operation
  - upgrading of economic infrastructure
  - operations in support of structural adjustment programmes
3. Support to achieving a better socio-economic balance shall include notably:
  - the improvement of social services
  - harmonious and integrated rural development
  - reinforced co-operation concerning fisheries
  - environmental co-operation
  - participation of civil society in development
  - integrated development of human resources, notably in education and vocational training, as well as improving the potential for scientific and technological research
  - strengthening democracy and the respect for human rights
  - cultural co-operation
  - through the above measures, co-operation and technical assistance in order to reduce illegal immigration, drugs trafficking and international crime
4. Regional and cross-border co-operation shall be supported notably by:
  - establishing structures and improving infrastructure for regional co-operation between Mediterranean partners
  - establishing the infrastructure necessary for regional trade, including transport, communications and energy, improvement of the regulatory framework and small-scale infrastructure projects in the context of border -crossing facilities: particular attention will be paid to border-crossing facilities on borders between the Mediterranean partners and the Union, to co-operation on the level of large geographic regions as well as to measures complementary to those undertaken in this field within the Union.

-co-operation with the Arab League and its agencies as well as other Pan Arab and regional activities

5. Good governance shall be promoted by supporting key institutions, including local government, trade unions, media and organisations supporting business and by assisting in the improvement of the capacity of the public administration to develop policies and manage implementation.

6. Measures taken under this regulation shall take due regard to the promotion of the participation of women. Special importance shall be attached to the creation of jobs for women and young people.

7. The activities financed under this regulation shall mainly take the form of technical assistance, training, institution building, policy dialogue, information, seminars, studies, investment projects and actions to ensure the visibility of Community projects and programmes. Recourse should be made to decentralised co-operation where this may prove effective. Risk capital operations and interest rate subsidies may be financed notably in collaboration with the European Investment Bank. Costs incurring to the beneficiaries from the preparation, implementation, monitoring, audit and execution of support measures may also be covered.

8. When an essential element for the continuation of support measures is missing, in particular in cases of violation of democratic principles and human rights, the Council may, on a proposal from the Commission, acting by a qualified majority, decide upon appropriate measures concerning the assistance to a Mediterranean partner.

### Article 3

1. Measures to be financed under this Regulation shall be selected taking account, inter alia, of the beneficiaries' priorities, evolving needs and progress towards structural reform as well as on the basis of an assessment of the effectiveness of those measures in achieving the objectives aimed at by Community support, in line with the provisions of Association or Co-operation Agreements where applicable.

2. Indicative programmes covering three-year periods shall be established at national and regional level, taking into account the priorities identified with the Mediterranean partners, including the conclusions of economic dialogue, and shall be updated annually, as necessary. These programmes shall define the principal objectives of and guidelines for Community support in the indicative areas referred to in Article 2 and may include a financial estimate. These programmes may be amended during the period of their application taking into account the experience accumulated in the implementation of this regulation as well as progress in structural reform, macro-economic stabilisation and social progress achieved by the Mediterranean partners.

3. Financing decisions based notably on these indicative programmes shall be adopted in accordance with the procedure provided for in Article 10 .



#### Article 4

1. The Commission shall, together with the Member States and on the basis of the information supplied by them, ensure the effective co-ordination of the assistance efforts undertaken by the Community and individual Member States. In addition co-ordination and co-operation with international financial institutions and other donors shall be encouraged.
2. The measures referred to in this Regulation may be granted by the Community, either independently or in the form of co-financing with the Mediterranean partners themselves or with, on the one hand, public or private bodies of the Member States and the European Investment Bank, or on the other hand, third countries or multilateral bodies .

#### Article 5

1. Community financing shall notably be in the form of grants or risk capital. Concerning cooperation measures in the field of the environment it may equally take the form of interest rate subsidies for loans granted by the Bank on its own resources.
2. Grants may be used to finance or co-finance activities, projects or programmes which contribute to the realisation of the objectives defined in Article 2. The extent to which activities, projects or programmes will be financed by grants shall also depend on their capacity to yield financial return.
3. Financing decisions and any financing agreements and contracts resulting therefrom shall expressly provide, inter alia, for supervision and financial control by the Commission and audits by the Court of Auditors to be carried out on the spot.

#### Article 6

1. Measures under this regulation may cover expenditure on imports of goods and services and local expenditure needed to carry out the projects and programmes. Taxes, duties and charges shall be excluded from Community financing.

Contracts for the implementation of Community funded measures under this Regulation shall enjoy, in the Mediterranean partners concerned, fiscal and customs arrangements no less favourable than those applied by such partners in respect of the most favoured State or most favoured international development organisation.

2. Maintenance and operating costs may be covered for training, communications and research programmes and for other projects; however, for the latter such costs may be covered only in the start-up stage on a declining scale.
3. For investment projects Community financing shall be combined with own resources of the promoter or with financing at market conditions, taking into account the nature of the project. However, Community financing may not exceed 80% of total investment cost.

#### Article 7

1. Invitations to tender and contracts shall be open on equal terms to all natural and legal persons of the Member States and of Mediterranean partners.

2. In the case of co-financing, participants from countries other than the Mediterranean partners concerned in invitations to tender and contracts may be authorised by the Commission, on a case-by-case basis. In these cases participation of undertakings from third countries shall only be acceptable if reciprocity is granted.

#### Article 8

1. Financing decisions exceeding ECU 2.000.000 other than those relating to interest-rate subsidies on European Investment Bank loans and risk capital shall be adopted in accordance with the procedure laid down in Article 10.

2. Financing decisions on overall allocations shall be adopted in accordance with the procedure laid down in Article 10. The Commission shall inform the Committee referred to in Article 10 of the use made of these overall allocations.

3. Decisions amending decisions adopted in accordance with the procedure provided for in Article 10 shall be taken by the Commission where they do not entail any substantial amendments or additional commitments in excess of 20 % of the original commitment.

4. Financing decisions relating to interest-rate subsidies on Bank loans shall be adopted in accordance with the procedure laid down in Article 11. Financing decisions relating to risk capital shall be adopted in accordance with with the procedure laid down in Article 12.

#### Article 9

Measures referred to in this Regulation which are financed from the general budget of the European Community shall be appraised, decided upon and administered by the Commission, without prejudice to the management by the Bank of interest-rate subsidies and risk-capital operations under authority conferred on it by the Commission on behalf of the Community pursuant to Article 105 (3) of the Financial Regulation of 21 December 1977 applicable to the general budget of the European Community.

#### Article 10

1. The Commission shall be assisted by a Committee composed of the representatives of the Member States and chaired by the representative of the Commission (hereinafter referred to as the 'Committee') to be known as the "MED Committee". A representative of the Bank shall take part in the proceedings, without the right to vote.

2. The representative of the Commission shall submit to the Committee a draft of the measures to be taken. The Committee shall deliver its opinion on the draft within a time limit the chairman may lay down according to the urgency of the matter. The opinion shall be delivered by the majority laid down in Article 148 (2) of the EEC Treaty in the case of decisions which the Council is required to adopt on a proposal from the Commission. The votes of the representatives of the Member States within the Committee shall be weighed in the manner set out in that Article. The chairman shall not vote.

3. The Commission shall adopt measures, which shall apply immediately. However, if these measures are not in accordance with the opinion of the Committee, they shall be communicated by the Commission to the Council forthwith. In that event, the Commission shall defer application of the measures which it has decided for a period of six weeks.

The Council, acting by a qualified majority, may take a different decision within the period laid down in the first subparagraph.

4. The Committee may examine any other question relating to the implementation of this Regulation which may be put to it by its chairman, possibly at the request of the representative of a Member State and, in particular, any question relating to general implementation, the administration of the programme, co-financing and the co-ordination referred to in Article 4.

5. The Committee shall adopt its rules of procedure by qualified majority.

6. The Commission shall keep the Committee regularly informed and will supply information on the implementation of measures under this regulation.

7. The European Parliament shall be kept regularly informed of the implementation of this regulation.

#### Article 11

1. As regards the projects to be financed by subsidised loans in the field of the environment, the Bank shall draw up the financing proposal in accordance with its Statute. The Bank shall seek the opinion of the Commission, in accordance with Article 21 of the Statute, and of the Committee referred to in Article 13.

2. That Committee shall issue an opinion on the Bank's proposal. The Commission representative shall convey to the Committee the position of his Institution on the project concerned, and in particular on its conformity with the objectives of this Regulation and with the general guidelines adopted by the Council. In addition, the Committee shall be informed by the Bank of the non-subsidised loans which the Bank envisages granting from its own resources.

3. On the basis of that consultation, the Bank shall ask the Commission to take a financing decision to grant the interest-rate subsidy for the project concerned.

4. The Commission shall submit to the MED Committee a draft decision authorising or, if appropriate, refusing the financing of the interest-rate subsidy.

5. The Commission shall forward the decision referred to in paragraph 4 to the Bank, which, where the decision grants the subsidy, may grant the loan.

#### Article 12

1. The Bank shall submit to the Committee referred to in Article 13, for its opinion, projects concerning risk-capital operations. The Commission representative shall convey to the Committee the position of his Institution on the project concerned and in particular on its conformity with the objectives of this Regulation and with the general guidelines adopted by the Council.

2. On the basis of this consultation, the Bank shall forward the project to the Commission.
3. The Commission shall take the financing decision within a period appropriate to the characteristics of the project.
4. The Commission shall forward the decision referred to in paragraph 3 to the Bank, which shall take the appropriate measures.

#### Article 13

1. A Committee consisting of the representatives of the Member States, hereinafter referred to as the 'Article 13 Committee', shall be set up at the Bank.

The Committee shall be chaired by the representative of the Member State currently holding the presidency of the Board of Governors of the Bank; its secretariat shall be provided by the Bank. A representative of the Commission shall take part in its proceedings.

2. The rules of procedure of the Committee shall be adopted unanimously by the Council.
3. The Committee shall act by a qualified majority in accordance with Article 148 (2) of the Treaty.
4. Within the Committee, the votes of the representatives of the Member States shall be weighted in accordance with Article 148 (2) of the Treaty.

#### Article 14

1. The Commission shall, together with the Bank, examine progress achieved in implementing the measures undertaken pursuant to this Regulation and shall submit to the European Parliament and the Council an annual report, no later than 30 April. The report shall contain information on the measures that have been financed during the year, with due regard for confidentiality, and provide an assessment of the results obtained.
2. The Commission and the Bank shall evaluate the projects that concern each of them, in order to determine whether the objectives have been achieved and to establish guidelines for stepping up the effectiveness of future activities. The evaluation reports shall be made available to the Council and the European Parliament.

#### Article 15

1. Council Regulation (EEC) N° 1763/92 and Council Regulation (EEC) N° 1734/94 are repealed as from 31 December 1996.
2. As from 31 December 1996 Council Regulation (EEC) N° 1762/92 shall apply for the management of the protocols still in force at this date and for the commitment of funds remaining under the expired protocols.

## Article 16

**This Regulation shall enter into force on the third day following that of its publication in the Official Journal of the European Communities.**

**This Regulation shall be binding in its entirety and directly applicable in all Member States.**



**ANNEX 1**

**Partner countries and territories referred to in Article 1**

**The People's Democratic Republic of Algeria**  
**The Republic of Cyprus**  
**The Arab Republic of Egypt**  
**The State of Israel**  
**The Kingdom of Jordan**  
**The Republic of Lebanon**  
**The Republic of Malta**  
**The Kingdom of Morocco**  
**The Arab Republic of Syria**  
**The Republic of Tunisia**  
**The Republic of Turkey**  
**The Occupied Territories of Gaza and the West Bank of the River Jordan**





## **FINANCIAL STATEMENT**

### **1 TITLE OF OPERATION**

Measures to back up the reform of economic and social structures in Mediterranean non-member countries.

### **2 BUDGET HEADING INVOLVED**

B7-410

### **3 LEGAL BASIS**

Provisionally and until the new Regulation is approved:

Council Regulation (EEC) No 1763/92 of 29 June 1992 concerning financial cooperation in respect of all Mediterranean non-member countries (OJ L 181, 1.7.1992, p.5.), as amended by Regulation (EC) No 1735/94 (OJ L 182, 16.7.1994, p.6).

Proposal for a Council Regulation, put forward by the Commission on 8 July 1994, regarding employment creation and support to small and micro-enterprises in the Maghreb countries (OJ C 214, 4.8.1994, p.26).

Council Resolution of 8 February 1977 on Euro-Arab dialogue, providing also for the establishment of a Euro-Arab university.

### **4 DESCRIPTION OF OPERATION**

The MEDA budget heading is intended to become the only basis for Community activities in the Mediterranean non-member countries.

It should as a result bring a more flexible and rational way of operating which would make implementation of the projects and programmes financed more efficient. This approach is in line with the experience of other areas of the European Union's external relations policy.

Activities to prepare for the implementation of MEDA are under way, using the balance of the financial protocols with the Maghreb and Mashreq countries.

#### **4.1 General objective**

- Assistance for economic transition (establishment of a Euro-Mediterranean free-trade area, stimulation of the private sector and European private investment, updating of economic infrastructure);

- Assistance with achieving a better socio-economic balance (by improving social services - particularly in towns -, promoting harmonious and integrated rural development, stepping up cooperation on fisheries matters, protecting the environment, involving civil society in development, bringing about integrated development in human resources, bolstering democracy and respect for human rights, supporting cultural exchanges, cooperation and technical assistance in order to reduce illegal immigration, drug-trafficking, terrorism and international crime);
- Backing for regional and cross-border cooperation (by establishing a framework and infrastructure for regional cooperation, establishing the infrastructure needed for regional trade, through cooperation with the Arab League and its agencies and through other pan-Arab and regional activities).

#### **4.2 Period covered and arrangements for renewal or extension**

The activities cover the period 1995 to 1999.

### **5 CLASSIFICATION OF EXPENDITURE OR REVENUE**

#### **5.1 Non-compulsory expenditure**

#### **5.2 Differentiated appropriations**

#### **5.3 Type of revenue involved**

None, except in the case of risk capital (if the operation financed is a success).

### **6 TYPE OF EXPENDITURE OR REVENUE**

- *100% subsidy*: in the case of the major portion of the measures planned, the operational expenditure of a project or programme is covered by a 100% grant.
- *Subsidy for joint financing with other sources in the public and/or private sector*: provision has been made for co-financing with other donors, NGOs and the private sector.
- *Interest-rate subsidies*: interest-rate subsidies on EIB loans may be possible in certain cases.
- *Should the operation prove an economic success, is there provision for all or part of the Community contribution to be reimbursed?* Yes, if operations using risk capital prove a success.

- *Will the proposed operation cause any change in the level of revenue?*  
No.
- *Reuse:* None.

## 7 FINANCIAL IMPACT

### 7.1 Method of calculating total cost of operation

The sums indicated take into account the policy guidelines put forward by the Commission in communication COM(94)427 of 19 October 1994, the conclusions of the Essen European Council of 9 and 10 December 1994 relating to strengthening the European Union's Mediterranean policy and Commission communication COM(95)72 of 8 March 1995, regarding proposals for the implementation of a Euro-Mediterranean partnership.

The indicative total allocation for Mediterranean non-member countries and territories is ECU 5.160 million. If account is taken of the protocols (some of which are expiring at the end of 1996) and of certain specific activities (cooperation in Turkey, UNRWA, assistance for the Kurds, the Middle East peace process), the estimated total of commitment appropriations available for MEDA for 1995 to 1999 is ECU 3 899.5 million.

Chapter B7 heading	Title	million ECU
4031, 4050, 4051, 401, 404	1st, 2nd, 3rd and 4th financial protocols	804.00
4033	Cooperation with Turkey	21.00
407	UNRWA	160.00
406	Kurds	12.00
711	Peace process	254.00
410	MEDA	3 899.50
4091, 4092	former Yugoslavia in 1995	9.5
<b>TOTAL</b>		<b>5 160.00</b>

### 7.2 Itemised breakdown of cost

The precise breakdown will be determined by detailed proposals submitted by the Commission as time goes on. The following can be taken as a rough indication of the distribution by broad area of activity, however:

- Assistance for economic transition ECU 1.63 billion
- Assistance with achieving

- a better socio-economic balance
- Backing for regional integration

ECU 1.76 billion  
ECU 0.50 billion  
**ECU 3.89 billion**

**7.3 Operational expenditure on studies, meetings of experts, etc. falling under Part B**

(see Annex IIIa to the Commission communication of 22 April 1992, attached as Annex VIII)

commitment appropriations in million ecus

Breakdown	95 budget	96 PDB	var %
-studies			
-meetings of experts			
-conferences			
-information and publications			
<b>TOTAL</b>			

**7.4 Indicative schedule of appropriations**

commitment appropriations in million ecus

Accumulated position end 1994	1995 Budget*	1996 PDB	INDICATIVE PLAN				
			1997	1998	1999	2000 and subs. yrs	TOTAL
	172.9	412.0	833.6	1098.0	1383.0	p.m.	3899.5

Including ECU 10 million proposed in the supplementary amending budget (1/95)

Implementation: 1995-1999

**8 FRAUD PREVENTION MEASURES; RESULTS OF MEASURES TAKEN**

The projects and programmes financed as part of cooperation with the MNC will be regularly followed up and audited by the Commission (or agents appointed by it) and by the Court of Auditors.

**9 ELEMENTS OF COST-EFFECTIVENESS ANALYSIS**

**9.1 Specific and quantified objectives; target population**

- *Specific objectives: links with general objective:* Against the background of the general objective described in paragraph 4.1, the action taken under this Chapter will seek to finance (wholly or partly) programmes with the following main aims:
  - to help economic transition by encouraging the establishment of a free trade area between and among the

countries of the Mediterranean by 2010, and by backing economic and social reform for the modernization of firms (promotion of the private sector), with the accent on:

- improving competitiveness;
- support for SME and job-creation;
- encouraging private investment;
- improving economic infrastructure (primarily communications networks);
- establishing a suitable regulatory framework;
- modernizing the way in which economic institutions operate (particularly the financial and taxation systems);

- to bring about a better socio-economic balance, with action focusing on the following, in the interests of coping with new challenges:

- improving social services (education, health care, government housing, water supplies, etc.), particularly in towns, and particularly for the most underprivileged (especially young people and women);
- promoting harmonious and integrated rural development (going beyond agricultural development to cover improvement of services (e.g. health care, education, water supplies (sanitation), electricity and the development of associated activities such as tourism);
- consolidation of democracy and respect for human rights;
- involving civil society in development through decentralized MED cooperation programmes;
- support for education (primary, secondary and vocational), with the emphasis on integration into the world of employment;
- promotion of cultural exchanges, encouraging dialogue at all levels;
- protection of the environment by promoting investment for that purpose (long-term loans with interest-rate subsidies) and by encouraging transfers of know-how (dialogue with the countries' environmental agencies aimed at the introduction of appropriate legislation and backing the development of alternative sources of energy).

- To back regional integration using projects and activities which are of interest to several Mediterranean countries and cooperation with contiguous areas of both sides of the Mediterranean, and by supporting the Middle East peace process.

*Final beneficiaries:*

The final beneficiaries of assistance for the MNC will be the inhabitants of the recipient countries. The people involved will obviously vary according to the project or programme.

The recipients may be SME, private entrepreneurs (risk capital), business centres, training institutes, parts of civil society (municipalities, universities, researchers, directors and cultural associations and networks (Media) ). Assistance will be financial or in the form of know-how

## **9.2 Grounds for the operation**

### *- Need for Community financial aid*

The Corfu and Essen European Councils emphasized the need to strengthen the European Union's Mediterranean policy in order to promote peace and stability in a region which is of strategic importance to it.

Because the MNC need to devote substantial energy to economic reform, substantial extra assistance from the European Union will be needed to ensure that a free trade area is gradually established.

### *- Choice of ways and means*

The methods used in the programme of cooperation with the MNC will vary according to the situation of each country and sector. Detailed identification and feasibility studies will be carried out on the activities to be financed.

### *- Main factors of uncertainty which could affect the specific results of the operation*

The process of economic reform due to be implemented or intensified is unpredictable because of social risks and the course of the world economy. Political developments in the region will influence the progress of reform and the extent of regional cooperation.

## **9.3 Monitoring and evaluation of the operation**

Cooperation with the MNC is closely monitored by the Commission departments in Brussels and the delegations in the countries themselves.

A computer system (RAP) has also recently been installed to carry out such monitoring.

In addition, each programme is audited on a regular basis by independent experts from the technical and financial points of view and from that of impact on the target population or groups.



ISSN 0254-1475

COM(95) 204 final

# DOCUMENTS

EN

11 13

---

Catalogue number : CB-CO-95-232-EN-C

ISBN 92-77-89176-9

---

Office for Official Publications of the European Communities

L-2985 Luxembourg