

COMMISSION OF THE EUROPEAN COMMUNITIES

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COMMUNICATION FROM THE COMMISSION TO THE COUNCIL
AND THE EUROPEAN PARLIAMENT

EC SUPPORT TO THE MIDDLE EAST PEACE PROCESS

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Communication to the Council and the Parliament

1. Introduction

With the breakthrough represented by signing of the Israeli/PLO Agreement the Middle East peace process has reached a critical phase. The relationship between Israel and the Palestinians is at the core of the Arab/Israel problem. The difficulties between Israel and the Arab neighbours may now begin to be resolved. A comprehensive peace settlement could be within reach if negotiations are pursued in all tracks of the Madrid framework. The signature of an agenda for negotiations between Jordan and Israel is an initial indication of this.

However, the situation is not irreversible. Public opinion both in Israel and in the Occupied territories is volatile and could be influenced in the short term by extremist acts of violence and in the longer term by the failure to secure concrete economic achievements.

The comprehensive nature of peace is not yet secured and the future of the Israel/PLO Agreement is therefore uncertain.

For the future the success of the peace process will depend on two factors :

- the engagement of Israel, Syria and Lebanon in concrete negotiations;
- the perception by the populations concerned that the first steps towards peace are bringing an immediate improvement in material conditions.

On the diplomatic front there should be continued support for the process begun in Madrid, with emphasis now on Syria and Lebanon.

On the economic front the time is now right for the EC, together with the international community and especially the Gulf countries, to embark on an ambitious co-operation programme which would embrace the economic development of the West Bank and Gaza, bearing in mind the need also for international efforts in favour of the region as a whole.

The progress being made in the bilateral negotiations should have an impact on the multilaterals. The European Community, which has been called upon to play a leading role in this area, should take the opportunity offered by the new climate in Israeli/Palestinian relations to give an impetus to regional cooperation.

The Community has built up experience of activities in the region as a whole and in the Occupied territories over a number of years and is now the largest aid donor to the territories (see details in annex 1).

The present paper sets out the Commission's views on how the EC could lend its support to that process in dealing :

- with the most urgent and specific needs, to help the Palestinians succeed in their move towards autonomy;

- with the global aspects of the region, to ensure that both Israel and the Mashrak countries derive positive and concrete benefits from the peace process.

2. Future EC cooperation with the Occupied territories, Israel and the Mashrak countries

To ensure the success of the peace process it is essential that efforts to bring conditions in the Occupied territories up to a satisfactory economic level are accompanied by action to support the economic development of the region as a whole.

(a) West Bank and Gaza

For the years 1994-98, the Commission proposes that 500 Mecu be made available by the Community in the form of grants and long-term loans. Half of this amount would be charged to the Community budget and the remainder is expected to be provided through EIB lending (with appropriate guarantees from the Community budget). For statutory reasons, EIB participation in the assistance package would require the introduction of new legal and administration arrangements. EIB lending would therefore develop progressively after those arrangements have been introduced and until 1996 under the 1.8 billion ECU ceiling currently in place⁽¹⁾.

The Commission considers this amount to be an appropriate contribution taking account of the overall needs and absorptive capacity of the Palestinians and the financial capacity of the Community.

The World Bank has estimated on a preliminary basis the minimum capital requirements of Gaza and the West Bank to be in the range of 500-550 million US\$ per year (1994-2003).

The Commission proposes that the Community should make a substantial contribution, the remainder to be forthcoming from other sources (Member States, other European countries, USA, Arab Gulf States, Japan, Canada, Australia, etc.).

The Community's approach should focus on two complementary aims : in the short term, capitalising on projects already under way and which bear fruit in 1993/94, to give visibility to EC co-operation; in the medium term, to contribute to the economic normalisation of the territories :

- Projects already under way which could be easily extended are in the fields of housing, small credit and assistance for business and small and medium-sized enterprises, solid waste removal, sewage, Gaza hospital; to these could easily be added construction of classrooms, completion of industrial parks set up by the Israeli civil administration (see annex 2 for projects under immediate preparation);
- in the medium term EC resources should contribute to improving the economic and social infrastructure (housing, schooling, water supply, sewage). At the same time they should help the Palestinians to rapidly generate urgently-needed employment, in particular by providing a modern infrastructure for private

(1) EIB loans on the horizontal cooperation facility of the "Redirected Mediterranean Policy"

business activities (telecommunications, road connections, electricity, industrial estates, etc.), and by creating an environment favorable to the development of small and medium-sized enterprises.

Financial cooperation could be channelled through the future Palestinian Council. This is in accordance with standard practice in the Community and Member States.

In order to enable the Palestinians to handle large amounts of international assistance, the Commission considers it important to help them to establish the requisite technical and financial machinery, a planning and financing authority (which might be designed along the lines of the Lebanese Council for Development and Reconstruction).

The Commission is prepared to put at the disposal of the Palestinians the necessary technical assistance.

Coordination between donors is necessary. It is the Commission's view that the Community, as the main financial contributor, should seek to play a central role in this coordination.

In the Commission's view, it will suffice to set up, in the context of the Regional Economic Development Working Group (REDWG), a sub-group entitled "Palestinian and Economic Development Working Group" (PEDWG), in which all donors would participate, with the World Bank being fully involved. This Group could meet regularly once every 3 months in the beginning and later twice every year.

The Commission's representative in the territories should take up his position shortly, together with his staff of technical assistants.

(b) Israel and the Mashrak countries

The necessary focus on Gaza and the West Bank should be complemented by increased Community cooperation with the region as a whole.

There must be an appropriate balance between the Community's substantial assistance in favour of some 4 million Palestinians⁽¹⁾ on the one hand, and 80 million people living in Egypt, Jordan, Lebanon, Syria and Israel on the other hand.

In its communication on "Future Relations and Cooperation between the Community and the Middle East" (COM (93) 375), the Commission has set out its long-term vision.

It has proposed a dual approach:

- the need for the Community to help the countries of the region (including the Palestinians) to step up their regional cooperation;

(1) including the Palestinians in the region assisted by UNRWA.

- the need for the Community to upgrade its contractual relations with each of the countries of the region if they so desire.

Regional Cooperation

The Community could offer these countries a substantial volume of technical and financial assistance for regional cooperation. Since 1992 the Community has already done so. Under the new Mediterranean policy for 1992-96 it has set aside considerable budgetary and loan resources for regional cooperation in the Mediterranean in general (Maghreb, Mashrak, Turkey).⁽²⁾

Due to the absence of peace and therefore cooperation, only a small amount of these resources have been used so far in favour of the Middle East.

The prospect for peace will open new possibilities for cooperation in the region. There will be, in the years to come, new requirements for the financing of appropriate intra-regional infrastructure (roads, telecommunications, etc) and water and energy projects, etc.

The Commission believes, therefore, that the Community should be ready to announce its willingness to underpin that process through making available, as part of a wider international action, appropriate finance and through offering its know-how on regional cooperation.

Especially in the longer term, it would be useful to examine ways to promote joint management of regional strategic resources and infrastructures. This could prepare the ground for the establishment, when conditions permit, of a Regional Community for water, energy and infrastructure. To this end, the Commission has set up a working group to study the principles which could underpin this idea and the ways to assist in its long term implementation.

Furthermore, the Community has a specific role to play in promoting regional cooperation among the political and intellectual decision-makers of the region. To this end, the Commission intends to step up its own efforts to organise seminars, workshops, etc., in order to bring together leaders of the Middle East countries, as the Commission has done with the Israelis and Palestinians in the years 1989-93.

The Community is ready to invite regional parties to exchange views on the priorities for regional cooperation over the coming years.

Until 1995-96, financial resources will be made available within the context of the Mediterranean Policy to meet the initial priorities. In addition, the EC will look further ahead at the possible need for additional budget and loan resources, in order to allow the necessary long-term planning to proceed.

(2) 360 Mecu per annum EIB loans and 65 Mecu per annum, on average, budgetary resources.

Upgrading EC bilateral relations

The 1975 EC/Israel Cooperation Agreement, providing essentially for free trade between Israel and the Community, should be replaced by a new Agreement. In particular it should open new areas in the fields of trade, services and cooperation in a wide range of sectors (in particular science and technology). To this end, the Commission submits a proposal for Negotiating Directives and hopes that the Council will speedily act upon these.

The EC should be prepared to respond positively to any wish by Egypt, Jordan, Lebanon and Syria to embark on a new dialogue with the Community.

More particularly, in order to help the Arab countries of the region to enter into free trade with Israel and among themselves, it might be helpful if the Community, at the same time, embarked on a process leading to the establishment of a free trade area with these countries in the foreseeable future.

It is not possible to negotiate an international agreement with the West Bank and Gaza; however, ways should be found to arrive at a structured relationship between the EC and the Palestinian self-government, covering all aspects of cooperation with them.

3. In conclusion, the Commission calls upon the Council and the Parliament:

- to endorse these general guidelines, which are designed to underpin the on-going Peace Process;
- to note that the Commission will make further specific proposals as and when necessary;
- to keep the matter under regular review within the appropriate institutional set-up.

COM/93.458-5

COMMUNITY AID TO THE OCCUPIED TERRITORIES

1. Background

Up until 1980 the Community aid to the Palestinian population, whether inside or outside of the Occupied territories, was limited to the refugees. From 1971 on there had been a cooperation with UNRWA which was and still is formally translated into Conventions. Between 1971 and 1980 the total amount of this aid was \$ 132 million. In 1981 a new approach for the benefit of the Palestinian population started consisting of direct Community aid under different budget lines which until 1986 reached a total of ecu 8.98 million. From 1987 on there has been a specific budget line (now Article B7-406) for direct development aid to the territories.

2. Guidelines

Community action is based on the 1980 Venice declaration: support of UN Security Council resolutions 242 and 338; the right of Palestinians to self-determination; the right of all states in the area to live in security and peace.

The 1986 Council guidelines defined the main principles of the Community attitude towards the Palestinian population and Israel with regard to the territories.

The priority areas are the following:

- small-scale employment-generating projects or measures in the agricultural and industrial sectors, in particular by giving support to measures in the agricultural sector which would increase food self-sufficiency
- education/training, particularly in the vocational and technical fields;
- upgrading of local Palestinian institutions, such as Arab-run Municipalities, Universities and Colleges, professional organisations, etc. particularly through linkages with similar institutions in the European Community, in-country training, seminars.

In the 1989 European Council declaration of Strasbourg the Community and its Member States strongly confirmed their previous position and emphasized their commitment to support the Palestinian population in the territories. Education and health were singled out as areas to which particular attention should be devoted.

3. Description

Community aid to the Occupied territories has five main headings:

- (i) **Aid to refugees through UNRWA.** This takes place mostly through contributions to the regular UNRWA budget, which are spent on education, health and food aid programmes. In the years 1971 to 1992 this aid amounted to about ecu 518 million. It is for all refugees, even those who are not living in the Occupied territories. Since the latter represent approximately 38 percent of the total, it is estimated that under this heading aid to the territories amounted to about ecu 197 million for 1971-1992.
- (ii) **Aid through co-financing with European NGOs.** In 1979-1992 the total amount contributed by the Commission was ecu 12.8 million. This was equivalent to a 38.6 percent contribution to projects for a total value of over ecu 33 million.
- (iii) **Direct development aid under budget lines B7-406 and B7-701** amounted in 1991 to ecu 70 million (including ecu 60 million exceptional aid) and in 1992 to ecu 17 million (including ecu 5 million exceptional aid). The figure for 1993 is ecu 35 million (including ecu 20 million for new actions). The total amount devoted to these lines from 1987 up to 1993 is ecu 139 million.
- (iv) **Aid to promote direct Palestinian exports from the territories to Community markets.**

The Community has reduced import levies for certain Palestinian agricultural products from January 1993 to zero.

- (v) **Emergency and exceptional aid interventions :** In 1992 the Community approved a contribution of ecu 5 million towards running costs of Palestinian hospitals. They will be disbursed in 1993/1994. In December 1992 the Community approved 6,000 T of wheat flour for the Gazan refugees through UNRWA and in June 1993 an additional amount of 6,000 T of wheat flour, 600 T of rice and 600 T of sugar were approved for refugees and non-refugees of the Gaza Strip.

PROJECTS UNDER PREPARATION BEFORE
THE END OF 1993 FOR GAZA AND THE WEST BANK

	<u>MECU</u>
Solid waste disposal in Rafa and Gaza City	2.5
Sewerage in Gaza Strip	10.0
Universities and Community Colleges, West Bank & Gaza	15.0
Technical assistance and studies	5.0
Establishment of local public TV and radio authority	2.0
Various infrastructures (energy, transport and communications)	0.704
Cooperation networks (local governments, universities and media)	2.30
Economic co-operation in the private sector	0.65
Support for the electoral process	4.0
Humanitarian aid ⁽¹⁾	6.0 (estimate)

Total :	48.154

The current housing programme will also be accelerated, leading to increased job creation.

(1) a Commission evaluation team is currently in the Occupied Territories.

LE SOUTIEN COMMUNAUTAIRE AU PROCESSUS DE PAIX AU PROCHE-ORIENT
Fiche Financière

1. INTITULE DE L'ACTION

EC support to the Middle East Peace Process
(Assistance financière aux Territoires de Cisjordanie et de Gaza)

2. LIGNE BUDGETAIRE CONCERNEE: Poste B7-406

3. BASE LEGALE: néant

4. DESCRIPTION DE L'ACTION

4.1. Objectifs spécifiques de l'action

En vue d'améliorer les conditions de vie de la population palestinienne, l'action vise le financement de l'investissement et des frais de fonctionnement dans les domaines de l'infrastructure, de la production (agriculture, pêche, l'industrie) des services (incl. tourisme), du commerce extérieure, du développement urbain et rural, de la santé, de l'environnement, du développement des institutions et administrations, de la formation et de l'enseignement. Elle permet également l'assistance technique nécessaire pour l'exécution de telles aides et le coût de l'instruction et de suivi des projets.

4.2. Durée

1994 - 1998

4.3. Population visée par l'action

Les actions sont destinées à la population palestinienne des Territoires de Cisjordanie et de Gaza.

5. CLASSIFICATION DE LA DEPENSE (B7-406)

- *DNO*
- *CD*
- *Types de recettes visées: néant*

6. TYPE DE LA DEPENSE/RECETTE (B7-406)

- *Subvention à 100 %*
- *Aucun remboursement n'est prévu*
- *L'action proposée n'implique aucune une modification du niveau des recettes.*

7. INCIDENCE FINANCIERE

7.1 Mode de calcul du coût total de l'action pour l'exercice 1994

Le montant proposé en engagements tient compte de l'expérience acquise dans le passé, des besoins évidents et de la capacité d'absorption des institutions concernées. Il reflète aussi l'engagement de la Communauté à développer son soutien en faveur des Territoires Occupés, la déclaration du Conseil Européen de Strasbourg des 7 et 8 décembre 1989, et les orientations de la reunion informelle des Ministres des Affaires Etrangères à Aeden Biesen les 11/12 septembre 1993.

Vu d'une part le reste à liquider dû notamment à un engagement de 5,0 ECUS fin 92 et d'autre part la nécessité d'augmenter l'assistance aux territoires afin de contribuer à la réussite de l'accord intervenu entre Israel et l'OLP le 13 septembre 1993 une augmentation significative des credits d'engagement et de paiement est demandée.

7.2 Ventilation par éléments du coût de l'action en MECU (B7-406)

VENTILATION	Budget 93	Budget 94	Budget 95	Budget 96	Budget 97	Budget 98	Total
Assistance financière aux Territoires occupés de Cisjordanie et de Gaza	15+20	50	50	50	50	50	250

Les montants sont exprimés en écus courants

7.3.: néant

7.4. Echancier indicatif des crédits d'engagement
(pour les actions pluriannuelles assorties d'un MEN)

en MioEcus

- Période d'application : 1994 - 1998

Situation cumulée fin 1992 (1)	Budget 1993	APB 1994	PROGRAMMATION INDICATIVE				TOTAL
			1995	1996	1997	1998	
44	15 + 20	50	50	50	50	50	250

8. DISPOSITIONS ANTI-FRAUDE PREVUES DANS LA PROPOSITION D'ACTION

Dispositions anti-fraude

Contrôles normaux de la commission

9. ELEMENTS D'ANALYSE COUT-EFFICACITE

9.1. Objectifs

Objectif(s) spécifique(s) : liens avec les objectifs plus généraux et les autres actions proposées dans la programmation financière indicative

En vue d'améliorer les conditions de vie de la population palestinienne, et de supporter le processus de paix dans la région l'action vise le financement de l'investissement et des frais de fonctionnement dans les domaines de l'infrastructure, de la production (agriculture, pêche, l'industrie) des services (incl. tourisme) du commerce extérieurs, du développement urbain et rural, de la santé, de l'environnement, du développement des institutions et administrations, de la formation, et de l'enseignement. Elle permet également l'assistance technique nécessaire pour l'exécution de telles aides et le coût de l'instruction et du suivi des projets.

9.2 Justification de l'action

- *Coût: 250 MECU dans B7-406 pour 1994-1998 ce qui permettra à la Communauté de donner un support au processus de paix et une aide significative à des populations qui ne sont pas couvertes par les accords de coopération conclus avec les Etats voisins.*
- *Effets dérivés (impact au-delà de(s) objectif(s) spécifique(s): Les actions financées par cette ligne de crédit visent au développement et renforcement de l'autonomie institutionnelle et économique qui réduira la dépendance des territoires vis à vis du financement extérieur.*
- *Effets multiplicateurs (capacité de mobilisation d'autres sources de financement): L'efficacité des actions de cette ligne budgétaire pourrait être multipliée par les effets stimulants sur l'économie des Territoires Occupés qui attireront du capital local et international. De plus, la coordination avec d'autres donateurs l'influencera positivement les actions financées par cette ligne budgétaire.*

9.3 Suivi et évaluation de l'action

- *Indicateurs de performance sélectionnés*

Des indicateurs de performance spécifique sont établis pour chaque projet (par exemple: augmentation de la production en agriculture et du taux d'éautosuffisance alimentaire, volume des exportations des territoires concernés).

- *Modalités et périodicité de l'évaluation prévues*

Les principaux secteurs financés feront l'objet d'évaluations annuelles.

- *Appréciation des résultats obtenus*

Les résultats obtenu jusqu'à présent montrent que la dégradation socio-économique a été ralentie par les actions précédents de la Communauté.

9.4. Cohérence avec la programmation financière

- *L'action est-elle prévue dans la programmation financière de la DG pour les années concernées ? Oui.*
- *Indiquez à quel objectif plus général défini dans la programmation financière de la DG correspond l'objectif de l'action proposée: apporter une contribution à la réalisation des objectifs économiques et à la stabilité politique de la région.*
- *Principaux facteurs d'incertitude pouvant affecter les résultats spécifiques de l'action: La situation politique et sociale encore incertaine.*

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