



COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 02.05.1996
COM(96) 151 final

**COMMISSION REPORT TO THE
COUNCIL AND PARLIAMENT ON THE
IMPLEMENTATION OF FINANCIAL
AND TECHNICAL COOPERATION WITH
MEDITERRANEAN NON-MEMBER COUNTRIES**

1994

1139/80

INTRODUCTION

1. The 1994 annual report is the second such report on the implementation of financial and technical cooperation with Mediterranean non-member countries, and covers both bilateral and the so-called "horizontal" cooperation. Compared with last year's, the report provides additional information on operations launched in 1994 and assesses their implementation, in response to the wish expressed by the Council and Parliament.

2. As regards the implementation, particular importance was attached to proper completion of all the various stages in a project's life cycle, and special attention will be given to project evaluation. In addition, coordination with the Member States and other donors, in particular the World Bank, should ensure improved effectiveness of Community-funded operations.

3. Implementation of bilateral cooperation with the MNC in 1994 was satisfactory with commitments being made comparatively earlier but disbursement taking longer. As described in more detail in the sections looking at specific countries, the long delays are mainly due to the political situation (events in Algeria, new government in Morocco). As for horizontal cooperation, the decentralized programmes, which are designed to meet actual needs expressed by local authorities, universities and the media, had far-reaching effects.

4. However, 1994 will be remembered as the year of great changes in EU's policy vis-à-vis the Mediterranean. Since the Corfu European Council and the Commission communication of 19 October 1994 on strengthening the EU's Mediterranean policy - "Establishing a Euro-Mediterranean partnership" - whose main guidelines were adopted by the Essen European Council, awareness of the importance for the EU of achieving genuine partnership with that region has grown considerably, especially in consideration of the many challenges it will be confronted with in forthcoming years.

COOPERATION WITH THE MNC

I. NORTH MEDITERRANEAN¹

1. Generalities

1. Financial and technical cooperation with north Mediterranean countries continued in 1994 when funds for the last operations under the third financial protocols with Malta and Cyprus were committed. The fourth protocol with Turkey, adopted in 1980, was suspended in 1994.
2. In the case of Cyprus, it was decided to allocate available funds from the third protocol to the Greek community for the financing of a "European Institute", the preliminary work on which is now completed.
3. As for Malta, efforts focused on monitoring, and wherever possible speeding up implementation of approved projects.
4. The negotiation of fourth protocols with Malta and Cyprus was the year's key event; the instruments were initialled by the parties in December 1994.

2. Evaluation by country

2.1 CYPRUS

1. The first two protocols

Budget funds under the first two protocols (ECU 26 million) were committed in full and 96% was disbursed. EIB's own resources (ECU 48 million) were committed and disbursed in full.

2. The third protocol

ECU 18 million was available from budget funds. New commitments for 1994 from budget resources amounted to ECU 2.2 million and went to the following projects:

¹ Cyprus, Malta and Turkey.

Sector	Project	Description
(a) Rural sector	Support for agricultural research (ECU 265 000)	Boosting vegetal pathology research within the Agricultural Research Institute
(b) Public sector	Administrative cooperation (ECU 100 000)	Visits and seminars for officials in the fields covered by Community law
	Survey of customs procedures (ECU 102 260)	Training in EU procedures for central government officials
	Cartography and land register (ECU 800 000)	Support for the computerization of Cyprus' land register
(c) Industry	Teacher training (ECU 68 000)	Training of government personnel
	Automation of production procedures in SMEs (ECU 99 700)	Introduction of modern production methods, computerization and productivity boosting in SMEs
	Standardization, certification and quality control (ECU 474 000)	Support for Cyprus' institute for quality control and standardization
(d) Environment	Industrial pollution control (ECU 350 000)	Survey of industrial waste, assistance with new legislation.

In addition, ECU 3.05 million was set aside to cover interest rate subsidies on EIB loans.

By the end of 1994 70% of budget funds had been committed, of which 88% actually disbursed.

Remaining EIB resources (i.e. ECU 29 million out of ECU 44 million) were committed, with the opening of lines of credit for operations in the water supply and industrial sectors. Disbursement had reached 34% of the total as at 31 December 1994.

The text of the fourth financial protocol (1995-1998) was initialled in December 1994.

3. Evaluation

Implementation of financial and technical cooperation continued in 1994 according to plan. The government authorities agreed to improve certain administrative procedures which should come on stream in 1995 and make for speedier project implementation. Conversely, little progress was made in the commitment of funds earmarked for initiatives bringing together the two communities, with the exception of the launch of feasibility studies for the treatment of waste waters in Nicosia.

2.2. MALTA

Funds available under the three financial protocols (1979-1993) concluded with Malta were committed in full (ECU 93.5 million) by 1 January 1994. 57% of budget funds (ECU 38.5 million) and 78% of EIB own resources (ECU 55 million) was disbursed.

Budget funds mostly went to infrastructure projects, training initiatives and to promote local business, particularly in the tourist sector.

EIB own resources were mainly spent on infrastructure (40%), telecommunications (20%), the environment and drinking-water supply projects.

The new financial protocol (1995-98) was initialled in December 1994.

II. SOUTHERN AND EASTERN MEDITERRANEAN²

1. Generalities

1. In 1994 new financial commitments under the fourth financial protocol with SEM countries totalled ECU 574 million, of which ECU 250 million from budget funds and ECU 324 million from EIB own resources.
2. The sectoral breakdown of financial cooperation under the last generation of protocols has changed somewhat. The first three protocols had granted priority to infrastructure, agriculture, rural development and vocational training. They were funded mostly from budget resources. Under the fourth protocol these were rounded off by ancillary measures and economic reforms launched by a number of SEM countries.
3. Of the funds put at the disposal of SEM countries by the New Mediterranean Policy

² The Southern and Eastern Mediterranean region covers the Maghreb (Algeria, Morocco and Tunisia) and the Mashreq (Egypt, Israel, Jordan, Lebanon and Syria).

to back up economic reform, ECU 300 million was allotted to structural adjustment programmes. Additional funds from the 4th financial protocol rounded up the amount.

In addition, ECU 80 million from budget funds under the 4th protocol was earmarked as risk capital³ (only ECU 31 million under the 3rd protocol). Morocco, Egypt and Jordan began to draw funds from their shares in 1994 for a total of ECU 28 million. Tunisia had already drawn ECU 7 million in 1993, whereas Algeria, Lebanon and Syria have not yet availed themselves of the facility.

4. At the end of 1994 the picture was as follows: the overall commitment rate for funds under the first three protocols (budget and EIB own resources) was 96.5%; for the fourth protocol it was 60%, with commitments for Morocco, Tunisia and Jordan taking the lead. Only Syria was lagging behind with a commitment rate of 3% on fourth protocol funds, but the delay can be explained by the late start of the third and fourth protocols.

2. Evaluation by country

M A G H R E B

2.1. ALGERIA

1. The first three protocols

Of the budget funds allocated under the first three protocols (ECU 144 million), 88% was committed and 49% disbursed.

EIB own resources (ECU 360 million) were committed in full and 58% actually disbursed.

2. The fourth protocol

Budget funds allocated under the fourth protocol (ECU 70 million) were concentrated on a small number of operations and sectors, namely rural development, housing and economic infrastructure.

Owing to the economic and political situation, commitments from budget funds in 1994 were very limited: ECU 0.75 million was committed for a preliminary study for a World Bank agricultural programme (ASAL - agricultural sector adjustment loan).

³ In addition to risk capital, MNC have qualified for ECIP funds and a total of ECU 8.75 million from that instrument has been committed in 1994.

No operation could be launched using risk capital (amount earmarked : ECU 18 million).

At the end of 1994 64% (of the ECU 280 million total) of EIB own resources had been committed, in accordance with programming guidelines, to fund transport infrastructure and water supply operations.

By the same date 66% of budget funds had been committed, and 33% actually disbursed. 64% of EIB own resources had been committed and 8% disbursed.

3. Commentary

The political situation in Algeria has prevented any substantial progress in Community cooperation during the past year. Delays accumulated in implementing the protocols have resulted in some projects due to be funded under the first three protocols being abandoned and other projects being retargeted. Similarly, in view of the difficulties encountered in implementing projects already approved and assessing new projects, utilisation of the balance from the fourth protocol (ECU 124 million out of a total ECU 350 million) could prove problematic in the short term.

2.2 MOROCCO

1. The first three protocols

Over 99% of budget funds (ECU 356 million) was committed and 84% paid out.

Loans from EIB own resources (ECU 297 million) were committed in full and 78% actually disbursed.

2. The fourth protocol

Out of a total of ECU 218 million in budget funds, ECU 112 million was allocated to the following projects:

Sector	Project	Description
(a) Infrastructure	Drinking water supply and sanitation (ECU 11 million)	The project will bring drinking water to 19 rural centres
(b) Rural development	Improvements to farmland in Haouz (ECU 21.5 million)	Construction of irrigation systems and technical assistance for the Office Mise en Valeur Agricole of the Haouz region
	Support to local agricultural credit funds (ECU 16,4 million)	The project will strengthen local credit funds enabling them to grant loans to smallholders
	Support for the Agricultural Development Fund (ECU 50 million)	The project will put at the Fund's disposal budget credits enabling it to grant subsidies to smallholders implementing improved techniques
(c) Scientific cooperation	Development of remote sensing (ECU 4 million)	The project comprises: - an operation to monitor vegetation on land, sea and forest conditions - specialized TA, training, supply of equipment
(d) Health	Support for mother and newborn child health (ECU 9 million)	The project seeks to improve mother and child welfare services through training programmes, improved facilities and more effective management

In addition, 80% of risk capital (ECU 20 million) was committed to fund projects undertaken by Moroccan small and medium-sized undertakings, preferably in partnership with European business.

Loans from EIB own resources (ECU 220 million) were allocated to agricultural initiatives (improvements and credit) and infrastructure (electricity and water). Projects currently being considered should lead to funds being committed in full in 1995, with

14% earmarked for a line of credit to assist the industrial sector.

By the end of 1994, 72% of budget funds had been committed and 16% actually disbursed. 68% of EIB own resources had been committed and 12% paid out.

3. Commentary

By and large, implementation of the financial protocols produced good results in 1994.

While the rate of commitment was good, the payment level was low. In the main, delays can be put down to successive changes of government which have resulted in three different Finance ministers (acting as national authorizing officer) occupying the post over the 16-month period between November 1993 and February 1995. In addition, the low level of payments reflects the fact that certain invitations to tender produced no results (Faculty of Science and Technology, Scientific Research).

2.3. TUNISIA

1. The first three financial protocols

Budget funds granted under the first three financial protocols (ECU 208 million) were committed in full and 89% was disbursed.

EIB own-resources loans (ECU 251 million) were also committed in full and 87% was actually disbursed.

2. The fourth protocol

Budget funds granted in 1994 amounted to ECU 13 million out of a total of ECU 116 million, and went to fund the following projects:

Sector	Project	Description
(a) Rural development	Rural development of Sejnane-Stage 2 (ECU 5 million)	The aim is to stabilize stock farmers' income, strengthen the existing stock farmers' organization and teach them sustainable land management techniques to ensure that pastures and semi-intensive stock farming are preserved
	Hill-side dams (ECU 3 million)	Construction of water reservoirs (three dams) for various purposes: irrigation, replenishment of ground water tables and protection against floods
(b) Industry	T.A. for promoting quality assurance (ECU 5 million)	The project seeks to implement a number of initiatives to train workers and raise their awareness in Tunisian administrations and institutions, and provide training and technical assistance for implementing a quality assurance and infrastructure development scheme

Of the risk capital (ECU 15 million) administered by the EIB, 47% had been committed, and the balance should be taken up in 1995. The funds will strengthen the capital base of Tunisian undertakings and will be channelled through a number of local financial institutions.

As regards loans granted by the EIB from own resources, amounting to ECU 168 million, 94% had been committed (23% in 1994) as follows:

- 49% for infrastructure of economic significance (availability of water resources and means of communication);

-
- 41% for industry (lines of credit and establishment of business parks) and tourism (lines of credit).

By the end of 1994, 65% of budget funds had been committed, and 61% disbursed. 94% of EIB own resources had been committed with 16% disbursed.

3. Commentary

Overall, implementation of the financial protocols concluded with Tunisia is working well in terms of both commitments and payments.

The Tunisian administration and the agencies entrusted with implementation of the projects funded under the protocols have all shown remarkable technical and financial capacities. Likewise, the new projects are usually backed by excellent supporting documentation.

Projects being prepared at the end of 1994 in agriculture and economic development will enable funds under the fourth protocol to be committed virtually in full by the end of 1995.

M A S H R E Q

2.4. EGYPT

1. The first three protocols

Of the available budget funds (ECU 403 million), 98% was committed and 71% disbursed. EIB own resources were committed almost in full (99%) and 81% was disbursed.

2. The fourth protocol

ECU 72.7 million of budget funds totalling ECU 258 million was allocated in 1994 to the following projects:

Sector	Project	Description
(a) Agricultural development	Veterinary services programme (ECU 20 million)	Assistance to the Egyptian government (credit programme, training, drafting new legislation)
(b) Environment, population issues	Development project for the Protectorate of St. Catherine (ECU 6 million)	Programme to protect the environment and tourist sites in the region of the Monastery of St. Catherine
	Support for a family planning programme in Upper Egypt (ECU 10 million)	Supply of contraceptives, technical assistance and training
(c) Economic reform	Reform of the banking sector. Assistance to the Central Bank of Egypt (ECU 11.7 million)	The project offers technical assistance and training to improve the efficiency of Egypt's Central Bank
	Programme to develop the private sector (ECU 25 million)	Quality improvement, marketing techniques, investment promotion

In addition, ECU 8.8 million in budget funds were spent on interest rate subsidy on two EIB projects: the ANSDK Steel Plant and a CIB package loan.

Of the ECU 16 million risk capital managed by the EIB, 38% was committed.

EIB own resources (ECU 310 million) went to projects in the power generation (electricity transmission), industry and SME sectors.

By the end of 1994 58% of budget funds had been committed with 4% paid out. 55% of EIB own resources had been committed and 20% actually disbursed.

3. Commentary

In 1994 financial and technical cooperation with Egypt was very positive. A good number of new projects, launched in 1994, were to become operational in the first half of 1995. Payments levels improved during the year as a result of lines of credit being opened (food industry, loan funds for agriculture).

All projects were carefully selected to boost the country's economic reform programme, bearing in mind the proposals made under the new partnership agreement currently being negotiated. The Community undertook to back economic reform during the transitional period, and to provide support for initiatives intended to lighten the social and economic burden of the reform programme, especially among the underprivileged.

2.5. ISRAEL⁴

1. The first three protocols

EIB funds (ECU 133 million) were committed in full and 95% was actually paid out.

2. The fourth protocol

Out of a total of ECU 82 million, ECU 32 million had already been committed in 1993 as package loans to the Israeli development bank to promote small and medium-sized businesses, and in 1994 ECU 25 million was allocated to the building of a sewage treatment plant in Sorek.

3. Commentary

In view of its level of development, Israel only qualifies for EIB loans from own resources. Although successful, their impact on the Israeli economy as a whole is obviously limited.

2.6. JORDAN

1. The first three protocols

ECU 85 million in budget funds was committed in full and 80% disbursed.

EIB loans totalled ECU 128 million, of which ECU 118 million from own resources and ECU 10 million as special loans. The amount was committed and disbursed in full.

2. The fourth protocol

ECU 4.1 million in budget funds was committed in 1994, out of a total of ECU 46 million, and went to fund the following projects:

⁴ EIB loans only.

Sector	Project	Description
(a) Infrastructure	Study for Aqaba Railway Corporation (ECU 0.25 million)	Study on modernization of Jordan's railways
(b) Training	Teacher training (ECU 3.9 million)	The project seeks to improve teaching quality, especially in primary education

In addition, ECU 2.01 million in budget funds went to fund interest rate subsidies on an EIB loan for a water supply project.

Risk capital (ECU 2 million) was committed in full to finance projects launched by SMEs. Funds were committed in the form of a line of credit opened with the Industrial Development Bank.

At the end of 1994 the EIB had committed 58% of own resources, out of a total of ECU 80 million earmarked under the protocol, on transport infrastructure and water supply operations and a line of credit for industry and the tourist sector.

At the end of 1994, 85% of fourth protocol budget funds had been committed with 38% disbursed. Of EIB own resources 58% had been committed but no payment had been made.

3. Commentary

Community cooperation made good progress in 1994, against a background dominated by the peace process and exploratory discussions for the negotiation of the EU-Jordan partnership agreement.

Financial cooperation worked well, with the usual delays due to the Jordanian authorities' lack of familiarity with Community procedures.

2.7. LEBANON

1. The first three protocols

Of the ECU 46 million in budget funds, 98% had been committed and 51% disbursed, whereas EIB own resources (ECU 107 million) had been committed in full and 46% disbursed.

2. The fourth protocol

As large amounts from budget funds had already been committed by the end of 1993, no further funds were committed in 1994. Instead projects concerning in particular the assessment of war damage and technical assistance for the Lebanese administration were launched.

EIB own resources (ECU 45 million) were allocated to projects concerning the rehabilitation of power generation plants, the port of Beirut and water sanitation.

By the end of 1994, 71% of budget funds (ECU 24 million) had been committed with 12% disbursed, and 42% of EIB own resources had been committed but no funds had been paid out.

3. Commentary

Lebanon, which is entering a crucial stage of its economic and social recovery after 17 years of war, has shown a remarkable capacity for using the aid granted to it.

The European Community was the first to assist Lebanon in the reconstruction process and is now the largest contributor to the National Reconstruction Plan.

The main problem encountered when implementing aid (especially in the case of EIB-funded infrastructure projects) is how to rebuild the country's administration and strengthen its ability to manage reconstruction programmes. Accordingly, the project providing technical assistance to the Lebanese authorities, which runs for the three years during which vital infrastructure will be rehabilitated, is of the outmost importance for the Lebanese government.

2.8. SYRIA

1. The first two financial protocols (1977-1991)

Budget funds under the first two protocols (ECU 59 million) were committed in full, with 80% actually disbursed.

Own-resources EIB loans (ECU 98 million) were committed in full with 81% disbursed.

2. The third and fourth financial protocols

These (totalling ECU 304 million) were adopted with some delay by Parliament (entry into force was January 1993 and April 1994 respectively).

Under the protocols, ECU 17.5 million in budget funds out of a total of ECU 79 million was committed in 1994 to fund the following projects:

Sector	Project	Description
(a) Infrastructure	Development of energy production (ECU 11 million)	The project aims to: <ul style="list-style-type: none"> - improve management of the Electricity Board - train personnel - conduct a study for a national transmission centre - prepare a master plan
(b) Economic reform	Banking sector support programme (ECU 4.5 million)	The project aims to: <ul style="list-style-type: none"> - modernize the Syrian Bank of Commerce - modernize the Syrian Central Bank
(c) Population	Population issues and family planning (ECU 2 million)	In the light of the population census, this project, cofunded with UNFPA - the UN Fund for Population Activities - aims at strengthening the Central Statistical Office and conduct family planning activities

In addition, ECU 12.9 million had been committed as interest rate subsidies (PEE Transmission).

EIB loans under the third and fourth protocols (ECU 225 million) had not yet been taken up. They were essentially meant to fund improvements to the power supply and road systems and the rural telephone network.

At the end of 1994 94% of budget funds under the third protocol (ECU 36 million) had been committed with 2% disbursed; and 12% had been committed under the fourth protocol (ECU 43 million).

3. Commentary

1994 was a very productive year from the point of view of EU-Syria cooperation. Following the adoption of the fourth protocol in December 1993, the Syrian authorities and the delegation have launched a number of preparatory studies, all of which have been completed, enabling budget funds under the third and fourth protocols to be committed almost in full (water supply, banking system reform, development of energy

sector, population issues) and the remaining funds to be earmarked for 1995 (tourism, business centre, management school).

These excellent results (notwithstanding the rigidity of the local authorities) are the product of Syria's eagerness to open up and modernize its economy and the Union's resolve to show its interest in resuming cooperation with Syria, after a long interruption, together with its support for the peace process.

Even though there is still scope for improvement in terms of speed of implementation, there is evidence that close and sustained contacts between the partners (local government and the Commission) are essential for effective cooperation.

III. STRUCTURAL ADJUSTMENT

The special ECU 300 million package to support economic reforms in SEM countries implementing a structural adjustment programme is an innovation of the fourth generation of financial protocols.

A limited share of the means allocated under fourth financial protocols concluded with those countries may be added to the funds provided under the package.

Community aid takes the form of funding for general or sectoral import programmes and of technical assistance for macro-economic and sectoral support programmes. The counterpart funds generated by the programmes are used to fund initiatives to palliate the adverse effects of structural adjustment on the population.

Funds were allocated to eligible countries on the basis of parameters measuring structural imbalance and long-term development needs.

By the end of 1994 ECU 220 million out of the ECU 300 million package had been committed (cf. table below)

EU SUPPORT FOR STRUCTURAL ADJUSTMENT IN SEM COUNTRIES			
COMMITMENTS AS AT END 1994			
	Special package funds	Protocol funds	TOTAL
ALGERIA	55	15	70
MOROCCO	60	20	80
TUNISIA	40	-	40
JORDAN	65	15	80
RESERVE	80	-	-
TOTAL	300	50	350

It would be premature to attempt an evaluation of the full effects of the programmes, however it could be said that they have facilitated the implementation of economic reforms, reduced the need for external funding and boosted expenditure on the most disadvantaged groups of population.

Algeria was granted a contribution of ECU 70 million to support its reform programme in the low-cost housing sector. Aid has taken the form of a sectoral programme to import building materials needed to complete council dwellings; counterpart funds are used to fund operations to provide the dwellings with basic infrastructure. In February 1994, the first ECU 35 million instalment was paid out. The programme could be said to be on track even though implementation has been delayed mainly owing to Algeria's political situation.

Morocco was granted ECU 80 million in Community aid for its structural adjustment programme. Counterpart funds are used to boost budget expenditure on health and education. The first ECU 50 million instalment was released in December 1993. Results have been more than satisfactory, both from the point of view of the economic reforms and in terms of budget support (loans made available from counterpart funds have all been taken up and economic indicators for the target sectors have shown sustained growth for the period concerned). The second instalment was released at the end of 1994.

Tunisia was the first country to receive Community aid for its structural adjustment programme. The contribution was fully paid out by 31 December 1993. Counterpart funds go to finance job creation schemes, which thanks to support from the Community have been kept going. Economic reforms have been implemented according to plan and social indicators have shown a positive trend during the same period.

As for **Jordan**, ECU 50 million (of which ECU 40 million under the adjustment package) have gone to support the 1992-93 economic reform programme. For the period 1994-95 the Community disbursed (as at December 1994) ECU 30 million (of which ECU 25 million as part of the adjustment package) to support the economic reform programme. Counterpart funds are spent on education and health.

COOPERATION WITH SEM COUNTRIES AS A WHOLE

In accordance with the New Mediterranean Policy (NMP), the relevant Council Regulation (EEC 1763/92 of 24/6/92) and the priority sectors selected for cooperation with SEM countries as a whole, operations already under way were pursued in 1994 and new programmes, funded from both budget funds and EIB own resources, were launched.

I. BUDGET FUNDS :

Budget funds for the past year totalled ECU 65 million in commitment appropriations and ECU 44.66 million in payment appropriations.

Since the launch of the NMP in July 1992 ECU 165.05 million have been committed and ECU 65.47 million disbursed, i.e. 40% of the amount committed.

As at 31 December 1994 the projects, programmes and activities funded from Commission budget funds (see annexed list) could be grouped by priority area as show below:

Environment	22%
Decentralized cooperation	48%
Population issues	6%
Culture - Communication	2%
Training - Education	5%
Peace process	3%
Risk capital	5%
Microprojects	9%

Between 1 January and 31 December 1994 funds were allocated as follows:

Environment

ECU 6.36 million in interest rate subsidies for the second stage of the EIB project "Sanitation for coastal towns in Tunisia".

Decentralized cooperation⁵

Following the successful completion of the pilot phase, the following activities were confirmed and expanded:

⁵ Activities launched in 1993 under the "Med Invest" programme (ECU 10 million) continued in 1994. Med Invest supports cooperation between small and medium-sized enterprises and the EC.

Med Urbs	(ECU 8.9 million) support for cooperation between local authorities in SEM countries and the EC
Med Campus	(ECU 8.9 million) support for cooperation between universities in SEM countries and the EC
Med Media	(ECU 6.1 million) support for the media in SEM countries in the EC
Med Avicenne	(ECU 7.39 million) support for research institutes in SEM countries and the EC

All these programmes essentially aim, through the establishment of cooperation networks between development agents, to create or strengthen civil society links not only between the Community and its Southern and Eastern Mediterranean partners, but also between the partners themselves.

Regional cooperation

The Commission approved a project to establish a Euro-Arab Management School (ECU 8.3 million) which will be the first institute jointly set up as part of official Euro-Arab relations. The School, based in Granada, will offer a comprehensive management training programme in Arab countries and at the same time will train high-level Arab and European managers in Europe.

In addition, a large number of ad-hoc initiatives (totalling ECU 4.5 million) have been launched with a view to encouraging the peace process, notably an economic development programme based on partnership between Europe and the Middle East and particularly aimed at SMEs.

Mention should be made of some 60 micro-projects (ECU 3.7 million) comprising technical assistance, surveys, trade promotion and training (including seminars, debates, meetings and publications).

II. EIB OWN RESOURCES

As at end of December 1994 nine non-protocol operations had been approved totalling ECU 612 million out of the total ECU 1800 million made available.

The following initiatives were added to the four already approved in 1992 and 1993:

- **Environment**: three loans (qualifying for a 3% interest-rate subsidy):
 - (a) "Sorek Sewage Treatment" (ECU 10 million) - construction of a sewage treatment plant eight km. west of Jerusalem and connections to sewers;

-
- (b) "Antalya Sewerage" (ECU 35 million) - construction of a sewage system and sewage treatment plant in Antalya;
 - (c) "Sanitation for coastal towns in Tunisia" (ECU 25 million, stage II) - funding for the extension and construction of two sewage treatment plants (Greater Tunis and Médénine) and upgrading of sewage systems in the towns of Menzel Bourguiba, Sousse, Monastir, Kelibia, M'Saken and Médénine.
 - **Airport infrastructure**: ECU 80 million was granted for the construction/enlargement of two new runways, a passenger terminal and annexed public and technical facilities at Beirut international airport (Lebanon).
 - Lastly, an ECU 80 million loan went to fund **electricity transfer** between the EC and Morocco. The project consists in the extension of the European grid to Morocco via cables 30 km. long across the Straits of Gibraltar and the improvement of the Moroccan national grid system.

CONCLUSION

Overall financial and technical cooperation with Mediterranean non-member countries in 1994 gave positive results, despite the political uncertainties which continued to affect cooperation adversely, particularly in Algeria .

Most encouraging is the success encountered by several decentralized cooperation programmes. It is evident that they fulfil a need and point at the importance of the various partners in civil society as agents of cooperation with the MNC.

List of Annexes

1. Financial implementation of protocols
2. Sectoral implementation of protocols
North Mediterranean
Souther and Eastern Mediterranean
3. Cooperation with MNC as a whole
Budget funds
EIB

TOTAL FINANCIAL IMPLEMENTATION OF THE FIRST THREE PROTOCOLS

1978-1991	BUDGET					EIB					TOTAL PROTOCOL				
	TOTAL	Commitments		Payments		TOTAL	Commitments		Payments		TOTAL	Commitments		Payments	
		Amount	%	Amount	%		Amount	%	Amount	%		Amount	%	Amount	%
Cyprus	44	38,6	88%	36,1	94%	92	92	100%	63	68%	136	130,6	96%	99,1	76%
Malta	38,5	38,5	100%	22	57%	55	55	100%	43	78%	93,5	93,5	100%	65	70%
Turkey	590	590	100%	590	100%	115	115	100%	115	100%	705	705	100%	705	100%
s/t Northern Med.	672,5	667,1	99%	648,1	97%	262	262	100%	221	84%	934,5	929,1	99%	869,1	94%
Algeria	144	126	88%	62	49%	360	360	100%	207	58%	504	486	96%	269	55%
Morocco	356	354	99%	297	84%	297	297	100%	232	78%	653	651	100%	529	81%
Tunisia	208	208	100%	186	89%	250	250	100%	217	87%	458	458	100%	403	88%
s/t Maghreb	708	688	97%	545	79%	907	907	100%	656	72%	1615	1595	99%	1201	75%
Egypt	403	393	98%	280	71%	492	492	100%	394	80%	895	885	99%	674	76%
Jordan	85	85	100%	68	80%	118	118	100%	118	100%	203	203	100%	186	92%
Lebanon	46	45	98%	23	51%	107	107	100%	49	46%	153	152	99%	72	47%
Syria	95	93	98%	48	52%	208	98	47%	79	81%	303	191	63%	127	66%
s/t Mashreq	629	616	98%	419	68%	925	815	88%	640	79%	1554	1431	92%	1059	74%
Israel						133	133	100%	127	95%	133	133	100%	127	95%
s/t Mashreq & Isr.						1058	948	90%	767	81%	1687	1564		1186	
s/t Maghr. & Mash.	1337	1304	98%	964	74%	1965	1855	94%	1423	77%	3302	3159	96%	2387	76%
s/t Med	2009,5	4579,1	228%	3540,1	77%	2227	6642	298%	5130	77%	4236,5	4088,1	96%	3256,1	80%

24

1) Commitments/total. 2) Payments/commitments incl. ongoing commitments.

FINANCIAL IMPLEMENTATION OF THE FOURTH PROTOCOL

1991-1996	BUDGET					EIB					TOTAL PROTOCOL				
	TOTAL	Commitments		Payments		TOTAL	Commitments		Payments		TOTAL	Commitments		Payments	
		Amount	%	Amount	%		Amount	%	Amount	%		Amount	%	Amount	%
Algeria	70	46	66%	15	33%	280	180	64%	15	8%	350	226	65%	30	13%
Morocco	218	157	72%	25	16%	220	150	68%	18	12%	438	307	70%	43	14%
Tunisia	116	75	65%	46	61%	168	158	94%	25	16%	284	233	82%	71	30%
s/t Maghreb	404	278	69%	86	31%	668	488	73%	58	12%	1072	766	71%	144	19%
Egypt	258	150	58%	6	4%	310	172	55%	35	20%	568	322	57%	41	13%
Jordan	46	39	85%	15	38%	80	46	58%		0%	126	85	67%	15	18%
Lebanon	24	17	71%	2	12%	45	19	42%		0%	69	36	52%	2	6%
Syria	43	5	12%			115		0%			158	5	3%	0	0%
s/t Mashreq	371	211	57%	23	11%	550	237	43%	35	15%	921	448	49%	58	13%
Israel						82	34	41%	30	88%	82	34	41%	30	88%
s/t Mashreq & Isr.	371	211	57%	23	11%	632	271	43%	65	24%	1003	482		88	18%
s/t Med.	775	489	63%	109	22%	1300	759	58%	123	16%	2075	1248	60%	232	19%

52

1) Commitments/total. 2) Payments/commitments incl. ongoing commitments.

IMPLEMENTATION OF THE MEDITERRANEAN PROTOCOLS (NORTHERN MED) BY SECTOR

EEC/NORTHERN MEDITERRANEAN (1978 - 1993)

SECTOR OF ACTIVITY	PROTOCOL 1		PROTOCOL 2		PROTOCOL 3		TOTAL (1965/1993)	
	ECU mill.	%	ECU mill.	%	ECU mill.	%	ECU mill.	%
1, INFRASTRUCTURE, WATER (Collection and supply)	105,2	53,9%	68,9	30,0%	127,0	50,2%	301,1	44,4%
2, SANITATION, ENVIRONMENT	8,5	4,4%	10,7	4,7%	4,6			
3, ENERGY (Thermal power stations, gas and electricity supply)	7,6	3,9%	77,0	33,6%	89,0			
4, AGRICULTURE, FISHERIES, FORESTRY					10,5	4,2%	19,0	2,8%
5, TRADE, INDUSTRY, SERVICES	73,7	37,8%	62,9	27,4%	15,0	5,9%	151,6	22,4%
6, SCIENTIFIC COOPERATION			5,0	2,2%			5,0	0,7%
7, EDUCATION			5,0	2,2%	0,6	0,2%	5,6	0,8%
8, HEALTH CARE, HOUSING							0,0	0,0%
9, STRUCTURAL ADJUSTMENT (bilateral component)								
10 COMMITMENT REMAINING	0,0	0,0%	0,0	0,0%	6,3	2,5%	6,3	0,9%
11, TOTAL	195,0	100%	229,5	100%	253,0	100%	677,5	100%

31.12.94

IMPLEMENTATION OF THE MEDITERRANEAN PROTOCOLS (NORTHERN MED) BY SECTOR

EIB-ALL COUNTRIES (1978 - 1994)

SECTOR OF ACTIVITY	PROTOCOL 1 (1965/1983)		PROTOCOL 2 (1973/1988)		PROTOCOL 3 (1979/1993)		TOTAL (1965/1993)	
	ECU mill.	%	ECU mill.	%	ECU mill.	%	ECU mill.	%
1. INFRASTRUCTURE, SANITATION, WATER (Collection and supply)	36	100 %	44	64 %	(1) 40	25 %	120	46 %
2. ENERGY (Thermal power stations, gas and electricity supply)					10	6 %	10	4 %
3. AGRICULTURE, FISHERIES, FORESTRY								
4. TRADE, INDUSTRY, SERVICES					27	17 %	27	10 %
5. GLOBAL LOANS (to industry or mixed)			25	36 %	80	51 %	105	40 %
6. COMMITMENT REMAINING								
7. TOTAL	36	100 %	69	100 %	157	100 %	262	100 %

(1) incl. environment - ECU 7 million.

December 1994

IMPLEMENTATION OF THE MEDITERRANEAN PROTOCOLS (SEM) BY SECTOR

EEC-ALL COUNTRIES (1978-1994)

SECTOR OF ACTIVITY	PROTOCOL 1 (1978/1981)		PROTOCOL 2 (1981/1986)		PROTOCOL 3 (1986/1991)		PROTOCOL 4 (1991/1996)		TOTAL (1978/1996)	
	ECU mill.	%	ECU mill.	%	ECU mill.	%	ECU mill.	%	ECU mill.	%
1. INFRASTRUCTURE, WATER (Collection and supply)	85	28%	34	8%	44	7%	23	3%	186	9%
	0	0%	0	0%	0	0%	0	0%	0	0%
2. SANITATION, ENVIRONMENT	60	20%	27	7%	56	9%	61	8%	204	10%
3. ENERGY (Thermal power stations, gas and electricity supply)	5	2%	23	6%	39	6%	15	2%	82	4%
	0	0%	0	0%	0	0%	0	0%	0	0%
4. AGRICULTURE, FISHERIES, FORESTRY	35	11%	145	35%	260	42%	136	18%	576	27%
5. TRADE, INDUSTRY, SERVICES	34	11%	75	18%	143	23%	169	22%	421	20%
6. SCIENTIFIC COOPERATION	20	7%	26	6%	18	3%	4	1%	68	3%
7. EDUCATION (1)	61	20%	41	10%	44	7%	12	2%	158	7%
8. HEALTH CARE, HOUSING	1	0%	22	5%	6	1%	19	2%	48	2%
9. STRUCTURAL ADJUSTMENT (2) (Bilateral component)	0	0%	0	0%	0	0%	50	6%	50	2%
	0	0%	0	0%	0	0%	0	0%	0	0%
10. COMMITMENT REMAINING	6	2%	22	5%	5	1%	286	37%	319	15%
11. TOTAL	307	100 %	415	100 %	615	100 %	775	100 %	2112	100 %

- 28
- (1) Targeted projects, programmes and training initiatives are included under the relevant sector.
 - (2) Structural adjustment sector - ECU 300 million, incl. ECU 220 million already committed.

IMPLEMENTATION OF THE MEDITERRANEAN PROTOCOLS (SEM) BY SECTOR

EIB-ALL COUNTRIES (1978 - 1994)

SECTOR OF ACTIVITY	PROTOCOL 1 (1978/1981)		PROTOCOL 2 (1981/1986)		PROTOCOL 3 (1986/1991)		PROTOCOL 4 (1991/1996)		TOTAL (1978/1996)	
	ECU mill.	%	ECU mill.	%	ECU mill.	%	ECU mill.	%	ECU mill.	%
1. INFRASTRUCTURE, WATER (Collection and supply)	166.5	46%	136.5	23%	97.5	10%	337	26%	738	23%
2. SANITATION - ENVIRONMENT	0	0%	10	2%	129	13%	12	1%	151	5%
3. ENERGY (Thermal power stations, gas and electricity supply)	97	27%	201.5	34%	188	19%	127	10%	614	19%
4. AGRICULTURE, FISHERIES, FORESTRY	20.5	6%	132	22%	284	28%	59	5%	496	15%
5. TRADE, INDUSTRY, SERVICES	78	22%	120	20%	187.5	19%	224	17%	610	19%
6. COMMITMENT REMAINING	0	0%	0	0%	117	12%	541	42%	658	20%
7. TOTAL	362	100%	600	100%	1003	100%	1300	100%	3265	100%

SOURCE: EIB quarterly statistics

COOPERATION WITH MNC AS A WHOLE

Budget funds (December 1994)

Sector of activity	Commitment (ECU million)
1. Environment	
1.1 Interest rate subsidies (EIB loans)	19.95
1.2 IMPHOS - cadmium removal (phosphate)	1.10
1.3 EIW training	0.53
1.4 Gaza - sanitation project	15.00
Total 1	36.58 (22%)
2. Decentralized cooperation	
2.1 CIHEAM	3.00
2.2 MED-URBS	22.32
2.3 MED-CAMPUS	23.30
2.4 MED-INVEST	10.00
2.5 MED-MEDIA	11.04
2.6 MED-AVICENNE	8.82
Total 2	78.48 (48%)
3. Regional cooperation	
3.1 Framework contract	0.5
3.2 Population	10.50
3.3 EURONEWS	3.00
3.4 Risk capital	9.00
3.5 EURO-ARAB Management	8.30
3.6 "Peace process" projects	4.45
3.7 Microprojects *	14.24
Total 3	49.99 (30%)
GRAND TOTAL	165.05 (100%)

*Microprojects

Technical assistance	3.18 (22.3%)
Studies	3.81 (26.8%)
Trade promotion	0.33 (2.3%)
Training, seminars	6.92 (48.6%)

COOPERATION WITH MNC AS A WHOLE

EIB own resources

(December 1994)

Sector of activity	Commitment (ECU million)
1. Environment	
1.1 Effluent treatment and associated infrastructure (Coastal towns of Tartus and Latakia (Syria))	40.0
1.2. Waste water disposal - coastal towns in Tunisia	42.0
1.3. Sewage treatment plant at Soreq (Israel)	10.0
1.4. Sewerage system and treatment plant at Antalya	35.0
Total 1.	127.0 (21%)
2. Other	
2.1. Telecommunications/international network Jordan	45.0
2.2. Beirut airport (Lebanon)	80.0
2.3. Maghreb-Spain gas pipeline (Algerian section)	200.0
2.4. Telecommunications/international network Morocco	80.0
2.5. EU-Morocco electricity supply link	80.0
Total 2	485.0 (79%)
GRAND TOTAL	612.0 (100%)