



COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 12.09.1996
COM(96) 441 final

**Proposal for a Council decision concerning the adoption of the guidelines
for MEDA indicative programmes**

(presented by the Commission)

EXPLANATORY MEMORANDUM

1. Following adoption by the Council, the MEDA Regulation, concerning financial and technical measures to accompany the reform of economic and social structures in the framework of the Euro-Mediterranean Partnership, came into force on 2 August 1996.
2. The MEDA programme thus has a legal basis which sets out the rules for management of the implementation of measures to be taken, in particular, in the areas of economic transition, sustainable social and economic development, regional and trans-frontier cooperation and support for civil society.
3. The MEDA Regulation foresees a three stage programming procedure. It requires the Commission to propose to the Council a set of general guidelines for the MEDA indicative programmes. Subsequently, the indicative programmes and the financing proposals are to be adopted by Commission on the basis of the opinion of a management committee.
4. The proposed general guidelines explain that the purpose of the indicative programmes is to provide an instrument for strategic management of the MEDA programme. They should, in particular, allow for identification of priorities with the Mediterranean partners and for coordination with the Member States.
5. The Commission has communicated to the Council the overall financial programming for the MEDA programme for the period 1996-98 through other channels.
6. The Council is to adopt these guidelines by qualified majority

Proposal for a Council decision concerning the adoption of the guidelines for MEDA indicative programmes

The Council of the European Union,

Having regard to the Treaty establishing the European Community,

Having regard to regulation (EC) No 1488/96 of the Council of 23 July 1996 concerning financial and technical measures to accompany (MEDA) the reform of economic and social structures in the framework of the Euro-Mediterranean Partnership, and notably its article 9§1,

Whereas Article 9 of the MEDA Regulation foresees that the Council shall, on a proposal from the Commission, adopt guidelines for the indicative programmes which are to define the main objectives of cooperation with the Mediterranean partners,

Whereas the Commission presented a Communication on 8.3.95 entitled " Strengthening the Mediterranean Policy of the European Union: proposals for the implementation of a Euro-Mediterranean Partnership",

Whereas, in the Barcelona declaration, the Euro-Mediterranean Partnership has been adopted to meet the challenges facing the region,

Whereas it is necessary to determine guidelines for the MEDA indicative programmes,

HAS ADOPTED THE FOLLOWING DECISION:

Article 1

The guidelines for the indicative programmes concerning financial and technical measures to accompany the reform of economic and social structures in the framework of the Euro-Mediterranean Partnership (hereinafter referred to as MEDA indicative programmes), as shown in annex to the present decision, are adopted.

Article 2

This decision shall take effect from the date of its adoption.

COUNCIL GUIDELINES FOR MEDA INDICATIVE PROGRAMMES

1. The MEDA programme represents the European Community's main financial instrument for the implementation of the Euro-Mediterranean partnership. The programme has the purpose of encouraging and supporting the reform of the economic and social structures of the Mediterranean Partners, notably in preparation for free trade with the European Community.
2. MEDA is founded on the respect for democratic principles and the rule of law, as well as the respect for human rights and fundamental freedoms, of which they are an essential element and whose violation would justify the taking of appropriate measures.

The experience gained through the Bilateral Protocols

3. The MEDA programme is to build on the experience gained through the operation of the instruments of the Redirected Mediterranean Policy, namely the bilateral financial protocols and a facility for regional cooperation. After 4 generations of financial protocols with the Mediterranean partners it has become necessary to seek an improvement in the system of delivery of cooperation activities. If MEDA is to be capable of responding to the challenge of significantly intensified cooperation, both in new and existing domains, then it is necessary to increase flexibility in the programming. This is to avoid dispersion of the cooperation effort over too wide a number of activities and beneficiaries and to give an incentive for rapid and efficient implementation of commitment and payment credits. Equally, MEDA must be capable of adaptation over time as lessons are learned through its implementation and as the needs and priorities of the Mediterranean partners evolve in the light of socio-economic challenges. In particular, a sufficiently high degree of flexibility for the amounts allocated to untied budgetary support in the indicative programmes should be maintained in order to adapt the financial allocations to the pace of reform and to the progress achieved in macroeconomic stabilisation.

Multi-annual programming

4. The extra flexibility of the MEDA programme needs to be complemented by a clear programming methodology in order to enhance effectiveness of planning and implementation. In particular it is necessary to give the partners an indication of the resources which are to be made available over the coming years. Such multi-annual programming will increase the possibilities for interventions having a medium-term policy impact. The MEDA Regulation

contains a financial reference figure of ECU 3.424 billion for the period 1995-99¹, which is to be partitioned between bilateral programmes and a regional programme. The MEDA indicative programmes should identify activities which contribute to the attainment of the wider objectives of the Partnership. These may be revised, in accordance with implementation performance, together with the accompanying indicative bilateral financial allocations. Care will be taken to ensure transparency and overall consistency of action undertaken using budget appropriations.

Strategic interventions

5. Ultimately the successful socio-economic development of the Mediterranean partners will depend on their own efforts. Thus, to be effective the indicative programmes must be based on a shared understanding of the economic, social and political challenges facing each Partner and the region as a whole. A regular and rich dialogue both at bilateral and regional level is therefore a pre-condition for the success of MEDA. The indicative programmes shall concentrate on those areas where the European Community can make the most positive contribution by drawing on its stores of experience and know-how. With this aim the Commission shall take care to provide for the necessary coordination with the Member States and other donors in its programming and programme implementation.

6. As it pursues the goal of sustainable development the Commission shall, in its identification and design of programmes of cooperation, carefully consider the issues of environmental equilibrium, financial and economic viability, gender repercussions and local institutional capacity, including those for research and technological development and technology transfer to replicate or continue activities which have been initiated. At a bilateral level, the MEDA programme will provide support to the partners in the fields of economic transition and strengthening of socio-economic equilibrium. Environmental Impact Assessment forms will be required for the relevant projects of bilateral and regional programmes, according to the European Union legislation in this field.

7.i) The economies of the region face the common challenge of creating employment opportunities and an increased standard of living in the context of rapid demographic growth. The necessary acceleration in economic growth can only be reached through greater competitiveness within the global economy. This requires an improvement, inter alia, of the capacity for innovation of the partners. As free trade is gradually established so the governments must leave room for private sector led growth and for foreign investment. Sound macro-economic management must be complemented by pro-growth and investment friendly economic policies and regulatory framework. The indicative programmes will take into account the characteristics of each economy when planning interventions.

¹The Cannes European Council of 12 June 1995 gave its agreement to a global financial envelope for Mediterranean third countries for the period 1995-99 of ECU 4.685 billion. The MEDA programme of approximately ECU 3.424 billion constitutes the largest part. The remainder is made up of specific country protocols and thematic budget lines.

ii) Economic growth needs to be accompanied by greater social cohesion. Inequalities in access to essential services such as education, health and water persist which reduce the life-chances of significant portions of the population of the Partners and which have a negative effect on long term growth prospects. These needs should be addressed urgently through improvements in the quality of services and greater efficiency in their delivery. Strategic interventions are required for the development of human resources in general as they represent the region's greatest asset for the future. In particular, the integration of the young and of women into the workplace constitutes an important factor of social development for the region.

The bilateral and regional programmes are to be complementary

8. Support will be given through the measures set out in the MEDA Regulation. Furthermore, from the ongoing dialogue with the Partners it has been possible to develop the following general guidelines.

9. The activities undertaken at bilateral and regional level are to be complementary to enable the political and economic impact of the MEDA programme to be sustained and the objectives jointly adopted in the Barcelona Declaration more effectively reached. Drawing from its own experience it is the Union's view that the future prosperity and stability of its partners rests on increased cooperation between themselves in the economic, social and political spheres. The elimination of barriers will foster economies of scale and greater market opportunities thus encouraging investment, facilitating the exchange of ideas and increasing mutual understanding. The regional indicative programme will reflect the progress made in the framework of the Barcelona process in taking action at a multilateral level on issues of common concern, as laid down in the agreed declaration, and will strengthen the activities in support of decentralised cooperation. However, regional activities shall not displace funding of bilateral activities.

Decentralized approach

10. In order to reach target populations more effectively and to widen the participation in the MEDA programme to the different parts of civil society that are included in the scope of the Euro-Mediterranean Partnership, the Commission shall strive to design and implement its activities together with the actors who are directly concerned and who have the expertise necessary for successful design and implementation of interventions.

Bilateral indicative programmes

11. Concerning the bilateral programmes the priorities are to be decided taking into account the stage of development of each country's economy and society as well as the capacity of its institutions. In the light of the conclusion or implementation of association agreements, the indicative programmes are to be decided taking into account the needs of the

Mediterranean partners, their capacity to absorb funds and the progress made in structural reform process, as well as the priorities identified with them, in particular those emerging from the conclusions of the economic dialogue.

12. In the Maghreb, support to Morocco is to be given to improve fundamental social services (in particular in education and health care, with special regard to rural areas), as well as to measures enhancing enterprise competitiveness. In parallel, the programme provides budgetary support to underpin a medium-term strategy of macroeconomic stabilisation and broad structural reforms. In Tunisia, support is to be given to the process of economic liberalisation and enhancement of competitiveness, incentivating progress in the privatisation process and in financial sector reform; this is to be complemented by measures address areas of social and environmental concern. As regards Algeria, interventions should address critical social needs and employment creation in the short term, while supporting SME development, the restructuring of loss-making public enterprises and encouraging the adoption of measures to develop the financial sector and to reform the country's trade regime.

13. In the Mashraq, support to Egypt is to be mainly in the areas of basic education and social development through poverty alleviation and assistance to key social sectors: this should be complemented by appropriate interventions in the fields of economic reform, training and environmental protection. Cooperation with Jordan should initially contribute to providing the budgetary support which is necessary to stabilise the serious macro-economic imbalances which exist and, at a second stage, to improving the employment situation. For the Lebanon, as reconstruction efforts are fully underway, emphasis should now be placed on strengthening the public administration at all levels whilst intervening in a targeted manner to develop economic competitiveness. Regarding Syria, in order to accompany progressive economic liberalisation, cooperation should focus on upgrading of public services and administration in order to both provide a more favourable environment for the private sector and to improve the living conditions of the population. Concerning the West Bank and the Gaza Strip assistance will continue to be given to the reconstruction and rehabilitation of basic infrastructure, as well as in support of the process of Palestinian institution building and the development of the private sector.

14. The programme for Turkey will have the overall objective of supporting the establishment of a customs union and will prioritise interventions related, on the one hand to the necessary economic adaptation and, on the other hand, support to social services and the environment.

Support to economic transition

15. The Mediterranean partner countries need help to prepare for free trade with the European Union and to raise the standard of living. The wider objective of European community interventions will be to increase the competitiveness of the partners' economies, with a view to achieving sustainable economic growth, in particular through improved export performance.

To this end assistance will be given in particular in the following fields:

. The creation of an enabling environment through the reinforcement of the macro-economic framework and the development of the legislation and institutions necessary for a competitive market economy. For this purpose, structural adjustment operations should be supported in close cooperation with the Bretton Woods institutions, for those partners who are ready to implement the necessary reforms.

. Trade facilitation, including assistance in the field of customs and indirect taxation, harmonization of standards and veterinary and phyto-sanitary regulations, as well as development of trade promotion instruments.

. Harmonization of legislation and standards in the field of the environment.

. Development of the financial sector through support at the policy level and assistance to strengthen the Central Banks, to develop the commercial banks and to widen and deepen the financial markets; particular attention will be given to the stimulation of domestic savings and investment, as well as promotion of investment into the region, especially European.

. Improvement of business performance, in particular by the modernization of SMEs, through business consultancy, training and information.

. Business collaboration between European and Mediterranean companies, especially SMEs, through, for example, networking, joint-ventures, licensing, franchising and sub-contracting.

. Promotion of privatization to ensure the effective transfer of ownership, management and control to the private sector.

. Cooperation in the energy, transport and telecommunications sectors regarding policy, interconnection and interoperability of infrastructure and networks, the improvement of quality and reduction of cost of service provision, industrial cooperation and research and technological development.

. Support to micro-enterprises with a view to promoting entrepreneurs and helping to integrate all segments of society in the process of economic growth.

. Human resource development through the improvement of the management, targeting and quality of vocational and management training.

. Enhancing the innovation systems of the partners through improved research and technological development capacities and technology transfer mechanisms and supporting the development of appropriate national innovation policies.

Strengthening the socio-economic balance

16. In order to alleviate the short term costs of economic transition and better prepare

societies for the future, it is particularly important that this process should be accompanied by appropriate measures in the field of social policy.

. Integrated rural development remains an essential strategy for combating poverty and avoiding a widening welfare gap between rural and urban populations because a large proportion of the populations of the Mediterranean partners remains attached culturally and economically to the countryside. Agricultural production has a social role over and above its economic value and an increased exodus towards urban areas could have socially, politically and environmentally serious consequences. Targeted programmes are also required to address essential needs (such as water supply and sewage as well as energy).

. Particular attention should be accorded to preserving the environmental equilibrium in the partner countries through supporting the capacity building in the field of environmental assessment and management. Interest rate subsidies may be granted on loans of the European Investment Bank for environmental projects.

. Programmes addressing the improvement of living conditions in urban areas should be supported including, where appropriate the development of social safety nets through pro-active employment policies and anti-poverty measures. This may take the form of a social fund which promotes employment for disadvantaged social sectors and also supports targeted health and education measures. Assistance may be given to the formulation of social policy, particularly in the fields of health and unemployment insurance and pension schemes.

. Improvements in the social infrastructure and in the delivery of social services should be supported. Primary health may be financed also as part of the strategic objective of reducing population growth.

. Improvements in the delivery of services in the field of education and training should be supported, particularly as regards primary education and initial training for girls and notably in rural areas.

The development of civil society

17. The development of civil society should be supported, in particular through decentralized cooperation and the deployment of enabling technologies. Cooperation in the field of research and technological development and technology transfer is to be stimulated, bringing in contact private and public actors. Cultural activities are to be supported which promote dialogue and exchange between cultural associations and networks. Trans Mediterranean information and communication activities should be strengthened in the framework of the development of a truly Euro-Mediterranean information society. Social partners and non-governmental organisations should be encouraged to play an active role.

Guidelines for the regional indicative programme

18. Regional cooperation shall be complementary to bilateral cooperation and shall address the three main areas of the Euro-Mediterranean Partnership. Account shall be taken of the progress made at the meetings organized in the context of the follow up to the Barcelona inter-ministerial conference. The overall aim shall be to encourage better understanding between the Partners through increased knowledge of regional problems in the political, economic, social and cultural fields, facilitating the exchange of best practice and transfer of know how and promotion of joint projects of common interest. Furthermore, the European Community will continue to provide support to the Middle East Peace Process.

19. **In the political field, as in the case of bilateral programmes, through measures falling within the scope of the MEDA Regulation, support may be given to the development of democracy and the respect of human rights as well as to improvement of the transparency and efficiency of governmental institutions. Support may also be given to promote the building of confidence in the security field.**

20. In the economic and financial fields assistance will be given to facilitate free trade, in particular in the fields of customs regulations, rules of origin, statistics, norms and veterinary and phyto-sanitary regulations.

Appropriate measures will be taken in the fields of transport, energy (where the Euro-Mediterranean Energy Forum will act as a coordinating instrument), telecommunications and information technology, regional cooperation, tourism, the environment, science and technology, water and fishing. Networking among research and development centres and economic operators to facilitate the transfer of know-how and the development of joint-ventures will also be supported.

21. In the social and cultural spheres, decentralized programmes of exchanges between the civil societies of the European Union and the Mediterranean partners will be implemented in the fields of academia, media, local government, technology and other fields of mutual interest.

Further measures such as dialogues, projects of common interest or networking will be taken, as identified in the framework of the Euro-Mediterranean partnership, to support local government, cultural dialogue, media, youth exchanges, exchanges between civil society. Research and technology development, technology transfer, information and communication activities will be strengthened through recourse to modern information technology.

Finally, technical assistance may be given with the aim of combating drugs, terrorism and international crime. Measures could address the exchange of information, the compatibility of data, and the strengthening of legal systems.

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