COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 28.12.2001
COM(2001) 806 final

REPORT FROM THE COMMISSION
TO THE COUNCIL AND THE EUROPEAN PARLIAMENT

Annual report
of the Meda programme 2000

REPORT FROM THE COMMISSION
TO THE COUNCIL AND THE EUROPEAN PARLIAMENT

Annual report
of the Meda programme 2000

Commissioner's Statement

The year 2000 was a significant one for the Euro-Mediterranean Partnership. Five years after the Barcelona Declaration, it was an appropriate moment to take stock, to assess the positive achievements and to look honestly at the shortcomings with a view to improving and reinvigorating the process.

The Partnership has made a crucial contribution to the stability of the region.

During 2000 significant progress was made in the negotiation of Association Agreements, which reflect the bilateral dimension of the Partnership; 2000 saw the resumption of official negotiations with Algeria, Lebanon and Syria. To date, six Association Agreements (those with Tunisia, Israel, Morocco, Palestinian Authority, Jordan and Egypt) have been concluded. Only those with Jordan and Egypt have not yet entered into force.

Another significant initiative launched in 2000 was the Agadir Process: a project of South-South regional integration which bounds Morocco, Tunisia, Jordan and Egypt to establishing a free trade area. Initiatives of this kind are strongly supported by the European Union.

In addition, the *Common Strategy of the European Union on the Mediterranean region* was issued in June 2000. This instrument guides and ensures the coherence of EU action in this field. The Common Strategy shows the commitment of the Union to the Euro-Mediterranean Partnership and contributes to the visibility of the process.

The fundamental objectives set out in the Barcelona Declaration remained valid; we remain strongly committed to creating an area of peace and stability, of shared prosperity through free trade and economic and financial assistance and to improving mutual understanding and tolerance among people from both shores of the Mediterranean.

Nonetheless the Commission issued a Communication in early September on '*Reinvigorating the Barcelona Process*'. The proposals contained in that document were overwhelmingly endorsed at the formal Foreign Ministers meeting in Marseilles in November 2000.

Put briefly, we agreed to tighten the focus of our actions on the priority objectives through the establishment of short and medium term goals. These include: accelerating the Association Agreement process; encouraging South-South trade and cooperation including on a sub-regional basis; introducing cumulation of origin; making the link between MEDA funding and the Association process more explicit; improving the delivery of MEDA through reforms involving the Commission, the Council and the Mediterranean partners in a more strategic approach; co-operating on human rights and democracy; introducing regional cooperation on the critical issues relating to justice and home affairs and raising the visibility of the process.

The financial envelope for MEDA for 2000-2006 was set at € 5.35 billion. Taken together with loans, which will be available from the European Investment Bank, this means that EU funding for the region during the seven-year period could reach some € 13 billion. That in itself is testimony to the EU's commitment to the region.

The present report covers MEDA activities in 2000. During that year a number of significant reforms were agreed, particularly the revision of the MEDA Regulation and the setting-up of the EuropeAid Cooperation Office. I am determined to ensure that the implementation of these reforms will further strengthen the effectiveness of the partnership in reaching the targets agreed at Barcelona and carrying out the actions agreed at Marseilles.

Chris Patten

Member of the European Commission
responsible for External Relations

Executive Summary

- Five years after its launch, the Barcelona Process and its MEDA Programme saw a substantial review in the year 2000. This happened against the backdrop of the worsening situation in the Middle East which had a considerable impact on the Euro-Mediterranean Partnership.

- Two Euro-Mediterranean Foreign Ministers conferences were held. Based on a Commission Communication, Ministers in Marseilles in November 2000 agreed on a series of measures to reinvigorate the Barcelona Process.

- The Euro-Mediterranean Association Agreements with Morocco and Israel entered into force. Negotiations for the agreements resumed with Algeria, Lebanon and Syria. Ratification of the agreement with Jordan progressed while the obstacles to the initialling of the agreement with Egypt were removed and led to the Association Agreement's signature on 25 June 2001.

- In November the Council decided a major amendment to the MEDA regulation (MEDA II). The regulation provides for a strategic programming approach, reinforced dialogue with the partner countries and simplified procedures for faster delivery of aid. In this context, the Commission embarked on a wide-ranging reform of its external aid management which led to the creation of the EuropeAid Cooperation Office.

- As regards financial cooperation grants and loans committed for the Euro-Mediterranean Partnership activities in 2000 totalled €2.2 billion out of which a large share was supplied by the MEDA Programme. Parts of this sum were due to reconstruction aid following the 1999 earthquake in Turkey and recommitted funds from previous years.

- In 2000 committed MEDA funds amounted to €879 million. Payments made up €330.5 million (up from €243 million in 1999). Commitments for the Maghreb totalled €246 million, for the Mashrek €163 million and for Turkey €310 million; regional cooperation received funding of €159 million in 2000. In addition, €123 million were committed for the Mediterranean region from other EU budget lines.

- For 2000-2006 the Council decided to endow MEDA with €5,350 million (laid down in the MEDA II regulation). These grants from the Community budget are accompanied by considerable lending from the European Investment Bank. For the same period the EIB's Euromed lending mandate is €6,400 million. The Bank committed itself to contribute a further €1,000 million from its own resources and at its own risk for transnational projects. In total, €12.75 billion will be available for Euro-Mediterranean Partnership activities over the 7-year period starting from 2000.

- Bilateral cooperation with nine Mediterranean Partners accounted for about 82% of the MEDA 2000 commitments (€719,3 million). Facilities for direct budgetary support made up the biggest share. Structural adjustment facilities received €150 million (Turkey) and sectoral adjustment facilities €142 million (Morocco, Tunisia) while €90 million were earmarked for the Special Cash Facility II for the Palestinian Authority.

- Regional cooperation advanced significantly in 2000 through the launching of programmes and projects in the field of industrial cooperation, environment, information society, local water management, transport, energy, audio-visual, cultural heritage, Middle East peace projects and economic and social matters.

- Visibility of the Euro-Mediterranean Partnership as well as the role of the EU in this policy area were strengthened through a large tool kit of publications, information visits and the cultural activities of the Delegations in the Mediterranean region.

- The European Investment Bank signed 19 loans in eight Mediterranean partner countries in 2000 amounting to commitments of €1193 million (up from €945 million in 1999 due to infrastructure reconstruction in Turkey). The EIB also managed €106 million in MEDA funds for interest rate subsidies for three bilateral environmental project loans and four risk capital operations.

- Three evaluation reports on the operations of the EIB, the MEDA Teams and the global allocation of MEDA over the period 1995-2000 were produced.

Table of contents

1. THE POLITICAL AND ECONOMIC CONTEXT OF THE YEAR 2000

1.1. Global overview of political and economic developments

The **political** situation of the region was mainly dominated by the Middle East conflict. This year also saw the consolidation of the new leaders of the region.

The Middle East Peace Process continued to have an important influence on the Euro-Mediterranean Partnership. The political context of the region was marked by serious tensions, particularly towards the end of the year. As Israeli Prime Minister Ehud Barak failed to achieve a historical compromise with the Palestinian Authority, he announced his resignation in December 2000, opening another period of uncertainties.

Israel ended its occupation of the southern part of Lebanon after some 22 years. Following parliamentary elections in September, Mr Rafiq Hariri made a come back and became again Prime Minister. After the death of Syrian President Hafez el Assad, his son, Mr Bashar Assad, acceded to power, raising new hopes in the region. Finally, in Turkey, Mr Ahmet Sezer was elected President of the Republic and a post of Deputy Prime Minister and State Minister in charge of EU affairs was created.

The **economic** highlight of the year was the further increase in oil prices, which had already started in the first quarter of 1999. The average 2000 oil price of $29 per barrel was about 50% higher than in 1999. Terms of trade for the oil-producers of the region improved therefore considerably. This boosted growth, particularly for net energy exporters including Algeria, Egypt and Syria. In many cases the windfall gains from higher oil prices have been used prudently. Nevertheless, in a number of countries fiscal and/or external account imbalances remain a cause of concern, in particular Turkey and Lebanon.

As regards trade flows, the EU continues to dominate trade in the region (about 52% of total trade), but in the case of Maghreb countries this reaches around 70%. While this reflects proximity, it is also testimony of the fact that trade between Mediterranean partners is still very low (less than 5% of total trade). For that reason, encouraging the south-south economic and trade component of the partnership has become an important issue of discussion.

1.2. The Barcelona Process in 2000

The two meetings of Foreign Ministers held during the year dominated multilateral activities. An informal ‘Think Tank’ meeting took place in Lisbon on 25-26 May at which Ministers reaffirmed their commitment to the partnership, took stock of its achievements, exchanged views on the shortcomings and the reasons for them and agreed on the broad outlines of the preparation for the formal Foreign Ministers meeting in Marseilles. They invited the European Commission to present proposals reflecting their discussions with a view to taking decisions in Marseilles.

The Commission issued its Communication on ‘Reinvigorating the Barcelona Process’ on 6 September 2000[1] containing recommendations in particular on:

- Signature, ratification and conclusion of Association Agreements
- Progressive liberalisation of reciprocal trade in agriculture
- South-South free trade, starting on a sub-regional basis, and diagonal cumulation of origin
- Introduction of Single Market-type measures
- More explicit link between MEDA funding, the Association Agreements and economic reform
- A more strategic approach to MEDA programming and delivery
- A structural approach to cooperation on human rights and democracy
- Regional cooperation on justice and home affairs
- A programme to raise the visibility of the partnership.

This Communication formed the basis of the preparation of the Marseilles Foreign Ministers meeting on 15-16 November and is broadly reflected in the Presidency’s formal conclusions of the meeting.

Senior officials responsible for the political and security partnership met frequently during the year, notably to try to agree the text of a Charter for Peace and Stability. However, while much progress was made on the text it eventually proved impossible to adopt it in the light of the deteriorating political situation in the region with regard to the Middle East Peace Process. Senior officials held a meeting with the EuroMeSCo network of policy institutes; they also discussed terrorism, as well as migration and human exchanges.

The *Euro-Mediterranean Committee for the Barcelona Process* met six times during the year. As well as preparing the Foreign Ministers’ meetings it reinforced its strategic role in the partnership notably by discussing a number of regional cooperation programmes on the basis of information provided by the Commission and approving the orientations for future regional programmes.

1.3. The Middle East Peace Process in 2000

The peace process suffered a severe set back in 2000. Early in the year talks between Syria and Israel ended without results and they completely broke down at the US-Syrian summit in March. The Palestinian-Israeli negotiations continued throughout the first half of 2000 only to come to a halt at Camp David in July. End of September saw the beginning of a crisis that is the worst since the Peace Process was launched at the 1991 Madrid Conference. International mediation efforts failed, including a summit meeting in Sharm Al-Sheikh.

[1] COM(2000) 497 final of 6.9.2000.

In June 2000, the EU hosted and co-chaired a meeting of the Ad hoc Liaison Committee (AHLC) for assistance to the Palestinians in Lisbon. The meeting discussed progress on the Palestinian Authority's economic and administrative reform and the efforts to consolidate public accounts.

Following the outbreak of the crisis, the Israeli authorities stopped the transfer of tax and customs revenues that are due to the Palestinian Authority. As these revenues form a substantial part of the Palestinian budget there was a real danger of the Palestinian Authority collapsing. Moreover, the crisis was having a major negative impact on the Palestinian institutions and the economy in general.

Following Israel's decision to suspend tax and revenue transfers to the Palestinians the Commission provided financial assistance (€ 27 million) to the Palestinian Authority. Moreover, in December the Commission granted € 15 million emergency aid to the United Nations Relief and Works Agency (UNRWA) in support for the Palestinian refugee community. At the end of the year, it was also decided to set up a Special Cash Facility of € 90 million in favour of the Palestinian Authority. This facility was converted into direct budgetary support at the beginning of 2001 and can be mobilised in case Israel continues to withhold the transfer of tax and customs revenues to the Palestinian Authority.

The EU remained active throughout the crisis. The Presidency was closely involved and High Representative Solana participated in the Sharm Al-Sheikh Summit. Mr Solana became also one of the five members of the Fact Finding Committee set up to explore the developments leading to the crisis.

In the course of the year, the EU issued several declarations on the situation in the Middle East, in particular on the use of excessive and indiscriminate force. These declarations repeatedly called for an end to the violence and a return to negotiations as agreed at the Sharm Al-Sheikh Summit, as peace remains the only valid option.

2. THE MEDA PROGRAMME IN THE YEAR 2000

2.1. Results of budget implementation in 2000

For 2000, the share of aid granted by the European Union to the Mediterranean countries, primarily under the MEDA programme (B7-410), represented 11% of the overall volume of external aid commitments from the general budget. Commitments totalling EUR 879 million were made from the MEDA budget. This represents virtually all the available funding, which amounted to EUR 896 million in 2000. A carry-over of almost EUR 31 million that had not been committed the previous year permitted that 4 additional projects could be committed in 2000. A carry-over of EUR 8.8 million to 2001 was requested.

The amounts paid under the Euro-Mediterranean Partnership accounted for 8% of the overall volume of the EU's payment appropriations for 2000. Payments made under the MEDA programme in 2000 amount to EUR 330.5 million, out of an available total of EUR 352.5 million.

The overall amount of appropriations allocated to Euro-Mediterranean cooperation in 2000 fell very slightly (- 0.5% of committed appropriations) over the previous year. The same level of appropriations was allocated in 2000 in an attempt to control the technical and financial management of programmes and projects.

Syria was the last partner to ratify the MEDA framework agreement in July 2000. The framework agreement describes the conditions for implementing technical and financial cooperation with each partner country. There has been a MEDA framework agreement with all the Mediterranean partners since 2000.

MEDA Commitments per country and year 1995-2000(Mio €)

MEDA	1995	1996	1997	1998	1999	2000	1995-2000
Bilateral							
Morocco	30		235	219	172	140.6	796.6
Algeria			41	95	28	30.2	194.2
Tunisia	20	120	138	19	131	75.7	503.7
Egypt		75	203	397	11	12.7	698.7
Jordan	7	100	10	8	129	15.0	269
Lebanon		10	86		86		182
Syria		13	42		44	38	137
West Bank/Gaza	3	20	41	5	42	96.7	207.7
Turkey		33	70	132	140	310.4	551.1 **
Total bilateral	**60**	**370**	**866**	**875**	**783**	**719.3**	**3540****
Regional	**113**	**33**	**93**	**46**	**133**	**159.8***	**577.8**
Technical assistance			**22**	**20**	**21**		**63**
GRAND TOTAL	**173**	**403**	**981**	**941**	**937**	**879.1**	**4179.8****

* including Technical Assistance

** **The figures for commitments for Turkey in 2000 (€310.4 million) include €134.3 million for 4 projects mentioned under previous years (1995-99), which were re-committed in 2000.**

In order not to enter these projects in the accounts twice, the total of Turkey commitments 1995-2000 was decreased by this same amount:

Turkey total: **685.4 - 134.3 = €551.1 million**

Bilateral total: **3674.3 –134.3 = €3540 million**

Grand Total: **4314.1 –134.3 = €4179.8 million**

MEDA Commitments and payments per year 1995-2000(Mio €)

	1995	1996	1997	1998	1999	2000	Total
Commitments	173	403	981	941	937	879.1	4179.8
Payments	50	155	211	231	243	330,5	1220.5
Ratio of payments/ commitments	29 %	38 %	21 %	24 %	26 %	37.6 %	29.2 %

MEDA Commitments and payments per country 1995–2000 (Mio €)

	Commitments	Payments	%
Morocco	796.6	166.8	20.9
Algeria	194.2	30.4	15.6
Tunisia	503.6	183.9	36.5
Egypt	698.7	221.5	31.7
Jordan	269	192.5	71.6
Lebanon	182	31.7	17.4
Syria	137	0.3	0
Turkey	551.1	30.2	5.4
West Bank/Gaza	207.7	85.2	41.0
Regional (Incl TA)	577.8	277.9	48.1
TOTAL	**4179.8**	**1220.5**	**29.2**

MEDA Commitments and payments in the year 2000 (Mio €)

	Commitments	Payments	Loans EIB
Morocco	140.6	39.9	83
Algeria	30.2	0.36	140
Tunisia	75.7	15.9	150
Egypt	12.7	64.5	100
Jordan	15.0	84.5	60
Lebanon	-	30.7	-
Syria	38	0.3	75
Turkey	310.4	15.2	575
West Bank/Gaza	96.7	31.2	10
Regional (Incl TA)	159.8	47.9	
TOTAL	**879.1**	**330.5**	**1193**

Commitments and payments from other budget headings in 2000 (€ million)

Budget heading	Commitments	Payments
Support for the Israel-PLO peace agreements (B7-4200)	20.4	12.86
Palestinian refugees - UNRWA (B7-4210)	40.24	40.24
Rehabilitation (B7-4110)	33.282	11.3
MEDA Democracy (B7-7050)	9.333	6.369
Financial protocols (B7-4050/4051)	19.651	70.9
Total	**122.8**	**141.7**

2.2. Bilateral and regional cooperation

The MEDA programme is targeted on two priority areas at bilateral level:

- Support for the economic transition process by encouraging the development of open and competitive markets. The MEDA programme acts as a catalyst for macroeconomic structural adjustments but also at microeconomic level.

- Measures to accompany economic reforms by strengthening social and economic equilibrium and supporting the social sector, the environment and rural development.

In 2000, the operations carried out under bilateral cooperation accounted for 82% (EUR 719.3 million) of the appropriations committed for MEDA, the operations carried out under regional cooperation accounted for 16.7% (EUR 147.2 million). The remaining 1.38% (EUR 12.2 million), was committed under the MEDA global allocation. The actions financed by the EIB from MEDA programme appropriations in 2000 totalled EUR 106 million.

2.2.1. Bilateral cooperation

The main **areas of intervention** of the MEDA programme that received financing in 2000 (in the context of the national indicative programmes) under bilateral cooperation were:

- **structural adjustment** accompanying the effective implementation of reform programmes, generally coordinated with the Bretton Woods international financial institutions. The beneficiary partners were Algeria, Jordan, Lebanon and Tunisia;

- aid for **economic cooperation** designed to create an environment conducive to developing the private sector, in particular by means of risk capital transactions managed by the EIB. The principal beneficiary partners were the Palestinian Authority, Egypt, Jordan, Morocco, Tunisia and Turkey;

- support for social and economic equilibrium in the partner countries by means of interventions in all fields of the **social sector** designed to cushion the short-term adverse effects of economic transition. These interventions take the form of an adjustment mechanism covering various sectors (health insurance, education...). Aid for the most vulnerable social groups was provided via targeted actions to encourage social and economic stability and cohesion;

- aid granted to operations in the **environmental field**, mainly in Jordan, Morocco and Tunisia. All the partners, except Syria, also benefited from interest rebate subsidies on EIB loans granted for environmental projects;

- support for **rural development** programmes, in particular for Morocco, Syria and Tunisia;

- promotion of **human rights** and **democracy** under the special MEDA Democracy programme (separate budget heading of the MEDA line).

From a **geographic point of view** MEDA bilateral actions for the **Maghreb** countries totalled **EUR 246.4 million** in 2000. The breakdown by country is as follows:

- **Algeria**: A total amount of EUR 30.2 million was committed for Algeria, EUR 17 million were allocated to new programmes for the reform of telecommunications, EUR 5 million were committed to support for the Algerian media and EUR 8.2 million were assigned to improving the professional standards of Algerian police officers, particularly in the human rights field.

- **Morocco**: A total amount of EUR 140.6 million was committed for Morocco. In the health sector EUR 50 million were committed under a new structural adjustment programme aiming to implement and develop a universal sickness risk cover. EUR 52 million were also committed in a new structural programme intended to increase the effectiveness of the Moroccan financial sector and develop relations with the most productive economic sectors . EUR 27.6 million were allocated to judicial reform, EUR 9 million to rural development and EUR 1.9 million to household waste treatment.

- **Tunisia:** A total of EUR 75.7 million was committed for Tunisia. EUR 40 million were allocated to a new sectoral adjustment programme to support the reform of basic education by improving its quality. EUR 30 million were allocated to support for the private sector under a project involving the EIB and the provision of risk capital. Lastly, EUR 5.6 million were allocated to solid waste treatment.

Lastly, MEDA bilateral actions for the **Mashreq** countries accounted for **EUR 162.8 million** in 2000. The breakdown by country was as follows:

- **Egypt**: A total amount of EUR 12.7 million was committed for Egypt. This involves an EIB loan to repair and extend the drainage network for agricultural land in the framework of a programme carried out with the World Bank. Programmes committed in previous years in various fields (education, health, social fund, industrial modernisation) were continued.

- **West Bank and the Gaza Strip**: A total of EUR 96.7 million was committed in favour of the areas under the Palestinian Authority's control. In view of the worsening situation in the Palestinian territories, a special cash facility of EUR 90 million was urgently committed in December 2000 to reduce the impact of Israel's freeze on transfers of tax and customs revenue to the Palestinian Authority's budget. EUR 3 million were committed in the form of operations carried out with the EIB (risk capital) and EUR 3.7 million in interest rebate on loans was granted for water treatment.

- **Syria**: A total of EUR 38 million was committed for Syria. Since some financing agreements were not signed in time, four programmes committed in 1999 had to be re-committed in 2000. These four agreements were signed by the Syrian authorities in January 2001 and cover the energy sector, business training, culture and telecommunications.

- **Lebanon**: No new projects were committed for Lebanon in 2000. Priority was given to signing the agreements and to the implementation of previously committed projects in the fields of taxation, social development, the environment and SMEs.

- **Jordan**: A total of EUR 15 million was committed for Jordan. This included the provision of risk capital by the EIB under a support programme for the private sector. Several actions in the cultural field were also carried out.

- **Turkey**: A total of EUR 310.4 million was committed for Turkey. EUR 150 million were committed under a major structural adjustment programme designed to reduce inflation and encourage sustainable growth. EUR 10 million were committed in the form of training grants covering areas connected with Turkey's application for EU membership. EUR 16 million were allocated in the form of interest rebates on an EIB loan for water treatment. A sum of EUR 134.3 million for several projects committed previously in the fields of health, education, rehabilitation and water treatment had to be re-committed in 2000.

- In 2000, **structural and sectoral adjustment facilities** accounted for 40% (EUR 292 million) of all the MEDA programme's bilateral cooperation projects. Other bilateral operations accounted for 47% (EUR 337.6 million) and the payment facility for the Palestinian Authority accounted for 12.5% (or EUR 90 million) of the total commitments made under bilateral cooperation.

2.2.2. Regional cooperation

Most regional cooperation programmes are open to the various sectors of civil society. The 1997-1999 Regional Indicative Programme gave priority to industrial cooperation, environmental protection, water, energy, the development of transport and the information society. The reform of the current legal and administrative framework as a first step to introducing legislation fostering competition was also encouraged. The other activities carried out under the third chapter of the Barcelona process concerned the protection and development of cultural heritage, cooperation in the audio-visual sector and youth exchanges.

Commitments for regional operations totalled EUR 147.2 million for 2000. These operations mainly covered economic cooperation, in particular industrial, cultural cooperation and support for the peace process. Cooperation between statistical institutes was established under the MEDSTAT project. The principal regional actions carried out in 2000 were "Euromed Heritage Phase II" (EUR 30 million) in the cultural field, "Euromed Market " (EUR 9.9 million) and "Innovation, technology and quality in companies" (EUR 15 million) in the industrial cooperation context and "Euromed Innovation, Technology and Quality" (EUR 15 million) in the field of support for the private sector. EUR 20.5 million were committed in the form of expertise and technical support provided by technical assistance offices (MEDA Teams) to the European Commission.

In line with the Action Plan for implementing development policy (SEC 2001 808) environmental impact studies were carried out during the preparation of the projects, not only for projects directly connected with the environment, but also in all projects that could have even an indirect effect on the environment. The results of these studies were incorporated in the implementing provisions of the projects.

2.3. The MEDA programme 1995-1999

In view of the current geopolitical context and the uncertainties hanging over regional stability, the creation of a Mediterranean free trade area seems increasingly necessary for all the Mediterranean Partners. The high unemployment rate and the stagnation of average per capita income, which is still almost ten times lower than the European average, means that growth is a vital economic and political objective for these countries.

In this context, the countries concerned cannot hope to assume the challenge of growth and sustainable development without radically speeding up the economic transition process. To achieve this transition, the Mediterranean countries have to encourage a dynamic private sector by adopting a less restrictive legal and administrative framework, reforming the tax system and radically restructuring their financial sector and public-sector companies.

Respect for social cohesion is another decisive factor of economic development that must not be neglected. Otherwise there is a risk of creating even more internal inequalities and thus aggravating a situation of exclusion which is often at the basis of popular rejection of reforms. It is therefore important to ensure that an economic boost goes hand in hand with aid targeted at the least favoured social groups.

The European Union responds to these two challenges as a provider of aid in the region. The MEDA programme constitutes the principal instrument of financial cooperation to facilitate economic transition by accompanying measures and at the same time ensuring that the social and economic stability is maintained. Thus, the Union actively supports the economic and structural reform processes undertaken by the partner countries. These economic reforms, the ultimate aim of which is to establish a free trade area with the European Union by 2010, have continued at different paces.

The 12 Mediterranean partner countries have received commitment appropriations for the period 1995-1999 of more than EUR 4.4 billion in the form of grants, of which EUR 3.4 billion under the MEDA I programme. The European Investment Bank has for its part granted loans of EUR 4.8 billion for this period.

For the period 1995-1999 (MEDA I) the rate of utilisation of commitment appropriations reached 100%. Cumulated payments amounted to EUR 890 million, i.e. 26% of the total commitments authorised during the same period. There are several reasons for this relatively low percentage: a) the implementation of MEDA I was initially delayed by the length of the negotiations and the methods of applying the framework agreements with certain recipient countries; b) certain operations (economic transition, for example, private sector development, traditional development) require a longer implementation stretching over a period of 4 to 6 years; c) regional projects often require the introduction of a complex legal and financial framework and are multiannual (3 to 5 years) to maximise their impact; d) slow pace at which our partner countries are implementing structural reforms and limits of their administrative capacity to absorb funds.

Bilateral cooperation projects accounted for approximately 88% of MEDA I resources compared with 12% for regional cooperation. Bilateral operations under MEDA 1995-1999 covered structural adjustment, economic cooperation, the social field, the environment and rural development. Regional activities, for the same period, involved strengthening the political partnership (in particular the progress achieved on the *Euro-Mediterranean Charter for peace and stability*); identifying, in the context of regional forums, priority economic and financial reforms (industrial cooperation, environment, water, energy, transport and information society) as well as cooperation in the fields of culture, the audio-visual sector and youth.

The creation, in the long term, of a Euro-Mediterranean free trade area, remains dependent on improved strategic programming and strengthened intra-regional economic links. Drawing on the lessons of the MEDA I programme, in particular the complexity and rigidity of decision-making procedures, the Council adopted a new MEDA Regulation (MEDA II) on a proposal from the Commission.

On the threshold of the third millennium and the launch of the second MEDA programme, it is clear that the Mediterranean countries still have severe development difficulties despite their geographical proximity to Europe and the special terms of access to the European market.

2.4. The revised MEDA II Regulation

On 27 November 2000, the Council, on a proposal from the Commission, adopted the new MEDA II Regulation[2] which is designed to rationalise and simplify the procedures for implementing EU cooperation with its Mediterranean partners, in particular by strengthening the pragmatic and strategic approach. The adoption of this new Regulation, which replaces the MEDA I Regulation of July 1996, is the fruit of an evaluation exercise started at the beginning of the programme. It involves applying the effective and transparent management principles adopted by the Commission in the "Sound and Efficient Management" programme (SEM 2000). Efforts to improvethe effectiveness of the MEDA Regulation are based on three principles:

- Rationalising the decision-making process in a bid for more strategic and effective programming. This means that the Commission now presents national and regional strategy documents, indicative programmes and annual financing plans to the MED Committee, instead of individual projects. The national and regional indicative programmes cover three-year periods and are based on the corresponding strategy documents, which cover the period of the MEDA II programme (2000-2006). These programmes take account of the priorities determined with the Mediterranean partners, in particular the conclusions of the economic dialogue, and define the main goals, guidelines and priority sectors of Community support in the fields concerned. The financing plans are drawn up at national and regional level in cooperation with the EIB and are based on the indicative programmes. These plans contain a list of the projects for financing and are generally adopted annually. Projects involving interest rebates are included in the national financing plans and those involving risk capital in the regional financing plans.

[2]Council Regulation (EC) 2698/2000

- Enhancing capacities for programming and implementation. This is achieved by strengthening the dialogue with the Mediterranean partners. The association agreements concluded within the framework of the Euro-Mediterranean partnership envisage the progressive introduction of free trade between the European Union and its Mediterranean partners. The MEDA programme is the main framework for cooperation and assistance with the partner countries and for the progressive and comprehensive process of vital reforms. To this end, the national and regional three-year indicative programmes analyse and define more clearly the expected impact of the actions financed by MEDA in the context of the national reforms undertaken to establish a strengthened Euro-Mediterranean partnership. The MEDA II Regulation provides for an annual update of these indicative programmes - if necessary - and their possible modification in the light of the experience gained and the progress achieved by the partner countries in their structural reform, macroeconomic stabilisation, industrial development, social progress or the results of cooperation under the new association agreements. These programmes describe the reforms that need to carried out in the priority sectors and provide for an evaluation of the progress made in this framework.

- Shorter procedures in order to encourage faster and more effective implementation of the measures adopted. This is the result of the regulatory committee being replaced by the management committee provided for in the MEDA II Regulation and the targeting of the contents of cooperation on aid to implement the said association agreements. The restructuring of the decision-making process, which mainly consists of adopting national and regional financing plans, means that the considerable time initially devoted to detailed examination of individual financing proposals can be saved. Similarly, the adoption of simplified contractual procedures should mean less time to implement cooperation.

2.5. Implementing the reform of the management of external aid

2000 marked a turning point in the reform process, which was started mainly by the former Common Service for External Relations (SCR) and was continued in 2001 by the EuropeAid Cooperation Office (AIDCO) which took over from the SCR under the new measures on the implementation of external cooperation. The structural reforms initiated in 2000 concerned all cooperation and external aid management programmes, including the MEDA programme. Reforms cover three priority areas: clearing the accumulated backlog; internalising the functions of the Technical Assistance Offices (TAO); and carrying out the devolution policy.

In 2000 the Commission launched a major programme to clear the backlog of old commitments prior to 1995 and dormant commitments subsequent to that date. The former SCR accordingly began a systematic review of these commitments in conjunction with the other External Relations Services and the Delegations. As a result, there was a substantial reduction in the number of commitments prior to 1995 still open at the end of 2000. A similar effort meant a substantial reduction in the value of the commitments which had not been the subject of payment within the following two years and which are therefore described as dormant commitments. Thus, at the end of 2000, old and dormant commitments represented a relatively small share of the outstanding commitments.

In June 2000, the ex-SCR finalised the exhaustive analysis of the external relations TAOs and submitted a timetable for dismantling the existing Offices in Brussels and in Delegations. The idea behind dismantling the TAOs is both to hand back their functions to the external services of the Commission in Brussels, and to adopt a system to replace TAOs in Delegations. For MEDA, there are 20 TAO contracts of which 11 TAO contracts at headquarters in Brussels and 9 for Delegations in the MEDA area (Tunisia, Algeria, Morocco, Egypt, the West Bank &

the Gaza Strip, Syria, Lebanon, Jordan, Turkey). The 20 TAO contracts at headquarters and in Delegations will expire on 31 December 2001 at the latest and will not be renewed. The budgetary authority has authorised the financing of external personnel and the related administrative expenditure, needed for this replacement operation, using appropriations from the BA lines of the Community budget.

In conjunction with the other External Relations Services, the ex-SCR launched an ambitious exercise to decentralise the management of external aid in 23 Delegations in 2001. The MEDA programme is very much involved as four Delegations are included in the first devolution phase (Egypt, Morocco, Tunisia, Turkey). This devolution will be effective in 2002 and five Delegations are planned for the second phase in 2003 (Syria, Lebanon, Jordan, Algeria, West Bank & Gaza). An interdepartmental work group was set up to carry out this process and a detailed plan covering 71 priority actions has been adopted.

As a result of the group's work a harmonised general approach to devolution has been defined and the supporting measures vital for an ordered implementation of this process have been adopted. Good progress has already been made in the practical application of the devolution concept to the specific characteristics of the MEDA programme. Its completion will depend on the availability of the financial resources needed to mobilise human resources and provide equipment, and in the end, the allocations granted by the budgetary authority. By the end of 2003 all the Delegations in the Mediterranean area should be managing the external aid programmes in the countries of their competence.

2.6. Replacing the SCR with the EuropeAid Cooperation Office

The EuropeAid Cooperation Office (AIDCO) replaced the SCR operationally on 1 January 2001. Its launch represents an important stage in implementing the radical reform of the management of the Union's external aid, decided by the European Commission in May 2000 and designed to accelerate the implementation and improve the quality of programmes and projects. The creation of this new Directorate-General is based on a Commission Decision of 21 December 2000. It is supervised by a Board comprising Chris Patten**,** Commissioner for External Relations (Chairman), Poul Nielson**,** Commissioner for Development and Humanitarian Aid (Chief Executive), Günther Verheugen, Commissioner for Enlargement, Pascal Lamy, Commissioner for Trade, and Pedro Solbes Mira, Commissioner for Economic and Monetary Affairs (Members).

The new Office's task is to manage the project cycle, from identification to evaluation, and it is responsible for payment orders as well as for aspects of operational technical management and contractual and financial management of almost all the Union's external aid programmes, and in particular MEDA. The Directorates-General for External Relations and Development, which act within a geographical context, remain responsible for multiannual programming. Under the principle of subsidiarity applied to the management of external aid whereby "anything that can be better managed and decided on the spot should not be managed or decided in Brussels", devolution to the Delegations and the simplification of procedures are AIDCO's two priorities. Within AIDCO, operational Directorate B is specifically responsible for the Southern Mediterranean and the Middle East. Directorate B has seven units: geographical coordination; economic cooperation; regional integration and institutional support; social development; sustainable rural development and environment; transport, infrastructure, water and energy and financial and contract management.

3. THE ASSOCIATION AGREEMENTS – STOCK-TAKING

The Association Agreements constitute the strategic framework for bilateral cooperation between the Union and the Mediterranean partners. The Association Agreements provide for the institutionalisation of political and economic dialogue, the creation of a free-trade area together with financial cooperation and social and cultural cooperation.

3.1 Algeria

Negotiations with Algeria resumed in 2000, during which three negotiating sessions were held. This pace will be stepped up in 2001 with a view to completing the negotiations by the end of the year.

3.2 Egypt

Subsequent to the effective conclusions of the negotiations in June 1999, Egypt signed the Association Agreement on 25 June 2001. A series of initiatives culminating in a July 2000 letter from Prime Minister Obeid to Commissioner Patten requesting 'clarifications' and a September visit to Brussels by Economy and External Trade Minister Boutros Ghali allowed the Commission to respond to all outstanding Egyptian concerns.

3.3 Israel

The Euro-Mediterranean Association Agreement with Israel entered into force on 1 June 2000. The first Association Council took place in Luxembourg on 13 June 2000. It marked the launching of the political dialogue with Israel foreseen in the agreement, while also a wide range of other issues covered by the agreement were discussed.

3.4 Jordan

By the end of the year 2000, 13 EU Member states, the European Parliament and the Hashemite Kingdom of Jordan had ratified the EU-Jordan Association Agreement, signed 24 November 1997. The ratification is pending for 1 Member State.

3.5 Lebanon

After an interruption of two years, formal negotiations on the Association Agreement resumed in September 2000, when the 5th round of negotiations were held in Beirut. The newly appointed Prime Minister Hariri (October 2000) indicated publicly his government's intention to conclude the Association Agreement without delay.

Key issues to be resolved include the mutual exchange of trade concessions in agricultural products, the pace of tariff dismantling, rules of origin, arrangements for trade of processed agricultural products, and re-admission.

3.6 Morocco

The Euro-Mediterranean Association Agreement entered into force on 1 March 2000. The first Association Council was held on 9 October 2000 in Luxembourg. Morocco took the opportunity to declare officially its wish to establish closer ties with the EU by moving from this association to a Customs Union.

As of 1 March 2000 Morocco began the first tariff dismantling measures envisaged by the Agreement: elimination of duties for products other than those in Annexes 3, 4, 5 and 6 to the Agreement, reduction of the customs duty to 75% of the basic duty for the products in Annex 3.

Discussions on the negotiation of a new fishing agreement continued: 6 negotiating sessions were held. Little progress was made as the two sides' positions remained far apart on the main points (duration of the agreement, access to fishery resources, financial chapter).

3.7 Palestinian Authority

The Interim Association Agreement on trade and cooperation between the European Community and the Palestine Liberation Organisation (PLO) for the benefit of the Palestinian Authority was signed on 24 February 1997. Its main objective has been to establish a comprehensive framework for political, trade, economic and financial cooperation.

The first Joint Committee pursuant to this Interim Association Agreement was held on 23 May 2000 in Brussels. To date the effective implementation of the agreement has been very low, mainly due to Israeli impediments to Palestinian trade, but also because of insufficient capacity of the Palestinian economy. The crisis in the Palestinian Territories that started in September 2000 has put on hold the implementation of the agreement. Furthermore, the political situation has not allowed pursuing negotiations for a full Association Agreement. Despite the critical situation in the Territories, an economic dialogue meeting under the Agreement took place on 6 December 2000. The meeting intended to take stock of the situation following the closure of the Palestinian Territories by Israel and to assess the most immediate economic impact of the crisis.

3.8 Syria

In December 2000, negotiations for an Association Agreement were re-launched with the new Syrian Government at a meeting in Brussels. It was agreed to move forward rapidly with a possible conclusion of the talks in 2001.

3.9 Tunisia

The second Association Council was held on 24 January 2000 in Brussels. It provided an opportunity to continue the political dialogue with Tunisia and to encourage it to strengthen the democratic process and the protection of human rights. It also concentrated on the three priorities of Tunisia/EU relations: continuation of trade liberalisation, Community support for reforms and economic transition, social dimension. This dialogue and the examination of these priorities were continued at the second Association Committee held in Brussels on 23 June 2000.

The negotiations on reciprocal liberalisation measures and amendment of the agricultural protocols to the Association Agreement were concluded by the EU Council's decision of 22 December 2000. The result is essentially an improvement in the preferential treatment granted by the Community to Tunisian olive oil and the granting by Tunisia of tariff preferences for wheat and certain vegetable oils originating in the Community.

OVERVIEW OF THE PROGRESS OF NEGOTIATIONS ON THE EURO-MEDITERRANEAN ASSOCIATION AGREEMENTS*

Mediterranean Partner	**Conclusion of the negotiations**	**Signature of the agreement**	**Entry into force**
Tunisia	June 1995	July 1995	March 1998
Israel	September 1995	November 1995	June 2000
Morocco	November 1995	February 1996	March 2000
PLO for the benefit of the Palestinian Authority	December 1996	February 1997	July 1997
Jordan	April 1997	November 1997	1 Member States ratification is pending
Egypt	June 1999	June 2001	-
Lebanon	Negotiations in progress	-	-
Algeria	Negotiations in progress	-	-
Syria	Negotiations in progress	-	-

* Relations with Cyprus, Malta and Turkey are governed by first-generation Association Agreements signed in the 1960s and 1970s.

4. BILATERAL COOPERATION WITH THE MEDITERRANEAN PARTNERS

4.1. Algeria

4.1.1. Bilateral relations

The most important event in bilateral relations was the resumption of negotiations for the *Association Agreement* on 14 April 2000 (see Chapter 3). Pending the conclusion of an EU-Algeria Association Agreement *political dialogue* between the two sides is conducted through regular meetings at ministerial level and contacts with the Algerian government via heads of missions on the spot. A meeting with the *European Troika* took place in Lisbon on 12 May 2000. All subjects of common interest were included on the agenda of this meeting, including the political and economic situation in Algeria.

4.1.2. Political and economic developments

4.1.2.1. Political developments

President Boutéflika focused his immediate action on a programme to put a stop to civil unrest and re-establish Algeria's international image. Amnesty measures were introduced under the law of *civil concord* for members of armed groups who surrendered to the authorities under certain conditions. This opportunity to surrender was applicable for a 6-month period that came to an end on 13 January 2000.

Although some Islamic militants laid down their arms and returned to Algerian society and despite something of a lull in the security situation in late 1999/early 2000, there was a resurgence in the violence caused by terrorist activities in the second half of the year, particularly outside the towns. At political level, in November 2000 the government refused to allow Mr Taleb Ibrahimi to register his new "Wafa" Islamic party.

A new government was appointed on 26 August 2000, headed by Prime Minister Benflis, the former head of President Boutéflika's office. This government succeeded that of Prime Minister Benbitour, after only 8 months in office.

With regard to fundamental freedoms and human rights, one area in which there has clearly been progress is the range of political opinions expressed in the media. The main human rights organisations (Amnesty International, International Journalists' Federation and Reporters without Frontiers) were permitted to visit the country during the year. However, problems with applying the civil concord law, torture and the 4 000 people who have "disappeared" continue to give cause for concern. The fate of the "disappeared" was officially raised by the EU heads of mission in Algiers in March 2000.

Algeria is involved in the regional component of the Euro-Mediterranean Partnership. As president of the OAU, it played an active role in preparing the EU-Africa summit held in Cairo in April 2000, and in mediating in the Ethiopia-Eritrea conflict. Its participation in regional integration within the Arab Maghreb Union (AMU), however, was hampered by the Western Sahara conflict and the state of its relations with Morocco.

4.1.2.2. Economic developments

In 2000, macroeconomic conditions showed some improvement, thanks to the rise in the price of oil. As a result, export revenue almost doubled from USD 11.9 billion in 1999 to USD 21.1 billion in 2000. Overall stability was maintained, both externally and internally. Economic growth reached 4.3% (2000 estimate), inflation was estimated at 3%, the state budget showed a surplus equal to 5% of GDP (1999: 0.5% deficit), while the trade surplus settled at USD 10.0 billion (1999: 3.3 billion). Algeria finished the year with foreign reserves of around USD 11.2 billion, equivalent to 14 months of imports (1999: 4.6 months). Meanwhile, the debt service ratio fell to 22.1% of exports (1999: 36.6%).

Despite this good macro-economic performance, the Algerian economy remains dependent on the oil sector, which accounts for 97% of exports, 30% of GDP and 60% of the state budget. Agriculture remains a marginal activity, while the industrial sector (excluding oil) is stuck at 10% of GDP. As a result, economic growth has been too weak to have any impact on the unemployment rate, which has reached 30% of the total labour force, and almost 70% among young people.

The government's programme has correctly identified the main economic and social challenges, including privatising state industries, reorganising and reforming the financial sector, upgrading the industrial sector and its legal framework, opening up the energy sector to private capital, and housing construction/renovation.

However, little progress was made with the implementation of structural reforms during 2000. In particular, the privatisation process has ground to a halt, due to turf-battles between the different institutions responsible and the failure to reach agreement with the social partners. Likewise, the draft law on the privatisation of agricultural land was withdrawn, and the economic environment for foreign investors and businesses is still in need of improvement. Foreign trade also suffers from restrictions due to the *"valeurs administrées"* system (additional import duties intended to protect domestic production) along with a relatively high average duty rate.

Yet there were also positive signs: a new law on postal services and telecommunications was promulgated, and first steps were taken to implement liberalisation in this sector. A number of private airlines began operations and private investors took stakes in other economic infrastructure sectors, including energy.

4.1.3. MEDA financial cooperation

Financial cooperation with Algeria is designed to support economic transition and help prepare the country to join the Euro-Mediterranean free trade area. It focuses on two main strategic principles: support for economic reform and private sector development; strengthening socio-economic stability and good governance.

In total, EUR 194.2 million have been committed for Algeria under the MEDA programme since 1996 (see Annex). In addition, the European Investment Bank (EIB) has contributed EUR 620 million in loans from its own resources over the same period.

In 2000, commitments totalling EUR 30.2 million were made for three new MEDA projects:

- *Support for the reform of telecommunications and postal services and for the development of the information society (EUR 17 million):* the project will help increase the efficiency and quality of these services, and will thus improve the economic environment for business. Technical support will be provided for: the creation of an independent regulatory authority for the telecoms and postal services sector, the institutional strengthening of the postal service, and the reorganisation of the Ministry for Post and Telecommunications.

- *Support for Algerian journalists and the media (EUR 5 million):* the project will help strengthen the role of the independent private-sector press in the process of democratising Algerian society. It aims to provide professional training for journalists and improve their socio-professional status and standards, as well as providing assistance for the private-sector press and the journalists' union.

- *Support for modernising the police force (EUR 8.2 million)*: the project will help strengthen good managerial practice in the public sector and the rule of law, by raising the professional level of the national security forces (including with regard to respect for human rights). In particular, European support will go to strengthen knowledge of forensic sciences and methods for obtaining criminal evidence.

Also in 2000, a financing agreement was signed for the MEDA project on *modernising the financial sector* (EUR 23 million). This project is intended to provide technical assistance and training for financial institutions, the Central Bank and capital market institutions. It also includes plans for twinning activities that will link a number of Algerian banks and insurance companies with counterpart institutions in Europe.

ALGERIA

MEDA 2000: COMMITMENTS (EUR MILLION)

Project name	Amount
Support for the reform of telecommunications and postal services and for the development of the information society	17
Support for Algerian journalists and the media	5
Support for modernising the police force	8,2
Total	30,2

MEDA COMMITMENTS 1996-1999 (EUR MILLION)

Sector/Project	**Amount**	**Share**
A. Support for economic transition	**129.00**	**79%**
Interest subsidy for cleaning up industrial pollution (EIB)	10.75	
Support for SME/SMI	57.00	
Support for industrial restructuring	38.00	
Support for modernising the financial sector	23.25	
B. Structural/sectoral adjustment facilities	**30.00**	**18%**
Structural adjustment facility	30.00	
C. Socio-economic balance support	**5.00**	**3%**
Support for NGOs	5.00	
Total A.+B.+C .	**164.00**	**100%**

4.2. Egypt

4.2.1. Bilateral relations

The Association Agreement was signed by the new Egyptian government on 25 June 2001 after a long negotiation process. It had been expected that the proposed Association Agreement would be initialled and signed during 2000 but the new Egyptian government took considerably longer than anticipated to endorse the position arrived at by the negotiators in June 1999.

When Commissioner Patten visited Cairo in early April 2000, on the eve of the EU-Africa summit he discussed the delay in moving towards initialling and signature with Prime Minister Obeid and his ministers. As a result a series of written requests for clarification were put to the Commission and this initiative was complemented by a visit to Commissioners Patten and Lamy by Economy and External Trade Minister Boutros Ghali in September. The Commission's reply clarifying the issues raised by the Egyptian side cleared the way for signature in 2001.

Bilateral trade relations were relatively good in 2000. The Commission consulted closely with Egypt as a key player in the negotiations for a new multilateral trade round and progress was made in resolving several, but not all, bilateral trade issues. The suspension of EU dairy and related products was lifted although some restrictions and onerous testing measures remained in place. A key concern was the impact of BSE on EU meat exports to Egypt. Egypt emerged as the EU's largest single market for beef exports in 2000 but the volume was down compared to 1999. With respect to Egyptian exports to the EU there was a very encouraging import season for Egyptian new crop potato shipments to the EU with only one confirmed interception of potato brown rot. This indicates that the elimination of brown rot in the export crop is possible provided that necessary controls are rigorously enforced.

Egypt co-operated closely with the European Commission in staging the EU-Africa Summit in April 2000. It was attended by nearly all African leaders, by strong delegations from the EU Member States, and by President Prodi and the external relations Commissioners. Commissioner Patten combined his participation in the EU-Africa ministerial meeting with a series of meetings with key members of the Egyptian government.

4.2.2. Recent political and economic developments

4.2.2.1. Political developments

On the political front the new (October 1999) government of Prime Minister Obeid brought several new persons into the cabinet although the key portfolios remained unchanged. The domestic political scene benefited from relative calm in that the violent fundamentalist opposition of previous years continued to decline and the cease-fire with the main groups held. However the legal opposition to the ruling party has made significant gains. Although the ruling party still dominated the parliament following the November 2000 general election, the situation was very different from before. Many of the old ruling party members of parliament were replaced by younger candidates and the party's present dominant position was only assured because many 'independents' joined the NDP after the election. Most significant however has been the election of 17 candidates representing the Muslim Brotherhood. This block, albeit small, represents a genuine parliamentary opposition. The elections, supervised for the first time by the judiciary, represented a genuine step in the direction of broader democracy.

However the overall picture of political liberalisation was less clear. Despite some progressive new social legislation and landmark rulings by the Constitutional Court there were clear signs of increased sensitivity by the authorities to full freedom of expression.

In foreign policy Egypt took an increasingly important regional role in trying to broker a Middle East Peace. Egypt also consolidated its wider regional role within the Arab world and Africa. Egypt consolidated its participation in the COMESA economic grouping and continued to work with Libya for a peace settlement in the Sudan.

4.2.2.2. Economic developments

Egypt's economic growth (estimated at 5.1%) was weaker than in 1999 and far short of the projected 7% growth required to meet Egypt's ambitious income and employment targets. The year saw tight monetary conditions and increasing concern at the deterioration in the trade balance. A major event was the abandonment of the fixed exchange rate with the US $ in the first semester of the year although this cautious move fell far short of the flexible exchange rate that will be required to improve Egypt's competitiveness vis-à-vis other countries. Egypt continues to face a major reform agenda. Despite private sector growth and a continued government commitment to privatisation the economy remains dominated by the public sector (35% of employment, 45% of GDP and 70% of industrial production). The legal and policy framework to rationalise public finance, reform the financial sector, further liberalise trade and increase the pace of privatisation are already in place but much remained to be done in terms of implementation.

4.2.3. MEDA operations

Apart from interest rate subsidies to EIB loans, no new MEDA commitments were made in 2000 with respect to Egypt. In part this reflected the considerable 'overhang' of existing commitments under MEDA I (€ 615 million for the Social Fund, for basic health and basic education, and for industrial modernisation). However there were also certain concerns at the slow rate of progress on approved programmes, notably with respect to the Industrial Modernisation Programme which was totally blocked for lack of an organisational structure (the Industrial Modernisation Council - IMC). The Presidential Decree setting up the IMC was finally issued in December 2000. Technical assistance to the EU supported reform programmes in basic education (EEP) and basic health (HSRP) began to make a real impact in 2000 and the European Commission took a lead role in the multi-donor review of the Social Fund for Development (SFD II) programme.

Progress was made in identifying new actions to be funded under MEDA II, notably in redefining earlier proposals for Technical Education and Vocational Training reform, and developing a Trade Enhancement Programme.

EGYPT

MEDA 2000 COMMITMENTS (€ MILLION)

Name of project/programme	**Amount**
National Drainage Programme – EIB interest-rate subsidy	12.7
Total	**12.7**

MEDA COMMITMENTS 1995–1999 (€ MILLION)

Sector/Programme	**Amount**	**Share**
A. Support for economic transition	**333.5**	**47.7%**
Industrial Modernisation Programme (IMP)	250.0	
EIB interest-rate subsidies	54.5	
EIB risk capital	29.0	
B. Structural/sectoral adjustment	**-**	**-**
C. Socio-economic balance support	**365.0**	**52.3%**
Social Fund for Development (Phase II)	155.0	
Basic Education Enhancement Programme	100.0	
Health Reform Support Programme	110	
Total	**698.5**	**100.0%**

4.3. Jordan

4.3.1. Bilateral relations

Several high-level EU visits took place during 2000, including a visit of Commissioner Patten during a Middle East tour in April. King Abdullah met Commission President Prodi during the same month in Brussels. The focus of these meetings was on EU-Jordan relations as a model for Euro-Mediterranean partner countries and on Jordan's role as a moderator in the Middle East Peace Process

4.3.2. Political and economic developments

King Abdullah and the Government of Jordan have been working successfully to consolidate relations with the West and repair relations with the Arab world, especially in the Gulf and with Syria. Relations with the Gulf countries and Syria were damaged in the nineties as a result of Jordan’s stance in the Gulf war and the signing of the 1994 peace treaty with Israel. Jordan’s external environment remains therefore volatile and suffers from the deadlock of the Peace Process. This is an impediment towards developing closer economic ties with Israel and Palestinian Authority. The embargo on Iraq, Jordan's major trading partner, is an important constraint. All this discourages potential investors and it spurs capital flight. Extremely scarce water resources, a narrow industrial base, limited natural resources (almost only potash and phosphate) and a small internal market compound this.

Jordan continued to implement in 2000 the IMF-supported structural adjustment programme. Improved budgetary and monetary management had some success in reducing the fiscal deficit (still high at 7% of GDP, excluding grants) and boosting foreign reserves. An economic growth rate of 3.9% was achieved, a marked improvement over recent years

Against this background, the challenges to ensure Jordan’s economic sustainability are enormous. Hence, King Abdullah’s endeavours concentrate on economic and public sector reforms, which have been moving ahead rapidly over the past two years. The main stakes for Jordan are the pension reform, the banking sector reform and the debt management, notably the reduction of the high public debt burden.

Jordan is also engaged in a determined process of trade liberalisation exemplified by its accession to WTO in 2000 and the signature of a bilateral Free Trade Agreement with the USA. Moreover, during the Euro-Mediterranean conference of Foreign Affairs Ministers in Marseilles, in November 2000, Jordan, Egypt, Tunisia and Morocco announced that they would start negotiations for the creation of a free-trade area amongst themselves (the so-called Agadir process).

4.3.3. MEDA operations

Jordan’s performance under MEDA (1995-99) has been very good. Jordan received the largest per capita amount of MEDA grant support of all Mediterranean partners: Its total share in bilateral Euro-Mediterranean operations was € 254 million in grant funds, of which around 75 % were disbursed at the end of 2000; EIB lending operations on own resources amounted to € 223 million.

Between 1995 and 1999, two structural adjustment operations (€ 100 million and € 80 million) have contributed to strengthen the macro-economic balance and to implement reforms related to the Association Agreement (i.e. draft competition law, introduction of a VAT-type general sales tax, privatisation). Moreover, cooperation has focussed on private sector development: the Industrial Modernisation Programme (€ 40 million) is a follow up to the Business Service Team (€ 7 million). It provides direct assistance to SMEs and business associations, financial instruments for SMEs and start-up companies; moreover, it shall support human resources development by contributing to upgrade and adapt existing training facilities to the demand of the productive sector; the policy component supports the development of a long-term industrial policy. € 10 million were used for an EIB risk capital operation for private sector development support. Finally, € 8.2 million interest-rate subsidies and € 5 million for technical assistance (management unit) contribute to the implementation of the Amman Water Rehabilitation Programme and € 3.9 million to tourism development and preservation of cultural heritage.

Whereas in 1999 financial cooperation focussed on new commitments for Jordan, in 2000 cooperation concentrated on the implementation of the new programmes: The Structural Adjustment Facility (€ 80 million) was fully disbursed since all performance criteria were fulfilled. The tender procedure for the recruitment of the Programme Management Unit of the Industrial Modernisation Programme was completed (effective start-up of the programme: 1 January 2001). Implementation started also for the technical assistance support for the Amman water rehabilitation programme (€ 5 million) and for the tourism development and preservation of cultural heritage project (€ 3,9 million).

In 2000, the Commission decided to grant € 15 million for a new EIB-managed risk capital operation. This global financing facility is open to a number of financial intermediaries active in the field of equity/quasi equity investment. It shall provide innovative funding products in order to strengthen the private sector.

The Commission also approved a number of cultural events to pay tribute to the legacy of the late King Hussein, as suggested by the Euro-Mediterranean Conference of Foreign Ministers in Stuttgart (April 1999). The events took place both in Europe (Euro-Mediterranean symposium on “Culture of Peace” during the Hanover World Exposition EXPO 2000 to illustrate King Hussein’s role in the promotion of this culture; moving photo exposition on King Hussein and the visual memory of the city of Amman) and in Jordan (Euro-Mediterranean conference on the role of cultural diversity at the edge of the new millennium; archaeological camps for young people from Europe and Jordan).

Moreover, Jordan received funds for the extension of projects financed from the financial protocols: Water Sector Intervention Project (an additional € 2.02 million), Social Development Project (an additional € 0.67 million) and for Jordan's participation at the EXPO 2000 (€ 0.40 million).

JORDAN

MEDA 2000 COMMITMENTS (€ MILLION)

Name of project/programme	Amount
Global financing facility for SMEs – risk capital (EIB)	15
Total	**15**

MEDA COMMITMENTS 1995–1999 (€ MILLION)

Sector/Programme	Amount	Share
A. Support for economic transition	**57.0**	**22.4 %**
Private Sector Development Programme (Business Service Team)	7.0	
Support of SMEs - risk capital resources (EIB)	10.0	
Industrial Modernisation Programme	40.0	
B. Structural adjustment	**180.0**	**70.9 %**
Structural Adjustment Facility I	100.0	
Structural Adjustment Facility II	80.0	
C. Socio-economic balance support	**17.1**	**6.7 %**
EIB interest-rate subsidies for the Amman Water Rehabilitation Programme	8.2	
Management Unit for Amman Water Rehabilitation Programme	5.0	
Tourism development and preservation of cultural heritage	3.9	
Total	**254.0**	**100.0%**

4.4. Lebanon

4.4.1. Bilateral relations

After a two-year interruption, negotiations for an Euro-Mediterranean Association Agreement resumed in September 2000 with several sessions held before the end of 2000, making good progress in agreeing text.

Commissioner Patten visited Lebanon on 7 April. He had meetings with President General Emile Lahoud, Prime Minister Hoss, Minister for Industry and Economy and Trade Nasser Saïdi and Speaker of the Parliament Mr Nabih Berry. The talks focussed on the bilateral agreement between the European Community and Lebanon, Community reconstruction assistance, the Lebanese-Israel track of the Middle East Peace Process, and bilateral trade issues.

4.4.2. Political and economic developments

4.4.2.1. Political developments

Prime Minister Rafiq Hariri’s government was strongly endorsed by parliament on 6 November 2000 following an overwhelming victory in the August/September 2000 general elections. The election results reflected unhappiness at the poor state of the economy, and a sense that Mr Hariri could pull the economy out of its deepening recession.

Lebanon’s post-war recovery reached an important stage in May 2000 with the withdrawal of Israeli forces from South Lebanon, and the collapse of the Israeli-backed South Lebanon Army. The UN ruled that UN Security Council Resolution 425 had been implemented. Lebanon rejects the UN’s demarcation line as the international frontier with Israel.

The 5,500-strong UNIFIL force (which monitors compliance of SC 425) was permitted to deploy to the South in August 2000, followed by a limited detachment of Lebanese police and army personnel. The reintegration of the former occupied zone is slowly under way, with state services gradually returning after an absence of nearly 20 years. After initial euphoria at the return of the occupied South to Lebanese sovereignty, the security vacuum has led to a rise in cross-border attacks. Tensions on the border began to flare in October 2000 in sympathy with the Palestinian *intifada.* The rehabilitation of South Lebanon remains hampered by the issue of the disputed Sheba’a farms on Mount Hermon (where three Israeli soldiers were captured in late 2000), the continued detention of 19 Lebanese prisoners in Israel jails, and the overall absence of a peace treaty between Israel and Syria and Lebanon.

While no fundamental change was witnessed in the relationship between Beirut and Damascus following President Assad’s death in 2000, internal criticism of the presence of the 35,000 strong Syrian army in Lebanon grew more vocal.

4.4.2.2. Economic developments

Mr Hariri inherited an economy in recession, and a crippling public debt (€ 24 billion, or 160% of GDP), which has its roots in the massive reconstruction programme following the civil war. The government has adopted a pro-growth economic strategy to reverse the deepening recession (no growth in 1999 and 2000). The growing budget deficit is central to the problem. The 2001 budget sets spending at € 6.6 billion and revenues at € 3.2 billion, leaving a deficit of 21.2% of GDP. Compared with the 2000 target, this is a 16% rise in expenditure and a 6% drop in revenues. There is little room for manoeuvre as 80% of the budget goes to civil service salaries and debt service. Evidence of EU concern over the economic situation, particularly on fiscal measures to reduce the budget deficit, was the ongoing discussion in releasing the second tranche of the € 50 million structural adjustment facility. The introduction of a system of value added tax is a key condition.

Monetary policy has been successful in maintaining the stability of the Lebanese pound and checking inflation. Business confidence has however been affected by the recession, by the continuing and large fiscal deficits and the lack of progress on privatisation and by continued uncertainty surrounding South Lebanon and the peace process.

A $1.3 billion development plan for South Lebanon was presented at a donor conference in July 2000 in Beirut. The Commission's contribution consists of financing five rehabilitation projects for the South (€ 9.2 million) under the "rehabilitation" budget line. ECHO, the Commission's humanitarian office, has also agreed to provide emergency funding for South Lebanon.

4.4.3. MEDA operations

The EU is Lebanon's leading donor. Combined EU and Member State aid contributions accounted for 53% of total donor grants to Lebanon during 1992-1999. EU assistance has been targeted at post-war reconstruction, emergency assistance to Palestinian refugees, civil society programmes, socio-economic development, environmental protection, human rights and democracy.

The MEDA I Programme (1996-1999) sets as its priorities the restructuring of the Lebanese economy, overhauling of the public service administration, improvements to institutional and legal systems affecting the private sector, and reducing social imbalances. Lebanon has benefited from € 182 million in MEDA grants, placing it among the leading per capita beneficiaries of EU assistance to Mediterranean Partners. The European Investment Bank has agreed four loans under MEDA I with a total value of € 180 million.

No new commitments were undertaken for Lebanon in 2000 under the MEDA programme. Funds for two projects were decommitted during the year following their cancellation: the Norms and Standards project (€ 6 million) and a € 10.3 million interest subsidy on the EIB loan for coastal pollution control (the loan was not drawn down). The focus during 2000 was on signature of three new financing agreements.

During 2000, in the aftermath of Israeli withdrawal from South Lebanon, twelve ECHO projects were agreed (€ 3.9 million) and five rehabilitation projects (€ 9.2 million); about € 10 million is dedicated to the South, and the balance mainly in support of Palestinian refugees in the twelve camps inside Lebanon.

LEBANON

MEDA COMMITMENTS 1995-1999 (€ MILLIONS)

Sector/Programme	Amount	Share
A. Support for economic transition	**107.1**	**58.8%**
Norms [1/]	6.0	
Investment planning programme	21.0	
Industrial modernisation programme	11.0	
Coastal pollution - EIB interest rate subsidy [1/]	10.3	
Tripoli wastewater - EIB interest rate subsidy	20.8	
Rehabilitation of the public administration	38.0	
B. Structural adjustment	**50.0**	**27.5%**
Structural adjustment facility	50.0	
C. Socio-economic balance support	**25.0**	**13.7%**
Fund for social and economic development	25.0	
Total	**182.1**	**100%**

1/ De-committed following cancellation of the programme.

4.5. Morocco

4.5.1. Bilateral relations

Morocco has opted clearly to work towards integrating its economy with that of the EU. Following the entry into force of the Association Agreement on 1 March 2000, Morocco declared its willingness to go beyond the free trade area provided for by the Agreement and aim for a Customs Union with the EU. Despite the Commission's commitment, the negotiations for the Fisheries Agreement, which were actively pursued, came to nothing. On 18 September 2000 the General Affairs Council adopted a negotiating mandate for a readmission agreement with Morocco.

4.5.2. Political and economic developments

4.5.2.1. Political developments

The process of political opening-up, continued by King Mohammed VI after his accession to the throne in 1999 through Mr Youssoufi's government, put Morocco in the lead position of the region in this respect. The processes of administrative decentralisation and development of civil society are generating really positive effects on the country's democratisation. The government launched a plan for including women in economic development, which aroused great expectations among the population concerned. However certain incidents concerning press freedom occurred during 2000, although these must be relativised in the context of the current political transition. With regard to the Western Sahara, Morocco stated at the meeting in Berlin in September 2000, that it would accept no solution that affected Moroccan sovereignty over this region.

4.5.2.2. Economic developments

The main feature of 2000 was very weak growth in GDP (+ 0.7%), largely due to the 14.8% fall in agricultural value added in 2000 (long drought) which could not be offset by the growth in the non-agricultural product (+ 3%).

These disappointing results affected the external accounts, which deteriorated (current account to –1.7% of GDP, trade balance to –9.6% of GDP). Foreign reserves fell by 5.7 months of imports in 1999 in 4.4 months. The trade deficit was caused by the appreciation of the Dirham against the euro, the rise in oil prices and the increase in agricultural imports.

The budgetary situation also worsened; the overall deficit (excluding privatisation) rose from –2.5% of GDP to –4.3% of GDP. Inflation remains moderate (+ 1.7%) partly owing to low demand.

The Moroccan economy remains very sensitive to external shocks, particularly because of the volatility of agricultural production and the public finance situation (increasing deficits, reduced base, size of the wage bill and debt). Morocco also has to cope with a particularly high unemployment rate (21.5% in 2000) and has lower social indicators than countries with comparable incomes.

The main aim of the government's Plan for Economic and Social development 2000-2004 is to increase GDP growth by encouraging investment to rise from a rate of 23.9% of GDP in 2000 to 28% of GDP in 2004. The adjustment programme for the financial sector carried out under MEDA II is thus designed to promote the private sector and investment.

4.5.3. *MEDA financial cooperation*

Cooperation with Morocco is part of a strategy for the country's economic transition and preparation for the Euro-Mediterranean free trade area. Morocco's capacity to absorb MEDA I funds was relatively satisfactory: EUR 660.2 million in commitments from 1995 to 1999, with a payment rate at the end of 2000 of 25%.

With regard to MEDA II, five projects were committed in 2000 totalling EUR 140.5 million:

- *Modernisation of the law courts* (EUR 27.6 million): The general objective of the project is to help improve the performance of the judicial system with a view to high ethical standards and transparent, independent and efficient dispute settlement. The specific objective of the project is to improve the structural capacities (and in particular computer systems) and organisation (training, databases and filing) of 44 of Morocco's courts (16 Appeal Courts, 21 Courts of First Instance and 7 Administrative Courts).

- *Participatory rural development in the Mid Central Atlas (Khénifra Project)* (EUR 9 million): The aim of the project is to improve the living conditions of rural people in 12 rural districts of Khénifra province by increasing their income and establishing rational, participatory, and integrated management of natural resources. It will also help to promote the role of rural women.

- *Financial sector adjustment programme* (EUR 52 million): the general objective is to restructure the financial intermediation sector, with a view to improving the economic environment and boosting growth. The specific objectives are: to adapt the institutional and regulatory framework of the financial sector with a view to reinforcing the bodies responsible for control and prudential supervision of financial intermediation, withdrawal of the state from the banking sector and strengthening competition, competitiveness and innovation in financial services and products.

- *Health sector adjustment programme* (EUR 50 million): The purpose of this programme is to provide support for the preparation and initial implementation of universal sickness cover in Morocco. Implementation of the reform will comprise measures to ensure consistency between public and private funding sources for care and measures to improve access to and the quality of care. The programme will entail considerable redistribution of health expenditure in favour of the disadvantaged and rural population.

- *Urban solid waste management in Essaouira* (EUR 1 935 000): This project is part of a draft law project drawn up by the government relating to solid waste management and elimination. The specific objective is environmental management and the development of local capacities in the city of Essaouira.

MOROCCO

MEDA 2000: COMMITMENTS (EUR million)

Programme/project name	Amount
Modernisation of the law courts	27.6
Khénifra (participatory rural development)	9.0
Financial sector adjustment	52.0
Health sector of adjustment	50.0
Solid waste management in Essaouira	1.9
Total	**140.5**

MOROCCO

MEDA COMMITMENTS 1995-1999 (EUR million)

Programme/projects by sector	Amount	Share
A. Support for economic transition	**175.5**	**26.4%**
Support for upgrading technical education and vocational training	38.0	
Support for the quality promotion programme	15.7	
Support for privatisation	5.0	
Support for regulating and liberalising telecommunications	5.0	
Guarantee fund	30.0	
Business district (Euro Morocco Entreprise)	30.0	
Support for professional associations	5.0	
Risk capital (EIB)	45.0	
Study on the impact of the free trade area	1.3	
Micro appropriations	0.4	
B. Structural adjustment facility	**120.0**	**18.2%**
Structural adjustment facility	120.0	

C. Socio-economic balance support	**364.7**	**55.4%**
Interest rate subsidy sanitation (EIB)	20,4	
Water and sanitation in a rural environment	40.0	
Slum clearance in Tangiers	7.0	
Support for management of the health sector	20,0	
Support for basic education	40.0	
Support for job creation	3.3	
Scheme to help young people by developing sport	6.0	
Network of cultural centres	5.0	
Support for Moroccan development associations	4.0	
Rural roads and tracks in the north of Morocco	30.0	
Mediterranean "rocade" (road link)	80.3	
Support at national level for geological mapping	5.0	
Support for Mediterranean inshore fishing	21.0	
Participatory development of the forest belts of Chefchaouen province	24.0	
Hydro-agricultural improvements around Sahla (in the north of Taounate province)	28.6	
Support for integrated rural development	28.4	
Support for the social sector	1.7	
Total	**660.2**	**100%**

4.6. Syria

4.6.1. Bilateral relations

Syrian politicians stressed on more than one occasion the importance of an ever-closer EU-Syrian cooperation and Syria's strategic choice of the European Union as the partner for reform and modernisation. This was specifically emphasised during Commissioner Patten's visit to Syria in April 2000, and by Syrian Planning Minister Issam Zaïm at his visit to Brussels in December 2000.

In December 2000, negotiations for an Association Agreement were re-launched with the new Syrian Government at a meeting in Brussels. It was agreed to move forward more rapidly with sessions if possible every two months.

4.6.2. Political and economic situation of Syria

4.6.2.1. Political developments

Two major events in the first half of 2000 have changed the domestic political landscape in Syria. In March, a new Government took office under Prime Minister Miro. This was the first major government reshuffle in 13 years. In July 2000, President Hafez al-Assad died and was succeeded by his son Dr. Bashar al-Assad.

As regards to foreign affairs, Syria's main goal remained to regain the Golan, occupied by Israel in the 1967 and 1973 wars. However, US-sponsored peace talks with Israel in early 2000 and a meeting between US President Clinton and Syrian President Assad in March 2000 did not achieve any results. Following Israel's withdrawal from South-Lebanon, Syria supported Lebanon's rejection of the UN-certified 'blue line' as a border with Israel.

4.6.2.2. Economic developments

After a recession in 1999 due to the low oil prices and a drought, indications gave hope for an improvement of the economy. Syria stabilised the national currency (Syrian Pound) and efforts were made to unify the exchange rate. Inflation fell to 0.5 % in 2000. Rising oil prices, a repeated announcement of economic reforms and the effort to stimulate economic activity through an expansionary fiscal policy supported the expectations of an economic upturn. Real GDP growth is estimated at 1.3 % for 2000 and at around 2.4 % for 2001.

Syria's economy remains largely controlled by the State and dominated by oil. Oil revenues account for 60% of total government revenues, 60-70% of total foreign exchange income and around 16% of GDP. The new President is reform-oriented and fully aware of the difficulties of his country's economic isolation. Concerning the reform agenda, the Government announced in 2000 to undertake structural measures aimed at economic reform in support of the private sector by creating a legislative and regulatory environment more favourable to investments. Positive signs are the revision of Law No.10 (1991) on investment, the opening of new areas of economic activities (including private banks) for the private sector, the announcement of exchange rate simplification, and allowing residents to open foreign currency accounts. In September 2000, the Syrian government adopted a job-creation plan (total cost: £50 billion Syrian pounds) with the view of creating 400,000 jobs within the next five years. Syria has reached debt settlement agreements with a series of creditor countries and institutions, including Germany (October 2000). Especially the latter has already facilitated the return of the European Investment Bank to Syria.

4.6.3. MEDA operations

The projects defined in the MEDA I programme (1996-99) focus on key institutional areas, including:

- the reform of the administrative and economic structures
- the support of the business sector
- the development of the human resources.

Syria concluded the ratification process of the MEDA Framework Convention in July 2000. In the following months, three MEDA I projects were signed, totalling € 35 million (Syrian-European Business Centre, € 12 million; Institutional and Sector Modernisation Facility, € 21 million; and the Archaeological Training Programme, € 2 million). Only one project reached implementation stage (Syrian-European Business Centre). The others are at various stages of implementation preparation.

No new projects were agreed with Syria in 2000. The 2000 commitments (see table below) concern all programmes for which re-commitments were made, as the financing agreement was not signed in the year following the budgetary commitment.

SYRIA
MEDA 2000: COMMITMENTS (€ MILLION)

Name of project/programme	Amount
Power Sector Action Plan	11
Higher Institute of Business Administration	14
Telecommunication Sector Support Programme	10
Cultural Tourism Development Programme	3
Total	**38**

MEDA COMMITMENTS 1995-1999 (€ MILLION)

Sector/Programme	Amount	Share
A. Support for economic transition	**92.0**	**91.5%**
Modernisation of municipal administration I	6.0	
Modernisation of municipal administration	12.0	
Telecom sector support programme	5.5	
Business administration sector	14.0	
Modernisation of the Ministry of Finance	10.5	
Power sector action plan	11.0	
Business centre (phase II)	12.0	
Institutional and sector modernisation facility	21.0	
B. Structural adjustment facilities	**-**	**-**
C. Socio-economic balance support	**8.5**	**8.5%**
Development of cultural tourism	3.0	
Forest sector support programme	3.5	
Archaeological training programme (MEDA global allocation)	2.0	
Total	**100.5**	**100%**

4.7. Tunisia

4.7.1. Bilateral relations

Of all the Euro-Mediterranean partners, Tunisia has taken the project of creating a free trade area with the European Union furthest. It has announced the conclusion of free trade agreements with a number of its Southern Mediterranean partners (Morocco, Jordan and Egypt). It also made an early start on the process of tariff dismantling, well before the association agreement came into force in March 1998.

A meeting of the Association Council was held in Brussels on 24 January 2000 during which the two sides had an opportunity to discuss the progress made by the partnership and to tackle political issues of common interest.

The European Parliament expressed its concern at the human rights situation in Tunisia, in two resolutions adopted in June and December 2000.

4.7.2. Political and economic developments

4.7.2.1. Political developments

The domestic political situation was characterised by a degree of stability and security, in a regional environment that has seen major changes. The 1999 presidential elections confirmed a new five-year mandate for the President of the Republic, Mr Ben Ali. The main events on the political scene in 2000 were the death of Habib Bourguiba in April, municipal elections in May in which the Democratic Constitutional Party (RCD) won 94 of the votes, and the investigation for corruption and resignation of the president of the General Union of Tunisian Workers (UGTT). In November an unknown number of prisoners, including political prisoners, benefited from a presidential pardon and steps were taken to transfer responsibility for managing the country's prisons from the Interior Ministry to the Ministry of Justice. Amendments to the press code were announced and the new code was approved by the Chamber of Deputies on 3 May 2001. It includes the abolition of the crime of "defamation of public order".

In Europe the media gave a lot of cover to two human rights cases - the case of the journalist Ben Brik who went on hunger strike following a trial for defamation of public order; the cancellation by legal decision, following the actions of four members of the League, of elections for the Steering Committee of the Tunisian League of Human Rights (LTDH). Some European media and human rights organisations interpreted this decision as an attack by the authorities on an independent body for the defence of human rights and fundamental freedoms.

These two events and the general situation, judged to be unsatisfactory, of the exercise of political freedoms were at the root of the two European Parliament resolutions mentioned above. Strengthening the rule of law and greater press freedom will be essential if there is to be more dynamic governance in a more open environment.

4.7.2.2. Economic development

Leading indicators point to a stable macroeconomic framework. The rate of inflation (2.9%) was barely higher than in 1999 (2.7%); foreign debt remained stable (51% of GDP) and the budget deficit (2.7%) showed an improvement over 1999 (3.5%). The slight downturn in the growth rate (5%, compared with 6.2% in 1999) was due to a recession in the agricultural sector (- 1%) resulting from a drought which affected most of the country.

The unemployment rate (15.5%) remains high, despite good economic growth. With each passing year, there are 80 000 new job seekers, which means the country must maintain a growth rate of more than 5% to avoid rising unemployment.

Of all the MED countries, Tunisia remains the most integrated into the European economy, and the free trade agreement should further strengthen links with the EU. Since 1996, when Tunisia began unilaterally and progressively dismantling its tariff barriers, the share of EU imports has remained stable at between 71% and 75%. In addition, 80% of Tunisian exports still go to the European Community. At present, 40% of Tunisian industrial imports from the EU are free of customs duties, and the remainder already benefit from preferential rates of between 48% and 23% of MFN duties. "Sensitive products" have been subject to progressive dismantling since 1 January 2000.

The trade balance still shows a substantial deficit (almost EUR 3 billion). The trade deficit with the EU reached EUR 1.5 billion, an increase of 26% over the previous year. Manufacturing industries constitute 84% of Tunisian exports, while textiles account for 46% of exported goods.

2000 saw a rise in foreign direct investment (FDI), though it remains insufficient to compensate for the probable long-term effects of the agreement. EUR 800 million of FDI in 2000, more than double the figure for 1999, is still wholly inadequate, when one takes into account that a third of this sum is the result of privatising the country's cement factories, and another third represents investments in oil and gas prospecting concessions. As a result, outside of the energy and privatisation sectors, foreign promoters invested only EUR 250 million (approximately 1% of GDP).

4.7.3. MEDA financial cooperation

Cooperation with Tunisia is part of a strategy for the country's economic transition and preparation for the Euro-Mediterranean free trade area. This approach rests on two main principles: supporting economic reforms and the development of the private sector; and strengthening the socio-economic balance and good governance. Overall, EUR 504 million (1995-2000) have been committed for Tunisia under the MEDA programme since 1995 (see table). In 2000, commitments were made for three new projects for a total of EUR 75.6 million:

- *Programme to support the reform of basic education (EUR 40 million)*: Support for the reform of basic education so as to contribute to the socio-economic development of the country. The overall objective is to improve the qualitative level of the country's human resources, in the interests of equity, and to prepare better for coming social, political and economic changes. The specific objective of the programme is to increase the internal/external effectiveness, efficiency and equity of basic education, through the active participation of all involved parties and beneficiaries.

- *Private sector support (EIB), risk capital (EUR 30 million)*: The aim is to strengthen the capital base of private companies, and companies in the process of privatisation, including concessionary operations, through investments made either by financial intermediaries or directly by the EIB. Banks and comparable financial institutions will be provided with the means to take direct stakes in investment companies, investment funds and any other equivalent entities which operate to increase the share capital of Tunisian companies, and this possibility will also be extended to the EIB (in the form of temporary stakes held in the name of the EU).

- *Solid waste management project, interest subsidy from EIB own resources*: The project aims to set up regional solid waste management systems, based on rubbish tips and related transfer centres that will be established across Tunisia. It seeks to protect the Tunisian environment, to improve people's quality of life and to enhance the country's appeal for tourists.

TUNISIA

MEDA 2000 : COMMITMENTS (EUR MILLION)

Project name	**Amount**
Programme to support the reform of basic education	40
Private sector support (EIB), risk capita	30
Solid waste, interest subsidy (EIB)	5,6
Total	**75,6**

MEDA COMMITMENTS 1995-1999 (EUR MILLION)

Sector/Programme	**Amount**	**Share**
A. Support for economic transition	**119**	**28%**
Vocational training (MANFORM)	45	
Support for privatisation	10	
Support for the competitiveness of the Tunisian economy	10	
Promoting foreign investments (FIPA)	4	
Business district	20	
Privatising public companies/Industry: Risk capital	30	
B. Structural/sectoral adjustment facilities	**220**	**51%**
Structural adjustment facility I	100	
Structural adjustment facility II	80	
Programme to support health insurance reform	40	
C. Socio-economic balance support	**89,4**	**21%**
Integrated rural development (DRI/GRN)	50	
Support for job creation	9,6	
Cleaning up the Lac Sud – interest subsidy (EIB)	9,25	
ONAS III sanitation – interest subsidy (EIB)	9,05	
Pollution reduction in Gabés - interest subsidy (EIB)	11,5	
Total A.+B.+C.	**428,4**	**100%**

4.8. Turkey

4.8.1. Bilateral relations

The year was the first in the new climate of EU-Turkey relations provided by the recognition of Turkey's status as a candidate for EU accession at the Helsinki European Council in December 1999.

In 2000 the preparation of the analytical examination of the Community acquis began in the framework of the Accession process. Sub-committees created under the aegis of the Association Council are now undertaking this work. The first "regular report" covering the 29 chapters of the acquis was adopted by the Commission in November. The Commission adopted also a proposed Accession Partnership on which the Council would take its decision in 2001. Negotiations to extend the customs union in the public procurement and services sector were started, and procedures for Turkey to participate in Community programmes and agencies were accelerated.

Turkey, of course, remains both a full participant in the Barcelona Process and a beneficiary under MEDA regional programmes.

4.8.2. Political and economic developments

The centre-right/leftist coalition continued its programme of structural reforms. Relative political stability throughout the year contrasted strongly with a rapidly developing economic situation. But the year started well. Following recession in 1999, the economy grew strongly with a growth rate approaching 6.5%.

The main macroeconomic problem continued to be the rate of inflation. Although the downward trend in the inflation rate continued, the rate remained well above the government's target. Nevertheless, the situation was a marked improvement on 1999.

The implementation of an IMF credit stand-by agreement made a significant contribution to the implementation of the disinflation and stabilisation programme launched in 1999. Fiscal performance was also strong, with falling interest rates and improved privatisation procedures, which were to further diminish the overall public sector debt.

However, in November 2000 massive cash withdrawal by foreign investors caused a liquidity crisis with overnight interest rates of up to 2000 %. Following the crisis, the IMF approved a loan package of US$ 10.4 billion and a revised economic programme including further commitments to reforms and privatisation.

4.8.3. MEDA Operations

It was agreed with the Turkish authorities that the lion's share of Community financial assistance in 2000 would directly support the government's economic reform programme through a Structural Adjustment Facility.

The Structural Adjustment Facility accounts for € 150 million in two equal tranches. It was drawn up in consultation with both the World Bank and the Turkish government, and the conditions for release of its first tranche are the same as the conditions for release of the second tranche of the World Bank's Economic Reform Loan of US$ 787 million. Conditions for release of the second tranche of the Structural Adjustment Facility are more closely linked to progress in moving towards the acquis communautaire in a number of fields.

The reform programme to be undertaken by Turkey to allow for implementation of the facility has four major components:

- Macroeconomic stability
- Social security reform
- Restructuring of the agricultural sector
- Deregulation and privatisation

The enlargement of the Jean Monnet Scholarship programme in 2000 will provide further training for Turkish university graduates, young civil servants and private sector employees wishing to follow post-graduate university studies in one of the Member States of the European Union. The course selected must last for between three months and one year.

The Bursa wastewater treatment project is being taken forward in conjunction with the EIB. Bursa is experiencing rapid population growth principally due to its attractiveness for immigration from rural areas occasioned by its rapid industrial expansion. This is the second phase of a larger project launched in 1993 by the World Bank. The project will improve the city's public infrastructure and reduce pollution of the Nilüfer River which flows through the city. The EIB is providing € 80 million of the € 208 million total cost of the project, with the Community contribution of € 16 million subsidising the interest rate on this loan.

Problems with the implementation of previously programmed assistance continued to give rise to concern. Indeed, at the end of the year a number of projects had to be de-committed; funds were then re-committed due to the availability of resources from other parts of the MEDA programme. A workplan was established to ensure acceleration of implementation over the years 2001-2002.

TURKEY

MEDA 2000: COMMITMENTS (€ MILLION)

Name of project/programme	Amount
Structural Adjustment Facility	150
Jean Monnet Scholarship Programme	10
Bursa wastewater treatment – EIB interest-rate subsidy	16
Re-commitment of 4 projects	134.3 *
Total	**310.3**

***** EUR 134.3 million concerning four projects previously committed in the fields of health, education, rehabilitation and water treatment had to be re-committed in 2000.

MEDA COMMITMENTS 1996-1999 (€ MILLION)

Sector/programme	Amount	Share
A. Support for economic transition	**125.5**	**33.3%**
Business Innovation centres	3.1	
EU on-line network	0.7	
Business Centres development	17.3	
Food inspection	10.1	
Strengthening of vocational education and training	51	
Mechatronics centre	1.8	
EIB interest rate subsidies	29.5	
EIB risk capital	12	
B. Structural/sectoral adjustment	**-**	**-**
C. Socio-economic balance support	**250.5**	**66.6%**
Women entrepreneurs	1	
Automotive components sector – industrial zone	1.2	
Textile environmental standards	1	
Effective enforcement of intellectual property laws	1.7	
Women cancer pre-diagnosis centre	1.9	

Sanliurfa drinking water supply	21.3	
Reproductive health programme	55	
Civil society development programme	8	
Support to basic education	100	
Modernisation of VET (vocational education and training)	14	
Administrative cooperation	12	
Rehabilitation of Balat and Fener districts in Istanbul	7	
Human rights-civil society projects (28)	15	
Vocational training in shoemaking sector	1.9	
Vocational training in clothing sector	1.5	
Jean Monnet Scholarship programme	5	
Miscellaneous (seminars/training)	3	
Total	**376**	**100 %**

4.9. West Bank and Gaza Strip/Palestinian Authority

4.9.1. Bilateral relations

In January 2000, President Arafat visited Brussels. President Prodi and Commissioner Patten visited the West Bank and Gaza in January and April 2000, respectively. Furthermore, Nabeel Sha'ath, Palestinian Minister for Planning and International Cooperation, visited Brussels in several occasions. The first Joint Association Committee in the framework of the EU-PLO Association Agreement was held on 23 May 2000.

4.9.2. Political and economic developments

4.9.2.1. Political developments

The outbreak of the "Al-Aqsa Intifada" in September 2000 and the subsequent closure of the Palestinian Territories abruptly put an end to a path of economic growth and institutional reform that had taken place during the first half of the year 2000. The subsequent crisis brought the economic and institutional framework to the brink of collapse. By the end of 2000, 330 Palestinians, 45 Israeli Jews and 13 Israeli Arabs had been killed in the clashes. In addition, over 10,000 – mostly Palestinians – had been wounded and around one thousand arrested.

4.9.2.2. Economic developments

During the first nine months of the year 2000, the Palestinian economy had continued a steady growth although at lower rates than in 1999. Slowing down of growth was mainly caused by the loss of employment opportunities in Israel and limited growth of exports due to remaining Israeli restrictions to movement of goods. In addition, the Palestinian Authority (PA) had started to redress its budgetary policy by introducing increased transparency in fiscal management. In January 2000, the Higher Council for Development was created, which represented a major reorientation of the Palestinian Authority economic and financial policies. Furthermore, the PA had implemented the consolidation of accounts improving the management and transparency of the budgetary policy.

The increasing violence on the ground and the economic closure of the territories since October brought the PA to the brink of collapse. By the end of 2000, the GDP loss had been of approximately €230 million a month or around 40% of the GDP. This amount included the revenue loss originating in the restrictions imposed to Palestinian workers to work in Israel. Domestic revenues went from broadly $31m per month before the intifada to $21 at the end of 2000. Clearance revenues were broadly $50m before the intifada and are now not being paid (although the estimated amounts due have fallen to $28m at the end of 2000). Taking into account the fall in domestic revenues of $10 and the loss of $50m in clearance revenues the loss of revenues is $60m or about €53m compared to before the second intifada.

About one third of the active population had/has?? lost its main source of income. There has been a 50% increase in the number of people living below the poverty line (estimated by the World Bank as $2.10 per person per day in consumption expenditures), with the poverty rate increasing from 21% to 32% of the population. Loss of employment in Israel plus mobility restrictions and border closures have increased the average unemployment rate up to 38% (more than 250,000 persons) as compared to 11% (71,000 persons) in the first nine months of 2000.

In addition, the uncertainty and unpredictability of the situation prevented to take any substantial budgetary or economic policy decision. The fragmentation of the Palestinian Territories into 48 closed areas added to the budgetary weakening of the Palestinian Authority and the incapacity to operate smoothly due to the isolation between governments units and bodies.

4.9.3. MEDA operations

The European Community's cooperation with the West Bank and Gaza Strip is mainly financed through a specific budget line entitled "Support to the Middle East Peace Process" (B7-420). Cooperation activities under this title amounted to around €20.4 million in 2000.

MEDA financing is integrated into the overall cooperation strategy being pursed in the above-mentioned framework. The objective is to improve the living conditions of the Palestinian population and to support the peace process in the region by financing investment and operating costs in infrastructure, urban and rural development, education, health, environment, services, foreign trade and institution building.

Coinciding with the outbreak of violence in the Palestinian Territories in October 2000, the Israeli authorities proceeded to freeze the monthly transfers of clearance revenues (VAT and custom duty receipts) to the Palestinian Authority. This system of transfers was provided for in the 1994 Israeli-Palestinian Protocol on Economic Relations (the Paris Protocol) and so far had been considered by the two parties as one of the major successes of cooperation between Palestinians and Israelis, making it possible to ensure or stabilise about 60% of the budgetary income of the Palestinian Authority. Given the importance of these transfers for the PA budget, their blockage had a significant and immediate impact.

Following confirmation by the IMF of this freeze, subsequent budgetary difficulties of the PA and compliance by the latter with the relevant conditionalities, the Commission decided to release the €27.6 million (€25 million plus accumulated interests) of a Special Cash Facility (SCF) set up in 1998 under the MEDA Programme. Conditions for the disbursement of the SCF related to the consolidation of PA accounts, control of current expenditure and efforts to balance the budget. This Special Cash Facility had been set-up in 1998 at the request of the General Affairs Council to help cope with the budgetary impact of any freeze of monthly transfers of tax receipts (VAT and customs duties) by the Israeli government. This fund should alleviate the short-term liquidity problems that the Palestinian Authority would encounter in such a situation and should provide the PA with a stabilisation mechanism reducing the political, economic and social risks, which would result from the non-transfer of tax receipts.

In the light of the continuing freeze of clearance revenue transfers from the Israeli side and its impact on the deteriorating situation on the ground, the General Affairs Council of 4 December 2000 requested the Commission to establish a new Special Cash Facility of up to €90 million. The disbursement of funds under the new Special Cash Facility was subject to a number of conditionalities including, the continuation by the PA of the practise started in April 2000 of consolidating its revenue and expenditure into the budget under the control of the Minister of Finance; the stabilisation of the current expenditure and the adoption of a balanced budget.

In addition to the Special Cash Facility and prior to the outbreak of the Intifada, in the year 2000 the MEDA programme financed actions in West Bank and Gaza for a total of €7 million. The MEDA programme financed one operation, “Gaza Water and Sanitation II”, of interest-rate subsidy (EIB) for €3.7 million. This project aimed at providing wastewater treatment services for some 80% of the Palestinian population in the Northern Gaza Strip (expected to reach about 270,000 people in the year 2010). The EIB loan partly finances the construction of a new wastewater treatment plant, associated sewage collectors, pumping stations and treated effluent infiltration ponds in the Northern Gaza Strip.

Furthermore, the MEDA programme financed a Risk Capital Operation (EIB) for the “Cairo Amman Bank-Global Loan II” for €3 million. This operation aimed at providing long-term funding, on appropriate terms, to assist Palestinian SMEs to start up or expand in all business sectors through a combination of long-term loans and risk-capital funding.

WEST BANK AND GAZA STRIP

MEDA 2000 COMMITMENTS (€ MILLION)

Sector/Programme	Amount
Special Cash Facility II	90
Gaza Water and Sanitation II (EIB interest rate subsidy)	3.713
Cairo Amman Bank – Global Loan II (EIB risk capital operation)	3
Total	**96.713**

WEST BANK AND GAZA STRIP

MEDA COMMITMENTS 1995-2000 (€ MILLION)

Sector/Programme	Amount	Share
A. Support for economic transition	**97.2**	**46.7%**
Economic policy support programme	0.5	
Technical assistance on customs administration	1.2	
Budget stabilisation fund	25	
Gaza water and sanitation - EIB interest-rate subsidy	7.4	
Technical assistance to the Palestinian Authority (Cotter)	3.6	
Industrial estates - EIB interest-rate subsidy	1	
Investment Guarantee Fund – MIGA (EIB risk capital)	5	
Private sector development	3	
Palestinian Banking Corporation (EIB risk capital)	8	
West Bank water project - EIB interest-rate subsidy	8.6	
Gaza Airport Cargo Facility	25	
EIB interest-rate subsidy	2.3	
Gaza Water and Sanitation II (EIB interest-rate subsidy)	3	
Cairo Amman Bank – Global Loan II (EIB risk capital operation)	3.7	

B. Structural adjustment		**0%**
C. Socio-economic balance support	**20.5**	**9.9%**
Recurrent costs of the Education Ministry	20	
Monitoring Israeli colonising activities	0.5	
D. Others	**90.0**	**43.3%**
Special Cash Facility II	90.0	
Total	**208**	**100%**

5. REGIONAL COOPERATION

The year 2000 was a milestone in the development of the regional programme. Several regional activities and programmes covering the three chapters of the Barcelona Process, were launched and/or implemented during the year.

In its Communication "Reinvigorating the Barcelona Process"[3] the Commission underlined the strategic importance of regional cooperation and it accepted the principle that sub-regional cooperation can play a very useful role in fostering cooperation between partners. This was also endorsed by the Euro-Mediterranean Meeting of Foreign Ministers in Marseilles, where the importance of regional aspects of the partnership was underlined once more. A particular emphasis was made in fostering the co-ordination between regional and bilateral actions.

The main developments in specific programmes during the year were as follows:

- **Industrial cooperation**: 2000 was devoted to define the contents of regional programmes in three of the four priority areas that have been defined for industrial cooperation and approved by the participants to the third Euro-Mediterranean Conference of Ministers of Industry held in Limassol in June 2000 (investment promotion; innovation, technology and quality; Euromed market instruments and mechanisms and SMEs). EUR 9.9 million were committed to launch a regional programme for the promotion of Euro-Mediterranean market instruments and mechanisms, based on the proposals contained in the Communication from the Commission on the Euro-Mediterranean Partnership and the Single Market (COM(98)538). € 15 million was committed to launch a regional programme on the promotion of innovation, technology and quality among enterprises.. Discussions on the orientations for the fourth priority area (improving the climate for development of SMEs) started in the framework of the Working Group on Euro-Mediterranean Industrial Cooperation. As far as direct business-to-business contacts are concerned, the Medpartenariat Egypt 2000 and similar enterprise meetings co-sponsored by the EU also helped foster North-South and South-South industrial cooperation.

- **Environment**: By the end of 2000, most of the contracts following the 1st Call for regional proposals in the context of the Short and Medium-term priority environmental Action Programme (SMAP) had been signed. A second Call for regional proposals was launched and was open until October. The second meeting of SMAP Correspondents, a consultative body, was held in Brussels in June. The SMAP programme aims at assisting the Mediterranean Partners in attaining five overall environmental objectives as outlined by the Helsinki Environment Ministers Meeting in November 1997.

- **Information Society**: A call for proposals was announced under the Euro-Mediterranean programme on the information Society (EUMEDIS). The EU contribution amounts to € 35 million. The programme is designed to reduce the technological gap between the EU and the Mediterranean Partners. It is complementary to another regional project (EU contribution € 2.5 million), New Approaches to Telecommunications Policy (NATP), which began its implementation in June.

---

[3] COM (2000) 497 final

- **Local Water Management**: Consultations were held with representatives of the 15 EU Member States as well as with the 27 Partners, in order to prepare the launch of a call for proposals for a regional water programme in accordance with the conclusions of the Turin Ministerial Conference on Local Water Management of October 1999. The Water Forum, an Euro-Mediterranean consultative body, held its first meeting in Brussels in June.

- **Transport**: The Second Transport Forum met in Brussels in November and gave its support to the launch of a regional transport project focussing on the improvement of the functioning the transport chain in the region. The Forum also supported the creation of four working groups on transport (maritime transport, satellite navigation, network and infrastructure, research).

- **Energy**: The Third Energy Forum was held in Granada in May. Among the conclusions was the launch of three ad hoc working groups (energy policy, economic analysis, and interconnections). € 1.9 million was committed to the project Energy and Urban Environment. A contract was signed for the project Mediterranean Electric Ring (EU contribution € 2.1 million) as well as for Energy Policy and Training Network (EU contribution € 1.8 million).

- **Audio-visual**: the cluster of six regional projects - dealing with areas such as preservation of audio-visual archives, support to production and co-production, and support to broadcasting, distribution and circulation of audio-visual works, including training and technology transfer in the field of cinema and television - started their activities during 2000 (the Euromed Audio-visual programme – phase I has a total budget of € 20 million). The first network meeting of Euromed Audio-visual (gathering all the six projects) took place in Rabat in September 2000.

- **Cultural Heritage**: € 30 million was committed to the support of a Euromed cultural heritage programme (Euromed Heritage II) with three main priorities: transfer of knowledge, human resources, and development of heritage. The call for proposals was launched in January 2001.

- **Youth**: The Euromed Youth Action Programme endowed with € 9.7 million is now fully operational. The programme's main goal is to improve mutual comprehension and cohesion between young people across the Mediterranean basin, based on and committed to mutual respect, tolerance and dialogue between the various cultures. More than 150 projects (youth exchanges, volunteer service and support measures) have been financed during 1999/2000. Its importance was stressed in the "Marseilles Youth Declaration" during the Civil Forum that took place in November 2000.

- **Middle East peace projects:** The projects concern natural protection, economic research, science education, judicial and media cooperation as well as people-to-people activities for a total of €22.9 million.

- **Economic and Social**: Two contracts with an EU grant totalling € 1.3 million for the support of economic and social councils in the region were signed (Social Dialogue and Social Systems; Consultative Function of Economic and Social Partners).

6. Information activities on the Euro-Mediterranean Partnership

Improving the visibility of the Euro-Med Partnership remains an important objective. This section provides an overview of the information activities pursued during the year 2000.

6.1. Website and publications

From September 2000 onwards the Euromed Internet Forum website was integrated in the Commission's Europa website[4]. This was one of the measures undertaken by the Commission to improve the quality and quantity of the information provided.

During 2000, a new brochure was published in English and French entitled "The Barcelona Process, five years on - 1995 – 2000" and another one was prepared in French entitled "Union européenne – Maghreb : 25 ans de coopération – 1976-2001". Information notes describing on-going activities and projects of the Euro-Mediterranean Partnership are also available on-line.

Moreover, a number of information tools are prepared regularly by the Commission services with a view to keep those interested informed about the most recent activities. These publications are sent by e-mail or fax to more than 2,500 readers in the EU and the Mediterranean Partners. They are also available on the Commission's website. Amongst them:

- **Euromed Synopsis/Synopsis Euromed**: weekly news bulletin in English and French on the main ongoing and forthcoming projects, programmes and events related to the Euro-Mediterranean Partnership. It announces the most relevant events scheduled within a period of four to five weeks and also contains background information as well as a follow-up of the most recent events.

- **Euromed Special Feature/Dossier Spécial Euromed**: monthly publication in English and French that addresses in-depth one specific issue within the framework of the Barcelona Process. This might be a regional programme, a Mediterranean Partner profile, a project or a theme of common interest to the 27 Euro-Mediterranean partners. In 2000, issues covered were investment, energy, transport, the Euromed Heritage programme, the Association Agreement with Morocco and with Israel.

- **Euromed Report**: publication in English and/or French for quick dissemination of conclusions of major meetings, important communications and other documents, political statements, press releases and summaries of reports concerning the Euro-Mediterranean Partnership. 18 issues were published in 2000.

- **Monthly Calendar of the Barcelona Process**: published every month in English and French. It brings to the attention of the general public important information on events related to the Euro-Mediterranean Partnership. It is divided into three sections: calendar of priority actions of the Barcelona Process; information sheets on future meetings; and conclusions of previous meetings.

---

[4] http://europa.eu.int/comm/external_relations/med_mideast/euro_med_partnership

6.2. Information visits for specific groups

The main objective of the information visits is to allow representatives of media and civil society from the Mediterranean Partners to acquaint themselves with the European institutions, to have direct exchanges with EU officials, and to acquire information about the Euro-Mediterranean Partnership, in particular with respect to their specific field of activity. These visits, in the past addressed only to journalists, have now been extended to other groups from the civil society and from the private sector. Six visits of this kind took place in 2000.

6.3. Information and culture activities of the Delegations

The Delegations of the European Commission in the 12 Mediterranean Partners receive funding for local and regional cultural as well as information activities. The activities are identified by the Delegations and proposed to Headquarters on an annual basis. In 2000, € 1,976,100 was allocated for this purpose, compared to € 1,364,756 in 1999.

7. THE EIB'S OPERATIONS IN THE MEDITERRANEAN REGION

In the Mediterranean region, the European Investment Bank's (EIB) lending activities essentially take place within the Euro-Mediterranean partnership in order to support the economic development of the countries concerned. EIB loans support specific investment projects, smaller-scale projects and SMEs, via the mechanism of global loans, at the same strengthening the financial sector in the various countries. In the context of the Euro-Mediterranean partnership, the loans granted by the EIB are supplemented by interest subsidies (on loans granted to the sector of the environment) and operations of venture capital coming from budgetary sources of the European Union, managed by the Bank.

7.1. Loan operations

In the Mediterranean region, the Bank signed 19 loans in 8 countries in 2000, totalling EUR 1193 million.

The lion's share of the loans were signed in Turkey (EUR 575 million) primarily because of the financing for the reconstruction programme following the August 1999 earthquake; 31% of the amounts signed in the year were committed for the project for the *reconstruction of infrastructure and industries* (EUR 375 million).

Projects in the *transport – communications* sector were allocated 21% of the year's financing (EUR 248 million). The projects financed include sections of the East-West motorway in Algeria, modernisation of the Tunis-Sousse railway line in Tunisia, an extension of the light rail system in Tunis and projects to rebuild and rehabilitate rural roads in the northern provinces of Morocco.

In the energy *sector* (10% of total financing), EUR 120 million were allocated to electricity transport projects in Syria and in Tunisia.

Environmental protection projects were allocated EUR 225 million (19% of the total). These projects cover a wide range of areas such as solid waste treatment in Tunisia, the rehabilitation and extension of drainage systems in agricultural areas of the Nile valley (Egypt), the extension of the system for collecting waste water in Bursa (Turkey) and combating industrial pollution in Turkey.

The *industry and tourism* sectors also received a large amount of funding: EUR 225 million - 19% of the total for the year.

Global loans in Tunisia, Egypt, Turkey and the West Bank/Gaza Strip totalled EUR 135 million. In addition, direct loans to industrial companies were allocated to two Jordanian projects (production of bromine and its derivatives, development of phosphate mines) and a Moroccan project (development of a gold mine).

The Bank continued to commit risk capital funds both from existing lines and by setting up new operations in Jordan and Tunisia. A special line was also created for financing companies and regional investment funds.

In the Mediterranean region, EIB activities are carried out within the framework of the policy laid down by the European Union and follow a concerted approach that is currently applied in close cooperation with the Commission and, where appropriate, with other international financial institutions, for example via cofinancing operations.

The above projects represent a good selection of operations that will provide a solid basis for the Mediterranean partners' sustainable economic development. Since they come under the "financial cooperation" chapter of the political mandate given by the Barcelona Declaration, these actions are compatible with the development strategies of the beneficiary countries and coherent with the action of other donors and financing agencies, particularly in the Middle East and North Africa.

7.2. Interest rate subsidies

7.2.1. Egypt – National Drainage Programme

Amount of the loan: EUR 50 million

Amount of the interest subsidy: EUR 12.7 million

Description: development and rehabilitation of the drainage systems for surface water in the agricultural area of the Nile valley and the Nile Delta region.

7.2.2. Tunisia –Solid waste

Amount of the loan: EUR 25 million

Amount of the interest subsidy: EUR 5.4 million

Description: development of several controlled landfill sites with transfer centres for solid waste management in Tunisia.

7.2.3. Turkey –Bursa waste water treatment

Amount of the loan: EUR 80 million

Amount of the interest subsidy: EUR 16.1 million

Description: extension of the system for collecting wastewater and modernisation of treatment facilities by the addition of a biological treatment.

7.3. Risk capital

7.3.1. Tunisia –Support for the private sector

Amount: EUR 30 million

Description: risk capital support to finance private sector development, specifically aimed at the competitive restructuring of companies with a view to the free trade area and aid for privatising public-sector companies.

7.3.2. Jordan –Private Sector Support

Amount: EUR 15 million

Description: support for restructuring and developing Jordanian small and medium-sized enterprises with a view to the establishment of the free trade area.

7.3.3. West Bank and Gaza Strip: Cairo Amman Bank Global Loan II

Amount: EUR 3 million

Description: support for developing small and medium-sized enterprises in all sectors of the Palestinian economy, particularly to promote an increase in exports.

7.3.4. Regional – Regional investment fund

Amount: EUR 20 million

Description: global authorisation enabling the Bank to support investment companies or funds which invest their money in several partner countries.

8. EVALUATION

8.1. Evaluation of EIB financial aid to the Mediterranean countries

The evaluation of the financial aid totalling EUR 752 million granted to the partner countries by the EIB on the Commission's behalf in the form of interest subsidies on loans and venture capital operations will be completed in May 2001. The aim of this evaluation, conducted in accordance with Article 15 of the MEDA I Regulation is to strengthen the links between the two institutions and improve the effectiveness of operations financed by the Union at regional level. The final report will also take into account the reforms decided under the revised MEDA II Regulation. The main topics covered in this evaluation report are:

– exchange mechanisms and procedures between the Commission and the EIB;

– the consistency of coordination between the two institutions;

– inclusion of the two financial instruments at each programming level;

– role of the private sector and defining target sectors and indicators;

– monitoring the actions undertaken.

8.2. Evaluation of the MEDA Teams

An evaluation report covering the activities of all the MEDA Teams at headquarters and in the Delegations was finalised at the end of 1999. The evaluation of the performance of the current MEDA Teams enabled the Commission to weigh up their effectiveness and viability against the tasks assigned to them. On the basis of this background information, the evaluation report provided very useful food for thought in the context of reorganisation of the services responsible for cooperation and external aid.

It emerges clearly from this evaluation that the MEDA programme cannot be managed effectively by the Commission and the partner countries without setting up a permanent support structure for the analysis and technical monitoring of operations. The conclusions of the evaluation stress the overall satisfactory quality of the MEDA Team experts and the visibility of the results obtained in all the areas of expertise. The report also confirms that the monitoring of Commission-funded operations has improved significantly since 1998. Nevertheless, evaluators recommend greater harmonisation of this follow-up system, a clarification of the division of responsibilities between the MEDA Teams and the Delegations and the adoption of a system to exchange information on "good practices" between partners.

8.3. Evaluation of global allocations MEDA 1995-2000

The MEDA Regulation (No 1488/96) was adopted in 1996 and has from the outset of the MEDA programme established a simplified procedure ("facility") for approving operations costing less than EUR 2 million. From 1996 to 2000, EUR 80 million were committed under these "global allocations" (GA). From the evaluation carried out in 2000 it was possible to analyse the effectiveness and flexibility of this instrument as well as the procedural conformity of the actions financed under the MEDA programme.

The evaluation also tries to identify some questions for further consideration that would improve subsequent use of this facility. To this end, the report stresses that the global allocation is a necessary tool allowing a degree of flexibility and accelerated decision-making. In addition, the combination of such an instrument with a framework contract increases the impact of the preparatory studies for projects and the effectiveness of the operations carried out under the MEDA programme.

However, the complexity of the procedures and the organisational systems limit the flexibility of the instrument and encourages the dispersal of actions. To rectify this situation, the evaluation report recommends specifying the intervention rules and ensuring the sustainability of these measures by giving AIDCO responsibility for implementing and coordinating GA operations, defining responsibilities in the context of devolution towards the Delegations, and developing a centralised and structured system for managing and monitoring operations. The report also recommends the introduction of a more homogeneous and rational classification of the operations financed by separating (apart from technical assistance schemes) GA-regional operations and GA-national projects.

New .eu Domain

Changed Web and E-Mail Addresses

The introduction of the .eu domain also required the web and e-mail addresses of the European institutions to be adapted. Below please find a list of addresses found in the document at hand which have been changed after the document was created. The list shows the old and new address, a reference to the page where the address was found and the type of address: http: and https: for web addresses, mailto: for e-mail addresses etc.

Page: 60 **Old:** http://europa.eu.int/comm/external_relations/med_mideast/euro_med_partnership
Type: *http:* **New:** http://europa.eu/comm/external_relations/med_mideast/euro_med_partnership