



COMMISSION OF THE EUROPEAN COMMUNITIES

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Proposal for a

COUNCIL REGULATION

amending Regulation (EC) No 1488/96 on financial and technical measures to accompany (MEDA) the reform of economic and social structures in the framework of the Euro-Mediterranean partnership

(presented by the Commission)

EXPLANATORY MEMORANDUM

1. GENERAL FRAMEWORK

This proposal for amendment is based on the results of the evaluation of the implementation of the MEDA Regulation adopted in 1996, pursuant to Article 15 of the aforementioned Regulation. It is also presented in accordance with the recommendations of the "Sound and Efficient Management 2000" programme (SEM 2000) of the Commission.

It should be noted that the proposed amendment is not prejudicial to the establishment in future of harmonised procedures which will apply to Community cooperation.

Article 15(6) of Regulation No 1488/96 of 23 July 1996 asks the Commission to submit an evaluation of the implementation of MEDA, together with, if necessary, the corresponding¹ proposals for draft amendments. In order to bring to bear an independent view on the implementation of the Regulation, the Commission asked an external evaluator to draw up a report. This evaluation report is attached as an appendix to this document.

A summary of the results of the evaluation as well as the identification of the elements that the Commission wishes to propose to Parliament and to the Council with a view to an amendment of the regulation MEDA are taken up again in parts 2-4 of this document. The proposed amendments to the regulation itself appear in Annex 2.

These proposals have the overall objective of simplifying the implementation of MEDA. Thus they correspond on the one hand to one of the major concerns included in the evaluation report and on the other hand to the political commitments which were taken. The complexity of the implementation of Mediterranean policy is due to certain provisions of the MEDA Regulation in force as well as to certain internal provisions of the Commission. The latter are currently the subject of an in-depth revision procedure which is not examined here.

With regard to the provisions of the MEDA Regulation the evaluation report questions the appropriateness of the double examination by the MED Committee of the implementation of policy: a first examination takes place on the occasion of the indicative programmes (national and regional: NIP and PIR) and a second time during the examination of the projects as such. The result is a wasteful, heavy and not very effective duplication. Indeed, the programmatic approach of economic transition which is specific to MEDA does require an active participation of Member States in the process of programming rather than at the stage of implementation. It will allow - in connection with the economic dialogue envisaged in the association agreements - effective coordination with the policies implemented by the Mediterranean partners themselves. The projects defined in the context of

¹ "To this end, the Commission shall submit to the Council before 31 December 1998 an evaluation report accompanied by proposals regarding the future of the Regulation and, if necessary, the amendments to be made to it."

programming approved in this manner no longer requires detailed examination by the Committee. Rapid and effective information of the projects decided in this context by the Commission should then be enough. Corresponding simplification will be significant.

With regard to the procedures specific to the Commission, this simplification will be accompanied by a greater study of the examination of the PINS and of the PIR by the general Directorates of the Commission concerned. In addition, the setting up of the Joint Relex Service for the Management of Community Aid to Third Countries (Service Commun Relex, SCR) will have to result in significant efficiency gains. Beyond, the experience gained both in the TACIS programme and in the implementation of the Structural Funds shows that there is not genuine lightening of the procedures and therefore of corresponding efficiency gains without accompanied real devolution by clear rules of delegation of powers. Such a devolution involves on the other hand the setting up of simple and effective follow-up instruments. These aspects could be approached only once the SCR will have reached its cruising speed.

However, to be effective the follow-up has to rest on projects and programmes of significant size. Nonetheless, in certain cases, the underlying programming strategy will have to continue for some time to be applied to projects of modest size. This is in line with the conclusions of the evaluation report. However, to allow devolution and effective monitoring, the average size of the projects will have to increase. The Commission will endeavour thus to contribute to the necessary simplification effort.

Both under the title of comitology and of the simplification of the procedures, the Commission proposes transforming the decision-making procedure currently provided for in Article 11, which corresponds to the type "IIIa" committee established by the Council Decision on Comitology², into the "management procedure" established by the new Council Decision of 28 June 1999³. This is perfectly justified since the MED Committee has the function of assisting the Commission in the exercise of its responsibility for management of the MEDA programme. The "management procedure" has precisely the vocation of treating questions related to management of Community programmes while the "type III a" committee was envisaged for regulatory activities.

2. THE MEDA PROGRAMME

The MEDA Programme⁴ is the main financial instrument of the Euro-Mediterranean Partnership. It forms part of an EUR 4 685 million five-year overall financial package decided on by the Cannes European Council in June 1995. The Euro-Mediterranean Partnership itself was instituted at the Euro-Mediterranean Conference of Foreign Ministers held in Barcelona in November 1995.

² Decision 87/373/EEC, OJ L 197, 18.7.1987, p. 33.

³ Decision 1999/468/EC, OJ L 184, 28.6.1999, p. 23 laying down the procedures for the exercise of implementing powers conferred on the Commission.

⁴ OJ L 189, 30.7.1996, p. 1.

Bilateral relations between the European Union and the partners are also governed by the Euro-Mediterranean Association Agreements signed, concluded or under negotiation with nine of the twelve Mediterranean Partners. Relations between the EU and Cyprus, Malta and Turkey are governed by earlier association agreements.

Thus the MEDA Programme should be seen within the context of the global relations between the EU and the Mediterranean partners and in relation to their evolution. In particular, the MEDA Programme replaced the twenty year old system implemented through Financial Protocols and aims to accompany the implementation of the new generation of Association Agreements.

In operational terms the MEDA Programme has to be implemented in the overall regulatory framework provided, inter alia, by the Financial Regulation of the EC and the 1987 Council Decision on comitology.

In its report of 14 September 1998 (COM(1998) 524 final) the Commission informed the Council on the technical, financial and legal implementation of the MEDA programme since the adoption of the MEDA Regulation in 1996. The report emphasises a series of organisational measures taken since 1996 including the recruitment of additional technical support staff (in the form of the so-called MEDA TEAMS) and the conclusion of Framework Financing Conventions between the Commission and the nine Mediterranean partners which are recipients of bilateral financial allocations under the MEDA programme by mid-1998. These measures creating an appropriate legal and administrative architecture for the implementation of the MEDA Regulation have made a critical contribution to the Commission's and Mediterranean partners' capacity to implement the MEDA programme, thus making it possible to achieve a commitment rate of 100% of MEDA budget allocations since 1996, on a wide variety of programmes and projects identified and appraised according to the Council Decision on Guidelines for the MEDA Indicative Programmes⁵.

In order to appreciate the magnitude of the effort made by the EU it is interesting to note that over the period 1995-1998 the EC budget, together with EIB own resource lending in the region, has made available total financing considerably greater than that made available by the World Bank:

	1995	1996	1997	1998	Total (EUR million)
World Bank⁶	978	1 595	915	969	4 457
EC	537	660	1 088	1 073	3 358
EIB⁷	1 015	676	1 086	880	3 657

⁵ OJ L 325, 14.12.1996, p. 21.

⁶ IBRD and IDA lending in the MENA region.

⁷ Without risk capital and interest subsidy operations which are financed from the MEDA budget line of the EC budget.

3. MAIN FINDINGS OF THE EVALUATION

This overall positive record is confirmed by the findings of an external evaluation carried out by a team of independent European consultants between June and November 1998 which is submitted to the Council together with this Communication. In the light of experience gained during the first three years of MEDA programme implementation and supported by the results of the evaluation, the Commission considers that the present eligibility criteria with respect to both the geographical scope⁸ and the sectors⁹ covered by the Regulation have proved to be appropriate and conducive to furthering the reform of economic and social structures in Mediterranean partners. Thus, no modifications are proposed on these issues.

However, the evaluation report also concludes that

- although initial programming exercises have shown a gradual improvement of coherence between projects, programmes and the objectives of MEDA, operational conditions for decision-making and monitoring as set out in by the MEDA-Regulation require further modifications to improve impact;
- sub-optimal disbursement rates as compared to a high commitment record call for a strengthening and streamlining of the MEDA programming system to help maintain both political credibility and reform impact of the MEDA programme as a central tool for the implementation of the Euro-Mediterranean partnership; and
- conditions for the implementation of the MEDA programme need to become more effective through strengthening the political and programming dialogue with Mediterranean partners and making implementation procedures more efficient.

The evaluation report also shows that improvements in the implementation of the MEDA Programme can only be achieved if other determinant factors, which concern the Commission, the Member States and the Mediterranean Partners and which are beyond the content of the MEDA Regulation itself, are brought to bear.

For example, as regards the Commission, the proper functioning of the new Joint Relex Service (SCR) and the realisation of the sought after efficiency gains in the financial and technical implementation of cooperation activities will have a direct bearing on future implementation of cooperation. Concerning cooperation between the Commission and Member States, mechanisms for increased coordination both at

⁸ MEDA funding is limited to the 12 Mediterranean partners which have agreed with the EU in the Barcelona Declaration of 28 November 1995 to establish a comprehensive Euro-Mediterranean partnership. Bilateral financial partnership under MEDA National Indicative Programmes is restricted to Morocco, Algeria, Tunisia, Egypt, West Bank/Gaza Strip, Jordan, Lebanon, Syria and Turkey whereas Israel, Cyprus and Malta benefit from financial allocations under the MEDA Regional Indicative Programme.

⁹ The MEDA Regulation, Annex II, provides for a wide range of cooperation sectors that are in principle eligible for MEDA funding. The selection of sectors for individual financial allocations according to the spirit of the MEDA Regulation, however, should be closely geared to assisting Mediterranean partners' economic and social reform processes. This is done country by country on the basis of joint Commission-Mediterranean partners assessments of reform requirements and in accordance with National Indicative Programmes approved by the MED Committee established by Article 11 of the MEDA-Regulation. These sectors include investment and infrastructure financing, but the main effort in that respect is made by the EIB.

central and local level need to be improved. As regards the Council and the European Parliament, their full support is required in order to put into place in a timely fashion the amended MEDA Regulation and the continued presence of the MEDA Teams, in order to avoid the delays experienced by the MEDA programme when it was first established. With regard to the Mediterranean partners, they have a vital contribution to make in seizing opportunities to integrate the agreed objectives of the Euro-Mediterranean partnership more fully into the MEDA programming dialogue and to streamline implementation in the field.

4. STRENGTHENING OF THE MEDA REGULATION DECISION-MAKING PROCESS AND SIMPLIFICATION OF PROCEDURES

Concretely, it is proposed to adopt the following three-pronged strategy to improve the effectiveness of the MEDA Regulation:

- streamlining the decision-making process, in order to achieve more effective programming;
- enhancing capacities for programming and implementation;
- shortening procedures for more efficient implementation.

The Commission is of the opinion that the introduction of relevant modifications into the MEDA Regulation could contribute to considerably simplifying and therefore accelerating MEDA implementation, improving the efficiency of the MEDA programme and enhancing coordination and dialogue both with Mediterranean partners and among EU donors (Member States and Commission). In addition, it seems advisable to further improve the medium-term programme-mix under MEDA, taking into account key objectives of the Euro-Mediterranean Association Agreements.

Whereas re-considering the present programme-mix in favour of increasing the MEDA programme impact on economic transition and structural adjustment could be accomplished mainly through a re-orientation of National and Regional Indicative Programmes, and therefore does not require any modification of the MEDA Regulation¹⁰, the abovementioned strategies require some adaptation of the MEDA Regulation as indicated below:

4.1. Streamlining the decision-making process for more effective programming

At present, the MED Committee intervenes twice during the project programming and appraisal cycle: at the level of strategic and sector planning by discussing and approving National and Regional Indicative Programmes and at the level of individual projects by giving an opinion on both individual financing proposals of more than EUR 2 million and global allocations covering projects of a smaller

¹⁰ To this end, it is proposed to submit to the Council in 1999, taking into account the results of the Stuttgart Euro-Mediterranean Conference of Foreign Ministers, a proposal for the revision and up-dating of the Council Decision on Guidelines for MEDA Indicative Programmes of 6 December 1996 providing a stronger focus of MEDA programming on economic transition issues and requirements in the context of the establishment of a Euro-Mediterranean Free Trade Area.

financial allocation. It has been confirmed by the external evaluation that this system of double approval leads to duplication, and results in unnecessarily lengthy and bureaucratic approval procedures which do not contribute significantly to improving project quality but bind resources that should better be used for strengthening strategic planning and coordination.

The Commission proposes, therefore, to focus MED Committee involvement on strategic planning and programming exercises in the following way:

- The MED Committee would continue to give an opinion on three-year Indicative Programmes according to the system established by Articles 5(2) and 9(1-2) of the Regulation.
- On the basis of these Indicative Programmes, the Commission would submit to the MED Committee National/Regional Financing Plans (NFP/RFP), normally on an annual basis, including maximum amounts for the Commission's financing decisions in favour of bilateral and regional MEDA programmes and projects.
- National and Regional Financing Plans translate adopted long-term Indicative Programmes into programming of financing decisions covering the duration of the NFP/RFP, normally one year. They should consist of a concise general presentation and, for each project or programme, a project/programme description including a maximum indicative amount of the EC financial contribution annexed to the general presentation.
- The Commission would adopt financing decisions within the annual budget on the basis of the NFP or RFP approved by the MED Committee. The MED Committee would be informed promptly of the Commission financing decisions.
- For financing proposals that are not covered by NFP or RFP, the present approval procedures should be maintained.
- As EIB interest rate subsidies would be covered by approved NFPs, they would not need to be submitted separately to the MED Committee. The EIB approval procedure on the basis on Article 14 of the Regulation would require no modification.

The above described streamlining of the decision-making procedures require some modifications to the MEDA Regulation. Such streamlining would have a major impact on increasing the transparency of financial programming for both Member States and Mediterranean partners and help reduce the time of project preparation by an average three months.

4.2. Enhancing capacities for programming and implementation

Association Agreements under the Euro-Mediterranean Partnership provide for the gradual introduction of free trade between the EU and its Mediterranean partners. They establish bilateral Association Council, Association Committee and Economic Dialogue meetings to monitor the implementation of the Agreements including progress in the establishment of the Free Trade Area. The MEDA programme is intended to play a major role in assisting the partners in the reform process required in this context. Therefore, dialogue on MEDA programme mid-term planning with the partners fitting in their respective reform and pre-free

trade strategies and coordination between the Commission and EU Member States should be given more emphasis. To this end:

- three-year rolling National and Regional Indicative Programmes (NIP/RIP) analyse and express more clearly the envisaged impact of planned MEDA funded operations in the context of Mediterranean partners' reform processes and the establishment of the Euro-Mediterranean partnership. In establishing a multi-annual indicative programme for partnership and financial sector allocation, they shall be based on an assessment of macro-economic, structural, political, social, societal (including gender) and environmental developments, express government(s)' priorities, reflect donor coordination and analyse lessons learnt in the course of previous cooperation experience;
- NIPs be discussed more fully with the Mediterranean partners in the light of their reform requirements and adopted according to the existing procedure as set out in Articles 5(2) and 11 of the Regulation;
- in order to enhance EU coordination and complementarity, NIPs shall be discussed with Member States missions' in the partners and NFPs should be presented to them for information after formal adoption;
- the MED Committee become the central forum for monitoring NIP/RIP implementation and implementation of NFP/RFPs on the basis of the annual report referred to in Article 15(1) of the Regulation. MED Committee discussions and monitoring of NIP/ RFPs and NFP/RFPs should take into account the principles of coordination, complementarity and coherence.

The above described strategies do not necessitate amendments to the MEDA Regulation.

4.3. Shortening procedures for more efficient implementation

In order to improve the MEDA programme's impact on economic and social reform in the partners and with a view to making the programme an even more effective instrument for the Euro-Mediterranean Partnership, more rapid implementation procedures need to be introduced. This could also help increase the present financial commitment/disbursement ratio. Thus the Commission services are currently developing harmonised procedures concerning technical and financial implementation of cooperation activities with the aim, notably, of further rationalisation and streamlining.

4.4. Expected time gains in project preparation

The restructuring of the decision-making process, consisting in particular of the adoption of National and Regional Financing Plans, will save the amount of time currently needed for decisions on individual financing proposals. Thus approximately three months will be saved, in particular, on translations, studying by Member States' administrations and discussion at the MED Committee.

Harmonised procedures concerning technical and financial implementation of cooperation activities should also result in a significant reduction of the time necessary for implementation of cooperation measures.

5. HUMAN RESOURCES

The quality of our cooperation is directly related to the quality and the quantity of human resources which are allocated to it. The Mediterranean Directorate in the RELEX DG as the responsible service for the implementation of the MEDA Regulation has numerous tasks. These comprise central budget programming and monitoring as well as the identification, appraisal, presentation to the Financing Committee, preparation of a financial commitment of the Commission of annually some 100 cooperation projects, in addition to several dozen NGO and decentralised cooperation projects. Many of these projects, in particular economic transition and structural adjustment programmes, are directly managed by the Mediterranean Directorate. The substantial coordinating (such as with EIB), reporting and evaluation duties under the MEDA Regulation should also not be forgotten.

It is apparent that the Directorate does not have sufficient human resources. The scarcity of staff has been acknowledged and criticised on various occasions by the Court of Auditors (Special Report 1/98), the Council, the OECD-Development Assistance Committee, external evaluators and the Commission's internal inspection service IGS.

Therefore it is advisable (taking account of the availability of additional resources and of the possibilities of internal redeployment), to strengthen the Directorate by 25 posts which can indicatively be broken down as follows:

Type	Num	Responsibilities
TOTAL A: 19		
	9	Assistant desks
	5	Thematic officers (economics, environment)
	1	SCR liaison
	1	Barcelona
	1	Culture & information
	2	Economic transition
TOTAL B: 3		
	2	Economic transition
	1	Palestine desk
TOTAL C: 3		
	3	Secretaries
GENERAL TOTAL: 25		

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amending Regulation (EC) No 1488/96 on financial and technical measures to accompany (MEDA) the reform of economic and social structures in the framework of the Euro-Mediterranean partnership

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty establishing the European Community, and in particular Article 308 thereof,

Having regard to the proposal from the Commission¹,

Having regard to the opinion of the European Parliament²,

Whereas:

- (1) Article 15(6) of Council Regulation (EC) No 1488/96³, as amended by Regulation (EC) No 780/98⁴, provides that it is to be reviewed by the Council before 30 June 1999 and that the Commission will, if necessary, submit the amendments to be made to it.
- (2) The Mediterranean region constitutes a priority area for the European Union and the political, economic and social development of the Mediterranean partners is a challenge of ever-increasing proportions.
- (3) It is important to pursue and intensify the cooperation launched within the Euro-Mediterranean Partnership which was established by the Barcelona Declaration adopted at the Euro-Mediterranean Conference of 27 and 28 November 1995.
- (4) New Euro-Mediterranean association agreements are now starting to come into force and their preparation and implementation require major adjustment efforts by the Mediterranean partners. Those efforts should be supported by the European Community.
- (5) Over the period 1995-98, Regulation (EC) No 1488/96 has been implemented satisfactorily but it is now necessary to streamline decision-making procedures in order to permit more efficient implementation of Community assistance.

¹ OJ C

² OJ C

³ OJ L 189, 30.7.1996, p. 1.

⁴ OJ L 113, 15.4.1998, p. 3.

- (6) Indicative programming should therefore express more clearly the envisaged impact of planned MEDA-funded operations in the context of Mediterranean partners' reform processes and the establishment of the Euro-Mediterranean partnership.
- (7) Council Decision 96/706/EC⁵ contains the guidelines for the indicative programmes concerning financial and technical measures to accompany the reform of economic and social structures in the framework of the Euro-Mediterranean partnership.
- (8) The national and regional indicative programmes define the main objectives of, the guidelines for, and the priority sectors of Community support.
- (9) The introduction of national and regional financing plans based on the indicative programmes facilitates the streamlining of decision-making procedures.
- (10) Council Regulation (EC, Euratom) No 2988/95 of 18 December 1995 on the protection of the European Communities' financial interests⁶ establishes a common legal framework for all the fields of the Communities' own resources and expenditure. Council Regulation (EC, Euratom) No 2185/96 of 11 November 1996 concerning on-the-spot checks and inspections carried out by the Commission in order to protect the European Communities' financial interests against fraud and other irregularities⁷ applies to all areas of the Communities' activity without prejudice to the provisions of the Community rules specific to the different policy areas.
- (11) Since the measures necessary for the implementation of this Regulation are management measures within the meaning of Article 2 of Council Decision 1999/468/EC of 28 June 1999 laying down the procedures for the exercise of implementing powers conferred on the Commission⁸, they should be adopted by use of the management procedure provided for in Article 4 of that Decision.
- (12) The Commission and the European Investment Bank are committed to ensuring further improvement in their collaboration on the implementation of risk capital operations and interest subsidies.
- (13) Regulation (EC) No 1488/96 should therefore be amended accordingly.
- (14) The Treaty does not provide, for the adoption of this Regulation, powers other than those under Article 308,

HAS ADOPTED THIS REGULATION:

Article 1

Regulation (EC) No 1488/96 is hereby amended as follows:

- (1) In Article 1, paragraph 3 is deleted.

⁵ OJ L 325, 14.12.1996, p. 20.

⁶ OJ L 312, 23.12.1995, p. 1.

⁷ OJ L 292, 15.11.1996, p. 2.

⁸ OJ L 184, 17.7.1999, p. 23.

(2) Article 5 is amended as follows:

(a) In paragraph 2, the following subparagraph is added:

"These programmes describe the reforms to be implemented by the partners in the priority sectors and shall include an evaluation of progress made in this respect."

(b) Paragraphs 2a and 2b are inserted:

“2a National and regional financing plans shall, as a rule, be adopted annually, on the basis of the indicative programmes referred to in paragraph 2. The plans shall include a list of projects to be financed. The contents of the plans shall be determined in sufficient detail to enable the Committee set up by Article 11(1) to deliver its opinion.

2b The Commission and the Bank shall ensure that programming of measures concerning risk capital and interest rate subsidies is complementary to and consistent with the national and regional indicative programmes and with the national and regional financing plans."

(c) Paragraph 3 is replaced by the following:

“3. Financing decisions shall be based on the indicative programmes or financing plans.”

(3) Article 6 is amended as follows:

(a) In paragraph 1, the third sentence is replaced by the following:

“Depending on market conditions, the subsidy shall be between 1% and 3%.”

(b) In paragraph 3, the first subparagraph is replaced by the following:

"Financing decisions and any financing agreements and contracts resulting therefrom shall provide, *inter alia*, for supervision and financial control by the Commission, including on-the-spot checks and inspections pursuant to Council Regulation (EC, Euratom) No 2185/96*, and audits by the Court of Auditors, where appropriate, to be carried out on the spot.

The Commission shall take measures, in accordance with the procedure set out in Article 11(2) of this Regulation, in order to provide for the proper protection of the financial interests of the European Community in accordance with Regulation (EC, Euratom) No 2988/95**.

* OJ L 292, 15.11.1996, p. 2.

** OJ L 312, 23.12.1995, p. 1.”

(4) Article 7 is amended as follows:

(a) The first subparagraph of paragraph 1 is replaced by the following:

"Measures under this Regulation may cover expenditure on imports of goods and services and local expenditure needed to carry out the projects and programmes. Direct budgetary support in favour of the beneficiary partner may also be covered to support economic reform. Taxes, duties and charges shall be excluded from Community financing."

(b) Paragraph 2 is replaced by the following:

"Costs incurred in identifying, preparing, managing, monitoring, auditing and controlling programmes or projects may also be covered. This may include costs related to technical and administrative assistance when such assistance is to the mutual benefit of the Commission and the beneficiaries of the activity and does not belong to the permanent tasks of the public service."

(5) Article 9 is amended as follows:

(a) Paragraphs 2, 3 and 4 are replaced by the following:

"2. The indicative programmes, the financing plans and any amendment to them shall be adopted by the Commission in accordance with the procedure referred to in Article 11(2).

3. Financing decisions, other than those relating to interest-rate subsidies on Bank loans and risk capital, that are not covered by the national or regional financing plans, shall be adopted individually in accordance with the procedure laid down in Article 11(2), subject to paragraph 4 of this Article.

4. Financing decisions referred to in paragraph 3 not exceeding 2 000 000 euro shall be adopted by the Commission if they form part of an overall allocation. An overall allocation shall be adopted in accordance with the procedure referred to in Article 11(2). The Committee established by Article 11(1) shall be informed systematically and promptly and in any event before its next meeting, of financing decisions not exceeding 2 000 000 euro."

(b) Paragraphs 5 and 6 are deleted.

(6) In Article 10, paragraph 2 is replaced by the following:

"2. In financing decisions taken under this Regulation and the assessments mentioned in Article 15, the Commission shall abide by the principles of sound financial management and, in particular, those of economy and cost-effectiveness referred to in the Financial Regulation."

- (7) In Article 11, paragraphs 1, 2 and 3 are replaced by the following:
- "1. The Commission shall be assisted by the MEDA Committee (hereinafter referred to as "the Committee").
 2. Where reference is made to this Article, the management procedure laid down in Article 4 of Decision 1999/468/EC shall apply, in compliance with Article 7(3) thereof.
 3. The period provided for in Article 4(3) of Decision 1999/468/EC shall be three months.
 - 3a. A representative of the Bank shall take part in the proceedings within the Committee without a right to vote."
- (8) Article 15 is amended as follows:
- (a) In paragraph 1, "30 April" is replaced by "30 June".
 - (b) The first sentence of paragraph 2 is replaced by the following:
"The Commission and the Bank shall evaluate the main projects and sectors of intervention that concern each of them in order to determine whether the objectives have been achieved and to establish guidelines for increasing the effectiveness of future activities."
 - (c) Paragraph 6 is deleted.
- (9) Annex II is amended as shown in the Annex to this Regulation.

Article 2

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

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

Done at Brussels,

For the Council
The President

ANNEX

Annex II is amended as follows:

1. Part I(b) is replaced by the following:

"(b) Operations in support of reform programmes of the partners, implemented on the basis of the following principles:

- the support programmes shall be designed to restore, or as the case may be, the consolidation of the major financial balances and to create an economic environment favourable to accelerated growth, while at the same time improving the well-being of the population; the support programmes may also target assistance to reforms in key sectors with a view to the creation of a free trade area with the Community;
- the support programmes shall be adapted to the particular situation of each country and take account of economic and social conditions;
- the support programmes shall lay down measures intended, in particular, to alleviate the negative effects which the process of economic transition and the accomplishment of a Euro-mediterranean free trade area may have on social conditions and employment, especially for underprivileged sections of the population;
- disbursement of the support will be implemented in tranches in the form of direct budgetary support according to the compliance with the objectives and/or sectoral targets agreed within the support programme.

The following eligibility criteria must be satisfied:

- the country concerned must undertake a reform programme approved by the Bretton Woods institutions or implement programmes recognized as analogous, in coordination with those institutions, but not necessarily financially supported by them, in accordance with the scope and effectiveness of the reforms;
- account must be taken of the economic situation of the country, at the macro-economic level (indebtedness, cost of debt-servicing, the balance of payments, the budget situation, the monetary situation, the level of per capita income and the unemployment level) and at the level of sectoral reforms with a view to creating a free trade area with the European Community."

2. The eleventh indent of Part II is replaced by the following:

- "– cooperation and technical assistance in order to strengthen cooperation in the area of migration and the combat against illegal migration, including repatriation of illegal residents and trafficking in human beings, reinforcement of judicial cooperation in civil matters as well as cooperation to prevent and to combat crime, including illegal drug trafficking;"