



The Barcelona process,
five years on

1995–2000



Euro-Mediterranean Partnership



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Euro-Mediterranean Partnership

The Barcelona process,

five years on

1995–2000



EUROPEAN COMMISSION

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Foreword

The Barcelona process has ambitious and long-term objectives: turning the Mediterranean basin into an area of dialogue, exchange and cooperation guaranteeing peace, stability and prosperity. These aims represent a deliberate political choice made by the EU and its Mediterranean partners in November 1995 to adopt a global and comprehensive policy.

The Euro-Mediterranean Partnership has led to remarkable achievements. It has brought together all the countries of the region at ministerial level, even in very difficult political circumstances; substantial progress in the negotiation and signature of association agreements has been achieved; and significant funding has been mobilised for the region under the MEDA programme.

However, despite these achievements, it would be pointless to deny that problems exist. The Middle East peace process has run into difficulties and affected the general Barcelona process; progress with the association agreements has been slower than expected; trade among the partners themselves is very low; disagreements between us persist on some sensitive trade issues like agriculture; the record on delivery of financial assistance (the MEDA programme) has suffered from complicated procedures and some lack of focus on strategic objectives; and finally there is the need to raise awareness among the general public of the Barcelona process and to improve the sense of ownership of the southern partners of the process.

The Commission has recently put forward concrete and realistic proposals for reinvigorating the Barcelona process.

- There is an obvious need to speed up negotiation and ratification of the association agreements. The agreements are the main instrument of the Barcelona process and it is time for all parties to commit to signature (at least) by the middle of 2001.
- Bilateral Euro-Mediterranean association agreements would not be enough to encourage 'south-south' trade (i.e. trade among the partners themselves). This crucial subject cannot be avoided. I believe that we should start encouraging sub-regional free trade areas as a stepping stone to the overall free trade zone. The most important single thing we can do to increase investment is to show seriousness

about creating larger markets. This requires a flexible but sufficiently solid timetable for sub-regional free trade areas.

- Economic liberalisation is not only about bringing down trade barriers. It is also about looking at regulation and creating an investor-friendly environment. Policies on a wide range of single market issues should be brought together: whether customs cooperation, competition rules, public procurement or mutual recognition agreements on norms and standards; in addition, a closer look should be given to the possibilities for regional cooperation. We should do this in particular through bilateral and trilateral projects which would help to extend understanding between the partners and contribute again to creating larger markets.
- One of the issues which is consistently raised by all parties is that of rules of origin. It is a highly technical but important subject. The so-called 'cumulation of origin' encourages economic operators from different countries to get together and perform the different stages of their production in the country where it produces greatest profit. It would have a significant effect on encouraging joint ventures in the region, and it would enable all to take advantage of the specific economic structure of each partner.
- Being partners for five years now, the time has come to move into a more sincere and candid relationship in order to have some frank discussion on sensitive issues, including agriculture, taking into account the interests of all parties. The agriculture sector is subsidised on both sides of the Mediterranean. Without hiding the difficulties ahead, an increased sense of shared solidarity is needed in this field.
- We also need to have more frank and open cooperation on other sensitive issues like human rights and democracy. I am proposing to introduce a regional cooperation programme on justice and home affairs issues.
- Lastly, on financial cooperation, the need is clear to improve the delivery of MEDA in adopting a more strategic and simplified approach. I have already launched the necessary internal reforms in the

Commission. We must focus cooperation on the main objectives of economic transition and the socioeconomic balance with sectoral adjustment programmes, streamline the priority areas and cut implementation delays.

Obviously, the maturity of this partnership needs to be reflected also in the political and security aspects of the relationship. Links need to be deepened in a sufficiently flexible manner to allow those who want to progress further to do so. The Charter for Peace and Stability should be a serious and operational document. It should provide for an institutionalised regional relationship on security and a solid and serious political dialogue as well as mechanisms for cooperation on such issues as drugs, immigration, terrorism and organised crime.

These are all issues which concern as much the European Union as they do our southern partners themselves. I do hope we can all celebrate a substantial reinvigoration of the Euro-Mediterranean Partnership in November 2000.



Chris Patten
Member of the European Commission
responsible for external relations



From Barcelona to Marseilles:

An assessment

*'Let me start with the obvious:
the present and the future
of the EU and of the southern
Mediterranean countries
are inextricably interwoven.'*

Chris Patten

The Euro-Mediterranean Partnership inaugurated at the 1995 Barcelona Conference established a policy with ambitious and long-term objectives (the Barcelona process). It constitutes a departure from earlier forms of EU Mediterranean policy, which was conceived more as development cooperation and less as

a partnership of equals. The reason for the increased commitment marked by the Barcelona Declaration is the vital strategic interest the EU holds in its immediate southern neighbourhood: the Barcelona process is therefore considered a proximity policy.

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Euro-Mediterranean Partnership objectives

- 1. The creation of an area of peace and stability based on the principles of human rights and democracy.**
- 2. The creation of an area of shared prosperity through the progressive establishment of free trade between the EU and its Mediterranean partners and amongst the partners themselves, accompanied by substantial EU financial support for economic transition and for helping the partners to confront the social and economic challenges created by this transition.**
- 3. The improvement of mutual understanding among the peoples of the region and the development of a free and flourishing civil society by means of exchange, development of human resources, and the support of civil societies and social development.**

Milestones of the Barcelona process 1995–2000

- **27 and 28 November 1995** *Barcelona Euro-Mediterranean Conference*
- **15 and 16 April 1997** *Malta second Euro-Mediterranean Conference*
- **1 July 1997** *Entry into force of the interim association agreement between the EU and the PLO on behalf of the Palestinian Authority*
- **1 March 1998** *Entry into force of the EU–Tunisia Association Agreement*
- **3 and 4 June 1998** *Palermo ad hoc Euro-Mediterranean Conference*
- **28 and 29 January 1999** *Valencia Euro-Mediterranean Conference on Regional Cooperation*
- **15 and 16 April 1999** *Stuttgart third Euro-Mediterranean Conference*
- **1 March 2000** *Entry into force of the EU–Morocco Association Agreement*
- **25 and 26 May 2000** *Lisbon Euro-Mediterranean think-tank meeting*
- **1 June 2000** *Entry into force of the EU–Israel Association Agreement*
- **15 and 16 November 2000** *Marseilles fourth Euro-Mediterranean Conference*

The Barcelona process: Three chapters — two dimensions

Derived from these goals are three main fields of activity within the Barcelona process (so-called chapters): the political and security partnership, the economic and financial partnership, and the partnership in social, cultural and human affairs. In the Barcelona Declaration and its work programme, the EU, its 15 Member States, and the 12 Mediterranean partners defined their intensified cooperation in these policy fields. While in the years before, the European Union was far from being passive in the region, it was only Barcelona which turned the Mediterranean policy into a coherent and global approach by striking a balance between different policy fields. By combining all three chapters into one comprehensive policy, it acknowledges that financial, economic, cultural, and security issues cannot be effectively tackled separately.

Of similar importance is the fact that by establishing a strong multilateral dimension to complement the mainly bilateral dimension of the previous era, the Euro-Mediterranean Partnership was turned into a truly regional policy. Through the Barcelona Conference, the commitments of earlier days were eventually matched with appropriate action.

Finally, by making the Mediterranean a key priority, the EU also sent out a signal to its southern neighbours who had deemed themselves sidelined by the EU's focus on eastward expansion. The EU made it clear that, in the

long run, a peaceful and prosperous Europe is impossible without a strong and stable Mediterranean, and that the political destiny of all 27 partners is a shared one.

Allocation of considerable funds to the Mediterranean

One of the accomplishments of the Euro-Mediterranean Partnership is the allocation of substantial funds to the Mediterranean region. The MEDA programme (see page 21), which is the most important financial tool of the Barcelona process, provides funds for both regional and bilateral cooperation, covering all three policy chapters of the Barcelona process. The overall amount committed to the Mediterranean between 1995 and 1999 totalled EUR 9 billion (EU grants plus loans from the European Investment Bank). This sharp increase — compared to the years before Barcelona — was only possible because the Barcelona process turned the Mediterranean into a political priority for all EU Member States, not only the riparian States.

After five years of action on the ground, it is time to ask several questions: What has been accomplished in the different chapters? What remains to be achieved? In what areas did the Barcelona process not live up to expectations?



Family photo —
‘Think-tank’ meeting
of Euro-Mediterranean
foreign ministers in
Lisbon, Portugal

First chapter: Political and security partnership

The first chapter consists of three complementary parts: political dialogue on both the bilateral and regional level, partnership-building measures, and the Charter for Peace and Stability.

The Barcelona work programme, which serves as the guideline to the implementation of the Barcelona Declaration’s objectives, states: ‘With a view to contributing to the objective of progressively creating a zone of peace, stability and security in the Mediterranean, senior officials will meet periodically (...)’ Behind this rather unspectacular formula lies one of the most ambitious goals of the Mediterranean policy: to bring about continuous political dialogue between 27 very different partners.

After five years, the objective has been turned into a fact, both regionally and bilaterally.

Regionally, consultations on all levels take place on a regular basis. Two formal follow-up conferences to Barcelona have taken place so far: the Malta (1997) and Stuttgart (1999) Conferences, complemented by the informal Palermo meeting in 1998, provided opportunities to review the overall progress of Euro-Mediterranean cooperation at foreign ministers’ level. A third follow-up (‘Barcelona IV’) conference took place in Marseilles in November 2000. In the spring of 2000 a ‘think-tank’ meeting of foreign ministers took

place in Lisbon to discuss ideas to reinvigorate the Barcelona process.

The most frequent meetings are those of the Euro-Mediterranean Committee for the Barcelona process which is the Euro-Mediterranean Partnership’s central steering body. They are conducted at least quarterly on ambassadorial level in order to determine the course of regional cooperation among the 27 partners.

A major accomplishment of the Euro-Mediterranean Partnership is that political dialogue between all the parties has continued within the Barcelona framework even during periods of stalemate in the Middle East peace process (MEPP). It remains the only political multilateral forum in which representatives of Syria and Lebanon regularly participate in talks with their counterparts from Israel.

Bilaterally, political dialogue is set up by Euro-Mediterranean association agreements (see table on page 37). Issues concerning their implementation are discussed in association councils every year, and are the occasion for an open exchange of views. Such councils have been held with Morocco, Tunisia, Israel and the Palestinian Authority. However, association agreements still remain to be concluded with several of the Mediterranean partners.

Partnership-building measures

Senior official and ad hoc meetings on political and security questions decided on an array



Palestinian Authority President, Mr Arafat, and European Commission President, Mr Prodi



King Abdullah II of Jordan and European Commission President, Mr Prodi

of first-chapter activities. Among them are a number of 'partnership-building measures' designed to create trust and build confidence, including a series of information and training seminars for Euro-Mediterranean diplomats held semi-annually in Malta, and the Euro-Mediterranean network of foreign policy institutes (EuroMeSCo). These efforts are reinforced by cooperation among civil protection services for disaster management and a variety of complementary activities, such as seminars on terrorism. Finally, the partners have agreed to establish a register of bilateral agreements and to exchange information on international conventions on human rights, disarmament and humanitarian rights. As these are rather soft security measures, it must be admitted that progress in the first chapter has not been as rapid as wished for. Stalemate in the MEPP has affected the Barcelona process in this field, and expectations will remain limited until comprehensive peace agreements are reached.

The Euro-Mediterranean Charter for Peace and Stability

A significant step towards closer political and security cooperation will be the adoption of the Euro-Mediterranean Charter for Peace and Stability. Following the guidelines drawn up at the 1999 Stuttgart Conference, the charter text is currently elaborated by senior officials in charge of political and security questions. The charter will enter into force when political circumstances allow, i.e. when sufficient progress has been made in the MEPP.

The charter will be the main instrument for the EU's commitment to stability in the region. It will be a politically and morally binding agreement for all 27 Euro-Mediterranean partners for the purpose of preventing tensions and crises and for maintaining peace and stability by means of cooperative security. The charter will further increase the institutionalisation of the political dialogue on the region's most relevant security and stability questions.

It is expected that once there is a breakthrough on all tracks of the MEPP, the political and security dialogue will be able to unfold more rapidly. All in all, the first chapter has benefited from the successful establishment of a continuous political dialogue, and however moderate this benefit might appear, within the framework of a long-term policy such as the Barcelona process, it should be considered a success.

The Cypriot/Portuguese co-presidency of the third Euro-Mediterranean Industry Ministers' Conference in Limassol, Cyprus



Israeli and Jordanian divers taking part in a clean-up of the coral reefs off Eilat — An example of regional cooperation on the environment

Second chapter: Economic and financial partnership

Within the second chapter, there are three interconnected objectives: the establishment of a Euro-Mediterranean free trade area, EU support for economic transition and to help the partners meet the challenges posed by economic liberalisation, and the increase of investment flows to the Mediterranean partners which will result from free trade and economic liberalisation. These are the necessary elements of a sustainable economic and social development strategy for the entire region.

The Euro-Mediterranean free trade area and association agreements

It is the EU's policy to make the development towards a Euro-Mediterranean free trade area irreversible by 2010. The EU assists its Mediterranean partners in preparing for participation in the free trade area by means of economic cooperation and financial aid. This is a huge task, given the structural deficits of some of the partners' economies and the significant social impact of economic reform. Environmental concerns are given an increasingly important place as a cross-cutting issue in Euro-Mediterranean cooperation.

Bilaterally, this assistance is provided mainly through MEDA and framed by the Euro-Mediterranean association agreements. Their core provisions refer to the establishment of free trade between the respective partner and the EU, thereby serving as a stepping stone towards a multilateral free trade area. So far, association agreements have entered into force with Tunisia (1998), Morocco (2000), and Israel (2000), and with the Palestinian Authority on an interim basis (1997). The agreements with the remaining partners have either been signed and await ratification (Jordan, signed in 1997), have been negotiated and await signature (Egypt), or are in the process of negotiation (Algeria, Lebanon, Syria). Relations with Cyprus, Malta and Turkey are governed by first-generation association agreements concluded in the 1960s and 1970s providing for customs unions. Being convinced that close bilateral relations are the basis for increased regional cooperation, it is the EU's goal to conclude the association agreement process with all its Mediterranean partners as soon as possible.

While association agreements prepare the ground for increased vertical (north-south) trade, it is horizontal (south-south) integration that remains the biggest task ahead for the EU's support efforts in the region. Only an increased horizontal exchange of goods, capital and human resources will create markets large enough to attract significant foreign direct investment, which in turn are indispensable for sustainable economic growth. So far,



EU support for agricultural processing, Egypt



EU-funded Helwan wastewater project, Egypt

The Barcelona process, five years on • 1995–2000

structural change in the 12 Mediterranean partners remains unsatisfactory, thus stifling the multilateral exchange of goods, financial assets and services. EU initiatives taken under the second chapter are designed to alleviate the current fragmentation of the southern and eastern Mediterranean markets.

In sum, it is crucial to remember that free trade is not an end in itself, but rather a means to a much bigger goal: the creation of a stable, peaceful and prosperous Mediterranean.

Six priorities for regional economic cooperation

On the regional level, Euro-Mediterranean ministerial meetings dealing with specific

policy sectors are conducted regularly. Between 1995 and 2000, ministers from the 27 partners met 12 times (see info box on sectoral conference on page 13). Six priority fields were defined jointly:

- industrial cooperation;
- environment;
- water;
- information society;
- energy;
- transport.

A number of regional programmes have been initiated in the past five years, among them the Euro-Mediterranean network of economic institutes (Femise), a network of investment promotion agencies (IPA), statistical cooperation (Medstat), a water information system (EMWIS), the initiative for the building of an

Euro-Mediterranean economic facts

- *Intraregional trade accounts for only 5 % of the 12 Mediterranean partners' trade volume.*
- *The per capita income in the EU is approximately 10 times higher than that of the Mediterranean partners.*
- *The combined gross domestic product (GDP) of the Maghreb States (Algeria, Morocco, Tunisia; population: 66 million) is less than that of Portugal (population: 10 million), while the GDP of the Mashreq States (Jordan, Egypt, Lebanon, Syria; population: 86 million) roughly equals that of Greece or Finland (population: 10 and 5 million respectively).*
- *Only 1 % of worldwide foreign direct investment (FDI) and a mere 2 % of European FDI flow into the Mediterranean region.*



A women's association participating in the Gefrif project (protection of the Rif forest ecosystems), Chefchaouen region, Morocco

information society (Eumedis), the short- and medium-term priority action programme for the environment (SMAP), and a series of maritime transport projects.

Among the 12 partners, there is also a growing awareness of the fact that the success of

the economic and financial partnership depends not only on programmes and projects identified and administered by the EU, but to an even larger extent on significant efforts undertaken by themselves and among themselves.

Sectoral Euro-Mediterranean ministerial conferences

- *Culture, Bologna, 22 and 23 April 1996*
- *Industrial cooperation, Brussels, 20 and 21 May 1996*
- *Information society, Rome, 30 and 31 May 1996*
- *Energy, Trieste, 7–9 June 1996*
- *Local water management, Marseilles, 25 and 26 November 1996*
- *Environment, Helsinki, 28 November 1997*
- *Energy (second), Brussels, 11 May 1998*
- *Culture (second), Rhodes, 25 and 26 September 1998*
- *Industrial cooperation (second), Klagenfurt, 3 and 4 October 1998*
- *Local water management (second), Turin, 18 and 19 October 1999*
- *Health, Montpellier, 3 December 1999*
- *Industrial cooperation (third), Limassol, 21 and 22 June 2000*



EU-financed mobile medical team in the Tetouan region, Morocco



Cultural tourism, an important factor of economic development — View of the Treasury of Petra, Jordan

Third chapter: Partnership in social, cultural and human affairs

The third partnership chapter aims at fostering mutual understanding among the peoples of the region. The cornerstone for such efforts is increased cooperation with civil society.

Cooperation in this field can cover a diverse range of issues. In order to have the greatest operational impact, the aim has been to focus on programmes with well-defined, concrete objectives.

On the regional level, three programmes are currently implemented.

- Euromed Heritage for the preservation and development of Euro-Mediterranean cultural heritage (see MEDA success story on page 26). The success of this initiative has encouraged the EU to launch a second phase in 2000.
- Euromed Audiovisual supporting Euro-Mediterranean audiovisual cooperation projects in the fields of radio, television and cinema.
- Euromed Youth in the field of youth exchange aiming at facilitating the integration of young people into social and professional life and stimulating the

democratisation of the civil society of the Mediterranean partners in that it improves mutual comprehension and cohesion between young people across the Mediterranean basin.

In addition, the EU has given particular consideration to promoting human rights and democracy in the Mediterranean partners. Cooperation among civil societies is considered an essential element of democratic reform. Consequently, on the one hand, civil society has been involved in the Euro-Mediterranean Partnership by means of a series of civil forums in the past five years that often preceded foreign minister conferences. On the other hand, the EU has been funding non-governmental organisations, groups and initiatives which promote democratic values, the rule of law, respect for human rights and a political culture in the Mediterranean partners. The MEDA Democracy programme has lent its support to a large number of projects since 1996. This complements the political dialogue and cooperation in the first chapter on respect for democracy and human rights.



The European Union Baroque Orchestra on an EU-funded tour — Here in the Gaza Strip



Since ancient times, the Mediterranean Sea has been the crossroads for the exchange of people, ideas and goods — View of the former trading city of Byblos, today's Jbail, Lebanon

Conclusion

During the relatively short period of five years, the Barcelona process has shown remarkable successes but, naturally, it is far from having produced all the results it was designed to bring about. Expectations were initially high — sometimes too high to be lived up to. Against grave political odds, however, continuous dialogue among the 27 partners has been instigated and institutionalised. Multilateralism is now as common as, and sometimes even prevalent over, traditional bilateral approaches. Furthermore, substantial financial assets have been committed to the Mediterranean region. The strategic importance of the EU's southern neighbours is now recognised by all EU Member States, and, not least, the first encouraging results of the reform efforts in the Mediterranean partners can be observed.

On the other hand, severe problems remain to be tackled. The early stages of the Barcelona process were characterised by a proliferation of activities without clear priorities. Implementation of projects was generally too slow, with projects often being too small. Also, the absorption capacity of the partners is still not sufficient, which is part of the reason for a low disbursement rate. The establishment of free trade has proved to be much more difficult than anticipated, as illustrated by the slow progress on the negotiations of association agreements,

caused, *inter alia*, by slow ratification procedures. Here, both the Mediterranean partners and the EU Member States share the blame. Furthermore, south–south integration still progresses too slowly, if at all, thus failing to attract investors.

Deadlock and slow advances in the Middle East peace process, albeit separate from the Barcelona process, have had a retarding effect on regional cooperation in general. These shortcomings were so substantial as to call in question the political determination of both sides to achieve the goals they set in 1995.

In 2000, the European Commission has started an initiative to reinvigorate the Barcelona process. The European Commission is accepting its share of responsibility by reorganising its management of external assistance to speed up the disbursement of funds. At the same time, the Mediterranean partners need to step up their efforts for political and economic transition.



Tunisia has undertaken steps early towards a free trade area with the EU — View of the market of Tozeur, Tunisia

A long-term policy without alternative

Criticism of the Barcelona process is often heard, justified at times, not so at others. Whatever the claims are, however, it must be remembered that:

- *a long-term policy cannot be fairly assessed on the basis of its short-term results. The ultimate benefit of the efforts undertaken within the framework of the Barcelona process will not be visible until some time in the future;*
- *there is no serious alternative to the Barcelona process. Alternative policies, such as the classic development aid approach, have not brought about the desired results. Such an approach would not address the economic and social costs of protectionism, centralised economies and compartmentalised markets. The Barcelona process constitutes a more constructive method: to deliver incentives for sustainable growth, industrial modernisation and social change;*
- *scaling down efforts to pre-Barcelona proportions or stopping cooperation with the EU's Mediterranean partners altogether is no alternative. Nor would such a policy live up to the responsibility the EU has vis-à-vis its southern neighbours. Responsibility, however, also lies with the 12 partners;*
- *the insight on which the Barcelona process was founded remains as true as ever: in the long run, a peaceful, stable and prosperous Europe is unthinkable without an equally peaceful, stable and prosperous Mediterranean region.*



Outlook

During the next decade, a number of achievements are expected in the Barcelona process. Some of them will be the result of ongoing efforts, such as the entry into force of the Charter for Peace and Stability, the conclusion of all remaining Euro-Mediterranean association agreements, and the strengthening of domestic economies. Others will follow from initiatives taken by the EU in 2000 to reinvigorate the Barcelona process.

1. Achieving a full set of association agreements

Euro-Mediterranean association agreements are at the core of the Barcelona process. The EU will conclude such agreements with all Mediterranean partners (with the exception of the accession candidates Cyprus, Malta and Turkey, with whom first-generation association agreements already exist). Association agreements with Egypt, Syria, Lebanon, and Algeria have still to be signed and ratified.

2. Completing the Euro-Mediterranean free trade area

Being one of the most crucial policy objectives of the Barcelona process, the free trade area should be irreversible by 2010. Free trade must not only be established between the EU and the Mediterranean partners but also among the partners themselves (south-south integration). The removal of trade barriers will create larger markets, which will serve as a strong incentive to make the region more

'The Barcelona process (...) is not the only axis for the EU's external policy with the Mediterranean. But it is the most important. And I am determined that it should become even more important still.'

Chris Patten

attractive for foreign direct investment. Capital inflows, in turn, will foster the desired economic growth in the Mediterranean. Cumulation of rules of origin could serve as leverage to increased intraregional trade.

3. Making agriculture an issue

Agriculture is a topic of great importance to both the EU and its Mediterranean partners. So far, the discussion of related topics has mainly taken place in the framework of negotiations of association agreements, reflecting the high dependency of the Mediterranean partners on agricultural exports. Deeper economic integration, however, will require a broad discussion of agricultural policies among the 27 partners. On both sides of the Mediterranean, the agricultural sector is subsidised. In order to bring about an increased exchange of goods, there must be a coordinated approach to tackle this highly sensitive issue with all its economic and social dimensions taken into consideration.



The EU lends support to the rehabilitation of the Lebanese public administration — View of restored downtown Beirut, Lebanon



Construction of the EIB-funded Maghreb-Europe gas pipeline from Algeria via Morocco to Spain

4. Continuing structural adjustment

The long-term objective of the Barcelona process is to create open economies by the opening-up of markets, the elimination of trade barriers, and other improvements in the freedom of movement. Fiscal, administrative and legal reforms as well as deregulation of public services need to be accelerated in order to raise the level of foreign direct investment in the southern Mediterranean economies.

In order to foster economic transition in the region, the partners have agreed to harmonise certain single market-type measures. This will accompany tangible and sustainable structural economic adjustment in the partners. The EU will continue to support these reforms with technical assistance and financial aid (MEDA).

5. Building cross-boundary infrastructure networks

Integration of the 27 partners must be expanded to the field of infrastructure. Closer cross-boundary cooperation in the fields of telecommunications, energy and transport is a crucial prerequisite for deeper economic ties. To this end, the EU will support fewer but bigger projects, such as transnational gas pipelines, the link-up of motorways, and the connection of electricity grids through a mix of financing.

6. Making MEDA more efficient

Based on the experience of the past five years, the EU is currently in the process of revising and reforming its procedures for the

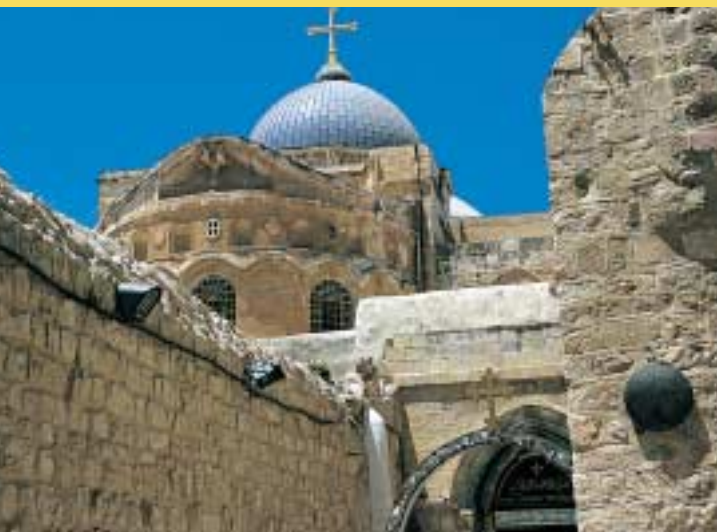
execution of its Mediterranean policy. The centrepiece of a reinvigorated Barcelona process will be the MEDA II regulation. Among other things, it will entail a streamlining of internal decision-making processes and improved planning of programmes and projects.

7. Concluding and implementing the Euro-Mediterranean Charter for Peace and Stability

The 27 partners should conclude negotiations on the charter as soon as possible which will institutionalise the mechanisms of political dialogue to promote and preserve peace in the region. Within the framework of the charter, human rights and democracy should acquire greater prominence in the partnership, including stronger support for NGOs and an expanded MEDA Democracy programme. However, the implementation of the charter will be highly dependent upon a breakthrough in the Middle East peace process.

8. Reinforcing the political and security partnership

So far, the first chapter of the Barcelona process has only brought about relatively 'soft' forms of cooperation to build confidence. After a breakthrough in the Middle East peace process, the partners should also consider deciding 'hard security' measures. In the long term, these might include sharing of information on military capabilities, demining, joint peacekeeping, mutual monitoring of military exercises and verification missions.



View of parts of the Church of the Holy Sepulchre



View of the Western Wall and the Dome of the Rock

The status of Jerusalem is one of the key issues of the Middle East peace process

9. Increasing cooperation in the people's dimension

In the fields of justice and home affairs a new regional programme will be introduced, addressing the following issues:

- right of asylum and activities in favour of refugees;
- illegal immigration including trafficking in human beings;
- status of legal immigrants and other questions relating to migration;
- organised crime.

In the cultural field, further programmes such as Euromed Human sciences are in preparation. The social dimension of the Barcelona process will also be taken into account through a new programme.

10. Bringing the Middle East peace process forward

A more successful implementation of the Euro-Mediterranean Partnership has often been hampered by the lack of progress in the peace process between Israel, the Palestinians, Syria and Lebanon. The EU remains committed to support for a just, comprehensive and lasting peace in the Middle East and is actively supporting the process, notably through its special envoy for the Middle East peace process, as well as by being the largest aid donor to the Palestinians. Once a comprehensive breakthrough is achieved, the Barcelona process will serve as the framework for a series of post-conflict activities. The political and secu-

urity partnership will particularly benefit from such a development as it will finally be able to assume the key role assigned to it at the outset. Activities could include conflict prevention and early warning of crises, as well as post-peace rehabilitation of affected areas and increased cross-border cooperation.

11. Integrating northern Mediterranean partners into the EU

Three of the 12 Mediterranean partners have the status of membership candidates, with Cyprus already being fairly advanced in the accession process and Malta having just joined negotiations in 2000. Turkey was awarded that status in December 1999. Depending on their preparations for future membership, these Mediterranean partners will be joining the EU, with the positive side effect of a stronger Mediterranean orientation of the Union as a whole. Their accession to the EU will without doubt have a stimulating effect on the political dynamics of the region, with economic growth, democratisation and regional integration increasing and growing stronger.

12. Enhancing visibility and 'ownership'

The Euro-Mediterranean Partnership must become more visible and known in the Euro-Mediterranean region. As a consequence, information and public relations efforts need to be increased. Part of such an enhanced communication strategy must be the attempt to create a sense of 'ownership' of the Barcelona



Scarce water resources require cross-border cooperation — View of the Yarmouk River Valley, the Golan Heights and Lake Tiberias

A sense of 'ownership' of the Barcelona process among the peoples of the partnership needs to be promoted — Children living in the Roman site of Bosra, Syria

process among the peoples of the partnership, e.g. by the introduction of a political Euromed label by which projects can be identified as being part of the Barcelona process. Only when the endeavour is regarded as a common undertaking and when the stakes involved are fully understood will the necessary but painful reforms be accepted as legitimate.

Progress on the association agreements will serve as an indicator of the strength of the political commitment of the 27 partners to the goals of the Barcelona process.

The EU funds a project for the rehabilitation of the Phanar and Balat minority quarters of Old Istanbul, Turkey



The MEDA programme 1995–99

The MEDA ⁽¹⁾ programme is the main financial instrument of the Barcelona process. It represents the lion's share of funds allocated to the Mediterranean with nearly EUR 1 billion per year ⁽²⁾. Under MEDA, money is committed in the form of grants, as opposed to complementary financial support given by the European Investment Bank (EIB) which comes in the form of repayable loans.

The provisions of the MEDA regulation ⁽³⁾, the basis for the MEDA programme, apply to all three chapters of the Barcelona process. MEDA provides funds for both the bilateral and the multilateral track. It constitutes a comprehensive attempt to accompany the Mediterranean partners' socioeconomic reform efforts.

MEDA funds are allocated to programmes and projects on the basis of the national and regional indicative programmes. These programmes define EU policy priorities and indicative financial amounts for the engagement in individual Mediterranean partners and for re-

gional cooperation. Indicative programmes are subject to annual review and are crafted in close cooperation with the respective partners.

The purpose of the MEDA programme within the greater framework of the Barcelona Declaration is twofold.

1. It creates incentives for economic transition and the development of open, competitive markets, and it fosters political and social reforms in the Mediterranean partners. The MEDA programme serves as a catalyst to macroeconomic structural adjustment but also on the microeconomic level (e.g. by means of risk capital financing and subsidising interest of loans). It is not designed to fulfil the role of a structural fund.
2. It helps to mitigate the short-term hardships which inevitably accompany such adjustments, e.g. by supporting primary education, health care and rural development.

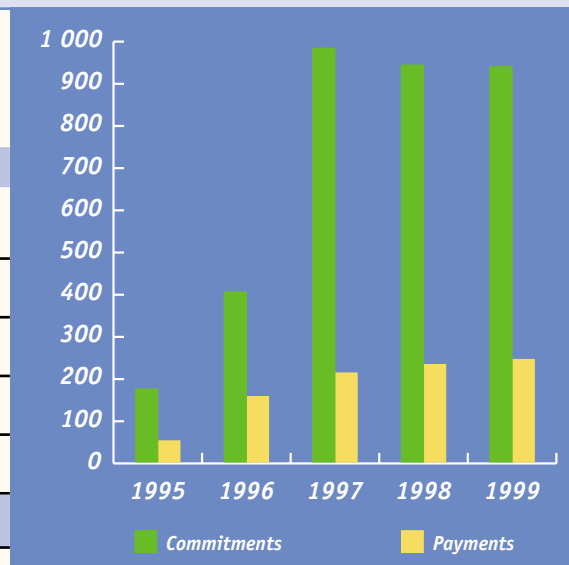
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The elimination of trade barriers — a major policy objective

Customs duties still constitute a substantial portion of some of the Mediterranean partners' revenues. This is an obvious indicator of the insufficient degree of south–south integration. With tariffs being hostile to economic integration and free trade, it is one of the major policy objectives of the EU to instigate tax reform in the Mediterranean partners. In order to open alternative sources of revenue, the EU supports, for instance, the creation of value added tax systems, where they are not yet in place. In addition, the EU also pursues the reduction of non-tariff trade barriers, such as competition and procurement rules and the non-recognition of norms and standards (trade taxes in per cent of the overall tax revenue 1995–98: Lebanon: 45.6 %; Jordan: 24.9 %; Tunisia: 13.9 % — Source: Femise report 2000).

| <i>MEDA commitments and payments 1995–99 per year (million EUR)</i> | | |
|---|--------------------|-----------------|
| | <i>Commitments</i> | <i>Payments</i> |
| 1995 | 173 | 50 |
| 1996 | 403 | 155 |
| 1997 | 981 | 211 |
| 1998 | 941 | 231 |
| 1999 | 937 | 243 |
| Total | 3 435 | 890 |



MEDA I, which ran from 1995 to 1999, had a total of EUR 3 435 million, all of which was committed to projects under the Euro-Mediterranean Partnership. Keeping in mind that MEDA I constituted an entirely new approach to the administration of EU external assistance, it can be considered an overall success. However, several difficulties have led to a low disbursement rate (26 % or EUR 890 million at the end of 1999). Heavy administrative procedures for implementing projects require a considerable revision of the programme format. The Commission's aim is that from 2000

onwards, MEDA II (EUR 5 350 million for 2000–06) will continue the EU's financial engagement in the region in a streamlined and more efficient way.

The legal basis for the disbursement of MEDA funds is the framework conventions. These bilateral agreements regulate the transfer of funds from the EU budget to the Mediterranean partners. The conclusion of framework conventions with the partners has not in all cases been quick enough, thus partially contributing to the insufficient disbursement rate of MEDA funds.

- (1) Financial and technical measures to accompany the reform of economic and social structures in the framework of the Euro-Mediterranean Partnership.
- (2) The MEDA budget line of the general EU budget (B7-410), despite being only one of the budget lines for the Mediterranean, entails by far the largest financial resources dedicated to the Barcelona process. Other budget lines include the support programme for the Israel-PLO peace accords, EU contributions to UNRWA, pre-Barcelona bilateral financial protocols, and the MEDA Democracy programme.
- (3) Council Regulation (EC) No 1488/96, adopted on 23 July 1996.

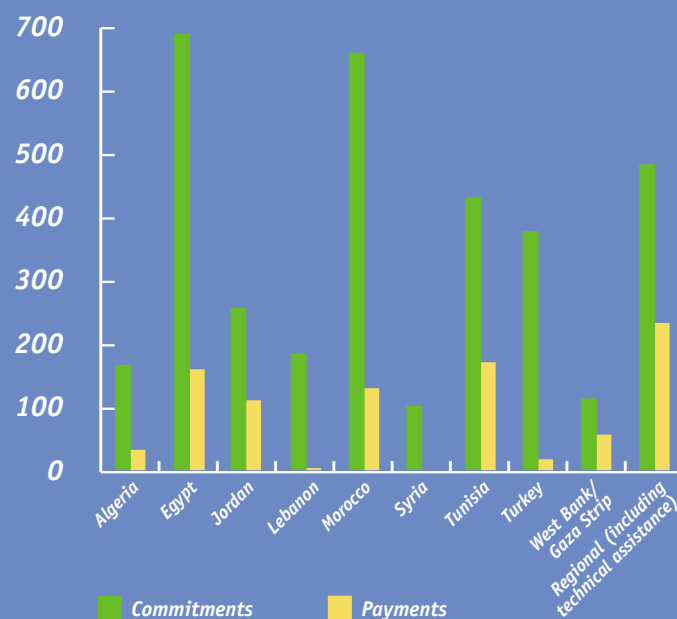
Implementation of financial cooperation in the Mediterranean

- **Total commitments for EU aid to the Mediterranean region 1995–99:** **EUR 4 422 million**
of which:
 - **MEDA** **EUR 3 435 million**
 - **peace process** **EUR 424 million**
(aid to the Palestinians)
- **Total payments for EU aid to the Mediterranean region 1995–99:** **EUR 1 615 million**
of which:
 - **MEDA** **EUR 890 million**
 - **peace process** **EUR 256 million**
(aid to the Palestinians)
- **Total EIB loans to the Mediterranean region 1995–99:** **EUR 4 808 million**

MEDA commitments and payments 1995–99 bilateral ⁽¹⁾ (per partner) and regional (million EUR)

| | Commitments | Payments |
|---|--------------|------------|
| Algeria | 164 | 30 |
| Egypt | 686 | 157 |
| Jordan | 254 | 108 |
| Lebanon | 182 | 1 |
| Morocco | 656 | 127 |
| Syria | 99 | 0 |
| Tunisia | 428 | 168 |
| Turkey | 375 | 15 |
| West Bank/Gaza Strip | 111 | 54 |
| Regional (including technical assistance) | 480 | 230 |
| Total | 3 435 | 890 |

(¹) Cyprus, Israel and Malta may benefit from regional funds.



Summary of bilateral and regional cooperation activities

The main activities supported under the MEDA national indicative programmes were the following:

- **Structural adjustment:** direct budgetary support accompanying the effective implementation of programmes generally coordinated with the Bretton Woods institutions; a total of EUR 520 million or 15 % of MEDA commitments for 1995–99. The partners concerned were Algeria, Jordan, Lebanon, Morocco and Tunisia.
- **Economic cooperation:** support for the creation of an environment favourable to the development of the private sector including risk capital operations managed by the EIB; a total of EUR 1 035 million or 30 % of MEDA commitments for 1995–99. The partners mainly concerned were Egypt, Jordan, Morocco, Palestinian Authority, Tunisia and Turkey.
- **Socioeconomic balance:** activities in the social sector in the widest sense (health, education, etc.) aim to support the socioeconomic balance in the partners and to mitigate the short-term negative effects of economic transition. They mainly take the form of social funds and, more recently, a sectoral adjustment facility (health insurance in Tunisia); a total of EUR 1 000 million or 29 % of MEDA commitments for 1995–99.

- **Environment:** activities have been supported in Jordan and Morocco; in addition all partners except Syria have benefited from interest rate subsidies on EIB loans for environmental projects; a total of EUR 235 million or 7 % of MEDA commitments for 1995–99.
- **Rural development:** programmes have been agreed for Morocco, Syria and Tunisia; a total of EUR 155.5 million or 4.5 % of MEDA commitments for 1995–99.

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Under MEDA, support for vulnerable groups is being dealt with in actions in favour of the socioeconomic balance. In addition, the EU has a specific facility with its MEDA Democracy programme to promote **human rights and democracy** (EUR 36 million for bilateral and regional projects).

Under the regional indicative programmes, priority has been given to industrial cooperation, environment, water, energy, transport and the information society, with the emphasis on policy dialogue, networking, the interconnection of infrastructure and reforming the legal and administrative framework to encourage pro-competitive regulation. Under the third chapter of the Barcelona process, the main activities have been in the fields of cultural heritage, audiovisual cooperation and youth exchanges. Most of the regional cooperation programmes are open to civil society.

Tunisia is one of the major beneficiaries of
EU support for structural adjustment —
View of the entrance to the market in Tunis



MEDA success story

Structural adjustment facilities (economic and financial partnership)

The Barcelona Declaration called for the southern and eastern Mediterranean countries to be drawn together in an 'area of shared prosperity'. This means the EU's financial cooperation has to go well beyond the proliferation of classical aid projects. All the instruments of this cooperation have to be integrated into the framework of a comprehensive policy of structural reform that can prepare the Mediterranean partners institutionally and economically for association with the EU.

Structural adjustment facilities (SAFs) have turned out to be the best-suited way to provide across-the-board support for structural change. In essence, national budgets of the Mediterranean partners receive a cash injection in return for the implementation of structural reforms, the rationale being that the EU will bear the cost either of certain aspects of the reform process itself or of its impact on people's lives and livelihoods — the 'social cost' of reform.

Seven SAFs have been launched since 1996, two in Tunisia, worth EUR 100 million and EUR 80 million, two in Jordan (again EUR 100 million and EUR 80 million), and one each in Morocco (EUR 120 million), Algeria (EUR 125 million) and Lebanon (EUR 50 million). Currently in the pipeline are two more packages for Tunisia (EUR 60 million and EUR 100 million), two for Morocco (EUR 50 million and EUR 80 million), and two for Turkey (EUR 150 million and EUR 200 million).

An evaluation of four of the first-round operations (Algeria, Jordan, Morocco and Tunisia) confirms that the budget support did in fact go hand-in-hand with significant reforms. In each case, support for structural adjustment under the MEDA programme eased the macroeconomic situation, making it politically feasible to put in hand sectoral reforms whose benefits will only become apparent in the longer term. The four countries also made notable progress on economic liberalisation and regulatory systems, with new rules for the banking sector designed to allow greater competition, make deposits more secure and improve credit allocation. At the same time, the desired attention was paid to the human aspect of structural adjustment, with 'social' spending on health or education remaining stable or rising.

A detailed assessment of the Morocco SAF completed in March 2000 noted far-reaching changes in the country's legal, regulatory and institutional framework in key areas including commercial tribunals, customs, debt management, and public finances. Public expenditure planning was brought under tighter control, while the government redefined the frontiers of the State and directed investment into social sectors.

SFD-funded public works programme consisting of environmental improvement of the El Mahmoudia Canal, Alexandria, Egypt



Before development



After development

MEDA success story

Egypt's Social Fund for Development (economic and financial partnership)

The Egyptian Government set up the Social Fund for Development (SFD) at the beginning of the 1990s to counteract the painful side effects of the country's macroeconomic structural adjustment programme. The fund has now become a fixture, its remit, poverty reduction and job creation. Ten years on it is one of the most successful agencies of its kind anywhere in the world.

The SFD undertakes a range of activities including a public works programme, a community development programme, an enterprise development programme and a human resources development programme. It has made a significant contribution to poverty relief with a string of success stories to its credit in revenue-generating activities and long- and short-term job creation.

It has proved particularly effective at channelling resources to the poorest parts of the country and the neediest groups. Infrastructure projects, better social and educational provision, the advancement of women, job-creation schemes and reskilling programmes for those whose jobs are under threat have done much to improve quality of life, especially in rural areas. One of the SFD's most successful features has been its ability to work closely and constructively with a range of local bodies, drawing together NGOs, training bodies, banks and other agencies in the field to form an extensive operational network. Credit for the SFD's effectiveness must also go to its first-class team of managers and fieldworkers, who have pursued their goals with notable imagination and commitment.

The EU was the SFD's major donor in its start-up phase, contributing EUR 178.9 million. It continued to provide significant support for stage two (EUR 155 million). The SFD now enjoys financial backing from no fewer than 13 international donors, bilateral and multilateral.

Euro-Mediterranean cultural heritage
exhibition at EXPO 2000, Hildesheim,
Germany



MEDA success story

Euromed Heritage

(social, cultural and human partnership)

Euromed Heritage is the regional programme for the conservation and development of the Euro-Mediterranean region's cultural heritage, launched following the 1996 Bologna Conference. It comprises four types of measure (development, training, awareness raising and skills transfer), the overarching aim being to promote the idea of a common Euro-Mediterranean heritage drawing together diverse traditions and customs so as to underpin the political objective of increasing openness and tolerance in the region and ultimately fostering peace and stability.

The programme got under way in the autumn of 1998, initially with a portfolio of 16 projects varying in their aims and approach but essentially targeting the development of human resources, the transfer of conservation skills, the creation of joint information and communications systems, the use of advanced technology and the exploitation of cultural heritage as a valuable resource for sustainable economic development. In all, around 240 public or private sector entities from the region are involved in the projects, including cultural bodies, non-governmental organisations and conservationists.

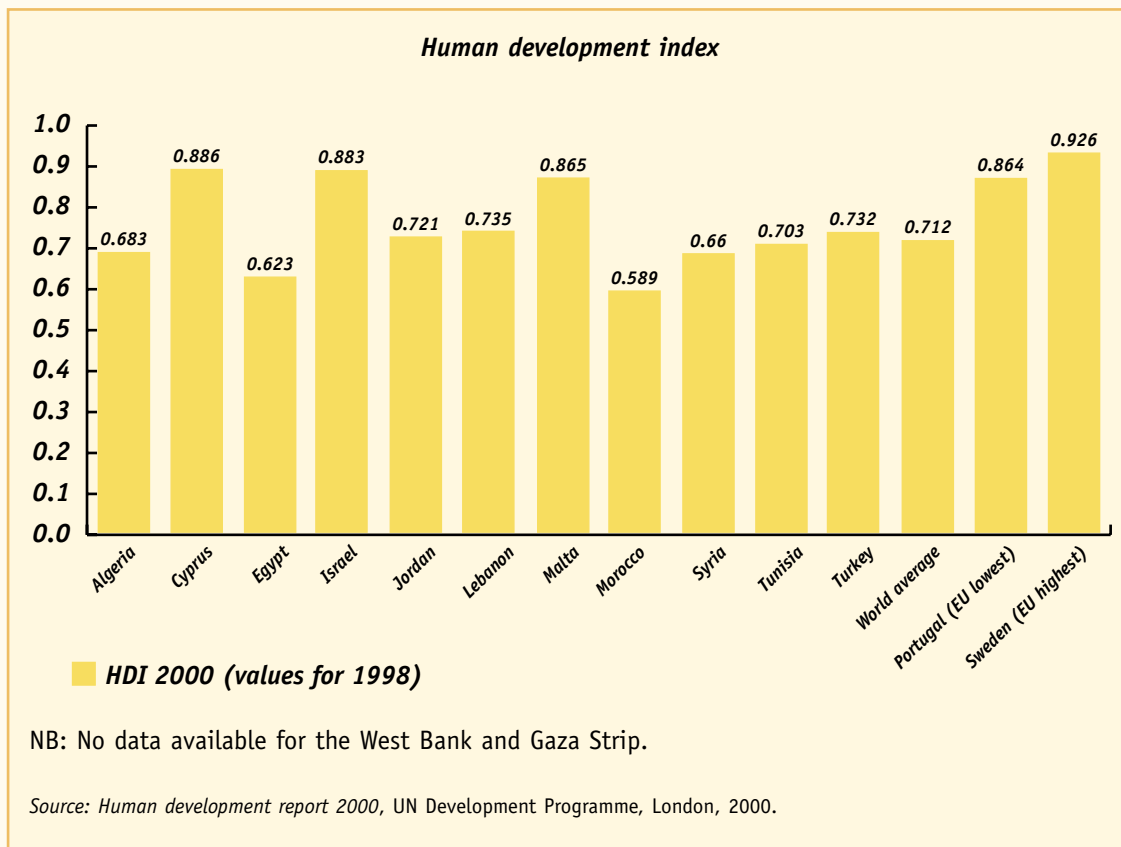
Two years on, the programme has picked up pace, increasing its impact thanks to a flagship exhibition which opened in Hildesheim in June as part of EXPO 2000 and the cultural tourism project 'Museum with no frontiers', an exhibition trail organised around the Mediterranean basin showcasing Islamic art in the Mediterranean. As well as improving its visibility, the Euromed Heritage programme has also scored well in forging links between those working in the field and in enabling national cultural institutions to upgrade their resources.

The success of the programme prompted the 27 Euro-Mediterranean foreign ministers at their conference in Stuttgart to call for a continuation and development of these activities. The second phase of Euromed Heritage (EUR 30 million) will reflect this political will, as well as drawing on the experience generated by phase one (EUR 17 million) to improve the impact of cooperation, raise its profile still further and step up the involvement of partners from the southern Mediterranean.

Annexes

Human development and the Mediterranean

The human development index (HDI) is a composite index including, *inter alia*, life expectancy at birth, adult literacy, real GDP per capita, and gross enrolment in first, second and third level education.



Euro-Mediterranean statistics

| | <i>Population (1 000)</i> | <i>Life expectancy (at birth, in years)</i> | <i>GDP per capita (EUR)</i> | <i>Annual GDP growth rate (%)</i> |
|-----------------------------|-------------------------------|---|-------------------------------------|---|
| | <i>1998</i> | <i>1998</i> | <i>1998</i> | <i>1998</i> |
| <i>Algeria</i> | <i>29 300</i> | <i>68.9</i> | <i>1 443</i> | <i>5.1</i> |
| <i>Cyprus</i> | <i>752</i> | <i>77.5</i> | <i>12 107</i> | <i>5.0</i> |
| <i>Egypt</i> | <i>61 345</i> | <i>67.9</i> | <i>1 072 ⁽¹⁾</i> | <i>5.6</i> |
| <i>Israel</i> | <i>6 041</i> | <i>78.1</i> | <i>14 786</i> | <i>2.2</i> |
| <i>Jordan</i> | <i>4 756</i> | <i>69.0</i> | <i>1 385</i> | <i>1.3 ⁽¹⁾</i> |
| <i>Lebanon</i> | <i>4 005</i> | <i>71.0</i> | <i>2 577 ⁽²⁾</i> | <i>n.a.</i> |
| <i>Malta</i> | <i>379</i> | <i>77.2</i> | <i>8 216</i> | <i>3.6</i> |
| <i>Morocco</i> | <i>27 775</i> | <i>69.2</i> | <i>1 143</i> | <i>6.5</i> |
| <i>Syria</i> | <i>15 597</i> | <i>68.9</i> | <i>1 011</i> | <i>7.8</i> |
| <i>Tunisia</i> | <i>9 333</i> | <i>71.9</i> | <i>1 922</i> | <i>5.0</i> |
| <i>Turkey</i> | <i>63 451</i> | <i>68.8</i> | <i>2 792</i> | <i>2.8</i> |
| <i>West Bank/Gaza Strip</i> | <i>2 897</i> | <i>71.5</i> | <i>1 323 ⁽¹⁾</i> | <i>n.a.</i> |

⁽¹⁾ In 1997. ⁽²⁾ In 1995. ⁽³⁾ In 1996.

Source: Euro-Mediterranean Statistics 2/1999, Eurostat, Luxembourg.

| Unemployment rate (%) | Government debt (% of GDP) | FDI (million EUR) | Imports (million EUR) (with share of EU in %) | Exports (million EUR) (with share of EU in %) |
|------------------------------|-----------------------------------|--------------------------|--|--|
| 1998 | 1998 | 1998 | 1998 | 1998 |
| 26.4 ⁽¹⁾ | n.a. | 6 ⁽¹⁾ | 8 314 (57.1) | 9 033 (63.6) |
| 3.3 | 95.3 | 30 | 3 280 (54.7) | 949 (38.1) |
| 8.4 ⁽¹⁾ | n.a. | 960 | 14 698 (36.3) | 2 851 (38.0) |
| 8.6 | 89.6 | 1 650 | 24 503 (58.1) | 20 771 (30.9) |
| 12.6 | 92.6 ⁽¹⁾ | 318 ⁽¹⁾ | 3 416 (32.7) | 1 316 (6.6) |
| 8.5 ⁽¹⁾ | 85.4 ⁽²⁾ | 132 ⁽¹⁾ | 6 306 (53.4) | 639 (25.3) |
| 5.1 | 56.4 | 227 | 2 378 (69.3) | 1 636 (52.8) |
| 17.8 ⁽³⁾ | 51.6 | 293 | 7 526 (55.7) | 4 138 (59.3) |
| 8.9 | n.a. | 71 ⁽¹⁾ | 867 (33.4) | 643 (50.9) |
| 15.7 ⁽¹⁾ | 51.3 | 600 | 7 462 (75.0) | 5 126 (80.2) |
| 6.3 | 22.5 | 876 | 40 842 (52.5) | 24 138 (50.0) |
| 14.6 | 1.2 ⁽¹⁾ | 175 ⁽¹⁾ | 1 908 (7.2) ⁽¹⁾ | 335 (0.2) ⁽¹⁾ |

MEDA bilateral programmes 1995–99

Algeria

Financial commitments were initially slow due to the political situation and the low absorptive capacity of the Algerian administration. However, since the end of 1998, cooperation has regained a certain dynamic.

The economic transition and reform process has been supported by a structural adjustment facility of EUR 125 million committed in 1997. This programme covers essential reforms in the fields of external trade liberalisation, privatisation, social safety net and housing. Complementary to these reforms, technical assistance projects to strengthen private sector development have been launched. A privatisation project (EUR 38 million) and an SME support programme (EUR 57 million) were committed at the end of 1998. A financial sector modernisation project (EUR 23 million) was committed in December 1999. In addition, the EU supports industrial pollution abatement by an interest rate subsidy for an EIB loan (EUR 10.75 million).

To support the socioeconomic equilibrium, a programme on institutional support to NGOs (EUR 5 million) was committed in 1999 to strengthen decentralised, anti-poverty-oriented development activities, mainly for poor target groups. A comprehensive assistance programme to the Algerian Social Fund (EUR 50 million) is presently under preparation. The latter will mainly promote employment creation and community development activities.

Egypt

The main objectives of measures financed in Egypt through the MEDA programme are to support economic transition and promote a better socioeconomic balance. Both tracks should back up Egypt in its medium-term objective of a sustained economic growth beyond 5.5 % per annum.

The MEDA programme supports economic transition in Egypt with the industrial modernisation programme (IMP) (EUR 250 million): this is a shared initiative between the Egyptian Government, the private sector and the European Union to help Egyptian companies compete successfully in both the domestic and international markets. As Egypt further integrates into the world economy and trading system, the performance of the industrial sector will become an increasingly important contributor to the country's future income and employment generation goals.

The objectives of the IMP will work at three levels. First at the policy/enabling environment level, second at the sectoral level, and third at the individual enterprise level.

As far as support to socioeconomic balance is concerned, EU–Egypt cooperation has progressively evolved from reproductive health initiatives, decentralised cooperation, NGO support and substantial contributions to the Social Fund for Development. Under MEDA, EU–Egypt cooperation in the social sector targets human resource and skills development, the creation of job and busi-

ness opportunities within micro and small enterprises in rural sectors and other deprived areas, and support to basic health and basic education reform.

Acknowledging the challenges that lie ahead, the Government of Egypt has embarked on a major effort to improve the quality of basic education (EU contribution EUR 100 million) and has defined a long-term policy. It emphasises three areas: (1) increasing access to compulsory basic education, particularly for girls and underprivileged children; (2) improving the quality of education through reducing wastage and ensuring the attainment of basic skills to a grade nine level; and (3) improving system efficiency by enhancing resource use, planning and management and accountability of teachers and system managers.

In health (EU contribution EUR 110 million), the government has also set the goals of a comprehensive 10–15 years' health reform framework, whose ultimate objective is to improve the health status of the Egyptian population through universal access to high-quality and cost-effective services in the context of a fiscally sustainable and efficient system. Much of the first five-year efforts will focus on primary care, while taking into account the issues of overall health manpower and system capacity for which policies will be developed and implemented progressively.

Ongoing support to the Social Fund for Development constitutes another considerable contribution to Egypt's efforts to mitigate the adverse effects of economic transition. EUR 155 million has been committed to the second phase of this operation with an emphasis on measures which increase employment.

Jordan

Most of the funds have been used to support economic transition including reforms: EUR 180 million was allocated to two structural adjustment operations (1996, 1999). The support concentrated on economic and social reforms, such as improved budgetary management and transparency of economic statistics, trade liberalisation, modernisation of the tax system, privatisation and public sector

reform, the social safety net and investments in social infrastructure. Moreover, both operations contributed to easing the balance of payments constraints. EUR 57 million has been dedicated to programmes in favour of SMEs (EUR 7 million) and industrial modernisation (EUR 40 million), including risk capital resources managed by the EIB in support of SMEs (EUR 10 million).

Poverty reduction measures, in order to ensure the socioeconomic equilibrium despite Jordan's high indebtedness and budgetary constraints, focused on the water sector and the protection of the environment (EUR 13.2 million for the Greater Amman water sector improvement programme) and tourism development (EUR 3.9 million).

Lebanon

For the period 1995–99 the principal objectives of EU assistance have been to assist Lebanon's post-war institutional and economic reconstruction.

Rehabilitation of public administration is designed to strengthen Lebanon's planning and operational capacity of ministries, State agencies and institutions, particularly in carrying out social sector activities (EUR 38 million). An investment planning programme provides management support to State institutions responsible for infrastructure and utilities, i.e. energy, water, transport, waste, environment, industry (EUR 25 million). The private sector is also to benefit from strengthening of norms and certification capabilities (EUR 6 million). An industrial modernisation project is under way to help private sector manufacturing at SME level to compete more effectively in local and export markets (EUR 11 million). Two EIB interest subsidies for environment sector loans were provided (EUR 30 million).

An EUR 50 million structural adjustment facility was approved to underpin Lebanon's economic transition, coupled with assistance for the introduction of VAT (crucial to pave the way for renewed negotiations on the association agreement).

An EUR 25 million Social and Economic Development Fund has been agreed to improve the social

development needs of Lebanon's more vulnerable communities at risk in an economy in transition. This provides micro-credit lines and assistance to NGOs, municipalities and other agencies concerned with rural and urban social welfare and economic needs. Lebanon has also benefited from humanitarian and rehabilitation programmes directed principally to displaced persons affected by civil war, and for the rehabilitation of South Lebanon.

Morocco

The capacity for absorption of MEDA funds by Morocco has been very satisfactory. Total commitments for the period reached EUR 656 million.

In terms of economic reform, a structural adjustment facility has been put in place with the cooperation of the World Bank (EUR 120 million). A new government came into power in March 1998. As a result of the political reorientation which followed, Morocco experienced a delay in the disbursement of funds, the last of which was paid in December 1999.

To complement the structural adjustment facility, several technical assistance programmes are contributing to an improved economic environment in the private sector. Priority areas include privatisation (EUR 5 million), the creation of guarantee funds (EUR 30 million), standardisation and the management of quality (EUR 15.5 million), support for the national agency for the regulation of telecommunications (EUR 5 million), a support programme for professional training (EUR 38 million), support for professional associations (EUR 5 million), a micro-credit pilot project (EUR 700 000), support for the national plan for geological mapping (EUR 5 million) as well as an information centre for SMEs and Euro-Maroc Enterprise (EME), which was started with MEDA funds in 1995. In addition to these projects, risk capital administered by the EIB has been granted in view of the new competitiveness visible in Moroccan firms (EUR 45 million).

Support for the socioeconomic balance is mostly concerned with the reduction of inequalities in the living conditions of rural populations, especially in

the north of the country: water purification in rural areas (EUR 40 million), rural paths and roads (EUR 30 million), integrated rural development (EUR 28 million), support for basic health (EUR 20 million), integrated development of forest zones (EUR 24 million), support for basic education (EUR 40 million), the Mediterranean coastal road (EUR 80 million), support for coastal fishing (EUR 21 million), hydro-agricultural land reform (EUR 29 million), support for development of NGOs (EUR 4 million) and support for the Social Development Ministry (EUR 2 million).

Other projects are directed specifically towards the improvement of living standards in towns: aid for young people and sport (EUR 6 million), sanitary systems for major towns (EUR 8 million, supplemented by the EIB), the sanitary systems for Meknès, Settat and Agadir (EUR 13 million, supplemented by the EIB), public housing in Tangiers (EUR 7 million), aid to employment creation (EUR 3 million) and cultural institutions (EUR 5 million).

Syria

Implementation of cooperation with Syria under MEDA was frozen until June 2000, pending ratification by Syria of the MEDA framework convention.

A number of programmes, however, have already been agreed to support economic transition. The programme for the modernisation of the Ministry of Finance (EUR 10.5 million) aims to modernise legislation and regulation concerning fiscal policy, budgetary reform, customs tariffs and practices; it provides assistance in the reorganisation of the administration to ensure the implementation of reform policies.

The business sector support programme II (EUR 10 million) focuses on improving the performance of local businesses while increasing output, quality, exports and employment to develop EU–Syrian business cooperation; developing capacities in consultancy and advisory services; and improving the business environment with a view to developing local businesses.

The Business Administration School (EUR 14 million) will contribute to an improved management of Syrian enterprises by promoting state-of-the-art management, education and training.

The institutional and sector modernisation facility (EUR 21 million) will assist the Syrian administration in formulating and implementing comprehensive economic modernisation; establish a high-level discussion forum on economic policy and strategy; and create an atmosphere of change through upgrading administrative capacities and services provided by the Syrian public sector, complementing the other economic support and modernisation programmes financed by the EU.

The municipal administration modernisation programme (EUR 18 million) is aimed at an improvement in the delivery of services by selected municipalities to their inhabitants.

Other programmes concern support for socioeconomic balance. The telecommunications sector support programme (EUR 10 million) aims to modernise the telecom sector and its organisation; strengthen its institutional, financial and managerial competence; deliver improved, sustainable services to the public; and upgrade technical, managerial and operational procedures and skills.

The power sector action programme (EUR 11 million) aims to improve the efficiency of generation, transmission and distribution of electrical energy; improving the financial and managerial efficiency, autonomy and self-reliability of electrical utilities; promoting the application of tariffs for the provision of electrical energy services; and reflecting the actual cost of supply.

Other programmes cover cultural tourism and archaeological training.

Tunisia

The association agreement with Tunisia was the first to enter into force, and Tunisia has even anticipated its tariff dismantlement by two years. The same applies to the restructuring of its economy. Even before the signature of the association agreement, programmes were set up to prepare

Tunisian industry for future competition from Europe.

The economic transition and reform process has been supported by two structural adjustment facilities (EUR 180 million) covering reforms essentially in the social field, privatisation of public companies and financial sector modernisation.

Several technical assistance projects have been launched to strengthen private sector development: a project in support of the Tunisian privatisation programme (EUR 10 million), a project in favour of external direct investment (EUR 4 million), a project to support the upgrading of the vocational training sector (EUR 45 million), and a project to enhance the Tunisian economy (EUR 10 million). Two risk capital operations have been prepared by the EIB in support of privatisation and upgrading of SMEs.

The socioeconomic balance has been supported by two technical assistance projects concerning rural development (EUR 50 million) and job creation (EUR 9.6 million).

A sectoral adjustment facility (EUR 40 million) has been financed in support of health insurance sector reform. EIB environment operations have benefited from interest rate subsidies (EUR 29.8 million).

Turkey

The overall objectives of the activities financed under the MEDA programme in Turkey were to support economic development and transition in the light of the EC–Turkey Customs Union and at promoting a better socioeconomic equilibrium in Turkey.

For these goals a budget of EUR 376 million was committed during the period 1996–99. Fifty-five cooperation projects were financed. Due to supplementary restrictions for Turkey imposed by the European Parliament in 1996, the project identification only picked up speed as of 1998. The absence of a signed framework convention (signed only on 19 March 1999) further delayed the actual implementation of projects.

The projects focus on the following priority areas.

Modernisation and promotion of the private sector. The 10 projects financed (in total EUR 42 million) support small and medium-sized enterprises (SMEs), the development of the productive infrastructure, institutional cooperation and assistance for privatisation. In this respect the creation of business centres in Izmit, Izmir and Gazientep and a project on the effective enforcement of intellectual property rights were supported. Furthermore, risk capital for SMEs was provided through the EIB.

Public health. The five projects identified under this priority (in total EUR 95 million) include a project on the improvement of the reproductive health services, food inspection, cancer prediagnosis for women and a rehabilitation project of two districts in Istanbul.

Education. The six projects supported (in total EUR 182 million) will help to improve and reform in particular the system of basic and vocational education and increase the quality of the education provided.

Environment. The five projects identified (in total EUR 42 million) focus mainly on the improvement of waste water treatment.

Human rights, strengthening of democracy and civil society. Under this priority 29 projects have been supported (in total EUR 14 million). Amongst the subjects covered by the projects are community empowerment, consumer protection, child protection, human rights, women's rights and development, press and EU–Turkish relations. Except for a project aimed at the development of the civil society in Turkey (EUR 8 million) and a community empowerment project (EUR 1.3 million), all projects had an EU contribution below EUR 1 million for information and education activities, training, awareness campaigns, etc.

West Bank and Gaza Strip

The Palestinian Authority participated in the Barcelona Conference in November 1995 and the Palestinians continue as full and equal partners in

the Barcelona process and are eligible for MEDA funding. In addition, it was considered that due to the particular conditions in the West Bank and Gaza Strip (WBGs), a specific financial instrument, established following the signature of the Declaration of Principles in 1993, should be retained (support programme for the Middle East peace process).

Assistance to the Palestinians for the period 1995–99 amounts to approximately EUR 88 million per year in grants (MEPP support programme, MEDA and other EU budget lines). The priority areas for cooperation are infrastructure, institution building and private sector development. The development assistance in these areas, both directly and indirectly, aims at reaching the overall objectives of the Barcelona process. The following projects are financed by MEDA.

The EU has set up and is implementing the municipal support programme (phases 1–3) amounting to EUR 45 million. The programme aims at upgrading infrastructure through small-scale projects (water supply, sewerage, road rehabilitation) in the municipalities of the WBGs; in addition, the EU has committed EUR 21 million to the local rural development programme. The project's overall objective is the improvement of living standards of people living in selected rural areas. In late 1999, the EU committed itself to the construction of the cargo facility at Gaza airport (EUR 25 million) — the prerequisite for any independent Palestinian trade with third parties from the airport.

In the area of private sector development, the Palestinian Development Fund (PDF) is a development agency established to promote the growth of Palestinian small and medium-sized enterprises. The PDF provides medium-term loans and associated financial and investment services. As from 1995, the EU has committed around EUR 20 million to the PDF that, despite a difficult economic environment, aims at supporting the establishment of a more stable economic structure and at reducing dependence on the Israeli economy.

Cyprus, Israel and Malta may only benefit from the MEDA regional programme.

MEDA regional programme 1995–99

Political

Senior (foreign ministry) officials have pursued the dialogue on political and security matters meeting regularly, at least four times a year. In particular, they have agreed on a number of partnership-building measures and have made considerable progress on the Charter for Peace and Stability.

The guidelines for the Charter for Peace and Stability were agreed at Stuttgart (April 1999) and foreign ministers made a commitment to have the text ready by Barcelona IV while formal adoption will take place as soon as political conditions allow.

The following partnership-building measures have been agreed:

- training seminars for diplomats;
- network of foreign policy institutes (EuroMeSCo);
- cooperation among civil protection services on natural and man-made disasters;
- register of bilateral agreements;
- exchange of information on international conventions on human rights, disarmament, humanitarian rights.

MEDA finances the civil protection project, EuroMeSCo and the training seminars for diplomats (approximately EUR 3 million).

Three ad hoc senior officials' meetings have been held to discuss cooperation in the fight against terrorism.

Economic and financial

Regional forums have been set up covering the priority sectors agreed by ministers for regional cooperation: industrial cooperation, environment, water, energy, transport and the information society. In each case sectoral experts from the 27 partners meet to agree the guidelines for regional cooperation programmes, subject to endorsement by the Euro-Mediterranean Committee. The emphasis in regional cooperation is on policy dialogue, networking, promoting the interconnection of infrastructure and reforming the legal and administrative framework to encourage pro-competitive regulation.

Industrial cooperation: four main axes have been identified — investment, innovation, single market measures and SMEs. Cooperation projects have already been formulated, notably a network of investment promotion agencies (EUR 4 million), or are in the course of formulation, such as a single market action programme (EUR 5–10 million) and a programme on quality and innovation for SMEs (EUR 10–15 million), both to be launched in 2000. MEDA has so far financed the Medstat programme of cooperation among statistical offices (EUR 20 million), a number of economic networks (chambers of commerce, SME organisations, industrial federations, approximately EUR 6 million), a network of economic institutes, Femise (EUR 2 million) and business-to-business meetings (EUR 4.5 million).

Environment: a short- and medium-term priority action programme (SMAP) has been agreed and a

first series of projects launched (EUR 7 million). The second series is to be launched in 2000 (EUR 20 million).

Water: the general lines of an action programme have been agreed and a first series of projects is to be launched in 2000 (EUR 20 million).

Energy: projects have been launched on a legal and administrative framework; dialogue on policy, interconnection and analysis; energy and urban environment; solar energy applications; training network; and joining up electricity grids (total approximately EUR 10 million).

Transport: a first series of maritime transport projects was launched in 1997 (EUR 9 million); an integrated transport project should be launched in 2000 (EUR 10 million).

Information society: a project has been launched on the regulatory framework (EUR 3 million) and the major Eumedis programme (networking, inter-

connection and pilot projects on specific applications of information technology) is operational (EUR 45 million).

Social, cultural and human

Culture: priorities for action have been agreed at two meetings of culture ministers. The Euromed Heritage programme of cooperation on the cultural heritage is operational (EUR 17 million) and Euromed Heritage II is to be launched in 2000 (EUR 30 million).

Audiovisual: the Euromed Audiovisual programme on cooperation in the field of radio, television and cinema is operational (EUR 20 million).

Youth: the Euromed Youth programme for youth exchanges is operational (EUR 6 million).

Progress of negotiations on Euro-Mediterranean association agreements

| Partner ⁽¹⁾ | Conclusion of negotiations | Signature of agreement | Entry into force |
|---|--|------------------------|-------------------|
| <i>Tunisia</i> | <i>June 1995</i> | <i>July 1995</i> | <i>March 1998</i> |
| <i>Israel</i> | <i>September 1995</i> | <i>November 1995</i> | <i>June 2000</i> |
| <i>Morocco</i> | <i>November 1995</i> | <i>February 1996</i> | <i>March 2000</i> |
| <i>PLO for the benefit of the Palestinian Authority</i> | <i>December 1996</i> | <i>February 1997</i> | <i>July 1997</i> |
| <i>Jordan</i> | <i>April 1997</i> | <i>November 1997</i> | — |
| <i>Egypt</i> | <i>Negotiations concluded in June 1999</i> | — | — |
| <i>Lebanon</i> | <i>Negotiations in progress</i> | — | — |
| <i>Algeria</i> | <i>Negotiations in progress</i> | — | — |
| <i>Syria</i> | <i>Negotiations in progress</i> | — | — |

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⁽¹⁾ Relations between the EU and the three Mediterranean partners Cyprus, Malta and Turkey are based on first-generation association agreements concluded in the 1960s and 1970s.

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Websites on the Euro-Mediterranean Partnership and its MEDA programme

- External relations: http://europa.eu.int/comm/external_relations
- Management of external aid: <http://europa.eu.int/comm/scr/>
- MEDA funding opportunities (calls for tender and calls for proposals):
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