



COMMISSION OF THE EUROPEAN COMMUNITIES

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**COMMISSION REPORT TO THE COUNCIL AND THE
EUROPEAN PARLIAMENT ON COOPERATION WITH
THE MEDITERRANEAN PARTNERS**

1995

THE EURO-MEDITERRANEAN PARTNERSHIP

1. 1995 marked a turning point in relations between the European Union and its Mediterranean partners.¹ After a series of visits by the Troika for discussions with the Mediterranean partners, the Cannes European Council of 26-27 June 1995 reached agreement on the Union's position for the Euro-Mediterranean Conference and on the financial cooperation necessary to implement the Partnership. A figure of ECU 4 685 million from the Community budget for the Union's financial cooperation with the partners for the period 1995-99 was agreed, to be supplemented by European Investment Bank assistance in the form of increased loans.

Continuing its work on the basis of the Commission's communication of 19 October 1994 : "Strengthening the Mediterranean Policy of the European Union : establishing a Euro-Mediterranean Partnership",² the Union prepared intensively for the Barcelona Euro-Mediterranean Conference. At the Conference the Euro-Mediterranean Partnership was established, comprising:

- a multilateral process, implemented through the various actions envisaged in the Barcelona Work Programme
- a bilateral process, implemented primarily through the Euro-Mediterranean Association Agreements under negotiation with the partners and bilateral financial assistance from the Union to each partner.

The Barcelona Process

2. The Barcelona Euro-Mediterranean Conference, chaired by the Spanish Presidency of the Council of the Union, took place on 27-28 November. It was attended by the Foreign Ministers of the 15 EU Member States and Commission Vice-President Manuel Marín, together with the Foreign Ministers of the twelve non-EU Mediterranean partners. The President of the European Parliament also attended.

The Conference reached agreement on a Barcelona Declaration and a Work Programme covering three main themes :

- a political and security partnership whose objective is to create an area of peace and stability in the region.
- an economic and financial partnership based on the gradual establishment of a free trade area, accompanied by substantially increased economic and financial cooperation from the Union to its partners.

¹ Algeria, Cyprus, Egypt, Israel, Jordan, Lebanon, Malta, Morocco, the Palestinian Authority, Syria, Tunisia and Turkey.

² COM(94)427 of 19.10.94.

- a social, cultural and human partnership designed to increase exchanges and mutual understanding, particularly through an increased involvement of civil society.

3. Under the political and security partnership the participants agreed on a number of fundamental principles which they undertake to respect, and they set up a political dialogue at the level of senior officials. They agreed on the possibility of establishing a Euro-Mediterranean pact with a view to the creation of an area of peace and stability in the Mediterranean.

4. Under the economic and financial partnership the participants set themselves the target date of 2010 for the gradual establishment of a free trade area to cover most trade in accordance with WTO obligations; they agreed on the priorities for economic cooperation in a large number of sectors; and they noted the substantially increased volume of financial assistance from the Union to its partners and the framework for its delivery. In this context it should be noted that the Commission's communication of 8 March 1995 "Strengthening the Mediterranean Policy of the European Union: proposals for implementing a Euro-Mediterranean Partnership"³ identified three priorities for action :

- assistance with economic transition;
- assistance with achieving a better socio-economic balance;
- backing for regional integration.

5. As far as the social, cultural and human partnership is concerned, the participants underlined the value of contacts and exchanges to promote mutual understanding and recognized the important role which can be played by civil society in this process.

6. The Barcelona Conference set up a "Euro-Mediterranean Committee for the Barcelona Process" at senior official level, consisting of representatives of the EU Troika and of the twelve non-EU partners, to meet regularly to prepare the next meeting of Ministers of Foreign Affairs and to take stock of and evaluate the follow-up to the Barcelona process. It was agreed that follow-up work for the various meetings would be done by Commission departments.

³ COM(95)72 of 8.03.95.

Euro-Mediterranean Association Agreements

7. The agreements provide for political dialogue, progressive establishment of free trade and a number of accompanying economic provisions, wide economic, social and cultural cooperation, and the setting-up of institutions to manage the Associations. The Commission continued its negotiations with a number of partners and agreements were signed with Tunisia (July) and Israel (November), negotiations were concluded with Morocco (November). The Commission continued to press forward in the negotiating process with Egypt, Jordan and Lebanon and preparatory work was continued with the other partners. Negotiations for a customs union with Turkey were successfully concluded, while Cyprus and Malta remain covered by the pre-accession strategy. The process of establishing a Euro-Mediterranean Free Trade Area was thus significantly advanced in 1995.

Financial cooperation

8. The report that follows gives an overall assessment of the progress made during 1995 in the implementation of cooperation, and in particular of the fourth financial protocols established between the Community and the Mediterranean partners for the period 1992-96. Furthermore, it includes information on the lending activities of the European Investment Bank under the bilateral protocols and horizontally during 1995.

9. In 1995 the Commission made proposals for a new programme of cooperation, known as the MEDA programme, for the period after 1996. In order to set the objectives and rules of administration of this new programme the Commission made a proposal for a Regulation on 8 June 1995. As with the PHARE and TACIS programmes for Eastern Europe and the Commonwealth of Independent States, the proposed MEDA programme envisaged a wide range of areas of cooperation going beyond the scope of development cooperation.

10. The Commission proposal aimed to build on the experience gained through implementation of four generations of financial protocols over the period 1978 - 1995. The protocols awarded a predetermined financial envelope to each beneficiary country for a five-year period. This provided a framework for programming but there was no incentive to efficiently implement the agreed programmes. Thus the Commission proposed that under MEDA a three-year rolling programming exercise should take place on the basis of indicative amounts. Financial allocations could then be modified taking into account absorptive capacity and other factors.

11. In advance of the establishment of the full MEDA programme ECU 172 million was allocated to the MEDA budget heading in 1995 in order to deepen the "off-protocol" cooperation with the Mediterranean partners in favour of decentralized and regional socio-economic cooperation. The specific objectives were to accompany economic reforms, support the development of civil society, cooperation in the framework of the Middle East Peace Process and the Euro-Arab dialogue as well as protection of the environment.

I. BILATERAL COOPERATION⁴

ALGERIA

1. Political and economic developments

A number of major political developments took place in 1995: efforts by the Communauté de St. Eglise in particular, which organized the Rome Platform for the peaceful settlement of the conflict between the Islamic extremists and the authorities, came to naught while President Lamine Zeroual was elected in the first round of the November presidential elections with 61% of the votes on a turnout of 70%, despite a boycott by the main opposition parties and the threats of the Muslim extremists.

Despite major strides towards macroeconomic stabilization the economic and social situation remained difficult. The Algerian economy's vulnerability to outside factors such as the slide in oil prices and the dollar contributed to a worsening external debt which stood at 32 billion dollars in 1995. As a result, Algeria's debt to the Clubs of Paris and London had to be rescheduled in 1994 and 1995 following approval of World Bank and IMF support programmes. The structural reforms affecting all sectors of the economy and designed to put in place a market-based economy were held back by the climate of violence prevailing in the country.

The Commission conducted a third round of exploratory talks with the Algerian Government with a view to negotiating a Euro-Mediterranean Association Agreement and in December the Madrid European Council called on the Commission to table draft negotiating directives for the conclusion of such an agreement.

2. Financial and technical cooperation

ECU 269 million in budget funds has been earmarked for Algeria via the four financial protocols (1978-96) and horizontal cooperation under the New Mediterranean Policy. The rate of commitment at the end of the year had topped 80% (74% from the fourth protocol), with payments rising to just 48%. All operations are lagging well behind mainly owing to a deterioration in the security situation, the departure of foreign technical assistance staff and the closure of the Commission's Delegation in Algiers. Just as other donors were doing, the Commission undertook a thoroughgoing review of the project portfolio in order to wind up or restructure many projects, chiefly those coming under the first and second protocols, thereby releasing ECU 16 million. There were no new commitments in 1995.

Three third-protocol contracts were closed mainly owing to the fall in the value of the dinar. This entailed partial cancellation of the amounts earmarked, thus making ECU 66 million available for future operations.

⁴ The fourth financial protocol with Turkey approved in 1980 remained on ice in 1995.

The overall amount of EIB own-resources loans earmarked for Algeria was ECU 640 million. The EIB has not yet allocated the risk capital under the fourth protocol (ECU 18 million) owing to the difficult situation prevailing in the country.

The process of economic liberalization under way caused delays in the implementation of financial and technical cooperation as the main Community programmes, which had been drawn up when the State was still in control of the greater part of the modern economy (for example through import permits), needed to be adjusted and reoriented. Consequently, in 1995, implementation of the main programmes proceeded at a slower pace.

CYPRUS

1. Political and economic developments

The structured dialogue with Cyprus as part of the pre-accession strategy was put in place in accordance with the provisions adopted at the Association Council meeting of 12 June, paving the way for meetings at the level of Heads of State at the Cannes and Madrid European Councils and at the level of Ministers of Foreign Affairs, Justice, Transport, the Environment, the Economy, Culture and other matters covered by accession.

On the political front, legislative elections resulted in victory for the right-wing DISY (35%), which kept its 20 seats in Congress out of a total of 56. The Communist AKEL gained ground with 33% of the votes and 19 seats. The ruling coalition remained in power, however, thanks to the 10 seats won by coalition partner DIKO. These elections are important in view of the presidential elections due to be held in 1998. On the economic front, the reforms aimed at aligning the economy on that of the Community continued with a liberalization of foreign trade.

2. Financial cooperation

Budget funds from the first two protocols (ECU 26 million) were committed in full and disbursed to the tune of 96%.

At the end of the year all the budget funds under the third protocol (1991-95) had been committed (97%, of which 76% disbursed). Total budget funds stood at ECU 18 million and new commitments at ECU 5 million.

The fourth financial protocol (1996-99) was signed in October.

Implementation of financial and technical cooperation continued satisfactorily. Certain improvements to administrative procedures agreed with the Cypriot authorities were introduced, helping to speed up project implementation.

All EIB resources were committed (ECU 44 million) via credit lines for operations in the water supply and industrial sectors. Disbursements stood at 44% at the end of the year.

EGYPT

1. Economic and political developments

The Egyptian government's policy through 1995 remained one of commitment to economic reform. For the first time since Egypt initiated its economic and structural adjustment programme, the GDP growth rate (2%) almost matched the population growth rate (2.1%). Moreover, Egypt became a full member of the World Trade Organisation (WTO) in June.

On the political front, awareness of the need to respond to the evolving situation in the Mediterranean region and on the international scene at large could be seen in the government's continuing close involvement in all aspects of the Middle East Peace Process. The Government continued to play a leading role in bringing the partners together, both in bilateral negotiations and in the multilateral working groups.

It also played an active role in the Economic Summit that took place in Amman in early November, which resulted, among other achievements, in the establishment of a 'Middle East and North African Regional Bank' to be based in Cairo.

The preparatory work done between the EU and the Egyptian government in 1994 led to the formal opening of negotiations in Brussels in 1995 with a view to creating a new EU/Egypt Euro-Mediterranean Association Agreement. Four rounds of negotiations were held at roughly quarterly intervals through 1995. By the end of the year, the negotiations had succeeded in clearing much of the initial groundwork and identifying the main points of difference.

The EU/Egypt Partnership has been referred to in Egypt as the single most significant strategic initiative the country has taken in the past decade. Besides its economic implications, and the wide range of social, cultural and scientific relations which the new Mediterranean Agreement will embody, the full political dimension of the Partnership is an important factor for Egypt.

2. Financial and technical cooperation

The EC is giving full support to the Egyptian government's efforts in undertaking economic reforms and structural adjustments. A total of ECU 80 million (or 39%) of the fourth protocol funds have been committed for the following programmes: Public Enterprise Reform and Privatization Programme (ECU 43 million), Private Sector Development Programme (ECU 25 million) and the Banking Sector Reform Programme (ECU 11.7 million).

Under the current fourth financial protocol, ECU 95 million has been allocated to the agricultural and related sectors: Nile Valley Regional Programme (ECU 5 million), the Veterinary Services Programme (ECU 20 million) and the Agricultural Sector Development Programme (ECU 75 million). In addition, EU Member States approved in November the financing of the Bustan Agriculture Development Project (ECU 15 million).

Concerning EIB lending activity, three operations were concluded totalling ECU 296 million, of which 220 million was in support of an Egyptian-Israeli private joint venture in the oil refinery sector. Commitments under the fourth protocol (ECU 310 million) reached almost 80 % at the end of the year with the majority being for industry and the balance for the energy and SME sectors. Commitment of the protocol's risk capital (ECU 16 million) amounted to 68 %.

Outside the framework of financial protocols, the EC and Egypt have agreed to use the counterpart funds generated by the 'Special Emergency Import Programme (Arab Gulf Crisis)' towards financing of support programmes for economic adjustment: the Social Fund for Development (LE 776 million) and the Private Sector Financial Scheme (LE 330 million).

Food Aid Counterpart Fund (FACF): in 1995, 48 FACF projects were implemented, including a contribution to the local cost of eight protocol projects. The joint Egypt-EC Steering Committee held three meetings in 1995 and approved twenty-four financing requests for a total amount of LE 39 885 899.

There were substantial achievements within the cooperation programme with Egypt in 1995: credit lines for the agricultural sector are operating efficiently and are reaching almost all categories of farmers across Egypt.

A number of other agricultural projects, the Helwan Waste Water Treatment Project (the cost of which reached \pm ECU 100 million), the Natural Park sector projects in Sinai and the projects related to economic cooperation were completed on time with satisfactory impact.

1995 saw the almost complete exhaustion of the fourth protocol funds and the beginning of the implementation of the MEDA budget heading with ECU 2.9 million being committed for environmental protection. In July, a programming mission took place to decide on the priorities for cooperation for 1996-1998.

It is sometimes difficult to measure the real impact of the assistance. In the past, delays have been encountered in implementation. Implementing agencies have not always been committed and sometimes management weaknesses have hampered monitoring. It has also been difficult to identify new projects in traditional areas of operation.

With the new challenges and opportunities brought by the MEDA programme there is certainly a need to improve further the implementation performance of EC-financed assistance programmes in Egypt. The new agreement should aim to foster

a more interactive form of cooperation, allowing the EC to provide support at a sector level, where there are clear policy reform tendencies.

The USA and the Bretton Woods institutions provided substantial support in 1995 in the sectors of private sector development, education, health and professional training. These are widely perceived to be key areas for the future development of Egypt.

JORDAN

1. Economic and political developments:

Jordan's commitment to the Peace Process was confirmed, after the signing on 26 October 1994 of the Peace Treaty with Israel, as illustrated by the signing of various cooperation agreements with Israel (including trade and transport agreements).

Jordan began negotiations for an Association Agreement with the EU in July 1995 and has shown its commitment to fully participate in the Euro-Mediterranean Partnership initiated in Barcelona.

On the economic front, in the wake of the Amman Economic Summit (October 1995), the first regional summit to discuss economic issues facing the region as a whole, Jordan launched a strong reform programme, aimed at opening and liberalizing the economy, through the removal of trade and foreign investment barriers. This programme aims to build on the progress achieved by the programmes negotiated with the Bretton Woods Institutions in 1989.

2. Financial and technical cooperation:

Structural adjustment support (cf. II. Structural Adjustment):

Support for Jordan's macroeconomic policies remained the main priority, in line with fourth protocol provisions. An ECU 20 million grant was allocated as Structural Adjustment Support and disbursed in 1995.

Private sector development complements the support to structural adjustment, and aims at contributing to the economic transition. Private sector development was promoted in a number of ways: establishment of a Euro-Info Centre, the European Community Investment Partners scheme (ECIP) and the preparation of a Med-Partenariat meeting for the establishment of joint ventures.

Support to the Peace Process (cf. III. Regional Co-operation):

Jordan is one of the main beneficiaries of this support (ECU 11.3 million in 1995), which consists of large-scale studies on regional infrastructure projects. Most of these studies largely involve Jordan (Joint Israeli-Jordanian water projects, Transport study, Regional Development in the Gulf of Aqaba).

The implementation of EC financial and technical cooperation appears overall to be largely satisfactory:

- * fourth protocol funds were 90% committed at the end of 1994, indicating that Jordan has a strong absorption capacity.

- * On Structural Adjustment Support, ECU 100 million (ECU 15 million out of the bilateral protocol and 85 out of the Special Facility for Structural Adjustment) were committed and disbursed in the years 1992 to 1995. This type of support has helped Jordan in meeting the targets of its structural adjustment programme implemented with the support of IMF and World Bank.

-Some difficulties appear in the implementation of individual projects:

- * macroeconomic management in Jordan appears to be better than the management of sectoral policies by the public administration.

- * delays are frequent owing to the inefficiency and excessive centralization of the local administration and to complex EC procedures.

As for EIB lending activity, commitments under the fourth protocol rose to some 90% at the end of 1995, with operations in favour of the water, transport, telecommunications and industrial sectors. New operations during 1995 amounted to ECU 38 million including ECU 13 million under horizontal operations in respect of water/wastewater and transport sectors.

1995 saw the transition from the fourth protocol funds to the start of the implementation of the MEDA budget heading. The first programme to be approved under that heading was, in September 1995, a Private Sector Development Programme (ECU 7 million). This programme consists of a Business Service Centre to be established in Amman whose main task will be to provide high-level services to local companies. In July 1995, a programming mission took place to decide on the priorities of cooperation for 1996-1998.

The Bretton Woods institutions, Japan and the US provided substantial balance-of-payment support in 1995, either through loan operations or debt forgiveness (as in the case of US).

Donor interest is high in the water sector, with the prospect of projects related to the Israeli-Jordanian Treaty.

LEBANON

1. Political and economic developments

Lebanon continued along the path towards domestic consolidation. Political continuity was provided by Prime Minister Hariri as the country asserted its independence. At the back of the queue in the peace process, Lebanon is seeking to

forge links that will help it assert itself, for example, its ties with the European Union with which negotiations on a Euro-Mediterranean association agreement were opened. At the March cooperation council the Lebanese authorities expressed a desire to open talks for a new agreement with the EU. Exploratory talks were held in April and an initial round of negotiations got under way in November.

The economic recovery which started in 1991 is looking quite promising and the Lebanese pound has remained stable since 1993. The exchange rate was 1.610 Lebanese pounds to the dollar at the end of 1995, while inflation stood at 13.5% (16% in 1994).

The reconstruction programme is proceeding satisfactorily, with grants and outside loans standing at USD 1 500 million. But the country is falling into debt. External debt stood at 20% of GDP. Some headway has been made on administrative reform: State structures are being restored as are the law courts and legal bodies. They remain, however, in a precarious state.

2. Financial and technical cooperation

The commitment rate for the fourth financial protocol from budget resources stood at 79% in 1995 while the first three protocols were completely used up.

Projects involving evaluation of damage and technical assistance for the reconstruction programme come to an end in 1995, among other things having helped with the National Reconstruction Programme in the main sectors. Other donors consider this project to be a guarantee of the effectiveness of their own aid.

In 1995, the Commission and the Lebanese authorities identified the following key objectives of their cooperation:

- (a) strengthening administrative management of the State as part of the National Administrative Reform Programme;
- (b) enhancing the regulatory framework of the private sector.

Projects along these lines were prepared at the end of 1995 pending approval of the MEDA Regulation.

The EIB undertook new loan operations of ECU 73 million in 1995, committing the full amount of the risk capital (ECU 3 million) under the third and fourth protocols, as well as largely committing the "Exceptional Assistance" facility (ECU 50 million) and the fourth protocol. Operations under the latter two facilities have been in favour of projects in the water/wastewater and transport sectors. A further EIB operation in favour of the Air Traffic sector (ECU 10 million) was also made under the horizontal operations.

In the operations under way the main difficulty lies with the administrative weakness of Lebanese structures. Future projects are designed to come to the aid of this administration. The rise in the public debt remains the major economic problem.

Aid provided by other donors has been concentrated on the National Reconstruction Programme. At the end of 1995 outside financing stood at 2 729 million dollars.

The European Union and its Member States were the main donor (40%, 1 094 million dollars), followed by the Arab funds (36%, 971 million dollars) and the World Bank (16%, 440 million dollars).

The electricity sector received 967 million dollars in aid, the water sector 252 million and the airport 194 million dollars).

MALTA

1. Political and economic developments

The structured dialogue with Malta as part of the pre-accession strategy got under way in accordance with the provisions adopted at the Association Council meeting of 12 June. Meetings were subsequently held at the level of Heads of State at the Cannes European Council in June, and then at foreign minister level in November and transport minister level in December.

Politics in Malta continues to be characterized by two fiercely partisan camps, on the one side a Nationalist party with a slender majority in favour of membership and a Labour party sceptical about membership and in favour of a free trade area with the EU, complemented by sectoral cooperation agreements.

The Government's reforms aimed at aligning the country's economy on the Community's and at liberalizing foreign trade have continued. VAT was introduced.

2. FINANCIAL COOPERATION

The three financial protocols (1979-93) from which Malta has benefited are committed in full (ECU 93.5 million). Budget funds (ECU 38.5 million) have been disbursed up to 64% and EIB resources (ECU 55 million committed in full) to the tune of 92%.

Budget funds were chiefly earmarked for infrastructure, training and the promotion of local economic activity, chiefly in the tourism sector. EIB own resources were set aside chiefly for infrastructure (40%), telecommunications (20%) and the environment and drinking water.

The fourth financial protocol (1995-98) was signed in October. No commitment was made in 1995.

MOROCCO

1. Political and economic developments

There was no significant progress on the political front. The "transitional" centre-right government has been in power since March 1994. King Hassan II left the government in place but took a number of initiatives, among them a decision announced on the occasion of the "fourth anniversary of the Revolution, the King and the people" to hold a referendum on the Kingdom's constitution. Hassan also decided to make public a confidential report approved by five key ministers on the state of the Kingdom and the main objectives of the medium-term economic and social strategy

1995 was the difficult year economically speaking. The agricultural sector was hit by a long period of drought leading to a 6.5% fall in GDP given agriculture's important role in the economy. Public finances continued to follow a negative trend with a deficit of 5.1% as expenditure outstripped revenue and a steep rise in debt expenditure.

The external balances also deteriorated: there was an increase in the trade deficit and a fall in tourist revenues and remittances from Moroccan workers abroad.

Relations between Morocco and the European Union saw the negotiation of new fisheries and association agreements. The Commission and the Moroccan Government initialled the texts on 15 November.

2. Financial and technical cooperation

At the end of the year the rate of commitment of the four protocols was 94% for grants and 100% for EIB loans.

In 1995, three financing decisions were taken and charged to the fourth protocol.

PROGRAMME	AMOUNT (ECU million)	DESCRIPTION
Training in the priority areas	6	Project to enhance and bolster vocational training in tourism, textiles/leather and mechanical engineering
Drinking water in small centres	20	Continuation of programme to supply water and improve waste water treatment in rural areas
Erosion protection works on Sidi-Driss	5.5	Integrated rural development programme to manage the Sidi-Driss catchment area

Implementation of programmes went ahead at a satisfactory pace but the start-up of new projects encountered teething problems. This is reflected in the low rate of fourth protocol payments at the end of 1995, just 26%, owing to slow decision-making processes in the Moroccan administration, a problem shared by all donors. The situation got better towards the end of the year, however.

The first operation under the new MEDA budget heading was approved in 1995 for ECU 30 million with the aim of setting up a business advice and support centre (Euro-Maroc Enterprise) and a management and coordination unit for schemes to support the private sector. These activities will be operational in 1996.

The balance of fourth-protocol EIB own-resources loans was committed in full and the eventual breakdown of funds was in line with the initial indicative programming: 41 % in economic infrastructure and 14% in the industrial sector.

SYRIA

Economic and political development

Syria's political and economic system is highly centralized, regulated and controlled but since the mid-eighties, whilst maintaining the existing political structure, the Government has embarked on a tentative modernization and liberalization programme entailing development of the private sector, opening up certain economic activities to private investment, phasing out exchange controls and modest reform of the public sector.

The reaction of the private sector has been encouraging and unused capital has been mobilized: the private sector now accounts for 60% of GDP, 62% of the country's exports and 25% of its imports.

However, as Syria's economic plan is geared to stability, the Government is keeping a tight rein on economic management and the reforms adopted so far have been slow in coming.

Syria participated actively in the Euro-Mediterranean Conference in Barcelona in November but took no definitive decision as to the possibility of negotiating an association agreement.

Financial and technical cooperation

Budget funds set aside under the first two protocols were committed in full. The third and fourth protocols (ECU 79 million), which had been frozen by the European Parliament and did not enter into force until January 1993 and April 1994 respectively, have since then been 48% committed.

1995 was mainly given over to implementation of projects financed under the third and fourth protocols and committed in 1994, namely :

- | | |
|---|-----------------|
| - Development of the electricity sector | ECU 11 million |
| - Support for the banking sector | ECU 4.5 million |
| - Demography and family planning | ECU 2 million |

Implementation of these projects has not so far posed major problems.

In the course of 1995, ECU 9 million was committed to set up a business centre with the purpose of supplying services and advice to Syrian firms.

Efforts were also made to identify, with the Syrian authorities, fields in which the Community could provide assistance over the period 1996-98, namely:

- modernization of administrative structures;
- follow-up support to businesses;
- training.

Studies were undertaken in these fields in order to prepare cooperation projects to be funded by MEDA.

EIB own-resources loans from the first and second protocols (ECU 98 million) were committed in full. EIB loans under the third and fourth protocols (ECU 225 million) have yet to be used. They were chiefly intended to finance improvements to the power distribution, roads and rural telephone networks. EIB operations in Syria during 1995 remained suspended on account of arrears owed by Syria to certain Member States of the Bank.

TUNISIA

1. Political and economic developments

Tunisia's political system is characterized by centralization of powers with the President. The transition to multiparty democracy and the protection of basic freedoms has slowed down in recent times.

In 1986 Tunisia embarked on a major structural adjustment programme aimed at putting in place market mechanisms and creating a climate conducive to business.

The results of the country's economic reforms in 1995 are satisfactory by and large. GDP swelled by 2.6 % and the budget deficit shrank from 5.4% in 1986 to 4.4% in 1995. Inflation was kept in check. Exports of manufactures grew on average by 8.4% between 1987 and 1995.

The reform of public enterprises continued while the pace of privatization slowed.

In July, Tunisia signed a Euro-Mediterranean accord with the EU.

2. Financial and technical cooperation

At the end of 1995 the rate of commitment for the four financial protocols was 96% for grants and 100% for EIB loans. Including the operations listed below, the rate of commitment for the fourth financial protocol stood at 91%. Implementation of programmes financed through the financial protocols is satisfactory on the whole.

The Commission approved the following programmes in 1995 for a total of ECU 53 million in the form of grants and risk capital:

PROGRAMME	AMOUNT (million ECU)	DESCRIPTION
Water and soil conservation measures. Phase II	20.00	The objective is to combat erosion by water and to manage the catchment areas through a participatory approach and to obtain water resources for domestic, agricultural and pastoral purposes.
Rural development in the Sfax region	5.00	The project is designed to develop agriculture by creating and strengthening cooperatives responsible for using infrastructure
Risk capital	8.00	This operation, run by the EIB, targets Tunisian industry in its drive to recapitalize and create joint ventures.
Structural adjustment	20.00	(see section on structural adjustment)

The rural development sector received 64% of the Community funds and the results have been satisfactory. The programme to conserve water and soil (ECU 65 million) achieved its main objectives, namely to catch rainwater and strengthen the water table and, on the other hand, initiate agricultural development in these areas with the involvement of the farmers. These programmes will help improve living conditions in the countryside, check emigration to the coast and urban regions and create jobs.

Major delays were experienced in implementing the programmes concerning the establishment of two vocational training centres and support for quality management, partly as the authorities concerned are not sufficiently cognizant with Community procedures and partly because their contract award procedures are so cumbersome. The situation improved towards the end of the year and these programmes should get off the ground without any hitch in 1996.

The first operation, worth ECU 20 million, financed from the new MEDA budget heading was approved in setting up the "Euro-Tunisie Entreprise" programme. The project will provide a number of services to the private sector so that it can restructure and become more competitive. The programme has fallen behind for administrative reasons but these problems will be ironed out in 1996. It is expected that the programme will start in mid-1996.

The Bank's own resources (Fourth Protocol) were committed in full by the end of the year: 45% for industry (credit line, creation of industrial zones) and tourism (credit

line) and 55% for economic infrastructure (mobilization of water resources and means of communication).

Risk capital was committed in full to strengthen the capital of Tunisian firms via local financial institutions.

WEST BANK AND GAZA

1. Economic and political developments

Following the signature of the Israel-Palestinian Interim Agreement on 28 September 1995, Israel redeployed its army from the main Palestinian towns in the West Bank (except Hebron), opening the way to the first-ever democratic presidential and legislative elections in the West Bank and Gaza Strip on 20 January 1996.

The Palestinian Authority now has jurisdiction over civilian government functions throughout the West Bank and Gaza Strip, although Israel still maintains a strong and highly visible security presence. The greatest danger to current arrangements, and to further progress in talks on what will be the permanent status of the West Bank and Gaza Strip, remains the continuing threat of terrorist attack on Israelis.

In the relatively benign atmosphere leading to the end of 1995, economic activity showed signs of picking up, and a good revenue performance allowed the Palestinian Authority to rein in what had been predicted in April to be a serious budget deficit. By the end of the year, the Palestinian Authority had put together a list of "core investment projects", in effect its list of priority investments in public infrastructure. These were for presentation to the donors for funding according to pledges originally made in 1993, at the Ministerial Conference on Economic Assistance which was to take place on 9 January 1996.

In the wake of the Barcelona Conference, the Commission sought to involve the Palestinians as full partners in the building of the Euro-Mediterranean Partnership. In October the Council requested the Commission to explore the conclusion of an agreement with the Palestinians in the interest of confirming the Palestinians as full participants in the Barcelona process. The Commission thus began a process of exploratory talks with the Palestinians.

2. Donor activity

Donors continued to carry out their own programmes, loosely coordinated with each other through the local aid coordination committees. The deflection of donor funds from reconstruction still dogged the donor effort; at the April 1995 meeting of the donors, a budget deficit of \$136m was forecast by the end of the year. Donors agreed to meet this deficit according to the conditions of the Tripartite Action Plan. The TAP, signed by Israel, the Palestinian Authority and by Norway, representing the donors, in April 1995, obliged the Palestinian Authority to exercise

expenditure restraint, and Israel to facilitate normal flow of Palestinian trade and labour.

By the end of the year, as the deficit position improved, attention turned once again to long-term development. The Palestinian Authority, working with the World Bank, prepared a list of priority investments, first introduced to the donors at the World Bank Consultative Group on the West Bank and Gaza Strip in October 1995, which were to be presented formally to the donors at the Ministerial Conference.

Faced with a wide array of international donors, and a huge influx of donor funds, the Palestinian Authority seemed to have some difficulty in prioritizing and implementing a large number of infrastructure projects. Donors became increasingly frustrated at the seeming lack of a single locus of authority for the programming of donor funds. Meanwhile the administration continued to grow, and at the beginning of the year the budget deficit threatened to deflect attention away from the task of long-term development.

These problems explain why the donors insisted on the signature of the Tripartite Action Plan in April 1995, and on a single interlocutor for the programming of assistance projects. By the end of the year, this approach seemed to be working; the deficit was under control, and the Palestinian Authority was due to present its priority funding needs to the donors at the major Ministerial Conference on Economic Assistance to the Palestinians, in Paris on 9 January 1996.

The elections in the same month confirmed the beginning of a new stage in the development of the West Bank and Gaza Strip. Horrendous bomb attacks in Jerusalem and Tel Aviv just a few weeks after the elections were instead to provoke in 1996 the re-imposition of tight closure by Israel on the West Bank and Gaza Strip, the upsetting of the donor programmes of assistance, a major fall-off in economic growth and an upward trend once again in the Palestinian Authority budget deficit.

3. Financial and technical cooperation

During 1995 the Commission committed nearly ECU 100 million in development assistance for the West Bank and Gaza Strip, closely coordinated with the Palestinian Authority. Community assistance in 1995 amounted to around one third of all donor commitments in 1995, confirming the Community as the biggest single donor.

Projects in 1995 included a major programme of investment in municipal infrastructure, with the emphasis on labour-intensive projects, the Gaza City solid waste programme, the completion of the European Gaza Hospital at Khan Younis, as well as, later in the year, a programme of support to the private sector. Meanwhile the Commission continued the implementation of other major projects, such as the ECU 42 million programme of housing construction, the rehabilitation of UNRWA schools in the West Bank and Gaza Strip, and the reintegration of ex-prisoners into Palestinian society.

However, the importance to the peace process of the Palestinian Authority taking over the administration of the West Bank and Gaza Strip from its inception in May 1995, meant that the donors were under some pressure to counter the immediate financing difficulties of the new administration. The member states advised that it would be appropriate that funding be accorded from the Community budget. Although it prefers always to finance long-term infrastructure investment projects, in this case the Commission dedicated nearly 40% of 1995 Community assistance to the recurrent costs of the Palestinian Authority. This was a greater proportion than any other donor.

Furthermore, none of the donors wished that dependence on external financing of the budget become chronic. The Commission was instrumental in pushing the idea of the Tripartite Action Plan to help control the deficit, and by the end of the year this tactic appeared to be working. The Commission equally began to press the Palestinian Authority to define a development strategy to provide direction to the donor activities:

The European Investment Bank made its first loan to the West Bank and Gaza Strip, under the horizontal arrangements, committing ECU 26 million as credit to Palestinian enterprise through two local banks, although the political and economic conditions have militated against rapid utilization of these lines of credit.

The eighth EC-UNRWA (United Nations Relief and Works Agency for Palestine refugees) Convention, governing Community contributions to the Agency for the period 1993-96, came to a close. The Commission was mandated by the Council to commence the negotiation of a ninth convention. The EU remains the largest donor to UNRWA's recurrent budget, counting the contribution from the Community and the bilateral contributions of the Member States (the Community alone being the second largest donor after the US). The Community also committed funds in 1995 to the rehabilitation, under the auspices of UNRWA, of the water and waste networks in eight Palestinian refugee camps in Lebanon.

At the same time the Commission continued throughout 1995 its programme for the technical preparation of elections, including, amongst other aspects, the drawing up of constituency and polling district boundaries, the preparation of registration, the training of registration and election officers. Working with the Palestinian Commission for Local Government and Elections, this work was indispensable to the holding of elections in January 1996.

The electoral period began in November 1995, and by that time the European Union was mobilizing, with Commission logistical support, the first of 300 EU observers, whose presence would help lend international legitimacy to the election of the President of the Palestinian Authority and of the Palestinian Legislative Council. The Commission also put in place a team of administrators who not only directed the activities of these observers, but were also responsible, in the name of the EU, for the coordination of a further 300 international observers.

II. Structural adjustment

The special ECU 300 million package to support economic reforms in the southern and eastern Mediterranean countries implementing a structural adjustment programme is an innovation of the fourth generation of financial protocols covering the period 1992-96.

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

A new approach to support for structural adjustment was adopted in 1995. An ECU 20 million operation for Tunisia brings in for the first the time the new approach to structural adjustment recommended by the Council on 1 June 1995 (Resolution No 7566/95) which involves direct aid for balance of payments instead of an imports programme, plus implementation of a coherent budget strategy (social) rather than precise targeting of counterpart funds.

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

By the end of 1995, ECU 260 million out of a total ECU 300 million had been committed (see table below):

EU SUPPORT FOR STRUCTURAL ADJUSTMENT COMMITMENTS AS AT END 1995 (in ECU million)			
	special package	financial protocol	TOTAL
ALGERIA	55	15	70
MOROCCO	60	20	80
TUNISIA	60	-	60
JORDAN	85	15	100
RESERVE	40		
TOTAL	300	50	

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

Algeria was granted a contribution of ECU 70 million to support its reform programme in the low-cost housing sector. Despite administrative hold-ups, 1995 saw implementation of the first instalment of the sectoral imports programme and the beginning of the constitution of the corresponding counterpart funds. At the same time, an agreement in principle was reached on the budgetization of the counterpart funds and their use.

After a decision by the Council to support the macro-economic stabilization programme through a second macro-financial loan, the Commission disbursed the first instalment in 1995 (ECU 100 million).

Morocco was granted ECU 80 million in Community aid for its structural adjustment programme. The results have been more than satisfactory both from the point of view of the economic reforms and in terms of budget support (loans made available from counterpart funds have been taken up and economic indicators in the target sectors have shown sustained growth for the period concerned).

Tunisia was the first country to receive Community aid for its structural adjustment programme (ECU 40 million). The counterpart funds financed job creation schemes, which thanks to Community support have been kept going. Economic reforms have been implemented according to plan and social indicators have improved. In mid-1995 a new adjustment operation worth ECU 20 million was approved. Community aid is supporting a reform programme and will contribute to reducing Tunisia's external funding needs, controlling its budget deficit and maintaining the appreciable level of social spending.

In 1995, Jordan received ECU 20 million in support on top of the ECU 50 million in 1992-93 and ECU 30 million in 1994, bringing the total to ECU 100 million for 1992-95. This programme follows on from previous ones and has helped significantly towards satisfactory implementation of the structural adjustment programme in collaboration with the IMF and the World Bank.

III. REGIONAL COOPERATION

The Commission approved resources of ECU 11.3 million for a range of Middle East Peace Projects designed to initiate and support regional cooperation. These projects cover a wide range of topics:-

- Water Projects arising out of the Israel/Jordan Peace Treaty
- Regional Development Projects
 - Gulf of Aqaba
 - South Eastern Mediterranean
- Transport Infrastructure
- Interconnection of Electricity Grids
- Water Data Bank
- Regional Veterinary Cooperation
- REDWG Monitoring Committee Secretariat

Project Steering Committees, comprised of representatives of the Egyptian, Israeli, Jordanian and Palestinian administrations, and chaired by the Commission at the request of the regional parties, have been set up and cooperative working relationships between the members have been established. The opportunity to jointly tackle problems of common concern and to set up cross-border initiatives leading to a more secure future has been welcomed. The REDWG Secretariat has been formally opened in Amman and is functioning efficiently.

Part of the funds committed under the 1995 budget have been used for preparatory work with the regional authorities in drafting and agreeing terms of reference for feasibility and other studies, for concept papers, and for expenses related to meetings of the Steering Committees. The bulk of the funds have been utilized to finance contracts with European consulting consortia to perform the techno-economic feasibility studies for the various projects. The results of these feasibility studies will be available during 1997. A Technical Support Unit has been set up to provide locally resident project managers who, within the framework of regional development, will identify, detail, promote and supervise the implementation of the different studies, projects and programmes for the Gulf of Aqaba and the South Eastern Mediterranean regional development projects.

Work has also been initiated with the regional transport authorities on the process to define and agree upon a series of trans-national transport corridors through the region. Corridor Standing Committees have been set up and held their first meetings in Amman in June 1996. The Regional Animal Health Programme has been established and technical assistance had been provided to the Palestinian Authorities to assist in building a functioning veterinary service.

Demography

The Commission continued to manage 41 population programmes in the Mediterranean, allocating a total of ECU 49 million. Demography Programmes for the Mediterranean mainly concentrated on West Bank and Gaza Strip and Turkey (see budgetary table in part IV).

A three-year ECU 4.26 million agreement was signed with the Palestinian Ministry of Health for a National Programme for Women, Health and Family Planning in Gaza and the West Bank. An additional ECU 360 000 was allocated for technical assistance to the programme, provided by the British NGO Population Initiatives for Peace.

In Turkey, the Family Planning Association together with Pathfinder International commenced a three-year Family Health and Family Planning, Education, Information, Training and Services Programme in Diyarbakir. Total amount of the project was ECU 482 357.

In the course of 1995, the Commission tabled a proposal for a Council Resolution on support for demographic policies and programmes in developing countries, as a legal basis for the corresponding special budget heading B7- 631, specifically targeting the follow-up to the ICPD Programme of Action.

The 1995 budget heading B7-5050 evaluation highlighted the constraints the European Commission had in efficiently developing and managing population programmes in the Mediterranean. One of the reasons was the lack of a clear policy. During 1995 internal coordination began on the development of a population policy for the European Commission; this work will continue in the context of MEDA in 1996.

Migration

Projects under heading B7-5055 "Observatory for migratory flows and positive action concerning migration" (total ECU 3 million) were allocated as follows:

ECU 1 million was used by the Secretariat-General (Justice and Internal Affairs Task Force) in the framework of the "Observatory for Migration Flows".

ECU 1.85 million was earmarked for 10 projects of which the different themes are: integration of women and youth, creation of enterprises, human resource management, economic development, local democracy, and health. The total budget for these projects is ECU 1.9 million.

The remaining ECU 150 000 was used for small schemes such as a feasibility study on the role of women in migration.

Communication

The Commission has tried to develop a communication programme which entails dialogue with the relevant partners and has fostered activities which reflect this approach. The budget for 1995 was around ECU 500 000 and has allowed the following activities to be undertaken:

1. Promotion of EU policies towards the Mediterranean Partners

- a) Provision of press releases whenever required and forwarding to the Spokesman's Service where they are published and distributed to the accredited press in Brussels.
- b) In coordination with the Spokesman's Service, organisation of technical briefings for accredited journalists in Brussels on special MNC events.
- c) On request, provision of articles concerning relations between the EU and the MNC and the Middle East
- d) coordination of a number of publications :
 - Brochures: *The MED-Programmes Handbook, Upper Golf and Aqaba Oil Spill Contingency Project, The Barcelona Declaration* . All brochures have been published in English, French and Arabic.

2. Support of the MNC delegations' activities

- a) Preparation of newsletter material: provision of articles and background material on EU-MNC events to supplement material on general EU subjects.
- b) Constant contact with delegations: link between the delegations, facilitation of the exchange of information and reply to all kind of queries (video material, photographs, background information, etc.).
- c) Organization of Information Officers' meetings: The objective of these meetings was to establish an overview of the delegations' information activities, as well as to discuss ways of improving cooperation between the delegations and Brussels and between delegations themselves.

3. Organization of information visits (content and logistics)

- Visit of young diplomats from Mediterranean partners, September 1995
- Maghreb journalists' visit, October 1995
- Syrian journalists' visit, December 1995

These visits have been aimed at exposing the different interest groups of the region to the EU and its institutions with a special focus on the EU's relations with the relevant countries. Generally a one-week programme was organized including subjects which were requested by the visitors.

- b) Contract between DGIB and International radio and TV stations:

- *AITV - Agence Internationale d'Images*: National TV stations of the following countries subscribe to this French TV agency : Saudi Arabia, Egypt, The United Arab Emirates, Jordan, Morocco, Oman, Qatar, Syria, Tunisia, Yemen, Djibouti, Israel, Mauritania, Iran and Algeria. In 1995 they produced news flashes, dossiers of 4 - 5 minutes and magazines of 12 minutes. The programmes cover subjects of Euro-Arab interest and are chosen in close cooperation with AITV's local correspondent in Brussels.

Conclusion:

In the future it may be useful to consider how to ensure that the above activities fall within a coherent and comprehensive framework thus facilitating management of the activities whilst increasing the variety and impact. For example, more specialized publications, aimed at informing the Mediterranean Partners about EU activities in the region, the reinforcement of the Euro-Mediterranean Partnership and the follow up of the Barcelona Conference, should be produced. These should be published in Arabic, French and English.

Culture

The importance of the cultural and information dimension of Community action vis-à-vis its Mediterranean partners is now widely recognized. One of the Commission's fields of action in the Mediterranean is the common cultural programme of the EU's delegations in the Mediterranean partner countries.

The Commission extended the scope of already existing events with joint action involving the Member States, adding in 1995 the new dimension of joint action with the partners aimed at highlighting Europe's cultural diversity and the contribution of the Mediterranean partners' culture to European culture.

In 1995 two types of cultural activity were pursued to the tune of ECU 400 000:

1. activities with a potentially "regional" character: the tour of the European Chamber Music Orchestra (ECCO), the tour of the European Baroque Music Orchestra, the Jazz Caravan (itinerant Jazz Festival) and the European Film Festival, etc.;
2. activities of a "local nature": Archaeology Festival in Damascus, European Cultural Fortnight in Morocco (Views on Europe), etc.

Another field of action is support for the production and dissemination of cultural products, covering books, the cinema, music, translation, cultural festivals (Festival of Israeli and Palestinian Culture in Brussels), archaeology.

Decentralized Cooperation

Decentralised cooperation aims to increase mutual understanding between the Union and its Mediterranean Partners and to promote the role of civil societies. The need for

this type of cooperation with the Mediterranean Partners was made very clear at the Barcelona Euro-Mediterranean Conference in November 1995 where decentralized cooperation was given the full support of Foreign Ministers of both the EU and the non-EU Mediterranean Partners.

Decentralized cooperation played an important role in the Commission's activities in 1995 through Med Urbs (ECU 9 million), Med Media (ECU 7 million), Med Campus (ECU 9 million), Med Invest (no new commitments), Med Migration (ECU 2 million) and Med Avicenne (no new commitments).

Some 200 projects were cofinanced by the Commission through the Med programmes in 1995 and a call for proposals for projects for the years 96/97 was published in mid-1995.

Following evaluations carried out by outside experts in 1994 and needs assessment seminars held together with the participants in the Med programmes in 1995 some changes were introduced to the different programmes to reflect the needs of the Mediterranean Partners more closely and take into account certain lessons learned during the first two years of the programmes:

- projects previously financed on a yearly basis have been converted into multi-annual projects to increase efficiency;
- a limitation in the number of themes and network partners has been introduced;
- the application procedures have been changed in order to allow a better selection system;
- more emphasis has been put on concrete results and outputs of the projects.

In October 1995 the Court of Auditors gave the Commission advance warning of a report it was conducting on the operation of the programmes and which had uncovered serious deficiencies in their management system and the delegation of responsibilities to external organisations. In the light of this warning the Commission called a halt to the operation of the programmes at the end of 1995 in order to devise a new management system to take account of the deficiencies uncovered by the report and to take action against any body responsible for irregularities. At the same time the Commission made clear that this in no way called into question the value of decentralized cooperation as a means of supporting civil society in the Mediterranean partners and the Commission's wish to pursue such activities subject to putting in place the necessary precautionary mechanisms.

IV. FINANCIAL OVERVIEW

PROGRAMME: Partnership with the Mediterranean countries.

MEDA BUDGET HEADING (B7 410)

ECU thousand

	1994		1995			
	Budget	Execution %	Initial budget	Actual budget	%	Carryover to 1996
Commitments	65 850	98.4	162 900	172 900	99.8	
Payments	52 200	61.5	85 000	91 000	54.4	

N.B. This chapter incorporates former items B7-4080 (multi-regional cooperation), B7-4081 (Euro-Arab regional cooperation) and B7-4082 (job creation in the Maghreb).

135 projects and operations were implemented, of which 20 were for an amount in excess of ECU 1 million.

Those 20 projects break down as follows (commitments made in 1995, in million ecus):

Support for economic reforms

ECU million

Development of the private sector in Morocco	30.0
Development of the private sector in Occupied Territories	3.0
Support centre for Tunisian firms	20.0
Global EIB loan for investment in SMEs in Occupied Territories	6.0
Programme to develop Jordanian private sector	7.0

Support for development of civil society

MED Techno	7.0
MED Urbs	12.0
MED Media	8.0
MED Campus	10.0
Programme to develop communities in Occupied Territories	5.0

Regional cooperation

Middle East peace process	11.3
University of Peace in the Middle East	1.2
Agricultural training programme in Mediterranean partner countries	2.0

Environmental protection

Interest rate subsidies for environment projects in Israel	2.4
in Turkey	8.2
in Jordan	3.1
Water project in Limassol, Cyprus	2.0
Technical assistance in Aegean (Turkey)	8.3
Strengthening FODEP pollution fund in Tunisia	3.0
Upper Gulf of Aqaba Oil spill contingency project, Egypt	2.9
TOTAL	161.9

PROGRAMME : Support for peace process (West Bank / Gaza)

BUDGET HEADINGS : B7 711

thousand ECU

	1994		1995			
	Budget	Execution %	Initial budget	Actual budget	Execution %	Carryover to 1996.
Commitments	60 000	97.7	52 000	68 400	100	
Payments	45 000	98.7	30 000	85 000	63	

The table below summarizes commitments made during the course of 1995 on the budget heading in question:

Project	1995 commitments
Universities and community colleges - recurrent costs	15
Primary and secondary schools - recurrent costs	10
Support for the 1996 central budget of the PA	15
Gaza City solid waste programme - completion	5
Institutional support programme	2.5
Municipal support programme	10
Completion of the construction of the Khan Younis hospital	7.5
Preparation of elections	2
TOTAL	67

PROGRAMME OR ACTION : Economic cooperation with Mediterranean countries

BUDGET HEADINGS : B7 4050, B7 4051, B7 406, B7 407

thousand ECU

	1994		1995			
	Budget	Execution %	Initial budget	Actual budget	Execution %	Carryover to 1996
Commitments	299 000	99.9	305 000	299 500	99.7	
Payments	254 000	83.7	305 000	193 000	86.3	

The attached tables give an overview of the implementation of the four financial protocols covering the period 1978 - 91. Note that 69% of third protocol funds committed 21% of fourth protocol funds have been paid.

III. Operations carried out and utilization of budget allocations

Item B7-4050: first and second protocols with southern and eastern Mediterranean

One project in excess of ECU 1 million was committed:

Programme to develop the agricultural sector in Egypt: 4.9

Item B7-4051: third and fourth financial protocols with the southern and eastern Mediterranean countries

In 1995, 63 projects or measures were approved, of which 23 for an amount in excess of ECU 1 million.

The 23 projects break down as follows (1995 commitments in ECU million):

Project

Morocco

Erosion protection works on the Sidi Driss	5.5
Drinking water supply and waste water	20.0
Support for training in priority sectors	6.0
Support for maternal and neonatal health	9.0

Tunisia

Conservation of water and soil	20.0
Development of dams and irrigation system	3.0
Rural development in Sfax region	5.0
Programme of support for structural adjustment	20.0

Egypt

Interest rate subsidy for an environment project for the Alexandria National Iron and Steel Company	5.0
Population programme in Upper Egypt	10.0
Gulf of Aqaba protection development project	10.0
Helwan waste water project	3.0
MISR compressor factory risk capital operation	6.0
Agricultural sector development programme	70.0

Lebanon

Global loan Lebanon invest	1.0
Global loan capital risk Lebanon Invest	2.0

Syria

PEE Transfer of interest rate subsidy	6.0
Population programme	2.0
PEE Transfer of interest rate subsidy	7.0
Euphrates irrigation	2.0
Programme to develop private sector	9.0

Jordan

JEPCO IV interest rate subsidy	3.0
Structural adjustment support programme	20.0
TOTAL	240.0

Projects costing less than ECU 1 million targeted programmes to develop urban communities, tourism, rehabilitation of public administration and studies to prepare programmes to develop the private sector.

Article B7-406: support for the Kurds in Iraq

A project worth ECU 1 million was committed.

Support for the UNCF	1.0
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Article B7- 407: Support for UNRWA

Social welfare programmes for Palestinian refugees	32.0
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Funds actually available under chapter B7-40 for 1995 and administered by DG IB were implemented:

99.7% for commitment appropriations

86.7% for payment appropriations

Annex 1

List of 1995 demography projects in the Mediterranean

	Recipient body	Amount ECU	Project	Country
1.	Palestinian Ministry of Health	4 260 000	National Programme for Women, Health and Family Planning in Gaza and the West Bank	Palestine
2.	Population Initiatives for Peace (PIFP)	360 000	Technical Assistance to Programme Palestinian Ministry of Health	Palestine
3.	PIFP - Johns Hopkins University	50 000	Video film : "Arab women speak out" Gaza, West Bank	Palestine
4.	FPA Turkey/ Pathfinder International	500 000	Family Health & Family Planning, Education, Information, Training and Services, Diyarbakir	Turkey
5.	Turkish Family Health and Planning Association	43 452	Conference on "Family Planning & Family Health in Islam"	Turkey
6.	Population Initiatives for Peace (PIFP)	51 700	Needs assessment mission for IEC programme	Yemen
7.	World Population Foundation	37 152	Feasibility mission, birth spacing programme	Jordan
8.	IIASA	50 000	Workshop/study: future demographic trends, countries of N. Africa	N Africa
9.	Centro de Investigaciones y Promoción Iberoamérica-Europa (CIPIE)	28 356	Preventive health programme and assistance for women, Tendirara	Morocco
10.	Femconsult	66 224	Evaluation of budget heading B7-5050	General
11.	Euro Health Group	66 000	Evaluation of IPPF Arab Region Programme	General
12.	Marie Stopes International (MSI)	165 310	European Parliament Forum	General
	GRAND TOTAL	5 678 194		

BALANCE OF THE SEM FINANCIAL PROTOCOLS(2)

	P1	P2	P3	P4	S.A.	BALANCE	BREAKDOWN OF BALANCE		
							PROJECT	I.S. (3)	R.C. (4)
MOROCCO	0	1	1	28		30	25		5
ALGERIA (1)	7	12	0	24		43	25		18
TUNISIA	0	0	2	8		10	10		
EGYPT	0	3	1	16		20	7	9	4
LEBANON	0	0	0	5		5	5		
JORDAN	0	0	0	3		3	1	2	
SYRIA	0	0	4	29		33		29	4
STRUCT. ADJ.					40	40	40		
TOTAL	7	16	8	113	40	184	113	40	31

(1) Breakdown of balance (subject to modification) (see special loans first and second protocols)

(2) Balance of SEM commitments including structural adjustment

(3) Interest rate subsidy

(4) Risk capital

FINANCIAL IMPLEMENTATION OF FOURTH SEM PROTOCOLS															
1. BILATERAL COMPONENT															
(1991 - 1996)															
BUDGET : 31/12/95						EIB						TOTAL PROTOCOL			
EIB :31/12/95		Commitments		Payments		Commitments		Payments		Commitments		Payments			
TOTAL	Amount	% 1)	Amount	% 2)	TOTAL	Amount	% 1)	Amount	% 2)	TOTAL	Amount	% 1)	Amount	% 2)	
MOROCCO	218	190	0,87156	50	0,283158	220	220	1	41	0,186364	438	410	0,936073	91	0,221951
ALGERIA	70	47	0,671429	16	0,340426	280	180	0,642857	24	0,133333	350	227	0,648571	40	0,176211
TUNISIA	116	108	0,931034	48	0,444444	168	168	1	49	0,291667	284	276	0,971831	97	0,351449
MAGHREEB	404	345	0,85396	114	0,330435	668	568	0,850299	114	0,200704	1072	913	0,851679	228	0,249726
EGYPT	258	242	0,937984	8	0,033058	310	242	0,780645	42	0,173554	568	484	0,852113	50	0,103306
LEBANON	24	19	0,791667	4	0,210526	45	29	0,644444			69	48	0,695652	4	0,083333
JORDAN	46	43	0,934783	18	0,418605	80	71	0,8875	15	0,211268	126	114	0,904762	33	0,289474
SYRIA	43	18	0,418605	0		115	0	0			158	18	0,113924	0	
MASHREQ	371	322	0,867925	30	0,093168	550	342	0,621818	57	0,166667	921	664	0,720955	87	0,131024
ISRAEL						82	82	1	30	0,365854	82	82	1	30	0,365854
TOTAL	775	667	0,860645	144	0,215892	1300	992	0,763077	201	0,202621	2075	1659	0,799518	345	0,207957
1.1. Risk capital (incl. in bilateral component)						2nd COMPONENT. STRUCTURAL ADJUSTMENT									
BUDGET : 31/12/95						BUDGET : 31/12/95						TOTAL			
EIB 31/12		Commitments		Payments		Commitments		Payments		Commitments		Payments			
TOTAL	Amount	% 1)	Amount	% 2)	TOTAL	Amount	% 1)	Amount	% 2)	TOTAL	Amount	% 1)	Amount	% 2)	
MOROCCO	25	20	0,8	5	0,25	MOROCCO				60	60	1	60	1	
ALGERIA	18	0	0	0		ALGERIA				95	55	0,578947	20	0,363636	
TUNISIA	15	15	1	3	0,2	TUNISIA				60	60	1	40	0,666667	
MAGHREEB	58	35	0,603448	8	0,228571	MAGHREB				215	175	0,813953	120	0,685714	
EGYPT	16	12	0,75		0	EGYPT				0					
LEBANON	2	2	1			LEBANON									
JORDAN	2	2	1	1	0,5	JORDAN				85	85	1	65	0,764706	
SYRIA	2		0			SYRIA									
MASHREQ	22	16	0,727273	1	0,0825	MASHREQ				85	85	1	65	0,764706	
TOTAL	80	51	0,6375	9	0,178471	TOTAL				300	260	0,866667	185	0,711538	
												Sources: F01, Pics, OIas and EIB			
1) Commitments												2) Payments / Commitments			
												(ECU million)			

FINANCIAL IMPLEMENTATION OF THE FIRST THREE SEM PROTOCOLS															
(1978 - 1991)															
BUDGET: 31/12/95			BUDGET			EIB					TOTAL PROTOCOL				
EIB	Commitments		Payments		TOTAL	Commitments		Payments		TOTAL	Commitments		Payments		
	Amount	% 1)	Amount	% 2)		Amount	% 1)	Amount	% 2)		Amount	% 1)	Amount	% 2)	
PROTOCOL 1/1978-1981															
MOROCCO	74	74	1	74	1	56	56	1	56	1	130	130	1	130	1
ALGERIA	44	37	0,840909	32	0,864865	70	70	1	70	1	114	107	0,938596	102	0,953271
TUNISIA	54	54	1	53,55	0,991667	41	41	1	41	1	95	95	1	94,55	0,985263
MAGHREB	172	165	0,969302	159,55	0,96697	167	167	1	167	1	339	332	0,979351	326,55	0,963584
EGYPT	77	77	1	72	0,935065	93	93	1	93	1	170	170	1	165	0,970588
LEBANON	10	10	1	7	0,7	20	20	1	20	1	30	30	1	27	0,9
JORDAN	22	22	1	22	1	18	18	1	18	1	40	40	1	40	1
SYRIA	26	26	1	26	1	34	34	1	34	1	60	60	1	60	1
MASHREQ	135	135	1	127	0,940741	165	165	1	165	1	300	300	1	292	0,973333
ISRAEL						30	30	1	30	1	30	30	1	30	1
TOTAL	307	300	0,977199	286,55	0,955167	362	362	1	362	1	669	662	0,989537	648,55	0,979683
PROTOCOL 2/1981-1986															
MOROCCO	109	108	0,990826	100	0,925926	90	90	1	90	1	199	198	0,994975	190	0,959596
ALGERIA	44	32	0,727273	18	0,5625	107	107	1	89	0,831776	151	139	0,92053	107	0,769784
TUNISIA	61	61	1	61	1	78	78	1	76	0,974359	139	139	1	137	0,985612
MAGHREB	214	201	0,939252	179	0,890547	275	275	1	255	0,927273	489	476	0,973415	434	0,911765
EGYPT	126	123	0,97619	112	0,910569	150	150	1	150	1	276	273	0,98913	262	0,959707
LEBANON	16	16	1	8	0,5	34	34	1	29	0,852941	50	50	1	37	0,74
JORDAN	26	26	1	23	0,884615	37	37	1	37	1	63	63	1	60	0,952381
SYRIA	33	33	1	24	0,727273	64	64	1	52	0,8125	97	97	1	76	0,783505
MASHREQ	201	198	0,985075	167	0,843434	285	285	1	268	0,940351	486	483	0,993827	435	0,900621
ISRAEL						40	40	1	40	1	40	40	1	40	1
TOTAL	415	399	0,961446	346	0,867168	600	600	1	563	0,938333	1015	999	0,984236	909	0,90991
PROTOCOL 3/1986-1991+A25															
MOROCCO	173	172	0,99422	136	0,790698	151	151	1	91	0,602649	324	323	0,996914	227	0,702786
ALGERIA	56	56	1	18	0,321429	183	142	0,775956	70	0,492958	239	198	0,828452	88	0,444444
TUNISIA	93	91	0,978495	77	0,846154	131	131	1	107	0,816794	224	222	0,991071	184	0,828829
MASHREQ	322	319	0,990683	231	0,724138	465	424	0,911828	268	0,632075	787	743	0,944091	499	0,671602
EGYPT	200	199	0,995	126	0,633166	249	242	0,971888	187	0,772727	449	441	0,982183	313	0,709751
LEBANON	20	20	1	12	0,6	53	53	1	27	0,509434	73	73	1	39	0,534247
JORDAN	37	37	1	28	0,756757	63	63	1	63	1	100	100	1	91	0,91
SYRIA	36	32	0,888889	5	0,15625	110	0	0	0	0	146	32	0,219178		
MASHREQ	293	288	0,982935	171	0,59375	475	368	0,753684	277	0,773743	768	646	0,841146	443	0,685759
ISRAEL						63	63	1	57	0,904762	63	63	1	57	0,904762
TOTAL	615	607	0,986992	402	0,662273	1003	845	0,842473	602	0,712426	1618	1452	0,897404	999	0,688017

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