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COUNCIL REGULATION (EC) No 1488/96

of 23 July 1996

on financial and technical measures to accompany (MEDA) the reform of economic and social structures in the framework of the Euro-Mediterranean partnership

(OJ L 189, 30.7.1996, p. 1)

Amended by:

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► <u>M1</u>	Council Regulation (EC) No 780/98 of 7 April 1998	L 113	3	15.4.1998
► <u>M2</u>	Council Regulation (EC) No 2698/2000 of 27 November 2000	L 311	1	12.12.2000

Corrected by:

► **C1** Corrigendum, OJ L 187, 1.7.1998, p. 56 (1488/96)

NB: This consolidated version contains references to the European unit of account and/or the ecu, which from 1 January 1999 should be understood as references to the euro — Council Regulation (EEC) No 3308/80 (OJ L 345, 20.12.1980, p. 1) and Council Regulation (EC) No 1103/97 (OJ L 162, 19.6.1997, p. 1).

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**COUNCIL REGULATION (EC) No 1488/96
of 23 July 1996**

**on financial and technical measures to accompany (MEDA) the reform of
economic and social structures in the framework of the Euro-Mediterranean partnership**

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty establishing the European Community, and in particular Article 235 thereof,

Having regard to the proposal from the Commission⁽¹⁾,

Having regard to the opinion of the European Parliament⁽²⁾,

Whereas the European Council at its meetings in Lisbon, Corfu and Essen stressed that the Mediterranean constitutes a priority area for the European Union and adopted the aim of establishing a Euro-Mediterranean partnership;

Whereas the Cannes European Council meeting on 26 and 27 June 1995 reaffirmed the strategic importance it attached to adding a new dimension to the European Union's relations with its Mediterranean partners by building on the Council report of 12 June 1995 prepared on the basis, in particular, of the Commission communications of 19 October 1994 and 8 March 1995 on strengthening the Mediterranean policy of the European Union;

▼**C1**

Whereas it is necessary to pursue efforts to ensure that the Mediterranean becomes an area of political stability and security and whereas the Community's Mediterranean policy must play a part in achieving the general objective of the development and strengthening of democracy and the rule of law, as well as in achieving the objective of respect of human rights and fundamental freedoms and of the promotion of good-neighbourly relations, while respecting international law and the territorial integrity and external frontiers of the Member States and Mediterranean non-member countries.

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Whereas the ultimate establishment of a Euro-Mediterranean free-trade area is likely to foster stability and prosperity in the Mediterranean region;

Whereas for the Mediterranean partners the establishment of a free-trade area may involve profound structural reforms;

Whereas it is therefore necessary to support the efforts that have been or will be undertaken by the Mediterranean partners to reform their economic, social and administrative structures;

Whereas the dialogue between cultures and between civil societies should be developed, notably by encouraging training activities, development and decentralized cooperation;

Whereas intensified regional cooperation and in particular the development of economic links and trade flows between Mediterranean territories and partners which are conducive to reform and economic restructuring should be encouraged;

Whereas the bilateral protocols on financial and technical cooperation concluded by the Community with Mediterranean partners provided a useful initial basis for cooperation; whereas it is now necessary to build on the experience which has been acquired and to embark on a new stage of relations, in the framework of partnership;

Whereas rules for the administration of such partnership have to be determined, while ensuring the transparency and overall consistency of action undertaken using budget appropriations;

Whereas to this end this Regulation will apply to the range of measures which came under Council Regulation (EEC) No 1762/92 of 29 June 1992 on the implementation of the protocols on financial and technical cooperation concluded by the Community with Mediterranean non-member countries⁽³⁾

⁽¹⁾ OJ No C 232, 6. 9. 1995, p. 5 and OJ No C 150, 24. 5. 1996, p. 15.

⁽²⁾ OJ No C 17, 22. 1. 1996, p. 184 and Opinion delivered on 20 June 1996 (OJ No C 198, 8. 7. 1996).

⁽³⁾ OJ No L 181, 1. 7. 1992, p. 1.

▼B

and Council Regulation (EEC) No 1763/92 of 29 June 1992 concerning financial cooperation in respect of all Mediterranean non-member countries⁽¹⁾ for measures whose scope extended beyond the scope of a single country;

Whereas, therefore, this Regulation replaces the abovementioned Regulations as from 1 January 1997, while it is, however, necessary to maintain Regulation (EEC) No 1762/92 in force for the management of financial protocols still applicable at that date and for the commitment of funds remaining under the expired financial protocols;

Whereas a financial reference amount, within the meaning of point 2 of the Declaration by the European Parliament, the Council and the Commission of 6 March 1995, is included in this Regulation for the period 1995 to 1999, without thereby affecting the powers of the budgetary authority as they are defined by the Treaty;

Whereas in respect of environmental projects the loans granted by the European Investment Bank, hereinafter referred to as 'the Bank', from its own resources under conditions laid down by it, in accordance with its Statute, may receive an interest-rate subsidy;

Whereas in loan operations involving interest-rate subsidies, the granting of a loan by the Bank from its own resources and the granting of an interest-rate subsidy financed by the budgetary resources of the Community must be linked and are conditional on each other; whereas the Bank may, in accordance with its Statute and in particular by a unanimous decision of its Board of Directors in the presence of an unfavourable opinion by the Commission, decide to grant a loan from its own resources, subject to granting of the interest-rate subsidy; whereas, on account of this aspect, it is necessary to ensure that the procedure adopted for granting interest-rate subsidies results in every case in an express decision, whether to grant the subsidy or to refuse it, where appropriate;

Whereas it is necessary to make provision for a Committee composed of representatives of the Member States to assist the Bank in the tasks attributed to it to implement this Regulation;

Whereas to ensure effective management of the measures provided for in this Regulation and to facilitate relations with the beneficiary countries a multiannual approach is required;

Whereas the measures under this Regulation go beyond the framework of development assistance and are intended to apply to countries only in part classifiable as developing countries; whereas, therefore, this Regulation cannot be adopted other than on the basis of the powers provided for in Article 235 of the Treaty,

HAS ADOPTED THIS REGULATION:

Article 1

▼M2

1. The Community shall implement measures in the framework of the principles and priorities of the Euro-Mediterranean partnership to support the efforts that Mediterranean non-member countries and territories listed in Annex I (hereinafter referred to as 'Mediterranean partners') will undertake to reform their economic and social structures, improve conditions for the underprivileged and mitigate any social or environmental consequences which may result from economic development.

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2. The beneficiaries of support measures may include not only States and regions but also local authorities, regional organizations, public agencies, local or traditional communities, organizations supporting business, private operators, cooperatives, mutual societies, associations, foundations and non-governmental organizations.

▼M2

3. The financial reference amount for the implementation of this programme for the period 2000 to 2006 shall be EUR 5 350 000 000.

▼B

The annual appropriations shall be authorized by the budgetary authority within the limits of the financial perspective.

⁽¹⁾ OJ No L 181, 1. 7. 1992, p. 5.

▼B*Article 2*

1. The purpose of this Regulation is to contribute, through the measures provided for in paragraph 2, to initiatives of joint interest in the three sectors of the Euro-Mediterranean partnership: the reinforcement of political stability and of democracy, the creation of a Euro-Mediterranean free-trade area, and the development of economic and social cooperation, taking due account of the human and cultural dimension.

▼M2

2. These support measures shall be implemented taking account of the objective of achieving sustainable development leading to long-term stability and prosperity. Particular attention shall be paid to the economic, social and environmental impact of economic transition, to regional and subregional cooperation and to building the capacity of the Mediterranean partners to integrate into the world economy. The objectives and details of the relevant procedures shall be as set out in Annex II.

▼B*Article 3*

This Regulation is based on respect for democratic principles and the rule of law and also for human rights and fundamental freedoms, which constitute an essential element thereof, the violation of which element will justify the adoption of appropriate measures.

▼M2*Article 4*

1. The Commission shall, in liaison with the Member States and on the basis of a reciprocal and regular exchange of information, including exchange of information on the spot, especially with regard to strategy papers, the national indicative programmes (NIP), annual financing plans, and the preparation of projects and monitoring of their implementation, ensure the effective coordination of the assistance efforts undertaken by the Community, including the European Investment Bank (hereinafter referred to as 'the Bank'), and individual Member States, in order to increase the coherence and complementarity of their cooperation programmes. In addition, the Commission shall promote coordination and cooperation with international financial institutions, the United Nations cooperation programmes and other donors. The specific arrangements for on-the-spot coordination shall be the subject of guidelines to be approved by the Committee provided for in Article 11.

2. The measures referred to in this Regulation may be adopted by the Community either independently or in the form of co-financing with the Mediterranean partners themselves or with public or private bodies of the Member States and the Bank, on the one hand, or multilateral bodies or third countries, on the other. The Commission shall, where appropriate, promote such co-financing on the basis of a reciprocal and early exchange of information with the Member States.

▼B*Article 5*

1. Measures to be financed under this Regulation shall be selected taking account, *inter alia*, of the beneficiaries' priorities, evolving needs, absorption capacity and progress towards structural reform.

Selection shall also be based on an assessment of the effectiveness of those measures in achieving the objectives aimed at by Community support, in line, where appropriate, with the provisions of Association or Cooperation Agreements.

▼M2

2. Strategy papers covering the period 2000 to 2006 shall be established at national and regional level, in liaison with the Bank. These strategy papers shall have the purpose of defining the long-term objectives of cooperation and of identifying priority areas of intervention. To this end, due account shall be taken of all relevant evaluations, a problem-oriented analysis shall be used and cross-cutting issues shall be integrated. As far as possible, implementation benchmarks will be developed in order to facilitate the evaluation of the attainment of the objectives of cooperation. If required by unforeseeable circumstances, or following the result of the review referred to in Article 15(4), the strategy papers shall be revised.

▼M2

3. Indicative programmes national and regional covering three-year periods shall be based on the corresponding strategy papers. They shall be established at national and regional level in liaison with the Bank, and they may include, respectively, interest rate subsidies and risk capital.

They shall take into account the priorities identified with the Mediterranean partners, including the conclusions of the economic dialogue.

The programmes shall define the main objectives of, the guidelines for, and the priority sectors of, Community support in the areas referred to in Section II of Annex II, together with indicators for the evaluation of the programmes. The programmes shall include indicative amounts (overall and by priority sector) and list the criteria for funding the programme concerned.

The programmes shall be updated annually, as necessary. They may be amended in the light of experience acquired, or the progress achieved by the Mediterranean partners as regards structural reforms, macroeconomic stabilisation, industrial development and social advancement, or the outcome of cooperation under the new Association Agreements. These programmes shall describe the reforms to be implemented by the partners in the priority sectors and shall include an evaluation of progress made in this respect.

4. Financing plans shall be based on the indicative programmes referred to in paragraph 3 and, as a rule, be adopted annually. They shall be established at national and regional level in liaison with the Bank. Projects relating to interest rate subsidies shall be included in national financing plans. Projects relating to risk capital shall be included in regional financing plans.

The plans shall include a list of the projects to be financed. Each project shall be examined on its merits as a component part of the financing plan as a whole. The contents of the plans shall be described in sufficient detail so as to allow their adoption in accordance with the procedure set out in Article 11(2).

5. The Commission, in liaison with the Bank, shall ensure that programming of measures concerning interest-rate subsidies and risk capital is complementary to, and coherent with, the national and regional strategy papers, indicative programmes and financing plans. The Bank shall ensure, at the stage of implementation, the conformity of the measures with this Regulation and with the decisions taken thereunder.

Projects relating to interest-rate subsidies shall, as a rule, be incorporated by the Commission, on the basis of proposals made by the Bank, into the national financing plans, as appropriate.

Projects relating to risk capital shall be incorporated by the Commission, on the basis of proposals made by the Bank, into a regional financing plan, as appropriate. The projects shall take the form of a risk capital facility, consisting of an allocation for financing risk capital operations over a multiannual period.

6. Financing decisions shall be based on the corresponding indicative programme if the projects do not form part of a financing plan.

▼B*Article 6*

1. Community financing shall notably be in the form of grants or risk capital. Concerning cooperation measures in the field of the environment it may also take the form of interest rate subsidies for loans granted by the Bank from its own resources. ►M2 ————— ◀

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Loans from the Bank carrying interest rate subsidies shall be denominated and paid in euro. The interest rate applicable shall be set for each payment, taking account of the financial characteristics of the operation in question; the subsidy rate applied to each payment shall be half the interest rate applicable to the payment in question, although this subsidy rate shall not exceed the nominal rate of 3 %.

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2. Grants may be used to finance or co-finance activities, projects or programmes which contribute to the realization of the objectives defined in Article 2. The financing ceiling for each grant for activities, projects or programmes shall also depend on those grants' ability to yield a financial return. The financing made available to the private sector shall in general be on commercial terms, in order to avoid distortions of local financial markets as far as possible.

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3. Financing decisions and any financing agreements and contracts resulting therefrom shall provide, *inter alia*, for supervision and financial control by the Commission (including the European Anti-fraud Office (OLAF)), including on-the-spot checks and inspection in conformity with Regulation (Euratom, EC) No 2185/96⁽¹⁾, and audits by the Court of Auditors, where appropriate, to be carried out on the spot. The Commission shall take measures in accordance with the procedure set out in Article 11(2), in order to provide for adequate protection of the financial interests of the European Community in conformity with Regulation (EC, Euratom) No 2988/95⁽²⁾.

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The Court of Auditors' supervision of operations financed under this Regulation and managed by the Bank shall be carried out according to the procedures agreed between the Commission, the Bank and the Court of Auditors.

4. Risk capital shall be used, first and foremost, to make available own funds, or funds regarded as such, to undertakings (private or mixed) in the production sector, in particular those that can bring together natural or legal persons who are nationals of a Community Member State and of Mediterranean non-member countries or territories.

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Risk capital shall be used primarily to strengthen the private sector, and in particular to reinforce the financial sector in MEDA countries. It shall add value clearly, by offering financial products and terms that are not available locally.

Risk capital provided and managed by the Bank may in particular take the form of:

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- (a) subordinated loans, for which reimbursement and any interest payments shall be effected only after settlement of other banking claims;
- (b) conditional loans the repayment or duration of which depend on fulfilment of the conditions laid down when the loans are granted;
- (c) temporary minority holdings on behalf of the Community in the capital of undertakings established in the Mediterranean non-member countries or territories;
- (d) financing of holdings in the form of conditional loans granted to the Mediterranean partners or, with their consent, to undertakings in those Mediterranean partner countries, either directly or through the intermediary of their financial institutions.

Article 7

▼M2

1. Measures under this Regulation may cover expenditure on imports of goods and services and local expenditure needed to carry out the projects and programmes. Direct budgetary support in favour of the beneficiary partner may also be covered to support agreed programmes of economic reform, in particular through sectoral facilities for structural adjustment, as referred to in Annex II, Part I(b). Taxes, duties and charges shall be excluded from Community financing.

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Contracts for the implementation of Community-funded measures under this Regulation shall receive, from the partner concerned, fiscal and customs treatment no less favourable than that which it applies to the most-favoured State or most-favoured international development organization.

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

⁽¹⁾ OJ L 292, 15.11.1996, p. 2.

⁽²⁾ OJ L 312, 23.12.1995, p. 1.

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3. Operating and maintenance costs, in particular those to be financed in foreign currency, may be covered within the framework of training, communications and research programmes and within that of other projects. As a general rule, such costs may be covered only in the start-up stage and shall be progressively reduced.

4. For investment projects in the production sector, Community financing shall be combined with the beneficiary's own resources or with financing on market conditions, taking into account the nature of the project. The recipient's contribution or that represented by financing on market conditions should be maximized. In any case Community financing, including that involving the Bank's own resources, shall not exceed 80 % of total investment costs. That ceiling shall be of an exceptional nature and shall be duly justified by the nature of the operation.

Article 8

1. Invitations to tender and contract shall be open on equal terms to all natural and legal persons in the Member States and the Mediterranean partners.

2. The Commission shall ensure:

- the widest possible participation under equal conditions in short lists and tenders for supplies, works and services,
- the necessary transparency and rigour in the application of the selection and evaluation criteria,
- effective competition among firms, organizations and institutions interested in participating in the initiatives financed by the programme.

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3. In the *Official Journal of the European Communities* the Commission shall publish, indicating the subject, the content and the value of the contracts provided for:

- once a year, forecasts of contracts for services and technical cooperation activities to be awarded after invitations to tender for the 12 months following publication,
- once every three months, any amendments to the above forecasts.

▼M2

4. The Commission shall provide, in liaison with Member States, on request, to all interested firms, organisations and institutions throughout the Community, documentation on the general aspects of the MEDA programmes and the requirements for participation in the programmes, making appropriate use of the Internet.

5. Financing conventions referred to in Article 9(6) or financing proposals shall include indications of the contracts to be expected, including the estimated values, the procedure for awarding them and the planned dates for the invitations to tender.

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6. Contracts shall be awarded to companies in accordance with the relevant provisions of the Financial Regulation applicable to the general budget of the European Communities.

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7. The results of the invitations to tender, including information on the number of received tenders, the date of the award of the contract, the name and the address of the successful tenderers, shall be published in the *Official Journal of the European Communities* and released on the Internet. The Commission shall provide the Committee provided for in Article 11, every six months, with specific detailed information on the contracts concluded in implementation of MEDA programmes and projects.

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8. In the case of co-financing, participants from countries other than the Mediterranean partners concerned in invitations to tender and contracts may be authorized by the Commission on a case-by-case basis. In these cases participation of undertakings from third countries shall be acceptable only if reciprocity is granted.

▼M2*Article 9*

1. The Commission shall forward for information its overall financial programme planning and its underlying reasoning in the context of the strategy papers, indicating in particular the total amount of the national and regional indicative programmes, as well as the allocation by beneficiary country and by priority sector of the overall amount adopted within those programmes.
2. The strategy papers, indicative programmes, financing plans and any amendment to them shall be adopted by the Commission in accordance with the procedure laid down in Article 11(2).
3. Financing decisions that are not covered by the national or regional financing plans shall be adopted individually by the Commission in accordance with the procedure laid down in Article 11(2), subject to paragraph 5 of this Article.
4. Decisions amending the financing decisions referred to in paragraph 3 shall be taken by the Commission where they do not entail any substantial amendments or additional commitments in excess of 20 % of the original commitment. The Commission shall inform the Committee referred to in Article 11 immediately of any such decisions.
5. Financing decisions not exceeding EUR 2 000 000 shall be adopted by the Commission if they form part of an overall allocation. An overall allocation shall be adopted in accordance with the procedure laid down in Article 11(2). The Committee provided for in Article 11 shall be informed systematically and promptly, and in any event before its next meeting, of financing decisions for measures not exceeding EUR 2 000 000.
6. Without prejudice to Article 106 of the Financial Regulation of 21 December 1977 applicable to the general budget of the European Communities⁽¹⁾, (hereinafter referred to as ‘the Financial Regulation’), financing conventions shall be forwarded for information to the members of the Committee provided for in Article 11 two weeks before they are signed.
7. The further procedure laid down in Article 12 shall be applied in relation to interest-rate subsidies for loans granted by the Bank for projects financed in the field of environment. The further procedure laid down in Article 13 shall be applied in relation to risk capital.

▼B*Article 10*

1. Measures referred to in this Regulation which are financed from the general budget of the European Communities shall be administered by the Commission in accordance with the Financial Regulation applicable to the general budget of the European Communities.

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

▼B*Article 11*▼M2

1. A management committee shall be established (hereinafter referred to as ‘the MED Committee’). A representative of the Bank shall take part in the proceedings without a right to vote.
2. Where reference is made to this paragraph, Articles 4 and 7 of Decision 1999/468/EC shall apply.
3. The period laid down in Article 4(3) of Decision 1999/468/EC shall be set at three months.

⁽¹⁾ OJ L 356, 31.12.1977, p. 1. Regulation as last amended by Regulation (EC, ECSC, Euratom) No 2673/1999 (OJ L 326, 18.12.1999, p. 1).

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4. The Committee may examine any other question relating to the implementation of this Regulation which is put to it by its Chairman, possibly at the request of the representative of a Member State, and in particular any question relating to general implementation, the administration of the programme or the co-financing and coordination referred to in Articles 4 and 5.

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5. The Committee shall adopt its rules of procedure by qualified majority, in accordance with Article 205(2) of the Treaty.

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6. The Commission shall keep the Committee regularly informed and shall supply it with information on the implementation of measures under this Regulation.

▼M2*Article 12*

1. The Bank shall communicate to the Commission the proposed project relating to interest-rate subsidies either for incorporation into a financing plan or for adoption as an individual financing decision, as provided for in Article 9(2) and (3) respectively. The Commission shall verify the conformity of the proposed project with this Regulation and the relevant decisions taken thereunder.

2. The Commission shall communicate to the Bank each decision relating to interest rate subsidies, whether adopted as a financing plan or as an individual financing decision.

3. In accordance with the decision referred to in paragraph 2, the Bank, where the decision grants the interest rate subsidy, may grant the corresponding loan with the said subsidy, subject to a positive opinion of the Committee referred to in Article 14 and of the Commission representative therein.

4. The Bank shall inform the Commission accordingly.

Article 13

1. The Bank shall communicate to the Commission the proposed project relating to risk capital in the form of a risk capital facility for incorporation into a regional financing plan. The Commission shall verify the conformity of the terms of this project with this Regulation and the relevant decisions taken thereunder.

2. The Commission shall communicate to the Bank each decision adopted pursuant to Article 9(2) on a regional financing plan including risk capital for its implementation.

3. On this basis, the Bank shall submit to the Committee referred to in Article 14, for its opinion, individual operations implementing the risk capital project envisaged within a regional financing plan. The Commission representative shall convey to that Committee the position of his institution on the operation concerned and in particular on its conformity with the regional financing plan.

4. On this basis, and subject to a positive opinion of the Committee referred to in Article 14 and of the Commission representative therein, the individual risk capital operations shall be submitted to the Bank for appropriate measures.

5. The Bank shall inform the Commission accordingly.

▼B*Article 14*

1. A Committee consisting of the representatives of the Member States, hereinafter referred to as the 'Article 14 Committee', shall be set up at the Bank. That Committee shall be chaired by the representative of the Member State currently holding the chair of the Board of Governors of the Bank; its secretariat shall be provided by the Bank. A representative of the Commission shall take part in its proceedings.

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2. The rules of procedure of the Article 14 Committee shall be adopted unanimously by the Council.
3. The Committee shall act by a qualified majority in accordance with ►**M2** Article 205(2) of the Treaty ◀.
4. Within the Article 14 Committee, the votes of the representatives of the Member States shall be weighted in accordance with ►**M2** Article 205(2) of the Treaty ◀.

▼M2*Article 15*

1. The Commission shall, together with the Bank, examine progress achieved in implementing the measures undertaken pursuant to this Regulation and shall submit to the European Parliament and the Council an annual report, no later than 30 June of the following year. The report shall contain information on the measures financed during the year, with regard for due confidentiality, as well as information on the results of monitoring activities and provide an assessment of the results obtained in the overall context of the strategy papers.
2. The Commission shall inform the Member States each year of the budgetary execution of the previous year, in terms of commitments and payments.
3. The Commission and the Bank shall evaluate at mid-term and *ex-post* their respective projects and main sectors of intervention in order to determine whether the objectives have been achieved and to establish guidelines for increasing the effectiveness of future activities. The evaluation reports, with regard for due confidentiality, shall be made available to the MED Committee as well as to the European Parliament. For operations managed by the Bank, the reports shall be made available to the MED Committee.
4. Every three years the Commission shall, together with the Bank, produce an overall evaluation report of the assistance already provided to the Mediterranean partners, including the effectiveness of the programmes and the review of the strategy papers. This report shall be presented to the MED Committee forthwith for discussion.
5. The Council will review this Regulation before 30 June 2006. To that end, the Commission shall submit to the Council before 31 December 2005 an evaluation report accompanied by proposals regarding the future of this Regulation and, if necessary, the amendments to be made to it.

▼M1*Article 16*

When an essential element for the continuation of support measures to a Mediterranean partner is missing, the Council may, acting by a qualified majority on a proposal from the Commission, decide upon appropriate measures.

▼B*Article 17*

1. Regulation (EEC) No 1763/92 is hereby repealed as from 31 December 1996.
2. As from 1 January 1997, Regulation (EEC) No 1762/92 shall apply for the management of the protocols still in force at that date and for the commitment of funds remaining under the expired protocols.

Article 18

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

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



ANNEX I

PARTNER TERRITORIES AND COUNTRIES REFERRED TO IN ARTICLE 1

The People's Democratic Republic of Algeria
The Republic of Cyprus
The Arab Republic of Egypt
The State of Israel
The Kingdom of Jordan
The Lebanese Republic
The Republic of Malta
The Kingdom of Morocco
The Syrian Arab Republic
The Republic of Tunisia
The Republic of Turkey
The Occupied Territories of Gaza and the West Bank



ANNEX II

Objectives and rules for the implementation of Article 2

- I. (a) Support for economic transition and the establishment of a Euro-Mediterranean free-trade area shall include in particular:
- job creation and private sector development, including improvement of the business environment and support for SMEs,
 - the opening-up of markets, promotion of investment, industrial cooperation and trade between the European Community and the Mediterranean partners, as well as among the Mediterranean partners themselves,
 - upgrading of economic infrastructure, possibly to include the financial and taxation systems.
- (b) Operations in support of reform programmes of the partners are implemented on the basis of the following principles:
- the support programmes shall be designed to restore or, as the case may be, consolidate the major financial balances and to create an economic environment favourable to accelerated growth, while at the same time seeking to improve the well-being of the population,
 - the support programmes shall also contribute to reforms in the key sectors with a view to the creation of a free trade area with the European Community,
 - the support programmes shall be adapted to the particular situation of each country and take account of economic and social conditions,
 - the support programmes shall lay down measures intended, in particular, to accompany, as regards social conditions and employment, economic transition and the accomplishment of a Euro-Mediterranean free trade area, and to alleviate the negative effects which this process may have on social conditions and employment, especially for the most underprivileged sections of the population,
 - disbursement of the support will be implemented in tranches in the form of direct budgetary support according to the compliance with the objectives and/or sectoral targets agreed within the support programme.
- The following eligibility criteria must be satisfied:
- the country concerned must undertake a reform programme approved by the Bretton Woods institutions or implement programmes recognised as analogous, in coordination with those institutions, but not necessarily financially supported by them, in accordance with the scope and effectiveness of the reforms,
 - account must be taken of the economic situation of the country, at the macroeconomic level, (indebtedness, cost of debt-servicing, the balance of payments, the budget situation, the monetary situation, the level of per capita income and the unemployment level) and at the level of sectoral reforms, with a view to creating a free trade area with the European Community.
- II. Support for sustainable economic and social development shall include in particular:
- the participation of civil society and populations in the planning and implementation of development measures,
 - the improvement of social services, especially in the areas of health, family planning, water supplies, sanitation and housing,
 - the promotion of wide and equitable sharing of the fruits of growth, paying particular attention to the objectives and targets agreed at UN summits concerning the fight against poverty and incorporated in the international development targets,
 - harmonious and integrated rural development and the improvement of urban living conditions,
 - reinforced cooperation concerning agriculture, particularly as regards quality and standards,
 - reinforced cooperation concerning fisheries and the sustainable exploitation of marine resources,
 - protection and improvement of the environment, particular consideration being given to the precautionary and the preventive action principles in

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supporting economic development through reinforced environmental cooperation,

- upgrading of economic infrastructures, particularly in the sectors of transport, energy, rural and urban development, strengthening activities related to the information society, information technology and telecommunications,
- integrated development of human resources to complement Member States' programmes, notably with regard to continuing vocational training in the context of industrial cooperation, and improvement of the potential for scientific and technological research,
- strengthening democracy, respect for, and defence of, human rights, in particular through non-governmental organisations in the European Community and the Mediterranean partners,
- cultural cooperation and youth exchanges,
- cooperation and technical assistance in order to strengthen cooperation in the area of migrations and combating illegal migration, including repatriation of illegal residents,
- cooperation and technical assistance in combating organised crime, including illegal drug trafficking and trafficking in human beings,
- the development of cooperation in areas relating to the rule of law, such as cooperation in judicial and criminal matters, the strengthening of institutions which guarantee the independence and effectiveness of the judicial system, the training of national security services and civil protection.

III. Regional, subregional and cross-border cooperation shall be supported in particular by:

- (a) establishing and developing structures for regional cooperation between the Mediterranean partners, and between them and the European Union and its Member States;
- (b)
 - establishing the physical infrastructure necessary for regional trade, including transport, communications and energy,
 - improvement of the regulatory framework and small-scale infrastructure projects in the context of border-crossing facilities,
 - cooperation on the level of large geographic regions as well as measures complementary to those undertaken in this field within the European Community, including support for connection between the transport and energy networks of the Mediterranean partners and the trans-European networks;
- (c) other regional activities including the Euro-Arab dialogue;
- (d) exchanges between civil society in the European Community and the Mediterranean partners; in this context, decentralised cooperation will:
 - have as its objective to identify the non-governmental beneficiaries of Community aid,
 - concentrate particularly on the networking of universities and researchers, local communities, associations, political science foundations, trade unions and non-governmental organisations, the media, private business and cultural institutions in the widest sense, as well as the other bodies listed in point IV.

The programmes must concentrate on promoting the participation and the emergence of civil society within the partner countries, in particular by encouraging information between networks and durable links between network partners.

IV. Good governance shall be promoted by supporting key institutions and key protagonists in civil society such as local authorities, rural and village groups, mutual-aid associations, trade unions, the media and organisations supporting business, and by assisting in the improvement of the capacity of the public administration to develop policies and manage their implementation.

V. Measures taken under this Regulation shall take into account analyses of the needs and potential of women and men in economic and social life so as to include gender aspects in the programming and implementation of development cooperation. Special importance shall be attached to education and the creation of jobs for women.

The measures shall also take account of the need to promote education and the creation of jobs for young people in order to facilitate their social integration.

VI. The activities financed under this Regulation shall mainly take the form of technical assistance, training, institution-building, information, seminars, studies, projects for investment in micro-enterprises, small and medium-sized

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undertakings and infrastructures and action designed to highlight the Community nature of the assistance. Recourse should be had to decentralised cooperation where this may prove effective. Risk-capital operations and interest-rate subsidies will be financed in collaboration with the Bank.

- VII. Due regard shall be paid to environmental considerations in the preparation and implementation of activities financed by means of this Regulation.