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(Acts whose publication is obligatory)

**COUNCIL REGULATION (EC) No 2698/2000
of 27 November 2000**

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

THE COUNCIL OF THE EUROPEAN UNION,

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

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

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

Whereas:

- (1) Article 15(6) of Regulation (EC) No 1488/96 ⁽³⁾ provides that the Regulation will be reviewed by the Council before 30 June 1999 and that the Commission shall, if necessary, submit to the Council the amendments to be made to it.
- (2) The Mediterranean region constitutes a priority area for the European Union and the political, economic and social development of the Mediterranean partners is a challenge of ever increasing proportions.
- (3) It is important to pursue and intensify the cooperation launched within the Euro-Mediterranean partnership which was established by the Barcelona Declaration of 27 November 1995.
- (4) New Euro-Mediterranean Association Agreements are now starting to come into force and their preparation and implementation require important adjustment efforts by the Mediterranean partners. These efforts should be supported by the Community.
- (5) Over the period 1995 to 1998 Regulation (EC) No 1488/96 has been implemented satisfactorily but it is now necessary to streamline decision-making procedures in order to permit more efficient implementation of Community assistance.

- (6) Indicative programming should therefore express more clearly the envisaged impact of planned MEDA funded operations in the context of Mediterranean partners' reform processes and the establishment of the Euro-Mediterranean partnership.
- (7) Strategy papers and the national and regional indicative programmes should define the main objectives of, the guidelines for, and the priority sectors of Community support.
- (8) The introduction of national and regional financing plans based on the indicative programmes facilitates the streamlining of decision-making procedures.
- (9) Council Regulation (EC, Euratom) No 2988/95 of 18 December 1995 on the protection of the European Communities' financial interests ⁽⁴⁾ establishes a common legal framework for all the fields of the Communities' own resources and expenditure. Council Regulation (Euratom, EC) No 2185/96 of 11 November 1996 concerning on-the-spot checks and inspections carried out by the Commission in order to protect the European Communities' financial interests against fraud and other irregularities ⁽⁵⁾ applies to all areas of the Communities' activity without prejudice to the provisions of Community rules specific to the different policy areas.
- (10) The measures necessary for the implementation of this Regulation should be adopted in accordance with Council Decision 1999/468/EC of 28 June 1999 laying down the procedures for the exercise of implementing powers conferred on the Commission ⁽⁶⁾.
- (11) The Commission and the European Investment Bank are committed to ensuring further improvement of their collaboration on the implementation of risk capital operations and interest rate subsidies.

⁽¹⁾ OJ C 89 E, 28.3.2000, p. 4.

⁽²⁾ Opinion delivered on 6 September 2000 (not yet published in the Official Journal).

⁽³⁾ OJ L 189, 30.7.1996, p. 1. Regulation as last amended by Regulation (EC) No 780/98 (OJ L 113, 13.4.1998, p. 3).

⁽⁴⁾ OJ L 312, 23.12.1995, p. 1.

⁽⁵⁾ OJ L 292, 15.11.1996, p. 2.

⁽⁶⁾ OJ L 184, 17.7.1999, p. 23.

- (12) A financial reference amount within the meaning of point 34 of the Interinstitutional Agreement of 6 May 1999 between the European Parliament, the Council and the Commission on budgetary discipline and improvement of the budgetary procedure⁽¹⁾ is included in this Regulation for its entire duration, without thereby affecting the powers of the budgetary authority as defined by the Treaty.
- (13) It is therefore necessary to amend Regulation (EC) No 1488/96.
- (14) The Treaty has not provided, for the adoption of this Regulation, powers other than those of Article 308,

HAS ADOPTED THIS REGULATION:

Article 1

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

1. Article 1(1) shall be replaced by the following:

'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.'

2. the first subparagraph of Article 1(3) shall be replaced by the following:

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

3. Article 2(2) shall be replaced by the following:

'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.'

4. Article 4 shall be replaced by the following:

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.'

5. paragraphs 2 and 3 of Article 5 shall be replaced by paragraphs 2 to 6 as follows:

'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.

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.

⁽¹⁾ OJ C 172, 18.6.1999, p. 1.

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.;

6. Article 6 shall be amended as follows:

- (a) the last sentence of paragraph 1 shall be deleted;
- (b) the following subparagraph shall be added to paragraph 1:

'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 %.';

- (c) the first subparagraph of paragraph 3 shall be replaced by the following:

'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 (*), 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 (**).

(*) OJ L 292, 15.11.1996, p. 2.

(**) OJ L 312, 23.12.1995, p. 1.;

- (d) in paragraph 4, a second subparagraph shall be inserted as follows:

'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.';

- (e) in paragraph 4, the introductory wording of the third subparagraph shall be replaced by the following:

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

7. Article 7 shall be amended as follows:

- (a) the first subparagraph of paragraph 1 shall be replaced by the following:

'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.';

- (b) paragraph 2 shall be replaced by the following:

'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.';

8. Article 8 shall be amended as follows:

- (a) the last indent of paragraph 2 shall be deleted;
- (b) paragraphs 4 and 5 shall be replaced by the following:

'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.;

- (c) paragraph 7 shall be replaced by the following:

'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.;

9. Article 9 shall be replaced by the following:

'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 (*), (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.

(* 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).;

10. Article 10(2) shall be replaced by the following:

'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.;

11. Article 11 shall be amended as follows:

- (a) paragraphs 1, 2, and 3 shall be replaced by the following:

'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.;

- (b) paragraph 5 shall be replaced by the following:

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

- (c) paragraph 7 shall be deleted;

12. Article 12 shall be replaced by the following:

'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.;

13. Article 13 shall be replaced by the following:

'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.;

14. in Article 14(3) and (4) the reference to Article 148(2) of the Treaty shall be replaced by a reference to Article 205(2) of the Treaty;

15. Article 15 shall be replaced by the following:

'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.;

16. Annex II to Regulation (EC) No 1488/96 shall be replaced by the Annex to this Regulation.

Article 2

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.

Done at Brussels, 27 November 2000.

For the Council

The President

L. FABIOUS

ANNEX

'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 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 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.'
