MEDA programme, Mediterranean countries. 1998 report

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PURPOSE : to review the implementation of the MEDA Programme in 1998. CONTENT : this document provides a review of the implementation of the MEDA Programme for 1998 and of the state of the expenditure for all of the actions falling under this programme since 1995. The MEDA Programme is the main component of the Euro-Mediterranean Partnership's financial cooperation for the period 1995-1999, i.e EUR 3.475 million out of the EUR 4.685 million budget allocated to the 12 Mediterranean partners at the Cannes European Summit. In 1995 and 1996, the MEDA Programme progressively replaced the existing financial instruments, mainly the Financial Protocols, and in 1998 represented about 90% of the total financial commitments from the EU Budget in the Mediterranean. The MEDA Programme is mainly made up of grants, but also includes risk capital and interest subsidies. Some 90% of the resources allocated to MEDA are channelled bilaterally to the partners (Algeria, Egypt, Jordan, Lebanon, Morocco, Syria, Tunisia, Turkey and the Palestinian Authority). The other 10% of the resources are devoted to regional activities: all the partners are eligible to benefit from these activities. MEDA resources are subject to programming: three-year national indicative programmes are drawn up jointly for the bilateral channel, and a regional indicative programme covers the multilateral activities. As far as the implementation of the MEDA Programme is concerned, the report indicates that the programme has advanced significantly in the course of 1998 given that the last remaining framework financing conventions have finally been signed with the authorities of the Mediterranean partners. These conventions establish the legal and administrative framework for implementation of EU cooperation activities. The MEDA Programme, endowed with EUR 3.475 million in commitment credits for the period 1995-1999, has produced actual commitments of EUR 2.498 million for the first four years (1995-1998) and the actual payments of EUR 648 million. These appropriation are allocated as follows : 1) Commitments : the annual commitment appropriations available are managed by the European Commission on the basis of the MEDA Regulation and within a programming process conducted jointly with the administration of the beneficiary Partners. These appropriations were practically fully utilised in 1995, 1996, 1997 and 1998. Thus, in budgetary terms, the Mediterranean partners have clearly demonstrated their absorption capacity since practically 100% of commitment credits available on the MEDA budget line have been consumed. Over the period 1995-1998, commitments went to four main types of operations: - support to structural adjustment (9% of total commitments); - support to economic transition and private sector development (38% of total); - classical development projects (42% of total); - regional projects (11% of total). 2) Payments : the rate of payments of the MEDA Programme is a direct function of the type of operation for which commitmentsare made. In fact, some operations, such as support to structural adjustment, result in payments over a short time span, generally of two years, provided that conditions agreed between the Commission and the beneficiary Government are met. Economic transition and private sector development operations generally consist in technical assistance operations over a 3-4 year period, which determines the payment period. Classical development operations (rural development, basic health care, education, drinking water, sewage, etc) require works and services, as well as procurement of equipment following tendering procedures. The implementation period is longer, generally 4 to 6 years. Lastly, regional projects financed under the Euro-Mediterranean Partnership often consist in completely novel forms of cooperation, necessitating innovative financial and legal frameworks of a complex nature. It is estimated that payments are spread over a 3 to 5 year period. Taking into account the current mix of operations within the MEDA Programme, it is estimated that the average implementation (i.e. payment) period for each of the annual tranches of the MEDA Programme is theoretically 4 years. For the period 1995-1997, cumulative payments have reached EUR 648 million, or 26% of commitments made over the same period.