ERF WORKING PAPER SERIES

AID, TRADE, COOPERATION AND THE EU

Nasser Saidi

Working Paper 0115

As of August 1998, financial support towards the ERF Working Papers Series from the Commission of the European Communities (through the FEMISE Program) is gratefully acknowledged. The views expressed in the Working Papers are those of the authors and do not necessarily reflect the views of the European Commission.

ECONOMIC RESEARCH FORUM
منتدى البحوث الاقتصادية
FOR THE ARAB COUNTRIES, IRAN & TURKEY

7 Boulos Hanna St. Dokki, Cairo, Egypt
Tel: (202) 3370810 – (202) 7485553 – (202) 7602882
Fax: (202) 7616042. Email: erf@idsc.net.eg. Website: http://www.erf.org.eg

AID, TRADE, COOPERATION & THE EU: “THINGS MUST BE DONE DIFFERENTLY” TO RESCUE THE EUROMED PARTNERSHIP. MARE NOSTRUM, MARE PACIFICA?*

Nasser Saidi

Working paper 0115

Abstract

More than five years have passed since the onset of the Barcelona process. It is time to review and assess the results. This paper specifically discusses this matter in terms of aid, trade and cooperation, raising several issues: What role for EU development assistance is needed for the EuroMed Partnership to develop? What is the volume of aid and cooperation required and what are the appropriate instruments? How best to make EU aid more effective? What are the instruments and mechanisms necessary to foster private flows and private sector development? Evidence shows that aid, assistance and cooperation in the EuroMed area have been declining, and that the implementation rate of the MEDA program has fallen well below expectations. A number of institutional reforms and others policy measures at the level of the EU as well as the Mediterranean partners are proposed to remedy the situation, and could form part of a joint plan of action of the EuroMed partners.

1. Introductory Remarks and Background

The Mediterranean area is of geo-strategic as well as econo-strategic importance to the EU. The area represents the old Mare Nostrum. The EuroMed Partnership Agreements represent an attempt, part of a strategy to re-discover, re-build the Mare Nostrum, in partnership this time, with the Southern Mediterranean countries. More than five years have passed since the onset of the Barcelona process. It is time to review and assess the results. Has the Barcelona process delivered? Have the institutions been created to promote the Partnership Agreements? Where are we heading? What are the EU's policy concerning the Mediterranean at a time when history is being made and the map of Europe is being redrawn with the proposed enlargement of the EU?

What is the purpose and objective of the common European defence and intervention force? Can progress be achieved on the Charter for Peace and Stability[1] in the light of an absence of a settlement of the Arab-Israeli conflict and of the violent meltdown of the Oslo Agreement taking place in Palestine today? Will a common European foreign policy emerge vis-à-vis the Arab-Israeli conflict and other political and security issues affecting the Middle East?

- Were the policies pursued and the instruments appropriate in view of the declared Barcelona objectives? Were they efficient and successful in promoting the objectives and achieving the desired targets?
- Turning to the specific subject of this paper concerning aid, trade and cooperation, a number of matters have to be tackled:
- What role for EU development assistance is needed for the Partnership to develop?
- What is the volume of aid and cooperation required and what are the appropriate instruments? How best to make EU aid more effective?
- What are the instruments and mechanisms necessary to foster private flows and private sector development?

[1] See the draft of the Charter and related papers in http://europa.eu.int/comm/external_relations/med_mideast/euro_med_partnership/index.htm

The very nature of these existential, soul- searching questions betrays and reflects the fact that all is not well with the Barcelona process and the Partnership Agreements. This paper is a call proposing that "*things must be done differently*" to rescue the Barcelona process and the related Partnership Agreements. The critical issues noted above (and there are others) need to be addressed. Policies have to be implemented to resolve them. The setting of the policies has to be consultative, transparent and pro-active. Reform is needed and action is imperative now.

This presentation on aid and cooperation falls into several sections. To gain perspective, section 2 below reviews and discusses international resource flows, including aid and assistance to the developing countries and to the Middle East, North Africa (MENA) region. The evidence reveals that resource flows –both official and private- to the region have been declining. Section 3 focuses on aid and cooperation in the EuroMed area. It includes a brief, overall, evaluation of the MEDA programmes. Despite the declared intentions and commitments, the implementation rate of the MEDA programme has fallen well below expectations. This has jeopardized the effectiveness and credibility of the programme. A number of institutional reforms and other policy measures are proposed in sections 4 and 5 to remedy the situation and could form part of a joint plan of action of the EuroMed partners. A concluding section states that determined political willpower must be accompanied by transparent, rapid action in implementing reforms and assistance to rescue the Barcelona process.

2. Withering Aid and Cooperation to the Developing Countries?

Table 1 summarizes the record from the early 1980's on long-term flows of financial resources to the developing countries. Several points emerge:

- Official development assistance (ODA) has ceased to grow during the 1990's. Indeed the flows fell during most of the 1990's only rising in the 1998-2000, reflecting donors' rapid mobilization during the Asian financial crisis.[2]
- Flows of official development assistance declined in nominal terms, but much more spectacularly, relative to donor country GNP. Indeed, the cumulative drop in ODA efforts for the period

[2] Development Assistance Committee reports 1999. http://www.oecd.org/dac/

1992-1998 is estimated at about USD 88.73 bn[3] compared with what would have flowed to developing countries had the average ODA/GNP of the past twenty years been maintained.

These trends reflected broad public expenditures cuts in a number of OECD countries that severely affected their ODA budgets. In addition, the reductions were accompanied by a revision of views of the aid paradigm, with questioning of the effectiveness of aid and technical cooperation in terms of its impact on reducing poverty and promoting sustainable growth and development.

- Private sector flows to developing countries from DAC countries picked up during the same period, and tended to compensate the drop in official flows. The change in the composition of flows to the developing countries was dramatic. The ratio of ODA to private flows declined from 161 percent in 1988-1989 to around 51 percent in 1999, reaching its lowest level in 1997 as official development flows dropped to USD 48.5 bn in 1997 against USD 125.6 bn in private flows.
- Foreign direct investment flows registered a notable expansion at the beginning of the 1990s and followed a sustained increase through 1999. In parallel, portfolio and equity flows (bond finance, portfolio flows, and bank lending) increased considerably to unprecedented levels before collapsing with the Asian financial crisis and its aftermath in emerging economies.
- Private sector flows portfolio and commercial lending tends to be highly volatile from period to period during the past decade, and can shift widely across countries.
- The contribution of the EU member states to the net flows of financial resources to developing countries and multilateral organisations increased substantially during the last decade from USD 30.03 bn in 1983-84 to USD 103.83 bn in 1999, its share growing to 55 percent of the total. This reflected increased prosperity as well as changed geo-political circumstances with the collapse of the Soviet Union and an expanded role and collective responsibility of the EU and, on a bilateral basis, its members.

The MENA Region

- The MENA region has received comparatively limited amounts of international resources. Although it witnessed a pick up in 1999, it attracted only 6.84 percent of total aggregate net long-term resource flows to developing countries, compared to 6.02 percent to Sub-Saharan Africa, 36.88 percent in Latin America, 15.5 percent for Europe and Central Asia and 30.36 percent for East Asia and the Pacific. It also saw its share declining over the past years from 10.34 percent in 1970.
- The distribution of ODA by region reveals a declining trend in the volume of aid directed to the MENA region and a subsequent fall in their share out of total ODA by DAC donors[4]. The average ODA in 1998-99 declined to US$3,397 Mns compared to an average of US$ 4,368 Mns in 1988-89. As such, the region attracted the lowest share of ODA compared to all other regions in the developing world, its average share for 1998-99 declining to 11.18 percent down from 13.32 percent in 1988-1989.
- Contrary to the general trend however, and unlike major donors (Canada, USA), EU aid flows to the region witnessed a substantial increase between 1988 and 1999 by 31 percent: average flows rising from $1,531 Mns in 1998-99 to $2,002 Mns in 1998-1999, reflecting the EU's new cooperation policy stance within the new MEDA initiative[5].
- However, the aid and cooperation was highly concentrated. During the period 1986-99, three Mediterranean countries ranked among the first 10 recipients of EC aid: Egypt received 25 percent of total

[3] 1999 Development Cooperation Report (Highlights) – Development Assistance Committee, OECD, January 2000.

[4] DAC donors include Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Japan, Luxembourg, Netherlands, New Zealand, Norway, Portugal, Spain, Sweden, Switzerland, United Kingdom, and United States.

[5] Development Assistance Committee reports 1999. :http://www.oecd.org/dac/

commitments ($2,479 Mns), followed by the West Bank and Gaza ($1,141 Mns) and Tunisia ($1,130 Mns)[6].

- The MENA region has not been able to attract private international financial flows over the past years. In particular, its share out of the total remains very limited compared to the rising needs for development financing.
- The region records a limited participation in the international capital markets. Few of the countries (with the notable exceptions of Lebanon, Tunisia and Turkey) have access to the international debt commercial bank lending markets.
- Although the region's share of project finance reached 35.54 percent of the total in 1997, it is largely to finance relatively low risk natural resource related (oil & gas) projects in the Gulf region.
- Foreign direct investment flows to the MENA region remain very limited: the region received only 4.16 percent of total FDI flows to developing countries[7] in 1999, and 2.98 percent in 1998.
- Limited access to international equity markets, restrained the MENA share in total portfolio equity flows to 2.17 percent in 1999.
- The region has experienced substantial capital outflows, as it is estimated that more than US$700 billion in funds originating in the MENA countries are invested outside the region!
- These stylised facts raise some major issues and questions. Why is the region unable to attract or, indeed, retain capital and financial resources, be it official or private? What set of economic and financial policies should the MENA countries be pursuing to attract and retain capital flows, provide incentives for a repatriation of funds invested abroad and use the capital productively? How can the EU contribute to attract private capital flows to the region? Including through strategies and policies that reduce perceived regional risks, political risks and security risks? Clearly, the region cannot hope to achieve sustainable development in the absence of investment and financial resources. To use an analogy, it is not so much a matter of fine-tuning the engine to obtain optimal performance, but more importantly a matter of obtaining the petrol!

3. Trade, Aid and Cooperation in the EuroMed Area

3.1 Trade

Member States of the European Union are the main trading partners of the Mediterranean countries. Despite a slight fall back in trade relations over the past decade, they remain the major provider of Mediterranean imports, their share out of the total for the period 1991-1999 averaging 59.2 percent This concentration of trade is also true of exports: the EU countries constitute the main destination for MED exports with an average share of 67.1 percent over the same period.

By contrast, the MED region has not increased in importance in terms of the EU's foreign trade. The share of MED countries in EU imports has been relatively constant over time implying absence of increased market access to MED country products. At the same time, EU member state's share in total MED exports slightly declined from 9.2 percent in 1991 to 8.8 percent in 1999. Put differently, the MED countries have not been able to gain wider access to the EU's growing markets (domestic or external), reflecting weak external competitiveness.

Despite Barcelona, trade has not expanded between the Mediterranean countries and their EU trade partners.

3.2 Aid

Trade policy has played a considerable role in shaping the evolution of the EC's external aid policy framework. Each phase of the trade policy was accompanied by an aid cooperation package targeting the objectives set out in the new policies adopted.

The European Union has been increasing its financial reference amounts to the region for the past two decades, as summarized in Table 6.

- The funds available during MEDA are 2.6 times more than during the fourth protocol.

[6] The European Community External Cooperation Programs: Policies, management and Distribution, 1999. http://www.euromed.net/

[7] Excluding China, FEMISE Report – 2000, http://www.femise.org/accueil3en.html

- Grant funds available for MEDA 1995-99 exceed funds available for the entire 1978-95 periods by almost MECU 800.
- The total EIB loan amount during the four protocols was MECU 4,850. For 1995-99, the indicative EIB loan allocation to MED partners is MECU 3,900.

The Barcelona process set the stage for a new form of cooperation and assistance between the two regions, enlarging the scope of cooperation to encompass the following objectives:

- Achieving peace and stability in the EuroMed Zone
- Promoting sustainable economic development, creating employment opportunities and reducing the development gap via the establishment of a free trade area by 2010.
- Fostering South-South integration.
- Reducing migratory pressure and illegal immigration.

As such, the conclusion of Euro-Mediterranean partnership agreements gave the trade-related issues an even more prominent role. The paradigm is that trade liberalization will in the short and medium-term cause major disruptions in the economies of the MED partners. The transition and adjustment will require comprehensive reform of the institutional, regulatory and legislative framework in the partner countries, enabling them to meet the challenges imposed by the Partnership.

Aid has a significant strategic role to play as an instrument in alleviating these disruptions and lessening their social, cultural and political repercussions. Consistent with this paradigm, the Barcelona Declaration and the MEDA programmes placed aid and cooperation in this comprehensive framework, where political, security, economic and cultural aspects are all included and inter-linked.

In line with the Barcelona process, annual disbursement of EC cooperation to the Mediterranean region increased by three fold over the past decade. The increase was significant starting in 1996 with the entry into force of the new financial partnership through the MEDA programs. However, it should be noted that except for the ACP countries, this increase remains the lowest when compared to other regions, and the Med and Middle East has seen its share out of total disbursement decline from 18.65 percent in 1986 to 14.06 percent in 1998 (See Annex 1). The evidence suggests that the EU has a revealed preference, a priority, for other areas.

3.3 MEDA Evaluation

Against this background and desired objectives, how did the MEDA programmes perform?

Recent evaluation undertaken by the European Community's External Cooperation, an inside view, reveals that: "the Commission's aid system is too complex and fragmented in terms of objectives, instruments, procedures and institutional mechanisms".

In fact, the evidence and country experience over the last 5 years shows that the MEDA program was unable to foster reforms sought by the partnership due to the rigidity of the implementation mechanism, the predominance of technical assistance and the absence of performance indicators or criteria.

a) Total commitments under MEDA I, taking account of 30.9 Mns euros carried over into 2000, was 3,435 Mns euros, slightly exceeding the financial reference amount of 3,424.5 Mns[8] euros fixed in the MEDA. Although the rate of commitments reached 99.9 percent, by the end of 1999 lengthy regulation and complex procedures for disbursement of MEDA funds generated a cumulative gap between commitments and payments of 2,545 Mns euros and limited the share of effective implementation of the total MEDA 1 envelope to 26 percent! The highest disbursement rate was recorded in Jordan at 42.5 percent, and was mainly caused by the large-scale use of direct budgetary aid in the form of structural adjustment facilities.

b) A related feature that reduced the effectiveness of MEDA in fostering growth and fostering development stems from the fact that the program remains essentially technical assistance oriented. Except for the Structural Adjustment Facilities that constitute direct budgetary aid to the country, the largest share of the grant financing is getting recycled back to the EU and spent on experts

---

[8] Additional amounts were disbursed during 2000, including for Lebanon, slightly raising the effective implementation rate, but not significantly, overall, to change the conclusion.

and technical assistance teams, unfamiliar with the country's structural problems and reform agenda.

c) The absence of clear performance criteria against which the impact of projects is measured, reduces the effectiveness of MEDA financing, and calls for the identification or setting of more precise performance indicators and objectives to be met though these programs. Performance review and evaluation is critical both for the EU, as well as the recipient countries.

d) An additional element that adds complexity to the Euro-Med aid relationship is the foreign policy and security dimension that the Barcelona process brings to the Euro-Mediterranean Partnership. While the development aid agenda of the European Union is underpinned by the EU's political ambitions in the region, the EU is faced with a difficult political and security situation in the MED countries. Further, the frequently divergent political interests of the member states often negatively affects the coherence of the EU-aid cooperation strategy in the region and contributes to the delay in the disbursement of funds.

It is too early to undertake a post-mortem of the MEDA programs (the patient is in intensive care, but not clinically dead). However, it is evident that the complex and cumbersome system employed has often caused substantial delay of the reform efforts undertaken by the recipient countries, and thus negatively impacted the progress towards achieving the partnership objectives, and the credibility of the MEDA program.

Clearly, whatever may have been "les bonnes intentions" of the original architects of the Barcelona process and subsequent political and budgetary decisions; the results and implementation rates are way below expectations. Clearly, "things must be done differently" if cooperation and the partnership agreements between the EU and the Mediterranean countries are to prove successful.

4. Reform of the Aid Process is Critical for the Success of the Partnership

Reform of EU-Med financial cooperation and its mechanisms is important not merely for the success of the Barcelona process, but *a fortiriori*, given the development needs of the region. A number of factors are vital in this context.

a) The MENA region requires substantial capital for investment to improve its growth prospects. Capital investment requirements arise for a number of reasons:

- *Structural*. The MENA region needs to: (a) modernize and replace its aging physical infrastructure, the bulk of which was established in the 1970's at the height of the oil price boom. This process calls for annual investment in physical infrastructure in excess of US$20 billion over the next decade; (b) invest in new capital and technology to develop its substantial natural resource base and diversify its highly specialized production structure; (c) provide capital for its demographically young and rapidly growing population and labor force.
- *Macroeconomic*. The MENA region requires substantial capital to: (a) finance the process of privatization of publicly owned assets; (b) provide funds for the large-scale economic reform and liberalization required and ongoing in a number of MENA countries; (c) finance the transition away from economic regimes characterized by command-type, socialist economic structures.

b) Substantial investment is also needed in the new areas of information and communication technologies, ICT, in order to help bridge the digital divide. The technology gap is wide, both between the EU and the MED countries, as well as between the Southern Mediterranean countries.[9] The evidence also suggests that the divide is widening, and that convergence may not be achieved. Further, the ICT divide may increase and compound the existing income divide. Initiatives to bridge this gap and promote interconnectivity and exchange of know-how such as the EUMEDIS program are important actions.

The challenges have to be addressed, and the EU should act quickly in order not to let the Mediterranean countries miss out also on the third revolution. The EU should adopt the recommendations of the Third

[9] Annex 3 below contains the empirical evidence on indicators of the digital divide across developed and developing countries, reproduced from Rodriguez and Wilson, World Bank, Infodev, 2000.

Global Forum held in Naples, and set-up a EU-Med ICT task force to implement the recommendations.[10] This should be a top priority on the EuroMed agenda.

c) The geopolitical landscape is changing. The European Union is opening up to the East, and has recently formalized its strategy in its last Intergovernmental Conference and the signing of the Nice Treaty. The Accession of the CEECs, will add further adjustment costs onto the Mediterranean countries in terms of the liberalization of agricultural products, and increased competition in industrial goods.

5. Reform Measures: Adopt Market Oriented Policies

The lack of progress in realizing the *Barcelona desiderata* is attributable to a number of factors; some are intrinsic to long-standing policies supported by the EU, others require adjustment and reforms in the Mediterranean partner countries

5.1 EU Policy Reforms

This is not the forum for an extended discussion of the effects of EU policies on its Mediterranean partners. Briefly, success in achieving the Barcelona objectives as well as EU enlargement requires fundamental changes in three EU major policy areas. What is required is the adoption of market oriented economic policies, concerning the agricultural sector, commercial policy and the labour market.

- Deep reform is required of the high cost and distortion-prone Common Agricultural Policy (CAP). Economic evidence suggests that the Mediterranean countries and the countries of Eastern and Central Europe have a comparative advantage in agricultural and food production. Conditions and policies should allow those countries to specialize in agriculture and food, and then export them to the EU. This would lower food prices in the EU, to the benefit of consumers, thus reducing the large and distortionary agricultural subsidies. Similarly, EU aid and cooperation would be re-oriented: the Mediterranean and Central and Eastern European countries would be induced to specialize in areas of comparative advantage, not offered aid and subsidies to persist in activities where they are at a competitive disadvantage! This would be a first-best set of policies, a win-win situation for all parties.
- EU Migration policy needs fundamental review and correction. The evidence suggests that there are a number of myths concerning immigration. A recent comprehensive study[11] of the empirical evidence suggests the following:

-It is the non-EU OECD countries that have experienced the more important migrant flows, both in absolute numbers and in percentages: migrant flows; share of foreign born in populations and in percentage of foreign births in total births.

-EU has tended to absorb migrants from other European countries and from non-MEDA countries (evidence on country of origin of migrants)

Migration has tended to be associated with geographical proximity, and is typically, ethnically related or for political/humanitarian reasons (particularly in the Nordic countries).

-Migration has not been associated with unemployment in EU.

-The EU requires immigration in order to stabilize old-age dependency ratios. The policy implication is that the EU needs to encourage not discourage and control immigration from the labour surplus, human capital exporting countries of the Mediterranean in order to help support its ageing populations!

- Finally, it is clear that the EU's trade policies need reform in order to allow greater access to the goods originating in the Mediterranean countries. In particular, a major effort has to be undertaken to amend non-tariff barriers to trade. EU norms and standards (health, phyto-sanitory and other) and product specifications have tended to act as trade protective devices. A transition period and assistance is required to help the Mediterranean countries adapt and conform to EU norms and standards and product specifications.

[10] The findings and recommendations of the Naples Forum can form the beginnings of a plan of action for such a joint EU-MED ICT task force. See Annex 2 for the recommendations and http://www.globalforum.it/ for the papers and findings.

[11] See J. Coppel, Dumont, J-C, and Visco, I." Trends in Immigration and Economic Consequences", Economics Department Working Paper No.284, OECD, http://www.oecd.org/eco/eco/

5.2 Target Structural Reforms in the Mediterranean Countries

The Mediterranean countries are facing the challenges of a faster pace of globalization and trade liberalization in goods and services. These challenges add new dimensions to the EuroMed aid cooperation and development partnership. In consequence, EU planning and programming of assistance should target the following:

- Improve the Southern Mediterranean countries (SMCs) policy frameworks governing international trade, investment and capital flows.
- Provide the SMCs with more secure and wider access to markets.
- Improve the effectiveness of aid cooperation.

Promoting private sector flows to the region necessitates the reduction of the risk factors conducive to private investment. Apart from the over-riding element of reducing political and security risks, the improvement of the trade and investment environment should be at the core of the strategic objectives of the MEDA financing for the next five years. Well-targeted reform oriented programs should focus on the following:

- **Harmonization of laws, regulations and standards in a structured and systematic manner.** The methodological approach used for the adoption of the "acquis communautaire" in CEECs could be used as a reference for legislation approximation and strengthening of administrative and institutional structures through expertise transfer. Main areas should target: reform of the trade and investment regimes, customs administration, sanitary and phyto-sanitory measures as well as industrial norms and standards.
- Modernization of the competition policies and anti-trust frameworks, and the establishment of regulatory authorities responsible for fair-trading and services delivery. The EU can assist the Mediterranean countries in developing their legislative, regulatory and institutional structures especially in the "modern" areas of telecom, IT, the media and utilities.
- **Development of the capital markets in the Southern Mediterranean and their integration with the EU's markets.** Through the modernization of banking and financial laws, adoption of modern financial infrastructures, and linkages to the EU markets.

5.3 Support Regional Economic Integration

Creating an Euro-Mediterranean economic area with a potential for increased prosperity and well being, and improved socio-economic conditions requires, among other things, increased intra-regional trade and an increase in the flow of investment to the region, both of which remain exceptionally inadequate today. These are essential in order to avoid potential "hub-spoke" as well as trade diversion effects, which are deleterious for investment and development.

The EU has put regional integration high on its agenda and has confirmed its commitment to greater support of the efforts made to strengthen ties and deepen South-South economic integration in the Marseilles declaration[12].

However, the emphasis on regional cooperation has to be translated into concrete actions. Only through supporting the Arab countries in fostering greater inter-Arab cooperation and integration will the EU be able to contribute to a smooth and gradual integration of these countries into the world economy and reduce the costs of adjustment.

On the trade side, Arab countries are working on the implementation of a multilateral trade agreement, the Greater Arab Free Trade Area (GAFTA) within a framework of progressive tariff dismantling over a period of ten years ending in 2007. Several countries are proceeding to establish integrated economic cooperation. In addition, there are bilateral free trade agreements (FTAs), of which the Lebanese-Syrian agreement is one example, bringing together two different economic regimes, but which are nevertheless complementary. Such agreements can become major catalysts of increased trade and liberalization, and can contribute considerably to fasten the pace of regional economic integration and trade cooperation among Arab countries, through the achievement of economies of scale and the economic benefits of specialization.

---

[12] See the declaration in http://europa.eu.int/comm/external_relations/med_mideast/euro_med_partnership/index.htm

The promotion of South-South trade that could diminish potential trade diversion necessitates the allowance for the complete cumulation of rules of origin, and the provision of EU assistance in developing the Greater Arab Free Trade Area, to be followed by closer integration in the form of the Arab Common Market. There is a wealth of knowledge and experience that the EU has gained in achieving a common market and a common currency, that it can and should share with the Arab countries so that they can achieve greater economic integration. Again, this is a win-win strategy for both parties!

Accordingly, policy decisions and initiatives from the EU side to foster South-South trade, should include, *inter alia*:

- Give priority to the issue of rules of origin, which constitute a major hindrance to the development of South-South exchanges, especially between the Maghreb and the Mashrek countries. Arab countries agree that EU expertise at this level is highly relevant, and call upon the EU through its financial and technical assistance to provide the needed support for undertaking the technical studies and necessary activities that would gradually lead to the full harmonization of Mediterranean rules of origin and the establishment of the GAFTA.
- Assist in the harmonization of policies and frameworks for bilateral and multilateral trade and investment agreements so that they become mutually compatible.

5.4. Rethink Aid and Cooperation Instruments

We strongly welcome and look forward to the concrete results of Commissioner's Patten reform of EU's external aid. The reform of aid cooperation, which has started with the important institutional reform of establishing EuropeAid, needs to be accompanied by a complete overhaul of the instruments and their objectives, both regarding regional and investment projects.[13]

a) Regional Projects to Foster Integration

- Unfortunately, the MEDA program allocates only 10 percent of its overall envelope to regional projects, and EIB loans remain limited at this level too. Moreover, the efficient utilization of MEDA regional allocation is hampered by the complex decision-making mechanism in place. Accordingly, EU partners should strive to:
- Increase substantially the amount of the MEDA allocations in order to be compatible with the scale of needed financing.
- Allocate up to 15 percent of MEDA financing to regional projects
- Streamline the decision making process on regional allocations by increasing the depth of the dialogue on priority objectives for regional cooperation.

On the other hand, the EIB should further encourage the financing of regional infrastructure projects, as infrastructure remains a major element in fostering physical links, lowering transport and communication costs and generating economic growth[14].

Regional projects should also target the institutional development of regional organizations responsible for the management of regional integration initiatives or programs, such as the Arab League, and increased support to countries adopting an aggressive regional integration trade agenda.

This will allow promoting equitable growth, reducing private sector costs, fostering intra-Arab trade and investment, and facilitating macroeconomic policy coordination.

b) Investment Financing to Promote Private Sector Participation

On the investment and finance side, instruments should be devised to foster greater private sector FDI inflows into the region and encourage the process of Mergers and Acquisitions among and between Arab and European firms and enterprises. Well-targeted development assistance is also needed to reinforce the institutional capabilities of the Southern Mediterranean

---

[13] See the statement: http://europa.eu.int/comm/external_relations/reform/intro/ip_00_1535.htm

[14] Recent evidence suggests that infrastructure and equipment investment are important growth inducers. See the papers and literature listed in http://www.worldbank.org/wbi/wbiep.html

countries necessary to harness their internal resources and tap the external private flows.

Some specific policy proposals in this connection include:

1. Increase the total funding of the European Investment Bank and allow it to lend up to 20 percent (as compared to the current 10 percent) of its loan portfolio in the Mediterranean countries.
2. Promote foreign direct investments in the EuroMed region by setting-up a EuroMed Investment Guarantee Agency (EMIGA) to provide guarantees for European private sector investment projects in the Mediterranean countries.
3. Promote the development of local capital markets in the Mediterranean countries through technical assistance for the set-up of local stock exchanges and capital market authorities and the necessary legal infrastructure of laws and regulations.
4. Promote access by the EuroMed partnership countries to the expanding European Capital Markets by facilitating the listing of MEDA country issues, and by providing a principal and/or interest guarantee program for MEDA country bond issues. This would reduce perceived portfolio investment risk, and would help expand the European capital markets, expand the economic size of the Euro currency area, provide increased portfolio diversification for European and international investors and attract increased financial flows to the Mediterranean countries. Yet another win-win strategy for the partners!
5. Provide preferential access to finance in the European Capital Markets by allowing the tax deductibility of interest income arising on bonds issued by the Mediterranean countries, i.e. interest received on such bonds would not be subject to income tax. This form of indirect aid would be similar to the aid given by the US to so-called "Israel Development Bonds". Such bonds are treated like local, US municipal bonds and interest income from the bonds is exempt from US income taxes, an interest-cost-saving act worth more than 2 percent per annum.
6. Participate in the establishment of Mediterranean country investment funds that could contribute to the Mediterranean countries growth and investment.
7. Assist in the liberalization and privatization process in the Mediterranean countries as part of the overall strategy of economic reform.

5.5 More Effective Use of Development Assistance

It must be realized that a full partnership requires however some changes on the part of the donor community in general, and the EU in particular both at the level of their approach to aid cooperation and instruments. Hence, a new (kind of) partnership between donors and recipients is needed to ensure that aid money is well spent, and that it is being allocated towards a capacity building partnership.

a) Greater Transparency in EU-Med Aid Mechanisms and Procedures is Necessary

The new institutional and political landscape for EuroMed assistance remains unclear.

While it is still early to undertake any assessment of the new cooperation mechanisms and procedures, EuropeAid having started two months ago only, several questions remain unanswered and render the future of the EuroMed cooperation uncertain.

The clarification of rules, project cycles, budget lines, and the explanation of roles, responsibilities and competencies of the various EU institutions and Directorate General at the Commission needs to be improved.

These measures that have recently started will necessarily benefit not only MED partner representatives but also Member States representatives. However, they remain fragmented, in the absence of a clear public information effort and a well-defined and standardized training and capacity building program for the public and civil servants of MED partners and Member States.

b) Improve the Strategic Planning of EuroMed Aid to Partner Countries

On the part of the aid recipient, there is a need for improved policy coherence through supporting environmental and social policies that are synergetic with the trade liberalization agenda.

The Mediterranean countries should also assume a greater and more structured role in aid coordination and aid management. The more the

Mediterranean countries are systematic and up-front in planning, setting of clear goals and objectives, and in the establishment of systematic links between goals and planned activities, the more rapid will be the allocation and disbursement of MEDA funds.

Moreover, the recipient country should seek a greater complementarity among the various development financing instruments: Official Development Assistance, private flows conducive to development and management of internal resources.

c) Enhance evaluation and feedback learning from aid experience

There remains a serious information gap regarding aid results, effectiveness and efficiency in the Mediterranean region. Moreover, assessment of the results of the policies and financial cooperation actions against precisely defined goals and on the basis of changes in relevant indicators and criteria is not undertaken.

Notwithstanding the difference in the political goal between the Acceding countries to the EU and the Mediterranean partners, the more structured methodological approach of the EU's aid cooperation in Eastern Europe should be transposed to the EU's Mediterranean strategy.

The Commission's Sound and Efficient Management Initiative (SEM 2000) ought to be incorporated in its new approach to development assistance in the Mediterranean in order to improve policy and strategy development and render more effective the programmation exercise for the NIPs.

The introduction of monitoring and effectiveness indicators will allow the EuroMed partners to adjust objectives in line with the intermediate results obtained and consequently modify the programs. In addition, the procedures for managing financial and technical cooperation should be simpler and more "user friendly". As a result of such reforms, policymakers in the SMCs will be able to justify priority areas of cooperation and be held accountable for their mandate.

6. Concluding Remarks

Five years after Barcelona, and in light of shared experience, the time has come to work in a more determined and realistic manner. Clearly, "*things must be done differently*" if we are to succeed in the partnership. The Barcelona process cannot simply be emasculated to become a wider, more comprehensive trade agreement. Nor can the MEDA aid and cooperation be of sufficient size to lead to a convergence of income.

Our declared, common objectives are to reduce discrepancies and not widen the divides, to render the EuroMed partnership an additional factor working for the consolidation of development in the Southern Mediterranean Region, and to create conditions so that the *Mare Nostrum* is also a *Mare Pacifica.*

For this to happen, a revolution is required in EuroMed relations in order to establish a self- sustaining partnership.

The EU should possess, or develop, the political willpower to seize the historical, geo-strategic opportunity in the Mediterranean and the Middle East created by the demise of the Soviet Union. Will it take up the challenge and the opportunity? Or shall we live a new, revised 'Drang Nach Osten'?

A stronger political foundation to the EU's cooperation with the Mediterranean is necessary through more constructive and well-targeted dialogue and action on the objectives and instruments of aid and cooperation. This pro-active dialogue and joint action must happen on all the dimensions of the partnership: political, security, social, cultural and economic.

Failure to meet those challenges raises the spectre of social and political instability resulting from the lack of development, low economic growth, stagnant economies, high population growth, pervasive poverty, deteriorating environment, slow political and institutional reform, and non-resolution of the Arab-Israeli conflict, as evidenced by the bloody meltdown of the Oslo Agreement we are witnessing in Palestine.

Figure 1: Share of Total Net Long Term Resource Flows (%)

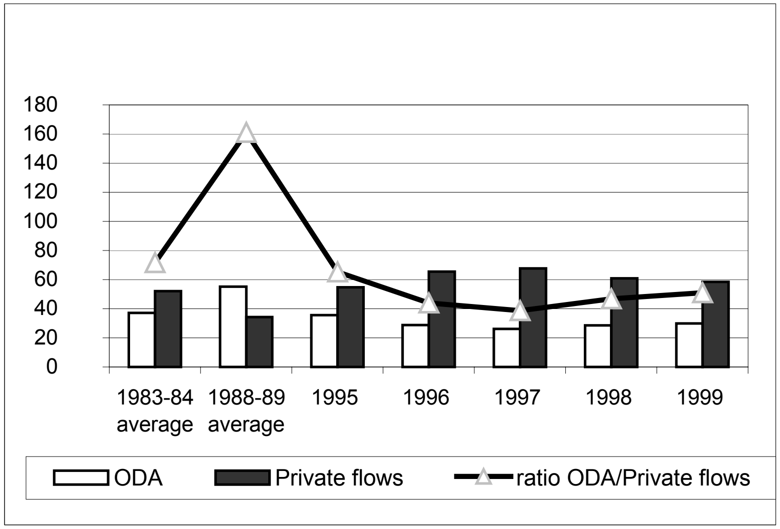
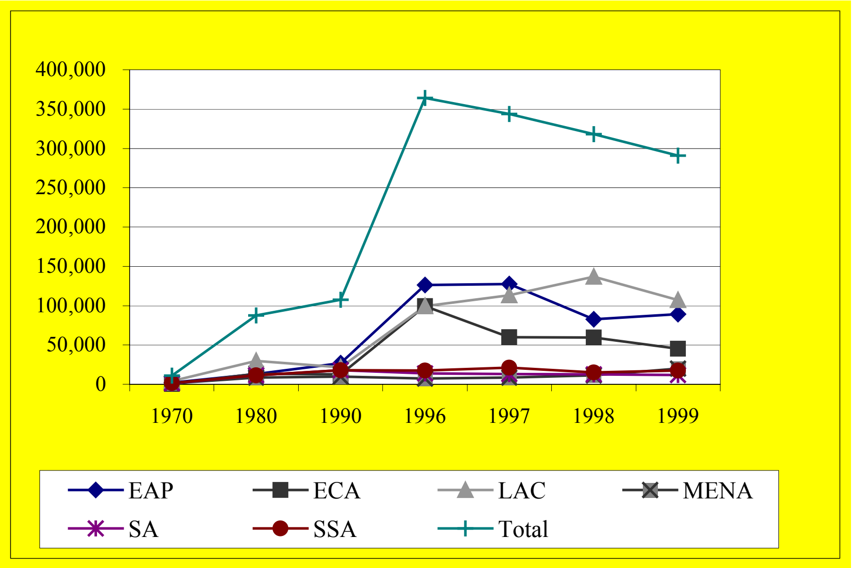


Figure 2: Regional Distribution of Aggregate Net Long Term Resource Flows



Notes: EAP=East Asia and Pacific, ECA=Europe and Central Asia; LAC= Latin America and the Caribbean; MENA=Middle East and North Africa; SA= South Asia; SSA= Sub Saharan Africa. South Asia; SSA= Sub Saharan Africa.
Source: World Bank- Global Development Finance 2000, http://www.worldbank.org/

Figure 3: Total disbursements of EC aid (1986-98 US$ mns)

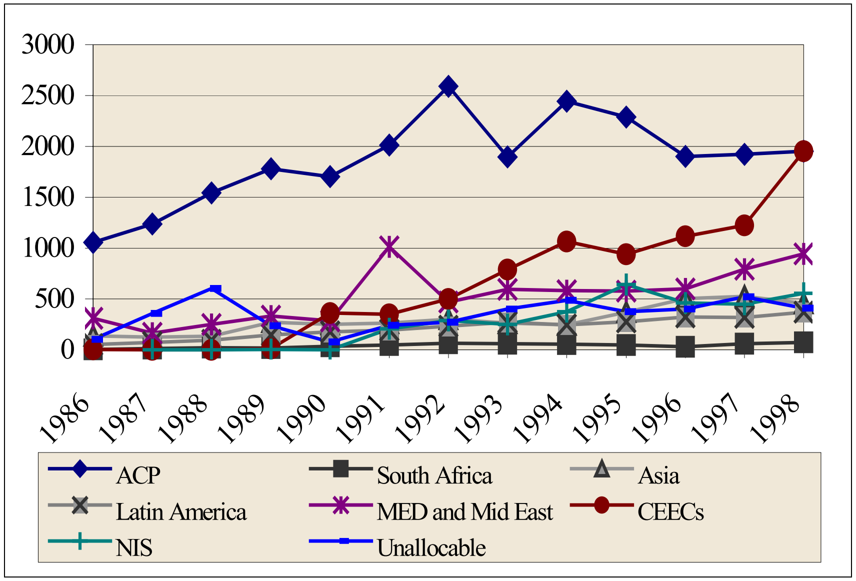


Figure 4: Distribution of Total Disbursements by Region (1986-1998)

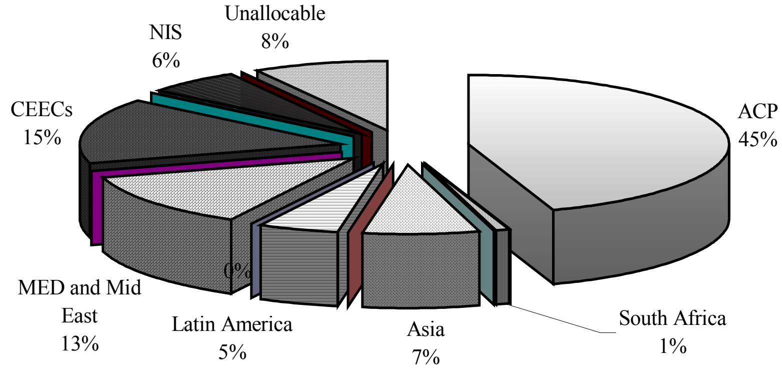


Table 1: The Total Net Flow of Long-Term Financial Resources from DAC Countries [1] to Developing Countries and Multilateral Organizations by Type of Flow

	$ Million						
	1983-84 average	1988-89 average	1995	1996	1997	1998	1999
I. Official Development Assistance	27450	46399	58926	55622	48497	52084	56378
1. Bilateral grants and grant-like flows	14083	25290	36184	36534	31282	32465	33910
Of which: Technical co-operation	5539	9560	14298	14142	12888	13056	13033
Developmental food aid (a)	981	1771	1346	821	1081	919	1045
Emergency & distress relief (a)	286	766	3062	2693	2165	2787	4365
Debt forgiveness	128	455	3724	3398	3122	3012	2277
Administrative costs	927	1734	2889	2856	2719	2814	3049
2. Bilateral loans	4331	7173	4444	2585	1147	2739	3951
3. Contributions to multilateral institutions	9036	13936	18299	16503	16068	16880	18517
Of which: UN(b)	2272	3457	4267	4383	3885	4249	3646
EC(b)	1430	2711	5370	4727	4860	5002	4991
IDA(b)	3079	5549	5405	3992	4062	4155	2834
Regional development banks(b)	1458	2050	1301	1578	1551	1895	5020
II. Other Official Flows	5410	4890	9872	5562	6125	13491	15477
1. Bilateral	5279	4490	9084	6089	6074	11483	14528
2. Multilateral	131	400	788	-527	51	2008	949
III. Private Flows at market terms	38368	28817	90411	126809	125623	111223	110404
1. Direct investment	9452	24939	52484	58879	77137	83416	89373
2. Bilateral portfolio investment	17039	1194	33145	67584	50861	27762	24934
3. Multilateral portfolio investment	5049	819	-790	-948	-6126	-2059	-5768
4. Export credits	6829	1865	5572	1295	3751	2104	1866
IV. Net grants by NGOs	2458	4155	5973	5568	5191	5609	6684
Total Net Flows	73687	84261	165182	193561	185436	182407	188943
Total net flows at 1998 prices And exchange rates(c)	138927	101900	145779	176156	181782	182407	185475

Notes: DAC donors include Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Japan, Luxembourg, Netherlands, New Zealand, Norway, Portugal, Spain, Sweden, Switzerland, UK, and US. a) Emergency food aid included with developmental food aid up to and including 1995. b) Grants and capital subscriptions, does not include concessional lending to multilateral agencies. c) Deflated by the total DAC deflator.

Table 2: The Total Net Flow of Financial Resources from DAC Countries to Developing Countries and Multilateral Organizations

	$ Million						
	1983-84 average	1988-89 average	1995	1996	1997	1998	1999
Total DAC	73687	84261	165182	193561	185436	182407	188943
Of which:							
EU Members	30035	38776	64688	93436	75070	98292	103830
EU members share	40.76%	46.02%	39.16%	48.27%	40.48%	53.89%	54.95%
	Percent of GNP(%)						
Total DAC	0.92	0.60	0.75	0.87	0.85	0.82	0.80
EU Members	1.13	0.75	0.78	1.09	0.93	1.17	1.23

Source: Development Assistance Committee, OECD, January 2000 http://www.oecd.org/dac/

Table 3: Regional Distribution of ODA by DAC Donors [a]

Net Disbursements	Sub-Saharan Africa		South and Central Asia		Other Asia & Oceania		Middle East & North Africa		Latin America & Caribbean	
	1988-89	1998-99	1988-89	1998-99	1988-89	1998-99	1988-89	1998-99	1988-89	1998-99
Australia	102	84	136	92	547	580	16	20	10	16
Canada	589	369	344	168	177	145	117	53	216	177
Japan	1416	1305	1487	2852	3062	5202	365	568	524	870
New Zealand	3	9	2	8	58	85	0	1	1	4
Switzerland	197	251	79	134	52	52	20	43	63	96
United States	969	1418	764	813	406	640	2302	1212	1145	816
Of which:										
EU Members	8859	7440	2412	2058	2329	2754	1531	2002	1845	2505
Share EU ODA %	52.19	44.39	14.21	12.28	13.72	16.43	9.02	11.95	10.87	14.95
Total DAC	12525	11343	5361	6269	6675	9538	4368	3997	3863	4593
Share of total DAC %	38.20	31.74	16.35	17.54	20.36	26.69	13.32	11.18	11.78	12.85

Notes: Calculated using the geographical distribution of multilateral disbursements for the year of reference. Excluding Europe and unspecified.
Source:http://www.oecd.org/dac/

Table 4: Net Resource Flows to the Middle East and North Africa (1970-1999)

USD million	1970	1980	1990	1996	1997	1998	1999
Net Resource Flows	**1,145**	**8,501**	**9,910**	**7,401**	**8,384**	**11,472**	**19,884**
Net flows of LT Debt (ex IMF)	470	7,149	*(703)*	*(1,753)*	*(3,589)*	1,488	7,306
FDI	294	*(3,313)*	2,458	3,581	5,917	5,054	8,070
Portfolio Equity Flows	0	0	0	1,632	2,259	879	608
Grants (excl. tech. coop.)	381	4,665	8,155	3,941	3,797	4,051	3900
Memo: tech. Coop. Grants	269	990	2,558	2,389	1,838	1,713	2,100
Net Transfers	***(1,899)***	***(5,284)***	**3,424**	***(1,468)***	**400**	**3,331**	**10,955**
Intereston LT Debt	100	3,935	5,202	7,481	6,550	6,632	7,123
Profit Remittances on FDI	2944	9,850	1,284	1,388	1,434	1,509	1,806

Source: World Bank – Global Development Finance – 2000. http://www.worldbank.org/ida/

Table 5: EU – Medtrade (1991-1999)

	Share of the European Union (EU-15) in the Mediterranean countries External Trade(%)		**Share of Mediterranean countries in the European Union's (EU-15) External Trade (%)**	
	Share in MED Imports	**Share in MED Exports**	**Share in EU Imports**	**Share in EU Exports**
1991	61.4	71.3	6.1	9.2
1992	63.2	72.8	6.1	8.9
1993	58.3	68.9	6	9.3
1994	55.9	69.6	5.9	8.4
1995	59.3	64.9	5.9	8.8
1996	62.5	60	6.1	9.1
1997	56.7	63.5	6.1	9
1998	57.4	65	6	9.3
1999	58.5	67.8	6	8.8
Average	59.2	67.1	6.0	9.0

Source: Euro-Mediterranean Statistics-2001. http://www.euromed.net/

Table 6: EU – MED Aid Allocations, Protocols and MEDA, 1978-99 (MECU)

Period	Period	Grants & Risk Capital	EIB Loans
First protocol	1978-1981	307	332
Second protocol	1982-1986	415	560
Third protocol	1987-1991	615	940
Fourth protocol	1992-1995	1,305	3,018
MEDA	1995-1999	3,424.5	3,900

Source: European Commission; ODI Inventory, Table 4.6; Court of Auditors 3/91, Table 1

Table 7: MEDA Progress

Million Euros	1995	1996	1997	1998	1999	Total
Commitments appropriations available	173	403	981	941	937	3.435
Commitment appropriations used	173	403	981	941	937	3.435
Implementation rate of commitment appropriations	100%	100%	100%	99,8%	100%	99,9%
Payments	50	155	211	231	243	890
Ratio of payments to commitments	29%	38%	21%	24%	26%	26%

Table 8: Distribution of Commitments / Payments by Partner

Million Euros	Commitments	Payments	Implementation Rate%
Morocco	656	127	19.4
Algeria	154	30	18.2
Tunisia	428	168	39.3
Egypt	686	157	22.9
Jordan	254	108	42.5
Lebanon	182	1	0.5
Syria	99	0	0.0
Turkey	375	15	4.0
West Bank / Gaza	111	54	48.6
Regional (including TA)	480	230	48.0
Total	3435	890	26

Source:http://europa.eu.int/comm/external_relations/med_mideast/euro_med_partnership/index.htm

Table 9: Index of Technological Progress 1998

Rank	Country	Index of Technological Progress	Rank	Country	Index of Technological Progress
1	United States	100	38	Greece	19.96
2	Finland	90.78	41	Cyprus	17.97
3	Norway	85.5	25	Kuwait	31.7
5	Sweden	77.87	32	UAE	24.12
7	Denmark	72.24	34	Qatar	22.91
8	Luxembourg	70.27	39	Oman	19.74
14	Netherlands	52.64	45	Lebanon	15.89
16	United Kingdom	52.20	55	Saudi Arabia	11.25
17	Germany	50.9	72	Yemen	6.93
18	Austria	45.81	74	Jordan	6.74
19	France	42.4	78	Iran	5.07
20	Ireland	40.70	80	Tunisia	4.56
21	Israel	40.09	81	Morocco	4.37
22	Italy	39.09	83	Egypt	3.71
23	Belgium	38.17	89	Sudan	2.55
26	Spain	30.18	96	Algeria	1.89
27	Portugal	26.35			

Source: The World Bank, Info dev, 1998. See: http://www.infodev.org/

Annex A

Table A1: Regional Distribution of EC External Cooperation (1986-98, Commitments and Disbursements in mns of Euro and as % of Total)

Commitments	**1986**	**1987**	**1988**	**1989**	**1990**	**1991**	**1992**	**1993**	**1994**	**1995**	**1996**	**1997**	**1998**	**Total**
ACP	1141	2632	2869	1994	1362	2123	2765	2774	3514	2599	1946	1127	2853	**29699**
	44.69%	*68.22%*	*68.37%*	*60.17%*	*41.84%*	*38.14%*	*41.92%*	*40.80%*	*48.12%*	*35.39%*	*26.90%*	*17.30%*	*33.12%*	*40.60%*
South Africa	7	19	30	25	31	58	81	91	103	125	134	131	130	**965**
	0.27%	*0.49%*	*0.71%*	*0.75%*	*0.95%*	*1.04%*	*1.23%*	*1.34%*	*1.41%*	*1.70%*	*1.85%*	*2.01%*	*1.51%*	*1.32%*
Asia	140	257	226	426	317	383	470	504	451	696	522	639	617	**5648**
	5.48%	*6.66%*	*5.39%*	*12.85%*	*9.74%*	*6.88%*	*7.13%*	*7.41%*	*6.18%*	*9.48%*	*7.22%*	*9.81%*	*7.16%*	*7.72%*
Latin America	160	156	159	210	222	286	338	401	390	486	507	502	485	**4302**
	6.27%	*4.04%*	*3.79%*	*6.34%*	*6.82%*	*5.14%*	*5.12%*	*5.90%*	*5.34%*	*6.62%*	*7.01%*	*7.70%*	*5.63%*	*5.88%*
MED & Mid East	401	149	309	511	386	1133	655	711	757	869	1189	1543	1368	**9981**
	15.71%	*3.86%*	*7.36%*	*15.42%*	*11.86%*	*20.35%*	*9.93%*	*10.46%*	*10.37%*	*11.83%*	*16.44%*	*23.68%*	*15.88%*	*13.65%*
CEEC's	0	2	1	52	683	845	1238	1541	1281	1446	1618	1541	1587	**11835**
	0.00%	*0.05%*	*0.02%*	*1.57%*	*20.98%*	*15.18%*	*18.77%*	*22.67%*	*17.54%*	*19.69%*	*22.37%*	*23.65%*	*18.42%*	*16.18%*
NIS	0	0	20	0	5	615	679	592	593	821	702	583	1041	**5651**
	0.00%	*0.00%*	*0.48%*	*0.00%*	*0.15%*	*11.05%*	*10.29%*	*8.71%*	*8.12%*	*11.18%*	*9.71%*	*8.95%*	*12.08%*	*7.73%*
Unallocable	704	643	582	96	249	124	370	185	213	301	615	450	534	**5066**
	27.58%	*16.67%*	*13.87%*	*2.90%*	*7.65%*	*2.23%*	*5.61%*	*2.72%*	*2.92%*	*4.10%*	*8.50%*	*6.91%*	*6.20%*	*6.93%*
Total	**2553**	**3858**	**4196**	**3314**	**3255**	**5567**	**6596**	**6799**	**7302**	**7343**	**7233**	**6516**	**8615**	**73147**
Disbursements	**1986**	**1987**	**1988**	**1989**	**1990**	**1991**	**1992**	**1993**	**1994**	**1995**	**1996**	**1997**	**1998**	

Table A1: contd.

Commitments	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	Total
ACP	1057	1235	1542	1779	1703	2012	2592	1898	2445	2287	1899	1924	1952	**24325**
	63.37%	*62.85%*	*75.59%*	*63.56%*	*59.03%*	*49.24%*	*54.92%*	*41.89%*	*44.41%*	*41.50%*	*35.60%*	*33.06%*	*29.10%*	*44.70%*
South Africa	3	13	23	19	34	48	66	62	58	46	29	60	72	**533**
	0.18%	*0.66%*	*1.13%*	*0.68%*	*1.18%*	*1.17%*	*1.40%*	*1.37%*	*1.05%*	*0.83%*	*0.54%*	*1.03%*	*1.07%*	*0.98%*
Asia	138	125	132	271	250	261	300	264	246	369	503	528	456	**3843**
	8.27%	*6.36%*	*6.47%*	*9.68%*	*8.67%*	*6.39%*	*6.36%*	*5.83%*	*4.47%*	*6.70%*	*9.43%*	*9.07%*	*6.80%*	*7.06%*
Latin America	53	72	94	146	176	196	231	273	247	275	323	319	370	**2775**
	3.18%	*3.66%*	*4.61%*	*5.22%*	*6.10%*	*4.80%*	*4.89%*	*6.03%*	*4.49%*	*4.99%*	*6.06%*	*5.48%*	*5.51%*	*5.10%*
MED & Mid East	311	164	249	331	285	1012	468	594	581	578	601	794	943	**6911**
	18.65%	*8.35%*	*12.21%*	*11.83%*	*9.88%*	*24.77%*	*9.92%*	*13.11%*	*10.55%*	*10.49%*	*11.27%*	*13.64%*	*14.06%*	*12.70%*
CEEC's	3	0	0	12	360	348	501	789	1063	941	1118	1226	1951	**8312**
	0.18%	*0.00%*	*0.00%*	*0.43%*	*12.48%*	*8.52%*	*10.61%*	*17.41%*	*19.31%*	*17.07%*	*20.96%*	*21.07%*	*29.08%*	*15.27%*
NIS		0	0	3	0	209	289	248	377	642	462	449	555	**3234**
	0.00%	*0.00%*	*0.00%*	*0.11%*	*0.00%*	*5.12%*	*6.12%*	*5.47%*	*6.85%*	*11.65%*	*8.66%*	*7.71%*	*8.27%*	*5.94%*
Unallocable	103	356	604	238	77	240	273	403	488	373	399	520	410	**4484**
	6.18%	*18.12%*	*29.61%*	*8.50%*	*2.67%*	*5.87%*	*5.78%*	*8.89%*	*8.86%*	*6.77%*	*7.48%*	*8.93%*	*6.11%*	*8.24%*
Total	**1668**	**1965**	**2040**	**2799**	**2885**	**4086**	**4720**	**4531**	**5505**	**5511**	**5334**	**5820**	**6709**	**54417**

Table A1: contd.

Commitments	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	Total
Effective rate of implementation	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	Total
ACP	92.64%	46.92%	53.75%	89.22%	125.04%	94.77%	93.74%	68.42%	69.58%	88.00%	97.58%	170.72%	68.42%	**81.91%**
South Africa	42.86%	68.42%	76.67%	76.00%	109.68%	82.76%	81.48%	68.13%	56.31%	36.80%	21.64%	45.80%	55.38%	**55.23%**
Asia	98.57%	48.64%	58.41%	63.62%	78.86%	68.15%	63.83%	52.38%	54.55%	53.02%	96.36%	82.63%	73.91%	**68.04%**
Latin America	33.13%	46.15%	59.12%	69.52%	79.28%	68.53%	68.34%	68.08%	63.33%	56.58%	63.71%	63.55%	76.29%	**64.50%**
MED & Mid East	**77.56%**	**110.1%**	**80.58%**	**64.77%**	**73.83%**	**89.32%**	**71.45%**	**83.54%**	**76.75%**	**66.51%**	**50.55%**	**51.46%**	**68.93%**	**69.24%**
CEEC's		0.00%	0.00%	23.08%	52.71%	41.18%	40.47%	51.20%	82.98%	65.08%	69.10%	79.56%	122.9%	**70.23%**
NIS			0.00%		0.00%	33.98%	42.56%	41.89%	63.58%	78.20%	65.81%	77.02%	53.31%	**57.23%**
Unallocable	14.63%	55.37%	103.7%	247.9%	30.92%	193.5%	73.78%	217.8%	229.1%	123.9%	64.88%	115.56%	76.78%	**88.51%**

Table A1: contd.
Sectoral allocation of EC Aid Cooperation (1986-98, commitments in mns of euro and as % of total aid)

	Med & Mid East		CEEC's		NIS		Latin America		Asia		ACP	
Proramme aid (Structural adjustment)	767	*7.68%*	10	*0.1%*	86	*1.52%*	46	*1.07%*	25	*0.44%*	7543	*25.40%*
Food Aid	533	*5.34%*	456	*3.9%*	1269	*22.45%*	453	*10.53%*	859	*15.21%*	2643	*8.90%*
Humanitarian Aid	904	*9.06%*	2608	*22.0%*	482	*8.53%*	432	*10.04%*	819	*14.50%*	2156	*7.26%*
Aid to NGOs	72	*0.72%*	100	*0.8%*	6	*0.11%*	504	*11.72%*	253	*4.48%*	487	*1.64%*
Natural Resources	827	*8.29%*	529	*4.5%*	290	*5.13%*	466	*10.83%*	944	*16.71%*	1835	*6.18%*
Agriculture	784	*7.85%*	529	*4.5%*	290	*5.13%*	283	*6.58%*	732	*12.96%*	1521	*5.12%*
Other productive sectors	947	*9.49%*	62	*0.5%*	261	*4.62%*	335	*7.79%*	179	*3.17%*	2404	*8.09%*
Industry, mining and construction	866	*8.68%*	50	*0.4%*	261	*4.62%*	180	*4.19%*	24	*0.42%*	1987	*6.69%*
Trade	17	*0.17%*	11	*0.1%*		*0.00%*	42	*0.98%*	14	*0.25%*	251	*0.85%*
Investment Promotion	58	*0.58%*		*0.0%*		*0.00%*	110	*2.56%*	140	*2.48%*	3	*0.01%*
Economic Infrastructure and Services	1010	*10.12%*	3416	*28.9%*	1677	*29.67%*	108	*2.51%*	438	*7.75%*	5597	*18.85%*
Social Infrastructure and Services	2179	*21.83%*	1404	*11.9%*	607	*10.74%*	702	*16.32%*	892	*15.79%*	2216	*7.46%*
Governance and Civil Society	209	*2.09%*	940	*7.9%*	60	*1.06%*	150	*3.49%*	77	*1.36%*	509	*1.71%*
Multisector	409	*4.10%*	1136	*9.6%*	232	*4.10%*	541	*12.58%*	901	*15.95%*	2653	*8.93%*
Unallocable by sector	2123	*21.27%*	1174	*9.9%*	582	*10.30%*	565	*13.14%*	261	*4.62%*	1657	*5.58%*
Total	**9981**	*100.00%*	**11836**	*100.0%*	**5652**	*100.00%*	**4301**	*100.00%*	**5649**	*100.00%*	**29698**	*100.0%*

Annex 2: Third Global Forum, Naples March 2001 Recommendations

The following actions and policy options are strongly encouraged by the participants to the Third Global Forum of Naples:

- Multiply occasions for international best practices sharing and mutual learning on e-government issues;
- E-government action plans must be built in partnership with private sector, consumers and non profit organizations, having specific consideration for equal opportunities and the principle of subsidiarity;
- Special consideration must be paid to the gender divide and equal opportunities when designing e-government initiatives;
- Attention must be paid to the needs of disabled and elderly people when building websites and projecting electronically delivered services;
- Citizens' privacy must be considered of paramount importance, and broader use should be made of the existing technologies for protecting personal data and to avoid malpractice;
- Establish a *peer-to-peer e*-relationship between State and citizen, and between State and business, when a public service is delivered electronically, also in order to improve accountability, transparency and trust;
- Redesign and not merely adjust processes when introducing ICT in government;
- Extending the electronic delivery of public services to all the population, including the "Internet – illiterate" by means of, smart cards, Internet kiosks, etc.
- Favor the creation of websites for comparing the best examples of e-government and portals to provide advice and training for e-government implementation for both developed and developing countries;
- Foster the setting up of international standards for technical requirements of digital documents;
- That the OECD, taking into account the findings of the Naples Global Forum, contribute through its future work program to the deepening of understanding of the potential and implications of e-government and sharing the results as widely as possible. Moreover, OECD could study tools for a high quality regulatory framework in e-government related matters;
- That the G8 dot.force stresses, in its report, the importance of: ICT for development and for fighting poverty; need for specific ICT action plans for each country or group of countries; ICT policies' need for a strong political commitment and of partnership with private sector and NGOs; need for light but effective regulatory framework in order to attract investment and protect privacy of users; human capital enhancement, knowledge-sharing and South-South cooperation;
- Support for UN Secretary-General action for ICT for development initiatives (UN ICT task force) and underline the need for coordination with other international initiatives;
- Favoring common training initiatives for civil servants in ICTs for governments;
- Naples seminars for developing countries on e-government, based on peer sharing and practical education on ICT tools, are considered a good example to be replicated; appreciation is expressed on the announcement that these international seminars will be repeated on an annual basis in Italy;
- Fostering regional poles for e-government training based on strong public, private and NGOs partnership;
- Fostering indigenous knowledge, local languages and preservation of local cultures by means of ICT.

Annex 3:

Table A3: Index of Technological Progress and its Components, 1992-1997

Rank	Country Name	TVs	Fax Machines	Personal Computers	Internet Hosts	Mobile Phones	Index of Technological Progress
1	United States	808.38	55.28	320.23	293.92	116.40	100.00
2	Finland	513.94	29.55	207.38	454.06	198.41	95.60
3	Norway	518.92	36.04	255.40	280.54	196.82	89.51
4	Sweden	491.19	41.63	227.35	209.82	198.32	84.17
5	Japan	673.67	93.31	120.51	40.80	112.63	78.29
6	Australia	629.95	29.37	264.21	231.05	122.61	78.04
7	Denmark	544.50	39.23	243.66	148.71	148.09	75.43
8	Iceland	357.46	15.37	155.09	357.15	124.00	66.33
9	Luxembourg	669.85	24.49	206.70	154.69	81.09	62.82
10	Luxembourg	518.20	23.20	375.30	58.81	63.83	61.43
11	New Zealand	499.07	14.03	195.44	219.63	86.65	58.56
12	Hong Kong, China	367.33	44.81	145.87	50.52	142.99	58.26
13	Switzerland	443.12	24.64	254.41	144.42	69.09	57.76
14	United Kingdom	561.54	25.46	189.89	96.26	83.81	55.34
15	Netherlands	507.34	31.43	192.54	139.72	42.60	53.97
16	Germany	499.16	45.55	177.97	68.36	46.08	53.47
17	Singapore	324.02	21.08	202.48	89.20	107.26	50.50
18	Austria	484.65	28.91	141.13	79.68	58.31	46.65
19	France	589.72	32.44	126.02	32.72	32.80	43.37
20	Israel	297.85	18.22	122.42	65.51	97.79	40.22
21	Ireland	365.63	23.65	156.14	54.20	53.91	40.19
22	Belgium	471.60	16.00	172.54	48.97	31.85	38.35
23	Italy	447.97	25.45	79.41	20.18	76.40	38.19
24	Faeroe Islands	360.93	29.52	67.11	47.30	59.58	36.12
25	Kuwait	419.54	20.55	58.05	11.25	67.35	32.33
26	Macao	287.22	17.22	97.80	2.78	72.92	30.39
27	Spain	459.46	14.56	83.12	19.99	38.77	30.02
28	Greenland	247.37	20.87	107.33	32.28	43.56	29.61
29	Qatar	509.90	13.41	54.58	1.29	32.73	26.92
30	Bahrain	424.61	9.71	58.60	7.73	46.61	25.68
31	Korea, Rep.	294.72	7.97	100.32	13.47	49.10	25.10
32	United Arab Emirates	262.31	16.12	52.58	4.32	62.26	24.84
33	Malta	414.86	11.04	61.09	8.99	25.66	23.51
34	Slovak Republic	362.90	7.42	124.12	10.83	7.80	23.10
35	Brunei	323.74	5.38	19.39	4.98	74.13	21.78
36	Slovenia	336.18	6.65	69.91	47.91	15.79	21.75
37	Lebanon	355.46	1.11	21.63	1.24	80.05	21.74
38	Portugal	332.19	4.47	52.77	14.72	47.45	21.35
39	Hungary	427.99	4.99	35.49	21.17	27.07	20.84
40	Czech Republic	392.88	6.68	50.16	29.66	13.33	20.38
41	Cyprus	167.52	10.67	35.88	13.63	64.94	19.98
42	Estonia	400.51	4.46	6.30	32.80	30.35	19.01
43	Oman	614.85	1.54	9.07	0.00	7.12	18.92
44	Greece	370.57	2.27	31.67	11.36	37.68	18.64
45	Malaysia	203.16	4.00	34.21	8.37	48.79	16.01
46	Barbados	282.41	6.10	57.47	0.41	15.28	15.87
47	Latvia	477.95	0.31	5.51	12.85	8.92	15.52
48	Mauritius	211.55	16.54	31.35	0.73	12.14	15.50
49	Uruguay	365.27	2.81	21.94	2.83	14.57	14.51
50	Poland	350.05	0.97	24.75	8.42	5.20	12.81
51	Croatia	249.32	7.08	18.36	8.01	9.56	12.32
52	Lithuania	363.49	1.14	5.92	3.42	10.03	12.17
53	Russian Federation	380.96	0.34	16.50	2.84	0.95	11.93
54	Saudi Arabia	254.14	5.27	33.15	0.05	5.13	11.74
55	Argentina	274.27	1.37	23.36	2.71	15.49	11.66
56	Trinidad & Tobago	332.66	1.56	14.22	1.20	5.63	11.35
57	Chile	223.24	1.56	34.55	8.16	13.87	11.28
58	Bulgaria	329.03	1.32	17.46	3.00	3.00	11.18
59	Jamaica	300.80	0.65	4.39	0.83	12.23	10.24
60	Ukraine	361.81	0.08	4.05	0.98	0.42	10.22
61	Brazil	254.53	1.97	15.28	2.69	9.46	10.00
62	Turkey	255.24	1.47	14.29	1.88	8.42	9.57
63	Colombia	192.51	2.90	18.79	1.31	14.96	9.46
64	Venezuela	167.30	1.32	25.41	0.98	19.66	9.22
65	Mexico	202.20	2.23	24.70	2.27	8.35	9.14
66	South Africa	115.76	2.11	24.81	17.69	13.69	8.43
67	Thailand	174.98	1.35	13.23	1.16	17.61	8.34
68	Moldova	292.65	0.12	2.83	0.10	0.24	8.15
69	Belize	166.88	2.28	27.78	0.41	7.28	8.13
70	Yemen, Rep.	266.27	0.12	1.20	0.00	0.43	7.32
71	China	232.80	0.44	2.60	0.10	3.48	6.99
72	Yugoslavia, FR (Serbia/Montenegro	193.54	1.25	11.79	2.55	3.20	6.99
73	Ecuador	160.54	2.53	8.24	0.53	6.12	6.52
74	Romania	205.84	0.71	4.86	1.78	2.04	6.44
75	Jordan	94.63	5.95	7.02	0.17	0.75	5.16

Table A3: Contd.

Rank	Country Name	TVs	Fax Machines	Personal Computers	Internet Hosts	Mobile Phones	Index of Technological Progress
76	Peru	132.40	0.31	9.13	1.32	5.70	4.99
77	Iran, Islamic Rep.	116.26	0.41	22.32	0.02	1.32	4.88
78	Maldives	35.63	8.15	12.24	0.81	1.60	4.85
79	Tunisia	127.27	2.43	6.03	0.05	0.43	4.65
80	Morocco	150.69	0.43	1.75	0.15	1.05	4.35
81	Philippines	100.54	0.51	9.01	0.35	7.21	4.29
82	Egypt, Arab Rep.	122.90	0.38	5.18	0.19	0.12	3.69
83	Guatemala	104.46	0.69	2.03	0.28	2.50	3.37
84	Vietnam	120.30	0.15	1.73	0.00	0.54	3.32
85	Indonesia	93.77	0.29	4.68	0.29	1.56	3.00
86	Gabon	75.03	0.41	4.65	0.00	3.69	2.77
87	Sudan	93.82	0.31	0.61	0.00	0.07	2.51
88	Sri Lanka	70.75	0.55	1.79	0.13	2.60	2.37
89	Cambodia	82.17	0.15	0.67	0.00	1.66	2.33
90	Mongolia	62.65	1.32	4.31	0.03	0.41	2.32
91	Syrian Arab Republic	74.46	0.70	1.03	0.00	0.00	2.14
92	Mauritania	59.46	0.92	5.32	0.00	0.00	2.11
93	Djibouti	63.37	0.24	6.91	0.05	0.17	2.10
94	Algeria	68.21	0.20	2.88	0.01	0.25	1.94
95	Botswana	21.63	1.73	9.08	0.47	0.00	1.65
96	Pakistan	47.90	0.80	3.05	0.03	0.34	1.62
97	India	56.46	0.05	1.16	0.02	0.45	1.47
98	Benin	51.96	0.12	0.69	0.01	0.47	1.33
99	Togo	13.09	1.96	4.72	0.01	0.23	1.19
100	Ghana	42.77	0.26	0.92	0.07	0.44	1.15
101	Zimbabwe	27.91	0.29	3.94	0.12	0.30	0.94
102	Guinea	25.08	0.18	0.21	0.00	0.15	0.53
103	Uganda	22.11	0.12	0.81	0.01	0.18	0.48
104	Niger	22.99	0.04	0.20	0.01	0.00	0.40
105	Gambia, The	3.50	0.76	1.19	0.00	1.59	0.40
106	Kenya	17.05	0.12	1.00	0.06	0.08	0.34
107	Tanzania	14.64	0.07	1.60	0.01	0.27	0.32
108	Lao PDR	7.49	0.07	1.06	0.00	0.40	0.10
109	Comoros	3.63	0.16	0.27	1.33	0.00	0.01
110	Mozambique	3.26	0.21	1.22	0.01	0.05	0.00

Source: The World Bank, Infodev, 1998. See http://www.infodev.org/ Francisco Rodriguez & Ernest J. Wilson, III. Are Poor Countries Losing the Information Revolution?