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EUROPEAN COMMISSION

HIGH REPRESENTATIVE
OF THE UNION
FOR FOREIGN AFFAIRS AND
SECURITY POLICY

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**JOINT COMMUNICATION
TO THE EUROPEAN COUNCIL, THE EUROPEAN PARLIAMENT, THE
COUNCIL, THE EUROPEAN ECONOMIC AND SOCIAL COMMITTEE AND THE
COMMITTEE OF THE REGIONS**

**A PARTNERSHIP FOR DEMOCRACY AND SHARED PROSPERITY
WITH THE SOUTHERN MEDITERRANEAN**

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INTRODUCTION

The events unfolding in our southern neighbourhood are of historic proportions. They reflect a profound transformation process and will have lasting consequences not only for the people and countries of the region but also for the rest of the world and the EU in particular. The changes now underway carry the hope of a better life for the people of the region and for greater respect of human rights, pluralism, rule of law and social justice – universal values that we all share. Movement towards full democracy is never an easy path - there are risks and uncertainties associated with these transitions. While acknowledging the difficulties the EU has to take the clear and strategic option of supporting the quest for the principles and values that it cherishes. For these reasons the EU must not be a passive spectator. It needs to support wholeheartedly the wish of the people in our neighbourhood to enjoy the same freedoms that we take as our right. European countries have their own experience of democratic transition. The European Union has a proud tradition of supporting countries in transition from autocratic regimes to democracy, first in the South and more recently in Central and Eastern Europe. While respecting what are primarily internal transformation processes, the EU can offer expertise - that of governments, the European Institutions (European Commission and European Parliament), local and regional authorities, political parties, foundations, trade unions and civil society organizations. There is a shared interest in a democratic, stable, prosperous and peaceful Southern Mediterranean.

We believe that now is the time for a qualitative step forward in the relations between the EU and its Southern neighbours. This new approach should be rooted unambiguously in a joint commitment to common values. The demand for political participation, dignity, freedom and employment opportunities expressed in recent weeks can only be addressed through faster and more ambitious political and economic reforms. The EU is ready to support all its Southern neighbours who are able and willing to embark on such reforms through a “**Partnership for Democracy and Shared Prosperity**”. The commitment to democracy, human rights, social justice, good governance and the rule of law must be shared. The Partnership must be based on concrete progress in these areas. It must be a **differentiated approach**. Despite some commonalities, no country in the region is the same so we must react to the specificities of each of them.

A "**Partnership for Democracy and Shared Prosperity**" should be built on the following three elements:

- democratic transformation and institution-building, with a particular focus on fundamental freedoms, constitutional reforms, reform of the judiciary and the fight against corruption
- a stronger partnership with the people, with specific emphasis on support to civil society and on enhanced opportunities for exchanges and people-to-people contacts with a particular focus on the young
- sustainable and inclusive growth and economic development especially support to Small and Medium Enterprises (SMEs), vocational and educational training, improving health and education systems and development of the poorer regions.

This Communication explains what the EU has done to address the short-term consequences of recent events in North Africa. It then spells out our approach to the longer term process of turning into reality the tremendous hopes that have been voiced in the region. It will be developed by listening, not only to requests for support from partner governments, but also to demands expressed by civil society.

A radically changing political landscape in the Southern Mediterranean requires a change in the EU's approach to the region – the underlying themes of differentiation, conditionality and of a partnership between our societies are part of the ongoing review of the European Neighbourhood Policy on which we will present a joint Communication in April.

1. OUR IMMEDIATE RESPONSE

- Humanitarian aid (EUR 30 million)
- Facilitating consular cooperation and evacuation
- Frontex joint operations
- Drawing on the EUR 25 million EU External Borders Fund and European Refugee Fund
- High Representative/Vice President (HR/VP) visits to Tunisia and Egypt; international co-ordination meeting in Brussels
- Support for Democratic transition

Our first concern has been to respond rapidly and effectively to the immediate challenges of the evolving situation in our Southern Neighbourhood and to address and pre-empt the risks of further bloodshed and hardship.

EUR 30 million has been made available in **humanitarian aid** by the Commission to tackle the most immediate humanitarian needs in Libya and of displaced persons at the Tunisian and Egyptian borders. With this aid, we are providing medical and food aid, shelter and other necessities. Commission experts are on the ground and contingency planning is taking place to ensure a rapid response in case the situation deteriorates further. Vigilance is necessary as the humanitarian crisis threatens to escalate to neighbouring countries both in the Maghreb and sub Saharan Africa as people flee from Libya. The Commission will increase financial

support if needs on the ground so require it and we encourage EU Member States to continue to respond in a similar fashion.

Close consular cooperation has been maintained between all Member States and the EU and appropriate EU mechanisms, including the Situation Centre in the EEAS, have been activated to allow rapid exchange of information and most effective use of resources. The EU Civil Protection Mechanism (MIC) was activated on 23 February to facilitate the evacuation of EU citizens by way of an air and sea bridge. The EU Military Staff has been supporting this overall effort. The Commission is cooperating with international organisations (UNHCR, International Organisation for Migration, IOM) to help people who want to leave Libya get back to their home countries. Use of Common Security and Defence Policy (CSDP) instruments for strengthening the short-term action could be considered.

The Commission has mobilised its instruments to support Italy, and other Member States if needed, in case a massive influx of migrants from North Africa were to materialise. This response includes operational measures and financial assistance. The **Frontex** joint operation HERMES 2011 was launched on 20 February, with assets and experts from a number of Member States. If required, Frontex operations could be strengthened to help deal with possible new inflows. The Commission is ready to mobilise i.a. financial assistance from funds such as the External Borders Fund and European Refugee Fund which amount to EUR 25 million in total..

In **Tunisia**, EUR 17 million was allocated for immediate and short-term support for democratic transition and assistance to impoverished inland areas. This includes support to establish an appropriate legal framework for the holding of **elections** and for an EU Election Observation Mission in support of the work of the National Commission for Constitutional Reform and Elections. It also covers additional support for civil society. Further support for democratic reform will be provided through the Instrument for Stability. Following her visits to Tunisia and Egypt, the HR/VP convened an international meeting on 23 February providing the opportunity to compare notes with main partners and major International Financial Institutions (IFIs) on developments in the region. The meeting reconfirmed that the efforts of the international community must be closely coordinated and aligned with and guided by the priorities expressed by the Tunisians and the Egyptians themselves

For **Egypt**, it would be premature to announce a support package until the authorities are ready to make a request for assistance and define priority needs. The EU is ready to mobilise support in line with those priorities when they are ready.

In **Libya**, the EU has been firm in its condemnation of the acts perpetrated by the Gaddafi regime. It immediately suspended negotiations of the EU-Libya framework agreement and all technical cooperation.. In addition to the UN sanctions, on 28 February the EU adopted further restrictive measures such as an embargo on equipment which might be used for internal repression and autonomous designations under the travel restrictions and assets freeze. Additional measures have been proposed.

2. ADAPTING OUR APPROACH

- Reviewing and adjusting EU Neighbourhood Policy
- Moving towards advanced status in Association Agreements
- Enhancing political dialogue

The EU response to the changes taking place in the region needs to be more focused, innovative and ambitious, addressing the needs of the people and the realities on the ground. Political and economic reforms must go hand-in-hand and help deliver political rights and freedoms, accountability and participation. The EU should be ready to offer greater support to those countries ready to work on such a common agenda, but also reconsider support when countries depart from this track.

This new approach, a “**Partnership for Democracy and Shared Prosperity**” represents a fundamental step change in the EU’s relationship with those partners that commit themselves to specific, measurable reforms. It is an **incentive-based approach** based on more differentiation ("more for more"): those that go further and faster with reforms will be able to count on greater support from the EU. Support will be reallocated or refocused for those who stall or retrench on agreed reform plans.

More concretely, closer political co-operation means advancing towards higher standards of human rights and governance based on a set of minimum benchmarks against which performance will be assessed. **A commitment to adequately monitored, free and fair elections should be the entry qualification for the Partnership.** It also means closer co-operation in the context of the Common Foreign and Security Policy (CFSP) and more joint work in international fora on issues of common interest. The EU will continue to offer its commitment and support to the peaceful resolution of disputes within and between States in the region. The Partnership should be underpinned by enhanced political dialogue. The EU will step up bilateral political dialogue at all levels, as soon as local conditions allow, with a strong focus on human rights and political accountability.

Partner countries carrying out the necessary reforms can expect to **resume negotiations** on Association Agreements with the aim of achieving "advanced status" which allows for significantly strengthened political dialogue and increased links between the partner country and EU institutions. This will encompass deeper engagement on mobility and improved market access to the EU.

3. DEMOCRACY AND INSTITUTION BUILDING

- Expanding support to civil society
- Establishing a Civil Society Neighbourhood Facility
- Support Social Dialogue Forum

The EU is ready to support the democratic and constitutional reform processes. Judicial reform, enhanced transparency and the fight against corruption are of particular importance in this process, both to encourage foreign and domestic economic investment and to demonstrate to people a visible change in their daily lives. We are ready to make expertise available, through instruments such as twinning and TAIEX, to support capacity building with a

particular focus on strengthening government institutions that can ensure the consolidation of change, including at regional and local level. Our expertise in electoral assistance will also be fully mobilised to accompany the electoral processes in Tunisia and, if requested by the authorities in Egypt.

A thriving **civil society** can help uphold human rights and contribute to democracy building and good governance, playing an important role in checking government excesses. A range of non-government (NGOs) and civil society organisations (CSOs) can provide much-needed support for the reforms and involvement in areas close to citizens' concerns such as human rights, the environment, social and economic development. This is an area where we should seek to maximize the assistance that Member States can offer at short notice to develop a platform for civil society, political parties, trade unions and associations. This could be set up with EU funding and with the support of EU political parties, trade unions, foundations and relevant NGOs. Women have played an important role in the changes in the region and gender aspects will play an important role in future EU support.

The April review of the European Neighbourhood Policy will make proposals for the reinforcement of the EU's support to civil society organisations in our neighbourhood. This will include dedicated support for civil society (a **Civil Society Neighbourhood Facility**) aimed at developing the advocacy capacity of CSOs and increasing their ability to monitor reform and participate effectively in policy dialogues.

Social dialogue between trade unions and employers plays an important role in sustaining reform efforts. New trade unions and employers associations are now emerging. This provides an opportunity for more effective social dialogue. It should be supported through the Euro-Mediterranean Social Dialogue Forum which will facilitate exchange between the Mediterranean social partners on key employment and social issues and will support capacity building.

The EU is already supporting public administration reform aimed at streamlining and strengthening of basic policy processes, budget formulation and the capacity to raise domestic funding through efficient, fair and sustainable tax systems and administrations. With a view to supporting better the fight against corruption and illicit financial flows and to improving sound financial management, these programmes should also target transparency and accountability in public administration.

4. **TACKLING THE CHALLENGES OF MOBILITY**

- Conclude Mobility Partnerships
- Reinforce local Schengen cooperation
- Make full use of improvements in EU Visa Code

People-to-people contacts are important to promote mutual understanding as well as business, which will benefit the cultural and economical development of the entire Mediterranean region and the integration of migrants in the EU.

A key element in this is the strengthening of **capacity building** in the Mediterranean countries on borders/migration/asylum and more effective law enforcement cooperation to improve security throughout the Mediterranean.

Mobility Partnerships should be launched with partner countries. They aim to provide a comprehensive framework to ensure that the movement of persons between the EU and a third country is well-managed. They cover initiatives such as visa and legal migration arrangements; legal frameworks for (economic) migration; capacity building to manage remittances and for efficient matching of labour demands and needs, return and reintegration programmes, upgrading of the asylum systems to EU standards etc. In return for increased mobility, partners must be ready to undertake increasing capacity building and provide appropriate financial support for border management, preventing and fighting against irregular migration and trafficking in human beings, including through enhanced maritime surveillance; the return of irregular migrants (return arrangements and readmission agreements) and for enhancing the capacity and abilities of law enforcement authorities to effectively fight trans-border organised crime and corruption.

In the short-term, the Commission will work with Member States on **legal migration legislation and visa policy to support the goal of enhanced mobility, in particular for students, researchers and business persons**. Cooperation under Local Schengen Cooperation should be reinforced and full use should be made of practical improvements and flexibilities for visa applicants within the EU Visa Code, including the issuing of multiple entry visas to bona fide travellers and specific groups (such as researchers, students and business persons). The negotiation of short stay visa facilitation agreements with Southern Mediterranean Countries should be envisaged following a differentiated, evidence-based approach. Financial support will be provided, if needed. **The Commission calls on the co-legislators to adopt rapidly the Directives on third country seasonal workers and intra-corporate transferees, which will also contribute to enhancing mobility to the EU.**

In the long-term, provided that visa facilitation and readmission agreements are effectively implemented, gradual steps towards visa liberalisation for individual partner countries could be considered on a case-by-case basis, taking into account the overall relationship with the partner country concerned and provided that conditions for well-managed and secure mobility are in place.

5. PROMOTING INCLUSIVE ECONOMIC DEVELOPMENT

- Promote Small and Medium Size Enterprises (SMEs) and Job Creation
- Seek agreement of Member States to increase EIB lending by EUR 1 billion
- Work with other shareholders to extend the EBRD mandate to countries of the region
- Promote job creation and training

The unrest in several Southern Mediterranean countries is clearly linked to economic weaknesses. Many of the economies are characterised by an unequal distribution of wealth, insufficient social and economic reform, limited job creation, weak education and training systems which do not produce the skills needed on the labour market. as well as low level of regional trade integration.

There is a need for the countries of the region to re-invigorate their economies to deliver sustainable and inclusive growth, development of poorer regions and job creation. Small and medium size enterprises (SMEs) have a critical role to play in job creation. To thrive, they need a sound regulatory framework, conducive to business and entrepreneurship. The EU is ready to support this through policy dialogue and cooperation under the Euro Med industrial

work programme. This should be accompanied by integrated employment and social policies, including matching of training initiatives and labour market needs, social dialogue, provision of social safety-nets and transformation of the informal sector.

The International Financing Institutions (IFIs) can contribute to this effort. Funding could come from the European Investment Bank (EIB) and, if other non-EU shareholders agree, the European Bank for Reconstruction and Development (EBRD). The EIB has been active in the region for over 30 years, its operations being implemented under the umbrella of the Facility for Euro-Mediterranean Investment and Partnership (FEMIP). FEMIP is active in nine countries in the Southern Mediterranean, focussing on investments in infrastructure and support for the private sector. In addition to accelerating the implementation and approval of projects currently in the pipeline, the EIB could provide around EUR 6 billion to the Mediterranean region in the coming three years **if the Council approves the additional lending envelope** of EUR 1 billion which was recently proposed by the European Parliament. **The Commission supports this increase in the lending mandate and calls on the Council to reach an agreement rapidly on the increase.**

The Council is also invited to adopt the Commission proposal of May 2008 on EIB reflows. This would allow the EIB and other financial intermediaries to re-invest funds under FEMIP reflowing from previous financing operations in favour of the private sector. In the immediate future this arrangement would generate approximately EUR 120 million now and up to EUR 200 million by 2013.

The EBRD, not currently active in the Southern Mediterranean, could extend operations if the Bank's statutes were amended. If agreed by all shareholders this could allow an annual EBRD business activity of an initial EUR 1 billion to be reached with the Bank's existing resources. **The Commission supports the extension of EBRD operations and calls on EU Member States and other shareholder governments to support it urgently.**

These initiatives will not come at the expense of lending to other countries of operation in the Eastern neighbourhood for example

6. ENSURING MAXIMUM IMPACT OF TRADE AND INVESTMENT

- Adopt Pan-Euro-Mediterranean preferential rules of origin
- Approve rapidly agreements on agricultural and fisheries products
- Speed up negotiations on trade in services
- Negotiate Deep Free Trade Areas

Trade and investment are engines for growth and help to reduce poverty. They bring people together, securing ties between nations and contributing to political stability. However, for trade and Foreign Direct Investment (FDI) to deliver their potential, they must be embedded in a sound business climate, which, in turn, requires a strengthening of the rule of law and the judiciary, tackling corruption and overhauling administrative procedures.

The countries in the region are at different stages in their trade and investment relations with the EU. Some (Tunisia, Morocco, Egypt, Jordan) are relatively well advanced; others (Syria, Algeria, Libya) much less. The EU has free trade agreements with the whole of the region except for Syria and Libya. These agreements provide free market access for industrial products. The EU has recently upgraded preferential market access for agricultural and fisheries products, with Egypt and Jordan in particular, and several other agreements in this

field are being negotiated or at the approval stage, for example, with Morocco. With Morocco, there has also been an exchange of offers to liberalise services, but the issue of labour mobility is a major stumbling block.

The EU's measures in support of trade and investment should best be calibrated to the situation in each country, including the pace and breadth of reforms more generally, also given the current level of volatility in the region.

In the short to medium term, the EU could set itself the following goals to.

- accelerate the conclusion and EU approval of trade liberalisation agreements, notably on agricultural and fisheries products with Tunisia and Morocco;
- launch negotiations on agreements on conformity assessment and acceptance of industrial products;
- accelerate on-going bilateral negotiations on the liberalisation of trade in services (including visa facilitation for persons from specific professional categories);
- conclude the single regional **Convention on pan-Euro-Mediterranean preferential rules of origin** in 2011. This should be accompanied by a rapid revision of the rules of origin themselves. A point of reference for these reforms is the recently adopted regime for GSP beneficiaries. **The Commission calls on the Council to adopt urgently its pending proposals on the single regional Convention, after consultation with the European Parliament.**

In the medium to long term, the common objective which has been agreed in both regional and bilateral discussions with Southern Mediterranean partners is the establishment of Deep and Comprehensive Free Trade Areas, building on the current Euro-Mediterranean Association Agreements and on the European Neighbourhood Policy Action Plans. They should form part of a broader comprehensive package in support of democratic and economic reforms. Negotiations should be started with countries that are clearly engaged in such a process of political and economic transformation. Beyond the mere elimination of import duties, these agreements should foster, in a progressive manner, closer integration between the economies of our Southern Mediterranean partners and the EU single market and would include actions such as regulatory convergence. Particular priority should be given to measures in areas such as competition policy, public procurement, investment protection, sanitary and phytosanitary measures.

7. ENHANCING SECTORAL CO-OPERATION

- Establish an EU-South Mediterranean Energy Community
- Launch an Agricultural/rural development support programme
- Increase participation in education programmes
- Develop the Internet and other communication technologies

The Southern Mediterranean is strategically important for the EU in terms of **security of gas and oil supplies** from some of the countries but also more broadly in terms of transit from the region and beyond. There is clear potential for building an EU-Mediterranean partnership in the production and management of renewables, in particular solar and wind energy, and in having a joined-up approach to ensuring energy security. Joint renewable energy investments in the Southern Mediterranean in line with the EU's 2050 decarbonisation scenario could offer

the possibility of a new partnership provided that the right market perspective is created for electricity imports.

It is desirable to open a credible perspective for the integration of the Southern Mediterranean in the EU internal energy market based on a differentiated and gradual approach. In the mid to long term, this would mean establishing a form of 'EU-Southern Mediterranean Energy Community' starting with the Maghreb countries and possibly expanding progressively to the Mashreq. Extending the Energy Community Treaty with the Union's Eastern and South-Eastern neighbours, or building on its experience, this community should cover relevant parts of the EU's energy legislation with a view to promoting a real and reliable convergence of South Mediterranean partners' energy policies with EU policy.

Education should be a key focus of EU activities in the region. Tackling high levels of illiteracy is key to promoting democracy and ensuring a qualified workforce to help modernise the Southern Mediterranean economies. Exchanges at university level are valuable, and fuller use should be made of Erasmus Mundus, Euromed Youth and Tempus to increase substantially the number of persons from Southern Mediterranean partner countries participating in these programmes. Vocational Education and Training (VET) also has an important role to play in addressing disparities. This should include the identification of the key strategic components on an integrated VET policy by organising national debates with key stakeholders. Exchanges of best practices on programmes enhancing the skills of unemployed people should also be encouraged.

Tourism is a key component of GDP in many of the countries in the South Mediterranean. The EU should seek to extend its existing initiatives "European Destinations of Excellence (EDEN)", promoting sustainable tourism models and Calypso, promoting off-season tourism to these countries. The protection and promotion of **cultural diversity** is important and the EU is committed to further develop cultural initiatives with the South Mediterranean region.

Recent events in the Southern Mediterranean combined with rising food prices have demonstrated the urgency for the EU to help its partner countries to improve the efficiency and productivity of its **agricultural sector** and assuring the security of food supply. The Commission could support rural development through a new initiative – a **European Neighbourhood Facility for Agriculture and Rural Development**. The programme would build on EU best practice in developing rural areas. It would integrate investment support and building up of administrative capacities so as to facilitate the modernisation of the agricultural production aligned to EU quality and food safety standards. It could be developed in close cooperation with the FAO, World Bank and possibly EIB.

In the area of **transport**, cooperation should focus on modernising air traffic management and on improving aviation safety and security to create a Euro-Mediterranean Aviation Area. This will include extending the European Geostationary Navigation Overlay System (EGNOS) to the Mediterranean partners. Cooperation with the Mediterranean partners in the implementation of a Mediterranean Maritime Strategy should enhance maritime safety, security and surveillance.

The use of **electronic communications technologies** - on top of satellite broadcasting - greatly facilitated the wave of upheavals in the Mediterranean countries. The widespread use of mobile phones combined with social networking via internet - showed the importance of information society tools and technologies to the circulation of information. In countries where the circulation of information is partially restricted such tools can greatly contribute to the democratisation of societies and the creation of public opinion through the promotion of freedom of expression.

While some regulatory reforms have been undertaken, in many of the southern Mediterranean countries the regulatory environment is still insufficiently developed to exploit the full growth and productivity potentialities of the Information and Communications Technology sector. The main critical factors which remain to be addressed are the creation of truly open markets (which often remain quasi monopolies), the establishment of independent regulators, the creation of a level playing field and of competitive conditions for market players, efficient management of spectrum and safeguards of users' privacy and security.

Moreover, ensuring the security, stability and resilience of the Internet and of other electronic communication technologies is a fundamental building block in democracy. It is necessary to avoid arbitrarily depriving or disrupting citizen's access to them. Given the trans-border and interconnected nature of electronic communications technologies, including the Internet, any unilateral domestic intervention can have severe effects on other parts of the world. The Commission will develop tools to allow the EU, in appropriate cases, to assist civil society organisations or individual citizens to circumvent such arbitrary disruptions.

8. REGIONAL AND SUB-REGIONAL IMPLICATIONS

The dramatic events unfolding in the region may not be necessarily spread evenly across the region and effects of change may vary significantly. The regional dimension has taken on increased importance and regional cooperation will be important in mitigating negative spillovers.

Now, more than ever, changing dynamics in the region mean that urgent progress on the **Middle East peace process** is vital. The EU should also work in close co-operation with its partners in assisting political and social change in the region. Turkey in particular has a crucial role to play both as an important regional player and as a compelling case of multi-party democracy in a country with a predominantly Muslim population.

A fresh view of the regional situation demands that the positive elements of the Barcelona process together with those of the Union for the Mediterranean be integrated in a new approach. The regional co-operation which proved to be most effective was on projects that delivered concrete benefits – in environment, energy, in transport, in trade and in social dialogue.

Regional economic integration should be encouraged. The EU will support projects which promote freer trade between the countries of the region, regulatory approximation, a strengthening of economic governance as well as the infrastructures needed for increased regional trade.

The idea behind the establishment of the Union for the Mediterranean was a positive one – that of a high level partnership between the two shores of the Mediterranean. However we have to recognise that its implementation did not deliver the results we expected. The UfM needs to reform to fully realise its potential. It needs to work more as a catalyst bringing States, International Financial Institutions and the private sector together around concrete projects generating the jobs, innovation and growth that are so badly needed in the region. It should help create the right conditions for progress in the Middle East Peace Process. But, one should not be conditional on the other. Partner countries' participation in these projects could follow the principle of variable geometry depending on their needs and interests. The High Representative and the Commission are ready to play a bigger role in the Union for the Mediterranean in line with the Lisbon Treaty.

9. EU FINANCIAL ASSISTANCE

- Refocusing bilateral programmes of the European Neighbourhood Partnership Instrument
- Providing additional funding

Approximately EUR 4 billion is currently available for the period to the end of 2013 to support our Southern neighbours under the European Neighbourhood and Partnership Instrument. The largest part of this assistance is delivered through bilateral assistance programmes. While many of the programmes underway or in the pipeline address the three priorities in the 'Partnership', the magnitude of recent changes in the region requires an extensive screening and the possible re-focussing of EU aid, in discussion with partner countries.

We have already made clear to both Tunisia and Egypt that we are ready to consider carefully full re-focussing of our bilateral programmes for 2011-13 (respectively EUR 240 and EUR 445 million) to better meet the current challenges and to ensure that our response meets peoples' legitimate aspirations. More generally, throughout the region, programmes will be screened in close cooperation and partnership with the beneficiary countries. We call on Member States to follow a similar screening exercise for their bilateral programmes to achieve maximum impact of EU aid. Within the present budgetary situation, we also consider that the present events will require unprecedented efforts to achieve maximum co-ordination and consistency between Member States' efforts, as well as with the EU. We will also continue to seek maximum interaction and co-ordination with International Financial Institutions.

The screening and re-focussing of assistance is the first step in providing support to help partner governments to consolidate reform and socio-economic development. While no meaningful needs assessment is yet possible, the reform process will require considerable support. This will come from the current EU budget¹.

Specific attention will also be paid to the encouragement of private sector investment from the EU into the southern Mediterranean. To this end, the Commission will continue to leverage loans from the EIB's FEMIP as well as from other IFIs, through the Neighbourhood Investment Facility (NIF) which provides grant support for infrastructure investment and private sector development². **In view of the considerable contribution by the Commission to the Neighbourhood Investment Facility, Member States are encouraged to contribute to replenishing this instrument.**

Private foreign direct investment supported through such financial instruments should also benefit from strong investment protection provisions and the Commission will provide an information tool and develop an investment protection framework for European companies interested in investment in the southern Mediterranean.

Finally, macroeconomic assistance may be necessary for some countries which are likely to face **short-term difficulties**, resulting from the impact of the crisis on trade, investment and tourism flows as well as the disruption of domestic production. Should the IMF have lending

¹ Within Heading 4 of the 2007-2013 multiannual financial framework including, if necessary, through the Flexibility Instrument and Emergency Aid Reserve.

² The potential of the Neighbourhood Investment Facility (NIF) in leveraging funds is huge. For the 2007-2010 period, NIF grants allocated to approved projects were leveraged by a factor of 17. This potential should be further exploited in the coming years.

programmes in place and provided that external financing needs are confirmed, the countries covered by the European Neighbourhood Policy would be eligible for **EU Macro-Financial Assistance (MFA)**.

10. CONCLUSIONS

These are first proposals to build a new partnership to support change in the Southern Mediterranean. Immediate and short term help should be accompanied by longer term assistance when each country is ready to indicate what it needs from its EU partners.

The European Union in its dual dimension of a community of democratic member states and a union of peoples has had to overcome historical hurdles. This success story was possible when hope triumphed over fear and freedom triumphed over repression. This is why there is deep understanding in the EU for the aspirations of the peoples in the Southern Neighbourhood. The EU wants to support them in building real democracies and peaceful and prosperous societies. Each country and people will of course choose their own path and make their own choices. It is rightly for them to decide and not for us to seek to impose solutions. This Communication underlines the determination of the EU in supporting them on their journey to a better future.

Annex 1 GLOSSARY OF TERMS

Association Agreement

These refer to contractual relationships between the European Union (EU) and a non-EU country. Association Agreements may promote the establishment/strengthening of regular dialogue and close relations on political and security matters; gradual liberalisation of trade in goods, services and capital; economic cooperation with a view to encouraging economic and social development and regional economic integration; social, cultural and human dialogue. The legal base for the conclusion of the association agreements is provided by Article 217 of the Treaty on the Functioning of the European Union (TFUE). The Treaty on European Union (TEU) makes a specific reference to agreements with neighbouring countries in Article 8(2).

The concept of "advanced status" under the Association Agreements means a strengthening of political cooperation and new opportunities in economic and trade relations, progressive regulatory convergence as well as strengthened cooperation with certain European agencies and programmes.

Deep and Comprehensive Free Trade Area (DCFTA)

A free trade agreement covering a wide array of trade-related issues ("comprehensive") and aiming at eliminating 'behind the border' obstacles to trade through processes of regulatory approximation, thus partially opening/extending the EU internal market to the other party. It is currently offered only to ENP countries.

European Neighbourhood Policy (ENP)

Proposed by the Commission in 2003-2004 as a framework policy through which an enlarged EU could strengthen and deepen relations with its 16 closest neighbours (Algeria, Armenia, Azerbaijan, Belarus, Egypt, Georgia, Israel, Jordan, Lebanon, Libya, Moldova, Morocco, Occupied Palestinian Territory, Syria, Tunisia and Ukraine) with a view to counteracting risks of marginalisation for the neighbouring countries which had not participated in the historic 2004 enlargement and therefore ensuring the strengthening of a shared area of prosperity, stability and security. A review of the ENP is scheduled for adoption in April 2011.

ENP Action Plans

These documents are negotiated with and tailor-made for each country, based on the country's needs and capacities, as well as their and the EU's interests. They jointly define an agenda of political and economic reforms by means of short and medium-term (3-5 years) priorities. They cover political dialogue and reform, economic and social cooperation and development, trade-related issues and market and regulatory reform, cooperation in justice and home affairs, sectors (such as transport, energy, information society, environment, research and development) and a human dimension (people-to-people contacts, civil society, education, public health). The incentives on offer, in return for progress on relevant reforms, are greater integration into European programmes and networks, increased assistance and enhanced market access.

European Neighbourhood and Partnership Instrument (ENPI)

Since 2007 the European Neighbourhood and Partnership Instrument (ENPI) is the legal base for assistance to ENP countries and Russia - supporting the agreed priorities in the ENP Action Plans, as well as the Strategic Partnership with Russia, replacing previous instruments for the Eastern Neighbours and Russia and for the Mediterranean Partners respectively.

Barcelona Process

Framework policy launched in 1995 by the Ministers of Foreign Affairs of the then 15 EU members and 14 Mediterranean partners as the base for the Euro-Mediterranean Partnership which has evolved into the Union for the Mediterranean. The partnership was organised into three main dimensions: political and security dialogue; economic and financial partnership; social, cultural and human partnership. With the introduction of the European Neighbourhood Policy (ENP) in 2004, the Barcelona Process essentially became the multilateral forum of dialogue and cooperation between the EU and its Mediterranean partners while complementary bilateral relations are managed mainly under the ENP and through Association Agreements signed with each partner country.

Facility for Euro-Mediterranean Investment and Partnership (FEMIP)

This facility brings together EIB loans guaranteed by the EU budget and other services provided by the European Investment Bank (EIB) to assist the economic development and the integration of the Mediterranean partner countries. Activities are focused on two priority areas: support for the private sector and creating an investment-friendly environment.

European Investment Bank (EIB)

The European Investment Bank (EIB) is the European Union's financing institution. Its shareholders are the 27 Member States of the Union, which have jointly subscribed its capital. The EIB's role is to provide long-term finance in support of investment projects. Inside the European Union the EIB supports the EU's policy objectives in the following areas: small and medium-sized enterprises; cohesion and convergence; the fight against climate change; environmental protection and sustainable communities; sustainable, competitive and secure energy; the knowledge economy; trans-European networks. Outside the EU, the EIB is active in over 150 countries to implement the financial pillar of EU external cooperation and development policies (private sector development, infrastructure development, security of energy supply, and environmental sustainability).

European Bank for Reconstruction and Development (ERBD)

established in 1991 in response to major changes in the political and economic climate in central and eastern Europe, the ERBD is an international financial institution that supports projects from central Europe to central Asia by investing primarily in private sector clients whose needs cannot be fully met by the market, with a view to fostering transition towards open and democratic market economies. Its area of operations has been recently extended to Turkey.

FRONTEX

Is the European Agency for the Management of Operational Cooperation at the External Borders of the Member States of the European Union. Based in Warsaw, it is a specialised and independent body tasked to coordinate the operational cooperation between Member States in the field of border security.

Maghreb

The term generally refers to the five North African countries of Morocco, Algeria, Tunisia, Libya, and Mauritania, plus the disputed territory of Western Sahara - although it is most commonly used for Algeria, Morocco and Tunisia.

Mashreq

This refers to the region of countries to the east of Egypt and north of the Arabian Peninsula (Jordan, Lebanon, Syria, and the occupied Palestinian territory), although it is commonly used to include Egypt as well.