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Torn between Reform and Stagnation: An  
Institutionalist Analysis of the MEDA Programme

Stephan Stetter



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An Institutionalist Analysis of the MEDA Programme*

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## **Abstract**

The paper proposes some hypotheses about the way in which the EU contributes via its MEDA Programme to the promotion of intra-regional economic co-operation among Mediterranean non-member countries. It argues that MEDA is indeed an important political and economic measure to create favourable conditions for increased trade and investment among Mediterranean non-member countries. Notwithstanding this general proposition, an institutionalist analysis of the implementation process of the MEDA Programmes for the years 1995-1999 reveals that deadlocks within the EU policy-making process have significantly weakened the overall success of financial and technical assistance. The paper provides an in-depth empirical analysis of the MEDA Programme and its contribution to enhance intra-regional economic co-operation. It argues that only if the institutional deadlocks can be overcome can MEDA function as the envisaged accompanying measure to the reform of Mediterranean non-member countries economic and social structures and, thereby, provide the basis for increased intra-regional economic co-operation. Recent reforms at the EU level have, at least partially, addressed the most pertinent shortcomings of the first five years of the operation of MEDA. However, political declarations, such as the Common Strategy on the Mediterranean, cast some serious doubts on whether the EU has the political will to underpin these organisational reforms with the necessary political leadership. This dilemma between cautious organisational reforms, on the one hand, and political stagnation, on the other, ultimately weakens the contribution the EU could make to foster economic co-operation among Mediterranean non-member countries via the MEDA system.

## **Keywords**

European Union, Mediterranean region, foreign policies, Euro-Mediterranean Partnership, MEDA, European Commission, implementation, institutionalism, political science, international relations.

## I. Introduction<sup>1</sup>

In my paper I discuss the contribution of the European Union (EU) to promote regional economic co-operation among Mediterranean non-member countries within the framework of the Euro-Mediterranean Partnership. I focus upon the EU's main assistance policy towards the region, the MEDA Programme, which has the objective of providing flanking measures to accompany the structural reforms demanded from the Mediterranean non-member countries in the context of the Euro-Mediterranean Partnership.<sup>2</sup> MEDA is meant to counter negative effects from market liberalisation in Mediterranean non-member countries which is held necessary for the achievement of a key objective of the Euro-Mediterranean Partnership, namely the establishment by the year 2010 of a Euro-Mediterranean Free Trade Area (*cf.* Escribano and Jordán 1999; Rhein 1999a; Toviás 1997).

The MEDA Programme creates a direct linkage between the EU's financial assistance in support of these structural reforms, on the one hand, and the strengthening of intra-regional economic co-operation, on the other. This linkage is explicitly acknowledged as one objective of the MEDA Programme. Thus, the 1996 MEDA I Regulation stipulates that MEDA assistance should encourage 'intensified regional co-operation and in particular the development of economic links and trade flows between Mediterranean territories and partners'.<sup>3</sup>

In my paper, I concentrate upon the question whether the implementation of MEDA, which is pursued by the European Commission, was able to achieve this ambitious objective. My main argument is that there are several institutional obstacles within the EU foreign affairs system which severely hampered the proper functioning of MEDA (*cf.* Monar 1998). In a second step, my study proposes approaches from principal-agent and delegation theories to explain these shortcomings of policy-making in EU foreign relations. I conclude that the EU was only partially able to meet its own objective to contribute, via financial assistance, to the creation of favourable conditions for intensified South-South economic co-operation and that the existing institutional provisions of the EU foreign affairs systems are a significant explanatory factor for the implementation problems of the MEDA-policy.

The paper is divided in two main parts which are of an empirical and explanatory nature. The first part presents an empirical overview on the assistance policies of the EU *vis-à-vis* the Mediterranean region. It firstly looks at the developmental stages of EU policy-making in the Mediterranean region with a particular focus on the assistance measures which accompany the Euro-Mediterranean Partnership. Secondly, this part of the paper then focuses upon the issue of South-South economic co-operation in the Euro-Mediterranean Partnership, showing that the EU's main active policy to promote regional economic co-operation is the MEDA programme. Consequently, the third section then takes a closer look at the actual implementation of MEDA showing that EU policies suffered from serious shortcomings with regard to goal efficiency. The second part of the paper then provides an explanation for these shortcomings. Firstly, I show that the implementation problems can mainly be explained by factors emanating from within the EU governance system, in particular the relationship between the European Commission, on the one hand, and member states' dominated EU committees, on the other hand. As a conclusion I argue, secondly, that principal-agent and delegation models allow us to

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1 I would like to thank Riad Al-Khouri, Clementina Casula, Alfred Toviás, William Wallace as well as my colleagues at the EUI-workshop, in which this paper was originally presented, for their stimulating and critical suggestions and advice. The paper has been presented in March 2002 at the Third Mediterranean Social and Political Research Meeting of the Mediterranean Programme of the Robert Schuman Centre for Advanced Studies, European University Institute, Florence. It was one of the papers presented at a workshop on 'Economic Policies to Stimulate Trade and Investment Co-operation among the EU's Mediterranean Partner Countries'.

2 MEDA stands for *mesures d'accompagnement*, i.e. financial and technical measures to accompany the reform of social and economic structures in the Mediterranean non-member countries.

3 Council Regulation (EC) No 1488/96, OJ L 189, 30 July 1996, 1-9 (henceforth MEDA I).



account for these shortcomings from a theoretical perspective thus also taking note of current political science debates on the political system of the EU. The observations of this paper allow us to draw more general assumptions about the inherent problems of the EU foreign affairs system.

## II. EU Mediterranean Policies: Developmental Stages

The MEDA Programme is only one aspect of an overall political approach of the EU towards the Southern and Eastern Mediterranean and this Mediterranean policy is the result of a more than 30 year-old political *acquis* towards this region (*cf.* Barbé 1999; Gomez 1998). Notwithstanding this remark, MEDA is a key policy for achieving increased South-South trade, since it creates a direct linkage between economic assistance and the establishment of favourable conditions for increased economic co-operation between Mediterranean non-member countries. Before turning to the specific set-up of MEDA itself, I first provide a short historical overview on the overall design of the European policy towards the Mediterranean.

The Mediterranean policy of the European Community and, since 1993, of the EU can be divided in three distinct periods each of which intensified the linkages between the Community/EU and the Mediterranean non-member countries. The first period can be set for the years from 1972 until 1989, in which the EC established and developed its Global Mediterranean Policy. The Global Mediterranean Policy was originally set-up by the Paris European Council of 1972 where Heads of State and Government agreed to develop a ‘comprehensive, balanced concept for agreements with MED countries’ (COWI 1998, 4). Despite this ambitious language the Global Mediterranean Policy was basically restricted to a bilateral, trade-oriented policy with the overall objective to establish free trade in manufacturing products between the Community and each individual Mediterranean non-member country. Consequently, by the end of the 1970s the Community had negotiated bilateral Co-operation Agreements with most Mediterranean non-member countries. Since these Co-operation Agreements were flanked by a classical aid policy, implemented through so-called Financial Protocols, which covered a period of five years, this policy of individual trade agreements *plus* developmental aid has been termed the ‘protocol period’. Thus, additionally to fostering trade relations, the European Community engaged in ‘financial and technical co-operation with the countries of the Region’ (MEDA 1999, 10). The protocols defined the economic sectors in which Mediterranean non-member countries received grants and loans from the EC.

The second period then started in the late 1980s, when the EC initiated a modest policy-change towards the Mediterranean. This step was formally taken with the adoption of the New Mediterranean Policy by the European Council of Edinburgh of 1989. The New Mediterranean Policy established, albeit with modest real changes to the previous period, a more ‘political’ outlook of the European Community’s Mediterranean policy, *inter alia* through increased financial assistance and intensified political dialogue. Notwithstanding these objectives, the New Mediterranean Policy cannot be described as a major policy change, since the three main principles of the Global Mediterranean Policy—bilateralism, economic focus, developmental aid—remained unchanged. An indication of the actual continuity between both approaches is the persistence of the ‘old’ terminology. The New Mediterranean Policy was not able to develop its own ‘language’ and commentators continued to refer to policies after 1989 as part of the ‘protocol period’. Note, that the New Mediterranean Policy started with the beginning of the fourth protocol period. It has thus to be emphasised that neither the Global Mediterranean Policy nor the New Mediterranean Policy were designed to promote policies beyond the bilateral relationships of the European Community with each individual country. There were no serious attempts to foster South-South co-operation although the idea of strengthened ‘regional co-operation’ was for the first time mentioned as part of the third protocol period (1987-1991), in which the Community argued for a ‘facilitation of regional cooperation’ (MEDA 1999, 7). Without suggesting any particular policies, ‘regional co-operation’ was then also mentioned as one of the new objectives of the New Mediterranean Policy.

Regional co-operation only recently gained importance as a main objective of EU-policies towards the region and this was with the third period of European Mediterranean policy since 1995 after the

Barcelona Conference and the establishment of the Euro-Mediterranean Partnership (*cf.* Kienle 1998). On initiative of the European Commission, which was strongly supported by the governments of Spain and France, the Cannes European Council of 1995 decided to establish a new framework for its Mediterranean policy (*cf.* Barbé 1998). The Barcelona Conference of 1995 agreed on a Declaration between the fifteen EU member states, the Commission and the twelve Mediterranean non-member countries participating in this first truly multi-lateral EU policy towards the region. The Barcelona Declaration defines three areas of co-operation (so-called ‘baskets’) and establishes specific objectives.

These are (1) establishing an area of peace and stability in the political and security basket, (2) creating an area of shared prosperity in the economic and financial basket and (3) developing human resources, promoting understanding and exchanges between civil societies in the social, cultural and human basket. Within the second basket the contracting parties set the goal of establishing by the year 2010 a free-trade area between the EU and the Mediterranean non-member countries. This free-trade area includes the abolition of all tariff and non-tariff barriers with regard to manufactured goods and a liberalisation of trade in agricultural products and services. Consequently, this process includes the step-wise establishment of free trade not only between the EU and each individual partner country but also between the Mediterranean non-member countries themselves, thus documenting the new approach of fostering South-South economic co-operation through EU policies (*cf.* Tovias and Bacaria 1999).

However, an opening of Southern economies for such a liberalised market requires significant changes in the economic and social structures of most Mediterranean non-member countries (*cf.* Zaafrane and Mahjoub 2000). The EU acknowledged its responsibility to assist Mediterranean non-member countries in this process and agreed to assist the Southern countries by significantly increasing and re-structuring its financial support to the region. Assistance was thus more than doubled and the EU cleared grants of €4,7 billion for a period of five years (1995-1999) from the EU-budget and loans from the European Investment Bank of €2,3 billion for a period of three years. The rationale behind this policy was that the actual establishment of a Euro-Mediterranean Free Trade Area requires increased economic growth and improved welfare conditions in the Mediterranean non-member countries prior to any such decision. These new conditions should be triggered off by a combination of domestic policy-reforms, economic agreements in the framework of the second basket of the Euro-Mediterranean Partnership and a reformed financial assistance of the EU towards the region.

The institutional structures of the Euro-Mediterranean Partnership are established through an ‘international, multilateral declaration’ (COWI 1998, 14) and consist of yearly high-level meetings between foreign ministers, regular ministerial meetings of civil servants and expert conferences as well as meetings between Parliamentarians of the contracting parties. Continuity and consistence with the overall objectives of the Euro-Mediterranean Partnership are overseen by the Barcelona-committee of representatives of the EU-Troika and the 12 Mediterranean non-member countries. The Barcelona-committee also follows-up the progress with regard to the conclusion of the new bilateral Euro-Mediterranean Association Agreements which, step by step, replace the traditional Co-operation Agreements. These Euro-Mediterranean Association Agreements have a more political and strategic design than their predecessors. Euro-Mediterranean Association Agreements establish an institutional framework for political dialogue between the EU and the Mediterranean non-member countries. They entail provisions for the liberalisation of trade, the improvement of social conditions in the Mediterranean non-member countries and the promotion of regional co-operation. The Euro-Mediterranean Association Agreements also provide the EU with a suspension clause if Mediterranean non-member countries do not compel with the democratic requirements demanded from the EU (*cf.* Zaim 1999). Additionally to these tasks, the Barcelona Committee also ‘guides the regional co-operation policies’ (MEDA 1999, II) of the Euro-Mediterranean Partnership.

For its internal co-ordination of the Euro-Mediterranean Partnership the EU established the so-called MED Committee which comprises representatives from the fifteen member states and the Commission. The main objective of the MED Committee is to control, at the operational level, the implementation of the EU’s main assistance policy towards the region which takes place in the framework of the MEDA

programme and which has as its legal basis the aforementioned MEDA I Regulation of 1996. Out of the €4.7 billion grants from the EU budget, MEDA makes-up the lion share with a total of €3.4 billion (approximately 84%). The remaining budget lines comprise co-operation with Turkey, carry-overs from the four financial protocol periods, aid to UNRWA (United Nations aid to Palestinian Refugees) and support of the Israeli-Palestinian peace process. Support measures of the MEDA Regulation 'range from Structural Adjustment Facilities [...] to programmes for the promotion of economic and social reforms and human resources development' (MEDA 1999, III). The MEDA I Regulation 'translates the Barcelona Declaration into the rules that govern the Commission's management of financial and technical measures' for the achievement of the goals of the Euro-Mediterranean Partnership and a multitude of tools has been developed which set the basis for co-operation (COWI 1998, 14).

The main tool has subsequently been specified in the Council decision on Guidelines for Indicative Programmes, in which National and Regional Indicative Programmes are defined.<sup>4</sup> National Indicative Programmes are documents in which the Commission outlines, in co-operation with each partner country, the individual country's particular needs for EU assistance. Thus, National Indicative Programmes set out 'priority areas for assistance and requirements for the contents' and include an indication for financial amounts earmarked for each individual country (COWI 1998, 15). Each National Indicative Programme, as agreed between the Commission and the partner country, is then supervised by the MED Committee. The Guidelines *inter alia* make reference to the goal of establishing a Euro-Mediterranean Free Trade Area (including liberalised South-South trade) by stating that it is the goal of National Indicative Programmes to assist 'the Mediterranean partners [...] to prepare for free trade'.<sup>5</sup> On the basis of these National Indicative Programmes, the Commission then negotiates concrete projects with the partner countries and presents Financing Proposals for projects and programmes to the MED Committee. The latter issues its opinion on the basis of which the Commission can then negotiate Financing Agreements and Financing Framework Conventions with the Mediterranean non-member countries. These agreements are the legal precondition on the side of the EU for the actual allocation of funds and are binding legal acts which set 'out the obligations of the signatories' (COWI 1998, 16).

The approach to prepare the Mediterranean non-member countries for free trade both with the EU and between themselves by providing for financial assistance for the necessary restructuring process is enhanced by the competitive dimension of the MEDA programme (*cf.* Licari 1998). The MEDA I Regulation, therefore, speaks 'of a reference amount and not of actual allocation to individual countries'.<sup>6</sup> It is only within the multi-annual financing frameworks, which are decided by the Commission, that the actual allocation of funds takes place. This allows the Commission, at least theoretically, to make allocation dependent on the performance of Mediterranean non-member countries in the domestic restructuring process. Thus, the Euro-Mediterranean Partnership in general and the MEDA programme in particular underline the new importance attached by the EU to the creation of multilateral and regional co-operation mainly via intensified bilateral relationship with each Mediterranean non-member country.

Notwithstanding these remarks, there is also a distinct regional element to the Euro-Mediterranean Partnership. As mentioned before, it was already the New Mediterranean Policy which introduced a new type of regional co-operation to Europe's Mediterranean policy. Following Regulation 1763/92 seven types of so-called MED-programmes (or Decentralised Co-operation Programmes) were established which aim to foster regional co-operation in the areas of scientific research, local government, university and higher education, media, small and medium-sized enterprises, local authorities and communities working with immigrants. Decentralised Co-operation Programmes, however, were suspended in 1995 following a report by the Court of Auditors which accused the Commission of serious irregularities and

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4 Council Decision of 06 December 1996, OJ L 325, 14 December 1996, 20-26 (henceforth Guidelines).

5 Guidelines, para. 15.

6 MEDA I, para. 17.

mismanagement of the funds.<sup>7</sup> After the establishment of new management and control measures Decentralised Co-operation has been re-launched in 1998. Additionally to the National Indicative Programmes and in an ‘attempt to complement and reinforce’ the National Indicative Programmes the Council agreed upon the establishment of Guidelines for *Regional* Indicative Programmes and around 10% of MEDA funds are reserved for concrete regional projects (COWI 1998, 20).

Financial support from other budget lines adds up to the financial assistance of the EU to the Mediterranean non-member countries from the MEDA funds. Most of these additional budget lines are managed by the Commission following requests of the European Parliament which made use of its considerable powers in the budgetary process to include a greater number of projects in the MEDA framework than originally foreseen. An important budget lines, which has been added upon Parliament’s request is, for example, MEDA Democracy (*cf.* MEDA Democracy 1999; MED 1997).

Additionally to EU support to Mediterranean non-member countries via the EU-budget, assistance does also take the form of loans from the European Investment Bank. These loans are administered by the bank and the role of the Commission or other EU-authorities in the disbursement of the funds are limited. The MEDA I Regulation establishes a committee, which includes representatives from the European Investment Bank and one Commission official, the so-called Article 14 Committee. This committee ‘is set-up to issue opinions on proposals prepared by the Bank’ (COWI 1998, 20).

To conclude, the EU has during the third period of its Mediterranean policy, which started in 1995 following the establishment of the Euro-Mediterranean Partnership, taken important steps towards the promotion of conditions conducive to increased regional economic co-operation. The main policy on that regard are the steps towards the establishment of a Euro-Mediterranean Free Trade Area. The main contribution of the EU to support Mediterranean non-member countries in the necessary economic and social restructuring process before such a Free Trade Area can be established takes place through nationally and regionally designed assistance in the framework of the MEDA programme. While the bulk of assistance continues to be channelled on a bilateral level, the MEDA programme has earmarked 10% of all assistance to be directed to regional programmes.

### III. Euro-Mediterranean Partnership, Meda and South-South Co-Operation

The aforementioned remarks on the MEDA programme make clear that, ultimately, MEDA is a key instrument in achieving intensified regional co-operation between Mediterranean non-member countries although its immediate purpose appears to be much more restricted. Such an observation does, however, not suggest that increased South-South co-operation should be seen as the main objective of the Euro-Mediterranean Partnership. It is rather one tool for the achievement of the EU’s main policy objectives *vis-à-vis* the Southern Mediterranean, namely the creation of conditions that might establish and sustain a stable and peaceful Mediterranean neighbourhood (*cf.* Behrendt 1999).

In this part of the paper I outline in further detail the linkage between the Euro-Mediterranean Partnership-objectives, the MEDA Programme and the creation of favourable conditions for increased economic co-operation between Mediterranean non-member countries. Thus, I address those aspects of the Euro-Mediterranean Partnership which relate directly to increased South-South co-operation. The main argument put forward here is that despite its marginal role in official declarations and documents, South-South co-operation must be understood as an essential element of the Euro-Mediterranean Partnership and that EU policies in the framework of MEDA support steps towards such a regional approach. It is, however, intriguing that despite the support of the EU for more co-operation between Mediterranean non-member countries, the issue of regional co-operation did not yet acquire a central position in official documents of the EU.

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7 Press Coverage in *Agence Europe*, several issues.

The Barcelona Declaration explicitly states that the Euro-Mediterranean Partnership has been created as a ‘multilateral framework’.<sup>8</sup> The achievement of political gains through increased economic co-operation between all participants is in fact a key cornerstone of the Euro-Mediterranean Partnership. It has, thus, regularly been emphasised that when designing the Euro-Mediterranean Partnership, the EU was drawing from previous European experiences in economic integration (*cf.* Rhein 1999b). Following that logic, increased economic co-operation will ultimately create conditions in which stable and peaceful relations between countries can be established. Thus, a Euro-Mediterranean Free Trade Area does not only suffice the economic interests of the EU but more importantly its political and security concerns *vis-à-vis* the area (*cf.* Hollis 2000). A more stable and peaceful Mediterranean neighbourhood—brought about by economic integration on both a North-South and a South-South dimension—is thus a prime example for the logic behind the ‘economics of peace-making’ between countries which previously had no intense economic linkages and often quite tense political relations (*cf.* Arad, Hirsch and Tovias 1983).

Having these remarks in mind, it is no surprise that the bulk of activities and the main measure of co-operation in the framework of the Euro-Mediterranean Partnership have from the beginning taken place in the economic and financial partnership, reflecting the priorities of both the EU and the Mediterranean non-member countries—although both sides have different, sometimes quite divergent expectations with regard to the concrete measures to be taken in the second basket. Increased regional co-operation between the Mediterranean non-member countries is one of the three objectives of the second basket with the other two goals being a sustainable socio-economic development and an increase in living conditions in the South. The Barcelona Declaration also points out that ‘regional cooperation, on a voluntary basis, particularly with a view to establishing trade between the partners themselves, is a key factor in promoting the creation of a free trade area’.<sup>9</sup>

The importance which the EU attaches to regional economic co-operation has consequently been stressed on several occasions. For example, during a Ministerial Meeting in Brussels in November 2001, EU ministers spoke of ‘the need to make progress in South-South trade and towards regional integration’ and praised voluntary steps taken by some Mediterranean non-member countries.<sup>10</sup> The EU declared that ‘on this point, the Agadir Declaration of May 2001 announcing the establishment of a free-trade area between Morocco, Tunisia, Egypt and Jordan was regarded as a very positive element and the European Union confirmed its political support for the process and its readiness to provide technical assistance *based on its own experience* for the implementation of this process’ (my emphasis).<sup>11</sup>

Besides its support for voluntary South-South co-operation there are also two concrete instruments with which the EU aims to achieve this objective. These are trade agreements, on the one hand, and financial assistance, on the other. Both of these instruments are mainly bilateral but their rationale is that the liberalisation process triggered off by bilateral initiatives will enable Mediterranean non-member countries to engage more seriously than before in regional co-operation. As mentioned before, the new Association Agreements provide the basis for free trade between the EU and each partner country, while the MEDA programme defines the EU’s share in helping non-member countries in adjusting their societies to the expected restructuring processes.

By August 2002, Association Agreements with Tunisia, Israel, the Palestinian Authority and Morocco have entered into force. The agreements with Jordan and Egypt have been signed and are in the process of ratification. The agreements with Lebanon and Algeria have been concluded while with Syria negotiations are still under way. In all these agreements, regional co-operation is a key element, thus, for example, the agreement with Palestine mentions ‘regional economic integration of the Middle

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8 For the Declaration see [www.euromed.net/key-docs/barcelona.htm](http://www.euromed.net/key-docs/barcelona.htm).

9 See fn. 8.

10 Euro-Mediterranean Conference of Ministers of Foreign Affairs, Brussels, 5-6 October 2001, Presidency Conclusions.

11 See fn. 10.

Eastern countries' as one of the objectives. In analogy to the objectives of the entire Euro-Mediterranean Partnership, this agreement also links security, stability, peace and economic integration issues. The agreement states that its purpose is 'to encourage regional cooperation with a view to the consolidation of peaceful coexistence and economic and political stability'. The scope of the agreements explicitly covers 'measures designed to develop intra-regional cooperation' (article 36). Article 55 then enlists a set of propositions for 'regional cooperation' for the implementation of which the EU seeks an active role. Similar provisions about regional co-operation and the EU's support can be found in all the other Association Agreements.<sup>12</sup>

As mentioned before, the creation of free trade requires in the view of all participants to the Euro-Mediterranean Partnership significant adjustment processes in the Mediterranean non-member countries. Through its considerable financial weight, the EU supports this process in a major assistance programme defined by the MEDA I Regulation. Therefore, MEDA is also the main EU-policy instrument to encourage increased South-South co-operation. The MEDA I Regulation of 1996 emphasises the need for regional co-operation on several occasions. The regulations states the necessity for Southern countries to reform their socio-economic systems for the attainment of the Euro-Mediterranean Free Trade Area and stipulates that the EU aims to encourage in that process 'intensified regional cooperation and in particular the development of economic links and trade flows between Mediterranean territories and partners which are conducive to economic reform and restructuring'. The Regulation then lays out the main institutional, process-related and financial provisions for MEDA aid. A specification of support is provided for in the aforementioned Guidelines on National and Regional Indicative Programmes. They clarify that the EU only assists Mediterranean non-member countries in achieving the objectives required as part of the Euro-Mediterranean Partnership. Thus, goal attainment depends from the EU's view primarily 'on their own efforts'. However, the EU acknowledges that it can support this process through its indicative programmes at the bilateral and regional level, both of which are viewed as complementary to each other. Thus, Article 9 of the MEDA I Regulation summarises the main elements behind the 'EU-philosophy' with regard to the relationship between the Euro-Mediterranean Partnership and economic assistance. The Regulation notes that:

Drawing from its own experience, it is the Union's view that the future prosperity and stability of its partners rest on increased cooperation between themselves in the economic, social and political spheres. The elimination of barriers will foster economies of scale and greater market opportunities thus encouraging investment, facilitating the exchange of ideas and increasing mutual understanding. The regional indicative programme will reflect the progress made in the framework of the Barcelona process in taking action at a multilateral level on issues of common concern, as laid down in the agreed declaration, and will strengthen the activities in support of decentralized cooperation. However, regional activities will not displace funding of bilateral activities. Each indicative bilateral programme will include information on all activities, financed under any Community regional cooperation programme which affects or will affect that particular partner country.<sup>13</sup>

To summarise, the promotion of regional economic co-operation between Mediterranean non-member countries is a key element to the successful implementation of the Euro-Mediterranean Partnership. The EU has acknowledged this need in both the Association Agreements and the MEDA programme and has also made clear that it shares a responsibility to enable Southern Mediterranean countries in achieving the conditions which enable them to engage in more liberalised regional co-operation. The main EU-policy to support this process is the financial aid in the framework of MEDA, although the promotion of regional co-operation is not the primary goal of MEDA. The ultimate objective of the MEDA Programme is to

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12 For the Interim Association Agreement between the European Community and the Palestinian Liberation Organisation see OJ L 187, 16 July 1997, 3-135. Note that the scope of this agreement is more limited than the scope of Association Agreements between the EU and the other countries in the region. Fully fledged agreements were only concluded between the EU and states. For a detailed legal analysis of the Agreement with Palestine and a comparison with the Association Agreement with Israel *cf.* Paasivirta 1999.

13 MEDA I and Guidelines.

support the ‘establishment of a Euro-Mediterranean free-trade area’.<sup>14</sup> While MEDA is primarily directed towards socio-economic measures falling under the second basket of the Euro-Mediterranean Partnership, the regulation also stipulates linkages with the first and the third baskets, by pointing to ‘the reinforcement of political stability and democracy’ and the ‘human and cultural dimension’ of MEDA assistance. The ‘intervention strategy’ of the EU into the process of restructuring is, however, only indirect (MEDA 1999, 15). Major reforms and initiatives which go beyond the immediate scope of the Association Agreements must emanate from the region itself. However, MEDA has been designed to support this process ‘through a carefully planned and individually sequenced mix of interventions into social and economic structures’ both on a bilateral and regional level (MEDA 1999, 15).

#### **IV. How Successful was MEDA for the Promotion of Regional Economic Co-Operation?**

What distinguishes MEDA assistance from previous aid policies of the EU is not only the more carefully planned measures which the EU supports but also two new instruments in the implementation of MEDA aid, and these instruments are ‘flexibility’ and ‘multi-annuity’. These two instruments allow the Commission to make MEDA assistance dependent on the Mediterranean non-member countries ‘implementation performance’ with regard to socio-economic reforms (MEDA 1999, 15). Thus, following the MEDA I Regulation ‘the Commission has the financial autonomy to base their commitments on conditions such as the Med Countries’ compliance with requirements agreed upon by both sides’ (MEDA 1999, 17). Moreover, the Commission also has a high degree of contractual flexibility, in the sense, that in its implementation of MEDA assistance it has the autonomy to deal directly with both governmental and non-governmental actors. However, the MEDA I Regulation does not only introduce flexibility with regard to the Commission’s ability to make changes to previously agreed allocation of MEDA funds and yearly re-assessments of assistance through multi-annual programming. MEDA also adds a competitive element to the relationship between Mediterranean non-member countries. ‘The financial autonomy of the Commission makes it possible to revise and re-allocate indicative amounts within the period and within the Region’ (MEDA 1999, 18).

MEDA has thus been a change in the overall design of EU policies and EU aid to the Mediterranean compared to the protocol period. Nevertheless, despite its ambitious objectives, the actual implementation of MEDA suffered from several shortcomings. Thus, implementation problems hampered the contribution which the EU promised to make in the support of the restructuring of Mediterranean non-member countries social and economic structures as a precondition for *inter alia* intensified regional economic co-operation. The implementation of MEDA assistance suffered from several shortcomings all of which are directly related to problems with regard to the adoption of the necessary legal frameworks. Most of these shortcomings emanate from within the institutional structure of the EU foreign affairs’ system, mainly from cumbersome political procedures regulating the relations between the Commission, on the one hand, and member states in the MED committee, on the other.

The political consequences of the difficulties with regard to the implementation of MEDA are noteworthy. Only by the end of 1998 were ‘the legal and procedural requirements for the implementation of MEDA Programme’ available, thus more than three years after the announcement of the aid-package at the Cannes Summit and the Barcelona Conference (MEDA 1999, 44). This image of MEDA assistance being characterised by high commitment of funds, on the one hand, but low disbursement, on the other, damaged the image of the Euro-Mediterranean Partnership as a whole. An evaluation report summarised the dilemma for the EU as follows:

Since the Commission is responsible for the results of the decision-making process, it is also the target for critical statements regarding unfavourable statistics. The statistical relevance of the commitment/disbursement ratio could lead to wrong interpretations. An unfavourable ratio could

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seem to imply that the Commission is competent to ‘commit high and fast’ but ‘incompetent to disburse’ (MEDA 1999: 48).

The ratio showed no clear improvement during the first years of assistance. From 38.5% in 1996 it dropped to 21% in 1997 and rose moderately to around 30% in 1998. While the reasons for these figures cannot all be made at the expense of the Commission—a certain gap between commitment and disbursement is even in the rationale of the MEDA assistance—the figures can also not hide that one of the primary goals of MEDA, which is ‘to accelerate disbursement’ was clearly not achieved (MEDA 1999, 49). There is a ‘danger of damaging political credibility’ of the EU in the eyes of Mediterranean non-member countries which feel that they make concessions to the EU by opening up their economies without receiving sufficient support for establishing the necessary flanking measures (MEDA 1999, 50). Moreover, the low disbursement rate is a continuation of low rates in the allocation of European aid during the protocol period, which had on several occasions been severely criticised by the Court of Auditors (COWI 1998, 40).

The implementation of MEDA aid suffered, firstly, from the aforementioned delays with regard to the establishment of the necessary legal frameworks on the EU-level for disbursement of aid. Thus, allocation depended upon the adoption of the MEDA I Regulation and the Guidelines in December 1996. For example, the Guidelines for Regional Indicative Programmes were only adopted as late as March 1998. Thus, the ‘political momentum’ of the Barcelona Conference and the announcement of the total amount of funds available under MEDA was lost (MEDA 1999, 25).

Secondly, the coherence between MEDA projects and the overall objectives of the Euro-Mediterranean Partnership remained small. Priority was not given to ‘EMP-goal-consistent sectors of economic reforms’ but often to demands from Mediterranean non-member countries which were regularly reflecting governmental interest in highly-visible infrastructure projects which were not outlined as priority areas in the Guidelines (MEDA 1999, 27). Experiences, for example in Morocco and Lebanon, showed that in those countries, in which governments were not willing to embark on a project of socio-economic reform, priorities areas identified by the National Indicative Programmes could hardly be implemented due to the resistance of national governments. Notwithstanding these remarks, the overall consistency of projects with the MEDA requirements improved during the end of the five-year MEDA I period. This improvement has been attributed to a learning process mitigated through intensified political dialogue between the Commission and the Mediterranean non-member countries in the newly established Association Councils and Association Committees.<sup>15</sup>

Thirdly, planning and monitoring in the implementation of MEDA aid proved more difficult for the Commission than initially assumed. For example, a ‘development-reform dilemma’ occurred in Morocco, where the government changed policy sector priorities after a National Indicative Programme has already been agreed upon (MEDA 1999, 33). The theoretical ‘flexibility’ of the Commission in adjusting its policies was hard to implement on the ground since Morocco used negotiations on the aforementioned Financing Framework Conventions for the allocation of MEDA assistance to bargain over planning and monitoring. Thus, performance-based decision-making by the Commission proved more difficult than expected. Once approved, projects became difficult to reverse since any change required a major negotiation process within the governance system of EU mainly between the Commission and member states in the MED Committee.

A similar problem appeared, fourthly, with regard to the commitments for projects and the financial requirements for effective implementation on which there was agreement between Commission and the individual partner country. A fast implementation of projects again suffered from the over-complex Committee procedures between the Commission and the member states (MEDA 1999: 43).

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15 Interviews with Commission officials, Brussels and Tel Aviv, May - July 2000.



Finally, the Commission faced administrative problems of implementation. In particular, tender procedures for the MEDA funds were cumbersome which rendered the implementation of MEDA projects more complex than initially foreseen. Thus, there was a need for greater monitoring from the Commission than originally planned which, however, the Commission was not able to meet through its own human resources (MEDA 1999, 47).

Notwithstanding the internal problems in implementing EU assistance to Mediterranean non-member countries it should also be mentioned that on several occasions the fast disbursement of funds was delayed by a standstill in negotiations between the EU, on the one hand, and Mediterranean non-member countries, on the other. Often, negotiations on the Association Agreements or the several necessary financing decisions were used by Mediterranean non-member countries to 'gain' concessions which they felt they lost at the Barcelona Conference.

Notwithstanding these delays resulting from tensions in the relationship between the EU and the Mediterranean non-member countries there is no doubt that the implementation of MEDA assistance revealed a gap between the ambitious political goals of the EU as they were defined in the Euro-Mediterranean Partnership and the actual implementation of MEDA by the EU on the ground. During the MEDA I period (1995-1999) the EU faced many problems in achieving its self-set goal to assist in the creation of conditions which would be supportive to an improvement of intra-regional economic co-operation via flanking measures for structural reforms such as MEDA. A great part of these problems resulted from shortcoming within the institutional structure of the EU foreign affairs system. On the one hand, the Commission had to deal with the complex Committee procedures within the MED committee which more often than not reduced the overall effectiveness of MEDA without adding a real added value in terms of effectiveness. On the other hand, the Commission faced limits resulting from the amount of its own staff when dealing with policy implementation, relations with the MED committee and negotiations with Mediterranean non-member countries at the same time. In many ways MEDA assistance thus failed on the implementation level in being a measure to support a more favourable national and regional economic climate of increased trade and investment among Mediterranean non-member countries.

## **V. Reasons for Problems Faced in MEDA Implementation**

How can these shortcomings be explained? I argue that the EU encountered the aforementioned problems in achieving the objectives of the MEDA regulation due to the interplay between institutional factors at the EU-level, such as inefficient operating structures within the European Commission or time-consuming rules for decision-making with the MED Committee. This criticism should, however, not lead to the conclusion that problems of staffing or inter-institutional interaction could completely be avoided. Politics is a process of complex interaction and necessarily consumes time. Nevertheless, observations from the MEDA-case show that some of the problems in implementation could have been avoided without harming the inter-institutional balance between supranational institutions and member states, on the one hand, or the efficiency of policies, on the other. Thus, many delays were foreseeable but were simply not addressed in time or communicated and explained to the Mediterranean non-member countries. One of the reasons for these shortcomings can be found both in the lack of a strong consensus between member states about the course of Euro-Mediterranean relations as well as in co-ordination problems between the Commission and member states.

I do also not argue that shortcomings and problems are only to be searched on the side of the EU. It has been emphasised before that the lion share for increased economic co-operation among Mediterranean non-member countries cannot be dictated from an external actor such as the EU but depends, as acknowledged, on voluntary (domestic) steps taken within each country. However, it should also be stressed that in the framework of the Euro-Mediterranean Partnership and the MEDA programme, the EU accepted that it shares some responsibility to contribute to the creation of regional conditions which renders this intra-regional co-operation more likely.

Moreover, the critique put forward here should not be mistaken for a general rejection of MEDA. Actually, MEDA is an improvement to the protocol period both because funds are much larger and because there are more appropriate criteria for the allocation of funds. But the perspective from the South might be different:

MED partners have so far not felt this considerable increase when it comes to disbursements received. Partners' concern are thus based on the objective fact that from 1995 to the end of 1998, a modest MECU 732 will be spent [...] of the total MEDA reference figure of MECU 3,424.5 for the period 1995-99. This thus points to the need for the Commission to ensure appropriate financial resource utilisation mechanisms (COWI 1998, 42).

It should be added, that this critique does not only affect the Commission but to a large extent also the member states which are actively involved in EU assistance measures. What were the internal reasons that from 1995 to 1998 only 25.1% of promised assistance had been allocated?

The reasons are the time-delay between the Cannes Summit approvals and the Barcelona conference with the actual adoption of the MEDA I Regulation, the late adoption of the Guidelines and other necessary agreements such as the Financing Agreements or the Financing Framework Conventions with the Mediterranean non-member countries, the weak staffing of the Commission and the decision-making structure in the MED committee between the Commission and the member states.

It was already for disbursement of funds during the protocol period that implementation of EU assistance had been criticised. Thus, it is striking that the much more demanding procedures for EU assistance under the MEDA-regime did not go hand in hand with a streamlining of institutional structures. On the contrary, more complex programmes were added to the Commission's workload without a consideration of how this affects the operation of projects. This is, for example, reflected in the relationship between National and Regional Indicative Programmes:

The management of bi-lateral co-operation through National Indicative Programmes is determined by individual Association Agreements negotiated by the Commission. Regional policy implementation, however, is guided by Ministerial Conferences in the follow-up process of the Barcelona Declaration (Barcelona Committee). This inter-institutional complexity makes regional programming [...] rather difficult (MEDA 1999, 12-13).

Policy-making in MEDA takes place within the framework of the EU's developmental policy, which is governed by the principle of the three 'Cs', i.e. co-ordination, complementarity and coherence between national and European policies. Thus, policy-making—mainly implemented by the Commission—has to ensure a proper consideration of the three Cs. However, in the implementation of MEDA there has been criticism by (larger) member states that co-ordination of policy-making does not really take place. There is overall 'limited real EU coordination concerning national indicative programmes, strategies, sector choices, etc. at the MED country level', while also the complementarity of policies suffers from this lack of co-ordination (COWI 1998, 39).

There have also been several examples in which aid to the Mediterranean region by member states pursued opposite objectives from the objectives followed by the EU. In several cases, the Commission has formulated (with the support of the MED Committee) criteria for the support of specific sectors in Mediterranean non-member countries, while the development policies of some member states supported contravening policies. Thus, in Egypt some member states supported the construction of 'expensive, state-of-the-art hospitals whereas the Commission has committed 120 MECU to a Health Reform Project aiming at a policy-shift from a curative to a preventive one' (MEDA 1999, 92). This example shows that co-ordination and complementarity of policies is not necessarily ensured and that in several cases member states 'indirectly support a policy that the Commission is trying to reform through its own programmes' which, however, has previously been accepted by all member states in the MED Committee (MEDA 1999, 92). Moreover, also the coherence of policies suffered from a lack of co-ordination and diverging interests between different political actors in the EU, for example between trade and aid departments or agriculture and aid departments.

As in other EU policy-areas, also external relations are characterised by a complex institutional interaction between the Commission and the member states within a committee system, such as within the MED committee, which controls the implementation of MEDA assistance through the Commission. The member states are thus directly involved in the Commission's decision making. The MEDA Regulation stipulates the different levels at which the member states are to be involved. These are:

- the strategic level of indicative programming by adoption of the Regional and National Indicative Programmes and their annually up-dated versions;
- the operational level of Financing Decisions and amendments above financial thresholds by approval of individual Financing Protocols;
- the implementation level concerning informational requirements for tendering procedures and the manual of tender procedures.<sup>16</sup>

When deciding on National and Regional Indicative Programmes, the MED Committee approves on the Commission's suggestion 'sector priorities for a Project [...] portfolio according to country-specific and regional sector policy criteria' (MEDA 1999, 21). A similar procedure of co-ordination and joint agreement is provided for when the Commission decides on interest subsidies to loans from the European Investment Bank. Also in that case, the Commission has to consult the MED Committee. 'This is carried out through written procedures. The Commission sends the draft decision concerning the request to the MED Committee for their opinion. After that, the EIB receives the Commission's decisions on interest subsidies and decides on the loan' (MEDA 1999, 23). While the co-ordination between member states and Commission at the strategic level is important to ensure the achievement of the three Cs, this is not to the same extent valid for involvement of member states at the operational and implementation level.

Thus, with regard to commitments of the Commission with regard to individual projects the specific involvement of the MED Committee created many significant delays in implementation. 'The MEDCommittee's involvement in the Commission's commitment system at the level of single [...] projects increases the administrative workload of the Commission' resulting in considerable delays for reimbursement (MEDA 1999, 36).

Problems at the operational and implementation level are exacerbated by the lack of co-ordination between EU and member state developmental assistance to Mediterranean countries. Despite the tight oversight in the MED Committee there is no real co-ordination at the planning stage of projects. Thus, 'co-ordination efforts to improve coherence and complementarity among projects [...] are not yet integrated into the Commission's strategic programming process' (MEDA 1999, 37). The demand from the MEDA Regulation and the Guidelines to define priority sectors on a national / regional basis does, moreover, just apply for the EU level and not to member states' policies. This decreases the effectiveness of the strategic planning approach which is undermined by the lack of 'harmonisation and co-ordination of strategic sector policy approaches [...] in key sectors of common interest to the Commission and the Member States' (MEDA 1999, 37).

Moreover, there seems to be only a limited interest on the side of member states and the Commission to co-ordinate and inform each other on their assistance in Mediterranean non-member countries on the ground. The Commission delegations usually do this in the framework of the monthly information meetings which, however, do little for a streamlining of national and European efforts (MEDA 1999, 37). Empirical studies on MEDA assistance in Morocco, Lebanon and Egypt do also show that project implementation is hampered by 'excessive controlling interests of the Member States' which 'hardly adds any political value' with regard to the three Cs (MEDA 1999, 38).

Overall, the commitment procedures of the MEDA I Regulation created a time consuming workload of information and communication exercises for both the Commission and the Member States. The outcome of this communication process is questionable since member states were usually

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<sup>16</sup> MEDA I.

only informed about the ‘intermediary status’ of projects but were not able or willing to really engage in discussion on ‘substantial, policy-related issues’ (*cf. fn. 111 in MEDA 1999*). Nevertheless, this information exercise took the form of huge reports prepared by the Commission which required a heavy input of human resources which were consequently not available for reducing the time delays in negotiating and implementing the necessary agreements for launching MEDA assistance.

Overall, the involvement of the MED Committee has resulted in often inefficient ‘extra operational work-load’ for the Commission (*MEDA 1999, 39*). This has actually hampered the effectiveness of the Committee-system since the MED Committee was involved in micro-financing decision-making while losing track of ensuring the ‘coherence and consistency of strategic programming’ (*MEDA 1999, 39*). A similar criticism was raised with regard to the time-consuming control by the MED Committee at the implementation stage, for example when deciding on tender procedures for individual projects (*MEDA 1999, 47*).

To conclude, the observance of the three Cs was not sufficiently ensured by the MED Committee. While the Commission was closely controlled in its decision making process, the reverse did not happen, ‘i.e. that Member States programmes be planned in co-ordination of complementarity with Commission programmes [...] It would perhaps appear to be an infringement on the Member States’ highly sensitive foreign policies’ (*MEDA 1999, 90*). In fact, there are cases in which member states had established close co-ordination with non-EU donors while not co-ordinating their activities with the Commission. For example, France and Spain pursued such policies *vis-à-vis* Morocco, whereas Denmark and Finland co-ordinated action with like-minded non-EU donors in Egypt but not with the Commission (*MEDA 1999, 91*).

Effective policy-making was weakened by this strong involvement of the MED Committee on the individual project level since it reduced the capacities of the Committee to deal with proper planning of projects on the strategic level. This is partly due to the reluctance of member states to ‘play with open cards’ and their caution in working out joint Country plans with the Commission (*MEDA 1999, 92*). Instead of agreeing on a joint European approach, ‘some countries [...] favour bilateral relations with Member States above relations with the EU’ (*MEDA 1999, 98*).

It has been estimated that insufficient procedures within the MED Committee resulted in a delay of around one year with regard to the implementation of MEDA assistance (*MEDA 1999, 57*). Seen from that perspective, it is surprising that member states found that it is ‘often too late to change substantial matters in projects [...] when they are presented to the Committee’ (*COWI 1998, 47*).

The fact that both the Commission and the member states were critical of their powers regarding the implementation of MEDA assistance points to a wrong emphasis in the workload of both the Commission (preparing interim reports for the MED Committee) and the Committee itself (dealing with too many details). A shift towards more co-operation on the strategic planning level seems the more justified since the rate of approval for projects suggested by the Commission is already high. Out of 87 projects between 1995 and 1997 the Committee approved 38 unanimously and another 39 with some qualified suggestions. Only 9 had to be redrafted but were then approved. Only one project was turned down (*cf. COWI 1998, 33*).

A second area in which the institutional structure of the EU system caused time delays are the strict requirements for financing projects with Mediterranean non-member countries. The misuse and mal-administration of funds during the protocol period explains why such a complex system as the MEDA assistance had been established. The problem of the new procedures, however, was that the Commission was confronted with even greater workload—negotiating financing provision with Mediterranean non-member countries—and communicating these negotiations to the MED Committee—without a real change in human resources at its disposal.

The disbursement of funds for individual MEDA projects required the conclusion of the aforementioned Financing Framework Conventions. These Conventions ‘were agreed upon between the Commission and the individual Med Countries between July 1997 and 1998’ (*MEDA 1999, 34*). Although the allocation of funds depended on the prior conclusion of Financing Framework Conventions, the Commission did, due to its workload, commence with negotiations on the

Conventions only in 1997 although the MEDA I Regulation had passed more than one year earlier. This case shows that it was not only the late adoption of the Regulation and the Guidelines which hampered the disbursement but in particular the inability of the Commission to prevent the 'late conclusion of the Financing Framework Conventions'. (MEDA 1999, 44). Since also the tender proposals depended on the conclusion of these Conventions, the delays were further exacerbated by the time-consuming process of negotiating tender procedures between the Commission and the Mediterranean non-member countries, on the one hand, and co-ordination within the MED Committee, on the other.

Of course, this is not entirely the fault of the Commission since Mediterranean non-member countries' governments often used negotiations on the Conventions as well as tender procedures to regain alleged losses from negotiations on the Association Agreements. 'If one party feels manipulated and dominated in a negotiation due to the other party's disproportionate advantage (in this case, the power to allocate MEDA funds), then this party will try to move the negotiation to another field where it has the upper hand. It appears that, generally speaking, the Framework Convention (FC) became this alternative field for negotiation' (MEDA 1999, 86). Mediterranean non-member countries felt that they had lost some of their sovereignty due to the new contractual autonomy of the Commission. Financing Framework Conventions and in particular tender procedures were fields in which they believed 'to regain part of their "sovereignty"' (MEDA 1999, 97).

Besides the time-delays and problems in co-ordination within the MED Committee, the aforementioned problems with regard to the implementation of MEDA assistance have at several times highlighted the work-load of the Commission. This is the third factor which emanates from within the EU. The MEDA case actually shows that the Commission was faced with a double dilemma resulting from the requirements of complex and time-consuming procedures, on the one hand, and lack of human resources, on the other hand.

The Commission was only able to employ additional staff for the implementation of the MEDA funds in the Mediterranean non-member countries in 1998 when, at last, country-based MEDA Teams were formed (COWI 1998, 41). These MEDA teams had to deal with the allocation of funds, which tripled when compared to the funds available during the protocol period (COWI 1998, 49). While the MEDA Teams were useful in improving facilitating work on the operational and implementation level they could not contribute to a more effective approach with regard to the strategic level of planning. Even after the launch of MEDA assistance the Commission did little for the development of proper 'strategic planning instruments' (MEDA 1999, 32).

The Commission faced problems in developing clear objectives for MEDA assistance in specific sectors. There was no structured planning with regard to overall sector priorities. The delegations were also not able to adjust projects to the 'individual country's "evolving needs"' (MEDA 1999, 66). In the light of these uncertainties and the absence of a 'programming-and-monitoring unit of the Commission', 'Delegation staff [...] prefer to stick to what they know [...] The MEDA Regulation definitely underestimated the inertia of the well-established system of Protocols' (MEDA 1999, 73). The multi-annual programming of MEDA even supported these conservative working methods. Delegations felt under immense time pressure to inform the DG about projects for fund commitment because 'otherwise, the funds earmarked for MEDA could be "lost" for "their Country" by the end of the Financial Year, and for the General Budget by the end of 1999.' (MEDA 1999, 73).

Finally, the first years of MEDA assistance were hampered by an internal restructuring process within the Commission which had the goal to equip the Commission with the organisational structures necessary to meet requirements from its enlarged foreign policy capacities. In 1998 the Common Service (Service Commun Relations Extérieures) was formed. This Common Service, which has been renamed, since January 2001, as EuropeAid, deals with the administration of aid activities which were

previously spread over five DGs. EuropeAid deals with ‘the legal and administrative procedures for tendering and disbursement of different Co-operation Programmes’ (MEDA 1999, 46).<sup>17</sup>

To conclude, the implementation of MEDA assistance was severely hampered by factors emanating from within the institutional set-up of the EU’s foreign affairs’ system. Firstly, the committee procedures, which were established to oversee the Commission’s executive work in negotiating and implementing MEDA assistance, reveal a control approach by member states that actually undermined the efficiency of policy-making. At the same time, the Committee was not able to concentrate upon elaborating jointly with the Commission clear sector priorities for each country. Moreover, oversight on developmental aid is unilateral. The cited examples show that complementarity and co-ordination is not ensured due to the sovereignty of member states to pursue their own developmental policies without any meaningful co-ordination on the EU-level.

Secondly, implementation was also held up by cumbersome negotiations with the Mediterranean non-member countries and parallel information of the MED committee. Thirdly, the Commission faced problems from too little own human resources both at the desk-level in Brussels and in the Delegations. This resulted in many cases in project selection similar to the protocol period but not according to the new MEDA requirements.

In the process of implementing MEDA assistance the EU is faced with the dilemma to keep a balance between efficiency and speed of implementation on the ground, on the one hand, and requirements emanating from the EU-internal balance of power, on the other. The Parliament, the Council (i.e. the member states) and the Court of Auditors have considerable powers in the budgetary process and the Commission has to collaborate closely with these actors. Thus, EU support via MEDA assistance for more favourable conditions for regional economic co-operation between Mediterranean non-member countries suffered—as far as the EU itself is concerned—from a mix of the internal restructuring process of the Commission, the new and more complex provisions for the allocation of aid to the Mediterranean region, the requirements for co-ordination with other EU-actors and, finally, the cumbersome negotiations with Mediterranean non-member countries over these projects.

## VI. Theoretical Observations: Control Mechanism in the EU

The aforementioned observations on the problems in the implementation of MEDA assistance can be described in a theoretical perspective as a specific case of a principal-agent relationship in which the Commission is the agent and the member states / Council the principal. As in other cases of delegation, also in MEDA affairs, the principal has delegated considerable powers to a supranational agent. However, in order to avoid a ‘shirking’ of the Commission, i.e. a growing independence of the agent from the preferences and interests of the principal, the delegated powers were significantly restricted (Pollack 1999, 3). Through a mix of administrative and oversight procedures the member states tried to avoid the emergence of ‘the central problem of principal-agent analysis, namely [that] agents are free to act on their own preferences, rather than those of their principals’ (Pollack 1999, 9).<sup>18</sup>

Administrative and oversight procedures are an important tool in the hand of member states and have played a great role across a wide array of EU policy-areas in an attempt to keep the Commission ‘at bay’ (Stetter 2000). Administrative procedures are used *ex ante*, mainly by prescribing specific legal procedures for the operation of a policy. However, since not all effects of political decisions can be

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17 See also European Commission: Staff Working Document, Report on the Implementation of the European Commission External Assistance, Situation at 01 January 2001, D(2001)32947.

18 I do not suggest that member states form a homogenous block. In fact, all agreements reached by the Council, such as the MEDA Regulation or the Common Strategy on the Mediterranean Region, require a majority of votes in the Council (either unanimous or by a qualified majority). Given the often substantial differences between member states on foreign policy decisions, many of these agreements, therefore, reflect a sub-optimal consensus between member states or the lowest common denominator rather than the powerful action of a unified political body.

foreseen, member states also have oversight procedures at their disposition, which they can use *ex post*. Oversight procedures can take the form of, on the one hand, monitoring capacities ('police patrol' or 'fire alarm' systems) which allow the principal to 'watch' what the agent is doing either through permanent committees or on a case-by-case basis following complaints by other actors. On the other hand, oversight procedures can be used as sanctions such as control over the budget or appointment, the revision of legislation or, ultimately, the revision of the agent's mandate (*cf.* Pollack 1997 and 1999).

Notwithstanding these important control-mechanisms, the literature on principal-agent theory points to several problems which administrative and oversight procedures face. In fact, both mechanisms are costly, both with regard to time and human resources which principals have to deploy in order to control the agent. Control is also rendered difficult because agents can use opposing preferences on the side of the principal (i.e. in the Council between member states). As long as there is no majority (either a simple, a qualified or even a unanimous), the principal cannot sanction the agent (Pollack 1999).

All the aforementioned control procedures have been used in the case of the MEDA assistance. Administrative procedures have played an important role. Member states have paid a lot of attention to the drafting of procedures which ensure their participation in the implementation process despite the overall responsibility for the execution of policies by the Commission. With regard to oversight procedures several mechanisms have been developed. Thus, (a) the MED Committee is a permanent standing committee (police patrol) in which, as has been shown, member states control all stages of the decision-making process within the Commission. In fact, the Commission depends for all major decisions it makes with the Mediterranean non-member countries' governments on the agreement of the Committee. Moreover, control is also ensured (b) by the control of the Commission by other actors (fire alarm), the most important one being the Court of Auditors but also the European Parliament. For MEDA assistance (c) sanctions have been less important although the time-limit to the MEDA I Regulation is a control mechanism since the Commission knows that the mandate is reviewed after five years as part of the normal legislative process. As a general rule member states have preferred *ex ante* procedures and control through the MED Committee, whereas sanctions seem to be of lesser importance.<sup>19</sup>

The major problem with regard to these control mechanisms of member state principals is not their existence but the precise use of these mechanisms. On many occasions they hampered the proper implementation of MEDA assistance since the price which had to be paid for close control over the Commission's activities in this area of EU foreign affairs has been a significant slowing down of decision-making and little emphasis on the efficiency of policies both on the ground and with regard to the achievement of the Euro-Mediterranean Partnership objectives

## VII. Conclusion

MEDA assistance has originally been designed as a measure to support the restructuring processes in Mediterranean non-member countries which they have to undergo in order to prepare for the Euro-Mediterranean Free Trade Area envisaged for the year 2010. With its decision to provide significant financial assistance the EU acknowledged that it shares an important part in preparing Mediterranean non-member countries for that key objective of the Euro-Mediterranean Partnership. Since the achievement of this goal requires not only the establishment on a bilateral level of free trade between the EU and each partner country but also between Southern Mediterranean countries themselves, MEDA aid must also be seen as a measure which allows Mediterranean non-member countries to restructure their societies and economies in way which allows subsequent liberalisation of economic co-operation between them. Note, however, that the lion share for achieving this domestic restructuring process depends upon the willingness of Southern Mediterranean countries to pursue far-reaching political and

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<sup>19</sup> In the framework of the Euro-Mediterranean Partnership sanctions have been of greater importance to the European Parliament which used its powers in the budgetary process and its powers *vis-à-vis* the Commission with regard to the election of the Commission to ensure its say in this area of EU foreign affairs.

economic reforms. The political will for these kinds of reforms is, however, often lacking. Authoritarian rule, underdevelopment and considerable social inequality continue to hamper developments towards both a more prosperous and a more regionally integrated future on the Southern Mediterranean shore.

When looking at the EU-level some criticism must, however, also be raised. The EU has until today not been able to meet the self-set goals proclaimed by the Euro-Mediterranean Partnership and the MEDA programme. The EU faced many problems in delivering its own share for the achievement of greater regional co-operation. For the time frame of the MEDA I Regulation (1995 to 1999) only about 25% of assistance had been allocated and the implementation faced many problems many of which emanate from within the political system of the EU.

Yet, there is some hope for change. The MEDA II Regulation (for the period 2000 to 2006) faced some of the shortcomings of its predecessor.<sup>20</sup> MEDA II mentions that implementation of MEDA I has not been satisfying. However, the substantial changes compared to MEDA I remain small. In the light of the shortcomings of MEDA I, it seems useful that in MEDA II greater emphasis is laid on the strategic level of planning—an area in which the EU failed to develop a new policy approach during the MEDA I period. But the MEDA II Regulation failed in overhauling the over-complex decision-making provisions between Commission and the MED Committee, thus pointing to the lack of political will of some member states to equip the EU with a strong and centralised foreign policy towards its Mediterranean neighbourhood.

The extent to which the current reform of the Commission will improve the implementation of assistance remains open.<sup>21</sup> Greater decentralisation, i.e. more responsibility for the Delegations, as suggested as a key element of the reform of the Commission's external service seems useful but might bring problems of mal-administration and misuse of funds again to the fore. For the time being, the removal of responsibilities in Brussels itself from specialised desk officers to a huge administrative body such as EuropeAid has met harsh criticism by Commission officials.<sup>22</sup>

Some improvement in the MEDA II period might only result from the fact that most basic agreements, such as the Association Agreements and Financing Conventions, have by now been agreed upon. This renders implementation easier since the Commission no longer has to invest scarce resources into these complex negotiations. But this alleviation does not really tackle the real problem behind the failure of the EU in properly implementing MEDA. This problem, in fact, stems from the still undecided nature of the EU foreign affairs system. As long as the EU has not solved the dilemmas resulting from its over-complex 'dual foreign affairs system' it will not overcome the internal institutional problems which could be observed for the case of MEDA assistance (*cf.* Monar 1998). The case of MEDA assistance has shown that there is an underlying and unsolved conflict between national sovereignty over foreign affairs, on the one hand, and centralisation of foreign policies at the EU-level, on the other (*cf.* Forster and Wallace 2000). In the light of these remarks, it is not surprising that the Common Strategy of the EU towards the Mediterranean Region of June 2000 did neither address this general dilemma of EU foreign policies nor suggest how the more specific problems in financial assistance to the Mediterranean region could be overcome.<sup>23</sup>

The problem is mainly not about the famous EU phone number but about the lack of an authoritative body which represents the EU abroad. There is a deep conflict between national prerogatives over foreign policies and foreign policy powers delegated to the Commission and case studies such as this one on the MEDA assistance reveal the consequences of this characteristic feature

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20 Council Regulation (EC) 2698/2000, OJ L 311, 12 December 2000, 1-8.

21 See also Report on the Commission Communication on the development of the external service by the European Parliament Committee on Foreign Affairs, Human Rights, Common Security and Defence Policy, Galeote Quecedo Report, 30 May 2001, A4-0199/2001 final.

22 Interview with Commission official, Brussels, July 2000.

23 Common Strategy of the European Council of 19 June 2000 on the Mediterranean Region (2000/458/CFSP), OJ L 183, 22 July 2000, 5-10.



of EU foreign politics. A solution to this problem is not at hand despite the significant improvements in the development of the foreign policy of the EU in the 1990s. However, reforms—either during inter-governmental conferences or in the legislative process—have until today only cured symptoms but not the causes of the often insufficient working and effect of policies on the ground. Ambitious goals—such as support for greater South-South economic co-operation between Mediterranean non-member countries supported by a re-directed EU assistance programme—were thus obstructed on the implementation level. Despite the building of many bridges in the Maastricht and Amsterdam Treaties between federal and national elements of the EU foreign affairs system, the deep gap between these two sides continues to exist. In other words, self-set expectations and actual capabilities to actively implement these objectives are despite all reforms still in a considerable mismatch (*cf.* Hill 1993).

All the criticism raised in this paper on the functioning of the EU foreign affairs' system should under no circumstances lead to the conclusion that 'nothing has happened'. Given the entrenched 'national' history of foreign policies in European history and the century-old conflicts between nations over fundamental foreign policy choices, the political will on the side of the EU member states to engage in quite substantive joint policies towards its largest neighbouring area is remarkable in itself. Also more recent steps, such as the reforms of the European foreign affairs system in Maastricht and Amsterdam as well as the steps towards a joint European policy towards the Mediterranean document this European consensus about joint co-operation despite often diverging opinions on precise issues. Only some of this political will on the side of the Southern Mediterranean would be of great help for reaching such modest goals as a free trade area or more regional economic and political co-operation and would, therefore, provide crucial support to the EU's contribution, for example via MEDA assistance, to help Mediterranean non-member countries in reaching these goals.

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