

Brussels, 16 March 2009

RECOMMENDATION of the EMPA

**Tabled on behalf of the Committee on Economic and Financial Affairs,
Social Affairs and Education of the Euro-Mediterranean Parliamentary
Assembly**

By
Mr. Mohammed M. Abou El Enein
Chairman of the Committee

Based on the proposals presented by the Rapporteurs,

- Mr. Mohammed M. Abou El Enein, Chairman of the EMPA Economic Committee, Member of People's Assembly of Egypt, on "The Mediterranean Response to the Global Financial crises",

And

- Ms Jamila Madeira, Vice-Chairperson of the EMPA Economic Committee, Member of the European Parliament, and Ms. Mbarka Bouaida, Member of the House of Representatives of Morocco, on "The Social and Economic Impact of microfinance on the Mediterranean region",

And

- Mr. Simon Busutil, Member of the European Parliament, and Dr. Swan Al-Shourfat, Member of the House of Representatives of Jordan, on "The Development of Sustainable Tourism in the Mediterranean Region".

STATEMENT

- On the Economic Situation in the Palestinian Territories -

The Economic Committee of EMPA:

- is very seriously concerned at the very negative impact of the Israeli attacks in Gaza at the beginning of 2009 on the basic infrastructure, in particular in the education, health and the economic sectors, as well as all social institutions, governmental and non-governmental alike. In order to alleviate these consequences, it recommends the redoubling of efforts with a view to achieving rapid and complete reconstructing, as well as ensuring that these violations do not recur in future;
- stresses the significance of the deployment and the results of the high-level fact-finding mission of EMPA in Gaza and Ramallah (23-24 February 2009) and the Palestinian population's appreciation of this mission, led by Hans Gert-Pöttering, in his double capacity of President of the EMPA and President of the European Parliament;
- welcomes the results of the Sharm el-Sheikh summit as well as the efforts made by all donor states and underlines the highly important role of the Co-Presidency of the Union for the Mediterranean;
- welcomes the efforts made by the Arab states, international organisations, the European Union, and international community in general to provide humanitarian aid and support for the economic reconstruction and rebuilding of Gaza;
- considers that it is a matter of the utmost importance to provide the Palestinian Authority with the necessary tools and means not only to rebuild and restore infrastructure but also to help relaunch the Palestinian economy.

- having regard to the Joint Declaration of the Summit of the Barcelona Process: Union for the Mediterranean (Paris, 13 July 2008) which states that the Barcelona Process: Union for the Mediterranean is a multilateral partnership which builds on the Barcelona Declaration, as well as on the *acquis* of the Barcelona Process, including the conclusions of all ministerial meetings, which continue to remain in force; having regard to the new institutional structures intended further to increase Euro-Mediterranean cooperation, as well as to important regional projects that all partners have agreed to support; having regard to the welcome strengthening of the political profile of relations between the EU and its Mediterranean Partners through an increase in co-ownership and the carrying out of regional projects involving the region's citizens, with a view to making the Partnership more concrete and visible,
- having regard to the Final Statement adopted by the Euro-Mediterranean Foreign Affairs Ministers meeting in Marseille on 3-4 November 2008 which underlines the role of the institutions establishing the Union for the Mediterranean, including the Euro-Mediterranean Parliamentary Assembly (EMPA) that reinforces the democratic legitimacy of the Partnership, which requires a strong parliamentary dimension, and having regard therefore to the fact that EMPA's position should be further consolidated and its work better coordinated with the other institutions of the Partnership,
- having regard to the EMPA Recommendation on the role of the Assembly within the Barcelona Process: Union for the Mediterranean, adopted by the Jordan plenary on 12 October 2008,
- having regard to the EU's constant financial support for the Mediterranean Partners, first through the MEDA programmes and, since 2007, through the European Neighbourhood and Partnership Instrument (ENPI), granted both for bilateral cooperation and regional programmes,
- having regard to the European Economic Recovery Plan approved by The European Council on 11 and 12 December 2008, which provides a

common framework for European Union efforts to deal with the financial crisis and provides that 1.5 % of the GDP of the European Union (around EUR 200 billion) will be used on developing measures to stimulate economic growth; and having regard to the outcome of the informal meeting of the European Council of 1 March 2009,

- having regard to the results of the G20 summit in Washington of 14-15 November 2008, to the proposals of the World Economic Forum Annual Meeting in Davos in 2009 and to the results of the G7 meeting held in Rome on February 14, 2009,
- having regard to the results of the Tangier Declaration issued in the 'South Forum for a New Mediterranean' (MEDays) on November 27, 2008,
- having regard to the joint initiative announced on 27 February 2009 by the European Investment Bank, the World Bank and the European Bank for Reconstruction and Development (EBRD) to support the banking sectors in Central and Eastern Europe and finance the loans to projects affected by the global financial crisis,
- having regard to the Commission Communication of 13 November 2007 on 'A European Initiative for the Development of Micro-Credits in Support of Growth and Employment' ((COM(2007)0708),
- having regard to the European Parliament Draft Report with recommendations to the Commission on a European initiative for the development of micro-credits in support of growth and employment (2008/2122(INI)),
- having regard to the Commission Communication of 19 June 2008 'Think Small First' A "Small Business Act" for Europe (COM(2008)394),
- regard to the European Parliament written declarations on microcredit of 14 January 2008 (0002/2008),

- having regard to the conclusions of the EUROMED Ministerial Conference on tourism on 2-3 April 2008 in Fez,
- having regard to the results of the FEMIP Conference on Sustainable Tourism on 6 March 2008 in Berlin,
- having regard to the European Parliament resolution of 16 December 2009 on 'The regional development aspects of the impact of tourism on coastal regions',
- having regard to the Commission communication of 19 October 2007 'Agenda for a sustainable and competitive European tourism' (COM(2007)0621),
- having regard to the Commission communication of 17 March 2006 'A renewed EU Tourism Policy: Towards a stronger partnership for European tourism', and to the European Parliament resolution of 29 November 2007 on that subject,

A. whereas the global financial and economic crisis has hit all countries, is having profound political, economic and social repercussions and its duration and depth cannot be predetermined,

B. whereas the impact of the crisis will not be limited to the cash side of the economy but could extend to the real economy, taking the form of:

- a slowdown in global economic growth and even deflation in some economies,
- a decline in global direct investment, including the decline in inward direct investment to the southern and eastern Mediterranean countries,
- a decline in total expenditure in Europe and America; this will affect the financing of investments and reduce demand for exports and tourism in the

southern and eastern Mediterranean countries,

- a sharp decline in global financial markets, including markets of the Euro-Mediterranean region,
 - a large number of bankrupt banks and financial institutions, including some insurance companies, resulting in the disappearance of some of these institutions and the integration of others, with governments having to pump in large amounts of liquidity to cover their financial positions,
 - a decline in energy demand and lower oil and gas prices globally,
 - an end to inflation and a decline in the price of many commodities,
- C. noting the initiative of countries and regional and international groupings to take a number of different measures to address the crisis and limit its negative repercussions, particularly the adoption of financial rescue plans, developing policies to stimulate domestic demand, increase investment, ensure deposits in banking institutions, reduce the interest rate to stimulate the local market and take protective action to protect domestic industries,
- D. emphasizing that the main causes of the global financial crisis are multiple and interrelated, such as: macroeconomic causes; ample liquidity and low interest rates, regulators and lack of transparency, credit rating agencies: dramatic failures in the ratings of structured products, major conflicts of interests, excessive speculation and corporate governance; weak shareholders and management of firms, regulatory/supervisory; wrong incentives and lack of regulation of derivatives markets,
- E. recognizing that the financial crisis has shown just how interdependent the world has become; considers that the scale and speed at which a loss of confidence in one part of the world affects financial markets and spills over to real economies worldwide, is

rightly a matter of concern,

- F. emphasizing that Euro-Med countries cannot help growth unless they work together; taking the view that, having confidence in the importance of expediting the implementation of the priority projects determined by the Heads of States and governments in the Paris Declaration and the establishment of the Union for the Mediterranean, as one of the mechanisms to overcome or reduce the negative effects of the global economic crisis, it is necessary to continue to follow up the progress made in implementing these projects,
- G. whereas the hardships posed by the crisis are therefore not entirely negative, since recession gives us an opportunity to retool our economy and corporations and the crisis provides governments with a unique opportunity to funnel public funds into developing green technologies and alternative energy,
- H. whereas economic and social development represents one of the main objectives of the Union for the Mediterranean and whereas the Facility for Euro-Mediterranean Investment and Partnership (FEMIP) was especially created to boost this development by means of loans and equity participation,
- I. whereas the decision to transform FEMIP into a EuroMediterranean Development Bank should be urgently implemented, since it would be a crucial instrument to boost microfinance in the region,
- J. whereas strengthening the private sector is one of FEMIP's main objectives, and great importance is attached to microfinance, in which context FEMIP launched a study (May 2008) which concludes that in the Mediterranean region, out of a potential market of 40 million beneficiaries of microfinance, only 9 million are currently receiving support from the different operators in the sector,

- K. whereas very high levels of unemployment exist in the region with particular relevance in the southern Mediterranean partner countries and there are scenarios of a severe increase in these figures over the next few years,
- L. whereas there is also substantial demand for microcredit in the EU Member States and difficulties in accessing appropriate forms of finance are generally recognised as a barrier to entrepreneurship; and whereas microcredit triggers higher operational costs caused by the small size of loans,
- M. whereas the microcredit business has innovative and subjective elements in granting or evaluating loans and is often granted not only for profit-making but also for serving the purpose of cohesion, aiming at reintegrating disadvantaged people into society,
- N. whereas the providers of microcredit, the micro-finance institutions (MFI), may be informal financial services providers, or member-owned organisations, NGOs or even savings and commercial banks,
- O. whereas at the meeting of 7 October 2008 of ECOFIN Ministers of the "Barcelona Process: Union for the Mediterranean", organized in conjunction with the ministerial meeting of the Euro-Mediterranean Investment and Partnership, the main objectives were to identify the actions likely to stimulate growth of the Euro-Mediterranean zone and the focus was put on specific projects which seek better to respond to the financing needs of Mediterranean small and medium-sized enterprises (SMEs) to ensure their growth; and whereas under the current financial crisis supporting the institutions that reach real economy and concentrate on local development is increasingly important,
- P. whereas at European level, at the beginning of September 2008, the European Commission and the EIB Group launched a new facility named JASMINE (Joint Action to Support Micro-Finance Institutions

in Europe) within the JEREMIE Facility having as its purpose to help Micro-Finance Institutions consolidate and adopt best practices in their set-up, their management and their operating mode so as to attain the quality standard requested to become credible on financial markets,

- Q. whereas poverty eradication, implementation of the MDGs, and an improvement in aid can succeed if concrete action is taken to combat inequalities between men and women,
- R. whereas the growing role and importance of tourism as an economic activity in the Mediterranean region can be seen in terms of its contribution to the GDP of these states in the region with the effect of increasing the development of Mediterranean societies and contributing to social stability not least by providing more job opportunities and better prospects for the growing and young Mediterranean labour force,
- S. whereas tourism is currently going through a difficult phase due to the global financial crisis and the economic recession with the result that governments need to take immediate action to forestall short-term negative effects without resorting to 'palliative' measures that could have a lasting negative effect; and whereas tourism has gone through a rapid expansion in the last decade and in the next decade there is a need to increase the Mediterranean region's share in the market without further straining the region's delicate environment,
- T. whereas many of the challenges being faced by the Mediterranean region in the areas of climate change and the environment can only be overcome by a concerted effort involving all the states concerned as well as non-state actors in the region, notably through the 'Union for the Mediterranean' (UfM) which provides a new impetus for engagement and concrete projects in the region from which the tourism industry may benefit,

- U. whereas the tourism sector would greatly benefit from a greater role of civil society and stakeholders, in particular, national tourist organisations, stakeholder associations and unions as well as bodies involved in the tourism industry in order to enable them to contribute to determining the problems and obstacles they are facing and also to study solutions they propose,
- V. whereas there is a need to identify and invest in niche tourism and innovative tourism where the Mediterranean region has a comparative advantage in order to reap the benefits of specialisation and reduce negative consequences of seasonality of demand,
- X. whereas good and efficient infrastructure in the Mediterranean countries which does not further strain the environment is essential for the sustainable growth of the tourism industry,
- Y. whereas global warming poses a grave challenge to the Mediterranean region in particular because of the increase in the temperature of the region, the decrease in rainfall, higher sea levels, access to and supply of water and other harmful effects on Mediterranean bio-diversity,
- Z. whereas there is a need to step up the protection of the Mediterranean Sea from pollution and to protect fish stocks, natural habitats, coastlines, rivers, biodiversity, the rural environment and sites of cultural and archaeological importance since environmental degradation erodes the very resources on which the tourism sector depends; and whereas the good state of the natural and urban environment of a country is crucial to create the pleasant environment which tourists seek.

The Mediterranean Response to the Global Financial crisis

1. Calls for the regulation and restriction of the scope of activities of the so-called 'tax havens' and stresses that facing the economic crisis impact requires solidarity between regions and countries and coordination in international and regional policies and systems; notes that the 'Union for the Mediterranean' will help bring together and integrate economic spaces - geographically close, but different in their economic and humanitarian origins - so that it can serve as the basic pillar of a much wider regional area;
2. Emphasizes the need for close coordination between the two shores of the Mediterranean, giving greater flexibility in assisting southern Mediterranean countries to support the sectors at risk and in need of support;
3. Calls for developing a coherent regulatory framework related to the crisis management in the Euro-Mediterranean region by adopting an effective early warning system; calls also for the establishment of a Euro-Mediterranean Insurance and Export Credit Authority;
4. Notes that establishing a 'common Euro-Mediterranean economic area' requires, in the medium term, the integration of the southern economies in the Lisbon Strategy, by extending certain sectoral policies, implemented by the European Union, related to research, development, economy and knowledge, to the Mediterranean countries;
5. Stresses the importance of the 'Invest in the Mediterranean' concept between the European Commission, and the Euro-Mediterranean organizations and initiatives with the purpose of boosting the size and quality of the Euro-Mediterranean investment and trade, building sustainable businesses, and contributing to the sustainable economic development of the region; urges the development of a marketing plan for available investment opportunities, based on the various roles of

governments, and private and public businesses;

6. Emphasizes the importance of speeding up the implementation of the infrastructure projects under the Euro-Med framework, as one of the mechanisms needed to encourage investments in the Mediterranean and to achieve post-crisis takeoff;
7. Calls, in the area of scientific research, for the establishment of a Euro-Mediterranean area of research as a fundamental pillar to encourage innovation economy in the Mediterranean. In this case, the Union for the Mediterranean will encourage the establishment of effective centres of excellence and technology programs through partnerships involving companies;
8. Calls for support to be given to the Mediterranean countries, as the EU in 2007 continued to be the largest donor of Overseas Development Assistance (ODA) - and will reaffirm its commitment to arriving at ODA target levels of 0.56% of GNP by 2010 and 0.7% by 2015; invites also other donors to continue to work towards these goals;
9. Stresses the need for legislation coordination in the partner countries of the Union for the Mediterranean, especially in the priority sectors for investment; underlines the importance of a free trade area and draws the attention on the dangers of protectionism. Considers moreover that the excessive differences in workers' conditions and in the respect of the environment can encourage protectionist trends;
10. Calls for keeping world trade moving, as protectionism could drag us 20 to 30 years backward; calls for speeding up trade negotiations in the framework of WTO agreements in Doha Round, on the basis of equal opportunities between the developed, emerging and developing countries, particularly in regard to the agricultural sector;
11. Insists that the globalization of the financial system must be based on the globalization of the financial control. This requires reconsidering

internal policies to develop more effective policies to deal with the risks not to avoid them;

12. Affirms the importance of accountability and responsibility as key factors for the world financial system. The most important principles are reform of credit rating agencies, whose ratings are used for regulatory purposes and the regulation of all those involved in financial industry;
13. Calls for strengthening the effectiveness and legitimacy of the IFIs to enhance their governance and to reflect changes in the world economy. Emerging and developing economies, including the poorest, should have greater voice and representation and the next review of IMF quotas should be concluded by January 2011. The package of quota and voice measures decided in April 2008 should be swiftly implemented. World Bank reforms should be completed by the Spring Meetings 2010. The heads of the IFIs should be appointed through open, merit-based selection processes;
14. Stresses that supporting the Mediterranean Solar Plan requires taking into consideration the extensive experience that the EIB has gained in Europe through financing for solar energy technologies and more broadly in the fields of renewable energies and energy efficiencies, FEMIP has offered to play a key role, in close cooperation with the relevant actors involved, in the several investment-programmes and projects which are due to be implemented in the Mediterranean region in the years ahead;

The Social and Economic Impact of microfinance on the Mediterranean region

15. Welcomes the proposal of the Paris Summit of the Barcelona Process: Union for the Mediterranean regarding the Mediterranean Business Development Initiative; supports its objectives of assisting the existing entities in partner countries operating in support of micro, small and medium-sized enterprises by assessing the needs of these

enterprises, defining policy solutions and providing these entities with resources in the form of technical assistance and financial instruments. As the Initiative is based on the principle of co-ownership and contributions by countries from both sides of the Mediterranean that will be made on a voluntary basis, urges the largest possible participation of the Euro-Mediterranean countries to this initiative;

16. Underlines the importance of coordinating the different policy measures, as well as ensuring the optimal use of the best practices in and outside the EU and therefore reiterates the request of the European Parliament made in its resolution of 11 July 2007 addressed to the European Commission to draw up an action plan for micro-financing;
17. Stresses that as the microenterprises and the SMEs represent the vast majority of productive activity in the Euro-Mediterranean region, its competitiveness and its ability to globalize depends on the capacity of these companies to expand and innovate. In this context, setting up suitable financial instruments in connection with the local financial systems is one of the ways to take up the challenge of growth in the Mediterranean;
18. Welcomes the establishment of the Microfinance Facility, under FEMIP, to which 10 m EUR were allocated in 2007 and calls for an increase of this fund, according to successes obtained in supporting microfinance institutions from Southern Mediterranean partner countries; supports the FEMIP strategy of targeting very high value-added, small-scale operations, particularly by fostering the creation of properly managed microfinance institutions or by helping existing institutions to integrate fully into the local financial sector. It aims to involve the banking and financial sector to a greater extent in microfinance in order to increase awareness of the economic and social benefits of microfinance and develop it throughout the region;
19. Recommends that the ECOFIN Ministers of the "Barcelona Process: Union for the Mediterranean" earmark part of the money addressed to

the Financial Institutions after the worldwide financial crisis to Microcredit and small loans;

20. Encourages JASMINE efforts in supporting Micro-Finance Institutions in Europe and its work towards elaboration of a code of good conduct, to re-establish trust, and ask the European bodies - the European Investment Bank, the European Parliament and the Commission - involved in the facility, together with private banks and other bodies concerned and in cooperation with specialised bodies from the Southern Mediterranean countries, to analyse the possibility of extending JASMINE in the Euro-Mediterranean region, as part of the efforts of creating regional integration networks;
21. Recommends that the Special Centres promoted by the EU (already in place in several countries outside the EU) to help and support migrants applying to come to the EU, could have their purpose extended in terms of instruments and support to include self-employment and access to microcredit, for those arriving there, in their national countries;
22. Stresses that concerted efforts in support of increased access to microfinance and a proper regulation of the sector will contribute to improving the institutional framework for self-employment and micro-enterprises; it also strengthens the view that this way we can design solutions to enable unemployed people and welfare recipients, with a special attention granted to women, to make transitions into the productive sector, with clear effects on poverty reduction and empowerment, and for achieving the MDGs in an open consultative process involving all governments and social partners acting at local, regional, national and international level;
23. Suggests that a Joint Microcredit Association be created to certify the credibility of projects;
24. Proposes the creation of a programme dedicated to micro-credit in Euro-Mediterranean universities;

25. Suggests the development of the professional skills of beneficiaries and users of micro credit through education courses funded by the EU (e.g. MEDA), which aim to equip participants with adequate management tools to increase the competitiveness of SMEs;
26. Encourages the Mediterranean basin countries to structure the provision of micro-credit through the creation of a risk centre in every country. This centre would allow operators to control the risk of insolvency, and also to exchange information on beneficiaries and projects funded;
27. Recommends the creation of a guarantee fund for micro-credit. This fund should encourage bank operators to provide more micro credits and expand the list of beneficiaries;
28. Envisages the possibility to remunerate the projects initiated by the micro credit for motivating the beneficiaries, and also giving them access to a decent standard of living;
29. Recommends that Euro-Med countries provide the activities of the micro finance with a business incubator per region. Such an incubator will receive in its premises these small entities and give them all the necessary support and consultation regarding management, accounting methods, payrolls, etc.;
30. Stresses that micro-finance must be involved in a mechanism for sustainable development by designing a charter of conduct so that the beneficiaries would respect and uphold the values of (environment, ethics, and others);
31. Proposes the organization of an annual event for Euro-Mediterranean micro finance. Such an event could serve as a forum for exchange, study, reflection and recommendations to sustain the development of micro credit;

32. Recommends the enhancement of efforts with a view to improve the security situation and to achieve a lasting cessation of violence to the Palestinian Territories, as a necessary condition to economic development, especially to microfinance projects and small businesses, which could not be realized without the possibility to exercise the right of access and movement;

The Development of Sustainable Tourism in the Mediterranean Region

33. Calls on the Member States of the Union for the Mediterranean (UfM) to embark without further delay on the implementation of the key initiatives agreed in 2008 in the Paris Declaration as part of the action plan for the UfM, namely prioritising with regard to the initiative envisaging the de-pollution of the Mediterranean, as well as the initiatives of the maritime and land highways as a means to improve infrastructure for the sustainable growth of the tourism industry and also the Mediterranean Solar Plan as a means to increase access to alternative energy, since all these initiatives may be greatly beneficial for the tourism industry in the region;
34. Urges the Member States of the UfM to set up a body, even within the framework of the UfM, which would promote sustainable tourism in the Mediterranean region, serve to coordinate the marketing of the region as a whole, especially in new markets, and also act as a forum which brings stakeholders together to discuss common problems and exchange best practices and ideas;
35. Calls on the Member States of the UfM to intensify their efforts in exploring niche markets in the industry, such as the cruise liner industry, environmental, agricultural tourism or cultural tourism, and other innovative touristic markets, such as ecumenical tourism, whereby their respective countries would enjoy a comparative advantage, and ensure that these markets are developed in a sustainable manner and offered as good value for money for tourists,

36. Calls on the Member States of the UfM to take urgent measures, notably through increased investment in public infrastructure to address environmental degradation, notably that linked to the tourism industry and which may result from it, in order to avoid a situation whereby the growth of tourism undermines the very resources on which it depends. In particular, historical, cultural and natural resources ought to be protected more, particularly against encroaching urbanisation and the negative effects of increasing the number of visitors to sites, whereas synergies with other economic activities, such as agriculture, should also be encouraged; calls on Member States of the UfM to also further support operators in small-scale private initiatives intended to address their needs for waste recycling, water treatment, water efficiency, energy and investment in alternative energy sources;
37. Calls on the Member States of the UfM to increase investment in human resource development in the tourism sector and thereby further improve the managerial, linguistic and technical skills of operators and employees in the sector and in particular support educational initiatives on the importance of sustainable tourism and on the sustainable practices that the tourism industry in the region should apply;
38. Calls for the dissemination of tourism awareness through all means of visual and print media, with the purpose of disseminating proper conduct in conformity with tourism attracting requirements, good reception of tourists, preserving the environment and hygiene in tourist areas;
39. Urges the Mediterranean governments to consider tourism as an export industry, hence, granting it the required incentives. They should also regard it as a safe and environment-friendly industry, which serves the economies of Mediterranean countries;
40. Emphasises the importance of promoting tourism to the West Bank including East Jerusalem as well as Gaza by easing the control of the borders, blockades, closures and the complex security measures;

41. Upholds tourist development fully supporting political and social resolutions adopted by international organization and the governments of these countries for implementing sustainable tourism;
42. Emphasizes the importance of the civil community as a partner in tourist development in the Mediterranean countries. This will expand the scope of employment, giving more opportunities to private enterprises.

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