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Proposal for a

REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL

establishing a European Neighbourhood Instrument

{SEC(2011) 1466 final}

{SEC(2011) 1467 final}

EXPLANATORY MEMORANDUM

1. CONTEXT OF THE PROPOSAL

General context

Article 8 of the Treaty on European Union (TEU) provides for the European Union (EU) to develop a special relationship with neighbouring countries, with the aim of establishing an area of prosperity and good neighbourliness at the EU's borders. The European Neighbourhood Policy (ENP) was developed in 2004 and covers 16 partners to the East and South of the EU's borders, namely Algeria, Armenia, Azerbaijan, Belarus, Egypt, Georgia, Israel, Jordan, Lebanon, Libya, the Republic of Moldova, Morocco, the occupied Palestinian territory, Syria, Tunisia and Ukraine. Under the ENP the EU offers its neighbours a privileged relationship, building upon a mutual commitment to values and principles such as democracy and human rights, the rule of law, good governance, market economy principles and sustainable development, including climate action. The policy also provides for political association and deeper economic integration, increased mobility and enhanced people-to-people contacts. The ENP is funded by a dedicated Instrument, the European Neighbourhood and Partnership Instrument (ENPI), which covers the 16 above-mentioned partner countries and Russia.

Reasons for and objectives of the proposal

A number of major developments have taken place since the launch of the ENP and the ENPI.

Changes to the EU's relationship with its neighbours and developments since the ENP was set up have been analysed and assessed as part of the ENP Strategic Review. As a result, a new ENP vision has been developed as outlined in the Joint Communication of the High Representative of the EU for Foreign Affairs and Security Policy and the European Commission 'A new response to a changing Neighbourhood', adopted on 25 May 2011 and the Council conclusions adopted on 20 June 2011. The new approach calls notably for greater support to partners committed to building democratic societies and undertaking reforms, in line with the "more for more" and "mutual accountability" principles, and provides the strategic policy framework for the EU relations with the neighbours.

Although the ENPI has been widely recognized as a successful Instrument to accompany the EU's policy towards its neighbours, the ENP policy review and other assessments, lessons learned and public consultations have all identified a number of issues to tackle in the future by adapting the Instrument to make the EU's response even more effective, in particular:

- Application of the "more for more" principle: This principle is the key aspect of the renewed Neighbourhood Policy. It provides for a much higher level of differentiation among partners, in line with their commitment to the jointly agreed values and objectives, and notably to the partnership with EU focussed on democracy and shared prosperity. Financial incentives for the most ambitious reformers are an important aspect of the new approach. As a policy-driven Instrument, the future European Neighbourhood Instrument (ENI) should reflect this key principle, especially for programming and allocating support to the partners.

- Complexity and length of the programming process: The current programming process includes a number of broad consultations and many other procedural steps, and takes on average 18 months. The length of the programming process undermines the relevance of assistance. The scope of the programming documents (Country Strategy Papers) under the ENPI follows the format used for development cooperation, which means making an extensive analysis of the situation in a given country and increasing the length of the process. For Neighbourhood countries, however, the reality is different and the country analysis for most partners (countries that have concluded an Action Plan or an equivalent set of joint objectives with the EU) is described annually in dedicated Progress Reports, which make the general part of the Country Strategy Paper redundant. There is therefore both the need and the scope to streamline, shorten and better focus the programming process.
- Scope of the Instrument: The scope of the ENPI as defined currently refers to the implementation of partnership and cooperation agreements, association agreements or other relevant agreements, promotion of good governance and equitable social and economic development. It also includes a very broad list of 29 thematic areas of cooperation referred to in a detailed manner and on an equal footing, which makes it very hard to ascertain the core objectives and the focus of the ENP. The programming reflects this broad-based approach and in a number of cases coherence between the policy and cooperation has been a challenge. The future legislative proposal for the ENI will help to better streamline the scope of the Instrument and strengthen links with relevant internal policies, while maintaining its current flexibility.
- Partly outdated implementation provisions and lack of coherence between the external instruments: The implementation section of the current ENPI Regulation is outdated in some parts and therefore no longer adequately reflects the way assistance in the Neighbourhood is implemented. There is also a lack of coherence between the implementation provisions of the ENPI and other external action instruments. Flexibility mechanisms can be improved to match the new policy context. In order to address these points and to achieve further harmonization and simplification, a separate horizontal framework regulation comprising all general and recurring provisions has been developed. This new horizontal regulation also covers the ENI implementation specificities. This will allow for updating the implementation provisions and address the lack of coherence between the external instruments. Moreover, the new horizontal regulation will contribute to an increased clarity of rules, efficiency and coherence of the Union action.
- Cross-Border Cooperation (CBC) provisions: The Cross-Border Cooperation has been a distinct feature of the relationship between the EU, ENP partners and Russia leading to implementation of joint initiatives with a common set of rules on both sides of the EU's borders. The system is functioning relatively well, but consultations with stakeholders identified the need for some changes having an impact on the Regulation. These include extending geographical eligibility to encompass the important economic, social and cultural centres relevant to the proper functioning of the programmes; full application of 'shared management', involving Member States as signatories of Financing Agreements; specific rules for co-financing by partner countries and the specific status of Russia. Far-reaching changes

will need to be made to the Commission Regulation laying down the CBC Implementing Rules, mainly with regard to management methods.

- Linkages with internal instruments/policies: The ENP provides for a gradual political association and progressive economic integration of the partners with the EU. EU internal policies and market economy principles are key references in this process. For Neighbourhood countries, a number of initiatives have a transboundary aspect which so far has been addressed only to a very limited extent. The notable exception is the Cross-Border Cooperation that allows for addressing common challenges and objectives through a single set of rules and through pooling resources from both the internal and external funding sources of the EU budget. In other areas, such as infrastructure, energy¹, transport², SME³ development and industrial cooperation including tourism, ICT⁴, employment and social policy⁵, migration and security, judiciary, fight against drugs, higher education, culture, research and innovation⁶, environment, climate action⁷, disaster resilience and cooperation on maritime affairs, there is scope to strengthen the links between internal policies and instruments and the ENP and the European Neighbourhood Instrument. In this respect, the ENI Regulation will promote complementarity, coherence and mainstreaming of EU priority policy areas, in accordance with the Europe 2020 Strategy, while remaining focussed on the main ENP objectives. The ENP gives partners the option to participate in EU agencies and programmes. The issue of long-term financing of ENP partners' participation in EU agencies and programmes needs to be adequately addressed through, in relevant cases, a financial contribution from the ENI, including the establishment of appropriate, sustainable delivery mechanisms.
- Evolving relationship with Russia: Russia is the only beneficiary of the ENPI that is not covered by the ENP. As all other countries, Russia is entitled to benefit from both the bilateral, multi-country and cross-border ENPI funding. However, given the significant improvements in Russia's fiscal position, there is less need for large volumes of financial assistance. Russia aspires to a relation of equals and has become a donor itself. As a result, in the period 2007-2013 the country received only marginal allocations under the bilateral envelope of the ENPI. Cooperation within the framework of multi-country programmes continues and follows the principle of co-financing by the EU and Russia. Most notably, Russia is co-financing CBC programmes. This reflects the changing position of Russia as a strategic partner where co-financed projects should be in both sides' interest.

The future European Neighbourhood Instrument should be aligned to the new ENP vision and address the specific challenges and issues as identified above.

¹ On security of energy supply and international co-operation the Commission presented a Communication: "The EU Energy Policy: Engaging with Partners beyond our borders", COM(2011) 539 of 7.September 2011

² in the field of transport cooperation the Commission presented a Communication: "The EU and its neighbouring regions: A renewed approach to transport cooperation", COM (2011) 415 of 7 July 2011
³ Small and Medium Enterprise

⁴ Information and Communication Technologies
⁵ including promotion of the Decent work agenda

⁶ including development of a Common Knowledge and Innovation Space

⁷ The EU should promote and support effectively in its Neighbourhood climate action for a more climate resilient and carbon efficient development

2. RESULTS OF CONSULTATIONS WITH INTERESTED PARTIES AND IMPACT ASSESSMENTS

Consultations with interested parties

The legislative proposal on the European Neighbourhood Instrument is based on a broad consultation process. The process involved a public consultation on external funding carried out for all EU external action instruments and specific consultations held as part of the Strategic Review of the European Neighbourhood Policy and on the Cross-Border Cooperation. Consultations were also held on the future of EU development policy.

Public Consultation on funding for EU external action

The Commission held a public consultation on future funding for EU external action between 26 November 2010 and 31 January 2011. This process was based on an online questionnaire accompanied by a background paper entitled ‘What funding for EU external action after 2013?’ prepared by the Commission and the European External Action Service (EEAS). The 220 contributions received in response to this public consultation reflect a broad and diverse spectrum representing the multitude of structures, views and traditions found in the external action community.

Most respondents confirmed that EU financial support provides substantial added value in the main policy areas funded by EU financial instruments for external action⁸. The criterion of EU added value was given by many respondents as the main driver for the future: the EU should leverage its comparative advantage linked to its global field presence, its wide-ranging expertise, its supranational nature, its role as facilitator of coordination and the economies of scale.

Nearly all respondents supported a more differentiated approach tailored to the situation of the beneficiaries and based on sound criteria to increase the impact of EU financial instruments. There was also wide support for conditionality based on the respect for human rights, minorities, good governance and diversity of cultural expressions, or on the quality of beneficiaries’ policies and their ability and willingness to implement them.

Consultations in the context of ENP Strategic Review

The European External Action Service held specific consultations with representatives of EU Member States and ENP partner countries as part of the Strategic Review of the policy, launched in July 2010. The consultations tackled financing of the ENP, notably under the European Neighbourhood and Partnership Instrument, and issues of the long-term ENP vision and medium-term policy objectives.

The consultations revealed that the ENPI was seen as a step change in the way EU assistance was delivered. However, they also identified the need for further refinement. Many Member States underlined the importance of improved coherence between the policy and financial assistance provided by the Instrument. Several respondents highlighted that allocations should

⁸ i.e. peace and security, poverty reduction, humanitarian aid, investing in stability and growth in enlargement and neighbourhood countries, tackling global challenges, promoting EU and international standards and values, and supporting growth and competitiveness abroad.

be based on performance. Many stressed the importance of making financial support faster, more efficient and more flexible in responding to emerging needs.

Partner countries underlined the need to accompany economic integration, market opening and regulatory convergence with appropriate financial support. They also emphasised the importance of promoting foreign investment.

Stakeholder consultations on Cross-Border Cooperation

Specific consultations on CBC were organised with all stakeholders. The process was launched during a CBC Conference in Brussels in February 2011, and stakeholders were consulted on the future regulatory framework (including on the CBC Implementing Rules) on the basis of a questionnaire circulated in May/June 2011. The results reflect the need to adapt some provisions to improve the efficiency of the CBC. The aim of the suggested changes is to better reflect integration between EU foreign policy priorities with the EU Cohesion Policy, especially by further aligning the CBC on external EU borders to the European Territorial Cooperation (ETC) rules. Further consultative meetings took place on 20 September 2011 with Member States in Brussels and with all stakeholders in Budapest on 18-19 October 2011.

Public consultations on “EU development policy”

In addition, the Commission published a Green Paper entitled ‘EU development policy in support of inclusive growth and sustainable development’ and held a public consultation from 15 November 2010 to 17 January 2011. Many respondents underlined that ODA⁹ constitutes only a fraction of funding for development, to be seen as a complement to domestically mobilised resources, foreign investments, trade and remittances. A request was made for greater coherence in EU development policy, especially with regards to middle-income countries. While joint programming of assistance was endorsed in principle, it should be introduced gradually starting with countries where it would yield demonstrable added value.

The proposal on the European Neighbourhood Instrument is based to a large extent on the results of these consultations. The main aspects that have been integrated in the revised instrument include differentiation and performance-based allocations, new approach related to programming and improving the coherence of the policy with assistance, amending Cross-Border Cooperation rules and provisions to improve the efficiency and flexibility of support.

Impact assessment

A specific impact assessment for the future ENI was prepared jointly by the European External Action Service and the European Commission.

The impact assessment reviewed the following four options:

- **Option 0: ‘No EU action’.** The EU stops providing financial support through a dedicated Instrument for Neighbourhood countries;
- **Option 1: ‘No change’.** Cooperation with the countries concerned remains strictly in the framework of the existing ENPI Regulation;

⁹ Official Development Aid

- **Option 2: ‘Adapting the current set-up’.** The future legislative proposal should be based on the current ENPI Regulation with a number of substantial amendments, responding to the new policy context and specific objectives. Under this Option there are a number of sub-options referring to: the differentiation principle; the programming process; scope of the Instrument and coherence between policy and assistance; Cross-Border Cooperation rules; implementation provision, notably to allow for greater flexibility; linkages with internal policies and instruments and geographic scope of the ENI.
- **Option 3: ‘Tabling a completely new Instrument’** with a different geographic scope and focussing on objectives broader than or different from those of the ENP.

In terms of the likely economic, social, environmental and other impacts of each of the options, the following has been acknowledged:

- Discontinuing EU action (Option 0) would substantially reduce and undermine the sustainability of impacts achieved so far. It would also negatively affect overall EU relations with ENP partners.
- No change of the current Instrument (Option 1) would lead to a number of positive economic, social and environmental impacts in partner countries;
- Amending the Instrument (Option 2) would enhance the positive economic, social and environmental impacts achieved under the current set-up and should yield an even more positive impact on governance, notably by applying the “more for more” principle.
- Tabling a completely new Instrument (Option 3) would have negative impacts notably on the coherence of EU action with the ENP objectives, and would undermine the EU’s credibility in the region.

Based on the analysis and weighting of the different impacts (global, economic, social, environmental), Options 0 and Option 3 were rejected as non-viable options that would yield positive impacts and help meet ENP objectives. Option 2 would have the highest potential to yield a positive impact and to adapt the current cooperation framework to the new policy context, ENP objectives and challenges identified through evaluations and lessons learned. Option 1 would be the second-best option to maintain current positive impacts, without however providing for meeting the objectives of the new ENP nor address the challenges and specific problems identified under the current set-up.

The preferred option is therefore Option 2.

3. LEGAL ASPECTS OF THE PROPOSAL

Article 8 of the TEU provides the general thrust and the basis for the ENP. The legal base for the financing Instrument to support the ENP, the future European Neighbourhood Instrument, is **Article 209(1) TFEU¹⁰** and **Article 212(2) TFEU**.

¹⁰ Treaty on the Functioning of the European Union

Subsidiarity

In terms of subsidiarity, action at EU level brings essential added value, linked to a number of factors:

- In Neighbourhood countries where alignment to EU rules and standards, guidelines and measures is one of the key policy objectives, the EU is best placed to provide assistance. Certain specific support can only be provided at EU level, such as promoting economic integration with the EU internal market, access to the Schengen space or participation in EU programmes. Thus the EU is the leading cooperation partner in most ENP countries, a role widely recognised by Member States, international financial institutions and other donors. Helping EU neighbours to align with EU policies, rules and standards is a key driver for reforms in the ENP partner countries.
- With 27 Member States acting within common policies and strategies, the EU alone has the critical weight to respond to global challenges. Action at national level can be limited and fragmented, as projects are often too small to make a sustainable difference. Streamlining the work of Member States through the EU improves the coordination and effectiveness of EU action.
- At a time of budgetary restrictions, when several Member States have chosen to exit entire sectors of cooperation and withdraw their support from certain countries, the EU is able to play an active role in promoting democracy, peace, stability, prosperity and poverty reduction in its Neighbourhood. In this context, it makes more sense than ever from a purely economic perspective to channel aid at EU level where a real difference can be made. Working with the EU is also cheaper. Administrative costs are lower than the average administrative costs of the principal donors for bilateral aid.

4. BUDGETARY IMPLICATIONS

The level of funding from the EU budget for the new ENI should reflect adequately the ambitions of the revised European Neighbourhood Policy.

Thus, the European Commission in its Communication of 29 June 2011 entitled “A Budget for Europe 2020” proposed allocating to the ENI €18 182 300 000 (current prices) for the period 2014-2020.

To ensure its predictability, funding for higher education activities in third countries in the context of "Erasmus for All" programme will be made available, in line with EU external action objectives, through 2 multi annual allocations only covering the first 4 years and the remaining 3 years respectively. This funding will be reflected in the multiannual indicative programming of the ENI, in line with the identified needs and priorities of the countries concerned. The allocations can be revised in case of major unforeseen circumstances or important political changes in line with the EU external priorities. The provisions of the

"Erasmus for All" Regulation (EU) No [--] of the European Parliament and of the Council establishing "Erasmus for All"¹¹ will apply to the use of those funds.

A detailed estimated financial impact of the proposal is set out in the separate ENI Legislative Financial Statement.

5. MAIN ELEMENTS

Detailed explanation of specific provisions of the proposal

The key elements of the proposal (as compared to the current set-up) and their rationale are the following:

- Apply the principle of “more for more” and mutual accountability in line with the new vision of the ENP, notably through specific provisions on differentiation for financial allocations and for the programming process, as required;
- Address the complexity and length of the programming process in order to streamline, shorten and better focus the process, especially for ENP partners that have jointly agreed with the EU strategic priorities in Action Plans or equivalent documents;
- Streamline the scope of the Instrument, striking a balance between flexibility of the Instrument and focus on the policy objectives and key areas of cooperation;
- Adapt the implementation provisions and improve coherence between the external instruments;
- Improve the provisions on the Cross-Border Cooperation to facilitate effective and fast implementation of the programmes;
- Promote closer links with EU internal instruments and policies, including by stepping up cooperation with the Commission at the programming stage and, where relevant, promote mechanisms to pool funds from internal and external headings of the EU budget;
- Respond to the evolving relationship with Russia by amending provisions on Russia’s eligibility for ENI funding to reflect the specific status of Russia as an EU neighbour and strategic partner.

Simplification

The proposal for the ENI includes provisions to simplify the instrument in a number of aspects. The scope of the Instrument has been streamlined by bringing down the 29 thematic areas that feature in the current ENPI Regulation to six specific objectives. A new, simplified programming tool for most of the neighbouring countries (Single Support Framework) has been introduced. This new programming document will be shorter than the Strategy Papers and Multiannual Indicative Programmes, will prevent duplication of information contained in

¹¹ OJ L ...

the legal/political documents that underpin EU relations with its neighbours, and should help shorten the programming process, therefore reducing administrative costs. The new article that allows funds from the ENI and the relevant internal Heading of the EU budget to be pooled with a single set of rules for measures addressing notably cross-border challenges will substantially improve efficiency and reduce the administrative costs of implementing such measures.

A priority for the Commission in this new Regulation, as it is for other programmes in the context of the Multiannual Financial Framework (MFF), is to simplify the regulatory environment and improve access of EU assistance to partner countries and regions, civil society organisations, SMEs, etc., provided that they pursue the objectives of the Regulation.

To implement the new ENI Regulation, simplified and flexible procedures should lead to swifter adoption of implementing measures and swifter delivery of EU assistance, in particular in situations of crises or threats to democracy, the rule of law, human rights and fundamental freedoms, or natural or man-made disasters. Revision of the Financial Regulation, which has particularly substantial provisions on external action, will also help facilitate the participation of civil society organisations and small businesses in funding programmes, for example by simplifying rules, reducing the costs of participation and accelerating award procedures. The Commission intends to implement this Regulation using the new flexible procedures provided for in the new Financial Regulation.

Furthermore additional simplification will also be achieved through the development of one horizontal framework regulation comprising all general and recurring provisions, providing for increased coherence between the external actions instruments.

Proposal for a

REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL
establishing a European Neighbourhood Instrument

THE EUROPEAN PARLIAMENT AND THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union, and in particular Article 209 (1) and 212 (2) thereof,

Having regard to the proposal from the Commission,

After transmission of the draft legislative act to the national Parliaments,

Having regard to the opinion of the European Economic and Social Committee¹²,

Having regard to the opinion of the Committee of the Regions¹³,

Acting in accordance with the ordinary legislative procedure,

Whereas:

- (1) This Regulation constitutes one of the instruments providing direct support for the European Union's external policies. It will replace the Regulation of the European Parliament and of the Council No 1638/2006 of 24 October 2006 laying down general provisions establishing a European Neighbourhood and Partnership Instrument¹⁴ which expires on 31 December 2013.
- (2) Article 8 of the Treaty on European Union provides for the development of a special relationship with neighbouring countries, with the aim of establishing an area of prosperity and good neighbourliness, founded on the values of the Union and characterised by close and peaceful relations based on cooperation.
- (3) The Union seeks to promote, develop and consolidate the values of liberty, democracy, respect for human rights and fundamental freedoms, principles of equality and the rule of law on which it is founded through dialogue and cooperation with third countries.

¹² OJ C , , p. .

¹³ OJ C , , p. .

¹⁴ OJ L 310, 9.November.2006, p. 1.

- (4) Since it was launched, the European Neighbourhood Policy has significantly strengthened relations with partner countries and brought tangible benefits to both the Union and its partners.
- (5) Under the European Neighbourhood Policy, the Union offers Neighbourhood countries a privileged relationship, building upon a mutual commitment to and promotion of the values of democracy and human rights, the rule of law, good governance and the principles of market economy and sustainable development.
- (6) Two main political initiatives have shaped the regional cooperation in the European Union's Neighbourhood: the Eastern Partnership between the Union and its Eastern neighbours, and the Union for the Mediterranean between the Union and its Southern Mediterranean neighbours. These initiatives are meaningful political frameworks for deepening relations with and among partner countries, based on principles of shared ownership and responsibility.
- (7) A number of major developments have taken place since the European Neighbourhood Policy was launched and the European Neighbourhood and Partnership Instrument was set up. These include a deepening of the relationship with the partners, the launch of regional initiatives and democratic transition processes in the region. This triggered a new European Neighbourhood Policy vision set out in 2011 as a result of a comprehensive Strategic Review of the Policy. It outlines key objectives for Union cooperation with Neighbourhood countries and provides for greater support to partners committed to building democratic societies and undertaking reforms, in line with the 'more for more' and 'mutual accountability' principles.
- (8) Support under this Instrument and the European Regional Development Fund should be provided for the Cross-Border Cooperation programmes along the external borders of the European Union between partner countries and Member States to promote integrated and sustainable regional development between neighbouring border regions and harmonious territorial integration across the Union and with neighbouring countries.
- (9) Furthermore, it is important to foster and facilitate cooperation for the common benefit of Union and its partners, notably through pooling of contributions from internal and external instruments of the Union budget, in particular for Cross-Border Cooperation, infrastructure projects of Union interest that will pass through Neighbourhood countries and other areas of cooperation.
- (10) Border regions that belong to countries of the European Economic Area (EEA) and the regions of the Russian Federation that are currently taking part in Cross-Border Cooperation programmes should be able to continue to do so. It is also important that the relevant regions in countries covered by the Instrument for Pre-accession Assistance are able to participate in CBC. Participation of the European Economic Area countries in the CBC programmes should continue to be based on their own resources.
- (11) It is expected that the EU Member States and Partner countries taking part in Cross Border Co-operation will provide national co-financing. This will strengthen country

ownership, increase the financial resources at the disposal of the programmes and facilitate the participation of local actors.

- (12) Cross-Border Co-operation will contribute as appropriate to the implementation of existing and future macro-regional strategies.
- (13) Support to be provided to neighbouring developing countries within the framework established by the European Neighbourhood Policy should be coherent with the objectives and principles of the Union's external policies and in particular its development policy, including the 'Joint Statement on a European Development Policy: the European Consensus', adopted by the Council and the representatives of the governments of the Member States meeting within the Council, the European Parliament and the Commission, on 22 December 2005.
- (14) The Joint EU – Africa Strategy is of relevance for relations with the Mediterranean neighbours from North Africa.
- (15) The Union and its Member States should improve the coherence and the complementarity of their respective policies on cooperation with neighbouring countries. To ensure that the Union's cooperation and that of the Member States complement and reinforce each other, it is appropriate to provide for joint programming which should be implemented whenever possible and relevant.
- (16) Union support under this Regulation should in principle be aligned to corresponding national, regional or local strategies and measures of partner countries.
- (17) In Neighbourhood countries where alignment to Union rules and standards is one of the key policy objectives, the Union is best placed to deliver this support. Certain specific support can only be provided at Union level.
- (18) Furthermore, since the objectives of this Regulation, namely to promote enhanced political cooperation and progressive economic integration between the European Union and neighbouring countries, cannot be sufficiently achieved by the Member States and can, by reason of the scale of the action, be better achieved at Union level, the Union may adopt measures, in accordance with the principle of subsidiarity as set out in Article 5 of the Treaty. In accordance with the principle of proportionality, as set out in that Article, this Regulation does not go beyond what is necessary in order to achieve those objectives.
- (19) European Union external support has increasing financing needs but the economic and budgetary situation of the Union limits the resources available for such support. The Commission must therefore seek the most efficient use of available resources by using financial instruments with leverage effect. Such effect could be increased by enabling the use and re-use of funds invested and generated by financial instruments.
- (20) Fighting climate change is one of the great challenges which the Union faces and urgent international action is needed. In accordance with the intent stated in the Commission June 2011 MFF Communication of increasing the climate related proportion of the Union budget to at least 20%, this Regulation should contribute to that goal.

- (21) Gender equality and anti-discrimination should be a cross-cutting objective in all actions undertaken under this Regulation.
- (22) The Union is committed to promote in relations with its partners worldwide decent work as well as ratification and effective implementation of the internationally recognised labour standards and multilateral environment agreements, in relations with its partners worldwide.
- (23) The financial interests of the European Union should be protected through proportionate measures throughout the expenditure cycle, including the prevention, detection and investigation of irregularities, the recovery of funds lost, wrongly paid or incorrectly used and, where appropriate, penalties. These measures will be carried out in accordance with the applicable agreements concluded with international organisations and third countries.
- (24) For the purpose of harmonising the terminology with the European Territorial Co-operation, the implementation documents for the Cross-Border Cooperation programmes should be called joint operational programmes.
- (25) In order for this Regulation to be able to reflect swiftly the results of political decisions made by the Council, the power to adopt acts in accordance with Article 290 of the Treaty on the Functioning of the European Union should be delegated to the Commission for updating the list of beneficiary countries in the Annex to this Regulation.
- (26) While Regulation (EU) No .../... of the European Parliament and of the Council of ...¹⁵ (hereinafter "the Common Implementing Regulation") establishes common rules and procedures for the implementation of the Union's instruments for external action, delegated powers to adopt acts in accordance with Article 290 of the Treaty of the Functioning of the European Union should be conferred to the Commission for adopting the specific implementing measures required for the Cross-Border Cooperation mechanisms established in Title III of this Regulation. It is of particular importance that the Commission should carry out appropriate consultations during its preparatory work, including at expert level. The Commission, when preparing and drawing-up delegated acts, should further ensure a simultaneous, timely and appropriate transmission of relevant documents to the European Parliament and Council.
- (27) In order to ensure uniform conditions for the implementation of this Regulation, implementing powers should be conferred on the Commission.
- (28) The implementing powers relating to Article 7(1) , (2), and (3) and to Article 9(1) should be exercised in accordance with Regulation (EU) No 182/2011 of the European Parliament and of the Council of 16 February 2011 laying down the rules and general principles concerning mechanisms for control by Member States of the Commission's exercise of implementing powers¹⁶. Taking into account the nature of those implementing acts, in particular their policy orientation nature or their financial

¹⁵ OJ L

¹⁶ OJ L 55, 28.2.2011, p.13.

implications, the examination procedure should in principle be used for their adoption, except for measures of a small financial scale.

- (29) The organisation and functioning of the European External Action Service are described in Council Decision 2010/427/EU.

HAVE ADOPTED THIS REGULATION:

Title I. OBJECTIVES AND PRINCIPLES

Article 1

Overall objective and scope

1. The Union aims to establish an area of prosperity and good neighbourliness involving the European Union and the countries and territories listed in the Annex to this Regulation (hereinafter ‘the partner countries’) by developing a special relationship.
2. Union support under this Regulation shall be used for the benefit of partner countries and can also be used for the common benefit of EU and partner countries.
3. Union funding may also be used for the purpose of enabling the Russian Federation to participate in Cross-Border Cooperation and in relevant multi-country programmes, to reflect the specific status of the Russian Federation as both a Union neighbour and a strategic partner in the region.

Article 2

Specific objectives of Union’s support

1. Support under this Regulation shall promote enhanced political cooperation and progressive economic integration between the Union and the partner countries and, in particular, the implementation of partnership and cooperation agreements, association agreements or other existing and future agreements, and jointly agreed action plans.
2. Union support should target in particular:
 - (a) promoting human rights and fundamental freedoms, the rule of law, principles of equality, establishing deep and sustainable democracy, promoting good governance and developing a thriving civil society including social partners;
 - (b) achieving progressive integration into the Union internal market and enhanced sector and cross-sectoral co-operation including through legislative approximation and regulatory convergence towards Union and other relevant international standards, related institution building and investments, notably in interconnections;

- (c) creating conditions for well managed mobility of people and promotion of people-to-people contacts;
 - (d) sustainable and inclusive development in all aspects, poverty reduction, including through private-sector development; promotion of internal economic, social and territorial cohesion, rural development, climate action and disaster resilience;
 - (e) promoting confidence building and other measures contributing to security and the prevention and settlement of conflicts;
 - (f) enhancing sub-regional, regional and Neighbourhood wide collaboration as well as Cross-Border Cooperation.
3. The achievement of these objectives shall be measured using notably the relevant EU periodic reports on the implementation of the policy, and for paragraphs 2(a), (d) and (e), the relevant indicators established by international organisations and other relevant bodies; for paragraphs 2(b), (c) and (d) the uptake of the EU regulatory framework by the partner countries as relevant; for paragraphs 2(c) and (f), the number of relevant agreements and cooperation actions. The indicators will include, among others, adequately monitored democratic elections, level of corruption, trade flows, indicators enabling measuring internal economic disparities, including employment levels.
4. Union support may also be used in other areas when this is consistent with the overall objectives of the European Neighbourhood Policy.

Article 3

Policy framework

1. The partnership and cooperation agreements, the association agreements and other existing or future agreements that establish a relationship with partner countries, corresponding Communications, Council conclusions and European Parliament Resolutions as well as relevant conclusions of ministerial meetings with the partner countries shall constitute the overall policy framework for programming and implementing Union support under this Regulation.
2. Jointly agreed action plans or other equivalent documents between the partner countries and the Union shall provide the key point of reference for setting the priorities for Union support.
3. Where no agreements, as mentioned in paragraph 1, between the Union and partner countries exist, Union support may be provided when it proves useful to pursue Union policy objectives, and shall be programmed on the basis of such objectives taking into account the needs of the country concerned.

Article 4

Differentiation, partnership and co-financing

1. Union support provided under this Regulation to each partner country shall be differentiated in form and amounts according to the partner country's commitment to reforms and its progress in implementing these reforms. Such differentiation shall reflect the level of ambition of the country's partnership with the Union, its progress in building deep and sustainable democracy, its progress in implementing agreed reform objectives, the country's needs and capacities, and the potential impact of Union support.
2. Union support under this Regulation shall, in principle, be established in partnership with the beneficiaries. The partnership shall involve as appropriate, national, regional and local authorities, other stakeholders, civil society, social partners and other non-state actors in preparing, implementing and monitoring Union support.
3. Union support under this Regulation shall in principle be co-financed by the partner countries through public funds, contributions from the beneficiaries or other sources. The same principle shall be applicable to the cooperation with the Russian Federation, particularly with regard to programmes referred to in Article 6(1) (c). Co-financing requirements may be waived in duly justified cases and when this is necessary to support the development of civil society and non-state actors, without prejudice to compliance with the other conditions set out in the Financial Regulation.

Article 5

Coherence and Donor Coordination

1. In implementing this Regulation, coherence shall be ensured with other areas of the Union external action as well as other relevant Union policies. To this end, measures financed under this Regulation, including those managed by the European Investment Bank (EIB), shall be based on the cooperation policy documents described in Article 3(1) and (2) as well as on the Union's specific interests, policy priorities and strategies. Such measures shall respect the commitments under multilateral agreements and international conventions to which the Union and partner countries are parties.
2. The Commission, the Member States and the European Investment Bank (EIB) shall ensure coherence between support provided under this Regulation and other support provided by the Union, the Member States and the European Investment Bank.
3. The Union and the Member States shall coordinate their respective support programmes with the aim of increasing effectiveness and efficiency in the delivery of support and policy dialogue in line with the established principles for strengthening operational coordination in the field of external support, and for harmonising policies and procedures. Coordination shall involve regular consultations and frequent exchanges of relevant information during the different phases of the support cycle, in particular at field level, and may lead to joint programming, delegated co-operation and/or transfer arrangements.

4. The Union shall, in liaison with the Member States, take the necessary steps to ensure proper coordination and cooperation with multilateral and regional organisations and entities, including European financial institutions, international financial institutions, United Nations agencies, funds and programmes, private and political foundations and non-European Union donors.

Title II. INDICATIVE PROGRAMMING AND ALLOCATION OF FUNDS

Article 6

Type of programmes

1. Union support under this Regulation shall be programmed through:
 - (a) bilateral programmes covering support to one partner country;
 - (b) multi-country programmes which address challenges common to all or a number of partner countries, and regional and sub-regional cooperation between two or more partner countries, and which may include cooperation with the Russian Federation;
 - (c) Cross-Border Cooperation programmes addressing cooperation between one or more Member States on the one hand and one or more partner countries and/or the Russian Federation on the other hand taking place along their shared part of the external border of the EU.
2. Union support under this Regulation shall be implemented in accordance with the Common Implementing Regulation.

Article 7

Programming and indicative allocation of funds for country and multi country indicative programmes

1. For countries where the documents referred to in Article 3(2) exist, a comprehensive multi-annual Single Support Framework shall be adopted in accordance with the examination procedure referred to in Article 15(3) of the Common Implementing Regulation. The Single Support Framework shall review the progress made in relation to the policy framework and shall list priorities for Union support, mainly selected from those included in the documents referred to in Article 3(2) and in partner countries' strategies or plans, and for which the Union's regular assessment has shown the need for support. It shall also set out their indicative level of funding. The duration of the Single Support Framework shall correspond to the duration of the relevant document referred to in Article 3(2).

2. For countries where the documents referred to in Article 3(2) do not exist, a comprehensive programming document including a Strategy and a Multi-annual indicative programme shall be adopted in accordance with the examination procedure referred to in Article 15(3) of the Common Implementing Regulation. It shall define a Union response strategy on the basis of an analysis of situation of the country concerned, and of its relations with the Union, the partner countries' strategies or plans, the priorities for Union support and the indicative level of funding broken down by priority. It shall have an appropriate multi-annual duration.
3. For multi-country programmes, a comprehensive programming document including a Strategy and a Multi-annual indicative programme shall be adopted in accordance with the examination procedure referred to in Article 15(3) of the Common Implementing Regulation. It shall define the priorities for Union support towards the region or the sub-region and the indicative level of funding broken down by priority. It shall have an appropriate multi-annual duration.
4. The Single Support Framework documents referred to in paragraph 1 shall be reviewed when necessary and may be revised in accordance with the examination procedure referred to in Article 15(3) of the Common Implementing Regulation. The programming documents referred to in paragraphs 2 and 3 shall be reviewed at their mid-term or whenever necessary and may be revised in accordance with the same procedure.
5. Financial allocations for country and multi-country programmes shall be determined using transparent and objective criteria reflecting the differentiation principle referred to in Article 4(1).
6. When it is necessary to implement more effectively measures for the common benefit of the Union and partner countries, in areas such as transnational co-operation and inter-connections, funding under this Regulation can be pooled together with funding covered by other relevant Union Regulations establishing financial instruments. In this case, the Commission shall decide which single set of rules should apply to implementation.
7. Member States and other donors that have committed to jointly programme their support with the EU shall be involved in the programming process. The programming documents may also cover their contribution as appropriate.
8. When Member States and other donors have committed to jointly programme their support, a joint multi-annual programming document may replace the Single Support Framework referred to in paragraph (1) and the programming documents referred to in paragraphs (2) and (3), on condition that it meets the requirements set out in these provisions.
9. In the event of crises or threats to democracy, the rule of law, human rights and fundamental freedoms, or of natural or man-made disasters, an ad hoc review of the programming documents may be conducted. Such emergency review shall ensure that coherence between Union support provided under this Regulation and support provided under other Union financial instruments is maintained. An emergency review may lead to the adoption of revised programming documents. Where this is

the case, the Commission shall send the revised programming documents to the European Parliament and to the Council for information within one month of their adoption.

Title III. CROSS-BORDER COOPERATION

Article 8

Geographical eligibility

1. The Cross-Border Cooperation programmes referred to in Article 6(1)(c) can be established:
 - (a) for land borders, covering the territorial units corresponding to NUTS level 3 or equivalent along the land borders between Member States and partner countries, and/or the Russian Federation;
 - (b) for maritime borders, covering the territorial units corresponding to NUTS level 3 or equivalent along maritime borders between Member States and partner countries and/or the Russian Federation, separated by a maximum of 150 km, without prejudice to potential adjustments needed to ensure the coherence and continuity of cooperation action;
 - (c) around a sea basin, covering the coastal territorial units corresponding to NUTS level 2 or equivalent facing a sea basin common to Member States and partner countries and/or the Russian Federation.
2. In order to ensure the continuation of existing cooperation schemes and in other justified cases, territorial units adjoining to those referred to in paragraph 1 may be allowed to participate in Cross-Border Cooperation.
3. In duly justified cases, major social, economic or cultural centres that are not adjoining to eligible territorial units may be included on condition that such participation contributes to the objectives laid down in the programming document.
4. When programmes are established pursuant to paragraph 1(b), the European Commission may, in agreement with the partners, propose that the geographical eligibility be extended to the whole NUTS level 2 territorial unit in whose area the NUTS level 3 territorial unit is located.

Article 9

Programming and allocation of funds for Cross-Border Cooperation

1. A programming document shall be prepared for the purpose of defining the:
 - (a) strategic objectives to be pursued by Cross-Border Cooperation;

- (b) list of the joint operational programmes to be established;
- (c) indicative breakdown of resources between land and maritime border programmes referred to in Article 8 (1) (a) and (b) and sea basin programmes referred to in Article 8(1)(c);
- (d) indicative multi-annual allocations to each joint operational programme;
- (e) territorial units eligible to participate in each joint operational programme, and the regions and centres indicated in Article 8(2), 8(3) and 8(4);
- (f) indicative allocation to support, as appropriate, horizontal capacity building actions, networking and exchange of experiences among programmes;
- (g) contributions to the transnational programmes established under Regulation (EU) No [...] of the European Parliament and the Council of [...] on specific provisions for the support from the European Regional Development Fund to the European Territorial Co-operation goal¹⁷, to which partner countries and/or the Russian Federation participate.

The programming document shall cover a period of seven years and shall be adopted by the Commission in accordance with the examination procedure referred to in Article 15(3) of the Common Implementing Regulation. It shall be reviewed at mid-term or whenever necessary and may be revised in accordance with the same procedure referred to in that Article.

2. The joint operational programmes shall be co-financed by the European Regional Development Fund. The overall amount of the contribution from the European Regional Development Fund shall be determined pursuant to Article 4(4) of Regulation (EU) No [...] of the European Parliament and the Council of [...] on specific provisions for the support from the European Regional Development Fund to the European Territorial Co-operation goal¹⁸. The provisions of this Regulation shall apply to the use of this contribution.
3. The Instrument for Pre-Accession may co-finance joint operational programmes to which countries eligible under such Instrument participate. The provisions of this Regulation shall apply to the use of this co-financing.
4. The indicative allocations of funds to the joint operational programmes shall be based primarily on the population of the eligible areas. When determining the indicative allocations, adjustments may be made to reflect the need for a balance between the contributions from the European Regional Development Fund and the contributions provided under the budget of this Instrument as well as other factors affecting the intensity of cooperation, such as the specific characteristics of border areas and their capacity to manage and absorb Union support.

¹⁷ OJ L

¹⁸ OJ L

Article 10

Joint operational programmes

1. Cross-Border Cooperation shall be implemented through multi-annual joint operational programmes covering cooperation for a border or a group of borders and comprising multi-annual measures that pursue a consistent set of priorities and that may be implemented with Union support. Joint operational programmes shall be based on the programming document referred to in Article 9. They shall include a summary description of the management and control systems covering the elements referred to in Articles 11(2) and 12 (2).
2. Joint operational programmes for land and maritime borders shall be established for each border at the appropriate territorial level and shall include eligible territorial units belonging to one or more Member States and one or more partner countries and/or the Russian Federation.
3. Joint operational programmes for sea basins shall be multilateral, established at the appropriate territorial level and include eligible territorial units facing a common sea basin belonging to several participating countries, including at least one Member State and one partner country and/or the Russian Federation. They may include bilateral activities supporting cooperation between one Member State and one partner country and/or the Russian Federation.
4. Within one year of approval of the programming document referred to in Article 9, the participating countries shall jointly submit proposals for joint operational programmes to the Commission. The Commission shall adopt each joint operational programme after assessing its consistency with this regulation, the programming document and the implementing rules.
5. Regions in countries other than partner countries, the Russian Federation or Member States, which are adjoining to eligible regions as defined in Article 8(1) (a) and (b) or face a common sea basin where a joint operational programme is being established may be covered by a joint operational programme and benefit from Union support under the conditions set out in the programming document referred to in Article 9.
6. The Commission and the participating countries shall take the appropriate measures to ensure that sea basin programmes established under this Regulation and transnational co-operation programmes established under the Regulation (EU) No [...] and that have a partially overlapping geographical coverage will be fully complementary and mutually re-enforcing.
7. Joint operational programmes may be revised at the initiative of the participating countries or the Commission for reasons such as:
 - changes in cooperation priorities, socio-economic developments,
 - results of implementing the measures concerned and those produced by the monitoring and evaluation process,
 - the need to adjust the amounts of available funds and reallocate resources.

8. Following adoption of the joint operational programmes, the Commission shall conclude a financing agreement with the partner countries and/or the Russian Federation. The financing agreement shall include the legal provisions necessary to implement the joint operational programme and may also be signed by the other participating countries and by the Managing Authority referred to in Article 12(2)(c).

Where necessary, a memorandum of understanding shall be concluded between the participating countries and the Managing Authority to set out the countries' specific financial responsibilities.

9. A joint operational programme involving more than one partner country is established if at least one partner country signs the financing agreement. Other partner countries covered by an established programme can join the programme at any time by signing the financing agreement.
10. If a participating country undertakes to jointly co-finance a programme, the joint operational programme shall clarify the arrangements for providing, using and monitoring the co-financing. The related financing agreement shall be signed by all participating countries.
11. Joint operational programmes may also provide for a financial contribution from and to instruments with which grants could be combined, subject to the rules of these instruments, provided that this contributes to achieving the programmes' priorities.
12. Following the principle of partnership, participating countries shall jointly select actions for Union support that are consistent with the priorities and measures of the joint operational programme.
13. In specific and duly justified cases, where:
 - (a) a joint operational programme cannot be submitted owing to problems arising in relations between participating countries or between the European Union and a partner country,or
 - (b) by 30 June 2017, at the latest, the participating countries have not yet submitted to the Commission a joint operational programme,or
 - (c) none of the partner countries covered by the programme have signed the relevant financing agreement by the end of the year following the adoption of the programme,the Commission, following consultations with the Member State(s) concerned, shall take the necessary steps to allow the Member State(s) concerned to use the contribution from the European Regional Development Fund to the joint operational programme pursuant to Article 4(7) and (8) of Regulation (EU) No [...].
14. Budget commitments for CBC actions or programmes extending over more than one financial year may be broken down over several years into annual instalments.

Article 11

Management of joint operational programmes

1. Joint operational programmes shall, in principle, be implemented in shared management with Member States. Participating countries may also propose implementation in indirect management, by an entity listed in the Financial Regulation and in accordance with the Implementing Rules referred to in Article 12(2).
2. The Commission shall satisfy itself on the basis of available information that the Member State in case of shared management, or the partner country or the international organisation in case of indirect management, have set up and operate management and control systems that comply with the Financial Regulation, this Regulation, and its implementing rules referred to in Article 12(2).

Member States, partner countries and international organisations concerned shall ensure the effective functioning of their management and control system, the legality and regularity of the underlying transactions and the respect of the principle of sound financial management. They shall be responsible for the management and control of the programmes.

The Commission may require the Member State or the partner country or the international organisation concerned to examine a complaint submitted to the Commission concerning the selection or implementation of operations supported under this Title or the functioning of the management and control system.

3. In order to allow the joint operational programmes to prepare adequately for implementation, expenditure incurred after the submission of the joint operational programmes to the Commission shall be eligible at the earliest from 1 January 2014.
4. Where eligibility is restricted in accordance with Article 8(7) of the Common Implementing Regulation, the entity referred to in paragraph 1, which may launch calls for proposals and tenders, is entitled in such case to accept as eligible tenderers, applicants and candidates from non eligible countries, or goods from non eligible origin, in accordance with Article 9(3) of the Common Implementing Regulation.

Article 12

Implementing rules for Cross Border Cooperation

1. Implementing rules laying down specific provisions for the implementation of this Title shall be adopted through a delegated act in accordance with Article 14.
2. Matters covered by the Implementing Rules shall include provisions on:
 - (a) the rate and methods of co-financing;
 - (b) the preparation, modification and closure of joint operational programmes;

- (c) the role and function of the programme structures: Joint Monitoring Committee, Managing Authority and its Joint Technical Secretariat, Joint Selection committees, including their standing, effective identification, accountability and responsibility, description of Management and Control Systems, and conditions on the technical and financial management of Union support, including eligibility of expenditure;
- (d) recovery procedures; the monitoring and evaluation;
- (e) the visibility and information activities
- (f) shared and indirect management as referred to in Article 6(2) of the Common Implementing Regulation.

Title IV. FINAL PROVISIONS

Article 13

Updating of the Annex

The list of beneficiary countries in the Annex to this Regulation may be updated following political decisions made by the Council on the scope of the Neighbourhood policy. A modification of the Annex shall be adopted through a delegated act in accordance with Article 14.

Article 14

Exercise of the delegation

1. The delegation of powers referred to in Article 12 and 13 shall be conferred for the period of validity of this Regulation.
2. The delegation of powers may be revoked at any time by the European Parliament or by the Council. A decision of revocation shall put an end to the delegation of power specified in that decision. It shall take effect the day following the publication of the decision in the Official Journal of the European Union or at a later date specified therein. It shall not affect the validity of any delegated acts already in force.
3. As soon as it adopts a delegated act, the Commission shall notify it simultaneously to the European Parliament and the Council.
4. A delegated act adopted shall enter into force only if no objection has been expressed either by the European Parliament or the Council within a period of 2 months of notification of the act to the European Parliament and the Council or if, before the expiry of that period, the European Parliament and the Council have both informed the Commission that they will not object. That period shall be extended by 2 months at the initiative of the European Parliament or the Council.

Article 15

Committee

The Commission shall be assisted by the European Neighbourhood Instrument Committee. That committee shall be a committee within the meaning of Regulation (EU) No 182/2011.

Article 16

Participation by a third country not listed in the Annex

1. In duly justified circumstances and to ensure the coherence and effectiveness of Union financing or to foster regional or trans-regional cooperation, the Commission may decide to extend the eligibility of actions to countries, territories and regions which otherwise would not be eligible for financing. Notwithstanding the provisions of Article 8(1) of the Common Implementing Regulation, natural and legal persons from countries, territories and regions concerned may participate in the procedures implementing such actions.
2. Provision may be made for this possibility in the programming documents referred to in Article 7.

Article 17

Suspension of Union support

Without prejudice to the provisions on the suspension of aid in partnership and cooperation agreements and association agreements with partner countries and regions, where a partner country fails to observe the principles of democracy, the rule of law and respect for human rights and fundamental freedoms, the Union shall invite the country concerned to hold consultations in view of finding a solution acceptable to both parties, except in cases of special urgency. Where consultation with the country concerned does not lead to a solution acceptable to both parties, or if consultations are refused or in case of special urgency, the Council may take appropriate measures in accordance with Article 215(1) of the Treaty on the Functioning of the European Union, which may include full or partial suspension of Union support.

Article 18

Financial reference amount

1. The financial envelope available for implementing this Regulation over the period 2014 to 2020 shall be EUR 18 182 300 000 (current prices). Up to 5% of the financial envelope shall be allocated to the Cross-Border Cooperation programmes referred to in Article 6(1) (c).
2. Annual appropriations shall be authorized by the budgetary authority within the limits of the financial framework.

3. As referred to in Article 13, paragraph 2 of the "Erasmus for All" Regulation, in order to promote the international dimension of higher education, an indicative amount of EUR 1 812 100 000 from the different external instruments (Development Cooperation Instrument, European Neighbourhood Instrument, Instrument for Pre-accession Assistance, Partnership Instrument and the European Development Fund), will be allocated to actions of learning mobility to or from non EU countries and to cooperation and policy dialogue with authorities/institutions/organisations from these countries. The provisions of the "Erasmus for All" Regulation will apply to the use of those funds.

The funding will be made available through 2 multiannual allocations only covering the first 4 years and the remaining 3 years respectively. This funding will be reflected in the multiannual indicative programming of these instruments, in line with the identified needs and priorities of the countries concerned. The allocations can be revised in case of major unforeseen circumstances or important political changes in line with the EU external priorities.

Article 19

European External Action Service

The application of this Regulation shall be in accordance with Council Decision (EU) No 2010/427/EU, establishing the organisation and functioning of the European External Action Service.

Article 20

Entry into force

This Regulation shall enter into force on the third day following that of its publication in the Official Journal of the European Union. It shall apply from 1 January 2014.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels,

For the European Parliament
The President

For the Council
The President

ANNEX

Partner countries referred to in Article 1

Algeria

Armenia

Azerbaijan

Belarus

Egypt

Georgia

Israel

Jordan

Lebanon

Libya

The Republic of Moldova

Morocco

occupied Palestinian territory (oPt)

Syria

Tunisia

Ukraine

LEGISLATIVE FINANCIAL STATEMENT FOR
THE EUROPEAN NEIGHBOURHOOD INSTRUMENT

1. FRAMEWORK OF THE PROPOSAL/INITIATIVE

- 1.1. Title of the proposal/initiative
- 1.2. Policy area(s) concerned in the ABM/ABB structure
- 1.3. Nature of the proposal/initiative
- 1.4. Objective(s)
- 1.5. Grounds for the proposal/initiative
- 1.6. Duration and financial impact
- 1.7. Management method(s) envisaged

2. MANAGEMENT MEASURES

- 2.1. Monitoring and reporting rules
- 2.2. Management and control system
- 2.3. Measures to prevent fraud and irregularities
- 2.4. Estimate of the costs and benefits of the controls

3. ESTIMATED FINANCIAL IMPACT OF THE PROPOSAL/INITIATIVE

- 3.1. Heading(s) of the multiannual financial framework and expenditure budget line(s) affected
- 3.2. Estimated impact on expenditure
 - 3.2.1. Summary of estimated impact on expenditure
 - 3.2.2. Estimated impact on operational appropriations
 - 3.2.3. Estimated impact on appropriations of an administrative nature
 - 3.2.4. Compatibility with the current multiannual financial framework
 - 3.2.5. Third-party participation in financing
- 3.3. Estimated impact on revenue

1. FRAMEWORK OF THE PROPOSAL/INITIATIVE

1.1 Title of the proposal/initiative

Proposal for a Regulation of the European Parliament and of the Council (EC) N° XXX establishing an European Neighbourhood Instrument (ENI);

1.2. Policy area(s) concerned in the ABM/ABB structure¹⁹

Title 19: External Relations

Activity 19 08 : European Neighbourhood Policy Instrument and relations with Russia

The title of this budget chapter 19 08 corresponds to the current structure of the financial instruments 2007-2013. It is proposed to keep the same activity 19 08 but to modify the title of this chapter for the period 2014-2020 as follows:

19 08 : European Neighbourhood Instrument

1.3. Nature of the proposal/initiative

The proposal/initiative relates to **a new action**

The proposal/initiative relates to **a new action following a pilot project/preparatory action²⁰**

The proposal/initiative relates to **the extension of an existing action**

The proposal/initiative relates to **an action redirected towards a new action**

1.4. Objectives

1.4.1. The Commission's multiannual strategic objective(s) targeted by the proposal/initiative

Europe in the World: pulling our weight on the global stage

1.4.2. Specific objective(s) and ABM/ABB activity(ies) concerned

The European Neighbourhood Policy aims at establishing an area of prosperity and good neighbourliness at the EU's borders, notably through an enhanced political association, economic integration and close cooperation in a number of sectors. In the period 2014-2020 these objectives will continue to be supported by the EU through a dedicated financial tool, the European Neighbourhood Instrument (ENI) that will replace the European Neighbourhood and Partnership Instrument established in 2006. The ENI will provide the bulk of funding from the EU budget to the partners.

¹⁹ ABM: Activity-Based Management – ABB: Activity-Based Budgeting.
²⁰ As referred to in Article 49(6)(a) or (b) of the Financial Regulation.

Community Support under this Regulation shall promote enhanced stronger political cooperation and progressive economic integration between the European Union and the partner countries and, in particular, the implementation of partnership and cooperation agreements, association agreements or other existing and future agreements, as well as joint agreed Action Plans.

Union support should target in particular:

- a) promotion of human rights and fundamental freedoms, the rule of law, principles of equality, establish deep and sustainable democracy, promote good governance and developing a thriving civil society including social partners;
- b) achieving progressive integration into Union the EU internal market and enhanced sector and cross-sectoral co-operation, including through legislative approximation and regulatory convergence towards Union and other relevant international standards, related institution building and investments, notably in interconnections;
- c) creating the conditions for well managed mobility of people and for multi-level people-to-people contacts;
- d) sustainable and inclusive development in all aspects, poverty reduction, job-creation, including through private-sector development; promotion of internal economic, social and territorial cohesion ,rural development, climate action and disaster resilience;
- e) confidence building and other measures contributing to security and the prevention and settlement of conflicts;
- f) sub-regional, regional and Neighbourhood wide collaboration as well as Cross-Border-Cooperation.

Union support may also be used in other areas when this is consistent with the overall objectives of the European Neighbourhood Policy.

ABM/ABB activity (ies) concerned

Activity 19.08 to be re-titled as follows: European Neighbourhood Instrument

1.4.3. Expected result(s) and impact

Specify the effects which the proposal/initiative should have on the beneficiaries/groups targeted.

Background

Article 8 of the Treaty of the European Union and the new ENP vision of a closer, democratic, prosperous and stable Neighbourhood, with each partner country reaping the benefits of a tailored and differentiated approach, call for adapting the future financial Instrument for the Neighbourhood to the increased level of ambition of the renewed ENP. The more so as implementing such a vision is not without challenges for the partners that have to undertake difficult and costly reforms before the benefits become fully visible.

The future ENI should notably target reaching the main objectives of the new ENP vision and addressing the specific problems and challenges identified in the past.

The Communication “A new response to a changing Neighbourhood” fleshes out the approaches towards Eastern Europe and the Southern Caucasus through the continued implementation of the Eastern Partnership and towards the Southern Mediterranean, in the context of the new “ Partnership for Democracy and shared Prosperity”.

With the offer of a “Partnership for Democracy and shared Prosperity”, in particular, the EU seeks to support the democratic transformation initiated in Egypt and Tunisia, and that may extend to other countries of the Southern Mediterranean.

The Strategic Review of the European Neighbourhood Policy (ENP) that was undertaken last year identified areas where the policy can be considerably strengthened. The transition processes in the Southern Mediterranean and the strong aspirations that the people of these countries have expressed for political and economic change make the EU’s support even more crucial than in the past, and point to areas where EU and partner countries can and should do better. Equally, the EU remains committed to durably supporting the democratisation and reform processes in the entire Neighbourhood, East and South.

1.4.4. Indicators of results and impact

Specify the indicators for monitoring implementation of the proposal/initiative.

This Regulation establishes the essential elements and the basis for EU intervention. The exact actions are defined through multiannual programming and annual action programmes detailing the activities to be carried out by the EU, including the expected results and impact pursued by the actions in question. Detailed indicators for monitoring the implementation will be fixed at that moment, to accurately measure progress towards policy objectives, having in mind the particularities of the action in question. They will draw on the Annual Progress Report on the implementation of ENP Action Plans, on statistical data, and/or evaluation by independent bodies whenever available, as follows:

- a. Increased compliance with Human Rights and Democratic Standards will be measured using data and statistics provided by NGOs, UN and regional bodies on: freedom of association, expression and assembly, free press and media; adequately monitored democratic and credible elections; level of corruption; more independent and efficient judiciary; better democratic oversight on security sector. It is recalled that no official indicators are available concerning Human Right issues. However, “rankings” produced by a host of organisation contribute to provide a useful assessment of the situation, with higher rankings (year on year) usually associated to progress in a specific field;
- b. Increased integration in the EU internal market will be measured, among others, by the variation of trade flows in relation to baseline data in year $n=0$ (Eurostat figures); by progress in regulatory approximation to EU norms and standards as measured in relation to available baseline data in year “ $n=0$ ” and, in a very global fashion, by the number of countries having established a DCFTA;
- c. Enhanced mobility linked to better border and migration management, progress towards establishing Mobility Partnerships, visa facilitation and visa liberalisation agreements will be measured using available statistics (Eurostat and/or other reliable institutions), gauging tourism flows, migration flows, academic/student flows in year “ n ” and comparing these to baseline data in year “ $n=0$ ”;
- d. Reduction of internal economic disparities; Increased employment; Development of SMEs: policies, legislation; Enhanced vocational education and training; Level of wealth of farming communities and Increased food security will be measured using data coming from Eurostat, OECD, WB, UNDP and official statistics. They will include periodically updated employment data (numbers, sectors, age, gender), SME numbers (creation/closure of SME’s), education numbers, wealth distribution and compare these to baseline data in year “ $n=0$ ”. Particular attention will be given, in this context, to the measurement of the GINI coefficient (to evaluate the reduction or increase of income disparities);
- e. Growing confidence building in conflict area; progress in the settlement of existing conflicts will be evaluated through elements provided in the Progress Reports;
- f. Increased co-operation among partner countries along border regions, enhanced regional dialogue, number of cooperative responses to regional challenges in different areas, number of common positions and joint activities; social and economic development of border areas.

1.5. Grounds for the proposal/initiative

1.5.1. Requirement(s) to be met in the short or long term

Policy Vision and Medium term goals

The long-term **vision** underpinning the ENP is a Neighbourhood in which each partner country develops its links with the EU as far as its own aspirations, needs and capacities allow. Politically this includes an offer for closer co-operation with the EU, including more joint initiatives in international fora on global issues of common interest. Economically, the EU is also open to closer economic integration, leading to progressive economic integration in the EU internal market. It also supports the acceleration of inclusive, sustainable growth of our neighbours, which should help them to become more competitive, more energy efficient, create decent jobs and to reach the Millennium Development Goals and to implement a low carbon development strategy in order to contribute their share in fighting climate change . The EU should mobilise the full range of its policies according to mutual needs and interests and to each country's reform and democratisation commitments.

The **goal** is increased mutual commitment to the political and economic well-being of our citizens — both Europe's and neighbouring countries'— as the best guarantee for our common stability and prosperity. Such a vision is not without challenges. For partner countries the necessary reforms involve substantial costs and efforts before the benefits can be reaped. On the EU side, it is important not to jeopardise the smooth running of the internal market and ensure that mobility takes place in a secure environment.

In the coming years partner countries taking decisive steps towards political and economic reforms can expect to conclude an **Association Agreement under the Eastern Partnership** (East) or enter in a **Partnership for Democracy and Shared Prosperity** (South). This will be accompanied by enhanced mobility and people to people contacts (e.g. including through the possible establishment of mobility partnerships), economic integration through industrial cooperation, SME development, Foreign Direct Investment and increased trade relations with the EU (e.g. through the establishment of Deep and Comprehensive Free Trade Areas and the conclusions of other agreements, e.g. in agriculture, services and establishment of Agreements on Conformity Assessment and Acceptance of Industrial products for priority sectors), deeper sector integration (e.g. through the integration in a pan-European energy market participation in international carbon markets including preparatory steps to link with the EU Emission Trading system, and the participation in EU programmes and agencies in accordance with the opening possibilities granted in each programmes and with the general guidelines regarding the participation in EU Agencies).

With the offer of Partnership for Democracy and shared Prosperity²¹, in particular, the EU seeks to support the democratic transformation initiated in Egypt and Tunisia, and that may extend to other countries. To pursue with determination the process of democratic transformation these countries need support to reform their institutions and restart economic growth. Their population also needs to see that the EU is ready to help in this challenging but difficult period of transformation.

The ENI should be increasingly policy-driven and provide for increased differentiation, more flexibility, stricter conditionality and incentives for best performers, reflecting the ambition of each

²¹ COM(2011) 200, 8.3.2011

partnership (e.g. DCFTA negotiations). EU assistance could also be increasingly implemented by devolving it to partner countries provided that the financial rules of the Union are respected and EU financial interests protected.

Funding

The level of funding of the new ENI Instrument reflects the ambitions of the revised ENP. Thus, it is proposed that an amount of EUR 18 182 300 000, at current prices, is allocated to the ENI from 2014 to 2020.

Differentiation

The level of EU support will depend on progress in building and consolidating democracy and respect for the rule of law as well as the pace of reforms. The more and the faster a country progresses in its internal reforms, the more support it will receive from the EU. This enhanced support should come in various forms, including increased funding for social and economic development, larger programmes for institution-building, greater market access, increased EIB financing in support of investments; and greater facilitation of mobility. These preferential commitments will be tailored to the needs of each country and to the regional context. They will recognise that meaningful reform comes with significant upfront costs. For countries where reform has not taken place, the EU will reconsider or even reduce funding.

1.5.2. Added value of EU involvement

The proposal should be seen in the overall context of a renewed European Neighbourhood Policy offering to partner countries closer political co-operation and deeper economic integration in line with Art.8 of the Lisbon treaty. It rests on sharing with our neighbours the experiences of European integration and progressively involving them into EU policies.

In Neighbourhood countries, where alignment to EU rules and standards is one of the key policy objectives, the EU is best placed to deliver this assistance. Some specific support can only be provided at EU level, for example to promote progressive economic integration in the EU internal market, access to the Schengen space or participation in EU programmes. Thus the EU is the leading cooperation partner in most of these countries, a role widely recognised by Member States, IFIs and other donors. Helping the EU neighbours to align with EU policies, rules and standards is a key driver for reforms in the ENP partner countries.

1.5.3. Lessons learned from similar experiences in the past

A number of issues have emerged since the launch of the ENPI, related directly or indirectly to the design of the Instrument. A long programming process and incomplete alignment of the financial assistance with the policy and priorities specified in the ENP Action Plans and other relevant documents have often been pointed at as major challenges to be addressed in the future. Coordination and coherence with interventions under other instruments are important issues. Provisions allowing for joint activities with partners/regions outside the geographical scope of the ENPI have been instrumental to implement a number of activities and should be maintained.

ENPI assistance has been used to leverage loans from financial institutions to finance infrastructure investment projects and to support the private sector through loans and risk capital operations. This is

done with the European Investment Bank in the context of the FEMIP and with the EIB, the European Bank for Reconstruction and Development (EBRD) and other European financial institutions in the context of the NIF. The cooperation with IFIs should be further enhanced through the use of innovative tools, notably in the field of guarantees. The use of revolving funds could help strengthen the impact of this cooperation.

Horizontal issues that are of much relevance to the ENPI include flexibility and ability to react to crisis and unforeseen situations. In the Neighbourhood, addressing protracted crisis remains one of the key challenges. Any solution within the ENPI will need to be coherent with the political choices on the future Instrument for Stability (notably its scope and size) and its relationship with geographic instruments. The current mechanisms for rapid interventions in case of crises have functioned well and should be further strengthened.

Consideration needs to be given to how monitoring can be enhanced, including with regard to strengthening the link between policy dialogues and assistance programmes (including technical assistance). It is furthermore important that the ambition of the policy is matched with adequate tools to implement it. Consideration should also be given to how the technical assistance/TAIEX can be developed, possibly through extending the scope of the mechanism to include elements such as training and case studies. Furthermore, cooperation in the field of statistics should be enhanced.

Along with other policy objectives such as a well-functioning public administration and an independent judiciary safeguarding the enforceability of contracts, an effective competition policy creates a business environment facilitating economic growth.

Globally, regional cooperation has proved its added value notably in fostering regional synergies and networks in crucial areas of common concern such as environment, climate change, energy, sustainable development, Small and Medium Enterprise development, media and freedom of expression, research, ICT and youth mobility. Regional cooperation has also proved very effective when being conducted at intraregional level (South and East): a number of programmes are “twins” (civil protection, private investments promotion) with a Southern and an Eastern focus. The CBC has also played an important role, and the mechanism of split commitments used with CBC programmes has proved useful.

1.5.4. Coherence and possible synergy with other relevant instruments

External policies/instruments

The Lisbon Treaty defines a new institutional framework for the Union’s external action. This is intended to promote the coherence of EU stance and enhance the EU standing on the international scene. The EU needs to equip itself with a long-term political strategy for external action and an appropriate toolbox that should pursue the following strategic objectives:

Promoting and defending EU values abroad. Through the European Neighbourhood Instrument the EU will promote transitional and democratic processes and strengthening of civil society around its borders;

Projecting EU policies in support of the EU 2020 agenda for smart, sustainable and inclusive low carbon growth. With the ENI, the EU will support addressing major global challenges and assist relevant reforms benefitting both the EU and the partner countries;

Increasing the impact of EU development cooperation, with the primary aim of eradicating poverty. Through the ENI, the EU will assist partner countries in meeting development challenges – e.g. climate change - according to their needs, capacities, interests and commitments and the potential for impact. The ENI will also help improve EU coordination and Policy Coherence for Development;

Investing in the long-term prosperity, stability and democracy in the EU Neighbourhood. The aim of establishing an area of stability, prosperity and democracy is the primary objective of the ENI and the renewed Neighbourhood policy. Priority will be given to support EU regional and bilateral policies, including thematic ones, in the wider Neighbourhood. The democratic transition processes in the Southern Mediterranean and their possible effects in the wider region make it necessary to better support the aspirations of these societies for democratic values and principles and for a more equitable distribution of the benefits of growth, whilst pursuing the goals of greater political cooperation and integration with the neighbours, both in the South and in the East. This includes an increased focus on engagement with civil society actors and social partners.

Improving crisis prevention and resolution. The ENI should allow for an enhanced and more flexible support to crisis prevention and resolution in the Neighbourhood.

Support to the EU neighbours through a dedicated, targeted and policy-driven Instrument endowed with financial resources corresponding to the ambitions of the renewed ENP is clearly in line with the major priorities of the EU external action.

ENP countries will continue to benefit from other financial instruments addressing specific policy issues (global challenges, Human Rights, Nuclear safety) or crisis situations (macro-financial assistance, Instrument for stability, humanitarian assistance Instruments).

Internal policies

Given the objective of the ENP to foster closer integration between the EU and the partner countries, provisions for a better coordination of EU internal and external policies in the Neighbourhood should be strengthened, including through closer cooperation with relevant Commission services at the programming stage and, where relevant, use of mechanisms allowing for pooling of funds from internal and external headings of the EU budget.

This could notably apply to areas of cooperation such as infrastructure with cross-border dimensions, in particular transport and energy networks, the ICT sector²² and other networked industries, as well as higher education and the environment area given their strong cross-border component. Increased ENI support on building capacities in research and innovation would help in underpinning all of the above areas of cooperation and assist all partner countries in alignment with EU policies and objectives in order to address global and regional challenges.

Increased synergies with the EU internal policies and the related use of innovative financial instruments should be sought, on the basis of a coordinated approach to engaging EU budget in such instruments. This could facilitate pooling of resources from different headings of the Multiannual Financial Framework.

²² Deployment of ICT services and infrastructures, impact of the Internet on growth, freedom and expression of democratic values can not be underestimated

1.6. Duration and financial impact

Proposal/initiative of **limited duration**

– x Proposal/initiative in effect from ...to

– x Financial impact from ... to

– **X** Proposal/initiative of **unlimited duration**

– Implementation with a start-up period from 2014 to 2020,

– followed by full-scale operation.

1.7. Management mode(s) envisaged²³

x **Centralised direct management** by the Commission

x **Centralised indirect management** with the delegation of implementation tasks to:

– x executive agencies

– bodies set up by the Communities²⁴

– x national public-sector bodies/bodies with public-service mission

– persons entrusted with the implementation of specific actions pursuant to Title V of the Treaty on European Union and identified in the relevant basic act within the meaning of Article 49 of the Financial Regulation

X Shared management with the Member States

X Decentralised management with third countries

X Joint management with international organisations (*to be specified*)

The objectives will be pursued through a combination of measures implemented through different management modes.

²³ Details of management modes and references to the Financial Regulation may be found on the BudgWeb site: http://www.cc.cec/budg/man/budgmanag/budgmanag_en.html

²⁴ As referred to in Article 185 of the Financial Regulation.

2. MANAGEMENT MEASURES

2.1. Monitoring and reporting rules

Specify frequency and conditions.

The Commission's Monitoring and Evaluation systems are increasingly focussed on results. They involve internal staff as well as external expertise.

Task Managers in Delegations and Headquarters continuously monitor the implementation of projects and programmes in various ways, including wherever possible through field visits. Monitoring provides valuable information on progress; it helps managers to identify actual and potential bottlenecks, and to take corrective action.

External, independent experts are contracted to assess the performance of EU external actions through three different systems. These assessments contribute to accountability, and to the improvement of ongoing interventions; they also draw lessons from past experience to inform future policies and actions. The tools all use the internationally-recognised OECD-DAC evaluation criteria including (potential) impact.

Firstly, at the project level, the Headquarters-managed Results Oriented Monitoring (ROM) system provides a brief, focused snapshot of the quality of a sample of interventions. Using a highly structured, standardised methodology, independent ROM experts attribute grades which highlight the strengths and weaknesses of the project and give recommendations on how to improve effectiveness.

Project-level evaluations, which are managed by the EU Delegation in charge of the project, deliver a more detailed, in depth analysis and help project managers to improve ongoing interventions and prepare future ones. External, independent experts with thematic and geographic expertise are hired to conduct the analysis and gather feedback and evidence from all stakeholders, not least the final beneficiaries.

The Commission also conducts strategic evaluations of its policies, from programming and strategy to the implementation of interventions in a specific sector (such as health, education etc), in a country or region, or of a specific Instrument. These evaluations are an important input to the formulation of policies and the design of instruments and projects. These evaluations are all published on the Commission's website and a summary of the findings is included in the Annual Report to the Council and the European Parliament.

2.2. Management and control system

2.2.1. Risk(s) identified

Risk environment

The operational environment of ENI aid is characterised by the following risks of not achieving the Instrument's objectives, suboptimal financial management and/or of not complying with the applicable rules (legality and regularity errors):

- economic/political instability and or natural disasters in partner countries may lead to difficulties and delays in the design and implementation of interventions;
- a lack of institutional and administrative capacity in partner countries may lead to difficulties and delays in the design and implementation of interventions;
- geographically dispersed projects and programmes (covering approximately many states/territories/regions) may pose logistical/resource challenges to monitoring - particularly any 'on-the-spot' follow-up of activities;
- diversity of potential partners / beneficiaries with their diverse internal control structures and capacities can fragment and therefore reduce the effectiveness and efficiency of the Commission's available resources to support and monitor implementation;
- poor quality and quantity of available data on the outcomes and impact of external aid / national development plan implementation in partner countries may hinder the Commission's ability to report on and be accountable for results.

Expected level of risk of non-compliance with applicable rules

The compliance objective for the Instrument is to maintain the historic level of risk of non-compliance (error rate) for EuropeAid portfolio which is a residual 'net' level of error (on a multi-annual basis after all planned controls and corrections have been executed on closed contracts) of less than 2%. This has traditionally implied an estimated error range of 2-5% in terms of an annual randomised sample of transactions undertaken by the European Court of Auditors for the purposes of the annual Statement of Assurance (DAS). EuropeAid considers this to be the lowest risk of non compliance achievable in relation to its high risk environment and taking into account the administrative burden and necessary cost effectiveness of compliance controls.

2.2.2. *Control method(s) envisaged*

EuropeAid Internal Control architecture

EuropeAid's internal control / management process is designed to provide reasonable assurance regarding the achievement of objectives in the effectiveness and efficiency of its operations, the reliability of its financial reporting and compliance with the relevant legislative and procedural framework.

Effectiveness and efficiency

To ensure the effectiveness and efficiency of its operations (and to mitigate the high level of risk in its external aid environment), in addition to all the elements of the Commission wide Strategic Policy and Planning process, internal audit environment and other requirements of the Commission's Internal Control Standards, EuropeAid will continue to have a tailored aid management framework in operation under all its instruments which will include:

- A devolved management of the majority of external aid by EU delegations in the field;

- Clear and formalised lines of financial accountability (from the Delegated Authorising officer (Director General)) by means of a subdelegation from the Subdelegated Authorising Officer (Director) at HQ to the Head of Delegation;
- Regular reporting from EU Delegations to HQ (External Assistance Management Reports) including an annual Statement of Assurance by the Head of Delegation;
- Provision of a substantial programme of training for staff both at HQ and in delegation,
- Significant HQ/Delegation support and guidance (including via internet);
- Regular 'verification' visits to 'devolved' delegations every 3 to 6 years;
- A project and programme cycle management methodology including:
 - Quality support tools for the design of the intervention, its delivery method, financing mechanism, management system, assessment and selection of any implementing partners, etc.
 - Programme and project management, monitoring and reporting tools for effective implementation including regular external on-the-spot monitoring of projects.
 - Significant evaluation and audit components.

Financial Reporting and Accounting

EuropeAid will continue to pursue the highest standards of accounting and financial reporting using the Commission's accruals based accounting system (ABAC) as well as external aid specific tools such as the Common Relex Information System (CRIS).

In relation to compliance with the relevant legislative and procedural framework, compliance control methods are set out in section 2.3 (measures to prevent fraud and irregularities)

Role of Committees and sub-committees.

It is expected that subcommittees will play an increasingly active role in the control of the implementation of programmes.

2.3. Measures to prevent fraud and irregularities

Specify existing or envisaged prevention and protection measures.

Given the high risk environment in which EuropeAid operates, its systems need to anticipate a significant occurrence of potential compliance errors (irregularities) in transactions and build in a high level of prevention, detection and correction controls as early as possible in the payment process. This means in practice that EuropeAid's compliance controls will place most reliance on significant ex-ante checks by both external auditors and Commission staff in the field before final project payments (while still executing some ex-post audits and checks), going well beyond the financial safeguards required by the Financial Regulation. EuropeAid's compliance framework is made up inter alia of the following significant components:

Preventative measures

Compulsory core training covering fraud issues for aid management staff and auditors;

Provision of guidance (including via internet) including the Practical Guide to Contracts, the EuropeAid Companion and the Financial Management Toolkit (for implementing partners);

Ex-ante assessment to ensure that appropriate anti-fraud measures to prevent and detect fraud in the management of EU funds are in place in the authorities managing the relevant funds under joint, decentralised and shared management);

Ex-ante screening of the anti-fraud mechanisms available in the partner country as part of the assessment of the eligibility criterion of public finance management for receiving budget support (i.e. active commitment to fight fraud and corruption, adequate inspection authorities, sufficient judicial capacity and efficient response and sanction mechanisms);

The Commission signed the International Aid Transparency Initiative (IATI) in Accra in 2008, agreeing on a standard for aid transparency which ensures more timely, detailed and regular data on aid flows and documents;

The Commission implements since 14 October 2011 the first phase of the IATI standard for publishing aid information transparency before the next High Level Forum on aid effectiveness in Busan in November 2011. In addition, the Commission will work in cooperation with the EU Member States on a joint web-based IT application called TR-AID which transforms the EU aid data provided through the IATI and other sources into user-friendly aid information.

Detective and corrective measures

External audits and verifications (both mandatory and risk based) including the European Court of Auditors;

Retrospective checks (on a risk basis) and recoveries;

Suspension of EU funding where there is a serious fraud case, including large scale corruption, until the authorities have taken appropriate action with a view to correcting and preventing such fraud in the future.

EuropeAid will further devise its anti-fraud strategy in line with the Commission's new anti-fraud strategy (CAFS) adopted on 24 June 2011 in order to ensure inter alia that:

EuropeAid's internal anti-fraud related controls are fully aligned with the CAFS;

EuropeAid's fraud risk management approach is geared to identify fraud risk areas and adequate responses;

The systems used for spending EU funds in third countries enable relevant data to be retrieved with a view to feeding this data into fraud risk management (e.g. double funding);

Where necessary, networking groups and adequate IT tools dedicated to analysing fraud cases related to the external aid sector will be set up.

2.4 Estimate of the costs and benefits of the controls

For the EuropeAid portfolio as a whole, internal control / management costs total an estimated annual average of EUR 658 million in commitments in the 2014-2020 budget planning. This figure includes the management of the EDF which operates in an integrated way within the management structure of EuropeAid. These non-operational costs represent approximately 6,4% of the estimated annual average of EUR 10,2 billion planned for the overall (operational + administrative) commitments by EuropeAid on its expenditure portfolio financed by the General Budget of the EU and the European Development Fund for 2012.

These management costs take into account all EuropeAid staff at HQ and in Delegations, infrastructure, travel, training, monitoring, evaluation and audit contracts (including those launched by beneficiaries).

EuropeAid plans to reduce the management/operational activities ratio over time under the improved and simplified arrangements of the new instruments, building on changes likely to come in under the revised Financial Regulation. The key benefits of these management costs are realised in terms of meeting policy objectives, efficient and effective use of resources and the exercise of robust cost-effective preventative measures and other checks to ensure the legal and regular use of funds.

Improvements in the nature and scope of management activities and compliance checks will continue to be pursued. However, these activities will continue to represent a necessary cost to be incurred, to effectively and efficiently achieve the objectives of the instruments at a minimal risk of non compliance (below 2% residual error). These costs are evaluated to be significantly less than the potential losses involved by removing or scaling back internal controls in this high risk area.

3. ESTIMATED FINANCIAL IMPACT OF THE PROPOSAL/INITIATIVE

3.1. Heading(s) of the multiannual financial framework and expenditure budget line(s) affected

In order of multiannual financial framework headings and budget lines.

Heading of multiannual financial framework	Budget line	Type of expenditure	Contribution			
	Number [Description... Neighbourhood Instrument]	DA/NDA (25)	from EFTA ²⁶ countries	from candidate countries ²⁷	from third countries	within the meaning of Article 18(1)(aa) of the Financial Regulation
4	19.08 ENI-European	NDA	NO	NO	NO	NP
5	ENI – Administrative Expenditures	DA	NO	NO	YES	NP

- New budget lines requested NONE

In order of multiannual financial framework headings and budget lines.

Heading of multiannual financial framework	Budget line	Type of expenditure	Contribution			
	Number [Heading.....]	Diff./non-diff.	from EFTA countries	from candidate countries	from third countries	within the meaning of Article 18(1)(aa) of the Financial Regulation
	[XX.YY.YY.YY]		YES/N O	YES/N O	YES/N O	YES/NO

²⁵ DA= Differentiated appropriations / DNA= Non-Differentiated Appropriations

²⁶ EFTA: European Free Trade Association.

²⁷ Candidate countries and, where applicable, potential candidate countries from the Western Balkans.

3.2 Estimated impact on expenditures

3.2.1 Summary of estimated impact on expenditures

EUR million (to 3 decimal places)

Heading of multiannual financial framework:	4	External Relations
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DG: <.....>			Year N ²⁸ 2014	Year N+1 2015	Year N+2 2016	Year N+3 2017	Year N+4 2018	Year N+5 2019	Year N+6 2020	TOTAL
• Operational appropriations										
ENI-European Neighbourhood Instrument (19.08)	Commitments	(1)	2.181,0 76	2.347,3 02	2.408,9 52	2.501,3 95	2.637,7 36	2.806,9 52	2.952,8 83	17.836,296
	Payments	(2)	1.852,5 76	2.001,9 02	2.051,2 52	2.170,5 95	2.249,8 36	2.349,2 52	2.498,5 83	15.173,996
Appropriations of an administrative nature financed from the envelop of specific programs ²⁹										
Number of budget line 19.01.04.02		(3)	47,424	48,098	48,748	49,405	50,164	50,748	51,417	346,004
TOTAL appropriations for DG <.....>	Commitments	=1+1a +3	2.228,5 00	2.395,4 00	2.457,7 00	2.550,8 00	2.687,9 00	2.857,7 00	3.004,3 00	18.182,300
	Payments	=2+2a +3	1.900,0 00	2.050,0 00	2.100,0 00	2.220,0 00	2.300,0 00	2.400,0 00	2.550,0 00	15.520,000

²⁸ Year N is the year in which implementation of the proposal/initiative starts.

²⁹ Technical and/or administrative assistance and expenditure in support of the implementation of EU programmes and/or actions (former "BA" lines), indirect research, direct research.

• TOTAL operational appropriations	Commitments	(4)	2.181,0	2.347,3	2.408,9	2.501,3	2.637,7	2.806,9	2.952,8	17.836,296
			76	02	52	95	36	52	83	
	Payments	(5)	1.852,5	2.001,9	2.051,2	2.170,5	2.249,8	2.349,2	2.498,5	15.173,996
			76	02	52	95	36	52	83	
• TOTAL appropriations of an administrative nature financed from the envelop of specific programs		(6)	47,424	48,098	48,748	49,405	50,164	50,748	51,417	346,004
TOTAL appropriations under HEADING <4>	Commitments	=4+ 6	2.228,5	2.395,4	2.457,7	2.550,8	2.687,9	2.857,7	3.004,3	18.182,300
of the multiannual financial framework	Payments	=5+ 6	1.900,0	2.050,0	2.100,0	2.220,0	2.300,0	2.400,0	2.550,0	15.520,000
			00	00	00	00	00	00	00	

Heading of multiannual financial framework:	5	" Administrative expenditure "
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EUR million (to 3 decimal places)

	Year N 2014	Year N+1 2015	Year N+2 2016	Year N+3 2017	Year N+4 2018	Year N+5 2019	Year N+6 2020	TOTAL
DG: <.....>								
• Human resources	37,036	36,662	36,289	35,919	35,919	35,919	35,919	253,662
• Other administrative expenditure	2,244	2,192	2,173	2,155	2,155	2,155	2,155	15,227
TOTAL DG <.....>	39,279	38,854	38,462	38,073	38,073	38,073	38,073	268,889
TOTAL appropriations of the multiannual financial framework	39,279	38,854	38,462	38,073	38,073	38,073	38,073	268,889

(Total commitments
= Total payments)

EUR million (to 3 decimal places)

	Year N 2014	Year N+1 2015	Year N+2 2016	Year N+3 2017	Year N+4 2018	Year N+5 2019	Year N+6 2020	TOTAL
TOTAL appropriations of the multiannual financial framework								
Commitments	2.267,7 79	2.434,2 54	2.496,1 62	2.588,8 73	2.725,9 73	2.895,7 73	3.042,3 73	18.451,189
Payments	1.939,2	2.088,8	2.138,4	2.258,0	2.338,0	2.438,0	2.588,0	15.788,889

		79	54	62	73	73	73	73	
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3.2.2 Estimated impact on operational appropriations

- The proposal/initiative does not require the use of operational appropriations
- The proposal/initiative requires the use of operational appropriations, as explained below:

Commitment appropriations in EUR million (to 3 decimal places)

Indicate objectives and outputs ↓			Year N	Year N+1	Year N+2	Year N+3	... enter as many years as necessary to show the duration of the impact (see point 1.6)				TOTAL
	OUTPUTS										
	Type of output ³⁰	Average cost of the output	Cost	Cost	Cost	Cost	Cost	Cost	Cost	Cost	Total cost
Geographic programmes ³¹			2072,023	2229,937	2288,504	2376,325	2505,849	2666,605	2805,238		16944,481
Cross-Border Cooperation programmes ³² ...			109,054	117,365	120,448	125,070	131,887	140,348	147,644		891,815
TOTAL COST			2181,076	2347,302	2408,952	2501,395	2637,736	2806,952	2952,883		17836,296

³⁰ Outputs are products and services to be supplied (e.g.: number of student exchanges financed, number of km of roads built, etc.).
³¹ This split is indicative. Programming and allocation of funds under this regulation will be guided by the “more for more” principle.
³² Similar amounts will be made available under the ERDF regulation to support CBC programmes

3.2.3 Estimated impact on appropriations of an administrative nature

3.2.3.1 Summary

- The proposal/initiative does not require the use of administrative appropriations
- The proposal/initiative requires the use of administrative appropriations, as explained below:

EUR million (to 3 decimal places)

	Year N ³³ 2014	Year N+1 2015	Year N+2 2016	Year N+3 2107	Year N+4 2018	Year N+5 2019	Year N+6 2020	TOTAL
HEADING 5 of the multiannual financial framework								
Human resources	37,036	36,662	36,289	35,919	35,919	35,919	35,919	253,662
Other administrative expenditure	2,244	2,192	2,173	2,155	2,155	2,155	2,155	15,227
Subtotal HEADING 5 of the multiannual financial framework	39,279	38,854	38,462	38,073	38,073	38,073	38,073	268,889
Outside HEADING 5³⁴ of the multiannual financial framework								
Human resources	46,898	47,534	48,170	48,806	49,441	50,077	50,713	341,639
Other expenditure of an administrative nature	0,525	0,564	0,578	0,600	0,723	0,671	0,705	4,366
Subtotal outside HEADING 5 of the multiannual financial framework	47,424	48,098	48,748	49,405	50,164	50,748	51,417	346,004
TOTAL	86,703	86,952	87,211	87,479	88,238	88,821	89,491	614,894

3.2.3.2 Estimated requirements of human resources

- The proposal/initiative does not require the use of human resources

³³

Year N is the year in which implementation of the proposal/initiative starts.

³⁴

Technical and/or administrative assistance and expenditure in support of the implementation of EU programmes and/or actions (former "BA" lines), indirect research, direct research.

- X The proposal/initiative requires the use of human resources, as explained below:

Estimate to be expressed in full amounts (or at most to one decimal place)

	Year N	Year N+1	Year N+2	Year N+3	Year N+4 2018	Year N+5 2019	Year N+6 2020	
• Establishment plan posts (officials and temporary agents)								
XX 01 01 01 (Headquarters and Commission's Representation Offices)	137,8	136,4	135,1	133,7	133,7	133,7	133,7	
XX 01 01 02 (Delegations)	78,4	77,6	76,8	76,0	76,0	76,0	76,0	
XX 01 05 01 (Indirect research)								
10 01 05 01 (Direct research)								
• External personnel (in Full Time Equivalent unit: FTE)³⁵								
XX 01 02 01 (CA, INT, SNE from the "global envelope")	9,3	9,2	9,1	9,0	9,0	9,0	9,0	
XX 01 02 02 (CA, INT, JED, LA and SNE in the delegations)								
XX 01 04 yy³⁶	- at Headquarters ³⁷	93,3	91,4	89,6	87,9	86,2	84,5	82,8
	- in delegations	468,1	475,3	482,4	489,6	496,7	503,9	511,0
XX 01 05 02 (CA, INT, SNE - Indirect research)								
10 01 05 02 (CA, INT, SNE - Direct research)								
Other budget lines (specify)								
TOTAL	786,9	790,0	793,1	796,2	801,6	807,1	812,6	

XX is the policy area or budget title concerned.

The human resources required will be met by staff from the DG who are already assigned to management of the action and/or have been redeployed within the DG, together if necessary with any additional allocation which may be granted to the managing DG under the annual allocation procedure and in the light of budgetary constraints.

³⁵ CA= Contract Agent; INT= agency staff ("*Intérimaire*"); JED= "*Jeune Expert en Délégation*" (Young Experts in Delegations); LA= Local Agent; SNE= Seconded National Expert;

³⁶ Under the ceiling for external personnel from operational appropriations (former "BA" lines).

³⁷ Essentially for Structural Funds, European Agricultural Fund for Rural Development (EAFRD) and European Fisheries Fund (EFF).

3.2.4 Compatibility with the multiannual financial framework 2014-2020

- Proposal/initiative is compatible the multiannual financial framework 2014-2020.
- Proposal/initiative will entail reprogramming of the relevant heading in the multiannual financial framework.

Explain what reprogramming is required, specifying the budget lines concerned and the corresponding amounts.

- Proposal/initiative requires application of the flexibility Instrument or revision of the multiannual financial framework³⁸.

Explain what is required, specifying the headings and budget lines concerned and the corresponding amounts.

3.2.5 Third-party contributions

- The proposal/initiative does not provide for co-financing by third parties
- The proposal/initiative provides for the co-financing estimated below:

Cofinancing is allowed under the initiative but no specific figures are set.

Appropriations in EUR million (to 3 decimal places)

	Year N	Year N+1	Year N+2	Year N+3	... enter as many years as necessary to show the duration of the impact (see point 1.6)			Total
<i>Specify the co-financing body</i>	N/A							N/A
TOTAL appropriations cofinanced	N/A							N/A

³⁸ See points 19 and 24 of the Interinstitutional Agreement.

3.3 Estimated impact on revenue

- Proposal/initiative has no financial impact on revenue.
- **NOTE:** Budget revenues of marginal amount (in relation to the overall size of the Instrument), may be generated as a result of reflows on risk capital operations undertaken in cooperation with IFI's.
 - Proposal/initiative has the following financial impact:
 - on own resources
 - on miscellaneous revenue

EUR million (to 3 decimal places)

Budget revenue line:	Appropriations available for the ongoing budget exercise	Impact of the proposal/initiative ³⁹							
		Year N	Year N+1	Year N+2	Year N+3	... insert as many columns as necessary in order to reflect the duration of the impact (see point 1.6)			
Article									

For miscellaneous assigned revenue, specify the budget expenditure line(s) affected.

Specify the method for calculating the impact on revenue.

³⁹ As regards traditional own resources (customs duties, sugar levies), the amounts indicated must be net amounts, i.e. gross amounts after deduction of 25% for collection costs.