



COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 29.9.2004
COM(2004) 626 final

**COMMUNICATION FROM THE COMMISSION
TO THE COUNCIL AND THE EUROPEAN PARLIAMENT**

**On the Instruments for External Assistance under the Future Financial Perspective
2007-2013**

COMMUNICATION FROM THE COMMISSION TO THE COUNCIL AND THE EUROPEAN PARLIAMENT

On the Instruments for External Assistance under the Future Financial Perspective 2007-2013

The Commission's Communications of February 2004 (Building our common Future [COM(2004) 101]) and of 14 July (Financial Perspectives 2007 to 2013 [COM(2004) 487]) set out the framework for a new and simplified political and administrative structure for the delivery of the Community's assistance and cooperation programmes. Thus, in place of the existing¹ range of geographical and thematic instruments that has grown up in an ad-hoc manner over time, six instruments are proposed three of which are designed to implement particular policies, and three to provide the necessary response to particular needs.

Only four of these six instruments are new, two already exist and do not need further modification. Thus this Communication sets down the four new legal instruments needed to put the new framework and structure into effect. These new instruments are:

- 1) An instrument for Pre-Accession Assistance
- 2) A European Neighbourhood and Partnership instrument
- 3) A Development Cooperation and Economic Cooperation instrument
- 4) An instrument for stability

Enlargement has entrusted the EU with even greater responsibilities in the field of external actions, responsibilities channelled towards three main objectives: providing stability, security and prosperity in its Neighbourhood ("The EU and its neighbourhood policy"); working actively to support sustainable development at international level ("The EU as a sustainable development partner"); promoting global political governance and ensuring strategic and civilian security ("The EU as a global player")².

In order to address these responsibilities, the Communication 'Building our Common Future-Policy Challenges and Budgetary Means of the Enlarged Union 2007-2013' adopted on 10 February 2004, set an ambitious goal **of a stronger voice for the Union, supported by more efficient tools**. The present Communication is a further step in which the Commission will not repeat itself but rather demonstrate the value added of EU intervention, further detail its approach in order to achieve these political objectives and propose the instruments to support them.

¹ Any pending legislative proposals will only be continued with where adoption of the proposal is necessary to permit execution of the budget appropriations under the current Financial Perspective. In due course the Commission will withdraw those proposals whose adoption is not indispensable.

² These goals are detailed in the February 10 Communication.

With more than 450 million inhabitants and a quarter of world output, and as the biggest aid donor and the first trading partner of 100 countries, the Union of 25 – and soon 27 - members could wield considerable influence over the political and economic choices determining prosperity and stability in Europe and the wider world, which in their turn influence the well-being and security of Europeans.

This potential is, however, partly unrealised. There is a gap between the EU's economic weight and its political clout.

The cost of a reduced Europe in the field of external relations, whether political or financial, is real. The outside world is constantly and dramatically testing our abilities to act or react in a more coherent way. Without going back to the Iraq or the Argentinean crisis, day-to-day examples of this cost are numerous.

Looking ahead to 2007-2013, the EU must therefore take a long view and set a course rather than reacting to events. **If it wants to have a greater say on the international scene, it needs to speak with one voice and promote a real common strategy.** It should strengthen its capacity to make global governance more effective, to promote sustainable development and political stability through its multilateral and bilateral policies. The EU must improve its capacity to draft substantial external policies by overcoming the division into pillars that undermines the coherence of its action; it also has to make sure that, once adopted, these policies are backed up by all the resources of Community and national instruments, subject to their respective decision-making procedures.

There is a strong demand from Citizens for more Europe on the international scene even where the Community's policies are not currently in the lead. According to opinion polls, the European level is considered the most appropriate by a large majority of people when it comes to external action, far ahead of the national level. Two thirds of European citizens support a Common Foreign Policy and three quarters a Common Defence Policy. They expect the EU to promote their common interests and values more often on the international stage and in doing so, to secure a sense of direction in multilateral negotiations and a sense of influence in the development of globalisation. The EU's experience of integration leads it to press for the construction of a multilateral institutional framework and for the drawing-up of rules rather than unilateralism. The EU must also ensure increased coherence of its internal choices in terms of their effect on the rest of the world and improve the dialogue with civil society in order to remain focused on the interests of all stakeholders.

In a world characterised by openness and instability, citizens are also increasingly exposed to risks such as conflicts, natural disasters, and pandemics. The EU, without internal frontiers, is vulnerable to the consequences of such risks and threats, and must take appropriate external action, and effectively support international efforts, which affect not only the physical security of civilian populations and their potential for development, but also overall security and stability. As detailed below a coherent EU approach in the external relations field will increase the EU's influence far beyond what Member States could achieve separately or even working in parallel.

THE COMPARATIVE ADVANTAGE OF EU EXPENDITURE

The clear added value which the EU enjoys is fundamental to the attainment of the strategic goals presented above. This added value can still be further enhanced.

Whereas the Community limited its interventions in the early period to programmes purely dedicated to development issues, it has since established comprehensive partnership and cooperation agreements with most countries of the world and now tackles complex situations. It has thus developed ambitious and multi-domain programmes, which allow it to address the whole range of challenges confronting third countries from institutions building to the emergence of an efficient private sector. Spending programmes are not and cannot be all embracing. They are composed of an appropriate policy mix defined for each specific partner country. For reasons detailed below, each EURO spent at EU level has greater leverage and consequently more impact than the equivalent spending at national level.

- **The effectiveness of EU external action: Acting at the right level**

EU intervention can firstly be justified simply because it is the most or even the only effective way to properly address our objective. The value added comes from the fact that the **Community simply represents the right level for action**. The very fact of European integration means that the advantages accruing to one Member State from its external operations also benefit the others. However, it is difficult to incorporate these “European” factors in decisions taken nationally, which as a result may ultimately fail to live up to expectations. This clearly justifies intervention at the Community level.

Enlargement is a clear example where action at the Community level is the only option.: Intervention is focused on helping candidate countries to fulfil accession criteria and to prepare for the management of EU Funds,. There is a clear need for intervention to be carried out at EU level, even if it means calling upon Member States experience in the process (e.g. twinning). Similarly,, the objectives of the neighbourhood policy can only be achieved by acting at EU level: Security and migration are further examples where measures are optimised if carried out at the EU level, The same can also be said of standardisation and the establishment of norms as well as the external projection of EU internal policies (biodiversity, global warming, corporate governance...)

The value added of Community spending also comes from the fact that **the Community alone has its hands on all operational levers at once in dealing with third countries**. The Community can therefore ensure consistency and synergy between main external relations instruments: political dialogue, trade, aid, economic cooperation, external projection of internal policies. Member States bilateral relations (in the political field for example) with a particular third country or even region may well be older and closer. However, the full panoply of instruments lies at EU level only., As a result, Community expenditure, used in combination with other available instruments has greater leverage than national or even multilateral expenditure which is limited by the impossibility of fully exploiting complementarities between that expenditure and other policies.

***Example:** The comparative advantage of an EU approach is well illustrated by the Western Balkans, where the EU supported the handling of the crisis and now promotes the stabilisation of the region (through a mix of political dialogue, an ad hoc trade regime, extensive financial programmes covering cooperation in the field of justice and home affairs, democratic stabilisation measures, economic reform etc.) in a way unlikely to be reached by the combined action of individual Member States.*

- **The efficiency of EU external action: Pooling resources**

The value added of EU intervention is directly related to the **influence and visibility** derived from the Community's **economic weight**, the **critical financial mass** and significant **economies of scale** it can generate.

Example : In the area of water, the Community was able to mobilise a critical mass of funding capable of having a global impact (following the WSSD, the Community will commit €1 billion with the Water for Life Initiative). Even if Member States individual expertise can be as just as developed in this field, the volume of aid and the various expertise the EU is able to mobilise simultaneously yields a much higher impact for each EURO spent in this context.

- **The catalytic effect of EU action: Pooling expertise**

The Community engages in **cooperation with most countries** of the world. This enables Member States to contribute effectively, albeit indirectly, to actions in all developing and transition countries. Its **experience of regional integration** gives the Community a clear advantage in dealing with other regional entities and in promoting regional processes. For instance this is the case with African regional entities and Mercosur.

EU added value also stems from its **methods**, and from the enhanced **coordination and coherence which the EU ensures, thereby acting as a catalyst** in relation to the individual efforts made by Member States.

Example: Community humanitarian assistance has created EU added value in this policy area mostly through the shared understanding of complementarities and coordination leading to a productive division of labour between Member States' bilateral aid and Community assistance (benchmark effect). The EU as a whole supplies 50% of global humanitarian aid annually, ECHO alone representing 25% of this total : this enables the EU to influence the international humanitarian response vis-à-vis the other main donors such as the USA and organisations like the U.N.

EU added value stems also flows from its methods, in particular untying of aid, sectoral and budget support, thereby promoting country ownership, making national budget systems effective, allowing national planning systems to find the optimal balance between recurrent and capital costs, ensuring donor co-ordination within national priorities and national calendars, and leading governments towards a more results-oriented approach. The Commission has also pioneered a genuinely results-based approach to development, linking aid volumes directly to countries' achievements of their national targets for poverty reduction.

- **Reserves of value added to be further exploited**

The value added of EU intervention compared to what Member States can achieve separately or acting in parallel should not be seen as having achieved its full potential. Improved coherence in the Union's external relations can increase its influence if efforts dedicated to internal discussion are reoriented towards external action.

The reform of strategic planning, the creation of EuropeAid and the devolution of project management has already allowed for better targeting of programmers on local needs and better coordination with other donors as well as accelerated programmed implementation (on

average reduced by one year). EU action has also been concentrated on where it has the most added value: trade and development, regional integration, macro economic support, infrastructure, governance and ‘difficult partnerships’. There remain untapped reserves of added value. These lie in better crisis management operations (where traditional assistance is blocked), enhanced coherence in the EU’s external policies and greater complementarity between them and those of the Member States.

There is growing evidence that there must be a convergence between EU internal political objectives, like sustainable growth or security and its External Relations political objectives like sustainable development and the promotion of Human Rights and Democracy.

THE NEED FOR MORE EFFECTIVENESS: A COMPLETE OVERHAUL OF EXTERNAL RELATIONS INSTRUMENTS

As already noted, the proposals set down here offer an essential simplification of the existing RELEX external relations instruments. Thus at present Community assistance and cooperation is delivered through a range of regional instruments, for example CARDS, TACIS MEDA etc. and through the arrangements set out for the European Development Fund (EDF) in the Cotonou agreement, to which must be added a substantial number of thematic instruments (for example the European Initiative for Democracy and Human Rights).

As an example of the complexities involved cooperation and assistance with the Southern Mediterranean, Near East and Middle East region must at present be managed through eleven different Regulations. A similar situation applies for the Tacis region, and for the Asia/Latin America regions. Pre-Accession assistance has been delivered through three discrete instruments governed by separate Council Regulations and a Co-ordination Regulation.

All of these Regulations exhibit significant differences of comitology and programming. Managing the Community’s programmes on the basis of such a mixed and complex set of instruments, in an efficient and coordinated way, has become an increasingly difficult task.

• Policy driven Instruments

As foreseen in its February 10 and July 14 Communications, the Commission therefore proposes a drastic simplification of instruments, driven by the need to facilitate coherence and consistency of external actions, and achieve better and more with the available resources available, by addressing the following principles:

- **Ensuring overall policy coherence:** The appropriate policy mix and balance between the needs for short-term response and long term strategies will be ensured through Country Strategy Papers (CSPs) and Regional Strategy Papers (RSPs), as well as accession and thematic strategies. Subject to regular reviews, and calling upon the appropriate mix of the new instruments proposed, this will ensure the necessary coherence in approach.
- **Simplifying structure and procedures**³ Budget lines and procedures (financing instruments and their legal bases) will be streamlined to make them more effective and

³ There are currently 91 budget lines in the RELEX family policy areas. This does not include budget lines in other policy drawing resources from the current Heading 4.

more efficient, in particular with regard to emergencies and crises, and more responsive to new initiatives such as the Global Fund to fight HIV/AIDS, Tuberculosis and Malaria or the Heavily Indebted Poor Countries initiative.

- **Output-oriented resources allocation:** There is a broad consensus on the necessity of allocating resources according to expected and measured performances. The CSPs–RSPs process, backed up by stronger analytical capabilities, should confront initial goals and real achievements.
- **Better dialogue and coordination with other donors and institutions:** First, with the other EU Institutions, but also with Members States and Bretton Woods institutions.
- **Better dialogue with third countries:** All countries will be covered by the new and simplified set of targeted instruments, bringing better understanding and readability.

To further enhance overall effectiveness of Commission managed EU-aid, the new instruments and the financial allocations made will be guided by a stronger attention to needs and performance criteria. The incorporation of former EDF-aid into the budget will facilitate cross-fertilisation towards the best practice level of the hitherto two systems. The Commission will further seek that the new framework regulating the aid programming and delivery will put it in an enabling position.

- **The move to only six instruments of which four are new**

The framework set out in this Communication dramatically reduces the previous complexities and inconsistencies and proposes *three new main instruments for the three overarching external relations policies* namely pre-accession policy, Union policy towards the neighbourhood countries, and Union policy to support economic cooperation and development with other countries. These three main instruments are then complemented by three specific instruments, of which one is new, to address specific needs and in particular provide a response to crisis situations.

The three main policies and instruments are:

Pre-Accession policy

This policy covers the candidate countries (Turkey and Croatia) and the potential candidate countries (the Western Balkans) and is driven by the accession and pre-accession framework, namely the Strategy Papers, Regular Reports, the European and Accession Partnerships and the negotiations.

The instrument for Pre-Accession will replace a range of existing instruments (PHARE, ISPA, SAPARD, CARDS etc.) and will cover Institution Building, Regional and Cross-border cooperation, Regional Development, Rural Development and Human Resources Development and will address the need for a flexible approach in order to accommodate new priorities quickly.

Beneficiary countries will be divided into two categories, depending on their status as either Candidate Countries or potential Candidate Countries (as recognised by the Council). Potential Candidate Countries will continue to receive assistance along the lines currently

*laid down in the CARDS-Regulation: Institution Building and Democratisation, Economic and Social Development, Regional and Cross-Border Co-operation and some alignment with the *acquis communautaire*, in particular where this is in the mutual interest of the EU and the beneficiary country. Candidate Countries will receive the same kind of assistance but will additionally receive assistance aimed at:*

- *helping countries to fulfil the political, economic and all *acquis*-related criteria for membership (the Accession Criteria) and to build up administrative and judicial capacity for its implementation;*
- *helping countries prepare for EU Structural, Cohesion and Rural Development Funds (EU Funds) after accession both by preparing the necessary structures and systems and by financing projects.*

Within these over-arching objectives, given the history and context of the Balkans, there is an enhanced emphasis on stabilisation, regional co-operation, confidence-building measures and economic development.

The EIB group will fully support the same objectives including through co-financing of regional programs and other forms of co-financing or specific mandates.

The European Neighbourhood and Partnership instrument

This instrument covers countries targeted by the European Neighbourhood Policy i.e. the countries of the south and eastern Mediterranean (the MEDA countries), the Western NIS and the countries of the southern Caucasus. This instrument will also support our strategic partnership with Russia.

The European Neighbourhood and Partnership instrument (EPNI) has two main objectives namely to:

- *promote progressive economic integration and deeper political cooperation between the EU and partner countries*
- *address the specific opportunities and challenges related to the geographical proximity common to the EU and its neighbours.*

The ENPI will contribute to greater political, economic, cultural, and security cooperation between the EU and its neighbours. It will be comprehensive, replacing MEDA and Tacis and other existing instruments such as the European Initiative for Democracy and Human Rights (EIDHR). The ENPI will be a “policy driven” instrument that will operate in the framework of the existing bilateral agreements between the Community and neighbouring countries. It will focus in particular on supporting the implementation of ENP Action Plans. Its scope will go beyond promoting objectives such as sustainable development or fighting poverty to encompass for example considerable support for measures leading to progressive participation in the EU’s internal market. Legislative approximation, regulatory convergence and institution building will be supported through mechanisms such as the exchange of experience, long term twinning arrangements with Member States or participation in Community programmes and agencies.

A specific and innovative feature is the cross border co-operation component. ENPI will finance “joint programmes” bringing together regions of Members States and partner countries sharing a common border. The instrument will bring a radical simplification in procedures and substantial gains in efficiency. It will use a “Structural Funds” approach, based on multi-annual programming, partnership and co-financing.

Cross border co-operation at external EU borders will be conducted using a common methodology through either the IPA or the ENPI depending on the neighbouring country. The cross border co-operation components of the ENPI and the IPA, for operations at EU external borders, will be co-financed by the European Regional Development Fund (ERDF).

The EIB will reinforce its support to the above objectives in its areas of competence, notably through the next generation of its external mandates, and ensuring an optimum combination of its own resources and budget funds through a large range of financial instruments.

Development Cooperation and Economic Cooperation policy with other countries

This policy covers, in particular, all countries territories and regions that are not eligible for assistance under either the Pre-Accession instrument or the European Neighbourhood and Partnership instrument. The purpose of the Community’s Development Cooperation and Economic Cooperation policy is to support development cooperation, economic cooperation, financial cooperation, scientific and technical cooperation and any other form of cooperation with the partner countries and regions, thereby helping developing countries achieve the Millennium Development Goals, and so reduce poverty. This cooperation is implemented in the framework of the principles and objectives of the EU’s external action and in accordance with Articles 179 and 181 a of the European Community Treaty.

The Development Cooperation and Economic Cooperation instrument (DCECI) will be the main vehicle for supporting developing countries in their efforts to achieve these objectives. The Development Cooperation and Economic Cooperation instrument is comprehensive and covers cooperation with both partner countries and partner regions, as well as all the horizontal or thematic initiatives for the benefit of the partner countries, and that are appropriate for the achievement of the objectives set out in articles 177 to 181a of the European Community Treaty and for meeting the Community’s international commitments. It will include the successor to the ninth EDF. This incorporation into the budget will facilitate cross-fertilisation and so moves up to the best practice levels of the two systems.

These three main instruments are policy driven and have, as a consequence, particular geographical implications and coverage. They are complemented by three instruments/programmes that are designed to respond to particular crises. These are:

The Instrument for Stability

This is a new instrument designed to provide an adequate response to instability and crises and to longer term challenges with a stability or security aspect. It will be complementary to the Pre-Accession, European Neighbourhood and Partnership and the Development Cooperation and Economic Cooperation instruments, and will provide assistance designed to establish the necessary conditions for the implementation of the policies supported by the IPA, ENPI and the DCECI.

In particular, the Stability instrument will allow the Community to:

- *deliver an effective, immediate and integrated response to situations of crisis and instability in third countries, within a single legal instrument, until normal cooperation under one of the general instruments for cooperation and assistance can resume. This will build on the added-value already demonstrated by the Rapid Reaction Mechanism and on the emergency provisions already provided for in a number of existing external relations financial instruments;*
- *address global and regional trans-border challenges with a security or stability dimension arising in third countries, including issues such as nuclear safety and non-proliferation, as well as the fight against trafficking, organised crime and terrorism and unforeseen major threats to public health;*
- *enable the Community to deliver a timely response to future urgent policy challenges faced by the Union, by piloting measures unforeseen under the three policy-driven instruments, until such time as they can adequately be integrated within the policy framework of those instruments.*

The Stability instrument operates purely under the first pillar. However its design takes into account the need for effective operational coordination between Community actions and measures adopted under the Common Foreign and Security Policy.

The Humanitarian Aid instrument and Macro Financial Assistance

These two instruments will remain unchanged except that all Food Aid of a humanitarian nature will be included under Humanitarian Aid instead of being dealt with under a separate Regulation. As regards Humanitarian Aid this is regarded as already sufficiently well defined in terms of scope and objectives and is performing well in terms of delivery and efficiency. In addition, since its inception in 1990, Macro Financial Assistance has proved to be an efficient instrument for economic stabilisation and a driver for structural reforms in the beneficiary countries, and so no change is needed.

The external aspects of internal policies

As already noted above the projection of internal policies outside the Union provides an important value added for action at the European Union level. Moreover to project these policies effectively it is essential to reconcile the need for policy coherence and thematic visibility for the internal policies concerned (notably education; environment; immigration and asylum; customs and taxation; and networks), with the need for the overall coherence of external relations (as defined in Country or Regional Strategy Papers) or in the Pre-Accession Policy Framework Documents).

With this overriding need in mind the three general policy driven instruments set out above *will cover all policy areas*, either as a specific thematic concern or within the context of the appropriate policy mix established for a given third country or region by the preparation and adoption of Country/Regional Strategy Papers and Programmes or European and Accession Partnerships. As a consequence there is no systematic need for separate legal instruments or Regulations to deal with external aspects of internal policies.

The draft Regulations attached provide for this requirement.

Thus within the relevant instruments and Regulations appropriate and complete provision has been made to ensure that the external aspects of internal policies are properly covered. This allows measures in support of policy areas such as the environment, education, transport and customs and taxation to be covered by the four new instruments. In some cases, the pursuit of a given policy objective will require that funds are not programmed geographically, as they serve multilateral objectives, for example, to enable the European Union to promote its environmental aims in a multilateral context, independent of the priorities of individual beneficiaries.

The Commission will engage in a dialogue with Council and Parliament on how it intends to ensure that the objectives of these policies and instruments are consistent and coherent with the overall direction and thrust of Union policy, and that overlaps and gaps between thematic and geographical instruments are minimised. As explained in the previous Communications policy must lead the instruments in order to ensure overall coherence.

In addition the new framework will enable financing procedures to be more effective and efficient by ensuring greater flexibility and predictability and so reducing the delays between political decisions and implementation.

The Council and Parliament are invited to adopt the proposed Regulations for the European Neighbourhood and Partnership instrument and the Economic Cooperation and Development instrument set down under sections 2) and 3) below.

The Council is invited, after consulting the European Parliament, to adopt the Pre-Accession and Stability instruments set down under sections 1) and 4) below.