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►B ►M1 **COUNCIL REGULATION (EC) No 1934/2006**

of 21 December 2006

establishing a financing instrument for cooperation with industrialised and other high-income countries and territories, and with developing countries falling under Regulation (EC) No 1905/2006 of the European Parliament and of the Council, for activities other than official development assistance ◄

(OJ L 405, 30.12.2006, p. 41)

Amended by:

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		No	page	date
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COUNCIL REGULATION (EC) No 1934/2006

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establishing a financing instrument for cooperation with industrialised and other high-income countries and territories, and with developing countries falling under Regulation (EC) No 1905/2006 of the European Parliament and of the Council, for activities other than official development assistance

▼C1

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty establishing the European Community, and in particular Article 181a thereof,

Having regard to the proposal from the Commission,

Having regard to the opinion of the European Parliament,

Whereas:

(1) Over the past decade, the Community has consistently strengthened its bilateral relations with a broad range of industrialised and other high-income countries and territories across different regions of the world, primarily in North America, East Asia and Australasia, but also in South-East Asia and the Gulf region. Furthermore, these relations have developed to embrace a widening array of subjects and areas in the economic sphere and beyond.

(2) It is in the Community's interest to further deepen its relations with industrialised countries and territories with which it often shares similar political, economic and institutional structures and values and which are important bilateral political and trading partners as well as players in multilateral fora and in global governance. This will be an important factor in strengthening the European Union's role and place in the world, consolidating multilateral institutions and in contributing to balance and in developing the world economy and the international system.

(3) The European Union and industrialised and other high-income countries and territories have agreed to strengthen their relationship and to cooperate across the areas in which they have shared interests through a variety of bilateral instruments such as agreements, declarations, action plans and other similar documents.

(4) In accordance with the principles laid down in those bilateral instruments, the Community implements a cooperation policy aimed at creating an environment conducive to pursuing and developing its relations with those countries and territories. Cooperation activities will help to strengthen the European presence and visibility in these countries and encourage economic, commercial, academic, cultural and other exchanges and interaction between a diversified range of actors on each side.

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(5) The European Union is founded on the principles of democracy, the rule of law, good governance, respect for human rights and fundamental freedoms. Community action under this Regulation should contribute to the general objective of developing and consolidating these principles in partner countries and regions through dialogue and cooperation.

(6) The promotion of diversified bilateral cooperation initiatives with industrialised and other high-income countries and territories within a single instrument will allow economies of scale, synergy effects, greater effectiveness and visibility for the Community action.

(7) In order to achieve the objectives of this Regulation it is necessary to pursue a differentiated approach and to design cooperation with partner countries taking account of their economic, social and political contexts as well as of the Community's specific interests, strategies and priorities.

(8) This Regulation makes it necessary to repeal Council Regulation (EC) No 382/2001 of 26 February 2001 concerning the implementation of projects promoting cooperation and commercial relations between the European Union and the industrialised countries of North America, the Far East and Australasia and repealing Regulation (EC) No 1035/1999 ([1]).

(9) Since the objectives of this Regulation, namely to promote enhanced cooperation between the Community and industrialised and other high-income countries and territories, cannot be sufficiently achieved by the Member States and can therefore, by reason of the scale of the action, be better achieved at Community level, the Community 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.

(10) The measures necessary for the implementation of this Regulation should be adopted in accordance with Council Decision 1999/468/EC of 28 June 1999 laying down the procedures for the exercise of implementing powers conferred on the Commission ([2]),

HAS ADOPTED THIS REGULATION:

([1]) OJ L 57, 27.2.2001, p. 10. Regulation as amended by Regulation (EC) No 1900/2005 (OJ L 303, 22.11.2005, p. 22).

([2]) OJ L 184, 17.7.1999, p. 23. Decision as amended by Decision 2006/512/EC (OJ L 200, 22.7.2006, p. 11).

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Article 1

Objective

1. For the purpose of this Regulation, 'industrialised and other high-income countries and territories' shall comprise countries and territories listed in Annex I to this Regulation and 'developing countries' shall comprise countries falling under Regulation (EC) No 1905/2006 of the European Parliament and of the Council of 18 December 2006 establishing a financing instrument for development cooperation [1] and listed in Annex II to this Regulation. They are together hereinafter referred to as 'partner countries'.

Union financing under this Regulation shall support economic, financial, technical, cultural and academic cooperation with partner countries in the areas set out in Article 4, falling within its spheres of competence. This Regulation shall serve to finance measures which, in principle, do not fulfil the criteria for Official Development Assistance ('ODA criteria') established by the Development Assistance Committee of the Organisation for Economic Cooperation and Development ('OECD/DAC').

2. The primary objective of cooperation with partner countries shall be to provide a specific response to the need to strengthen links and to engage further with them on a bilateral, regional or multilateral basis in order to create a more favourable and transparent environment for the development of relations between the Union and partner countries in accordance with the principles guiding the Union's external action as laid down in the Treaties. This refers amongst others to the promotion of democracy, respect for human rights and fundamental freedoms, the rule of law, as well as the promotion of decent work and good governance, and the preservation of the environment, in order to contribute to progress and sustainable development processes in partner countries.

Article 2

Scope

1. Cooperation shall be aimed at engaging with partner countries in order to enhance dialogue and rapprochement and to share and promote similar political, economic and institutional structures and values. The Union shall also aim at increasing cooperation and exchanges with established or increasingly important bilateral partners and players in multilateral forums and in global governance. The cooperation also covers partners with which the Union has a strategic interest in promoting links and its values as laid down in the Treaties.

2. In duly justified circumstances and in order to ensure the coherence and effectiveness of Union financing and to foster regional cooperation, the Commission may decide when adopting annual action programmes referred to in Article 6 that countries not listed in the Annexes are eligible for measures financed under this Regulation, where the project or programme to be implemented is of a regional or cross-border nature. Provisions shall be made for this in the multi-annual cooperation programmes referred to in Article 5.

3. The Commission shall amend the lists in Annexes I and II following the regular OECD/DAC reviews of its list of developing countries, and shall inform the European Parliament and the Council thereof.

[1] OJ L 378, 27.12.2006, p. 41.

▼M1

4. For Union financing under this Regulation, particular attention shall be paid where appropriate to the compliance of partner countries with the core labour standards of the International Labour Organisation (ILO) and to their efforts to pursue reductions of greenhouse gas emissions.

5. In relation to countries listed in Annex II to this Regulation, policy coherence with measures financed under Regulation (EC) No 1905/2006 and Regulation (EC) No 1337/2008 of the European Parliament and of the Council of 16 December 2008 establishing a facility for rapid response to soaring food prices in developing countries [1] shall be strictly observed.

Article 3

General principles

1. The Union is founded on the principles of liberty, democracy, respect for human rights and fundamental freedoms and the rule of law and seeks to promote, develop and consolidate commitment to those principles in partner countries through dialogue and cooperation.

2. In the implementation of this Regulation a differentiated approach in designing cooperation with partner countries shall be pursued, where appropriate, to take account of their economic, social and political contexts as well as of the Union's specific interests, strategies and priorities.

3. Measures financed under this Regulation shall be consistent with and cover areas of cooperation set out notably in the instruments, agreements, declarations and action plans between the Union and partner countries, as well as areas pertaining to the Union's specific interests and priorities.

4. For measures financed under this Regulation, the Union shall aim to ensure coherence with other areas of its external action as well as with other relevant Union policies, in particular development cooperation. This shall be ensured by formulating policy, strategic planning and the programming and implementation of measures.

5. Measures financed under this Regulation shall complement and bring added value to the efforts undertaken by Member States and Union public bodies in the area of commercial relations and cultural, academic and scientific exchanges.

6. The Commission shall inform and have regular exchanges of views with the European Parliament.

Article 4

Areas of cooperation

Union financing shall support cooperation actions in accordance with Article 1 and shall be consistent with the overall purpose, scope, objectives and general principles of this Regulation. Union financing shall cover actions that, in principle, do not fulfil the ODA criteria, and which may include a regional dimension, in the following areas of cooperation:

(1) the promotion of cooperation, partnerships and joint undertakings between economic, social, cultural, academic and scientific actors in the Union and partner countries;

[1] OJ L 354, 31.12.2008, p. 62.

▼M1

(2) the stimulation of bilateral trade, investment flows and economic partnerships, including a focus on small and medium-sized enterprises;

(3) the promotion of dialogue between political, economic, social and cultural actors and other non-governmental organisations in relevant sectors in the Union and partner countries;

(4) the promotion of people-to-people links, education and training programmes and intellectual exchanges and the enhancement of mutual understanding between cultures, particularly at the family level, including measures to ensure and increase Union participation in Erasmus Mundus and participation in European education fairs;

(5) the promotion of cooperative projects in areas such as research, science and technology, sports and culture, energy (in particular renewable energy), transport, environmental matters (including climate change), customs, financial, legal and human rights issues, and any other matter of mutual interest between the Union and partner countries;

(6) the enhancement of awareness about and understanding of the Union and of its visibility in partner countries;

(7) support for specific initiatives, including research work, studies, pilot schemes or joint projects destined to respond in an effective and flexible manner to cooperation objectives arising from developments in the Union's bilateral relationships with partner countries or aiming to provide impetus to the further deepening and broadening of bilateral relationships with them.

▼C1

Article 5

Programming and allocation of funds

1. Actions to promote cooperation under this Regulation shall be carried out in the framework of multiannual cooperation programmes covering cooperation with all or with a selection of the partner countries. The Commission shall draw-up the multiannual cooperation programmes and specify their scope.

▼M1

2. Multiannual cooperation programmes shall cover no more than the period of validity of this Regulation. They shall set out the Union's specific interests and priorities, the general objectives and the expected results. In particular with regard to Erasmus Mundus, programmes shall aim for the most balanced geographical coverage possible. They shall also set out the areas selected for financing by the Union and outline the indicative financial allocation of funds, overall, per priority area and per partner country or group of partner countries for the period concerned. Where appropriate, this may be given in the form of a range. Multiannual cooperation programmes shall be reviewed at mid-term, or ad hoc if necessary.

▼C1

3. Multiannual cooperation programmes and any reviews thereof shall be adopted by the Commission in accordance with the procedure set out in Article 15(2).

▼M1

Article 5a

The Union's strategic interests, general objectives, priority areas for financing and expected results for cooperation with partner countries listed in Annex II

The multiannual cooperation programmes referred to in Article 5 with partner countries listed in Annex II shall be based on the following general objectives, priority areas for financing and expected results:

(1) Public diplomacy and outreach, having as objectives:

— to promote widespread understanding and visibility of the Union,

— to promote the Union's views on important policy issues and the Union's values of democracy, respect for human rights and fundamental freedoms,

— to encourage reflection and discussion on the Union and its policies, and on Union relations with partner countries listed in Annex II,

— to develop new approaches that give momentum to positive, result-oriented relations with countries which have little or no knowledge of the Union.

Activities in support of those objectives should lead to a better perception and enhanced mutual understanding of the Union and of partner countries listed in Annex II, with a consequent beneficial effect on the economic and political relationships of the Union with its partners.

(2) Economic partnership and business cooperation, having as objective:

— to facilitate market access for Union companies, notably through programmes supporting them (including relevant regulatory support in relation to trade barriers), drawing on experience from long-standing business cooperation programmes.

Those programmes should, whenever applicable, be complementary to existing support measures. Those programmes should deliver concrete opportunities for improved business and scientific cooperation, increased turnover and investments in target areas and greater trade flows with partner countries listed in Annex II.

Those efforts shall be consistent with, and complementary to, the Commission's broader strategy to develop Union competitiveness in global markets, and other Union policies towards specific regions and countries.

▼M1

Resources shall be focused on countries where interventions can increase the participation of Union companies. Small and medium-sized Union enterprises, seeking access to the Asian, Latin American, Middle Eastern and South African markets shall be an important focus. Where appropriate, resources shall be focused on countries complying with the core labour standards of the ILO and which contribute to the global efforts to pursue reductions of greenhouse gas emissions.

(3) People-to-people links, having as objectives:

— to support high quality partnerships between higher education institutions in the Union and in third-countries as a basis for structured cooperation, exchange and mobility, at all levels of higher education (Action 2 — Strand 2: Partnerships with countries and territories covered by the Industrialised Countries Instrument), under Erasmus Mundus II. Action 2,

— to supplement Erasmus Mundus Action 2 scholarships, funded from the Development Cooperation Instrument (Action 2 — Strand 1: Partnerships with countries covered by the European Neighbourhood and Partnership Instrument, the Development Cooperation Instrument, the European Development Fund and the Instrument for Pre-Accession Assistance (former External Cooperation Window)), by supporting the mobility of Union students and professors to third countries,

— to promote together with civil society in its widest sense a better understanding of the Union as such, its positions on global issues and of economic, social and political integration processes, thus complementing the Union's formal relationships with governments,

— to promote cooperation, partnerships and joint undertakings between economic, social, cultural, academic and scientific actors in the Union and partner countries.

Those activities should help produce mutual benefits from education, culture and civil society cooperation. This shall be done through improvements in the quality of education offered and from confronting the mutual challenges of developing knowledge-based societies. The activities undertaken should add value to the cross-fertilisation of ideas, knowledge, research and technology results through academic and professional exchanges, particularly with partner countries that have higher education systems comparable to those of the Union.

▼C1

Article 6

Implementation

▼M1

1. The Commission shall adopt annual action programmes based on the multiannual cooperation programmes referred to in Article 5 and shall transmit them simultaneously to the European Parliament and to the Council.

▼C1

2. Annual action programmes shall specify, for all or for a selection of partner countries, the objectives pursued, the fields of intervention, the expected results, the management procedures and the total amount of financing planned. They shall contain a description of the operations to be financed, an indication of the amounts allocated for each operation and an indicative implementation timetable.

3. Annual action programmes shall be adopted by the Commission in accordance with the procedure set out in Article 15(2). This procedure needs not be used for amendments to action programmes, such as those making technical adjustments, extending the implementation period, reassigning funds between the planned operations within the forecast budget, or increasing or reducing the size of the budget by less than 20 % of the initial budget, provided these amendments are consistent with the initial objectives set out in the action programmes.

Article 7

Eligibility

►M1 1. ◄ The following entities shall be eligible for funding under this Regulation for the purposes of implementing the action programmes referred to in Article 6:

(a) the following entities and bodies in the Member States and in the partner countries:

(i) public or parastatal bodies, local authorities and consortia thereof;

(ii) companies, firms and other private organisations and businesses;

(iii) non-governmental organisations; citizens' groups and sectoral organisations such as trade unions, organisations representing economic and social interests, consumer organisations, women's and youth organisations; teaching, training, cultural, media, research and scientific organisations; universities and other education institutions;

(b) partner countries and their regions, institutions and decentralised bodies;

(c) international organisations, including regional organisations, in so far as they contribute to the objectives of this Regulation;

(d) natural persons of the Member States and of partner countries or other third countries in so far as they contribute to the objectives of this Regulation;

▼M1

(e) joint bodies set up by partner countries and regions and the Union;

(f) Union institutions and bodies, in so far as they implement support measures specified in Article 9;

▼C1

(g) European Union agencies.

▼M1

2. Measures covered by Council Regulation (EC) No 1257/96 of 20 June 1996 concerning humanitarian aid [1], Regulation (EC) No 1717/2006 of the European Parliament and of the Council of 15 November 2006 establishing an Instrument for Stability [2] or Regulation (EC) No 1905/2006, and eligible for funding thereunder shall not be funded under this Regulation.

3. Union financing under this Regulation shall not be used to finance the procurement of arms or ammunition, nor operations having military or defence implications.

▼C1

Article 8

Types of financing

1. Cooperation projects and programmes will be financed by the general budget of the European Union either in totality or in the form of co-financing with other sources as specified in Article 10.

2. Financing for the implementation of action programmes may take in particular the following legal forms:

(a) grant agreements (including scholarships);

(b) procurement contracts;

(c) employment contracts;

(d) financing agreements.

▼M1

3. Union financing shall, in principle, not be used for paying taxes, duties or charges in the partner countries.

▼C1

Article 9

Support measures

▼M1

1. Union financing may cover expenditure associated with the preparation, follow up, monitoring, audit and evaluation activities directly necessary for the implementation of this Regulation and the achievement of its objectives, and any other administrative or technical assistance expenditure that the Commission, including its Delegations in partner countries, may incur for the management of operations financed under this Regulation.

▼C1

2. These support measures are not necessarily covered by multi-annual programmes and may therefore be financed outside their scope.

▼M1

3. The Commission shall adopt support measures not covered by the multiannual cooperation programmes and shall transmit them simultaneously to the European Parliament and to the Council.

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[1] OJ L 163, 2.7.1996, p. 1.
[2] OJ L 327, 24.11.2006, p. 1.

▼C1

Article 10

Co-financing

1. Measures shall be eligible for co-financing, *inter alia*, with:

(a) Member States, their regional and local authorities, and in particular their public and parastatal agencies;

(b) partner countries, and in particular their public and parastatal agencies;

(c) international organisations and regional organisations, including international and regional financial institutions;

(d) companies, firms, other private organisations and businesses, and other non-State actors;

(e) partner countries in receipt of funding, and other bodies eligible for funding under Article 7.

2. In the case of parallel co-financing, the project or programme will be split into a number of clearly identifiable operations which are each financed by the different partners providing co-financing in such a way that the end-use of the financing can always be identified.

3. In the case of joint co-financing, the total cost of a project or programme will be shared between the partners providing the co-financing and the resources are pooled in such a way that it is not possible to identify the source of financing for any given activity undertaken as part of the project or programme.

4. The Commission may receive and manage funds for co-financed projects on behalf of the bodies referred to in paragraph 1(a) (b) and (c) for the purpose of implementing joint measures. Such funds shall be treated as assigned revenue, in accordance with Article 18 of Council Regulation (EC, Euratom) No 1605/2002 of 25 June 2002 on the Financial Regulation applicable to the general budget of the European Communities ([1]).

Article 11

Management procedures

1. The measures financed under this Regulation shall be implemented in accordance with Regulation (EC, Euratom) No 1605/2002 and in particular Part Two, Title IV thereof.

2. The Commission may entrust tasks of public authority, and in particular budget implementation tasks, to the bodies referred to in Article 54(2)(a) and (c) of Regulation (EC, Euratom) No 1605/2002. The bodies referred to in Article 54(2)(c) of that Regulation may be entrusted with tasks of public authority if they are of recognised international standing, comply with internationally recognised systems of management and control, and are supervised by a public authority.

([1]) OJ L 248, 16.9.2002, p. 1.

▼C1

Article 12

▼M1

Protecting the Union's financial interests

1. Any agreements resulting from this Regulation shall contain provisions ensuring the protection of the Union's financial interests, in particular with respect to irregularities, fraud, corruption and any other illegal activity, in accordance with Council Regulations (EC, Euratom) No 2988/95 of 18 December 1995 on the protection of the European Communities financial interests [1] and (Euratom, EC) No 2185/96 of 11 November 1996 concerning on the spot checks and inspections carried out by the Commission in order to protect the European Communities' financial interests against fraud and other irregularities [2] and Regulation (EC) No 1073/1999 of the European Parliament and of the Council of 25 May 1999 concerning investigations conducted by the European Anti-Fraud Office (OLAF) [3].

2. Agreements shall expressly entitle the Commission and the Court of Auditors to perform audits, including document audits or on-the-spot audits of any contractor or subcontractor who has received Union funds. They shall also expressly authorise the Commission to carry out on-the-spot checks and inspections in accordance with Regulation (Euratom, EC) No 2185/96.

▼C1

3. All contracts resulting from the implementation of cooperation shall ensure the rights of the Commission and the Court of Auditors under paragraph 2 during and after the performance of the contracts.

▼M1

Article 13

Evaluation

1. The Commission shall regularly evaluate the actions and programmes financed under this Regulation, where appropriate or at the request of the European Parliament or the Council, by means of independent external evaluation reports, in order to ascertain whether the objectives have been met and to enable it to formulate recommendations with a view to improving future operations. The results shall feed back into programme design and resource allocation.

2. The Commission shall send the evaluation reports referred to in paragraph 1 to the European Parliament and to the Council for information.

3. The Commission shall associate relevant stakeholders, including non-State actors, in the evaluation phase of the Union cooperation provided for under this Regulation.

Article 14

Annual report

The Commission shall examine the progress made on implementing the measures taken under this Regulation and shall submit to the European Parliament and the Council a detailed annual report on the implementation of this Regulation. The report shall set out the results of the implementation of the budget and present all the actions and programmes financed, and as far as possible, set out the main outcomes and impacts of the cooperation actions and programmes.

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[1] OJ L 312, 23.12.1995, p. 1.
[2] OJ L 292, 15.11.1996, p. 2.
[3] OJ L 136, 31.5.1999, p. 1.

▼C1

Article 15

Committee

1. The Commission shall be assisted by a committee.

2. Where reference is made to this paragraph, Articles 4 and 7 of Decision 1999/468/EC shall apply.

The period laid down in Article 4(3) of Decision 1999/468/EC shall be set at 30 days.

3. The Committee shall adopt its rules of procedure.

▼M1

Article 16

Financial provisions

The financial reference amount for the implementation of this Regulation for the period from 2007 to 2013 shall be EUR 172 million for countries listed in Annex I and EUR 176 million for countries listed in Annex II. The annual appropriations shall be authorised by the budgetary authority within the limits of the financial framework.

▼C1

Article 17

Repeal

1. Regulation (EC) No 382/2001 shall be repealed as of the latest of the following dates:

— 1 January 2007,

— the date of entry into force of this Regulation.

2. The repealed Regulation shall continue to apply for legal acts and commitments of budget years preceding the year 2007. Any reference to the repealed Regulation shall be deemed to be a reference to this Regulation.

Article 18

Review

Not later than 31 December 2010, the Commission shall submit to the European Parliament and the Council a report evaluating the implementation of this Regulation in the first three years with, if appropriate, a legislative proposal introducing the necessary modifications.

Article 19

Entry into force

This Regulation shall enter into force on the day following its publication in the *Official Journal of the European Union*.

It shall apply from 1 January 2007 to 31 December 2013.

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

▼M1

ANNEX I

List of industrialised and other high-income countries and territories covered by this Regulation

▼C1

(1) Australia

(2) Bahrain

(3) Brunei

(4) Canada

(5) Chinese Taipei [1]

(6) Hong-Kong

(7) Japan

(8) Republic of Korea

(9) Kuwait

(10) Macao

(11) New Zealand

(12) Oman

(13) Qatar

(14) Saudi Arabia

(15) Singapore

(16) United Arab Emirates

(17) United States

[1] Although there are no diplomatic or political relations with Chinese Taipei, intensive contacts do take place and should be continued in the areas of economy, trade, science and technology, standards and norms and on a number of other subjects.

▼**M1**

ANNEX II

List of developing countries covered by this Regulation

Latin America

1. Argentina
2. Bolivia
3. Brazil
4. Chile
5. Colombia
6. Costa Rica
7. Cuba
8. Ecuador
9. El Salvador
10. Guatemala
11. Honduras
12. Mexico
13. Nicaragua
14. Panama
15. Paraguay
16. Peru
17. Uruguay
18. Venezuela

Asia

19. Afghanistan
20. Bangladesh
21. Bhutan
22. Burma/Myanmar
23. Cambodia
24. China
25. India
26. Indonesia
27. Democratic People's Republic of Korea
28. Laos
29. Malaysia
30. Maldives

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31. Mongolia
32. Nepal
33. Pakistan
34. Philippines
35. Sri Lanka
36. Thailand
37. Vietnam

Central Asia

38. Kazakhstan
39. Kyrgyz Republic
40. Tajikistan
41. Turkmenistan
42. Uzbekistan

Middle East

43. Iran
44. Iraq
45. Yemen

South Africa

46. South Africa

▼**M1**

ANNEX III

Financial allocation of funds for cooperation with countries listed in Annex II

The distribution of funds by priority areas for cooperation with the partner countries listed in Annex II shall be the following for the period 2011-2013:

Priority area	
Public diplomacy and outreach	At least 5 %
Promotion of economic partnership and business cooperation	At least 50 %
People-to-people links	At least 20 %
Unallocated reserve and administrative costs	Maximum 10 %