

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**

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.

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- (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.
 - (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 Australasia¹.

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).

- (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 Commission¹,

HAS ADOPTED THIS REGULATION:

Article 1

Objective

1. Community financing shall support economic, financial and technical cooperation and other forms of cooperation falling within its spheres of competence, with industrialised and other high-income countries and territories.
2. The primary objective of cooperation with the countries and territories referred to in paragraph 1 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 environment for the development of the relations of the Community with these countries and territories and promote dialogue while fostering Community's interests.

¹ OJ L 184, 17.7.1999, p. 23. Decision as amended by Decision 2006/512/EC (OJ L 200, 22.7.2006, p. 11).

*Article 2**Scope*

1. The cooperation with industrialised and other high-income countries and territories shall be aimed at engaging with partners which share similar political, economic and institutional structures and values to the Community and which are important bilateral partners and players in multilateral fora and in global governance. The cooperation also covers newly industrialised or high-income countries and territories with which the Community has a strategic interest in promoting links.
2. For the purpose of this Regulation, industrialised and other high-income countries and territories shall comprise countries and territories listed in the Annex and are hereinafter referred to as "partner countries". However, in duly justified circumstances and in order to foster regional cooperation, the Commission may decide when adopting action programmes referred to in Article 6 that countries not listed in the Annex are eligible, where the project or programme to be implemented is of regional or cross-border nature. Provisions may be made for this in the multi-annual cooperation programmes referred to in Article 5. The Commission shall amend the list in the Annex in accordance with regular OECD/DAC reviews of its List of developing countries and inform the Council thereof.

*Article 3**General principles*

1. The European 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 commitment to these 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 Community's specific interests, strategies and priorities.
3. Measures financed under this Regulation shall cover areas of cooperation set out notably in the instruments, agreements, declarations and action plans between the Community and the partner countries as well as areas pertaining to the Community's specific interests.
4. For measures financed under this Regulation, the Community shall aim to ensure coherence with other areas of its external action as well as other relevant Community policies. 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 Community public bodies, including in the area of commercial relations.

*Article 4**Areas of cooperation*

Community 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. Specific attention shall be paid to actions, which may include a regional dimension, in the following areas of cooperation:

- 1) the promotion of cooperation, partnerships and joint undertakings between economic, academic and scientific actors in the Community and partner countries;
- 2) the stimulation of bilateral trade, investment flows and economic partnerships;
- 3) the promotion of dialogues between political, economic and social actors and other non-governmental organisations in relevant sectors in the Community 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 and civilisations;
- 5) the promotion of cooperative projects in areas such as research, science and technology, energy, transport and environmental matters – including climate change, customs and financial issues and any other matter of mutual interest between the Community and the partner countries;
- 6) the enhancement of awareness about and understanding of the European 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 Community's bilateral relationship with the partner countries or aiming to provide impetus to the further deepening and broadening of bilateral relationships with them.

Article 5

Programming and allocation of funds

1. Actions to promote cooperation under this Regulation shall be carried out in the framework of multi-annual cooperation programmes covering cooperation with all or with a selection of the partner countries. The Commission shall draw-up the multi-annual cooperation programmes and specify their scope.
2. Multi-annual cooperation programmes shall cover no more than the period of validity of this Regulation. They shall set out the Community's strategic interests and priorities, the general objectives and the expected results. They shall also set out the areas selected for financing by the Community 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. Multi-annual cooperation programmes shall be reviewed at mid-term, or ad hoc if necessary.
3. Multi-annual cooperation programmes and any reviews thereof shall be adopted by the Commission in accordance with the procedure set out in Article 15(2).

*Article 6**Implementation*

1. The Commission shall adopt annual action programmes based on the multi-annual cooperation programmes referred to in Article 5.
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

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

- (f) Community institutions and bodies, insofar as they implement support measures specified in Article 9;
- (g) European Union agencies.

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.
3. Where the implementation of action programmes takes the form of financing agreements with partner countries, it shall be established that Community funding shall not be used to finance taxes, customs duties and other fiscal charges in the partner countries.

*Article 9**Support measures*

1. Community 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 at its Delegations in the partner countries, may incur for the management of operations financed under this Regulation.
2. These support measures are not necessarily covered by multi-annual programmes and may therefore be financed outside their scope.
3. The Commission shall adopt support measures not covered by the multi-annual programmes and shall inform Member States thereof.

*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;

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- (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 Communities¹.

¹ OJ L 248, 16.9.2002, p. 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.

*Article 12**Protecting the Community's financial interests*

1. Any agreements resulting from this Regulation shall contain provisions ensuring the protection of the Community'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 interests¹ 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 irregularities² 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.

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.

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 Community 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.
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.

Article 13

Evaluation

1. The Commission shall regularly evaluate the actions and programmes financed under this Regulation, where appropriate by means of independent external evaluations, in order to ascertain whether the objectives have been met and 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 its evaluation reports to the European Parliament and to the Committee referred to in Article 15 for information.
3. The Commission shall associate relevant stakeholders, including non-state actors, in the evaluation phase of the Community 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 an annual report on the implementation of this Regulation. The report shall set out the results of implementation of the budget and present the actions and programmes financed, and as far as possible, set out the main outcomes and impacts of the cooperation actions and programmes.

*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.

*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. The annual appropriations shall be authorised by the budgetary authority within the limits of the financial framework.

*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.

Done at Brussels, 21 December 2006.

For the Council

The President

J. KORKEAOJA

ANNEX**List of countries and territories covered by this Regulation**

- (1) Australia
- (2) Bahrain
- (3) Brunei
- (4) Canada
- (5) Chinese Taipei¹
- (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.