

Proposal for a Council Regulation (Euratom, EC) concerning the provision of assistance to economic reform and recovery in the New Independent States and Mongolia

(1999/C 37/05)

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(Submitted by the Commission on 8 January 1999)

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty establishing the European Community, and in particular Article 235 thereof,

Having regard to the Treaty establishing the European Atomic Energy Community, and in particular Article 203 thereof,

Having regard to the proposal from the Commission,

Having regard to the opinion of the European Parliament,

Whereas, pursuant to the European Council in Dublin and in Rome in 1990, the Community introduced a technical assistance programme in favour of economic reform and recovery in the former Union of Soviet Socialist Republics;

Whereas Council Regulation (Euratom, EEC) No 1279/96 of 25 June 1996 ⁽¹⁾ concerning the provision of technical assistance to economic reform and recovery in the New Independent States and Mongolia laid down the conditions for the provision of this technical assistance and envisaged such an operation from 1 January 1996 to 31 December 1999;

Whereas such assistance has already generated significant impact on reform in the New Independent States and Mongolia and further assistance is required to ensure this reform becomes sustainable;

Whereas such assistance will be fully effective only in the context of progress towards free and open democratic societies that respect human rights, and towards market-oriented economic systems;

Whereas further assistance is required to promote nuclear safety in the New Independent States;

Whereas the continued provision of assistance will contribute to the attainment of shared objectives, notably in the context of the Partnership and Cooperation Agreements and economic cooperation agreements concluded with the New Independent States and Mongolia;

Whereas it is appropriate to establish priorities for this assistance which are determined, *inter alia*, by the common interests of the Community and the partner countries;

Whereas the assistance shall take into account the differing needs and priorities of the principal regions covered by this regulation;

Whereas experience has shown that Community assistance will be all the more effective when it is concentrated on a restricted number of areas within each partner country;

Whereas the development of inter-state economic links and trade flows conducive to economic reform and restructuring should be encouraged;

Whereas regional cooperation, particularly in relation to the Northern Dimension and in the Black Sea region, should be encouraged;

Whereas cross-border cooperation, particularly in the context of borders between the New Independent States and the Union, between the New Independent States and Central and Eastern Europe, and between the New Independent States themselves, including Mongolia should be encouraged;

Whereas the requirements of economic reform and restructuring now in progress, and the effective management of this programme, require a multi-annual approach;

Whereas the long-term sustainability of reform will require due emphasis on the social aspects of reform and the development of the civil society;

Whereas the integration of environmental aspects into the assistance would guarantee the long-term sustainability of economic reforms;

⁽¹⁾ OJ L 154, 4.7.1996, p. 1.

Whereas, in the event of severe political or economic crisis, special assistance covering imports and local expenditure may be required;

Whereas the quality of the assistance shall be improved by selecting a proportion of projects on a competitive basis;

Whereas, in order to properly meet the most acute needs of the New Independent States and Mongolia at the present stage of their economic transformation, it is necessary to permit a certain amount of the financial allocation to be used for economically sound investment financing, notably in the areas of cross-border cooperation, promotion of SMEs, environmental infrastructure and networks of strategic importance to the Community;

Whereas Community assistance could, where appropriate, be more effective and efficient when it is implemented on a decentralised basis;

Whereas effective competition amongst firms, organisations and institutions interested in participating in the initiatives financed by the programme shall be ensured;

Whereas Community assistance will be all the more effective when the involvement of the partner states is ensured;

Whereas it is appropriate that the Commission be assisted in the implementation of Community aid by a committee made up of Member States' representatives;

Whereas the European Council at its meeting in Rome also stressed the importance of effective coordination by the Commission of the efforts made in the former Union of Soviet Socialist Republics by the Community and its Member States acting individually;

Whereas the Treaties have not provided for the adoption of this Regulation, powers other than those of Article 235 of the EC Treaty and Article 203 of the EAEC Treaty,

HAS ADOPTED THIS REGULATION:

Article 1

A programme to promote economic reform and recovery in the partner states listed in Annex I (hereinafter called 'the partner states') shall be implemented by the Community from 1 January 2000 to 31 December 2006 in accordance with the criteria laid down in this Regulation.

Article 2

1. The programme shall provide assistance to support reforms in progress in the partner states for measures aimed at bringing about the transition to a market economy and reinforcing democracy and the rule of law.

2. The programme shall be based on the principles and objectives set out in the Partnership and Co-operation Agreements and trade and economic cooperation agreements, in the context of which the Community, its Member States and the partner states work together to support initiatives of common interest.

3. The programme shall aim to maximise impact through concentration on a limited number of large-scale initiatives. To this end, the indicative and action programmes referred to below shall cover at most three of the eligible areas of cooperation listed in Annex II. Where applicable, support for nuclear safety shall be provided in addition to the three areas. Concentration shall reflect the differing needs and priorities of the partner country as outlined in the following paragraph.

4. The programme shall take into account the differing needs and priorities of the principal regions covered by the regulation and in particular the need to promote democracy and the rule of law. In the Western NIS and the Caucasus particular attention shall be given to creating a favourable investment climate, promoting regional cooperation and building a wider area of co-operation across Europe. In Russia particular attention shall be given to reinforcing the rule of law, strengthening the economic and financial framework, and promoting industrial cooperation and partnership. In Central Asia and Mongolia particular attention shall be given to strengthening democracy and good governance, supporting the development of networks, and promoting fundamental, sustainable, economic reform.

5. The programme shall aim to promote inter-state, inter-regional and cross-border cooperation between the partner states themselves, between the partner states and the Union and between the partner states and Central and Eastern Europe.

Inter-state and inter-regional cooperation shall primarily serve to assist the partner states to identify and pursue actions which are best undertaken on a multi-country, rather than a national level such as the promotion of networks, environmental cooperation and actions in the area of justice and home affairs.

Cross-border cooperation shall primarily serve to: (i) assist border regions in overcoming their specific developmental problems stemming from their relative isolation, (ii) encourage the linking of networks on both sides of the border, eg. border-crossing facilities, and (iii) accelerate the transformation process in the partner states through their cooperation with border regions in the Union or Central and Eastern Europe (iv) reduce transboundary environmental risks and pollution.

6. In the area of nuclear safety, the programme shall focus on three priorities: (i) supporting the reinforcement of the nuclear safety culture and the application of efficient safeguards, in particular through support for the regulatory authorities; (ii) contributing to international initiatives, such as those outlined in the context of the G7; and (iii) supporting spent fuel and nuclear waste management, notably in Northwest Russia. As necessary, on-site assistance at nuclear power plants which aims to contribute to an efficient transfer of safety culture and know how at the plant level shall be implemented in the short term.

7. Measures shall be implemented taking into account the objective of promoting stability, through support for sustainable economic, environmental and social development, and taking account of the evolving needs, absorption capacity and progress towards democratic and market-orientated reform in the partner states.

TITLE I

INDICATIVE AND ACTION PROGRAMMES

Article 3

1. The assistance shall be applied in the framework of national, multi-country and other programmes.

2. The national and multi-country programmes shall comprise indicative and action programmes.

3. Indicative programmes covering three to four year periods shall be established in accordance with the procedure provided for in Article 10. These programmes shall define the principal objectives of, and guidelines for, Community assistance in the areas of cooperation set out in Annex II and could include financial estimates. Before the establishment of indicative programmes, the Commission shall discuss with the Committee referred to in Article 10 the priorities identified with the partner states.

4. Action programmes based on the indicative programmes referred to in the preceding paragraph shall be adopted on an annual or bi-annual basis in accordance with the procedure provided for in Article 10. These action programmes shall include a list of the

projects to be financed within the areas of cooperation set out in Annex II. The content of the programmes shall be determined in sufficient detail, so as to enable the Committee referred to in Article 10 to deliver its opinion.

5. The measures outlined in the national action programmes shall be reflected in financing memoranda agreed between the Commission and each partner states. These shall be based on a dialogue addressing the joint interests of the Community and the partner states, particularly in the context of the Partnership and Co-operation Agreements.

6. If circumstances require, the indicative and action programmes may be amended in accordance with the procedure outlined in Article 10 during the period of their application.

7. In the event of severe political or economic crisis in one of the partner states or the threat thereof, a special programme of support may be adopted in accordance with the procedure outlined in Article 10.

Article 4

In addition to the national action programmes, an Incentive Scheme shall be established which shall introduce an element of competition into the allocation of resources. Under this Scheme, projects shall be selected on the basis of proposals received from the partner states and according to criteria to be agreed in accordance with the procedure outlined in Article 10. In order to ensure concentration, projects financed under the scheme should be linked to the areas of cooperation established in the national indicative programmes referred to in Article 3(3).

TITLE II

MEASURES TO BE SUPPORTED

Article 5

1. In the framework of the programmes referred to in Title 1, the following shall be supported:

- technical assistance.
- twinnings and industrial cooperation based on partnerships between public and private organisations from the European Union and partner countries.
- on a case by case basis, the reasonable cost of supplies required in the implementation of the assistance. In particular cases, including nuclear safety, justice and home affairs and cross-border

cooperation, a significant supply element may be included.

- investment and investment-related activities. Assistance may include technical assistance to catalyse and support investments. Assistance may also include investment-financing, notably in the areas of cross-border cooperation, promotion of Small and Medium-sized Enterprises, environmental infrastructure and networks of strategic importance to the Community as described in Annex III.

2. In exceptional situations described in Article 3(7), special support programmes may cover expenditure on imports and local expenditure needed to carry out the projects and programmes.

3. The assistance shall also cover costs related to the preparation, implementation, monitoring, audit and evaluation of the programme, as well as costs concerning information.

4. The measures can be carried out, where appropriate, on a decentralised basis. The final recipients of Community assistance shall be closely involved in the preparation and execution of the projects. Wherever possible, the identification and preparation of the projects shall be carried out directly at regional and local level.

5. Projects will, where appropriate, be implemented in phases. Support for subsequent phases will depend upon the successful implementation of previous phases.

6. The involvement of local experts in project implementation will be encouraged.

TITLE III

FINANCIAL PROVISIONS

Article 6

1. The annual appropriations shall be authorised by the budgetary authority within the limits of the financial perspective.

2. A maximum of 25 % of the annual budget could be allocated to investment-related activities as described in Annex III. A maximum of 25 % of the annual budget could be allocated to the 'Incentive Scheme' as outlined in Article 4.

Article 7

1. Measures referred to in this Regulation which are financed from the general budget of the European Communities shall be administered by the Commission in accordance with the Financial Regulation applicable thereto.

2. The Commission shall abide by the principles of sound financial management and, in particular, those of economy and cost-effectiveness referred to in the Financial Regulation.

Article 8

1. Community assistance shall in general be in the form of grants. They may generate funds that can be used for financing other cooperation projects or measures.

2. Financing decisions and contracts resulting therefrom shall expressly provide for supervision by the Commission and the Court of Auditors to be carried out on the spot, if necessary.

Article 9

1. The cost of the project in local currency shall be covered by the Community only to the extent strictly necessary.

2. The co-financing of projects by the partner countries shall be encouraged.

3. Taxes, duties and the purchase of immovable property shall not be funded by the Community.

TITLE IV

GENERAL PROVISIONS

Article 10

1. The Commission shall be assisted by a committee composed of the representatives of the Member States and chaired by the representative of the Commission, to be known as the 'committee for cooperation with the New Independent States and Mongolia' hereinafter referred to as the 'committee'.

2. The representative of the Commission shall submit to the committee a draft of the measures to be taken. The committee shall deliver its opinion on the draft within a time limit which the chairman may lay down according to the urgency of the matter. The opinion

shall be delivered by the majority laid down in Article 148(2) of the EC Treaty. The chairman shall not vote.

3. The Commission may adopt measures which shall apply immediately. However, if these measures are not in accordance with the opinion of the committee they shall be communicated by the Commission to the Council forthwith. In that event, the Commission may defer application of the measures which it has decided on for not more than one month from the date of such communication.

4. The Council, acting by qualified majority, may take a different decision within the time limit provided for by the third paragraph.

5. The committee shall adopt its rules of procedure by qualified majority.

6. The Commission shall keep the committee regularly informed, supplying specific, detailed information on the contracts awarded for the implementation of the projects and programmes.

7. The European Parliament shall be kept regularly informed of the implementation of the programmes.

8. The Commission shall inform the Council and the European Parliament of any special programmes of support that may be proposed according to Article 3(7).

Article 11

The Commission shall, together with the Member States and on the basis of a reciprocal and regular exchange of information, including exchange of information on the spot, seek the effective coordination of the assistance efforts undertaken by the Community and individual Member States, in order to increase the coherence and complementary of their cooperation programmes.

In addition, the Commission shall ensure coordination and cooperation with the international financial institutions and other donors.

Article 12

Each year the Commission shall present a progress report on the implementation of the assistance programme. This report shall include an evaluation of the assistance already provided. The report shall be addressed to the Member States, the European Parliament, the Council, the Economic and Social Committee and the Committee of the Regions.

Article 13

When an essential element for the continuation of co-operation through assistance is missing, in particular in cases of violation of democratic principles and human rights, the Council may, on a proposal from the Commission, acting by a qualified majority, decide upon appropriate measures concerning assistance to a partner state.

The same procedure shall apply in cases of the violation of the obligations of the partner states as set out in the Partnership and Cooperation Agreements in the event that the dispute settlement procedures provided for in these agreements have not led to satisfactory results.

Article 14

When designing and implementing programmes, due regard shall be taken of: the promotion of equal opportunities for women in the partner countries, environmental considerations, the principles, objectives and requirements of the Partnership and Cooperation and trade and economic Agreements and the social impact of reform measures.

Article 15

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

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

*ANNEX I***PARTNER STATES REFERRED TO IN ARTICLE 1**

Armenia
Azerbaijan
Belarus
Georgia
Kazakhstan
Kyrgyzstan
Moldova
Russian Federation
Tajikistan
Turkmenistan
Ukraine
Uzbekistan
Mongolia

*ANNEX II***AREAS OF COOPERATION REFERRED TO IN ARTICLE 3(3)****1. Promotion of Democracy and the Rule of Law**

- development of the rule of law
- support for effective policy making
- reform of public administration at national, regional and local level
- support for executive and legislative bodies (national, regional, local)
- support for Justice and Home Affairs activities
- reinforcement of the legal and regulatory framework
- support for the implementation of international commitments
- support for the civil society

2. Support to the Private Sector and Assistance for Economic Development

- promotion of small and medium-sized enterprises
- development of the banking and financial services systems
- promotion of private entrepreneurship including joint ventures
- industrial cooperation, including research
- privatisation
- enterprise restructuring
- promotion of private trade and investment

3. Support in Addressing the Social Consequences of Transition

- reform of the health, pension, social protection and insurance systems
- assistance to alleviate the social impact of industrial restructuring
- assistance for social reconstruction
- development of employment services, including re-training

4. Development of Infrastructure Networks

- transport networks
- telecommunication networks
- energy pipelines and transmission networks
- border-crossing

5. Promotion of Environmental Protection

- development of sustainable environmental policies and practices
- promotion of harmonisation of environmental standards with EU norms
- promotion of sustainable use and management of natural resources, including efficient energy usage and improvement of environmental infrastructure

6. Development of the rural economy

- legal and regulatory framework, including land privatisation
- increasing access to finance and promotion of training
- improvement of distribution and access to markets

Where applicable, support for nuclear safety shall be provided in accordance with the priorities outlined in Article 2(6).

*ANNEX III***INVESTMENT PROMOTION**

An important percentage of the annual budgetary allocation shall be used to support investment. This assistance shall take the following forms:

- technical assistance in support of the enabling framework;
- technical assistance to catalyse or accompany investment either before or during the investment;
- co-financing with other sources of investment financing or, on an exceptional basis, investing alone.

Investment financing shall be restricted and would be justified by the following criteria:

- the multiplier effect, according to which Community assistance would be accompanied by a multiple of investment from other sources;
- additionality, when Community assistance would encourage investment which would not otherwise have taken place;
- areas of strategic interest to the Community.

Priority sectors for investment financing would include: cross-border cooperation, border infrastructure, promotion of SMEs, environmental infrastructure and networks.
