

Communication from the Commission entitled European Neighbourhood Policy — Strategy Paper (12 May 2004)

Caption: On 12 May 2004, the European Commission presents a strategy paper which marks an important stage in the achievement of good neighbourly relations between the European Union and the countries of Eastern Europe and of the Mediterranean region.

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European Neighbourhood Policy — Strategy Paper (12 May 2004)

Introduction and Summary

With its historic enlargement earlier this month, the European Union has taken a big step forward in promoting security and prosperity on the European continent. EU enlargement also means that the external borders of the Union have changed. We have acquired new neighbours and have come closer to old ones. These circumstances have created both opportunities and challenges. The European Neighbourhood Policy is a response to this new situation. It will also support efforts to realise the objectives of the European Security Strategy.

In March 2003 the Commission presented its Communication “Wider Europe - Neighbourhood: A new Framework for relations with our Eastern and Southern Neighbours”¹, following a joint letter to the Council by the High Representative Mr Javier Solana and Commissioner Patten in August 2002.

In June 2003 the Council welcomed this Communication as a good basis for developing a new range of policies towards these countries, defined overall goals and principles and identified possible incentives. The Thessaloniki European Council in June 2003 endorsed the Council conclusions and looked forward to the work to be undertaken by the Council and Commission in putting together the various elements of these policies.

In July 2003 the Commission tabled a Communication “Paving the Way for a New Neighbourhood Instrument”² and established a Wider Europe Task Force and a Wider Europe Inter Service Group. In October 2003, the Council “invited the Commission with the contribution, where appropriate, of the High Representative to present in the light of the conclusions of June detailed proposals for the relevant action plans early in 2004 in order to take this matter forward by June 2004.”. The Council also welcomed the communication on the new neighbourhood instrument. The European Council of October 2003 welcomed the progress made on this initiative and urged the Council and the Commission to take it forward, with a view to ensuring a comprehensive, balanced and proportionate approach, including a financial instrument.

On this basis the Commission has made a detailed analysis of the elements which could be included in this initiative, both with respect to substance and procedure. The Commission has made two oral progress reports to the Council, in October 2003 and February 2004, and contributed to detailed discussions in the Permanent Representatives Committee and the relevant Council working groups, concerning the possible elements to be included in European Neighbourhood Policy (ENP) Actions Plans with a number of countries in Eastern Europe and the Mediterranean region. The parts of these Action Plans related to enhanced political co operation and the Common Foreign and Security Policy have been worked on and agreed jointly by the services of the Commission and the High Representative

The Commission has held exploratory talks with partners in Eastern Europe and the Southern Mediterranean³ which have Partnership and Cooperation Agreements or Association Agreements in force. These talks have confirmed their interest in ENP and ascertained their views on the priorities to be addressed in Action Plans. The intention is progressively to extend the process to other countries, which are at present within the scope of this initiative, as their agreements advance from the signature to the ratification stage.

At the same time the Commission has made an evaluation of the present situation in these countries, with respect to their political and economic systems and their co-operation with the European Union. The present Communication is designed to convey, to the Council and the European Parliament, the results of this work and to map out the next steps in carrying forward the European Neighbourhood Policy.

Since this policy was launched, the EU has emphasised that it offers a means to reinforce relations between the EU and partner countries, which is distinct from the possibilities available to European countries under Article 49 of the Treaty on European Union. The objective of the ENP is to share the benefits of the EU’s 2004 enlargement with neighbouring countries in strengthening stability, security and well-being for all concerned. It is designed to prevent the emergence of new dividing lines between the enlarged EU and its

neighbours and to offer them the chance to participate in various EU activities, through greater political, security, economic and cultural co operation.

The method proposed is, together with partner countries, to define a set of priorities, whose fulfilment will bring them closer to the European Union. These priorities will be incorporated in jointly agreed Action Plans, covering a number of key areas for specific action: political dialogue and reform; trade and measures preparing partners for gradually obtaining a stake in the EU's Internal Market; justice and home affairs; energy, transport, information society, environment and research and innovation; and social policy and people-to-people contacts.

The privileged relationship with neighbours will build on mutual commitment to common values principally within the fields of the rule of law, good governance, the respect for human rights, including minority rights, the promotion of good neighbourly relations, and the principles of market economy and sustainable development. Commitments will also be sought to certain essential aspects of the EU's external action, including, in particular, the fight against terrorism and the proliferation of weapons of mass destruction, as well as abidance by international law and efforts to achieve conflict resolution.

The Action Plans will draw on a common set of principles but will be differentiated, reflecting the existing state of relations with each country, its needs and capacities, as well as common interests. The level of ambition of the EU's relationships with its neighbours will take into account the extent to which these values are effectively shared.

Progress in meeting the agreed priorities will be monitored in the bodies established by the Partnership and Cooperation Agreements or Association Agreements. The Commission will report periodically on progress accomplished. On the basis of this evaluation, the EU, together with partner countries, will review the content of the Action Plans and decide on their adaptation and renewal. Decisions may also be taken, on this basis, on the next step in the development of bilateral relations, including the possibility of new contractual links. These could take the form of European Neighbourhood Agreements whose scope would be defined in the light of progress in meeting the priorities set out in the Action Plans.

The Action Plans will be put forward by the Commission, with the contribution of the High Representative on issues related to political co-operation and the CFSP, following exploratory talks with the countries concerned. It is suggested that they be approved by the respective Cooperation or Association Councils. If any of the Actions proposed imply the need for legal acts or formal negotiations, the Commission will put forward the necessary proposals or recommendations.

The Action Plans will provide a point of reference for the programming of assistance to the countries concerned. Assistance from existing sources will be complemented in the future by support from the European Neighbourhood Instrument. The present communication puts forward for discussion an outline of this instrument, building on the Commission's communication of July 2003. Meanwhile Neighbourhood Programmes are being developed through existing support mechanisms. The Commission seeks to offer neighbouring countries additional support through instruments such as technical assistance and twinning. It is also conducting a survey of EU programmes and agencies where the participation of neighbouring countries may be in the interests of the enlarged EU and of neighbouring countries.

Russia is a key partner of the EU in its immediate neighbourhood. Together, Russia and the EU have decided to develop further their strategic partnership through the creation of four common spaces, as defined at the St Petersburg summit in May 2003.

Belarus and the EU will be able to develop contractual links when Belarus has established a democratic form of government, following free and fair elections. It will then be possible to extend the full benefits of the European Neighbourhood Policy to Belarus. Meanwhile the EU will consider ways of strengthening support to civil society in ways described below.

The EU looks forward to Libya's entry into the Barcelona process on the basis of Libya's full acceptance of

the Barcelona acquis and of the resolution of outstanding bilateral issues. This will pave the way to the establishment of normal relations so that Libya will be able to benefit from the European Neighbourhood Policy.

The present Communication contains recommendations concerning the inclusion of the countries of the Southern Caucasus in the European Neighbourhood Policy.

The European Neighbourhood Policy will reinforce existing forms of regional and sub-regional cooperation and provide a framework for their further development. The ENP will reinforce stability and security and contribute to efforts at conflict resolution. This document contains recommendations on the development of regional cooperation and integration, as a means to address certain issues arising at the enlarged EU's external borders. By further developing various forms of cross-border co-operation, involving local and regional authorities, as well as non-governmental actors, the EU and its partners can work together to ensure that border regions benefit from the EU's 2004 enlargement. In the south, the ENP will also encourage the participants to reap the full benefits of the Euro-Mediterranean Partnership (the Barcelona process), to promote infrastructure interconnections and networks, in particular energy, and to develop new forms of cooperation with their neighbours. The ENP will contribute to develop further regional integration, building on the achievements of the Euro-Mediterranean partnership, notably in the area of trade. It will reinforce efforts to meet the objectives of the European security strategy in the Mediterranean and the Middle East.

The European Neighbourhood Policy's vision involves a ring of countries, sharing the EU's fundamental values and objectives, drawn into an increasingly close relationship, going beyond co-operation to involve a significant measure of economic and political integration. This will bring enormous gains to all involved in terms of increased stability, security and well-being. The Action Plans, which are to be developed on the basis of the principles set out in this Communication, constitute a first major step towards realising this vision. The Action Plans will define the way ahead over the next three to five years. The next step could consist in the negotiation of European Neighbourhood Agreements, to replace the present generation of bilateral agreements, when Action Plan priorities are met. Progress made in this way will enable the EU and its partners to agree on longer term goals for the further development of relations in the years ahead.

The Commission invites the Council to consider the approach outlined in the present Communication and to draw up conclusions on the way to carry this initiative forward, addressing the substance of potential Action Plans and the countries with which they should be drawn up, bearing in mind the commitment to shared values. On this basis, the Commission, with the participation of representatives of the Presidency and the High Representative, is ready to complete exploratory talks with the countries identified and to present draft Action Plans. It suggests that these Action Plans be approved by the respective Cooperation or Association Councils. It is also ready to begin preparations with certain other countries, referred to in this Communication, to which this initiative applies.

Principles and Scope

A Neighbourhood Policy for a European Union acting coherently and efficiently in the world

A comprehensive neighbourhood policy, integrating related components from all three 'pillars' of the Union's present structure, will enable neighbouring countries to share the benefits of EU enlargement in terms of stability, security and well-being. This has been reflected in the preparatory work for the adoption of the European Union's Constitutional Treaty. The importance of a neighbourhood policy is also highlighted in the European Security Strategy, endorsed at the European Council of December 2003, which states that the EU's task is to "make a particular contribution to stability and good governance in our immediate neighbourhood [and] to promote a ring of well governed countries to the East of the European Union and on the borders of the Mediterranean with whom we can enjoy close and cooperative relations".

The ENP is designed to give new impetus to cooperation with the EU's neighbours following enlargement. Relations with partner countries will be enriched drawing as appropriate on the experience gained in supporting the process of political and economic transition, as well as economic development and

modernisation in the new Member States and candidate countries.

The ENP should reinforce the EU's contribution to promoting the settlement of regional conflicts. The ENP can also help the Union's objectives in the area of Justice and Home Affairs, in particular in the fight against organised crime and corruption, money laundering and all forms of trafficking, as well as with regard to issues related to migration. It is important for the EU and its partners to aim for the highest degree of complementarity and synergy in the different areas of their cooperation.

The EU and Russia have decided to develop their strategic partnership through the creation of four common spaces as agreed at the St Petersburg Summit in May 2003⁴. Russia and the enlarged European Union form part of each other's neighbourhood. It is in our common interest to draw on elements of the ENP to enrich work on the common spaces, notably in the areas of cross-border and sub-regional co-operation. The EU and Russia need to work together, as neighbours, on common concerns. The Commission recommends that Russia be offered support for implementing relevant parts of the strategic partnership from the proposed European Neighbourhood Instrument, in addition to existing forms of support.

As far as the Mediterranean countries are concerned, the ENP will contribute to the achievement of the objectives of the Strategic Partnership for the Mediterranean and the Middle East. The implementation of the Strategic Partnership for the Mediterranean countries should draw on the implementation of the ENP. The ENP, itself, will be implemented through the Barcelona process and the Association Agreements with each partner country.

In the implementation of the ENP it is of the utmost importance that the Institutions and Member States act in a consistent and coherent way.

Geographic coverage

The ENP is addressed to the EU's existing neighbours and to those that have drawn closer to the EU as a result of enlargement. In Europe this applies to Russia, Ukraine, Belarus and Moldova. The EU and Russia have decided to develop their strategic partnership further through the creation of four common spaces, as defined at the 2003 St. Petersburg summit⁵. In the Mediterranean region, the ENP applies to all the non-EU participants in the Euro-Mediterranean Partnership (the Barcelona process) with the exception of Turkey⁶, which is pursuing its relations with the EU in a pre accession framework. The Commission also recommends the inclusion of Armenia, Azerbaijan and Georgia within the scope of the ENP⁷.

Exploratory talks to identify elements for inclusion in possible Action Plans have begun with partners having Partnership and Cooperation Agreements or Association Agreements in force⁸. Reports on the current situation in these countries and their cooperation with the EU are attached to this communication.

The development of Action Plans with other neighbours should begin, once those currently under preparation have been presented. The Commission suggests that it begin to explore in the second half of 2004 the possibility of drawing up Action Plans with countries in the Mediterranean, which have themselves ratified Association Agreements, that is, Egypt and Lebanon. Exploratory talks could begin with other countries in this region, once their prospective contractual links with the EU have reached a similar stage. The Presidency and the Secretariat will be fully involved in this process and the Member States consulted on the timing and the contents of possible additional Action Plans.

ENP and Existing Instruments

Relations between the EU and most countries participating in the ENP are already highly developed. In Eastern Europe, the Partnership and Cooperation Agreements provide the basis for contractual relations. In the Mediterranean, the Euro-Mediterranean Partnership (the "Barcelona Process") provides a regional framework for co operation which is complemented by a network of Association Agreements.

These agreements allow for the development of cooperation and economic integration across a wide range of fields. The full potential of these agreements has not yet been realised. The ENP points the way to enhanced cooperation in a number of well-defined fields, in order, initially, to enable the EU and its partners to attain the full benefit of the structures which are in place. To this end, the Action Plans will establish key priorities to be addressed in the years ahead. Progress will be carefully monitored in the committees and sub-committees established under the agreements, and in the appropriate dialogue structures. The definition and attainment of these priorities will be an important first step towards the ambitious goals set out in the Commission communication of March 2003.

Joint Ownership

The ENP is an offer made by the EU to its partners to which they have responded with considerable interest and engagement. Joint ownership of the process, based on the awareness of shared values and common interests, is essential. The EU does not seek to impose priorities or conditions on its partners. The Action Plans depend, for their success, on the clear recognition of mutual interests in addressing a set of priority issues. There can be no question of asking partners to accept a pre-determined set of priorities. These will be defined by common consent and will thus vary from country to country. The endorsement of these plans by the highest instance of the agreements in place will give added weight to the agreed priorities for action.

The ambition and the pace of development of the EU's relationship with each partner country will depend on its degree of commitment to common values, as well as its will and capacity to implement agreed priorities.

Differentiation

The point of departure for the Action Plans is a common set of issues, which correspond with the ENP's objectives. These are outlined in section (4) below. However the drawing up of an Action Plan and the priorities agreed with each partner will depend on its particular circumstances. These differ with respect to geographic location, the political and economic situation, relations with the European Union and with neighbouring countries, reform programmes, where applicable, needs and capacities, as well as perceived interests in the context of the ENP. Thus the Action Plans with each partner will be differentiated.

Differentiation should at the same time be based on a clear commitment to shared values and be compatible with a coherent regional approach, especially where further regional co-operation can bring clear benefits.

Added value

The ENP brings added value, going beyond existing cooperation, both to partner countries and to the EU. This added value takes a number of forms:

1. The ENP offers a means for an enhanced and more focused policy approach of the EU towards its neighbourhood, bringing together the principal instruments at the disposal of the Union and its Member States. It will contribute to further advancing and supporting the EU's foreign policy objectives.
2. The implementation of the ENP itself brings with it the perspective of moving beyond cooperation to a significant degree of integration, as set out in the March 2003 communication, including through a stake for partner countries in the EU's Internal Market. It will also avoid any sense of exclusion which might otherwise have arisen from enlargement and provide an opportunity to share in its benefits. It will set out the ways and means by which partner countries participate progressively in key aspects of EU policies and programmes.
3. The ENP will upgrade the scope and intensity of political cooperation with partner countries and make it more effective.
4. The ENP will encourage reforms that will bring benefits in terms of economic and social development.

The convergence of economic legislation, the opening of partner economies to each other, and the continued reduction of trade barriers will stimulate investment and growth and reduce unemployment.

5. The ENP will provide incentives for resolving outstanding issues which have arisen in bilateral relations. The issues concerned vary from country to country.

6. The Action Plans will define priorities and provide focus for the implementation of existing agreements. They will include “deliverables” of importance to the EU and the country concerned in various fields covered by the agreements.

7. The Commission will propose the introduction in 2007 of a new financial instrument, the European Neighbourhood Instrument, which will address specific areas of cooperation, in particular cross-border co-operation, *in addition* to the areas addressed by existing instruments or their successors. All partners in the ENP will be eligible for support under this instrument. Meanwhile, for the period 2004-2006, Neighbourhood Programmes will add value to cross-border, transnational and regional co-operation.

8. The Commission has proposed that existing funds or their successors be increased significantly under the new financial perspectives, in keeping with the priority given by the EU to the ENP.

9. The Commission is examining the possibilities of gradual opening of certain Community programmes, promoting cultural, educational, environmental, technical and scientific links.

10. The ENP will provide support including technical assistance and twinning for partners that wish to meet EU norms and standards.

11. New contractual links, in the form of European Neighbourhood Agreements, whose scope will be defined in the light of an evaluation by the Commission of progress in meeting the priorities set out in the Action Plans.

Taken together, these incentives provide considerable added value to participating countries. When the monitoring process demonstrates significant progress in attaining the priorities which have been set, these incentives can be reviewed, with a view to taking further steps along the path to greater integration with the internal market and other key EU policies. The process is a dynamic one, with the Action Plans constituting an important first step.

Priorities for action

Action Plans will cover two broad areas: first, commitments to specific actions which confirm or reinforce adherence to shared values and to certain objectives in the area of foreign and security policy; secondly, commitments to actions which will bring partner countries closer to the EU in a number of priority fields. These priorities for action will be as precise as possible, depending on the issue at stake, and thus will constitute benchmarks which can be monitored and assessed. Partners can, for example, move towards the free circulation of goods by taking action to remove specific technical obstacles, identified in the Action Plans.

The Action Plans will identify key actions in a limited number of fields which need to be addressed as a particularly high priority, as well as actions in a wider range of fields, corresponding to the scope of the bilateral agreements in force. A clear time horizon will be given for addressing these different priorities.

Monitoring

Monitoring will take place within the bodies set up under the Partnership and Cooperation Agreements or Association Agreements. These have the advantage of bringing together representatives of partner countries, member states, the European Commission and the Council Secretariat. Monitoring in this setting should reinforce joint ownership. Partner countries will be asked to provide detailed information as a basis for this

joint monitoring exercise. The sub-committees, with their focus on specific issues, as well as the economic dialogues, will be particularly useful for monitoring.

The Commission will draw up periodic reports on progress and on areas requiring further efforts, taking into account assessments made by the authorities of the partner country. The Action Plans will be reviewed and may be adapted in the light of progress towards meeting the priorities for action. It is suggested that a “mid-term” report be prepared by the Commission, with the contribution of the High Representative on issues related to political co-operation and the CFSP, within two years of the approval of an action plan and a further report within three years. These reports can serve as a basis for the Council to decide the next step in contractual links with each partner country. These could take the form of European Neighbourhood Agreements whose scope will be defined in the light of progress in meeting the priorities set out in the Action Plans.

The Participation of other Neighbouring Countries

In this section the Commission reviews the situation regarding certain other countries within the proximity of the enlarged EU.

Southern Caucasus

The European Union has a strong interest in the stability and development of the Southern Caucasus. The European Security Strategy, adopted by the European Council in December 2003, clearly identifies the South Caucasus as one of the regions, in which the EU should take a “stronger and more active interest”.

The European Commission, in consultation with the High Representative and taking account of the proposals of the EU Special Representative as well as the view expressed by the European Parliament⁹, recommends that a decision be taken by the Council to include Armenia, Azerbaijan and Georgia in the European Neighbourhood Policy. Each country should be given an equal opportunity to develop its links with the EU within this framework. The EU should consider the possibility of developing Action Plans with these countries in the future on the basis of their individual merits. With this in view, the Commission will report to the Council on progress made by each country with respect to the strengthening of democracy, the rule of law and respect for human rights.

The EU wishes to see reinforced, credible and sustained commitment towards democracy, the rule of law, respect for human rights, and progress towards the development of a market economy. These common values also underlie the membership of Armenia, Azerbaijan and Georgia in the Council of Europe and OSCE. Increased efforts to promote the settlement of the conflicts in the region and to develop good neighbourly relations are needed. Concrete steps forward need to be made by each of the three countries to make further progress in implementing their respective Partnership and Cooperation Agreements, in particular to strengthen the rule of law, and to promote conflict settlement. The ENP should reinforce the EU's contribution to promote these objectives.

To help Armenia, Azerbaijan and Georgia prepare for further reinforced cooperation with the EU, the EU stands ready to support credible, concrete and sustained reform efforts, in particular in the above mentioned priority areas, by additional means of assistance. Co-operation should also be developed in the area of energy, as the Southern Caucasus is an important region both for the production (the Caspian basin) and the transit of energy.

Belarus

The Commission's March 2003 Communication on Wider Europe notes that “the EU should aim to engage Belarus in a measurable step-by-step process focused on creating the conditions for free and fair elections and, once achieved, the integration of Belarus into neighbourhood policy, without compromising the EU commitment to common and democratic values”.

The EU's long-term goal is for Belarus to be a democratic, stable, reliable, and increasingly prosperous partner with which the enlarged EU will share not only common borders, but also a common agenda driven by shared values.

Through the ENP, the EU will reinforce its lasting commitments to supporting democratic development in Belarus. When fundamental political and economic reforms take place, it will be possible for Belarus to make full use of the ENP.

Currently however, an authoritarian system is in place in Belarus. Elections since 1996 have failed to meet international democratic standards and democratic structures are lacking. Under these circumstances, it is not yet possible to offer the full benefits of the ENP to Belarus.

The EU will support democratic parliamentary elections in the autumn, working in coordination with the OSCE and the Council of Europe, as well as raising awareness of EU policies and assistance benefiting Belarusian citizens. It will also confirm the perspective of closer relations, including in the framework of the ENP, provided that fundamental reforms are carried out. This will give a visible signal to the population of Belarus, setting out the benefits available to support civil society and democratization, regional and humanitarian cooperation, neighbourhood programmes and travel facilitation in border regions.

If significant positive developments take place in democratisation in Belarus, there is scope for more active engagement with the Belarusian authorities at political level. Contacts between officials at technical level could be intensified and meetings at senior level, such as the Regional Directors' Troika resumed. Travel facilitation for Belarusian citizens could be considered along with support for people-to-people contacts through EU assistance schemes.

The Commission also proposes that EU assistance to Belarus be strengthened with a clear focus on civil society. More can be done in the areas confirmed in Council Conclusions in 1997, in particular to support civil society, democratisation, independent media, the alleviation of problems in the areas affected by the Chernobyl disaster, humanitarian assistance as well as regional cooperation.

Belarus is already eligible to participate in three of the Neighbourhood Programmes (Baltic Sea Programme, Latvia-Lithuania-Belarus, Poland-Ukraine-Belarus). Belarus will also be eligible under the new European Neighbourhood Instrument (ENI).

Libya

The Commission's Communication of March 2003 stated that the EU should give consideration to how it could incorporate Libya into the neighbourhood policy. The EU currently has no contractual relations with Libya¹⁰. In April 1999, following the suspension of UN sanctions, Libya acquired observer status in the Barcelona Process and was invited to become a full member as soon as the UN Security Council sanctions have been definitively lifted and once Libya has accepted the full Barcelona 'acquis'.

Libya has recently announced its readiness to move towards full membership of the Barcelona process. This positive move needs to be confirmed formally by Libya and followed up by steps towards acceptance of the Barcelona acquis. Progress towards full membership of the Barcelona process will not be able to proceed beyond the exploratory stage without resolution of outstanding bilateral issues with EU member states.

Full integration into the Barcelona process is the first step towards new relations with the EU, which include the negotiation of an Association Agreement. If it is achieved and once there are contractual arrangements with the EU, participation in ENP will allow further development of the EU's relationship with Libya as for all other countries in the Barcelona process.

Action Plans

Commitment to shared values

The Union is founded on the values of respect for human dignity, liberty, democracy, equality, the rule of law and respect for human rights. These values are common to the Member States in a society of pluralism, tolerance, justice, solidarity and non-discrimination. The Union's aim is to promote peace, its values and the well-being of its peoples. In its relations with the wider world, it aims at upholding and promoting these values.

The Union's neighbours have pledged adherence to fundamental human rights and freedoms, through their adherence to a number of multilateral treaties as well as through their bilateral agreements with the EU. All the EU's neighbours are signatories of UN human rights conventions. Some are members of the Council of Europe¹¹ and OSCE and have ratified the European Convention for the Protection of Human Rights and Fundamental Freedoms and committed themselves to adhere to relevant conventions and bodies setting high democratic and human rights standards as well as to accept strong and legally binding mechanisms to ensure that they comply with human rights obligations. Signatories to the Barcelona declaration have accepted inter alia a declaration of principles to act in accordance with the United Nations Charter and the Universal Declaration of Human Rights, and to develop the rule of law and democracy in their political systems, respect human rights and fundamental freedoms and guarantee the effective legitimate exercise of such rights and freedoms.

Partner countries are committed to respecting core labour standards and to promoting fundamental social rights, as parties to relevant ILO conventions; they are also committed to the pursuit of a sustainable mode of development, as defined at the Johannesburg world summit.

The European Neighbourhood policy seeks to promote commitment to shared values. The extent to which neighbouring countries implement commitments in practice varies and there is considerable scope for improvement. Effective implementation of such commitments is an essential element in the EU's relations with partners.

The level of the EU's ambition in developing links with each partner through the ENP will take into account the extent to which common values are effectively shared. The Action Plans will contain a number of priorities intended to strengthen commitment to these values. These include strengthening democracy and the rule of law, the reform of the judiciary and the fight against corruption and organised crime; respect of human rights and fundamental freedoms, including freedom of media and expression, rights of minorities and children, gender equality, trade union rights and other core labour standards, and fight against the practice of torture and prevention of ill-treatment; support for the development of civil society; and co-operation with the International Criminal Court. Commitments will also be sought to certain essential aspects of the EU's external action, including, in particular, the fight against terrorism and the proliferation of weapons of mass destruction, as well as abidance by international law and efforts to achieve conflict resolution.

A more effective political dialogue

Through the ENP, the parties will strengthen their political dialogue and make it more effective. This encompasses foreign and security policy issues including regional and international issues, conflict prevention and crisis management and common security threats (e.g. terrorism and its root causes, proliferation of weapons of mass destruction and illegal arms exports).

Areas for enhanced dialogue with each country will be identified in Action Plans. The EU and partner countries should also work together on effective multilateralism, so as to reinforce global governance, strengthen coordination in combating security threats and address related development issues. Improved co-ordination within the established political dialogue formats should be explored, as well as the possible involvement of partner countries in aspects of CFSP and ESDP, conflict prevention, crisis management, the exchange of information, joint training and exercises and possible participation in EU-led crisis management operations. Another important priority will be the further development of a shared responsibility between the EU and partners for security and stability in the neighbourhood region.

Economic and social development policy

The approach proposed by the ENP has important economic implications, as it envisages enhanced preferential trade relations and increased financial and technical assistance. It also offers neighbouring countries the prospect of a stake in the EU Internal Market based on legislative and regulatory approximation, the participation in a number of EU programmes and improved interconnection and physical links with the EU.

The economic benefits from this process are expected to be substantial and to accrue both directly and indirectly. Directly, the reduction of tariff and non-tariff barriers to trade should bring about efficiency gains and improve welfare through increased market integration. The indirect effects, particularly on partner countries, are even larger. By bringing the neighbouring countries closer to the EU economic model, also through the adoption of international best practices, the ENP and particularly the proposed extension of the internal market, will improve the investment climate in partner countries. It will provide a more transparent, stable and enabling environment for private sector-led-growth. A positive impact on foreign direct investment inflows is expected as a result of a more favourable policy environment, falling trade and transaction costs, attractive relative labour costs and reduced risk.

The ENP has a potential to improve economic and social conditions in the EU neighbourhood. However, the actual delivery of these benefits requires effective implementation of the agreed measures and appropriate accompanying policies. Increased economic integration with the EU, notably with respect to capital movements liberalisation, may increase macroeconomic and financial volatility in specific contexts. The implementation of the ENP will thus have to be properly sequenced, tailored to each country's specific circumstances and accompanied by sound macroeconomic, social and structural policies.

The extent to which the ENP is perceived as beneficial depends on its effects on living standards. Participation in the ENP project should be accompanied by active policies to address poverty and inequality.

The Action Plans' economic and social component needs to be consistent with partner countries' own strategies. Strengthened dialogue is needed through the relevant sub-committees and economic dialogues. It will also be important to ensure appropriate co-ordination with the International Financial Institutions. These have valuable contributions to make both in terms of policy advice and financing.

Enhanced dialogue and co-operation on the social dimension will cover in particular socio-economic development, employment, social policy and structural reforms. The EU will encourage partner governments' efforts aiming at reducing poverty, creating employment, promoting core labour standards and social dialogue, reducing regional disparities, improving working conditions, enhancing the effectiveness of social assistance and reforming national welfare systems. The idea is to engage in a dialogue on employment and social policy with a view to develop an analysis and assessment of the situation, to identify key challenges and to promote policy responses.

Issues related to the movement of workers, in particular as regards equal treatment or living and working conditions of migrant workers, and on co-ordination of social security will continue to be addressed within the framework of the association and co-operation agreements.

Trade and internal market

The Action Plans will set out ways and means to ensure that both the EU and its partners derive the full benefits of the provisions on trade contained in the existing Partnership and Cooperation or Association Agreements. Due account will also be taken of initiatives at regional level.

Legislative and regulatory approximation will be pursued on the basis of commonly agreed priorities, focusing on the most relevant elements of the *acquis* for stimulation of trade and economic integration, taking into account the economic structure of the partner country, and the current level of harmonisation

with EU legislation. Both Partnership and Co-operation and Association Agreements contain provisions on legislative approximation over a broad area.

The ENP also foresees greater market opening in accordance with the principles of the WTO. In the context of the Barcelona Process, a free trade area for goods has been agreed, and asymmetric liberalisation has begun. The ENP will provide ways and means to deepen trade liberalisation and regional integration in coherence with the Euromed partnership. For the Eastern neighbours, the priority remains fuller implementation of the trade-related provisions of the PCA, accession to the WTO (in the case of Ukraine) or full implementation of the WTO accession agreement (in the case of Moldova), along with continued economic reform. Deeper integration of trade and economic relations, as foreseen in the PCAs, will then be considered.

The Action Plans will set out concrete steps to exploit to the full the opportunities provided in these frameworks. These steps will depend on each partner's needs, capacities and economic policy priorities. The measures discussed below will be introduced progressively, as appropriate to each partner.

Regarding goods, steps should be taken to improve administrative co-operation, and ensure the gradual elimination of non tariff barriers to trade and the development of appropriate infrastructures. The movement of industrial products can be facilitated through convergence with the Union's laws and regulatory structures. This could be supplemented by the conclusion of Agreements on Conformity Assessment and Acceptance of Industrial Products (ACAAs) between the Community and individual partners, building on experience with the current initiative towards neighbouring Mediterranean countries. Legislative approximation in the area of customs, along with capacity-building and modernisation, including computerisation, will also contribute to trade facilitation. For Mediterranean partners, these actions are in line with the Palermo recommendations. Actions to combat fraud in the customs area and to establish risk-based customs control as well as measures to ensure the security and safety of goods will also be included in the Action Plans.

For agricultural products, convergence with EU standards for sanitary and phyto-sanitary controls will greatly enhance reciprocal trade between the partner countries and the EU. Exchanging information and close co-operation in international organisations responsible for the control of animal and plant diseases and improved sanitary conditions to protect consumers are priorities. Most countries also need to improve administrative capacity to ensure levels of food safety to enable them to access EU markets.

The goal of free trade in services with and among partner countries will also require further legislative approximation in fields such as company law, accounting and auditing rules. A comprehensive prudential regulatory framework, combined with efficient and independent supervisory bodies, is particularly important for the financial services area. It will be key to the creation of business and the promotion of investments that these countries ensure that companies are able to operate on a level playing field. In combination with the above measures, access to European financial markets should, over time, add to the stability of partners' financial markets and help enhance their overall economic performance. The further liberalising of capital movements will provide new opportunities.

The objective of improving the investment climate, including by ensuring transparency, predictability, and simplification of these countries' regulatory framework will help to facilitate and increase two-way investments. Non-discriminatory treatment of investors is an essential element in this process. Actions enhancing a systematic dialogue covering all investment-related issues and consultation with stakeholders will be key to improving the bilateral investment environment, and reducing administrative barriers to the development of business. Strengthening of the functioning of the judicial system will also contribute to a better investment climate.

Regulatory convergence in key trade-related disciplines will bring economic benefits, both in terms of reforms in partner countries, and in terms of enhanced investment climate. In particular, increased levels of effective protection of intellectual and industrial property rights as well as effective enforcement of such rights, along with regulatory convergence and improved market access in the area of public procurement are

likely to have significant effects on economic development and on investment levels. Actions could also be taken to increase harmonisation and the sustainability of the statistical systems.

In addition, partners should be encouraged to enforce competition discipline through independent competition authorities with adequate powers and resources as well as proper training. Convergence towards comparable approaches and definitions, legislative approximation on anti-trust as well as State aid regulations, will eventually be needed for partners to advance towards convergence with the Internal Market. Such steps will also benefit domestic markets as well as facilitating trade.

Actions to modernise and increase transparency in the tax system, including through convergence with the Code of Conduct for Business Taxation of the European Union, in line with WTO requirements, adoption of conventions for the avoidance of double taxation would improve the business climate. The strengthening of tax administrations and improved co-operation between them would also promote the functioning of market economies.

Justice and Home Affairs

The ENP aims to avoid new dividing lines at the borders of the enlarged Union. Improving the effective functioning of public institutions, with a view to ensuring high standards of administrative efficiency, is a shared interest between the EU and the partner countries. Partners are facing increased challenges in the field of Justice and Home Affairs, such as migration pressure from third countries, trafficking in human beings and terrorism. Working together on these matters is a common interest. The identification of priorities in each Action Plan will depend on the particular issues which are most salient for the partner in question and for the EU.

Border management is likely to be a priority in most Action Plans as it is only by working together that the EU and its neighbours can manage common borders more efficiently in order to facilitate legitimate movements. The Action Plans should thus include measures to improve the efficiency of border management, such as support for the creation and training of corps of professional non-military border guards and measures to make travel documents more secure. The goal should be to facilitate movement of persons, whilst maintaining or improving a high level of security.

Moreover, a Commission proposal for Regulations on the establishment of a local border traffic regime is currently under consideration by the Council and will, if adopted, make it possible for border area populations to maintain traditional contacts without encountering excessive administrative obstacles. The European Union may also consider possibilities for visa facilitation. Facilitation by one side will need to be matched by effective actions by the other.

Action Plan priorities could furthermore include co-operation on migration, asylum, visa policies, measures to combat terrorism, organised crime, trafficking in drugs and arms, money laundering and financial and economic crime. Action Plans will identify concrete steps to strengthen the judiciary and to increase police and judicial co-operation, including in the area of family law as well as co-operation with European Union bodies such as EUROPOL and EUROJUST. Relevant international conventions need to be ratified and implemented. Action Plans should also reflect the Union's interest in concluding readmission agreements with the partner countries.

Connecting the neighbourhood

Energy

Enhancing our strategic energy partnership with neighbouring countries is a major element of the European Neighbourhood Policy. This includes security of energy supply and energy safety and security. The European Union is the world's largest energy (oil and gas) importer and the second largest consumer and is surrounded by the world's most important reserves of oil and natural gas (Russia, the Caspian basin, the

Middle East and North Africa). It will increasingly depend on imports, from its current level of 50% to 70% by 2030, on present projections. Neighbouring countries play a vital role in the security of the EU's energy supply. Many countries seek improved access to the EU energy market, either as current or future suppliers (for instance, Russia, Algeria, Egypt, Libya) or as transit countries (Ukraine, Belarus, Morocco, Tunisia). The Southern Caucasus countries are also important in this respect in terms of new energy supplies to the EU from the Caspian region and Central Asia. Improving energy network connections between the EU and its partners, as well as legal and regulatory convergence, are thus strong mutual interests. Moreover, increased energy co-operation provides mutual business opportunities and can also contribute to socio-economic development and improvement to the environment.

Action Plans will contain concrete steps to increase energy dialogue and co-operation, and to foster further gradual convergence of energy policies and the legal and regulatory environment. This will include policies to promote increased energy efficiency and energy savings, as well as the use of renewable energy and co-operation in energy technologies, such as clean coal. Possibilities for partners to participate in the Intelligent Energy Programme and for their gradual involvement in European Union regulatory practices and bodies (e.g., the European Gas and Electricity Regulatory fora) will be explored.

Reinforcing networks and interconnections will be necessary for ensuring the security and safety of energy supplies and for extending the internal energy market to partner countries.

The Action Plans will build on existing bilateral or regional initiatives, such as the EU Russia Energy Dialogue, the Tacis-funded Inogate programme dealing with the Caspian basin (oil and gas pipeline systems); energy co-operation in the context of the Euro-Mediterranean partnership (in particular the creation of a Euro-Maghreb electricity market, which could be complemented with a gas market, and the agreed Euro-Mediterranean energy networks); enhanced energy co-operation between Israel and the Palestinian Authority; increased gas co-operation in the Mashrek region (all in the Euro-Mediterranean context), as well as Moldova's observer status in the South East Europe Regional Energy Market initiative.

Transport

Generating more trade and tourism between the Union and its neighbours, requires efficient, multimodal and sustainable transport systems. Only if the transport sectors of partner countries are able to handle today's complex transport flows will they be able to take full advantage of closer relations and improved market access.

Operational changes to the way the transport sector is structured (e.g., introduction of competition in port services and air transport, modern regulatory frameworks, more efficient road haulage operations, interoperability of railway systems etc.) can have a major impact on the efficiency of transport. Another important task is to step up aviation relations with partner countries with the aim to open up markets and to co-operate on safety and security issues. The Action Plans will contain specific provisions to address these issues.

It is essential to improve the physical transport networks connecting the Union with neighbouring countries. In view of the costs involved, it will be crucial to co-ordinate closely in drawing up investment plans for these networks. Existing initiatives such as the Pan-European Transport Network Concept, various Pan-European Transport Conferences, or the Commission's proposals of June 2003 for a Euro-Mediterranean transport network provide a sound basis to move forward. Project funding by the EIB will be important, on the basis of mainly medium-term actions agreed in the Action Plans. Concrete needs will be explored on a case-by-case basis.

The Action Plans will also contain specific provisions to address the vulnerability of transport networks and services vis-à-vis terrorist attacks. The highest attention will be paid to enhance the security of air and maritime transport.

Environment

Environmental pollution does not respect borders and can therefore be best addressed through a mix of international, regional and national action. Enhanced environment protection will bring benefits to citizens and businesses both in the Union and in partner countries. It can help to avoid conflicts over scarce resources, such as water. Whilst the benefits of improved environmental management are clear, the fact that it often represents a major short- and medium-term financial burden for both public and private actors is an issue which needs to be taken into account in planning and funding.

Action Plans will promote good environmental governance in partner countries to prevent environmental degradation and pollution, protect human health, and achieve a more rational use of natural resources. Priorities will be identified in key areas such as water quality, waste management, air pollution and the fight against desertification. Regional co-operation between the partner countries needs to be further enhanced and ratification and implementation of international agreements promoted.

Information society

Information and communications technology is of particular significance for the development of modern economies and societies. It is vital therefore to support partners in their efforts to take advantage of the Information Society, and thus avoid a technology gap. In a number of Southern Mediterranean partner countries the Information Society is already emerging, in particular where the liberalisation of the market for mobile telephony is in an advanced stage.

Recognising the link between successful policy reform and sector-specific performance, the Action Plans will promote policy measures such as the institutional separation of regulatory from operational functions, by encouraging the establishment of independent regulatory authorities. The policy will also set out to support governments willing to promote the commercialisation of incumbent operators. In the context of sector reform, steps such as the opening of the market for fixed telephony and for advanced services such as Internet, as well as the tendering of additional GSM licences and liberalising value-added services are important for the development of the Information Society. Action Plans will identify steps to promote new technologies and electronic communication services for the use of business, public bodies and citizens.

Research and Innovation

The opening of the European Research Area to partner countries is a challenge of the 6th Framework Programme for RTD and a factor of integration of the scientific communities of neighbouring countries. These countries already participate in priorities such as life sciences, energy, transport, environment, IST, food safety or societal issues in a knowledge based society, as well as in the specific measures for international cooperation focused on the needs and potential of these countries at a regional level.

In order to increase the participation of these countries in the Community's RTD activities and to improve their national research systems' contribution to economic growth and social welfare, structural and institutional capacity building activities need to be supported. These activities will be identified and implemented through the Action Plans.

People-to-people, programmes and agencies

An effective means to achieve the ENP's main objectives is to connect the peoples of the Union and its neighbours, to enhance mutual understanding of each others' cultures, history, attitudes and values, and to eliminate distorted perceptions. Thus, in addition to contacts between public bodies or businesses, the ENP will promote cultural, educational and more general societal links between the Union and its neighbourhood.

Human resource development is an essential component to reach objectives such as increased competitiveness, social inclusion and active citizenship. The deficit in the knowledge society needs to be tackled urgently in order to address development challenges in certain partner countries, especially in the Mediterranean area, as highlighted by the conclusions of the Arab Human Development Report 2003.

The ENP also seeks to promote actions in the field of public health in order to improve the general health status of the population and tackle certain specific issues, such as communicable diseases.

The European Neighbourhood Policy envisages the gradual opening of certain Community programmes, based on mutual interests and available resources. Areas to be explored include education, training and youth, research, environment, as well as culture and audio visual. The YOUTH programme, which already promotes people-to-people contacts and co operation between civil society actors in the youth field, should be further enhanced. The Tempus and Erasmus Mundus programmes offer possibilities to strengthen contacts between students and teachers. The Action Plans will identify concrete opportunities for partners to participate in such programmes.

As participation in programmes designed for Member States can pose practical difficulties to third countries, the creation of dedicated programmes geared specifically to meeting partner countries' needs should also be explored. For instance, the Commission has proposed to create "Tempus Plus", a dedicated programme addressing the education and training needs of the countries covered by the ENP¹². The reform and modernisation of learning systems is a *sine qua non* condition for the economic competitiveness and the social and political stability of partner countries and Tempus Plus could play a crucial role in this respect.

Several partners have shown interest in participating, possibly as observers, in certain co-operative or rule-making Community fora. The Action Plans will identify possibilities taking into account the legal and administrative situation.

Regional Cooperation

As outlined above, the ENP will be differentiated in its application to different partner countries. Nevertheless, it is important to foster closer cooperation both across the EU's external borders and among the EU's neighbours themselves - especially among those that are geographically close to each other. In doing so it should be kept in mind that specific circumstances in various parts of the EU's neighbourhood vary, and so does the history of our relations.

EU support for regional cooperation in the East and South, and for concrete projects implemented in these regions, will come from existing EU programmes (Takis, Meda, Phare) or their successors, as well as from Neighbourhood Programmes and, in the future, the European Neighbourhood Instrument.

Regional cooperation on the EU eastern borders

Greater regional co-operation in Eastern Europe will bring substantial benefits. The participation of the Russian Federation as a partner in regional cooperation, on the basis of mutual interest and common will, should be encouraged.

Initiatives should focus on issues of common concern, which would benefit from a multilateral approach. As shown by the experience in other geographical contexts (including the Northern Dimension area), regional fora could in many cases offer substantial added value to bilateral efforts. Priority cooperation sectors include:

- Reinforced cooperation on economy, business, employment and social policy, trade and infrastructure, including the adoption of European and international standards, effective implementation of WTO norms and rules and support to SMEs in order to encourage the sustainable socio-economic development of the countries in the region, including poverty reduction and the fight against social exclusion. Joint infrastructure and security projects of regional relevance in the sectors of energy and transport (including

border-crossings) should also be considered as highly relevant priorities.

- Environment, nuclear safety and natural resources. Trans-boundary by their nature, many environmental problems can best be addressed at a regional level. Water and air pollution, the management of spent nuclear fuel, the gradual harmonisation of environmental standards and legislation are only some of the selected areas regional cooperation should focus on in the short and medium-term.

- Justice and Home Affairs, and in particular regional cooperation on border management, migration and asylum, the fight against organised crime, trafficking of human beings, illegal immigration, terrorism, money laundering and drugs as well as police and judicial co-operation. Regional cooperation and networking on such issues could build on the experience gained, inter alia, in the framework of the “Söderköping Process”, which includes Belarus, Moldova and Ukraine and, on the EU side, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia and Sweden.

- People-to-people issues, including civil society development, activities in the fields of media and journalists’ exchanges, promotion of good governance and respect for human rights, professional, academic and youth exchanges, visit schemes, cooperation in the sectors of education, training, science and culture, twinning between local and regional administrations as well as civil society organisations. Due attention should be paid to public health issues and to tackling effectively the spread of communicable diseases such as HIV/AIDS and TB.

The Council of Europe, the Baltic Sea Council, the Central European Initiative (CEI), the Black Sea Economic Cooperation (BSEC) and the Stability Pact have an important part to play, together with Euroregions and cross border cooperation at the local level.

Euroregions involve concrete cooperation between regional and local authorities on both sides of the border, which can in time lead to substantial and effective links across the borders. They can promote common interests and thus strengthen civil society and local democracy as well as having beneficial effects on the local economy.

The European Union is not seeking to establish new bodies or organisations, but rather to support existing entities and encourage their further development; the importance of local ownership is one of the most pertinent lessons that can be drawn from the Northern Dimension.

Mediterranean

Regional and sub regional co operation in the Mediterranean, in the context of the European Neighbourhood Policy, will build on the ‘acquis’ of the Euro-Mediterranean Partnership by fully integrating a tailor made approach adapted to each country or group of countries.

The Euro-Mediterranean Partnership comprises two complementary tracks, the bilateral and the regional agenda.

The regional agenda, fed by the orientations and conclusions of the Euro Mediterranean Conferences of Foreign Affairs Ministers as well as of sectoral Ministerial Conferences in areas such as Trade, Economy and Finances, Energy, Industry, Environment. It is supported by MEDA through the national indicative programmes for each partner and the regional indicative programme.

The Commission will continue to promote the regional dimension of the partnership with significant financial support. In line with the political orientations established in the Euro-Med Valencia and Naples Ministerial Conferences, the strategic priorities of regional cooperation in the Mediterranean should be: South-South integration; sub regional cooperation and the harmonisation of the regulatory and legislative environment. Possible areas for further sub-regional co-operation will be identified in the bilateral action plans, building also on the Euro-Mediterranean Ministerial Conferences and may include reform of the judiciary, independence of the media and freedom of expression or promotion of equal opportunities for

women. Proposals for such co-operation would be drawn up on the basis of common objectives defined in the action plans and could be presented either by two or more neighbouring countries or by a group of countries that would like to further advance in a certain policy area.

Regional and sub-regional co-operation will be guided by bilateral action plans, building also on the results of Euro-Med ministerial meetings. Activities could be carried out on a regional level, but also cross-border cooperation between two or more neighbouring countries, and even cooperation between countries that are not sharing a common border which pursue common interest. Cooperation could include the following priorities areas:

Infrastructure interconnection projects: Assistance could be given in the planning of networks in order to facilitate trade and access to the EU market. Possibilities include new gas networks and connection projects between North Africa and Europe, as well as electricity interconnections and cooperation between Morocco, Algeria, and Tunisia; a gas pipeline from Egypt through Jordan, Lebanon, Syria to Turkey and the EU; electricity interconnections between Israel and Palestinian territories; development of a blueprint for sub-regional inter-modal transport networks in the Maghreb and in the Near East, including rail and road infrastructure interconnections and maritime transport; improvements at border crossings and ports-hinterland connections. Furthermore, assistance for promoting security projects could be provided.

Environment: Cooperation could be pursued on environmental policy issues and action taken to address specific problems where they are better dealt with at regional or sub-regional level, such as maritime pollution, management of water resources and waste prevention, or desertification.

Justice and Home Affairs: It is important to improve border management, including short sea crossings; cooperation between enforcement bodies and agencies; cooperation in the fight against organised crime and cross border crime and in civil and commercial judicial matters; cooperation in the fight against illegal immigration, and management of legal migration and implementation of migration plans (for example with the three central Maghreb countries, Libya and Egypt); cooperation in the fight against drug trafficking, reduction of drug supply and implementation of national strategies against drugs; cooperation between neighbouring countries in the effective control of borders by specialised and trained personnel; judicial and police cooperation.

Trade, regulatory convergence and socio-economic development: Cooperation should promote regional economic integration between neighbouring countries or between countries willing to co-operate more closely on economic issues in view of the completion of the Euro Mediterranean free trade area and the progressive participation of the more advanced countries in the EU internal market. Regional trade and investment should be encouraged through common rules of origin, liberalisation of services, regulatory approximation and trade facilitation instruments, as well as further support to the Agadir process. The Action Plans should also encourage the negotiation of Free Trade Agreements in goods as well as in the service sector between the Mediterranean countries themselves. Regulatory convergence between the partner countries should also be promoted in this context. Sustainable development methodologies and environmental legislation and policy development should be included. Dialogue on employment and social policy with a view to identify key challenges and to promote policy responses should be enhanced. There could be cooperation on standards, veterinary issues, public health, and food safety in order to prepare the ground for future agriculture liberalisation negotiations; relevant aspects, such as dealing with infectious diseases, would be tackled on a sub-regional basis.

People-to-people projects will be encouraged, aiming at promoting civil society initiatives in support of human rights and democratisation, supporting youth organisations, and promoting intercultural dialogue through educational and youth exchanges, as well as human resource mobility and transparency of qualifications.

Supporting the European Neighbourhood Policy

Existing financial support to ENP Countries

In recent years, the EU has provided substantial financial support to the countries covered by the European Neighbourhood Policy. Grant assistance to Russia and the WNIS is mostly provided through the *Tacis* programme and in the Mediterranean countries through the *MEDA* programme. Assistance channelled through these instruments over the period 2000-2003 amounted to €3716.1 million (A country-by-country overview is provided as an Annex). The *European Initiative for Democracy and Human Rights (EIDHR)*, which aims at promoting the principles of liberty, democracy, respect for human rights and the rule of law in third countries, provides funding for these activities primarily in partnership with NGOs and international organisations. Between 2000 and 2003 €19.3 million have been allocated to projects in Russia and the Western NIS and €41.4 million to projects in the Mediterranean countries.

The *European Investment Bank (EIB)* has been providing loans to the Mediterranean countries (€3445 million for the period 2000-2003). Since 2002 lending operations have been extended, with financial support from the EU, to include a private sector oriented Facility for Euro-Mediterranean Partnership (FEMIP). Lending to Russia has been open since 2001 within a specific mandate, with an overall ceiling of €100 million, in the context of the Northern Dimension to cover environment projects in North West Russia.

Macro Financial Assistance (MFA) has been provided to third countries facing exceptional balance of payments financing needs. Among the countries covered by the European Neighbourhood Policy, operations were approved in 2002 for Ukraine (€110 million) and Moldova (€15 million), but not yet disbursed.

In the period 2000-2003, the European Union has also provided €277 million of humanitarian assistance to assist ENP countries confronted with emergencies and €103.5 million in food aid.

Linking the existing instruments to the policy

The ambitions of the European Neighbourhood Policy must be matched by adequate financial and technical support. This is reflected in the Commission's proposal for the next financial perspectives¹³, which gives this policy high priority. The Commission has proposed that a new set of harmonised instruments will support assistance to third countries, including those presently covered by Tacis and MEDA. These instruments will be designed in a way to support implementation of ENP and adequate financial resources will be allocated to that effect.

A European Neighbourhood Instrument was first envisaged in the Commission's March 2003 Communication and further developed in the July 2003 Communication "Paving the Way for a New Neighbourhood Instrument"¹⁴. In view of the number of legal and budgetary questions to be resolved, the Communication set out a two-phase approach. Under this approach, for the period 2004-2006, Neighbourhood Programmes based on enhanced co-ordination among existing instruments have been introduced, while after 2006 a new neighbourhood instrument will be established.

Following the July 2003 Communication, resources within existing financial instruments were identified for the Neighbourhood Programmes. The total level of funding for the period 2004-06 under external assistance instruments is €255 million (€75 million for Tacis, €90 million for Phare, €45 million for CARDS and €45 million for MEDA). Approximately €700 million will be provided for the corresponding EU internal borders under the Interreg programme.

The Phare-CBC regulation was amended in October 2003 to include the external borders of Romania and Bulgaria. The Tacis CBC indicative programme, covering the borders between the enlarged EU and Russia, Ukraine, Belarus and Moldova was adopted by the Commission in November 2003. Work on harmonisation of procedures will be completed shortly. Programming is well advanced on all borders covered and should be completed by June 2004. Joint management structures have been set up. The first calls for proposals will be launched in July 2004.

Until 2007, Tacis and MEDA will remain the main financial assistance instruments for partner countries. They will provide support for the European Neighbourhood Policy and in particular for the implementation

of the Action Plans. The relevant National Indicative Programmes for 2005-6 are being adapted to reflect ENP priorities. Particular attention will be devoted to institution building. Twinning and technical assistance along the lines provided by the EU's Technical Assistance Information Exchange Office (TAIEX) will be extended to partner countries.

Regional and cross border co-operation will continue to receive targeted Community assistance. The Regional Indicative programmes of Meda and Tacis for 2005-2006 provide support for the regional dimension of ENP.

Starting from 2007, the new European Neighbourhood Instrument will support cross border co-operation as well as regional co-operation projects involving both EU member states and partner countries. In addition, the Economic Co-operation and Development instrument proposed in the Commission's Communication on the next Financial Perspective will address both regional and cross-border co-operation among partner countries.

EIB lending capacity has also been reinforced. In November 2003, in the context of the mid-term review of the EIB external lending mandate, the Council agreed to the Commission proposal to increase the lending ceiling for the Mediterranean countries by € 2,180 million. In addition, it was decided to provide for a conditional extension of the EIB lending mandate to cover Russia and the Western NIS. The extension will allow the EIB to conclude loans up to €500 million until the end of 2006 without sectoral limitation. The legal base for implementing the decision is under preparation. Consultations are ongoing with EIB to ensure that the need to support ENP countries is adequately reflected in the next generation of lending mandates.

The European Neighbourhood Policy in general and the Action Plans in particular will provide a guiding framework for other financial assistance instruments. Whenever future macro financial assistance operations and other operations pursuing macro-economic objectives are negotiated with the ENP partner countries, the Commission considers that the conditionality element should draw on the economic priorities and measures of the Action Plans, ensuring that this type of assistance is an additional incentive to pursue political and economic reform.

EIDHR programming will also be consistent with the policy goals while supporting civil society in areas such as democracy, rule of law, human rights and fundamental freedoms. Work is underway to look into possible support on a regional basis from 2005.

Consultations are also underway with the European Bank for Reconstruction and Development and other IFIs to ensure better co-ordination of programmes.

The European Neighbourhood Instrument

In its proposal for the financial perspective 2007-2013, the Commission includes the new European Neighbourhood Instrument (ENI) as one of the six financial instruments that should operate in the area of external relations after 2006.

The European Neighbourhood Instrument will complement assistance provided under the existing financial instruments or their successors, and will focus specifically on cross-border cooperation and related activities. The Commission intends to come forward with a draft regulation as part of its package of proposals for financial instruments which will operate in the next financial perspective.

The July 2003 Communication sets out three alternatives to be considered for the development of the new Neighbourhood Instrument:

A Expanding the content and geographical scope of an existing co operation instrument;

B Creating a single new Regulation to govern a Neighbourhood Instrument to fund activities both inside and outside the Union;

C Focusing further on co-ordination between already existing instruments.

Having reviewed the options, the Commission has concluded that option A would not be fully in line with the objective of having a financial instrument combining external policy objectives and economic and social cohesion. It also concluded that there are limits to the level of co-ordination that can be achieved among different financial instruments (option C).

Option B is therefore the option that best responds to the nature of the proposed instrument and would allow for efficient implementation overcoming existing co-ordination problems. In addition, although the ENI covers both internal and external actions, the Commission proposes to use a single budget chapter, drawing from the cohesion and external policies headings of the proposed new Financial Perspectives for the full amount of the instrument. The instrument will operate through a single management mechanism and with a single set of procedures.

The legal basis

There are no relevant legal precedents for an instrument, with a dual nature covering external policy and economic and social cohesion within the EU and with the ambition of operating on an equal footing on the two sides of the EU's external border. In the Commission's view, Article 181a TEC would be the appropriate legal basis for the new Neighbourhood Instrument, since it will be an important tool of EU policy towards the neighbouring countries. As this article concerns co-operation with third countries, it should allow funding of actions that are joint in nature and involve beneficiaries from both Member States and partner countries. The benefits from the results of the actions will take place in the eligible areas, regardless of whether they are situated within or outside the Union's borders. The instrument will build on the principles of existing cross-border programmes such as partnership, multi-annual programming and co-financing.

Geographical Coverage

Building on the July 2003 Communication, the ENI will cover all the borders between EU Member States on one side, and countries covered by the European Neighbourhood Policy on the other side. It will also support trans-national co-operation involving beneficiaries in at least one Member State and one partner country and replace existing internal and external cross-border programmes in Member States and partner country regions adjacent to the future EU external border.

In view of the fact that the ENI will be an instrument particularly adapted to respond to the specificity of cooperation across external EU borders, the extension of its geographical scope to candidate countries and pre-candidate countries may be considered at the time of drawing up the regulation concerned.

The main elements of the new Neighbourhood Instrument

The ENI will build on the experience gained in establishing the Neighbourhood Programmes for the period 2004-2006. It will focus on the four key objectives identified in the July 2003 Communication:

- Promoting sustainable development in regions on both sides of common borders;
- Working together through joint actions to address common challenges, in fields such as environment, public health, and the prevention of and fight against organised crime;
- Ensuring efficient and secure common borders through joint actions;

- Promoting local cross border "people-to-people" type actions

Within this framework, it is important to ensure that the priorities of partner countries are sufficiently taken into account in a spirit of partnership. This is particularly relevant for the Mediterranean Region where priority setting should take into account the strategic framework established in the context of the Association Agreements and through the Euro-Mediterranean ministerial conferences which are part of the Barcelona process.

To these ends, the European Neighbourhood Instrument will finance joint projects proposed by and for the benefit of partners from both the EU Member States and partner countries. As such it will complement external and internal funding instruments able to operate only on one side of the Union's borders.

The ENI will operate through two separate funding windows:

Window One will support cross-border co-operation. Eligibility will extend to all concerned land and maritime borders¹⁵. Programmes will primarily be bilateral although multi-lateral programmes may be established in particular over those maritime crossings where distance and other factors do not allow for efficient bilateral cross-border co-operation. Multi-annual programmes will be established for single borders or groups of borders, and will be designed by the relevant partners in beneficiary countries on both sides of the border. Management will be delegated by the Commission to a management body operating through shared management or other suitable arrangements. Project selection and programme implementation will be carried out through joint structures involving national, regional and local authorities of EU Members States and partner countries.

Window Two will provide more flexible support for wider trans-national co-operation involving actors and beneficiaries from both EU Member States and partner countries. Co-operation will be mostly focussed on specific themes to be defined in the regulation based on identified common challenges in fields such as environment, integration into energy, telecommunication and transport networks, public health and the prevention of and fight against organised crime. The Commission will also have the possibility to identify, select and propose projects of particular technical and political importance for funding. Eligibility will cover all the territory of EU Member States and the relevant parts of the territory of partner countries. Programming will be centralised in the Commission. Implementation will also be centralised, although indirect management through delegation to external bodies such as executive agencies may be considered.

Budget

The Commission intends to propose a substantial increase in the annual amounts to be allocated to the instrument compared to those allocated during the period 2004-2006 to the Neighbourhood Programmes.

The split in funding between the two Windows will be determined at a later stage, taking into account the relative importance of the two types of co-operation, the specific characteristics of the different borders, the desirability of having an appropriate balance in the distribution of funding among the geographical areas covered and the need to limit direct Commission involvement in implementation and management. In order to eliminate obstacles to absorption of funds and reward good performance, provisions will be made to allow for reallocation of funds between windows, and within windows, among programmes and projects.

Financial allocations within Window One will be determined by programme, covering a single border or a group of borders, on the basis of objective criteria. These allocations will also take into account the specific characteristics of the borders, and the potential absorption capacity.

Conclusions

The Commission invites the Council to approve the orientations contained in the present Communication and to draw up conclusions on the way to carry this initiative forward, addressing the substance of potential

action plans and the countries with which they should be drawn up, bearing in mind the commitment to shared values.

On this basis, the Commission, with the Presidency and the High Representative, will take contact with the partner countries concerned, with a view to completing Actions Plans with them before the end of July 2004. Member States will be kept fully informed of the development of these consultations.

The Commissions recommends that the relevant Association and Cooperation Councils be invited to endorse the Actions Plans.

Monitoring the fulfilment of the Action Plans will take place within the institutions of the relevant Association or Partnership and Cooperation Agreements.

On the basis of its assessment of the results of this monitoring process and of information provided by partners, the Commission, with the contribution of the High Representative on issues related to political co-operation and the CFSP, will present a mid term review of progress achieved within two years and a further review within three years of the formal approval of each Action Plan.

The Commission recommends that any decision concerning the further development of the EU's contractual links with each partner be taken in the light of these reviews.

The Commission will make the necessary proposal to the Council for the establishment of the European Neighbourhood Instrument, referred to in this Communication. In the period before the entry into force of this instrument, the EU will continue to develop Neighbourhood Programmes with partner countries, in the framework of existing financial instruments.

The Commission will promote regional and sub-regional co-operation involving partner countries, on the basis of the orientations contained in this Communication.

1 COM(2003) 104 final, 11.3.2003.

2 COM(2003) 393 final, 1.7.2003.

3 Israel, Jordan, Moldova, Morocco, Palestinian Authority, Tunisia and Ukraine.

4 These are: Common economic space, (including and with specific reference to environment and energy), a common space of freedom, security and justice, a space of co operation in the field of external security, as well as a space of research and education, including cultural aspect. The EU Russia energy dialogue is a key element of the overall relationship.

5 Cf. the recent Commission Communication on relations with Russia, COM(2004) 106, 9 February 2004, as well as the Council Conclusions of 24 February 2004.

6 Algeria, Egypt, Israel, Jordan, Lebanon, Libya, Morocco, Syria, Tunisia, as well as the Palestinian Authority.

7 See section (3) below.

8 Israel, Jordan, Moldova, Morocco, Palestinian Authority, Tunisia and Ukraine.

9 Cf. Parliament resolution of 26 February 2004 on "EU Policy towards the South Caucasus".

10 A mandate for negotiations on a Fisheries agreement between EU and Libya is presently discussed in the Council.

11 Moldova, Russia and Ukraine.

12 Communication on the new Generation of Community Education and Training Programmes, after 2006, COM(2004) 156 final of 9 March 2004.

13 COM(2004) 101 11 February 2004 "Building our Common Future: Policy Challenges and Budgetary Means of the Enlarged Union 2007-2013".

14 COM(2003) 393, 1 July 2003.

15 Co-operation under window one will normally take place at NUTS III level except for multilateral maritime programmes where co operation at NUTS II level will be allowed.