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Proposal for a

REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL

establishing an Instrument for Stability

{SEC(2011) 1481 final}

{SEC(2011) 1482 final}

EXPLANATORY MEMORANDUM

1. CONTEXT OF THE PROPOSAL

Crises and conflicts affect countries world-wide and pose a risk to global security and stability. Conflicts are often linked to state fragility and exacerbated by weak governance and poverty. In addition, some of the most critical security challenges have a worldwide scope, impacting on both developing and industrialized countries. Natural and man-made disasters, drug trafficking, organized crime, terrorism, cyber security challenges and threats and related disruptions increase insecurity, hamper development, weaken the rule of law and contribute to instability. The increasing challenge of climate change is a multiplier of existing threats that add a new dimension of man made natural hazards and security risks.

Responding to these structural challenges requires a significant collective effort, based on strong partnerships with other States, civil society actors, multilateral and regional partners to create the conditions for supporting countries to avoid the relapse into conflict. A comprehensive EU response to international crises beyond humanitarian assistance is therefore required in which EU capacity for crisis preparedness, preventive and response actions is fostered. Furthermore, a capacity to deploy experts for various civilian missions based on inter-operability among EU Member States and other international actors alongside a dialogue with non-state actors needs to be developed.

The new Treaty on the European Union (Article 21) has defined common overarching principles and objectives for the external action of the Union, *inter alia* to “*preserve peace, prevent conflicts and strengthen international security*”. This is also supported by various Council Conclusions concerning the effectiveness of external action (2004), Security and Development (2007) and General Conclusions (2010) the latter calling for further reinforcement of EU crisis management tools to support Common Security and Defense Policy. Additional political guidance was given by the Foreign Affairs Council Conclusions on conflict prevention of 20 June 2011. Climate and security nexus was identified as a key area for further work by the Foreign Affairs Council of 18 July 2011. The Commission also prepared in 2011 an implementation plan for the EU Strategy for supporting Disaster Risk Reduction in developing countries¹, which identify the development of Post Disaster Needs Assessments (PDNAs) as a priority to integrate disaster risk reduction into the recovery frameworks of the affected countries and encourage resilience and crisis preparedness.

Accordingly the new Instrument for Stability replacing the earlier Regulation which expires on 31 December 2013, should capitalise on the opportunities presented for advancing coordinated EU efforts in all of the above areas.

2. RESULTS OF CONSULTATIONS WITH THE INTERESTED PARTIES AND IMPACT ASSESSMENTS

(1) Public Consultation

¹ SEC(2011) 215 final

The European Commission held a public consultation on future funding for EU external action between 26 November 2010 and 31 January 2011. This process was based on an online questionnaire accompanied by a background paper 'What funding for EU external action after 2013' prepared by Commission and EEAS. The 220 contributions received reflected a broad and diverse spectrum representing the variety of structures, views and traditions characterising the external action community.

Regarding EU external action on peace and international security, including EU peace-building and crisis preparedness, the importance of investing in long-term stability, human rights and economic development was also underlined by many respondents. The Instrument for Stability is highly valued and many respondents ask the EU to enhance its potential, referring in particular to the need to safeguard its advantages, namely the speed of delivery and direct financing.

(2) Collection and use of Expertise

A 2011 evaluation of the Instrument for Stability's crisis response and crisis preparedness components (Articles 3 and 4.3) concluded that the Instrument was unique within the EU peace, security and development architecture allowing the EU to support a broad range of critical crisis preparedness and response initiatives. EU capacity to intervene in crisis situations has been expanded while the coherence and effectiveness of crisis prevention and peace-building initiatives have been enhanced alongside partners' capacity to prepare for and respond to crisis.

Evaluations of chemical biological radiological and nuclear (CBRN) materials risk mitigation actions (article 4.2) underlined the importance Member States attached to an EU programme to help build capacity in partner countries to fight proliferation of sensitive materials and expertise. CBRN risk mitigation actions enable the EU to collectively contribute to reducing the threat of malevolent uses of weapons of mass destruction (WMD) materials and know-how.

A 2009 scoping study of the crisis preparedness component (Article 4, the Peace-building Partnership) recommended increased focus on capacity building of local partners, policy dialogue with non-state actors while maximising thematic synergies with EU policy priorities and supported actions. A more flexible approach to funding to enable non-state actors and EU Member States to benefit from this assistance is required.

A 2009 publication of the EU Institute for Security Studies, providing the first comprehensive review of ESDP operations between 1999 and 2009 underlined the Instrument's catalytic effect, recognizing its added-value in preparing and improving the delivery of EU long-term external assistance and CFSP actions

While largely positive about the implementation to date, several areas for improvements were highlighted. They specifically refer to speed of deployment of the Instrument, increasing its overall flexibility with regard to implementation timeframes of exceptional assistance measures and interim response programmes and threshold amounts and increasing financial and human resources.

(3) Impact Assessment

The Commission carried out an Impact Assessment (IA) that considered 4 basic policy alternatives: (Option 0) discontinuing the IfS (Option 1) maintaining the Instrument's current

scope without any amendment (Option 2) revising the Instrument to increase its flexibility provisions and (Option 3) a new Instrument or new Instruments (s) incorporating the following considerations (a) to tackle separately crisis response and preparedness issues and security-related issues - terrorism, trans-regional threats and CBRN issues – (b) to encompass EU external actions tools currently carried out under other instruments (e.g. EU Electoral Observation Missions or the African Peace Facility).

Option 0 was immediately disregarded as no successor to the current Instrument would imply the loss of EU international credibility as well as failure to fulfil its obligations under Article 21 of the Treaty. Option 1 would imply missing an opportunity to improve and enhance the Instrument's value on the basis of experience. Option 3 to establish new Instruments providing for split between crisis response and preparedness, on the one hand, and global and trans-national threats on the other, was not advised. Besides running against the overall aim of rationalising the number of existing instruments, it could result in a less coherent and complementary interaction in addressing drivers of conflict. Option 2, to retain the main features and characteristics of the Instrument while streamlining its provisions to increase its flexibility was the preferred choice as it enables the EU to respond more effectively and rapidly to future international peace and security challenges. Option 2 will particularly allow for the possibility to extend and re-conduct exceptional assistance measures in response to crises and protracted conflicts and allow the Commission to rapidly approve initial response measures so as to enhance the EU's strategic position in responding to a given crisis.

The policy options considered are intended to consolidate and wherever possible, improve the current functioning of the Instrument.

3. LEGAL ELEMENTS OF THE PROPOSAL

Legal Basis

Part V, Title III, Chapters 1 and 2 of the Treaty of the Functioning of the European Union (the Treaty), provide the legal framework for cooperation with third countries, regional and international organisations, state and non-state actors. The proposed Regulation is based in particular on Articles 209(1) and Article 212.2 of the Treaty, and is presented by the Commission in accordance with the procedure laid down in Article 294 of the Treaty.

Subsidiarity and Proportionality

The Instrument has worldwide scope, a double Treaty legal basis ("*development cooperation*" and "*economic, financial and technical cooperation with third countries*") and not being bound to ODA-eligibility criteria, allows the EU to properly tackle the security and development nexus.

As a global player, the EU has credibility and a perception of neutrality that provides a competitive advantage to intervene in many conflict areas to avoid escalation or to offer good offices in preventing conflict. An increased level of impact is achieved when the response is provided at EU level, as combined efforts provide increased leverage over authorities and international partners. Crisis response actions at EU level maximise the coherence of response and aid efficiency. Synergies and cooperation are increasingly needed at international level, as donors are facing similar problems in terms of scarce resources. In this regard, it should be

noted that a very limited number of EU Member States operate a crisis response or peace-building facility comparable in scope to the Instrument for Stability

Choice of Instrument

The Instrument for Stability addresses needs that cannot otherwise be tackled under any other instrument either because of (a) the urgency of the response, (b) the global or trans-regional nature of the problem, exceeding the scope of a geographic instrument; (c) the exclusion of the supported area from funding under ODA-bound instruments (e.g., counter-terrorism), or (d) the non-country specific nature of the assistance (e.g. projects to develop international standards or policies in the field of conflict prevention and peace-building).

Moreover, it has demonstrated a catalytic effect in preparing and improving the delivery of EU long-term external assistance and actions adopted by the EU in pursuit of Common Foreign and Security Policy objectives within the framework of Title V of the TEU

4. BUDGETARY IMPLICATION

The Commission proposes to allocate €70 billion for the 2014-2020 period for the external instruments². The foreseen allocation for IfS is € 2.828,9 million for the 7 years.

5. OPTIONAL ELEMENTS

(1) Simplification

A priority for the Commission in this new Regulation, as in other programmes within the context of the Multiannual Financial Framework (MFF), is to simplify the regulatory environment and facilitate the access of Union assistance to partner countries and regions, civil society organisations, etc to the extent that these pursue the objectives of the Regulation.

Simplification will be delivered through a clearer delineation and a reduction of overlaps between all the external instruments, so as to identify them individually with clearly defined policy objectives. Simplification of rules and procedures for the delivery of EU assistance is proposed, notably for derogation from Comitology for the adoption of a second Exceptional Assistance Measure under Article 7 and an additional new provision enabling the Commission to adopt Exceptional Assistance Measures up to EUR 3 million without prior information to Council under the same Article.

Furthermore, the revision of the Financial Regulation, which is particularly substantial with regard to the special provision on external actions, will contribute to facilitate the participation of civil society organisations in funding programmes, for example by simplifying rules, reducing the costs of participation and accelerating award procedures. The Commission intends to implement this Regulation using the new flexible procedures provided for in the new Financial Regulation.

(2) Delegated Acts

It is considered that democratic scrutiny of external aid must be improved. While the elements under the current IfS are kept, it is proposed that democratic scrutiny is reinforced through the

² EDF, Global Climate and Biodiversity Fund and Emergency Aid Reserve are additional to this and remain outside the EU budget.

use of delegated acts in accordance with Article 290 of the Treaty for certain aspects of the programmes. Provisions detailing assistance under Articles 3, 4 and 5 are subject to use of delegated acts.

(3) Detailed explanation

The new structure of the Union instruments to implement external development assistance under the 2014-2020 financial perspectives is presented by the Commission's communication A Budget For Europe 2020³. Further information on the general objectives, the specific objectives and the conditions governing the implementation of the financial instrument for stability are given in the financial statement annexed to the Regulation.

³ COM(2011) 500 of 29 June 2011

Proposal for a

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THE EUROPEAN PARLIAMENT AND THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union, and in particular Articles 209(1) and 212(2) thereof,

Having regard to the proposal from the European Commission,

After transmission of the draft legislative act to the national Parliaments,

Acting in accordance with the ordinary legislative procedure,

Whereas:

- (1) This Regulation constitutes one of the instruments providing direct support for the European Union's external policies. It will replace Regulation (EC) No 1717/2006 of the European Parliament and of the Council of 15 November 2006 establishing an Instrument for Stability⁴ which will expire on 31 December 2013.
- (2) Preserving peace, preventing conflicts, strengthening international security and assisting populations, countries and regions confronting natural or man-made disasters are among the prime objectives of the Union's external action as defined in article 21 of the Treaty on European Union. Crises and conflicts affecting countries world-wide and other factors such as terrorism, organised crime, climate change, cyber security challenges and threats and natural disasters pose a risk to world stability and security. In order to address these issues in an effective and timely manner, specific financial resources and financing instruments are required that can work in a manner complementary to humanitarian aid and long-term cooperation instruments.
- (3) Regulation (EC) No 1717/2006 was adopted with the objective of enabling the Union to provide a consistent and integrated response to situations of crisis and emerging crisis, to address specific trans-regional security threats and to enhance crisis preparedness. This Regulation aims at introducing a revised Instrument, building on the experience of the previous one, in order to increase the efficiency and coherence of the Union's actions in the areas of conflict prevention and crisis response, crisis preparedness and peace-building and in addressing security threats, including climate security.

⁴ OJ L 327, 24.11.2006, p. 1–11

- (4) Measures taken under this Regulation pursue the objectives of Article 21 of the Treaty on European Union and Articles 208 and 212 of the Treaty on the Functioning of the European Union. They may be complementary to and should be consistent with measures adopted by the Union in pursuit of Common Foreign and Security Policy objectives within the framework of Title V of the Treaty on European Union and measures adopted within the framework of Title V of the Treaty on the Functioning of the European Union. The Council and the Commission should cooperate to ensure such consistency, each in accordance with their respective powers.
- (5) The EU Programme for the Prevention of Violent Conflicts⁵, endorsed by the European Council, underlines the EU's 'political commitment to pursue conflict prevention as one of the main objectives of the EU's external relations' and states that development cooperation instruments can contribute to this goal and to the development of the EU as a global player. The Council conclusions on conflict prevention of 20 June 2011 have restated the validity of this programme as a valid basis for further European Union action in the field of conflict prevention.
- (6) The Council Conclusions on Security and Development⁶ (as well as the Council Conclusions on an EU response to situations of fragility) emphasise that the nexus between development and security should inform EU strategies and policies in order to contribute to the coherence of EU external action. More specifically, the Council concluded that future work on security and development should include the security and development implications of climate change, environmental and natural resource management issues and migration.
- (7) The European Council approved the European Security Strategy on 12 December 2003 and its Implementation Report on 11 December 2008. The EU Internal Security Strategy adopted at the end of 2010⁷ also notes the importance of cooperation with third countries and regional organisations in particular for combating multiple threats such as trafficking in human beings, drugs trafficking and terrorism.
- (8) The European Council Declaration on Combating Terrorism of 25 March 2004 called for counter-terrorism objectives to be integrated into external assistance programmes; the European Counter-Terrorism Strategy, adopted by the Council on 30 November 2005, called for increased counter-terrorism cooperation with third countries and the United Nations; and the Council Conclusions on Enhancing the Links between Internal and External Aspects of Counter-terrorism called for strengthening the capacity of the competent authorities involved in the fight against terrorism in third countries in the strategic programming of the Instrument for Stability.
- (9) Since the objectives of this Regulation cannot be sufficiently achieved by the Member States and can therefore, by reason of the scale of the action, be better achieved at Union level, the Union may adopt measures, in accordance with the principle of subsidiarity set out in Article 5 of the Treaty. In accordance with the principle of proportionality, as set out in that Article, this Regulation does not go beyond what is necessary in order to achieve those objectives.

⁵ Presidency conclusions, Göteborg European Council of 15-16 June 2001.

⁶ Council document 15097/07 of 20/11/2007.

⁷ The EU Internal Security Strategy in Action: Five steps towards a secure Europe, COM (2010) 673 final dated from 22.11.2010.

- (10) While Union external assistance has increasing financing needs, the economic and budgetary situation of the Union limits the resources available for such assistance. The Commission must therefore seek the most efficient use of available resources through, in particular, the use of financial instruments with leverage effect. Such leverage effect is increased by allowing the possibility to use and re-use the funds invested and generated by the financial instruments.
- (11) In order to adapt the scope of this Regulation to the rapidly evolving reality, the power to adopt acts in accordance with Article 290 of the Treaty on the Functioning of the European Union should be delegated to the Commission in respect of the detailed areas of technical and financial assistance provided in the Annexes to this Regulation, and to adopt additional procedures for exchanging information and cooperation. It is of particular importance that the Commission should carry out appropriate consultations during its preparatory work, including at expert level. The Commission, when preparing and drawing-up delegated acts, should further ensure timely transmission of relevant documents to the European Parliament and Council.
- (12) In order to ensure uniform conditions for implementation of this Regulation, implementing powers should be conferred on the Commission.
- (13) The implementing powers relating to programming and implementation measures laid down in this Regulation should be exercised in accordance with Regulation (EU) No 182/2011 of the European Parliament and of the Council laying down the rules and general principles concerning mechanisms for control by Member States of the Commission's exercise of implementing powers⁸. Taking into account the nature of those implementing acts, in particular their policy orientation nature or budgetary implications, the examination procedure should in principle be used for their adoption, except for measures of a small financial scale. The Commission should adopt immediately applicable implementing acts where in duly justified cases relating to the need for a swift response from the Union, imperative grounds of urgency so require.
- (14) Common rules and procedures for the implementation of the Union's instruments for external action⁹ are laid down in Regulation (EU, Euratom) No .../...of the European Parliament and of the Council of ...¹⁰, hereafter referred to as 'the Common Implementing Regulation'.
- (15) The organisation and functioning of the European External Action Service are described in Council Decision 2010/427 EU,

HAVE ADOPTED THIS REGULATION:

TITLE I

OBJECTIVES AND SCOPE

⁸ OJ L 55, 28.2.2011, p.13.

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Article 1

Objectives

1. The Union shall undertake development cooperation measures, as well as financial, economic and technical cooperation measures with third countries, regional and international organisations and other state and non state actors under the conditions set out in this Regulation.
2. In accordance with the objectives of such cooperation, the specific aims of this Regulation shall be:
 - (a) in a situation of crisis or emerging crisis, to swiftly contribute to stability by providing an effective response to help preserve, establish or re-establish the conditions essential to the proper implementation of the Union's development and cooperation policies;
 - (b) to prevent conflicts, ensure preparedness to address pre- and post-crisis situations and build peace;
 - (c) to address specific global and trans-regional threats having a destabilising effect, including climate change.

Article 2

Coherence and complementarity of Union assistance

1. The Commission shall ensure that measures adopted under this Regulation are consistent with the Union's overall strategic policy framework for the partner country, and in particular with the objectives of the instruments referred to in paragraph 2, as well as with other relevant Union measures.
2. Measures taken under this Regulation may be complementary to, and shall be consistent with measures adopted under Title V of the Treaty on European Union and Title V of the Treaty on the Functioning of the European Union.
3. Union assistance under this Regulation shall be complementary to that provided for under related Union instruments for external assistance. It shall be provided only to the extent that an adequate and effective response cannot be provided under those instruments.
4. Activities covered by Regulation (EC) No 1257/96 of 20 June 1996 concerning humanitarian aid and Council Decision (EC, Euratom) No 162/2007 of 5 March 2007 establishing a Civil Protection Financial Instrument and eligible for funding thereunder may not be funded under this Regulation.
5. In order to enhance the effectiveness and consistency of Union and national assistance measures and to prevent double-funding, the Commission shall promote close coordination between its own activities and those of the Member States, both at decision-making level and on the ground. To that end, the Member States and the Commission shall operate a system for exchange of information. If necessary, the

Commission may adopt, in accordance with Article 9, additional procedures for exchanging information and cooperation.

Article 3

Assistance in response to situations of crisis or emerging crisis to prevent conflicts

1. Union technical and financial assistance in pursuit of the specific aims set out in point (a) of Article 1(2) may be undertaken in response to a situation of urgency, crisis or emerging crisis, a situation posing a threat to democracy, law and order, the protection of human rights and fundamental freedoms, or the security and safety of individuals, or a situation threatening to escalate into armed conflict or severely to destabilise the third country or countries concerned. Such measures may also address situations where the Union has invoked the essential elements clauses of international Agreements in order to suspend, partially or totally, cooperation with third countries.
2. Technical and financial assistance referred to in paragraph 1 may cover the detailed areas specified in Annex I. The performance indicator for assistance shall be the percentage of projects adopted within 3 months of a crisis context.
3. In the exceptional and unforeseen situations referred to in paragraph 1, the Union may also provide technical and financial assistance not expressly covered by the specific areas of assistance set out in paragraph 2. Such assistance shall be limited to Exceptional Assistance Measures as referred to in Article 7(2), which:
 - (a) fall within the general scope and specific aims set out in Article 1(2)(a), and
 - (b) are limited in duration to the period laid down in Article 7(2), and
 - (c) would normally be eligible under other EU instruments for external assistance or the other components of this instrument but which, in accordance with Article 2, should be addressed through crisis or emerging crisis measures because of the need to respond rapidly to the situation.

Article 4

Assistance for conflict prevention, crisis preparedness and peace-building

1. The Union shall provide technical and financial assistance in pursuit of the specific aims set out in point (b) of Article 1(2) in the area of conflict prevention, crisis preparedness and peace-building.
2. Technical and financial assistance referred to in paragraph 1 may cover the detailed areas specified in Annex II. The performance indicator for the assistance shall be the degree to which recipients' capacities to prevent conflicts address pre- and post-conflict situations and build peace have been strengthened.

Article 5

Assistance in addressing global and transregional threats

The Union shall provide technical and financial assistance in pursuit of the specific aims set out in point (c) of Article 1(2) in the detailed areas specified in Annex III. The performance indicator for the assistance shall be the degree of alignment with relevant EU external security policy, including the external dimension of internal security.

TITLE II
PROGRAMMING AND IMPLEMENTATION

Article 6

General framework for programming and implementation

1. Union assistance shall be implemented in accordance with the Common Implementing Regulation and through the following programming documents and financial implementation measures:
 - (a) Thematic Strategy Papers and Multiannual Indicative Programmes;
 - (b) Exceptional Assistance Measures and Interim Response Programmes;
 - (c) Annual Action Programmes and Individual Measures;
 - (d) Special Measures.

Article 7

Exceptional Assistance Measures and Interim Response Programmes

1. Union assistance under Article 3 shall be carried out through Exceptional Assistance Measures and through Interim Response Programmes.
2. The Commission may adopt Exceptional Assistance Measures in a situation of crisis as referred to in Article 3(1), as well as in exceptional and unforeseen situations as referred to in Article 3(3), where the effectiveness of the measures is dependent on rapid or flexible implementation. Such measures may have duration of up to 18 months. Measures may be extended twice in duration by a further six months (up to maximum of 30 months) in the case of objective and unforeseen obstacles to their implementation, provided that the financial amount of the measure does not increase. In cases of protracted crisis and conflict, the Commission may adopt a second Exceptional Assistance Measure.
3. Where an Exceptional Assistance Measure is costing more than EUR 30 000 000, that measure shall be adopted in accordance with the examination procedure referred to in Article 15 (3) of the Common Implementing Regulation.
4. The Commission may adopt Interim Response Programmes in accordance with the same procedure with a view to establishing or re-establishing the essential conditions necessary for the effective implementation of the Union's external cooperation policies. Interim Response Programmes shall build on Exceptional Assistance Measures.
5. Before adopting or renewing Exceptional Assistance Measures costing up to EUR 30 000 000, the Commission shall inform the Council of their nature, objectives and the financial amounts envisaged. The Commission shall likewise inform the

Council before making significant substantive changes to Exceptional Assistance Measures already adopted. It shall take account of the relevant policy approach of the Council both in its planning and subsequent implementation of such measures, in the interest of the coherence of EU external action.

6. However, in exceptional situations of urgency referred to Article 3(1), the Commission may adopt Exceptional Assistance Measures costing up to EUR 3 000 000 without prior information to the Council.
7. As early as possible following the adoption of Exceptional Assistance Measures, and in any case within seven months of doing so, the Commission shall report to the Council and to the European Parliament by giving an overview of the nature of the measure adopted and its context.
8. The Commission shall keep the European Parliament regularly informed about its planning of Union assistance under Article 3.

Article 8

Thematic Strategy Papers and Multiannual Indicative Programmes

1. Thematic Strategy Papers shall constitute the general basis for the implementation of assistance under Article 4 and 5. Thematic Strategy Papers shall provide a framework for cooperation between the Union and the partner country or regions concerned, consistent with the overall purpose and scope, objectives, principles and policy of the Union.
2. The preparation and implementation of Thematic Strategy papers shall implement the principles of aid effectiveness: partnership, coordination, and harmonisation. To that end, Thematic Strategy Papers shall be consistent with, and avoid duplication of programming documents approved or adopted under other Union instruments for external assistance. Thematic Strategy Papers shall, in principle, be based on a dialogue of the EU and, where appropriate, the relevant Member States, with the partner country or regions concerned involving civil society and regional and local authorities, so as to ensure that the country or regions concerned takes sufficient ownership of the process. The Union and its Member States shall consult each other at an early stage of the programming process in order to promote consistency and complementarity among their cooperation activities.
3. Each Thematic Strategy Paper shall be accompanied by a Multiannual Indicative Programme summarising the priority areas selected for Union financing, the specific objectives, the expected results and timeframe of Union support. The Multiannual Indicative Programmes shall determine the indicative financial allocations for each programme taking into account the needs and the particular difficulties of the partner countries or regions concerned. The financial allocations may be given in the form of a range where necessary.
4. Thematic Strategy Papers shall be approved and Multiannual Indicative Programmes shall be adopted by the Commission in accordance with the examination procedure referred to in Article 15 (3) of the Common Implementing Regulation. This

procedure shall also apply to substantial reviews which have the effect of modifying significantly the strategy or its programming.

5. The examination procedure referred to in paragraph 4 shall not apply to non-substantial modifications to Thematic Strategy Papers and Multiannual Indicative Programmes, making technical adjustments, reassigning funds within the indicative allocations per priority area, or increasing or decreasing the size of the initial indicative allocation by less than 20%, provided that these modifications do not affect the priority areas and objectives set out in these documents. In such case, adjustments shall be communicated to the European Parliament and to the Council within one month.
6. The urgency procedure referred in Article 15(4) of the Common Implementing Regulation may be applied for modifying Thematic Strategy Papers and Multiannual Indicative Programmes where, on duly justified imperative grounds of emergency, a swift response from the Union is required.

TITLE III

FINAL PROVISIONS

Article 9

Delegation of powers to the Commission

The Commission shall be empowered to adopt delegated acts in accordance with Article 10 to amend or supplement Annexes I, II and III to this Regulation, and to adopt additional procedures for exchanging information and cooperation.

Article 10

Exercise of the delegation

1. The delegation of powers referred to in Article 9 shall be conferred for the period of validity of this Regulation.
2. The delegation of powers may be revoked at any time by the European Parliament or by the Council. A decision of revocation shall put an end to the delegation of power specified in that decision. It shall take effect the day following the publication of the decision in the Official Journal of the European Union or at a later date specified therein. It shall not affect the validity of any delegated acts already in force.
3. As soon as it adopts a delegated act, the Commission shall notify it simultaneously to the European Parliament and the Council.
4. A delegated act adopted shall enter into force only if no objection has been expressed either by the European Parliament or the Council within a period of 2 months of notification of the act to the European Parliament and the Council or if, before the expiry of that period, the European Parliament and the Council have both informed

the Commission that they will not object. That period shall be extended by 2 months at the initiative of the European Parliament or the Council.

Article 11

Committee

The Commission shall be assisted by the Instrument for Stability Committee. That Committee shall be a committee within the meaning of Regulation (EU) No 182/2011.

Article 12

European External Action Service

The application of this Regulation shall be in accordance with Council Decision 2010/427 EU, establishing the organisation and functioning of the European External Action Service.

Article 13

Financial reference amount

The financial envelope for implementation of this Regulation over the period 2014 to 2020 is EUR 2 828 900 000. Annual appropriations shall be authorised by the budgetary authority within the limits of the financial framework.

In the period 2014 to 2020 at least 65 percentage points of the financial envelope shall be allocated to measures falling under Article 3.

Article 14

Entry into force

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

It shall apply from 1 January 2014.

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

Done at Brussels,

For the European Parliament
The President

For the Council
The President

ANNEX I

Areas of technical and financial assistance as referred to in Article 3

Technical and financial assistance as referred to in paragraph 2 of Article 3 shall cover the following areas:

- (a) support, through the provision of technical and logistical assistance, for the efforts undertaken by international and regional organisations, state and non-state actors in promoting confidence-building, mediation, dialogue and reconciliation;
- (b) support for the establishment and the functioning of interim administrations mandated in accordance with international law;
- (c) support for the development of democratic, pluralistic state institutions, including measures to enhance the role of women in such institutions, effective civilian administration and related legal frameworks at national and local level, an independent judiciary, good governance and law and order, including non-military technical cooperation to strengthen overall civilian control, and oversight over the security system and measures to strengthen the capacity of law enforcement and judicial authorities involved in the fight against terrorism, organised crime and all forms of illicit trafficking;
- (d) support for international criminal tribunals and ad hoc national tribunals, truth and reconciliation commissions, and mechanisms for the legal settlement of human rights claims and the assertion and adjudication of property rights, established in accordance with international human rights and rule of law standards;
- (e) support for measures necessary to start the rehabilitation and reconstruction of key infrastructure, housing, public buildings and economic assets, as well as essential productive capacity, as well as other measures for the re-starting of economic activity and the generation of employment and the establishment of the minimum conditions necessary for sustainable social development;
- (f) support for civilian measures related to the demobilisation and reintegration of former combatants into civil society, and where appropriate their repatriation, as well as measures to address the situation of child soldiers and female combatants;
- (g) support for measures to mitigate the social effects of restructuring of the armed forces;
- (h) support for measures to address, within the framework of Union cooperation policies and their objectives, the socio-economic impact on the civilian population of anti-personnel landmines, unexploded ordnance or explosive remnants of war; activities financed under this Regulation shall cover risk education, victim assistance, mine detection and clearance and, in conjunction therewith, stockpile destruction;
- (i) support for measures to combat, within the framework of Union cooperation policies and their objectives, the illicit use of and access to firearms, small arms and light weapons; such support could also include survey activities, victim assistance, raising

public awareness and the development of legal and administrative expertise and good practice;

- (j) support for measures to ensure that the specific needs of women and children in crisis and conflict situations, including their exposure to gender-based violence, are adequately met;
- (k) support for the rehabilitation and reintegration of the victims of armed conflict, including measures to address the specific needs of women and children;
- (l) support for measures to promote and defend respect for human rights and fundamental freedoms, democracy and the rule of law, and the related international instruments;
- (m) support for socio-economic measures to promote equitable access to and transparent management of natural resources in a situation of crisis or emerging crisis;
- (n) support for socio-economic measures to address the impact of sudden population movements, including measures addressing the needs of host communities in a situation of crisis or emerging crisis;
- (o) support for measures to support the development and organisation of civil society and its participation in the political process, including measures to enhance the role of women in such processes and measures to promote independent, pluralist and professional media;
- (p) support for measures in response to natural or man-made disasters and threats to public health in the absence of, or to complement, Union humanitarian and civil protection assistance in accordance with Article 2.

ANNEX II

Areas of technical and financial assistance as referred to in Article 4

Technical and financial assistance referred to in Article 4 may cover support for measures aimed at building and strengthening the capacity of the EU and its partners to prevent conflict, build peace and address pre- and post-crisis needs in close coordination with international, regional and sub-regional organisations, state and non-state actors in relation to their efforts in:

- (a) promoting early warning, and confidence-sensitive risk analysis in policy making;
- (b) facilitating confidence-building, mediation and reconciliation with particular regard to emerging inter-community tensions;
- (c) strengthening capacities to participate in civilian stabilization missions;
- (d) improving post-conflict and post-disaster recovery.

Measures under this point shall include know-how transfer, the exchange of information and best practices, risk/threat assessment, research and analysis, early warning systems, training and service delivery. Measures may also include financial and technical assistance for the implementation of peace building and state building support actions.

ANNEX III

Areas of technical and financial assistance as referred to in Article 5

Technical and financial assistance as referred to in Article 5 shall cover the following areas:

1. threats to law and order, to the security and safety of individuals, to critical infrastructure and to public health;

assistance may cover support for measures aimed at:

- (a) strengthening the capacity of law enforcement and judicial and civil authorities involved in the fight against terrorism, organised crime and all forms of illicit trafficking and in the effective control of illegal trade and transit.

Priority shall be given to trans-regional cooperation involving two or more third countries which have demonstrated a clear political will to address these problems. Cooperation in the fight against terrorism may also be conducted with individual countries, regions or international, regional and sub-regional organisations

Measures in this area shall place particular emphasis on good governance and shall be in accordance with international law, in particular human rights law and international humanitarian law.

With regard to assistance to authorities involved in the fight against terrorism, priority shall be given to supporting measures concerning the development and strengthening of counter-terrorism legislation, the implementation and practice of financial law, of customs law and of immigration law, the development of law enforcement procedures aligned with the highest international standards, the strengthening of democratic control and institutional oversight mechanisms, and the prevention of radicalism.

With regard to assistance relating to the problem of drugs, due attention shall be given to international cooperation aimed at promoting best practices relating to the reduction of demand, production and harm;

- (b) addressing threats to critical infrastructure, which may include international transport, including passenger and freight traffic, energy operations and energy distribution, electronic information and communication networks.

Measures adopted in this area shall place particular emphasis on trans-regional cooperation and the implementation of international standards in the fields of risk awareness, vulnerability analysis, emergency preparedness, alert and consequence management;

- (c) ensuring an adequate response to major threats to public health, including sudden epidemics with a potential trans-national impact.

Particular emphasis shall be placed on emergency-planning, management of vaccine and pharmaceutical stockpiles, international cooperation, early warning and alert systems;

- (d) addressing global and trans-regional effects of climate change with a potentially destabilising impact

- 2. mitigation of and preparedness against risks, either of an intentional, accidental or natural origin, related to chemical, biological, radiological and nuclear materials or agents;

assistance may cover support for measures aimed at:

- (a) the promotion of civilian research activities as an alternative to defence-related research; support and awareness (e.g. awareness-raising on information sensitivity) for scientists as well as for the retraining and alternative employment of scientists and engineers formerly employed in weapons-related areas (e.g. de-militarisation of scientific programmes, separation of military and civilian nuclear fuel cycles);
- (b) enhancing safety practices related to civilian facilities where sensitive chemical, biological, radiological and nuclear materials or agents are stored, or are handled in the context of civilian research programmes;
- (c) within the framework of Union cooperation policies and their objectives, the establishment of civil infrastructure and relevant civilian studies necessary for the dismantlement, remediation or conversion of weapons-related facilities and sites where these are declared as no longer belonging to a defence programme;
- (d) strengthening the capacity of the competent civilian authorities involved in the development and enforcement of effective control of illicit trafficking in chemical, biological, radiological and nuclear materials or agents (including the equipment for their production or delivery), including through the installation of modern logistical evaluation and control equipment;
- (e) the development of the legal framework and institutional capacities for the establishment and enforcement of effective export controls on dual-use goods, including regional cooperation measures;
- (f) the development of effective civilian disaster-preparedness, emergency-planning, crisis response, and capabilities for clean-up measures in relation to possible major environmental incidents in this field;
- (g) as regards the measures covered by points (b) and (d), particular emphasis shall be placed on assistance to those regions or countries where stockpiles of materials or agents referred to in points (b) and (d) still exist and where there is a risk of proliferation of such materials or agents.

LEGISLATIVE FINANCIAL STATEMENT FOR PROPOSALS

1. FRAMEWORK OF THE PROPOSAL/INITIATIVE

- 1.1. Title of the proposal/initiative
- 1.2. Policy area(s) concerned in the ABM/ABB structure
- 1.3. Nature of the proposal/initiative
- 1.4. Objective(s)
- 1.5. Grounds for the proposal/initiative
- 1.6. Duration and financial impact
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2. MANAGEMENT MEASURES

- 2.1. Monitoring and reporting rules
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- 2.3. Measures to prevent fraud and irregularities

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- 3.1. Heading(s) of the multiannual financial framework and expenditure budget line(s) affected
- 3.2. Estimated impact on expenditure
 - 3.2.1. *Summary of estimated impact on expenditure*
 - 3.2.2. *Estimated impact on operational appropriations*
 - 3.2.3. *Estimated impact on appropriations of an administrative nature*
 - 3.2.4. *Compatibility with the current multiannual financial framework*
 - 3.2.5. *Third-party participation in financing*
- 3.3. Estimated impact on revenue

LEGISLATIVE FINANCIAL STATEMENT FOR PROPOSALS

1. FRAMEWORK OF THE PROPOSAL/INITIATIVE

1.1. Title of the proposal/initiative

Proposal for a Regulation of the European Parliament and of the Council establishing an Instrument for Stability

1.2. Policy area(s) concerned in the ABM/ABB structure¹¹

Title 19: External relations

Activity 19 06 : Crisis response and global threats to security

The title of this budget chapter 19 06 corresponds to the current structure of the financial instruments 2007-2013. It is proposed to keep the same activity and title 19 06

1.3. Nature of the proposal/initiative

☐ The proposal/initiative relates to **a new action**

☐ The proposal/initiative relates to **a new action following a pilot project/preparatory action**¹²

☒ The proposal/initiative relates to **the extension of an existing action**

☐ The proposal/initiative relates to **an action redirected towards a new action**

1.4. Objectives

1.4.1. *The Commission's multiannual strategic objective(s) targeted by the proposal/initiative*

This financing instrument aims to support the following strategic objective as stated in the Commission's Communication "A budget for Europe 2020 – Part II" of 29 June 2011 (COM/2011/500 - Budget for Europe 2020 - Part II. Policy Fiche "External Action", p. 43):

"Improving crisis prevention and resolution, EU action on crisis prevention and resolution, preserving peace and strengthening international security, including enhancing EU capacities for crisis preparedness will be increased".

Furthermore, it responds to the general indication given in relation to all external instruments in the June Communication referred to above (p.19) which proposed that "*new instruments allow the EU to respond rapidly and effectively to man-made and natural disasters*"

¹¹ ABM: Activity-Based Management – ABB: Activity-Based Budgeting.
¹² As referred to in Article 49(6)(a) or (b) of the Financial Regulation.

1.4.2. *Specific objective(s) and ABM/ABB activity(ies) concerned initiative*

Specific objective No 1 ..

In situations of crisis or emerging crisis either man-made or as a result of a natural disaster, to contribute to stability by providing an effective response to help preserve, establish or re-establish the conditions essential to the proper implementation of the Union's development and cooperation policies.

Specific objective No 2 ..

to help **strengthen capacity to ensure the preparedness of the EU and its partners to prevent conflicts, build peace and address pre- and post-crisis situations** in close coordination with international, regional and sub-regional organisations, state and non state actors.

Specific objective No 3 ..

to **address global and trans-regional security threats** that pose a risk to peace and stability.

ABM/ABB activity(ies) concerned

19.06 : Crisis response and global threats to security

1.4.3. *Expected result(s) and impact*

Specify the effects which the proposal/initiative should have on the beneficiaries/groups targeted.

- To contribute to a EU comprehensive response to address situations of fragility and instability, e.g. emerging crises, natural disasters, with targeted and complementary measures under the IfS crisis response.
- To enhance EU's capacity to effectively contribute to multilateral and international efforts for global conflict prevention and resolution.
- To support conflict prevention and peace-building with a view to reduce the number of armed conflicts worldwide and diminish the number of countries that relapse into conflict.
- To address global and trans-regional threats complementary with other EU instruments and international actors, through capacity building aimed at better integration of beneficiaries in the international community. (including development of networks, improved capacity to collect and exchange information, support to regional cooperation and platforms).

1.4.4. *Indicators of results and impact*

Specify the indicators for monitoring implementation of the proposal/initiative.

- In situations of crisis or emerging crisis, the percentage of projects adopted within 3 months of a crisis context enabling the EU to efficiently contribute to their prevention, resolution or stabilization.
- The strengthened capacity of recipients of assistance to prevent conflicts, to address pre- and post-conflict situations and to build peace.
- The degree of alignment with relevant EU external security policy, including the external dimension of internal security

1.4.5. *Requirement(s) to be met in the short or long term*

Section 1 of the Explanatory Memorandum outlines the policy requirements which the Instrument aims to meet within a context of evolving political guidance. Taking into account the specific nature and context of crisis preparedness and response measures as well as those addressing global and transnational security threats, requirements to be met will be both short and long-term.

1.4.6. *Added value of EU involvement*

As a global player, the EU has credibility and a perception of neutrality as an honest broker that provides a competitive advantage to intervene in many conflict areas to avoid escalation or to offer good offices in preventing conflict. An increased level of impact is achieved when the response is provided at EU level, as combined efforts provide increased leverage over authorities and international partners. Crisis response actions when addressed at EU level, maximise the coherence of response and aid efficiency. Synergies and cooperation are increasingly needed at international level, as donors are facing similar problems in terms of scarce resources. In this regard, it should be noted that a very limited number of EU Member States operate a crisis response or peace-building facility comparable in scope to the Instrument for Stability

In the face of increasingly complex challenges, none of the EU's internal priorities – security, growth and job creation, climate change, access to energy, health and pandemics and migration - will be achieved in isolation from the wider world. In times of economic crisis, a more coordinated and integrated approach between the EU and its Member States through joint programming will bring about more added-value, increased strength and legitimacy, and more impact and effectiveness

The Instrument for Stability 2007-13 has demonstrated a catalytic effect in preparing and improving the delivery of EU long-term external assistance and actions adopted by the EU in pursuit of Common Foreign and Security Policy objectives within the framework of Title V of the TEU

1.4.7. *Lessons learned from similar experiences in the past*

Four years after its launch in 2007, the Instrument for Stability is now well established as a highly complementary EU crisis response tool.

To date, it has been successful in enabling the EU to fund a broad range of critical conflict-prevention, crisis preparedness and response initiatives as part of its peace, security and development policy framework, when no other EU cooperation instruments was available or complementing interventions carried out under other instruments. However, it needs to speed up its deployment and increase its overall programming and implementation flexibility in order to better respond to, *inter alia*, political guidance from Council and meet future peace and security challenges in a sustainable manner.

The maximum amount set under the Regulation for actions in relation to threats to law and order, to the security and safety of individuals, to critical infrastructure and to public health has also proven insufficient. Ceilings in relation to global threats to security (including as well risk mitigation and preparedness measures relating to chemical, biological, radiological and nuclear materials or agents) should be reviewed in line with the Commission proposal in the framework of the 2009 Mid-Term Review of the Regulation to have the flexibility to respond to evolving threats in an adequate manner.

1.4.8. Coherence and possible synergy with other relevant instruments

The Treaty on the European Union (Article 21) has defined common overarching objectives for the external action of the Union *inter alia* to “*preserve peace, prevent conflict and strengthen international security*”. The Instrument for Stability will support EU action to strengthen security, preserve peace and prevent conflict, and as with all EU external cooperation instruments, safeguard EU values, notably human rights and democracy. It will contribute to a complementary and coherent EU response to crisis, and in this framework, will be available for deployment alongside CFSP operations, the provision of Humanitarian Aid and Civil Protection assistance, Macro-Financial Assistance and the Instrument for Nuclear Safety Cooperation. It will equally contribute to conflict prevention, peace-building and state-building in synergy with mainstream EU geographic instruments (ENI, DCI, EDF, IPA) and thematic instruments such as the European Instrument for Democracy and Human Rights (EIDHR). Following political crisis or natural disasters, it could be called to intervene *inter alia* to finance actions that link humanitarian assistance and development aid (Linking Relief Rehabilitation and Development or LRRD) in a subsidiary manner, i.e. whenever the main geographical or thematic instruments cannot be mobilised in good time or require complementary interventions to provide an efficient response

Obvious links exist between EU external action on crisis response and prevention and on addressing global security threats with internal EU policies on migration, justice, freedom and security. The Council Conclusions on enhancing links between Internal and External Aspects of Counter-Terrorism of 9 June 2011 is of particular relevance alongside the Working Method for Closer Cooperation and Coordination in the Field of External Security of 6 June 2011. Considering that many trans-regional threats and risks are also top EU external security priorities, the Instrument would also contribute to the implementation of the European Security Strategy (as revised in 2008) and to addressing the “external dimension” of the EU’s Internal Security Strategy (2010). Natural disasters, environmental degradation and competition for resources exacerbate conflict, especially in situations of poverty and population growth, with humanitarian, health, political and security consequences, including greater migration.

1.5. Duration and financial impact

- ☒ Proposal/initiative of **limited duration**
 - ☒ Proposal/initiative in effect from 01/01/2014 to 31/12/2020
 - ☒ Financial impact from 01/01/2014 to 31/12/2020
 - ☐ Proposal/initiative of **unlimited duration**
 - Implementation with a start-up period from YYYY to YYYY,
 - followed by full-scale operation.

1.6. Management mode(s) envisaged¹³

- ☒ **Centralised direct management** by the Commission
- ☒ **Centralised indirect management** with the delegation of implementation tasks to:
 - ☒ executive agencies
 - ☒ bodies set up by the Communities¹⁴
 - ☒ national public-sector bodies/bodies with public-service mission
 - ☒ persons entrusted with the implementation of specific actions pursuant to Title V of the Treaty on European Union and identified in the relevant basic act within the meaning of Article 49 of the Financial Regulation
- ☐ **Shared management** with the Member States
- ☒ **Decentralised management** with third countries
- ☒ **Joint management** with international organisations (*to be specified*)

If more than one management mode is indicated, please provide details in the "Comments" section.

Comments

The specific nature of the Instrument to respond to crisis and conflicts as well as to enhance crisis preparedness actions as well as to address global and transnational security-threats requires it have recourse to the maximum range of management modes.

¹³ Details of management modes and references to the Financial Regulation may be found on the BudgWeb site: http://www.cc.cec/budg/man/budgmanag/budgmanag_en.html

¹⁴ As referred to in Article 185 of the Financial Regulation.

2. MANAGEMENT MEASURES

2.1. Monitoring and reporting rules

Specify frequency and conditions.

The European Commission's Monitoring and Evaluation systems are increasingly focussed on results. They involve internal staff as well as external expertise.

Task Managers in Delegations and Headquarters continuously monitor the implementation of projects and programmes in various ways, including wherever possible through field visits. Monitoring provides valuable information on progress; it helps managers to identify actual and potential bottlenecks, and to take corrective action.

External, independent experts are contracted to assess the performance of EU external actions through three different systems. These assessments contribute to accountability, and to the improvement of ongoing interventions; they also draw lessons from past experience to inform future policies and actions. The tools all use the internationally-recognised OECD-DAC evaluation criteria including (potential) impact.

Firstly, at the project level, the Headquarters-managed Results Oriented Monitoring (ROM) system provides a brief, focused snapshot of the quality of a sample of interventions. Using a highly structured, standardised methodology, independent ROM experts attribute grades which highlight the strengths and weaknesses of the project and give recommendations on how to improve effectiveness.

Project-level evaluations, which are managed by the EU Delegation in charge of the project, deliver a more detailed, in depth analysis and help project managers to improve ongoing interventions and prepare future ones. External, independent experts with thematic and geographic expertise are hired to conduct the analysis and gather feedback and evidence from all stakeholders, not least the final beneficiaries.

The Commission also conducts strategic evaluations of its policies, from programming and strategy to the implementation of interventions in a specific sector (such as health, education etc), in a country or region, or of a specific instrument. These evaluations are an important input to the formulation of policies and the design of instruments and projects. These evaluations are all published on the Commission's website and a summary of the findings is included in the Annual Report to the Council and the European Parliament.

Specific information on the amount of climate related expenditure, calculated in accordance with the Rio markers based methodology, as specified in the June 2011 MFF Communication, will be included at the level of the budget expenditure lines for the IFS as included in the ABB/ABM annual activity statements, throughout the programming documents, as well as within the evaluations at all levels and in the annual reports.

2.2. Management and control system

2.2.1. Risk(s) identified

Risk environment

The operational environment of aid under this instrument is characterised by the following risks of not achieving the instrument's objectives, suboptimal financial management and/or of not complying with the applicable rules (legality and regularity errors):

- economic/political instability and/or natural disaster may lead to difficulties and delays in the design and implementation of interventions, particularly in fragile states;
- a lack of institutional and administrative capacity in partner countries may lead to difficulties and delays in the design and implementation of interventions;
- geographically dispersed projects and programmes (covering approximately many states/territories/regions) may pose logistical/resource challenges to monitoring - particularly any 'on-the-spot' follow-up of activities;
- diversity of potential partners / beneficiaries with their diverse internal control structures and capacities can fragment and therefore reduce the effectiveness and efficiency of the Commission's available resources to support and monitor implementation;
- poor quality and quantity of available data on the outcomes and impact of external aid / national development plan implementation in partner countries may hinder the Commission's ability to report on and be accountable for results;

Expected level of risk of non-compliance with applicable rules

The compliance objective for the instrument is to maintain the historic level of risk of non-compliance (error rate) for FPI/DEVCO portfolio which is a residual 'net' level of error (on a multi-annual basis after all planned controls and corrections have been executed on closed contracts) of less than 2%. This has traditionally implied an estimated error range of 2-5% in terms of an annual randomised sample of transactions undertaken by the European Court of Auditors for the purposes of the annual Statement of Assurance (DAS). FPI/DEVCO considers this to be the lowest risk of non compliance achievable in relation to its high risk environment and taking into account the administrative burden and necessary cost effectiveness of compliance controls.

2.2.2. Control method(s) envisaged

FPI/DEVCO Internal Control architecture

FPI/DEVCO's internal control / management process is designed to provide reasonable assurance regarding the achievement of objectives in the effectiveness and efficiency of its operations, the reliability of its financial reporting and compliance with the relevant legislative and procedural framework.

Effectiveness and efficiency

To ensure the effectiveness and efficiency of its operations (and to mitigate the high level of risk in its external aid environment), in addition to all the elements of the Commission wide Strategic Policy and Planning process, internal audit environment and other requirements of

the Commission's Internal Control Standards, FPI/DEVCO will continue to have a tailored aid management framework in operation under all its instruments which will include:

- A devolved management of the majority of external aid by EU delegations in the field.
- Clear and formalised lines of financial accountability (from the Delegated Authorising officer) by means of a subdelegation to the Head of Delegation (for FPI);
- Clear and formalised lines of financial accountability (from the Delegated Authorising officer (Director General)) by means of a subdelegation from the Subdelegated Authorising Officer (Director) at HQ to the Head of Delegation (for DEVCO);
- Regular reporting from EU Delegations to HQ (External Assistance Management Reports for DEVCO) including an annual Statement of Assurance by the Head of Delegation;
- Provision of a substantial programme of training for staff both at HQ and in delegation,
- Significant HQ/Delegation support and guidance (including via internet);
- Regular 'verification' visits to 'devolved' delegations every 3 to 6 years;
- A project and programme cycle management methodology including:
- Where appropriate, quality support tools for the design of the intervention, its delivery method, financing mechanism, management system, assessment and selection of any implementing partners, etc.
- Programme and project management, monitoring and reporting tools for effective implementation including regular external on-the-spot monitoring of projects.
- Significant evaluation and audit components.

Financial Reporting and Accounting

FPI/DEVCO will continue to pursue the highest standards of accounting and financial reporting using the Commission's accruals based accounting system (ABAC) as well as external aid specific tools such as the Common Relex Information System (CRIS).

In relation to compliance with the relevant legislative and procedural framework, compliance control methods are set out in section 2.2 (measures to prevent fraud and irregularities)

2.3. Measures to prevent fraud and irregularities

Specify existing or envisaged prevention and protection measures.

Given the high risk environment in which FPI/EuropeAid operate, their systems need to anticipate a significant occurrence of potential compliance errors (irregularities) in transactions and build in a high level of prevention, detection and correction controls as early as possible in the payment process. This means in practice that FPI/EuropeAid's compliance controls will place most reliance on significant ex-

ante checks on a multi-annual basis by both external auditors and Commission staff in the field before final project payments (while still executing some ex-post audits and checks), going well beyond the financial safeguards required by the Financial Regulation. FPI/EuropeAid's compliance framework is made up *inter alia* of the following significant components:

Preventative measures

- Compulsory core training covering fraud issues for aid management staff and auditors;
- Provision of guidance (including via internet) including the Practical Guide to Contracts, the EuropeAid Companion and the Financial Management Toolkit (for implementing partners);
- Ex-ante assessment to ensure that appropriate anti-fraud measures to prevent and detect fraud in the management of EU funds are in place in the authorities managing the relevant funds under joint and decentralised management);
- Ex-ante screening of the anti-fraud mechanisms available in the partner country as part of the assessment of the eligibility criterion of public finance management for receiving budget support (i.e. active commitment to fight fraud and corruption, adequate inspection authorities, sufficient judicial capacity and efficient response and sanction mechanisms);
- The Commission signed the International Aid Transparency Initiative (IATI) in Accra in 2008, agreeing on a standard for aid transparency which ensures more timely, detailed and regular data on aid flows and documents.
- The Commission implements since 14 October 2011 the first phase of the IATI standard for publishing aid information transparency before the next High Level Forum on aid effectiveness in Busan in November 2011. In addition, the Commission will work in cooperation with the EU Member States on a joint web-based IT application called TR-AID which transforms the EU aid data provided through the IATI and other sources into user-friendly aid information.

Detective and corrective measures

- External audits and verifications (both mandatory and risk based) including the European Court of Auditors;
- Retrospective checks (on a risk basis) and recoveries;
- Suspension of EU funding where there is a serious fraud case, including large scale corruption, until the authorities have taken appropriate action with a view to correcting and preventing such fraud in the future

FPI/EuropeAid will further devise their anti-fraud strategy in line with the Commission's new anti-fraud strategy (CAFS) adopted on 24 June 2011 in order to ensure *inter alia* that:

- FPI/EuropeAid's internal anti-fraud related controls are fully aligned with the CAFS;
- FPI/EuropeAid's fraud risk management approach is geared to identify fraud risk areas and adequate responses;

- The systems used for spending EU funds in third countries enable relevant data to be retrieved with a view to feeding this data into fraud risk management (e.g. double funding);
- Where necessary, networking groups and adequate IT tools dedicated to analysing fraud cases related to the external aid sector could be set up.

2.4. Estimate of the costs and benefits of the controls

The Instrument for Stability's internal control/management costs should be similar to the costs calculated by EuropeAid for the management of its external actions instruments (i.e. 6% of the envelope):

For the EuropeAid portfolio as a whole, internal control / management costs total an estimated annual average of **€ 658 million** in commitments in the 2014-2020 budget planning. This figure includes the management of the EDF which operates in an integrated way within the management structure of EuropeAid. These 'non operational' costs represent approximately **6,4 %** of the estimated annual average of **€ 10.2 billion** planned for the overall (operational + administrative) commitments by EuropeAid on its expenditure portfolio financed by the General Budget of the EU and the European Development Fund for the period 2014-2020.

These management costs take into account all EuropeAid staff at HQ and in Delegations, infrastructure, travel, training, monitoring, evaluation and audit contracts (including those launched by beneficiaries).

EuropeAid plans to reduce the management / operational activities ratio over time under the improved and simplified arrangements of the new instruments, building on changes likely to come in under the revised Financial Regulation. The key benefits of these management costs are realised in terms of meeting policy objectives, efficient and effective use of resources, and the exercise of robust cost-effective preventive measures and other checks to ensure the legal and regular use of funds.

While improvements in the nature and targeting of management activities and compliance checks in relation to the portfolio will continue to be pursued, these costs are globally necessary to effectively and efficiently achieve the objectives of the instruments at a minimal risk of non compliance (below 2% residual error). They are significantly less than risks involved in removing or scaling back internal controls in this high risk area.

3. ESTIMATED FINANCIAL IMPACT OF THE PROPOSAL/INITIATIVE

3.1. Heading(s) of the multiannual financial framework and expenditure budget line(s) affected

- Existing expenditure budget lines

In order of multiannual financial framework headings and budget lines.

Heading of multiannual	Budget line	Type of expenditure	Contribution
------------------------	-------------	---------------------	--------------

financial framework	Number [Description.....]	DA/NDA ⁽¹⁵⁾	from EFTA ¹⁶ countries	from candidate countries ¹⁷	from third countries	within the meaning of Article 18(1)(aa) of the Financial Regulation
IV	19 06 : Crisis response and global threats to security 19 06 01 Crisis response and preparedness 19 06 01 01 Crisis response and preparedness 19 06 01 02 Completion of the former cooperation 19 06 02 Actions to protect countries and their populations against critical technological threats 19 06 02 01 Actions in the area of risk mitigation and preparedness relating to chemical, nuclear and biological materials or agents 19 06 02 02 Preparatory Action to reduce nuclear, biological and chemical weapons and small arms 19 06 02 03 Community policy on combating the proliferation of light arms 19 06 03 Trans-regional actions in the areas of organised crime, trafficking, protection of critical infrastructure and threats to public health and fight against terrorism 19 06 09 Pilot Project: Programme for NGO-led peacebuilding activities	DA	NO	NO	NO	NO

- New budget lines requested

In order of multiannual financial framework headings and budget lines.

Heading of multiannual financial framework	Budget line	Type of expenditure	Contribution			
	Number [Heading.....]	Diff./non-diff.	from EFTA countries	from candidate countries	from third countries	within the meaning of Article 18(1)(aa) of the Financial Regulation
IV	19 06: Crisis Response and Global threats to security 19 06 01 Response to crisis and	Diff.	NO	NO	NO	NO

¹⁵

DA= Differentiated appropriations / DNA= Non-Differentiated Appropriations

¹⁶

EFTA: European Free Trade Association.

¹⁷

Candidate countries and, where applicable, potential candidate countries from the Western Balkans.

	emerging crisis 19 06 02 conflict prevention, crisis preparedness and peace-building 19 06 03 Global and trans-regional security threats					
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3.2. Estimated impact on expenditure

3.2.1. Summary of estimated impact on expenditure

EUR million (to 3 decimal places)

Heading of multiannual financial framework:	Number	Heading IV - Global Europe
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DG FPI/DEVCO			Year N ¹⁸	Year N+1	Year N+2	Year N+3	... enter as many years as necessary to show the duration of the impact (see point 1.6)			TOTAL
• Operational appropriations										
Number of budget line 19 06 01	Commitments	(1)	252,315	257,577	262,837	268,232	272,923	279,274	285,370	1.878,529
	Payments	(2)	163,073	182,596	230,065	284,946	316,965	324,193	376,691	1.878,529
Number of budget line 19 06 02	Commitments	(1)	22,824	23,286	23,748	24,222	24,708	25,200	25,740	169,728
	Payments	(2)	15,064	16,766	20,898	25,675	28,538	29,106	33,681	169,728
Number of budget line 19 06 03	Commitments	(1a)	95,100	97,025	98,950	100,925	102,950	105,000	107,250	707,200
	Payments	(2a)	62,766	69,858	87,076	106,981	118,907	121,275	140,337	707,200
Appropriations of an administrative nature financed from the envelop of specific programs ¹⁹										
Number of budget line 19 01 04 03		(3)	10,161	10,212	10,265	10,321	11,219	10,526	10,640	73,343

¹⁸ Year N is the year in which implementation of the proposal/initiative starts.

¹⁹ Technical and/or administrative assistance and expenditure in support of the implementation of EU programmes and/or actions (former "BA" lines), indirect research, direct research.

TOTAL appropriations for DG FPI/DEVCO	Commitments	=1+1a +3	380,400	388,100	395,800	403,700	411,800	420,000	429,000	2.828,800
	Payments	=2+2a +3	251,064	279,432	348,304	427,922	475,629	485,100	561,349	2.828,800

Heading of multiannual financial framework:	5	" Administrative expenditure "
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EUR million (to 3 decimal places)

		Year N	Year N+1	Year N+2	Year N+3	... enter as many years as necessary to show the duration of the impact (see point 1.6)			TOTAL
DG FPI/DEVCO									
• Human resources		6,447	6,382	6,318	6,255	6,255	6,255	6,255	44,168
• Other administrative expenditure		0,766	0,693	0,693	0,693	0,693	0,693	0,693	4,923
TOTAL DG FPI/DEVCO	Appropriations	7,213	7,075	7,011	6,948	6,948	6,948	6,948	49,091

TOTAL appropriations under HEADING 5 of the multiannual financial framework	(Total commitments = Total payments)	7,213	7,075	7,011	6,948	6,948	6,948	6,948	49,091
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EUR million (to 3 decimal places)

		Year N ²⁰	Year N+1	Year N+2	Year N+3	... enter as many years as necessary to show the duration of the impact (see point 1.6)			TOTAL
TOTAL appropriations under HEADINGS 1 to 5 of the multiannual financial framework	Commitments	387,613	395,175	402,811	410,648	418,748	426,948	435,948	2.877,891
	Payments	258,277	286,507	355,315	434,870	482,577	492,048	568,297	2.877,891

²⁰ Year N is the year in which implementation of the proposal/initiative starts.

3.2.2. *Estimated impact on operational appropriations*

- ☐ The proposal/initiative does not require the use of operational appropriations
- ☒ The proposal/initiative requires the use of operational appropriations, as explained below:

Commitment appropriations in EUR million (to 3 decimal places)

Indicate objectives and outputs ↓			Year N	Year N+1	Year N+2	Year N+3	... enter as many years as necessary to show the duration of the impact (see point 1.6)								TOTAL			
	OUTPUTS																	
	Type of output ²¹	Average cost of the output	Number of outputs	Cost	Number of outputs	Cost	Number of outputs	Cost	Number of outputs	Cost	Number of outputs	Cost	Number of outputs	Cost	Number of outputs	Cost	Total number of outputs	Total cost
SPECIFIC OBJECTIVE No 1 In situations of crisis or emerging crisis either manmade or as a result of a natural disaster, to contribute to stability by providing an effective																		

²¹ Outputs are products and services to be supplied (e.g.: number of student exchanges financed, number of km of roads built, etc.).

response to help preserve, establish or re-establish the conditions essential to the proper implementation of the Union’s development and cooperation policies ²² ...																		
Timely and effective launch of response actions in situations of crisis, post-crisis or emerging crisis			32	252,315	32	257,577	32	262,837	32	268,232	32	272,923	32	279,274	32	285,370	224	1.878,529
- Output																		
- Output																		
Sub-total for specific objective N°1																		
SPECIFIC OBJECTIVE No 2 to help strengthen capacity to ensure the preparedness of the EU and its partners to prevent conflicts, build peace and address pre- and post-crisis situations in close coordination with international, regional and sub-regional organisations, state and non state actors...																		
- Output: Number of policy dialogues and engagement actions on conflict prevention, crisis preparedness and peace-building launched under Article 4 – Peace-Building Partnership (PbP)			5	22,824	5	23,286	5	23,748	5	24,222	5	24,708	5	25,200	5	25,740	35	169,728

²²

As described in Section 1.4.2. "Specific objective(s)..."

Sub-total for specific objective N°2																		
SPECIFIC OBJECTIVE No 3 to help build capacity for addressing global and trans-regional security threats that pose a risk to peace and stability																		
- Output : Number of beneficiary countries in compliance with relevant international legal frameworks addressing global and trans- regional threats																		
Sub-total for specific objective N°3			21	95,100	21	97,025	21	98,950	21	100,925	21	102,950	21	105,000	21	107,250	147	707,200
TOTAL COST				370,239		377,888		385,535		393,379		400,581		409,474		418,360		2.755,457

3.2.3. Estimated impact on appropriations of an administrative nature

3.2.3.1. Summary

- ☐ The proposal/initiative does not require the use of administrative appropriations
- ☐ The proposal/initiative requires the use of administrative appropriations, as explained below:

EUR million (to 3 decimal places)

	Year N ²³	Year N+1	Year N+2	Year N+3	... enter as many years as necessary to show the duration of the impact (see point 1.6)			TOTAL
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HEADING 5 of the multiannual financial framework								
Human resources	6,447	6,382	6,318	6,255	6,255	6,255	6,255	44,168
Other administrative expenditure	0,766	0,693	0,693	0,693	0,693	0,693	0,693	4,923
Subtotal HEADING 5 of the multiannual financial framework	7,213	7,075	7,011	6,948	6,948	6,948	6,948	49,091

Outside HEADING 5²⁴ of the multiannual financial framework								
Human resources	5,275	5,230	5,186	5,142	5,142	5,142	5,142	36,257
Other expenditure of an administrative nature	4,886	4,981	5,079	5,179	6,078	5,385	5,498	37,085
Subtotal outside HEADING 5 of the multiannual financial framework	10,161	10,212	10,265	10,321	11,219	10,526	10,640	73,343

TOTAL	17,374	17,287	17,276	17,269	18,167	17,474	17,588	122,434
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²³

Year N is the year in which implementation of the proposal/initiative starts.

²⁴

Technical and/or administrative assistance and expenditure in support of the implementation of EU programmes and/or actions (former "BA" lines), indirect research, direct research.

3.2.3.2. Estimated requirements of human resources

- ☐ The proposal/initiative does not require the use of human resources
- ☐ The proposal/initiative requires the use of human resources, as explained below:

Estimate to be expressed in full amounts (or at most to one decimal place)

	Year N	Year N+1	Year N+2	Year N+3	... enter as many years as necessary to show the duration of the impact (see point 1.6)		
• Establishment plan posts (officials and temporary agents)							
XX 01 01 01 (Headquarters and Commission's Representation Offices)	40,9	40,5	40,1	39,7	39,7	39,7	39,7
XX 01 01 02 (Delegations)							
XX 01 05 01 (Indirect research)							
10 01 05 01 (Direct research)							
• External personnel (in Full Time Equivalent unit: FTE) ²⁵							
XX 01 02 01 (CA, INT, SNE from the "global envelope")	19,4	19,2	19,0	18,9	18,9	18,9	18,9
XX 01 02 02 (CA, INT, JED, LA and SNE in the delegations)							
XX 01 04 yy ²⁶	- at Headquarters						
	- in delegations	35,2	34,9	34,6	34,3	34,3	34,3
XX 01 05 02 (CA, INT, SNE - Indirect research)							
10 01 05 02 (CA, INT, SNE - Direct research)							
Other budget lines (specify)							
TOTAL	95,5	94,6	93,7	92,8	92,8	92,8	92,8

In 2014, human resources under Heading 5 are split as follows between DEVCO and FPI:

- Establishment plan: 18,7 FTE for FPI and 22,2 FTE for DEVCO (Total = 40,9 FTE)

- External personal: : 17,9 FTE for FPI and 1,5 FTE for DEVCO (Total : 19,4)

As regards human resources under Heading 4 (BA line of the IfS programme), it is to be noted that currently a part of DEVCO staff in Delegations is used to manage IfS-crisis response projects under the responsibility of FPI. Currently some 46 projects in 30 different Delegations are on-going. Authorized staff to be deployed in Delegations under the DB 2012 and financed by the BA line amounts to 35 Contract Agents of which 30 for FPI and 5 for DEVCO.

19 is the policy area or budget title concerned.

The human resources required will be met by staff from the DG who are already assigned to management of the action and/or have been redeployed within the DG, together if necessary with any additional allocation which may be granted to the managing DG under the annual allocation procedure and in the light of budgetary constraints.

²⁵ CA= Contract Agent; INT= agency staff ("Intérimaire"); JED= "Jeune Expert en Délégation" (Young Experts in Delegations); LA= Local Agent; SNE= Seconded National Expert;

²⁶ Under the ceiling for external personnel from operational appropriations (former "BA" lines).

Description of tasks to be carried out:

Officials and temporary agents	
External personnel	

3.2.4. *Compatibility with the multiannual financial framework 2014-2020*

- ☐ Proposal/initiative is compatible the multiannual financial framework 2014-2020.
- ☐ Proposal/initiative will entail reprogramming of the relevant heading in the multiannual financial framework.

Explain what reprogramming is required, specifying the budget lines concerned and the corresponding amounts.

- ☐ Proposal/initiative requires application of the flexibility instrument or revision of the multiannual financial framework²⁷.

Explain what is required, specifying the headings and budget lines concerned and the corresponding amounts.

3.2.5. *Third-party contributions*

- The proposal/initiative does not provide for co-financing by third parties
- The proposal/initiative provides for the co-financing estimated below:

Appropriations in EUR million (to 3 decimal places)

	Year N	Year N+1	Year N+2	Year N+3	... enter as many years as necessary to show the duration of the impact (see point 1.6)			Total
<i>Specify the co-financing body</i>								
TOTAL appropriations cofinanced								

²⁷ See points 19 and 24 of the Interinstitutional Agreement.

3.3. Estimated impact on revenue

- ☒ Proposal/initiative has no financial impact on revenue.
- ☐ Proposal/initiative has the following financial impact:
 - ☐ on own resources
 - ☐ on miscellaneous revenue

EUR million (to 3 decimal places)

Budget revenue line:	Appropriations available for the ongoing budget exercise	Impact of the proposal/initiative ²⁸						
		Year N	Year N+1	Year N+2	Year N+3	... insert as many columns as necessary in order to reflect the duration of the impact (see point 1.6)		
Article								

For miscellaneous assigned revenue, specify the budget expenditure line(s) affected.

Specify the method for calculating the impact on revenue.

²⁸

As regards traditional own resources (customs duties, sugar levies), the amounts indicated must be net amounts, i.e. gross amounts after deduction of 25% for collection costs.