

Policy Department on Budgetary Affairs

GLOBAL EVALUATION OF THE EUROPEAN NEIGHBOURHOOD PARTNERSHIP INSTRUMENT

BUDGETARY AFFAIRS

This study was requested by the European Parliament's Committee on Budget. Committee members José Albino Silva Peneda and Umberto Pirilli were designated to follow the study.

Abstract:

The study finds that ENP policy documents and ENPI budgetary allocations are fairly well aligned with the strategic objectives of EU external policy, and that planned interventions are well aligned with partner countries' needs and development priorities. Regarding performance, although ENPI allows for a more flexible and efficient use of resources compared to its predecessors (MEDA and TACIS), it is still too early to assess whether these structural improvements have brought about improved results.

This paper is published in the following languages:

- Original: EN

Author:

Mr. Roberto Zavatta and Laura Delponte
Economisti Associati srl
Via Rialto 9
40124 Bologna
Italy

Responsible Official:

Fabia Jones
Administrator
Policy Department on Budgetary Affairs
ATR 02 K 067
B-1047 Brussels
Tel: +32 (0)2 283 1280
Fax: +32 (0)2 284 4907
E-mail: fabia.jones@europarl.europa.eu

Manuscript completed in January 2008.

Paper copies can be obtained through:

E-mail: ip-budgetsupport@europarl.europa.eu

Site intranet: <http://www.ipolnet.ep.parl.union.eu/ipolnet/cms/pid/1517>

Brussels, European Parliament, 2008.

The opinions expressed in this document are the sole responsibility of the author and do not necessarily represent the official position of the European Parliament.

Reproduction and translation for non-commercial purposes are authorized, provided the source is acknowledged and the publisher is given prior notice and sent a copy.

Table of Contents

EXECUTIVE SUMMARY	2
RESUME	4
KURZFASSUNG	6
MAIN TEXT	8
1. INTRODUCTION	9
2. THE EUROPEAN NEIGHBOURHOOD POLICY: OVERVIEW	11
2.1 Policy background	11
2.2 ENP implementation and management	13
2.3 ENP funding: the European Neighbourhood Partnership Instrument	14
3. EVALUATION OF ENPI PERFORMANCE	17
3.1 Introduction	17
3.2 Relevance	18
3.3 Effectiveness	21
3.4 Efficiency	24
3.5 Utility	28
4 CONCLUDING REMARKS	31
ANNEXES	32
ANNEX A – SUMMARY OF ENP INSTRUMENTS	33
ANNEX B – ENPI ALLOCATIONS	34
ANNEX C – ENPI OBJECTIVES, EXPECTED RESULTS AND INDICATIVE RESOURCE FRAMEWORK	37
ANNEX D –ENP COUNTRIES AT A GLANCE	58
BIBLIOGRAPHY	59

The Report was prepared by Laura Delponte (consultant), under the supervision of Roberto Zavatta (team leader). The usual disclaimer applies.

ABBREVIATIONS AND ACRONYMS

AA	Association Agreement
AENEAS	Financial and technical assistance to third countries in the areas of migration and asylum
AP	Action Plan
CFSP	Common Foreign and Security Policy
DAC	Development Aid Committee (of the OECD)
EBRD	European Bank for Reconstruction and Development
EC	European Community
EIB	European Investment Bank
EIDHR	European Initiative for Democracy and Human Rights
ENP	European Neighbourhood Policy
ENPI	European Neighbourhood Policy Instrument
EU	European Union
FDI	Foreign direct investment
FSP	Food Security Programme
FTA	Free trade area
GDP	Gross Domestic Product
IFI	International Financial Institutions
MDGs	Millennium Development Goals
NGO	Non-governmental Organizations
NIP	National Indicative Programme
ODA	Official Development Assistance
PCA	Partnership and Co-operation Agreement
RAL	<i>Reste à liquider</i> (outstanding payments from previous budget years)
SIGMA	Support for Improvement in Governance and Management
SP	Strategic Partnership (with Russia)
TAIEX	Technical Assistance and Information Exchange
TOR	Terms of Reference
WB	World Bank

SYMBOLS USED

- Nil or below the minimum level

.. Not available

n.a. Not applicable

In some tables and charts totals may not add due to rounding

EXECUTIVE SUMMARY

Scope of the study and methodology

The objective of this study is to undertake a “*global evaluation in the field of the European Neighbourhood Policy instruments (ENPI)*”. The main issues addressed are:

- the relevance of ENPI within the context of the European external policy objectives;
- the effectiveness in delivering tangible results;
- the efficiency of implementation arrangements;
- the utility of interventions in relation to the needs and expectations of partner countries.

The study is primarily based on a review of a number of documents on ENPI issued by European Institutions. These include the ENPI strategic and operational documents prepared by the European Commission as well as the relevant resolutions passed by the European Parliament. The results of independent evaluation studies and of research work carried out by think tanks and individual scholars were also taken into account.

ENPI is a young instrument (it became operational only at the beginning of 2007) and pursues long-term and challenging objectives. At this stage, quantitative information on activities undertaken is still very limited, and the short time horizon prevents a realistic assessment of results achieved. Therefore, the study has a predominantly qualitative orientation, and focuses on planned interventions and actions rather than on actual achievements.

Overview of the European Neighbourhood Policy

Through the European Neighbourhood Policy (ENP) the EU seeks to forge closer ties with its southern and eastern neighbours. The objective is to go beyond ‘cooperation’ to include a significant degree of ‘integration’. The ENP was established in 2004 to prevent the emergence of new dividing lines between the EU and its neighbours. Three aspects characterise the ENP approach, namely: (i) shared values and common principles, (ii) partnership, ownership and differentiation in strategic planning and operational activities, and (iii) the importance given to partner country commitments to reform. The geographic coverage of the ENP is vast, as it covers seventeen EU’s neighbours to the east and along the southern and eastern shores of the Mediterranean.

Priorities at country level are incorporated in jointly agreed Action Plans, that map out key areas for intervention. So far, twelve countries have agreed to implement the ENP Action Plans, namely: Armenia, Azerbaijan, Egypt, Jordan, Israel, Lebanon, Georgia, Moldova, Morocco, Palestinian Authority, Tunisia and Ukraine.

The European Neighbourhood Partnership Instrument (ENPI) is the principal financial instrument for planning and delivering assistance under the ENP. It replaces the previous MEDA and TACIS programmes. ENPI is endowed with €1.2 billion of budgetary grants for the period 2007-2013. Compared to the amounts previously allocated to MEDA and TACS over the 2000 – 2006 period, this represents a nearly 33% increase of financial resources in nominal terms. The ENPI financial envelope is to be disbursed through four channels, namely: (i) country-specific programmes (which account for 73% of total ENPI allocations), (ii) three regional programmes (15%), (iv) cross-border cooperation (5%), and (iv) two thematic facilities (7%). In addition to ENPI funds, countries covered by the ENP are eligible for EIB loan financing, up to a total of €12.4 billion.

Main findings and conclusions

The main findings of this study can be summarised as follow:

- **Relevance:** in general, ENP policy documents and ENPI budgetary allocations are fairly well aligned with the strategic objectives of the EU external policy, articulated in its three 'dimensions', i.e. trade policy, development policy, and foreign and security policy. Issues related to good governance, creation of democratic institutions and respect of human rights, which are also an essential component of the EU external policy, are also covered by ENPI but, at least in the case of Mediterranean partners, they should have figured more prominently.
- **Effectiveness:** the theme of effectiveness is taken in due consideration in ENPI strategic documents, which include a series of benchmarks against which it will be possible to assess progress. However, due to the recent entry into force of ENPI, there is still limited evidence of tangible results. The mid term reviews exercise conducted by the Commission in 2006 indicates a mixed picture, with progress in some areas and slow actions in others. Furthermore, the progress achieved so far mostly refers to the setting up the structures that will guide the implementation of ENPI in the future, rather than to the actual achievement of development goals. The effectiveness of ENPI also depends on the incentives that are built in it, namely: financial assistance and trade concessions. In this respect, the 'market access for reforms' bargain offered to partner countries appears a modest incentive for countries, such as Ukraine, that have open ambitions for full EU membership.
- **Efficiency:** compared to MEDA and TACIS, ENPI allows for a more flexible use of funds, thanks to the possibility of using a mix of instruments that have proved very useful in the case of recent Eastern enlargement (the so called 'enlargement toolbox'). Also, the multi annual planning process, together with an enhanced partnership, in principle allows for a more efficient use of resources. However, in terms of actual financial performance, it is not yet clear whether ENPI will be actually able to disburse funds more rapidly than its predecessors. Regarding the administrative costs for ENPI management, there is a commendable attempt to keep under control the cost of the 'aid machinery', which, in the Commission's intentions, should not exceed 4% of total budgetary allocations.
- **Utility:** overall, the ENPI planned interventions are well aligned with partner countries' needs and development priorities, and the instrument can be expected to contribute meaningfully to the achievement of the Millennium Development Goals. In general, there is good balance between social and economic programmes, and the overriding objective of poverty eradication is duly taken into account. However, some weaknesses can be observed in the area of democratic governance and human rights. Gender and HIV/AIDS issues should also have featured more prominently as key development objectives.

RESUME

Objectif de l'étude et méthodologie

L'objectif de cette étude est de procéder à une « *évaluation globale de l'instrument européen de voisinage et de partenariat (IEVP)* ». Les principales questions soulevées sont :

- la pertinence de l'IEVP dans le cadre des objectifs de la politique extérieure européenne ;
- l'efficacité dans la présentation de résultats tangibles ;
- l'efficacité de la mise en œuvre des mesures ;
- l'utilité des interventions par rapport aux besoins et aux attentes des pays partenaires.

Cette étude s'est basée essentiellement sur l'examen d'un certain nombre de documents relatifs à l'IEVP publiés par les Institutions européennes. Ils incluent les documents stratégiques et opérationnels de l'IEVP préparés par la Commission européenne ainsi que les résolutions pertinentes prises par le Parlement européen. Les résultats des études d'évaluation indépendantes et du travail de recherche effectué par des groupes de réflexion et des experts individuels ont également été pris en compte.

L'IEVP est un instrument récent (il n'est devenu opérationnel qu'à partir du début de 2007) et poursuit des objectifs difficiles et à long terme. À ce stade, l'information quantitative sur les activités entreprises est encore très limitée et l'horizon temporel réduit empêche une évaluation réaliste des résultats obtenus. En conséquence, l'étude a principalement une orientation qualitative et se concentre sur des interventions et des actions planifiées plutôt que sur les réalisations actuelles.

Vue d'ensemble sur la Politique Européenne de Voisinage

Par l'intermédiaire de la Politique Européenne de Voisinage (PEV), l'Union européenne cherche à tisser des liens plus étroits avec ses voisins du Sud et de l'Est. Son objectif est d'aller au-delà de la « coopération » pour inclure un niveau élevé d' « intégration ». La PEV a été établie en 2004 pour prévenir l'apparition de nouvelles lignes de division entre l'Union européenne et ses voisins. Trois aspects caractérisent l'approche de la PEV, à savoir : (i) valeurs partagées et principes communs, (ii) partenariat, appropriation et différenciation dans la programmation stratégique et les activités opérationnelles et (iii) importance donnée aux engagements du pays partenaire à faire des réformes. La couverture géographique de la PEV est vaste, étant donné qu'elle couvre dix-sept voisins de l'Union européenne à l'Est et le long des côtes sud et est de la Méditerranée.

Les priorités au niveau du pays sont contenues dans des plans d'action approuvés conjointement, qui tracent des zones clés en vue de l'intervention. Jusqu'ici, douze pays ont accepté de réaliser les plans d'action de la PEV, à savoir : Arménie, Azerbaïdjan, Égypte, Jordanie, Israël, Liban, Géorgie, Moldavie, Maroc, Autorité palestinienne, Tunisie et Ukraine.

L'instrument européen de voisinage et de partenariat (IEVP) est le principal instrument financier pour la planification et la fourniture des activités d'assistance selon la PEV. Il remplace les programmes MEDA et TACIS précédents. L'IEVP est doté de €11,2 milliards d'allocations budgétaires pour la période 2007-2013. Comparés aux montants précédemment alloués à MEDA et TACIS au cours de la période 2000 – 2006, cela représente une augmentation de près de 33% des ressources financières en termes nominaux. L'enveloppe financière de l'IEVP doit être ventilée selon quatre axes, à savoir : (i) programmes nationaux spécifiques (qui représente 73% du total des allocations de l'IEVP), (ii) trois programmes régionaux (15%), (iii) coopération transfrontalière (5%) et (iv) deux facilités thématiques (7%). Outre les fonds de l'IEVP, les pays couverts par la PEV sont éligibles pour le financement sur ressources d'emprunt de la BEI, jusqu'à un total de €12,4 milliards.

Principales observations et conclusions

Les principales observations de cette étude peuvent être résumées comme suit :

- **Pertinence** : en général, les documents politiques de la PEV et les allocations budgétaires de l'IEVP sont assez bien alignés avec les objectifs stratégiques de la politique extérieure de l'Union européenne, s'articulant autour de ses trois « dimensions », soit la politique commerciale, la politique de développement et la politique étrangère et de sécurité. Les questions relatives à la bonne gouvernance, la création d'institutions démocratiques et de respect des droits de l'homme, qui sont aussi un élément essentiel de la politique extérieure de l'Union européenne, sont également couvertes par l'IEVP mais, du moins dans le cas des partenaires méditerranéens, elles auraient pu être soulignées davantage.
- **Efficacité** : le thème de l'efficacité est pris en considération dans les documents de stratégie de l'IEVP, qui incluent une série de points de référence à l'encontre desquels il sera possible d'apprécier le progrès. Toutefois, en raison de la récente entrée en vigueur de l'IEVP, il y a encore un élément de preuve limité de la tangibilité des résultats. L'exercice de contrôles à moyen terme mené par la Commission en 2006 trace un tableau mitigé, avec un progrès dans certaines zones et des actions lentes dans d'autres. Par ailleurs, le progrès atteint jusque-là se réfère principalement à la création de structures qui guideront l'exécution de l'IEVP dans le futur, plutôt qu'à la réussite actuelle des objectifs de développement. L'efficacité de l'IEVP dépend également des motivations qui y sont intégrées, c'est-à-dire : aide financière et concessions commerciales. À cet égard, l'opération « accès au marché pour des réformes » offerte aux pays partenaires semble une motivation bien modeste à des pays, comme l'Ukraine, qui ambitionnent ouvertement une appartenance totale à l'Union européenne.
- **Efficience** : comparé à MEDA et TACIS, l'IEVP permet une utilisation plus flexible des fonds, grâce à la possibilité d'employer un mélange d'instruments qui se sont avérés très utiles dans le cas de l'élargissement récent à l'Est (la soi-disant « boîte à outils d'élargissement »). En outre, le processus multi-annuel de planification, avec un partenariat renforcé, permet en principe une utilisation plus efficace des ressources. Cependant, sur le plan de la performance financière actuelle, il n'est pas encore clair si l'IEVP sera effectivement capable de déboursier des fonds plus rapidement que ses prédécesseurs. Quant aux coûts administratifs de gestion de l'IEVP, il y a une tentative louable de garder sous contrôle le coût de gestion de l'aide qui, dans les intentions de la Commission, ne devrait pas excéder 4% du total des allocations budgétaires.
- **Utilité** : dans l'ensemble, les interventions planifiées de l'IEVP sont bien alignées avec les besoins et les priorités de développement des pays partenaires et l'on peut s'attendre à ce que l'instrument contribue de façon significative à la réalisation des Objectifs du Millénaire pour le Développement. En général, il y a un bon équilibre entre les programmes sociaux et économiques, et l'objectif primordial d'éradication de la pauvreté est pris en compte comme il se doit. Mais, on peut observer quelques faiblesses dans le domaine de la gouvernance démocratique et des droits de l'homme. Les problèmes de l'égalité homme-femme et de lutte contre le sida auraient également pu être présentés davantage en tant qu'objectifs clés de développement.

KURZFASSUNG

Aufgabenstellung der Studie und Methodik

Ziel dieser Studie ist die Ausarbeitung einer *“allgemeinen Evaluation des Feldes der Europäischen Nachbarschaftspolitikinstrumente (ENPI)”*. Die in ihr behandelten Hauptthemen sind:

- die Bedeutung der ENPI im Rahmen der Zielsetzungen der europäischen Außenpolitik,
- ihre Wirksamkeit hinsichtlich der Zeitigung greifbarer Ergebnisse,
- die Effizienz in der Ausgestaltung ihrer Implementierung und
- der Nutzen der Interventionen im Rahmen der Bedürfnisse und Erwartungen der Partnerländer.

Die Studie basiert in erster Linie auf der Auswertung einer Reihe von Papieren über die ENPI, die von europäischen Institutionen herausgegeben wurden. Hierzu gehören die von der Europäischen Kommission erstellten Papiere zur ENPI-Strategie und zur ENPI-Durchführung sowie die einschlägigen vom Europäischen Parlament verabschiedeten Beschlüsse. Ebenso wurden die Ergebnisse unabhängiger Evaluationsstudien und von Forschungsarbeiten berücksichtigt, die von Think Tanks und Einzelwissenschaftlern durchgeführt wurden.

ENPI ist ein neues Instrument (es kam erst zu Beginn des Jahres 2007 zum Einsatz) und dient der Verfolgung langfristiger und herausfordernder Zielsetzungen. In diesem Stadium stehen quantitative Daten über die unternommenen Aktivitäten noch in sehr begrenztem Umfang zur Verfügung, und der kurzfristige Zeithorizont ermöglicht keine realistische Einschätzung der erzielten Ergebnisse. Daher hat die Studie eine vorwiegend qualitative Ausrichtung, und ihr Hauptaugenmerk ist daher eher auf geplante Interventionen als auf tatsächlich erreichte Ziele gerichtet.

Überblick über die Europäische Nachbarschaftspolitik

Mithilfe der Europäischen Nachbarschaftspolitik (ENP) versucht die EU, engere Beziehungen zu ihren südlichen und östlichen Nachbarn zu knüpfen. Ziel ist es dabei, über die „Zusammenarbeit“ hinauszugehen, um einen signifikanten Grad von „Integration“ in sie mit einzubeziehen. Die ENP wurde im Jahr 2004 eingeführt, um dem Hervortreten neuer Trennungslinien zwischen der EU und ihren Nachbarn vorzubeugen. Für den Ansatz der ENP sind drei Aspekte kennzeichnend, und zwar: (i) gemeinsame Werte und gemeinsame Grundsätze, (ii) Partnerschaft, Eigenverantwortung und Differenzierung bei der strategischen Planung und den operationalen Aktivitäten und (iii) die dem Engagement der Partnerländer im Hinblick auf Reformen beigemessene Bedeutung. Das von der ENP abgedeckte geografische Gebiet ist riesig, da es siebzehn Nachbarn der EU im Osten und entlang der Süd- und der Ostküste des Mittelmeers umfasst.

Die Prioritäten auf Länderebene werden in gemeinsam beschlossene Aktionspläne integriert, mit denen die Schlüsselgebiete für Interventionen festgelegt werden. Zur Implementierung der ENP-Aktionspläne bereiterklärt haben sich bislang zwölf Länder, und zwar: Armenien, Aserbaidschan, Ägypten, Jordanien, Israel, Libanon, Georgien, Moldawien, Marokko, die Palästinensische Autonomiebehörde, Tunesien und die Ukraine.

Das hauptsächliche finanzielle Instrument bei der Planung und Gewährung von Unterstützung unter der ENP ist das Instrument der Europäischen Nachbarschaftspartnerschaft (ENPI). Es tritt an die Stelle der ihm vorausgegangenen Programme MEDA und TACIS. Für den Zeitraum 2007-2013 wurde die Ausstattung des ENPI mit Haushaltsmitteln in Höhe von € 11,2 Milliarden bewilligt. Dabei handelt es sich im Vergleich zu den Summen, die zuvor, im Zeitraum 2000-2006, MEDA und TACIS zugewiesen wurden, um eine nominelle Erhöhung der finanziellen Ressourcen um 33 %. Das ENPI-Finanzpaket wird über vier Kanäle ausgeschüttet, und zwar über: (i) länderspezifische Programme (die 73 % der gesamten ENPI-Zuweisungen ausmachen), (ii) drei regionale Programme

(15 %), (iv) grenzüberschreitende Zusammenarbeit (5 %) und (iv) zwei problemspezifische Hilfseinrichtungen (7 %). Zusätzlich zu den ENPI-Mitteln sind durch die ENP abgedeckte Länder zur Inanspruchnahme von EIB-Darlehensfinanzierungen in einer Gesamthöhe von bis zu € 12,4 Milliarden berechtigt.

Hauptergebnisse und Schlussfolgerungen

Die Hauptergebnisse dieser Studie lassen sich wie folgt zusammenfassen:

- **Bedeutung:** Im Allgemeinen sind die ENP-Grundsatzpapiere und die Ausstattung mit ENPI-Haushaltsmitteln recht gut an den strategischen Zielsetzungen der in drei „Dimensionen“ – d.h. Handelspolitik, Entwicklungspolitik und Außen- und Sicherheitspolitik – gegliederten EU-Außenpolitik ausgerichtet. Auf verantwortungsbewusste Regierungsführung, die Schaffung demokratischer Institutionen und die Achtung der Menschenrechte bezogene Themen, die einen wesentlichen Bestandteil der EU-Außenpolitik bilden, werden ebenfalls vom ENPI abgedeckt, zumindest im Fall der Mittelmeerpartner hätten diesen jedoch eine bedeutendere Rolle eingeräumt werden sollen.
- **Wirksamkeit:** das Thema der Wirksamkeit wird in den ENPI-Strategiepapieren, die eine Reihe von Bezugsdaten enthalten, in Anlehnung an die eine Einschätzung des Fortschritts möglich sein wird, in angemessener Weise berücksichtigt. Allerdings gibt es auf Grund der nur kurzen zurückliegenden Inkrafttretens des ENPI bislang nur in beschränktem Maße Anhaltspunkte für greifbare Ergebnisse. Die von der Kommission im Jahre 2006 durchgeführte mittelfristige Prüfungsübung liefert ein gemischtes Bild mit Fortschritten in einigen Bereichen und langsamen Bewegungen in anderen. Darüber hinaus sind die bislang erreichten Fortschritte vor allem im Bereich der Einrichtung der Strukturen zu verzeichnen, durch welche die Implementierung des ENPI in Zukunft angeleitet werden, und nicht so sehr im Hinblick auf die tatsächliche Erreichung von Entwicklungszielen. Die Wirksamkeit des ENPI hängt auch von den in es integrierten Anreizen ab, nämlich von: Finanzhilfe und Handelserleichterungen. In dieser Hinsicht erscheint die Vereinbarung von „Marktzugang für Reformen“, die den Partnerländern angeboten wird, als ein bescheidener Anreiz für Länder wie die Ukraine, die offen eine EU-Vollmitgliedschaft anstreben.
- **Effizienz:** im Vergleich zu MEDA und TACIS erlaubt ENPI dank der Möglichkeit des Einsatzes einer Mischung von Instrumenten, die sich im Fall der jüngsten Osterweiterung als sehr nützlich erwiesen haben (die so genannte „enlargement toolbox“) eine flexiblere Mittelverwendung. Grundsätzlich ermöglicht auch der Mehrjahresplanungsprozess zusammen mit einer verstärkten Partnerschaft eine effizientere Verwendung von Ressourcen. Allerdings ist unter dem Blickwinkel der tatsächlichen Finanz- und Ertragsleistung noch nicht klar, ob es mittels ENPI tatsächlich schneller als im Fall seiner Vorgänger möglich sein wird, Mittel bereitzustellen. Was die Verwaltungskosten für das ENPI-Management betrifft, gibt es einen lobenswerten Versuch, die Kosten der „Hilfsmaschinerie“ unter Kontrolle zu halten, die den Intentionen der Kommission zufolge 4 % der Gesamtbudgetzuweisungen nicht übersteigen sollten.
- **Nutzen:** Die im Rahmen von ENPI geplanten Interventionen sind insgesamt gut auf die Bedürfnisse der Partnerländer und auf deren Entwicklungsprioritäten abgestimmt, und von diesem Instrument ist ein bedeutsamer Beitrag zur Erreichung der Millenniums-Entwicklungsziele zu erwarten. Im Allgemeinen besteht ein gutes Gleichgewicht zwischen Sozial- und Wirtschaftsprogrammen, und das vorrangige Ziel der Ausmerzung der Armut wird gebührend berücksichtigt. Dennoch sind einige Schwächen im Bereich der demokratischen Regierungsführung und der Menschenrechte festzustellen. Auch hätten Gender- and HIV-/AIDS-Problematiken stärker als Schlüsselentwicklungsziele herausgestellt werden sollen.

MAIN TEXT

1. INTRODUCTION

This “Global evaluation in the field of European Neighbourhood Policy Instrument (ENPI)” (the “study”) was prepared for the European Parliament by *Economisti Associati*. The study was carried out within the framework of the service contract IP/D/BUDG/CONT/FWC/2006-072/lot 4/C1 (the “Framework Contract”) which aims to provide external expertise on policy issues related to EU development assistance to the Committee on Budgets and the Committee on Budgetary Control. The specific nature of the assignment is detailed in the Specific Contract IP/D/BUDG/CONT/FWC/2006-072/lot 4/C1/SC 2 (the “Specific Contract” or “Assignment”). An Interim Report was submitted to the European Parliament in December 2007 and discussed at a scoping meeting held in Brussels on 8 January 2008. This Final Report incorporates the suggestions and comments formulated on that occasion.

Scope of the study. The study analyses the activities financed by the Community budget in the field of the European Neighbourhood Policy (ENP) through the European Neighbourhood Policy Instrument (ENPI) over the 2006 – 2008 period. In particular, as indicated in the Terms of Reference (TOR), the study is intended to “*look at the extent to which funds available have been used and the results achieved, in both quantitative and qualitative terms*” in order to “*give orientations for the new generation of programmes under the current Financial Framework*”.

ENPI is a young instrument (it became operational only at the beginning of 2007) and pursues long-term and challenging objectives. At this stage, quantitative information on activities undertaken are still very limited, while the short time horizon prevents a realistic assessment of results achieved. These aspects were brought to the attention of the relevant European Parliament staff at an earlier stage, and it was agreed that the study would have a predominantly qualitative orientation and would focus on planned interventions and actions rather than on actual ones¹.

Methodology. The study involves an evaluation of ENPI along the four evaluation criteria indicated in the TOR, namely: relevance, effectiveness, efficiency, and utility. In particular:

- **Relevance** assesses ENPI’s contribution to the achievement of the overall objectives of the European Union external assistance policy, as well as the internal coherence between ENPI declared objectives and the allocation of funds;
- **Effectiveness** looks at the results achieved through the ENPI. Since most programmes have just started or are still at the inception phase, the analysis largely focuses on the mechanisms established to ensure the achievement of results;
- **Efficiency** deals with issues of operational efficiency, such as the flexibility of the instruments used by ENPI, the multi-annual planning process, and the magnitude of administrative costs;
- **Utility** reviews the alignment of ENPI priorities and budgetary allocations with the needs and development priorities of partner countries.

Sources of information. The study is based on a review of a large number of documents on ENP and ENPI issued by European Institutions. These include the strategic and operational documents prepared by the European Commission (the “Commission”) as well as the relevant resolutions passed by the European Parliament. As ENPI is grounded on the MEDA and TACIS programmes, previous independent external evaluations of these instruments were also taken into account. Information about the socio economic situation in ENPI partner countries and their development priorities was taken from country and regional studies undertaken by the World Bank and the UNDP. Finally, the study takes into account the findings of research work on ENP/ENPI and related subjects published by research centres, think tanks and individual scholars dealing with development assistance and/or EU affairs.

¹ See emails of October 1 and October 8, 2007.

Sources of data. The study covers the 2006-2008 period and the general budget for 2007 is used as a reference point to analyse ENPI commitments and disbursements. However, since budgetary data are highly aggregated, the study also involved the detailed review of all the ENPI programming documents, National Indicative Programmes (NIPs) and Regional Indicative Programmes (RIPs), covering the 2007-2010 period. Additional information on specific activities was taken from the mid-term progress review carried out by the Commission in 2006 and from the monthly ENPI e-bulletin.

Structure of the report. The report is organised as follows:

- Section 2 reviews the ENP overall policy framework as well as the implementation arrangements and the funding structure of ENPI;
- Section 3 analyses the performance of ENPI, according to the above mentioned evaluation criteria (i.e. relevance, effectiveness, efficiency and utility).
- Section 4 presents the main conclusions of the study.

The study also includes four annexes providing background information and data on financial allocations. In particular:

- Annex A provides a summary presentation of ENP instruments;
- Annex B presents the ENPI allocations for the period under consideration;
- Annex C presents in a tabular format the policy priorities, objectives, expected results and funding allocations in the country and regional programmes;
- Annex D provides some summary data on the countries covered by ENPI.

2. THE EUROPEAN NEIGHBOURHOOD POLICY: OVERVIEW

2.1 Policy background

Through the European Neighbourhood Policy (ENP) the EU seeks to forge closer ties with its southern and eastern neighbours, going beyond cooperation to include a significant degree of integration. ***The overall objective of the ENP is to establish a common area of security, stability and well-being, to prevent the emergence of new dividing lines after the EU enlargement in 2004.*** The policy was first outlined by the European Commission in March 2003 in its Communication on Wider Europe² and subsequently established in 2004. ENP was launched both as a tool for reinvigorating the Euro-Mediterranean Partnership³ and as an instrument to deepen cooperation and economic integration with the Eastern neighbours.

ENP pursues ambitious objectives and is centred around four dimensions: political, security, economic and cultural. At the same time, this policy sets out a new approach in the EU's relations with its neighbours that rests on the lesson learnt in implementing the MEDA and TACIS programmes. It also benefits from the best practices identified amongst the many programmes put in place to support enlargement. Three aspects are peculiar to the ENP approach and have determined how programmes are being formulated, structured and financed.

First, as for the accession candidates, relationships between the EU and its neighbours are based on the ***concept of shared values*** (i.e. democracy, the rule of law, good governance and respect of human rights) ***and common principles*** of market economy and sustainable development.

Second, the ENP approach is built upon the ***key principles of partnership, ownership and differentiation***. This approach is motivated by recognising that development requires an endogenous process and cannot be imposed from outside. Therefore, the ENP has been conceived as a kind of 'macro-regional framework' and 'differentiation' is largely built on bilateral relations that are adapted to the specific circumstances of partner countries.

Third, the ENP attaches ***great importance to partner country commitments to reform***. To promote partner country participation, ENP offers two major incentives, namely: (i) the prospect of increased financial assistance, and (ii) improved trade concessions. Although conditionality has been considered by many a weak spot in the ENP, because the issue of membership has been excluded for the time being, the EU envisages granting more concessions to those partner countries that fulfil their obligations and achieve tangible progress, especially in terms of convergence to the principles of market economy and good governance practices. As a result, partner countries that are willing to establish closer ties with the EU and make progress towards achieving their development objectives, could obtain privileged economic, political and cultural relationships with the EU.

The geographic coverage of the ENP is quite vast. It covers the EU's neighbours to the east and along the southern and eastern shores of the Mediterranean. So far, the ***ENP embraces thirteen countries***, including Algeria, Armenia, Azerbaijan, Egypt, Georgia, Israel, Jordan, Lebanon, Moldova, Morocco, the Palestinian Territories, Ukraine and Tunisia. The ENP has not been extended to three countries, namely: (i) Syria, because the signature of the Association Agreement

² Communication from the Commission to the Council and European Parliament, *Wider Europe – Neighbourhood: a new Framework for relations with our Eastern and Southern Neighbours*, March 2003

³ The partnership was launched in 1995 at the Barcelona Conference between the EU and 12 Mediterranean Partners (Algeria, Morocco, Tunisia, Egypt, Turkey, Cyprus, Malta, Syria, Lebanon, Israel, Jordan, Palestinian Authority). The so-called 'Barcelona Process' laid down a wide framework of political, economic and social relations between the EU and its southern neighbours aiming to define a common area of peace and stability, establishing a zone of shared prosperity through the gradual creation of a free trade area, promoting the rapprochement between people.

by the EU Council depends on Syrian co-operation with the UN Investigation Commission, (ii) Belarus, due to the persistent lack of progress in the achievement of a democratic regime, and (iii) Libya, which has not been included yet in the Euro-Mediterranean Partnership. Another EU important neighbour, the Russian Federation, is also not included under the ENP. Relationships with Russia have taken the form of a Strategic Partnership that aims to create, in the long-term, four 'common spaces', namely: economic; freedom, security and justice; external security; and research and education.

ENP *extends and consolidates the previous cooperation framework*. The basis for contractual relations in Eastern Europe and Southern Caucasus, is provided by the Partnership and Co-operation Agreements. The Euro-Mediterranean Partnership, complemented by a network of Association Agreements, provides the regional framework for cooperation with Southern neighbours.

Priorities at country level are incorporated in *jointly agreed Action Plans* that map out key areas for specific actions. The first series of ENP Action Plans was agreed with seven countries late in 2005. So far, twelve countries have agreed to implement ENP Action Plans and are thus eligible for reaping the full benefit of the ENP (see Table 1).

Table 1 State of play of ENP Action Plans - November 2007

ENP Partner	Entry into force of contractual relation with the EU	ENP Action Plan	Joint adoption with Partner Country
<i>Algeria</i>	AA, September 2005	Algeria has chosen not to negotiate an Action Plan yet	
<i>Armenia</i>	PCA, July 1999	Autumn 2006	14.11. 2006
<i>Azerbaijan</i>	PCA, July 1999	Autumn 2006	14.11. 2006
<i>Belarus</i>	PCA ratification procedure suspended since 1997 due to lack of respect of fundamental democratic rights		
<i>Egypt</i>	AA, June 2004	End 2006	06.03.2007
<i>Georgia</i>	PCA, July 1999	Autumn 2006	14.11. 2006
<i>Israel</i>	AA, June 2000	End 2004	11.04.2005
<i>Jordan</i>	AA, May 2002	End 2004	11.01.2005
<i>Lebanon</i>	AA, April 2006	Autumn 2006	19.01.2007
<i>Libya</i>	Libya has not started yet to negotiate an Association Agreement		
<i>Moldova</i>	PCA, July 1998	End 2004	22.02.2005
<i>Morocco</i>	AA, March 2000	End 2004	27.7.2005
<i>Palestinian Authority</i>	Interim AA, July 1997	End 2004	04.05.2005
<i>Russian Federation</i>	PCA, December 2007	Russia decided to co-operate through the establishment of a Strategic Partnership	
<i>Syria</i>	Political conditions for the ratification of the Association Agreement have not been met yet		
<i>Tunisia</i>	AA, March 1998	End 2004	04.07.2005
<i>Ukraine</i>	PCA, March 1998	End 2004	21.02.2005

Note: AA stands for Association Agreements and PCA stands for Partnership and Cooperation Agreements. These agreements provide the legal frameworks governing relations between the EU and its external partners. Specifically, AA refer to relationships with the Mediterranean partners while PCA relate to countries of the former Soviet Union.

2.2 ENP implementation and management

To organise the EC operations in ENP countries a series of background, policy and strategic documents have been prepared. These documents set the broader development framework, articulate the specific needs of partner countries, and lay down the EC strategic response in terms of aid modalities and financial resources.

The first step in the process is represented by the preparation by the Commission of **Country Reports**, intended to provide an assessment of the development context of partner countries, with the identification of the main issues and areas of interest for the EU.

The Country Reports are followed by the formulation of **Action Plans**. The Action Plans (AP) are political documents which constitute the reference point for implementing the ENP. APs are based on a common framework, which facilitates cross-country comparability and overall progress assessment, but take account of the marked economic and social differences that exist among the Mediterranean and Eastern Europe countries. They identify a set of priority actions within and beyond the existing partnership and cooperation agreements. In addition, the APs cover a set of specific issues in the fields prioritised by the ENP, namely:

- Political dialogue and reform, including conflict prevention, crisis management and common security threats;
- Economic and social reform and development, including structural reforms, socio-economic development and policies that tackle poverty and inequality;
- Trade and regulatory reform, including legislative and regulatory approximation, actions to improve the investment climate and promote a competition discipline;
- Co-operation on justice and home affairs, including border management;
- Transport, energy, information society and environment;
- People-to-people contact.

The priorities set out in the APs are then translated into operational strategies at country, multi country, and cross-border level in the **Country Strategy Papers** and **National and Regional Indicative Programmes**. Country Strategies are developed in dialogue with partner country authorities and, whenever feasible, they are linked to World Bank-sponsored Poverty Reduction Strategies.

The hierarchy of policy and operational documents as well as a summary of their salient features are presented in Table 2 below.

Table 2 Summary of the ENP policy and planning documents

Type of documents		Purpose	Period covered
Country context	Country Report	Provides an assessment of the bilateral relations between the EU and its neighbours, guides the preparation of the country Action Plans and serves as a basis to assess progress.	
Political document (ENP)	Action Plan	Lays out the strategic objectives of cooperation between the EU and its neighbours. Identifies priorities for actions along with general objectives in each of the six focus areas of the ENP. The priorities identified are also a useful platform for donors' coordination.	Three to five years, but can be further extended

Programming document (ENPI)	<i>Country Strategy Paper</i>	Provides an analysis of the situation in each country, identifies a limited number of priorities and fleshes out the Commission's response strategy.	2007-2013
	<i>National Indicative Programme</i>	Envisages the precise sector activities to be financed through the ENPI and the indicative amount allocated to each intervention.	2007-2010
	<i>Annual Action Programme</i>	Defines the list of the projects identified for financing and the budget for the 12 months covered (it applies for the Eastern neighbours only).	One year

To keep a dynamic and tailor-made approach, the ***Action Plans are reviewed at mid-term to reflect changes in country and regional circumstances***. Monitoring takes place within the bodies established by the Partnership and Cooperation Agreements and the Association Agreements. These bodies bring together representatives of partner countries, Member States, the Commission, and the Council Secretariat. Monitoring is critical for partner countries willing to deepen their relations with the EU, as significant progress towards the implementation of the Action Plan leads to further cooperation and integration with the EU. On the basis of the information provided by partner countries, the Commission draws up periodic country reports that assess progress in implementing all areas covered by the Action Plans.

2.3 ENP funding: the European Neighbourhood Partnership Instrument

Until 31 December 2006, EC assistance to the countries covered by ENP was provided under two geographical programmes, TACIS for the Eastern neighbours (as well as Russia and Central Asia), and MEDA for the Mediterranean neighbours. In addition, this assistance was complemented with thematic programmes such as the European Initiative for Democracy and Human Rights (EIDHR) and the Food Security Programme (FSP). Since January 2007, as part of a broad reform of EC assistance instruments, the MEDA and TACIS were replaced by a single instrument: the European Neighbourhood and Partnership Instrument (ENPI).

ENPI is the principal financial instrument for planning and delivering assistance under the ENP. It is endowed with €1.2 billion of budgetary grants for the period 2007-2013. From 2000 to 2006 ENP countries received about €3.4 billion under the MEDA and TACIS programmes. Therefore, in nominal terms, development assistance funding for ENP countries increased by 33% percent. The ENP is thus backed by substantially increased financial and technical assistance. This also includes the possibility of participating in certain Community programmes, which promote cultural, educational, environmental, technical and scientific links with the EU and its neighbours. In addition, ENP partner countries have now access to new technical assistance instruments drawn from the so-called 'enlargement toolbox', such as SIGMA⁴, TAIEX⁵ and Twinning Programmes.

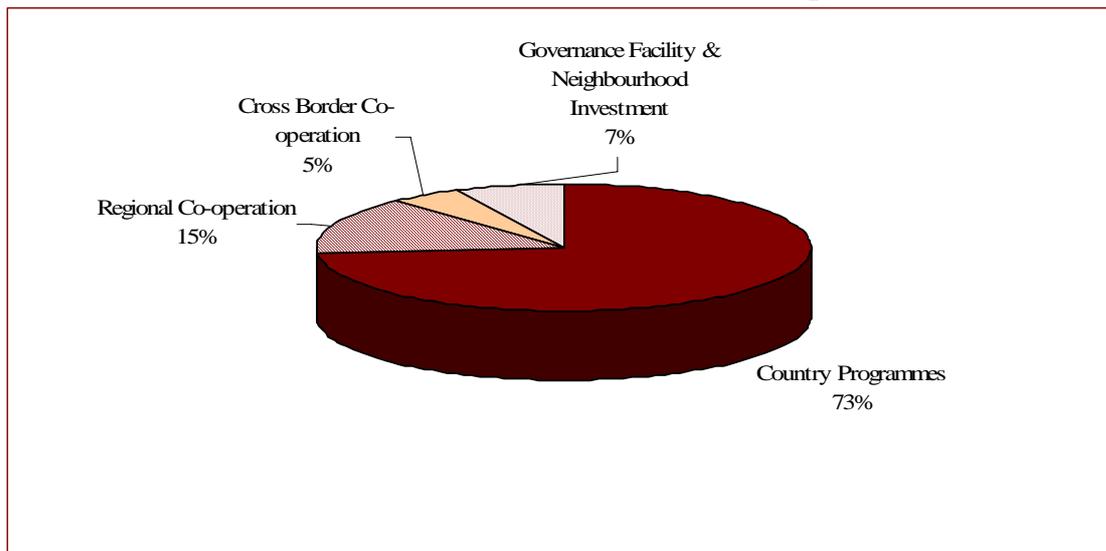
The ENPI financial is to be disbursed through four channels, namely: (i) country programmes, (ii) three regional cooperation programmes, (iv) cross-border cooperation, and (iv) two thematic

⁴ SIGMA - Support for Improvement in Governance and Management - a joint initiative of the OECD and the European Union, was established in 1992 to support public administration reform efforts in candidate countries to EU membership.

⁵ TAIEX - Technical Assistance and Information Exchanges – was set up in 1996 to help the Central and Eastern European candidate countries understand, draft and implement EU legislation.

facilities. The breakdown of funding among these four channels over the 2007 – 2010 period is provided in Chart 1 below⁶.

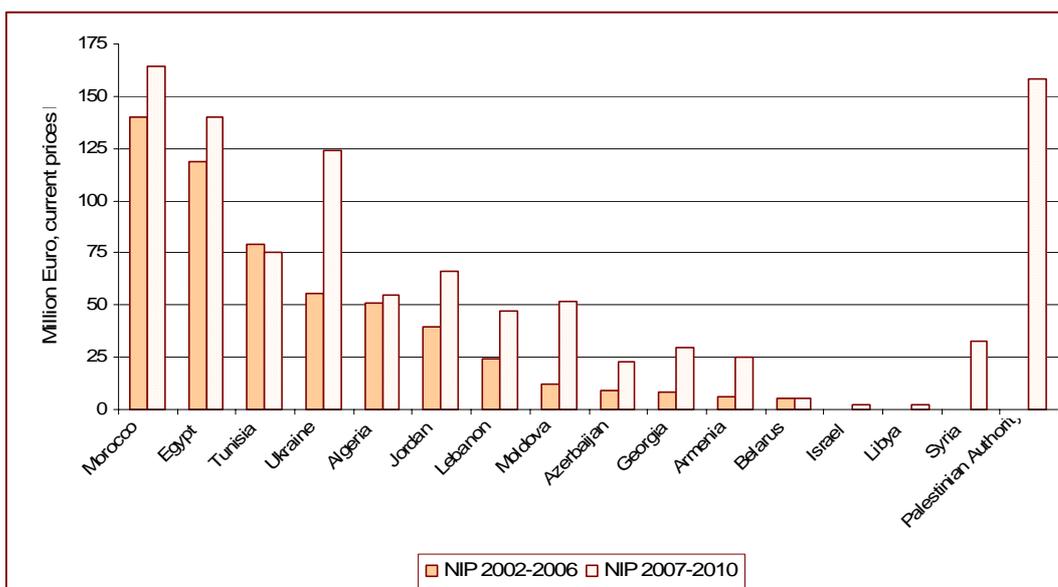
Chart 1 ENPI indicative multi-annual allocations for the period 2007-2010



Source: own calculations based on ENPI programming documents

The lion's share of ENPI funding goes to *country programmes*, which cumulatively account for 73% of the total. Morocco, the Palestinian Authority, Egypt and Ukraine are the main recipients of ENPI funds, with annual allocations in the order of €125 – 175 million. They are followed by Tunisia, Jordan, Algeria and Moldova, with annual allocations of between €50 and 75 million. Compared with MEDA-TACIS, ENPI annual allocations are higher for all the countries, with the only exception of Tunisia. As shown in Chart 2 below, the increase in funding levels is particularly marked in the case of Eastern countries, Jordan and Lebanon.

Chart 2 Comparison between ENPI and MEDA-TACIS annual country allocations



Source: own calculations based on ENPI, TACIS and MEDA country programming documents. Past data for Israel, Libya, the Palestinian Authority and Syria are not available. Past data for Belarus refer to 2005-6 only.

⁶ Data are from the available ENPI planning documents. See Annex B for a detailed geographic distribution of the 2007-2010 financial envelope.

The **regional cooperation component** is designed to complement country-level interventions to deal with global challenges and further regional integration and cooperation. It is built on the previous TACIS and MEDA regional programmes, though objectives have been broadened and financial resources have not been increased. For example, between 2005 and 2006, the regional component of the MEDA programme had nearly €15 million⁷, which works out as an average of €107 million for each year. Between 2007 and 2010, the Commission earmarked €43.3 million to support regional programmes in the Middle East and North Africa, which corresponds to far lower annual allocations. However, the ENPI also has an interregional component of €80.8 million that was added up to support programmes of common interests to all partners and to reinforce the multilateral dimension of the ENP.

The **cross-border cooperation component** is built on the INTERREG Community Initiative, which yields a radical simplification of procedures and makes provision for contribution from the European Regional Development Fund (ERDF) equivalent to €308 million for the period 2007-2010.

Finally, funding is provided through two thematic facilities, the Governance Facility and the Neighbourhood Investment Fund. Endowed with €300 million for the period 2007 – 2013, the **Governance Facility** is reserved to the partner countries that have made most progress in implementing the reform agenda set out in the Action Plans. The **Neighbourhood Investment Fund** is aimed at reducing the infrastructure gap, and is endowed with €700 million over the 2007-2013 period. These funds are largely intended to leverage additional financing from International Finance Institutions (IFIs), including the European Investment Bank and the European Bank for Reconstruction and Development.

Box 1 – The Role of the European Investment Bank

In 2006, the European Council has approved a new external lending mandate for the European Investment Bank to deploy loans in countries covered by the ENP. Therefore, in addition to ENPI funds, neighbouring countries are eligible for EIB loan financing up to a total of 12.4 billion Euros, the largest external lending mandate ever in the history of the EIB. In terms of geographic distribution, nearly two thirds of this amount will be allocated to the Mediterranean partner countries, whereas the rest will go to the Eastern partners. The EIB contribution will be particularly relevant in financing project in the energy, environmental, telecommunication and transport sectors.

⁷ Euro-Mediterranean Partnership MEDA Regional Indicative Programme 2005-2006

3. EVALUATION OF ENPI PERFORMANCE

3.1 Introduction

This section is devoted to a review of ENPI's performance. For the reasons indicated in the Introduction, the assessment is inevitably preliminary, and largely limited to qualitative aspects. In particular, the analysis focuses on four main aspects:

- the contribution of ENPI in the achievement of EU external policy objectives;
- the coherence between declared political and policy objectives and financial allocations;
- the quality of programming documents and implementation procedures;
- the adequacy of ENPI objectives with respect to partner country needs and aspirations.

The assessment is based on a review of policy and programming documents, with the identification of the underlying 'intervention logic', and of indicative budget allocations by country, region and sector for the years 2007 to 2010⁸. At global level, five broad areas of interventions have been identified: (i) institutional support, democratic governance and human rights; (ii) administrative capacity building; (iii) economic development, (iv) social development, and (v) "other sectors", including transport, energy and environment. However, it should be noted that, at the country level, these categories are rather heterogeneous, as they may include different types of interventions. Therefore, cross country comparisons of sector allocations have to be carefully interpreted.

In order to put the analysis in the proper perspective, Box 2 below, provides an overview of the performance achieved by ENPI's predecessors, the MEDA and TACIS programmes. This can be regarded as a sort a baseline for assessing the future performance of ENPI-funded programmes.

Box 2 – Performance of TACIS and MEDA - Evidence from monitoring and audits

Quantitative assessment. At the project level, performance is assessed through the Results Oriented Monitoring (ROM) system established by the Commission. The ROM attributes a performance score against five criteria (i.e. relevance, effectiveness, efficiency, sustainability and impact). Scores are on a 1 to 4 scale, where 4 stands for very good, 3 for good, 2 for minor problems, and 1 for serious problems. A project is regarded to be 'on track' if it achieves an overall score of 2.5. As shown in the table below, in the early 2000s, MEDA and TACIS programmes were clearly experiencing problems, with average scores below the minimum acceptable threshold of 2.5. However, the situation improved significantly overtime, and by 2005 both programmes were well above the minimum threshold⁹.

Criteria	MEDA		TACIS	
	2001	2005	2002	2005
Relevance	2.21	2.84	2.60	2.81
Effectiveness	2.27	2.89	2.30	2.84
Efficiency	2.40	2.81	2.40	2.79
Sustainability	2.39	2.94	2.30	2.91
Impact	2.25	2.91	2.40	2.86
Average	2.30	2.88	2.40	2.84

Qualitative assessment. The picture provided by ROM data is broadly confirmed by audits carried out by the Court of Auditors, although with some qualifications. In the case of MEDA¹⁰, the Court also noted a marked improvement in performance during the 2000s, thanks to the adoption of better regulations, the increased use of flexible aid instruments, and the devolution of responsibilities to the Delegations. The

⁸ For a detailed presentation of these aspects, see Annex C.

⁹ For a more detailed analysis of the quantitative assessment provided by the ROM system, please refer to the *Annual Reports on the European Community's development policy* issued by the Commission.

¹⁰ Court of Auditors, *Special Report Concerning the MEDA Programmes*, May 2006.

assessment is less positive in the case of TACIS. In particular, in its audit of TACIS implementation in Russia¹¹, the Court identified weaknesses in the implementation of the project cycle, with several cases of inadequate terms of reference and of unrealistic project objectives. In other cases, beneficiaries displayed limited ownership.

3.2 Relevance

The relevance of a development intervention refers to its capacity to set out objectives that are consistent with the overall development strategy of an organisation. Therefore, this study assesses how ENPI is contributing to the achievement of the overall objectives of the EC external policy. In our case, the attention is focused on three ‘dimensions’ or ‘axes’ of the EU external policy, namely: trade and economic integration policy, development policy, and foreign and security policy.

3.2.1 Trade and economic integration

EU trade policy aims to support the integration of third countries into the world economy. Not surprisingly, trade issues feature prominently in ENP and one of the key objectives of this policy is to pursue economic integration well beyond free trade in good and services, including reduction of non-tariff trade barriers. The establishment of a free trade area for industrial goods between the Southern neighbours and the EU was already a pillar of the Barcelona Process. The ENP tries to reinvigorate this process along with granting autonomous trade preferences to the East.

Further liberalisation of trade in goods and services is an important objective of many Action Plans. This is adequately reflected in the ENPI National and Regional Indicative Programmes, which include a number of actions aimed at facilitating gradual alignment with EU technical regulations and standards, improving customs capacity, supporting WTO accession, and increasing investments and exports. Due to the highly aggregate nature of the data available, at this stage it is hard to quantify exactly the amount of resources allocated to trade-related assistance. However, indicative budget allocations show that approximately trade interventions absorb nearly 30% of total resources, which appears broadly in line with the high priority attached to this objective.

3.2.2 Development dimension

The European Consensus on Development (the “Consensus”) frames the new development policy directions of the EU¹². One of the major changes brought about by the Consensus is the strong emphasis on poverty eradication, which must be regarded as the guiding principle for all interventions in economic and social sectors. In addition, the Consensus highlights (i) the need to complement socio-economic development with the promotion of democratic governance, and (ii) calls for reinforced mainstreaming of cross-cutting issues related to gender equality, environmental sustainability, fight to HIV/AIDS, and promotion of human rights.

Poverty Eradication and Economic Growth. In line with Consensus principles, ENPI strategy documents place great emphasis on the objective of supporting economic growth together with poverty reduction and social cohesion. This is also reflected in the funding allocations detailed in ENPI programming documents. Indeed, interventions in this area are expected to account for the bulk of the ENPI budget for the 2007 – 2010 period. For example, the NIP for Morocco allocates about 82% of total budgetary resources to social policy and economic modernisation interventions. Similarly, the NIP for Moldova earmarks between 40% and 60% of the total budgetary allocations to poverty reduction and economic growth interventions. The positive indications emerging from

¹¹ Court of Auditors, *Special Report Concerning the Performance of Projects Financed under TACIS in the Russian Federation*, February 2006.

¹² The European Consensus, Official Journal C 46/01 of 24 February 2006

budgetary allocations are confirmed by qualitative aspects. In particular, ENPI interventions are anchored to the Poverty Reduction Strategies developed by individual countries and this ensures (i) coherence with the programmes of other donors and International Financial Institutions (IFIs), and (ii) the adoption of a systematic and multifaceted approach to poverty reduction. In fact, ENPI interventions cover a wide spectrum of actions, from improvements of business environment to promotion of domestic and foreign investments and from support to small and medium enterprises to generation of more and better jobs.

Support to Democratic Development. The creation of democratic institutions guaranteeing the respect for universal human rights and fundamental freedoms is a fundamental element of the EU development policy and, therefore, of ENP. The point was reiterated by the European Parliament in its recent resolution on Strengthening the ENP¹³, which invites the Commission to make further progress in this area. In particular, the resolution states that “*regardless of the degree of willingness of partner countries' governments to cooperate and to share in these values, civil society in all ENP countries must be strongly supported and its participation and core role in the reform and democratisation process encouraged, and the development of free and independent media supported*”. The Resolution further “*calls on the Commission to negotiate the setting-up of subcommittees on human rights with all ENP countries so as to ensure an effective political dialogue on this matter*”. ENPI strategic documents do reflect the emphasis on democratic development, and often list specific objectives in this area, such as guaranteeing the independence of the judiciary, ensuring freedom of expression and of the media, increasing the respect of fundamental human rights, and strengthening of civil society organisations. However, this overriding concern regarding democratic development is only partially reflected in financial allocations. As indicated in Table 3 below, over the 2007 – 2010 period initiatives to support democratic development are expected to total €315 million, corresponding to some 11% of total funding. However, there are marked differences across the two groups of countries. In the case of Eastern neighbours, allocations to support democratic development normally account for over 20% of country allocations, with an overall average of 21%. In contrast, the theme has received much less attention in the case of Southern neighbours, with a share of country allocations normally below 10% and an overall average of only 5%.

Table 3 Allocations for Democratic Development – 2007 - 2010¹⁴

Countries	Allocations (€ million)	Share of Total Funding
Armenia	30	30%
Azerbaijan	30	34%
Georgia	32	26%
Moldova	42	20%
Ukraine	74	15%
All Eastern Neighbours	208	21%
Egypt	40	8%
Jordan	17	6%
Lebanon	22	12%
Morocco	28	4%
Tunisia	-	-
All Southern Neighbours	107	5%
Grand Total	315	11%

¹³ European Parliament resolution of 15 November 2007 on Strengthening the European Neighbourhood Policy (2007/2088(INI))

¹⁴ Data for Moldova and Ukraine are own (admittedly rough) estimates as available data do not distinguish between funding for democratic development from financing to administrative reform. In the case of Moldova, we considered two thirds of total allocations. For Ukraine, only half of the total budget was considered. For more details, please refer to Annex C.

The limited allocations reserved to democratic development in the Mediterranean area raises the question of the consistency of funding with declared policy and political priorities. In this context, it is worth mentioning the case of Tunisia: while political reforms concerning democracy and human rights are indicated as a priority objective in ENP policy documents, the related programming document does not envisage any allocation for actions in these areas. In the absence of detailed information regarding the nature of the actions funded by ENPI in Mediterranean countries, no definitive judgment can be formulated. But certainly the above figures are a *prima facie* indication of misalignment between policy objectives and budgetary policy.

Box 3 – Democratic Development and The Governance facility

The objective of fostering democratic development in partner countries is also pursued through the Governance Facility. The establishment of financial incentives to ‘buy reforms’ is a positive element of novelty of the ENPI, and can potentially achieve far reaching results. However, the funding currently envisaged for the facility, €300 million over seven years, risks to be too modest to promote important reforms. Furthermore, the performance indicators, which define when partner countries are eligible for receiving grants from the Governance Facility, have not been defined yet. Therefore, the successful implementation of this component will depend on the capacity to allocate funds transparently, following objective and measurable indicators that reflect actual reforms and improvement in democratic governance systems rather than cosmetic changes. In this respect, the Commission has recently proposed that future allocations under the facility should be based on the results of the performance assessment to be carried out during 2008.

In 2007, Morocco and Ukraine were the first partner countries benefiting from the Governance Facility. Morocco received €28 million as a ‘reward’ for having launched reforms in the fields of democracy, public administration and rule of law. Similarly, Ukraine received €22 million in recognition of its overall progress in furthering the domestic democratic process.

Mainstreaming Cross Cutting Issues: The Case of Gender Equality. As indicated above, gender issues are another important dimension of the European Consensus on Development and it is useful to see how this priority is reflected in ENPI. Detailed data on ENPI activities in this field are not yet available, but all indications are that the theme of achieving gender equality in partner countries does not feature prominently among the declared objectives. For example, a review of ENP policy documents reveals that the Action Plan of Jordan is the only one that explicitly includes a priority action to promote equal treatment of women. At the level of the EC strategic response, some measures are envisaged to fight discrimination against women, but it is not possible to determine how much is going to be invested in this specific area.

3.2.3 Foreign and security policy

The European Security Strategy adopted in 2003¹⁵ emphasises the need to promote “*a ring of well governed countries to the East of the European Union and on the borders of the Mediterranean with whom the EU can enjoy close and cooperative relations*”. The strategy also refers to the importance of securing a stable energy supply to the EU.

In line with the above orientations, the ENP envisages addressing *potential and existing conflicts* in crucially important areas, namely in the Southern Caucasus, Transnistria and the Middle East. Clearly, the ENPI is not designed to deal directly with these issues, but it can lay down favourable

¹⁵A Secure Europe in a better World - The European Security Strategy was adopted by Heads of States and government on December 2003.

conditions for opening new political dialogues. Consistently, a number of interventions aimed at achieving peace and security are included in ENPI operational documents. These include: crises management, counter-terrorism and non-proliferation measures, cooperation on border management and justice, support to reconstruction, and mine clearance in combat zones. Assistance to the Palestinian people is provided through the Temporary International Mechanisms to help alleviate the dramatic consequences of the current socio-economic crisis¹⁶.

Securing energy supplies to the EU has become a pressing security policy objective. The ENP covers oil and gas producers as well as transit countries for energy infrastructure. Not surprisingly, the Action Plans for Azerbaijan and Ukraine give high priority to enhance energy relations with the EU. Energy related issues are also a key element of relations with Russia. On top of these strategic concerns, the ENPI also aims to the progressive integration of partner country energy markets with the EU and envisages setting out country road maps on energy efficiency which are based on energy savings, renewable sources and nuclear safety.

3.3 Effectiveness

The effectiveness of a development intervention relates to its ability to attain the planned objectives within a predetermined timeframe. At this stage, it is too early to attempt a comprehensive assessment (let alone a quantification) of results achieved by ENPI and the analysis is largely focused on the way in which issues related to effectiveness have been incorporated into policy documents, i.e. their adequacy to allow for a quantifiable measurement of results. This is complemented by a review of the ENP mid term review exercise carried out by the Commission in 2006.

Box 4 – Corruption: a major factor hindering the effectiveness of aid

Clearly, when funds are not used for their intended purposes, but diverted to reward vested interests and personal camp-followers the effectiveness of aid is seriously undermined. To limit the risks of fund misappropriations, in 2005 the European Parliament passed a resolution on aid effectiveness and corruption in developing countries¹⁷, which calls upon the Commission to put in place a set of instruments such as fiduciary risk assessment, transparent procurement rules, and accountability mechanisms. These measures apply to all development instruments managed by the Commission, including the ENPI.

Nevertheless, there might be cases when all these precautionary measures are not enough to prevent the occurrence of corruption practices that negatively impact on development efforts. However, effectiveness analysis of country or regional aid programmes are based on the assumption that funds have been deployed for their intended purposes, because it is very difficult to uncover frauds and to measure precisely the magnitude of funds misappropriations. Obviously, once discovered, serious cases of corruption have to be reported in evaluation studies.

3.3.1 Quality of planning documents

A precondition for assessing effectiveness is the existence of clearly specified objectives and baseline situation. In this area, ENPI has made significant progress with respect to its TACIS and MEDA predecessors, with an increased attention to results and performance measurement. ENPI *strategic documents* include useful baseline information, describing the country context in terms of

¹⁶ It is important to note that the ENP countries are also eligible for receiving further assistance to enhance peace and security through the Stability Instrument for crises response and through the Common Foreign and Security Policy budget for specific assistance related to conflict settlement and peace consolidation.

¹⁷ European Parliament, resolution on aid effectiveness and corruption in developing countries (2005/2141(INI)).

political, economic and social development, together with data on the main economic and social indicators. Therefore, these country diagnostics are a useful starting point to assess ENPI's overall impact.

Similar considerations apply to the ENPI *programming documents*, which are well structured and aligned with EC good practices. They lay down the rationale of interventions, specify overall and specific objectives, indicate expected results, and indicators of achievement. Objectively verifiable indicators provide the basis for monitoring systems and subsequent evaluation. Overall, the ENPI programming documents have made a good attempt to identify indicators that quantify results, especially for interventions targeting education, private sector development or the environment. Yet programmes that belong to the good governance area have less clear performance indicators. For example, recurrent indicators used are: "properly functioning and efficient administrative system" or "stronger local government structures". This lack of clarity is partly due to the nature of these types of interventions. However, at least in specific contexts, the Commission could have tried to specify better the expected results in terms of quantity and quality of public services provided after the interventions.

3.3.2 Results from the first mid-term review

In 2006, the Commission undertook the first general review of ENP implementation for the partner countries that signed Action Plans during 2005, namely: Jordan, Israel, Moldova, Morocco, Palestinian Authorities, Tunisia and Ukraine. The key findings of this review exercise are summarized in Table 4 below.

Table 4 Summary of ENP progress assessment by country and key areas, 2006

ENP focus area	Countries showing good progress	Countries showing limited or no progress
<i>Political dialogue and reform</i>	Ukraine, Israel	Tunisia, Palestinian Territories
<i>Economic and social reform and development</i>	Jordan	Palestinian Territories
<i>Trade and regulatory reform</i>	All Mediterranean partners	Moldova
<i>Co-operation on justice and home affairs</i>	Israel	Moldova, Tunisia
<i>Transport, energy, information society and environment</i>	Jordan, Morocco	Ukraine
<i>People-to-people contact</i>	All Mediterranean partners + Ukraine and Moldova	

Overall, the review depicts a mixed picture, with many countries showing limited or no progress in several areas. In addition, the progress reported often refers to the adoption of new or revised national strategies or to the establishment of bodies and committees aimed at improving the performance of specific sectors. For instance, the Tunisian progress report emphasises that five subcommittees have already met during 2006. Of course, these are necessary preparatory steps to put in place the structures that will guide the rolling out of the ENPI. Nevertheless, it is an open question whether these undertakings will be followed up soon by more concrete progress.

In the Commission's opinion, the first eighteen months of implementing the ENP have shown a strong commitment from partner countries to deepen their commercial, political and cultural relations with the EU. However, recognising that the scope of the ENP can be further enhanced and be better focused on key aspects, at the end of the evaluation exercise the Commission issued a

communication on strengthening the ENP¹⁸. The document identifies seven key areas where the potential of the ENP can be further enhanced to help partner countries reap the full benefit of this policy and to better address strategic concerns of the EU, especially in the areas of security and migration (see Table 5).

Table 5 Strengthening the ENP - Key areas and related actions

Dimension	Main actions
1- Economic integration through deeper trade	Pursue a deep and comprehensive free trade agreement that covers all trade in goods and services
2- Facilitating mobility and managing migration	Facilitate visa emission for specific categories of travel
3- Promoting people-to people exchange	<ul style="list-style-type: none"> • Establish a new scholarship scheme that builds on the general EU Erasmus Mundus programme • Strengthen civil society exchange through cross-border cooperation programmes
4- Building a thematic dimension to the ENP	<ul style="list-style-type: none"> • Participation of partner countries in selected Community programmes and agencies • Establish multilateral agreement in the energy and transport sector
5- Strengthening political cooperation	<ul style="list-style-type: none"> • Possible alignment with CFSP declaration • Strengthen EU diplomatic presence in all ENP partners
6- Enhancing regional cooperation	Intensify dialogue with existing regional initiatives including the Black Sea and the Euro-Mediterranean Partnership
7- Strengthening financial cooperation	Establish the ENPI, a dedicated financial instrument to support implementing the ENP

Some of these measures have been already activated during 2007. For example, as soon as ENPI came into force in January 2007, a call for proposals to participate in the External Cooperation Window of the Erasmus Mundus programme was launched for the academic year 2007-2008. Similarly, visa facilitation and readmission agreements have been signed with Moldova on October 2007. In addition, some countries have made good progresses in the area of trade liberalisation and economic reforms. For instance, the Agadir agreement establishing a free trade area between Morocco, Tunisia, Egypt and Jordan was ratified in 2006 and came into force in 2007. In other cases, reform in the business environment have started to yield tangible results. For instance, in 2006/2007 Egypt and Georgia were ranked among the top by the World Bank *Doing Business Report*, which assesses progress towards improving the investment climate.

Box 5 – Enhancing Effectiveness - The appropriateness of incentives to move the implementation of the ENP agenda forward

The successful implementation of a programme rests on its capacity to ***create the right incentives to bring about concrete and sustainable results***. As illustrated above, the ENP sets an ambitious political, economical and social agenda for both the EU and its neighbours. The EU strategic choice has been to rely on two incentive mechanisms: (i) increased financial assistance provided through the ENPI and (ii) improved

¹⁸ European Commission, COM(2006)726 final, *Communication from the Commission to the Council and the European Parliament on strengthening the European Neighbourhood Policy*, December 2006, Brussels.

access to the EU internal market. It is an open question whether these incentives will work out with all partner countries.

Financial Leverage. The prospect of receiving sizeable amount of financial assistance through ENPI grants and EIB loans represents a concrete incentive to reforms for many ENP countries. However, *the aid to GDP ratio varies significantly across partner* countries and determines the adequacy of the financial leverage. For example, assistance to the Palestinian Authority decisively configures a case of aid-dependency. To the other extreme, oil and gas rich countries, such as Algeria or Azerbaijan, showed faint to no support to the ENP. Clearly, for these countries the financial leverage is less appealing and may need to be complemented with other incentives, such as privileged political relations.

Market Access. In the context of ENP, market access to the EU single market is used to leverage important economic and institutional reforms. Nevertheless, some observers have pointed out that *the incentives offered to partner countries are not sufficient to bring about true reforms* and have described the ENP as the poor cousin of the EU membership. Unlike candidate countries, that have undergone impressive economic and political reforms, ENP countries have far less clear incentives to cooperate. For example, the communication establishing ENP states that, in parallel with concrete steps by partner countries towards political and economic reform, the EU can offer them closer economic and political cooperation. However, the benefits of having a stake in the EU internal market have not been clearly estimated and are vaguely defined. Moreover, some Eastern partners, notably Ukraine, have openly declared that EU accession is their strategic goal, but their expectations clash with the current limit of the ENP.

3.4 Efficiency

Efficiency (or cost effectiveness) has to do with the relationship between the costs of a project/program and its results/outputs. This is essentially a ‘quantitative’ exercise, aimed at formulating a judgment regarding the overall use of resources, also in relations with other possible courses of action. A ‘qualitative’ approach to the assessment of efficiency focuses on the design and implementation mechanisms, i.e. whether a certain program has adopted measures to minimize delays in implementation or excessive administrative costs. For the reasons already illustrated above, in the case of ENPI a ‘quantitative’ assessment of efficiency is not yet possible. Therefore, the analysis focuses on aspects related to project design and identifies the potential efficiency gains that the ENPI regulations allow to achieve, especially in comparison with past financial instruments.

3.4.1 Flexibility and strategic framework

Previous evaluations of the MEDA and TACIS instruments pointed out that there were significant margins for improving the operational efficiency. In particular, delays in implementation, due to long tendering and procurement procedures, limited ownership from partner countries, and the setting of unrealistic and imprecise objectives were noted as aspects that needed to be remedied to get to more effective management of these financial resources.

ENPI is partly based on lessons learnt from the past and this should allow a better use of funds. First of all, the ENPI regulation *allows for the use of a balanced mix of measures* that draw on the ‘enlargement toolbox’, including technical assistance, sector and general budget support, twinning, TAIEX, cross border cooperation and access to EIB lending. In addition, the ENPI is endowed with a *solid strategic framework*, that links EU strategic objectives with partner countries’ needs through the jointly agreed Action Plans. In principle, better multi-annual programming, partnership and co-financing should induce substantial efficiency gains. Yet, it is still an open question whether the more appropriate design will translate into better operational efficiency.

Box 6 – Budget Support: Increased Aid Effectiveness vs. Risks of Misappropriation

Budget support is a form of aid delivery involving the channelling of aid flows through the budget of beneficiary countries. Budget support is typically aimed at supporting some broad development and reform programme and funds are normally not earmarked for specific projects. In addition, aid funds provided under budget support programmes are utilised by beneficiary countries in accordance with their own financial management, allocation, procurement and accounting systems.

In recent years, budget support has become increasingly popular among donors, and it is widely regarded as an important step forward to *improve the effectiveness of aid*. Several benefits are commonly associated to this form of aid. First, budget support is viewed as an important tool to buttress governments and to enhance ‘ownership’. Second, precisely because of their very broad nature, budget support programmes allow for more flexibility in the achievement of intended development goals. Third, budget support programmes are typically quite sizeable (a multiple of the amounts devoted to individual projects), and this reduces the impact of transaction and administrative costs and speeds up disbursements.

The main drawback of budget support is that it exposes aid funds to *significant fiduciary risks*. Indeed, budget support is an appropriate aid delivery mechanism only in countries with efficient and transparent budgetary and procurement systems. In countries with opaque budgetary practices and high levels of corruption, the risk of funds misappropriation is high¹⁹.

The Commission has been among the most vocal advocates of budget support programs, and an increasing fraction of EU aid is being allocated to this form of aid. However, this enthusiasm is at least partly driven by the need to improve the performance in terms of disbursements. In this respect, the last OECD-DAC review of EU aid guards the Commission “*against using this approach for moving funds more quickly*” and suggests that “*Commission headquarters should rely more on the experience and assessments of delegation staff in designing and managing budget support*”²⁰.

To avoid the risk of frauds, the ENPI regulation states that budget support can be provided “*if partner country’s management of public spending is sufficiently transparent, reliable and effective, and where it has put in place properly formulated sector or macroeconomic policies approved by its principal donors*”. Whenever these conditions are not met, budget support is inappropriate. In line with this approach, in 2006 the Commission suspended budget support to the Palestinian Authority, following several episodes of misappropriation (as well as because of concerns regarding the future use of funds, after the results of political elections).

¹⁹ For a detailed review of the pros and cons of budget support programmes, see IDD and Associates, *Evaluation of General Budget Support: Synthesis Report*, May 2006.

²⁰ OECD - DAC, *European Community Peer Review*, Paris 2007, page 20.

3.4.2 Disbursement of funds

An important criterion for assessing operational efficiency relates to *the speed at which financial agreements are concluded and funds contracted*. The payment schedule included in the General Budget 2007 (see Table 6), shows that the level of outstanding commitments before the year 2006 is still sizeable. This implies that many MEDA and TACIS programmes have not been completed yet and this may interfere with a quick start of ENPI-funded assistance. At the same time, the provisional schedule of ENPI payments for 2007 and 2006 appropriations is not too different from the one previously achieved by TACIS and MEDA.

Table 6 ENPI commitments and payment schedules, 2006-2009

	Year of commitment	Total commitments (€ million)	Share spent after:			
			1 year	2 year	3 year	4 year
Mediterranean countries	Pre-2006 commitments still outstanding	2,469.1	25%	46%	62%	76%
	Appropriations 2006	755.7	2%	20%	40%	60%
	Appropriations 2007	764.2	3%	22%	43%	
Palestine, peace process & UNRWA	Pre-2006 commitments still outstanding	79.2	1%	55%	68%	81%
	Appropriations 2006	117.2	3%	76%	85%	93%
	Appropriations 2007	172.0	55%	69%	84%	
Eastern countries	Pre-2006 commitments still outstanding	1,126.3	11%	38%	54%	68%
	Appropriations 2006	364.6	4%	41%	60%	79%
	Appropriations 2007	380.1	8%	24%	42%	

Source: DG Budget, General Budget 2007 – Budget line 19 08 01, European Neighbourhood and Partnership (ENP) financial cooperation

According to the figures released by the Commission in December 2007²¹, the cumulative ENPI commitments for the same year amounted to €1,663.4 million, while payments reached €1,368 million (see Table 7). Although nearly 20% of disbursements refer to 2007 commitments, most of payments are still linked to the MEDA and TACIS programming cycle, given to the high stock of unspent funds, the so called “*reste à liquider*” (RAL).

Table 7 ENPI commitments and payments, 2007

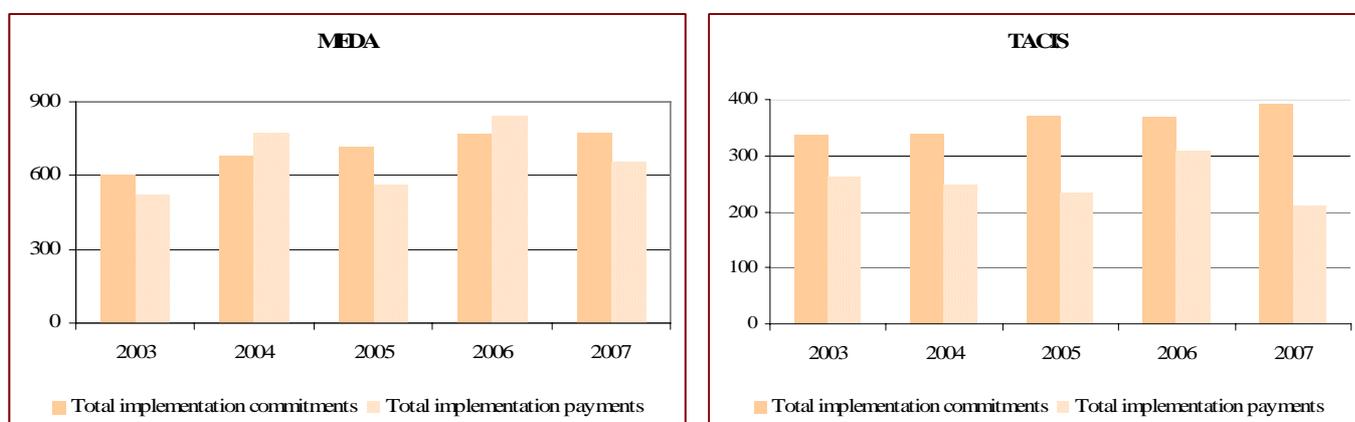
Commitments		Payments			
Budgetary appropriations	Implementation	Budgetary appropriations	Implementation	On RAL prior to 2007	On 2007 commitments
1,663.4	1,615.8	1,368	1,182.4	877.8	320.4

Source: Budgetary Support Unit, European Parliament. Data updated at 11th December 2007

²¹ Budgetary Support Unit, European Parliament. Data updated at 11th December 2007, budget line 19 08.

The limited absorption capacity of partner put a limit on aid expenditure, but the past financial performance of ENPI's predecessors also plays an important role. In fact, only a small number of ENPI projects has been launched in 2007, as in several countries Delegations still have to clear the backlog of RAL accumulated in the previous years. In this respect, there are some differences in the financial performance of the Eastern and Southern components of ENPI. As shown in Chart 3 below, in recent years MEDA was comparatively more efficient than TACIS, with a ratio of annual commitments/annual disbursements never below 80%. However, expenditures for the *Southern component* still suffer from the poor implementation record displayed by MEDA in the late 1990s²². As a result, at the end of 2007, total RAL were in excess of €2.4 billion. Regarding the *Eastern component*, in recent years TACIS was less efficient in spending, with a ratio annual commitments/annual disbursements sometimes as low as 60%. However, allocations to eastern countries were considerably less important, and at the end of 2007 total stock of RAL was 'only' € 1.2 billion.

Chart 3 Financial performance for the Southern and Eastern components, 2003-2007²³ (€million)



Source: Budgetary Support Unit, European Parliament, budget line 19080201 (MEDA), budget line 190601(TACIS)

3.4.3 The cost of the 'aid machinery'

Efficiency analysis also looks at administrative costs, as these put a strain on delivering aid efficiently by diverting funds from their targets to remunerate the aid system itself. Studies carried out by the OECD suggest that the share of administrative costs on total aid allocations has remained substantially unchanged in the last five years. However, a previous evaluation of the EC budgetary resources for development assistance²⁴ noted that, in absolute terms, the administrative costs for EC aid increased significantly between 2000 and 2004. This can be seen as the result of an increased aid effort, but it also reflects an actual upward trends in administrative expenditures. Indeed, the share of EC administrative costs in total bilateral ODA increased from 2.6% to 6.3% in four years.

In the case of ENPI, the draft general budget 2008 lays down a 4% threshold for administrative expenditures for each programmes, which is below the EU average registered in 2004. For the year 2007, expenditure on administrative management of the ENPI is estimated to be nearly €41 million, without including administrative expenditures for the Development Cooperation Instrument that also covers some ENPI items. This amount is fairly aligned with the 4% threshold.

²² In its assessment of MEDA, the Court of Auditors found that in 2005 no less than 30% of disbursements were still related to initiatives funded under MEDA I, i.e. during the 1995 – 1999 period.

²³ Data for 2003 – 2006 refer to MEDA and TACIS. Figures for 2007 refer to the regional components of ENPI.

²⁴ See Economisti Associati, *Assessment of budgetary resources and means in the area of development co-operation*, commissioned by the European Parliament, August 2006.

3.5 Utility

Utility measures to what extent an intervention can contribute to move the development agendas of partner countries forward. The utility of the ENPI can be assessed by verifying whether its objectives and programmes are aligned to partner countries' development priorities and needs. In this context, the focus is placed on two fundamental objectives of development, poverty eradication and promotion of good governance practices. Taking into account that ENPI countries are very heterogeneous in terms of level of development, the analysis provides for a differentiated treatment between the Eastern and the Mediterranean neighbours.

Box 7 - Poverty Eradication and Democratic Institutions as Development Goals

Since the second half of the 1990s, *poverty eradication* emerged as the overarching objective of development. The Millennium Development Goals (MDGs)²⁵ provide a common framework for donors and partners countries to reduce poverty in its multiple dimensions. Therefore, the MDGs can be used as a benchmark to assess the utility of aid to ENP countries. Closely intertwined with poverty eradication is the existence of functioning *democratic structures* that fully guarantee the respect of human rights and freedom of expression. Promoting good governance is a specific focus area of many development programmes, including those run by the UNDP and the World Bank. The EU also attaches significant importance to this dimension of development and has opted for a dual-track approach, whereby mainstreaming of human rights issues runs in parallel with regional or thematic programmes.

3.5.1 ENPI and development challenges in the Southern Neighbourhood

Countries in the Mediterranean region experienced slow economic growth during the 1990s as a consequence of ill-designed macroeconomic and structural policies and insufficient openness to trade and investment. The situation improved during the 2000s and, according to the report on Millennium Development Goals in the Arab Region released by the United Nations²⁶, some progress has indeed been made. However, important challenges and issues still need to be tackled. Absolute poverty has been successfully reduced in the region, but serious concerns remain because of the widening income inequalities. Youth unemployment rates are the highest in the world and the lack of decent jobs fuels illegal migration flows. Finally, gains in female education still have to be reflected in women's more active participation in economic and political activities.

The distribution of ENPI sector allocations for the Mediterranean neighbours reveals *a clear focus on social and economic infrastructure interventions*. This reflects an economic policy choice that is based on boosting economic growth and creating job opportunities for the young and vulnerable people. Trade related issues that include approximation of regulation and legislation to the EU standards and trade capacity building measures, have received considerable attention that is backed by sizeable financial resources. Environmental issues, such as overexploitation of water resources or better water and sanitation, are also addressed by the indicative programmes of most Mediterranean partners. As a consequence of this prioritisation pattern, ENPI programming documents ended up attaching less importance to political issues that are also fundamental for the economic and social development of the countries of the Mediterranean region.

²⁵ The Millennium Declaration was signed in September 2000. The eight MDGs, to be achieved by 2010, include: (i) eradicate extreme poverty and hunger, (ii) achieve universal primary education, (iii) promote gender equality and empower women, (iv) reduce child mortality, (v) improve maternal health, (vi) combat HIV/AIDS, malaria and other diseases, (vii) ensure environmental sustainability, and (viii) establish a global partnership for development.

²⁶ United Nations, *The Millennium Development Goals in the Arab region 2005, 2006*.

The 2007 European Parliament's resolution of the ENP recognises that "*no sufficient progress has been made in terms of democracy or human rights since the beginning of the European-Mediterranean Partnership*". It recommends the Commission to make better use of conditionality to buy in political reforms that enhance democratic freedoms. It also stresses that the next generation of agreements that will be signed between the EU and countries in the region must include a human rights clauses' implementation mechanisms. The Country Reports prepared by the Commission recognise the existence of serious democratic deficits in the Middle East and North Africa. However, so far ***ENPI has devoted limited funding to the good governance and human rights component***, which includes representative government, independent judiciary, civil society and independent media. Moreover, some Action Plans and the interventions included in the NIPs tend to underestimate the existing problems, by using partial and vague definitions of democratic freedom issues.

Gender equality and empowering women is a crucial dimension of development co-operation policy. In the Southern neighbours the status of women has recently improved, but situation remains less than ideal, with serious episodes of discrimination in a number of countries. In principle, the Commission pursues a twin track approach that is based on finding the appropriate mix between mainstreaming and targeting. This is also reflected in the ENPI strategic documents that consider the reduction of gender equality as a cross-cutting issue, to be taken into account in the appraisal and formulation of all cooperation initiatives. At this stage, it is unclear whether this approach will bring about tangible results. Gender issues, especially women's rights and participation in labour markets, are systematically mentioned in most NIPs. Nevertheless, ***there is not enough emphasis on gender equality as a development objective in itself*** and more efforts could have been done to give more prominence to gender related problems. Furthermore, it is hard to assess progress towards women's empowerment in the framework of the NIPs as there are few gender-specific indicators of performance.

3.5.2 ENPI and development challenges in the Eastern Neighbourhood

Partner countries in the East face common development challenges. They all experienced three 'historic' transitions: the first has been political, from totalitarianism towards democracy; the second institutional, from being republics of the Soviet Union to being independent and sovereign states; and the third economic, from centrally-planned economies towards free markets.

At the beginning of the transition, economic activities collapsed, but growth rates recovered late in the 1990s and have been sustained in the last five years. Yet economic growth has not been pro-poor and inclusive. The collapse of the centrally planned economy has engendered a considerable erosion of education, health and other public services that worsened significantly living conditions. As a consequence, poverty is widespread, especially in rural areas, and regional imbalances have deepened. Environmental concerns are also mounting in the Eastern neighbourhood, due to the lack of public policy and strategy and to unresolved nuclear issues. In particular, attaining improved energy efficiency has emerged as a key development target because of the widespread use of energy intensive technologies and the high greenhouse gas emission levels.

The complexity of the reform agenda in Eastern countries is generally well reflected in ENP policy documents. For instance, the Country Reports prepared by the Commission include a thorough treatment of issues related to public-sector efficiency and transparency, accountability of government institutions, strengthening the judiciary and improving the investment climate. Similarly, these issues are included with appropriate emphasis in the Action Plans agreed with national authorities. In turn, this is reflected in programming documents.

Compared with the Mediterranean partners' programming documents, the Eastern neighbours' NIPs are less concentrated and foresee a more *balanced distribution of resources between political, economic and social issues*. Regulatory convergence and alignment with the EU standards is an important but not overriding objective. However, two weak spots concern gender equality and HIV/AIDS.

In general, the NIPs of Eastern countries *lack a gender perspective*. Improving gender equality is one of the key MDG for eastern countries and, indeed, the Action Plans mention the need to pay more attention to women and children rights. However, this priority is not always adequately reflected at the operational level, and the programming documents are generally silent about many gender problems that affect this region, such as sex trafficking, domestic violence or persistent wage inequalities.

The second weakness relates to another MDG priority, the *fight against HIV/AIDS*. Some Eastern neighbours, face a considerable increase of the HIV/AIDS epidemic. In particular, UNAIDS reports that the epidemic has so much advanced in Russia and Ukraine to require massive prevention, treatment and care services. Against this alarming background, a review of ENPI programming documents suggests only partial concern towards HIV/AIDS, with significant differences across countries. For instance, lowering the incidence of HIV/AIDS is an explicit objective of poverty reduction programmes to be financed by ENPI in Moldova. In contrast, the ENPI programming document for Ukraine does not envisage any support to HIV/AIDS related projects. Division of labour amongst donors at country level may explain this difference.

4 CONCLUDING REMARKS

The main findings of this study can be summarised as follow:

- **Relevance:** in general, ENP policy documents and ENPI budgetary allocations are fairly well aligned with the strategic objectives of the EU external policy, articulated in its three dimensions, trade policy, development policy, and foreign and security policy. Nevertheless, issues related to good governance, creation of democratic institutions and respect of human rights, which are also an essential component of the EU external policy, received marginal attention, at least in the case of Mediterranean partners.
- **Effectiveness:** the theme of effectiveness is taken in due consideration in ENPI strategic documents, which include a series of benchmarks against which it will be possible to assess progress. However, due to the recent entry into force of ENPI, there is still limited evidence of tangible results. The mid term reviews exercise conducted by the Commission in 2006 indicates a mixed picture, with progress in some areas and slow actions in others. Furthermore, the progress achieved so far mostly refers to the setting up the structures that will guide the implementation of ENPI in the future, rather than to tangible results. The effectiveness of ENPI also depends on the incentives that are built in it, namely: financial assistance and trade concessions. In this respect, the ‘market access for reforms’ bargain appears a modest incentive for countries, such as Ukraine, that have declared ambitions for full EU membership.
- **Efficiency:** compared to MEDA and TACIS, ENPI allows for a more flexible use of funds, thanks to the possibility of using a mix of instruments taken from the ‘enlargement toolbox’. Also, the multi annual planning process, together with an enhanced partnership, in principle allows for a more efficient use of resources. However, in terms of actual financial performance, it is not yet clear whether ENPI will be actually able to disburse funds more rapidly than its predecessors. Finally, there is a commendable attempt to keep under control the cost of the ‘aid machinery’, which in the Commission’s intentions should not exceed 4% of total budgetary allocations.
- **Utility:** overall, the ENPI planned interventions are well aligned with partner countries’ needs and development priorities, and this new instrument can be expected to contribute meaningfully to the achievement of the Millennium Development Goals. There is good balance between social and economic sector programmes, that takes into account the overriding objective of poverty eradication. However, some weaknesses can be observed in the area of democratic governance and human rights. Gender and HIV/AIDS issues could also have featured more prominently as key development objective.

ANNEXES

ANNEX A – SUMMARY OF ENP INSTRUMENTS

Instrument	Information	Previous instrument	Delivery channel
<i>ENPI</i>	It is the new and principal financial instrument for planning and delivering assistance under the ENP	MEDA, TACIS	<ul style="list-style-type: none"> • Bilateral • Multi-country (Interregional, Southern and Eastern) • Cross-border • Governance Facility • Neighbourhood Investment Fund
<i>Thematic programmes</i>	Cooperation with third countries in specific area, including migration, asylum and environment	AENEAS FSP	Under the national and regional ENPI envelope
<i>EIDHR</i>	Development and consolidation of democracy, conflict prevention and respect for human rights	Unchanged	Targeted interventions to support: <ul style="list-style-type: none"> • European emergency judicial assistance • Electoral observations • Preparatory action to establish a conflict-prevention network
<i>Nuclear Safety Instrument</i>	For nuclear safety	Component of TACIS	<ul style="list-style-type: none"> • Bilateral programmes in Armenia, Russia and Ukraine • multilateral projects for the processing of nuclear waste
<i>Common Foreign and Security Policy budget</i>	Specific assistance related to conflict settlement and peace consolidation	Unchanged	Thematic initiatives (i.e. European Union's special representatives in Moldova, Southern Caucasus and in the Middle East).
<i>Stability Instrument</i>	For crisis response. Complement the ENPI when it is necessary to respond to an urgent need	Rapid Reaction Mechanism (RRM)	Trans-regional actions in the areas of organised crime, trafficking, protection of critical infrastructure, threats to public health and the fight against terrorism.
<i>Humanitarian aid</i>	Immediate response to humanitarian crises	Unchanged	Thematic fields of action
<i>EIB neighbourhood-wide external lending mandate</i>	Provide loans to finance projects of common interest for the EU and its partners	FEMIP (for Mediterranean partners only)	Loans, private equity and technical assistance
<i>Participation in Community programmes</i>	Enable partner countries to participate in Community agencies and programmes	New instrument	<ul style="list-style-type: none"> • Customs 2013 • Competitiveness / Innovation Framework Programme (Enterprise and Industry, Information Society, and Energy component) • Programme of community action in the field of Consumer Policy • SESAR Programme and Joint Undertakings • Public Health

Source: author's elaboration from various Community documents, including the European Commission's Budget

ANNEX B – ENPI ALLOCATIONS

Table B.1 Total ENPI Allocations – 2007 - 2010

	Million Euro
Multi-Country Programmes	
Inter-regional programme	260.8
Regional programme - South	343.3
Regional programme - East	223.5
Total	827.6
Country Programmes	
Algeria	220
Armenia	98.4
Azerbaijan	92
Belarus	20
Egypt	558
Georgia	120.4
Israel	8
Jordan	265
Lebanon	187
Libya	8
Moldova	209.7
Morocco	654
Palestinian Authority	632
Syria	130
Tunisia	300
Ukraine	494
Russian Federation	120
Total	4,116.5
Cross Border Cooperation Programmes	
Total	277.1
Governance Facility & Neighbourhood Investment Fund	
Total	400
Grand Total	5,621.2

Source: European Commission, ENPI funding 2007-2010

Note: Planning figures only.

Table B.2 Comparison between ENPI and MEDA-TACIS Allocations

Country	MEDA & TACIS		ENPI
	2002-2006 (million €)	2007-2010 (million €)	
Algeria	256		220
Armenia	30		98
Azerbaijan	44		92
Belarus	10		20
Egypt	594		558
Georgia	42		120
Israel	....		8
Jordan	197		265
Lebanon	122		187
Libya	...		8
Moldova	62		210
Morocco	701		654
Palestinian Authority	...		632
Syria	...		130
Tunisia	394		300
Ukraine	279		494

Source: TACIS country NIPs 2002-2003 and 2004-2006, MEDA country NIPs 2002-2004 and 2005-2006, ENPI country NIPs 2007-2010

Note: Planning figures at current prices

ANNEX C – ENPI OBJECTIVES, EXPECTED RESULTS AND INDICATIVE RESOURCE FRAMEWORK

Table C.1 Synthesis of country tables - Breakdown by priority areas (2007-2010)

Countries	Priority areas				
	Institutional support, democratic governance and human rights	Administrative capacity building	Economic development	Social development	Other sectors, including transport, energy & environment
Algeria	Justice reform €17 (8%)		Economic growth and jobs €113 (51%)	Basic public services € 90 (41%)	
Armenia	Democratic structure and good governance €29,52 (30%)	Regulatory reform and administrative capacity building €29,52 (30%)		Poverty reduction €39,52 (60%)	
Azerbaijan	Democratic development and good governance €30 (34%)		Socio-economic reform and fight against poverty €29,52 (30%)		Legislative and economic reforms in the transport, energy and environment sector €29,52 (30%)
Belarus	Democratic development and good governance €6 (30%)		Social and economic development €14 (70%)		
Egypt	Democracy, human rights, good governance and justice €40 (8%)	Competitiveness and productivity €220 (39%)		Socio-economic and environmental policies €298 (53%)	
Georgia	Democratic development, rule of law and governance €31,5 (26%)	Economic development and Action Plan implementation €31,5 (26%)		Poverty reduction and social reform €38,4 (32%)	Peaceful resolution of Georgia's internal conflict €19 (16%)
Israel		Support to the implementation of the Action Plan €8 (100%)			

Countries	Priority areas				
	Institutional support, democratic governance and human rights	Administrative capacity building	Economic development	Social development	Other sectors, including transport, energy & environment
Jordan	Political reform, human rights, justice and co-operation on security € 17 (6%)	Institution building, financial stability and support for regulatory approximation € 107 (41%)	Trade and investment development € 78 (29%)		Sustainability of the development process € 63 (24%)
Lebanon	Political reform € 22 (12%)	Social and economic reforms € 86 (4%)	Reconstruction and recovery € 79 (42%)		
Moldova ¹	Democratic development and good governance € 62,9 (30%)	Regulatory reform and administrative capacity building € 36,7 (16%)	Poverty reduction and economic growth € 104,9 (54%)		
Morocco	Good governance and human rights € 28 (4%)	Institutional support € 40 (6%)	Economic modernisation € 240 (37%)	Social policy € 296 (45%)	Environmental protection € 50 (8%)
Syria	Political and administrative reform € 30 (23%)		Economic reform € 60 (46%)	Social reform € 30 (23%)	
Tunisia		Economic governance, competitiveness and convergence with the EU € 180 (60%)		Improved gradual employability € 65 (22%)	Sustainable development € 55 (18%)
Ukraine	Democratic development and good governance € 148,2 (30%)	Regulatory reform and administrative capacity building € 148,2 (30%)	Infrastructure development € 197,6 (40%)		

Table C.2 Country tables (2007-2010)

Table C.2.1 Algeria

Priority areas of EC response strategy	Objectives	Expected results	Budget (€million & share)
Justice reform	<ul style="list-style-type: none"> • Modernisation of the prison system and social reintegration 	<ul style="list-style-type: none"> • Preparation of prisoners for social reintegration; rehabilitation of detention centres 	€17 (8%)
Economic growth and jobs	<ul style="list-style-type: none"> • Support to SME and harnessing of ICT • Modernisation of the national employment agency • Diversification of the economy • Implement the Association Agreement 	<ul style="list-style-type: none"> • Creation and strengthening of SME support services; modernisation of SMEs; introduction of total quality system • Improved public employment services; effective management of active employment measures; • Sector growth strategy defined; reform port infrastructure; furthered financial reform • Improved custom cooperation; updated domestic market regulations; adopted new laws and regulations 	€113 (51%)
Basic public services	<ul style="list-style-type: none"> • Higher education • Health • Water and sanitation 	<ul style="list-style-type: none"> • Consolidated the bachelor, mater and doctoral system; increased access to higher education • Quality of health care services improved; fair access to care • Training for staff working in sanitation; regulation on the use of treated water; development of maintenance procedures 	€ 90 (41%)
			€220

Table C.2.2 Armenia

Priority areas (Action Plan)	Priority areas of EC response strategy	Objectives	Expected results	Budget (€million & share)
<ul style="list-style-type: none"> • Strengthening of democratic structures, the rule of law including reform of the judiciary and combat fraud and corruption • Strengthening of respect of human rights and fundamental freedoms • Encourage further economic development, enhance poverty reduction efforts and social cohesion • Improvement of the investment climate and foster private sector-led growth • Convergence of economic legislation and administrative procedures 	Democratic structures and good governance	<ul style="list-style-type: none"> • Improve the rule of law and reform the judiciary system • Developing a modern state through public administration reform • Ensure respect for human rights, fundamental freedoms and promote civil society participation in decision making process and control 	<ul style="list-style-type: none"> • Implementation of the court system reforms; simplified legal procedures and easier access for citizens; improved efficiency and integrity all members of the judiciary system • Stronger local government structures; implementation of the exiting reform plans • Improved respect for NGOs, free and independent press and media; better legal and administrative protection for human rights 	€29,52 (30%)
<ul style="list-style-type: none"> • Development of an energy strategy, including decommissioning of Medzamor Nuclear Power Plant • Contribute to a peaceful resolution of the Nagorno-Karabakh conflict • Enhanced regional cooperation 	Regulatory reform and administrative capacity building	<ul style="list-style-type: none"> • Alignment with the EU's internal market and social standards • Strengthening the competitiveness of the Armenian economy 	<ul style="list-style-type: none"> • Enhanced capacity of the custom administration; approximation of legislation based on PCA • Sector specific regulatory reforms in line with the Action Plan implemented 	€29,52 (30%)
	Poverty reduction	<ul style="list-style-type: none"> • Contribute to the achievement of the MDGs and of the objectives of the PRS 	Better educational level; improved access to quality education and social services; improved local economic development	€39,36 (60%)
Budget total				€98,4

Table C.2.3 Azerbaijan

Priority areas (Action Plan)	Priority areas of EC response strategy	Objectives	Expected results	Budget (€million & share)
<ul style="list-style-type: none"> • Contribute to a peaceful resolution of the Nagorno-Karabakh conflict • Strengthening democracy in the country through transparent electoral process • Strengthening the protection of human rights, fundamental freedoms and rule of law • Improve the business and investment climate, especially fighting corruption • Improve functioning of customs • Support balanced and sustained economic development • Convergence of economic legislation and administrative practices • Strengthening of EU-Azerbaijan energy cooperation and regional and transport regional cooperation 	<p>Democratic development and good governance</p>	<ul style="list-style-type: none"> • Improve the quality and efficiency of service delivery by the public administration • Ensure the effectiveness, independence and transparency of the judiciary system • Ensure respect for human rights, fundamental freedoms and promote civil society participation in decision making process and control • Improve the quality of the educational system with emphasis on entrepreneurial curricula 	<ul style="list-style-type: none"> • Administrative and civil service plans developed; approximation of public accounting standards, internal control and external audit with the EU practices • Improved efficiency, knowledge and integrity of the judiciary system; implementation of reform of the court system; simplified legal procedures • Improved quality of electoral process; increased level of awareness on human rights and democratic freedom; ensured respect of media freedom • Improved governance of education system; enhanced quality of VET system; stronger scientific and research links with the EU 	<p>€30 (34%)</p>
<ul style="list-style-type: none"> • Enhancement of cooperation in the field of justice, freedom and security, including border management • Strengthen regional cooperation 	<p>Socio-economic reform-fight against poverty</p>	<ul style="list-style-type: none"> • Facilitate trade, improve the investment climate and social policies • Develop the non – oil sectors of the economy and reduce geographical imbalances 	<ul style="list-style-type: none"> • Enhanced capacity of the custom administration; approximation of legislation based on PCA; modernisation of social policies, especially the pension system • Sector specific regulatory reforms in line with the Action Plan implemented; state programme on poverty reduction implemented 	<p>€32 (34%)</p>

	Legislative and economic reforms in the transport, energy and environment sectors	<ul style="list-style-type: none"> • Carry forward legislative and economic reform in the energy sector and encourage energy efficiency • Carry forward legislative and economic reform in the transport sector • Improve the administrative and legislative management of environmental challenges 	<ul style="list-style-type: none"> • Elimination of domestic price distortions, improved energy management policy • Increased market convergence • Developed sector environmental plans; improved environmental impact assessment; approximation with EU standards and legislation 	€30 (32%)
Budget total				€92

Table C.2.4 Belarus

Priority areas of EC response strategy	Objectives	Expected results	Budget (€million & share)
Democratic development and good governance	<ul style="list-style-type: none"> • Increase people-to people contacts • Strengthen democratic governance and human rights • Capacity building support to NGOs 	<ul style="list-style-type: none"> • Increased number of Belarus citizens participate in EU programmes • ... • Increased capacity of civil society 	€6 (30%)
Social and economic development	<ul style="list-style-type: none"> • Support to Chernobyl affected areas • SME development • Improve public health 	<ul style="list-style-type: none"> • Improved living standard in Chernobyl area • Enhanced local economic development • Improved provision and access to public health services 	€14 (70%)
			€20

Table C.2.5 Egypt

Priority areas (Action Plan)	Priority areas of EC response strategy	Objectives	Main expected results	Budget (€million & share)
<ul style="list-style-type: none"> • Enhance political dialogue for a lasting settlement of the Middle East conflict • Enhance dialogue on security issues, including disarmament and arm control • Enhance effectiveness of institutions dealing with democratic governance • Promote the protection of human rights • Increase economic integration with the EU • Improve macro-economic governance 	<p>Democracy, human rights, good governance and justice</p>	<ul style="list-style-type: none"> • Promote good governance, political development and decentralisation • Promote human rights protection and capacity of NGOs to protect the environment • Modernise the administration of justice and enhance security 	<ul style="list-style-type: none"> • Decentralisation process accelerated; legal framework for election strengthened • Formulation of a human rights strategy; improved framework for freedom of expression and media • Increased efforts to fight trafficking and smuggling of narcotics; administration of justice improved; strengthened capacity to manage legal migration 	<p>€ 40 (8%)</p>
<ul style="list-style-type: none"> • Boost industrial and enterprise development • Convergence with EU legislation • Improve public finance management • Promote south-south trade and regional integration • Strengthen cooperation on poverty reduction and social development • Cooperate in the area of science and research 		<p>Competitiveness and productivity</p>	<ul style="list-style-type: none"> • Support the implementation of the action plan programme • Improve the functioning of customs • Enable the business environment • Enhance the agricultural sector • Improve performance of transport, energy and science and technology sectors • Modernise the statistical system 	<ul style="list-style-type: none"> • Implementation of action plan moved forward; liberalisation of trade in agriculture and services; approximation of Egypt's regulations; harmonisation of statistical systems with international standards	€220 (39%)

<ul style="list-style-type: none"> • Cooperate in the area of information technology and communications • Cooperate on migration-related issues • Cooperate on fight against organised crime • Develop energy networks • Strengthen environmental dimension of public policies • Strengthen people-to-people contacts 	<p>Socio-economic and environmental policies</p>	<ul style="list-style-type: none"> • Improve quality of education • Well managed health care system • Improve transport energy and environment sectors 	<ul style="list-style-type: none"> • Improved access to education; increased rate of literacy; improved links between education and labour markets • • Improved environmental standards; improved integration and interconnection with TENs; increased contribution of renewable energy 	<p>€298 (53%)</p>
<p>Budget total</p>				<p>€558</p>

Table C.2.6 Georgia

Priority areas (Action Plan)	Priority areas of EC response strategy	Objectives	Expected results	Budget (€million & share)
<ul style="list-style-type: none"> • Strengthening the rule of law, especially through the judiciary system • Strengthening democratic institutions, the protection of human rights and fundamental freedoms • Improve the business and investment climate, strengthen fight on corruption • Encourage economic development and enhance poverty reduction efforts and social cohesion • Enhancement of cooperation in the field of justice, freedom and security, including border management • Strengthen regional cooperation • Promote peaceful resolutions of internal conflicts • Cooperation on foreign policy • Transport and energy 	<p>Democratic development, rule of law and governance</p>	<ul style="list-style-type: none"> • Establish a participative democracy • Strengthen the rule of law and increase trust in Georgia's judiciary system • Improve quality of services provided by the public administration 	<ul style="list-style-type: none"> • Local government capacity strengthened; improved administrative framework for respect for media • Alignment of penal execution with EU standards; improved knowledge and integrity of the judiciary system; simplified legal procedures • Administrative and civil service reform; improved public finance management 	€31.5 (26%)
	<p>Economic development and Action Plan implementation</p>	<ul style="list-style-type: none"> • Increase and diversify Georgia's trade flows • Reform and upgrade the education and training system 	<ul style="list-style-type: none"> • Increased trade relations with EU; implementation of customs reform; reform the tax legislation • Greater capacity of research structures; improved quality of VET system 	€31.5(26%)
	<p>Poverty reduction and social reform</p>	<ul style="list-style-type: none"> • Improve the performance of the health care sector and social assistance system • Reduce social and economic disparities in Georgia 	<ul style="list-style-type: none"> • Improved access to quality and affordable health care services; reduce mortality • Formulate a legislation for establishing regional policy; farming and processing industry promoted 	€38.4 (32%)
	<p>Peaceful resolution of Georgia's internal conflicts</p>	<ul style="list-style-type: none"> • Frozen conflicts in Georgia 	<ul style="list-style-type: none"> • Prevent new outbreaks of violence; improved living standards in conflict areas 	€ 19 (16%)
Budget total				€120.4

Table C.2.7 Israel

Priority areas (Action Plan)	Priority areas of EC response strategy	Objectives	Main expected results	Budget (€million & share)
<ul style="list-style-type: none"> • Enhance political dialogue and cooperation in fighting terrorism, racism and xenophobia • Increase economic integration with the EU • Strengthen cooperation on migration, fight against organised crime, including police and judicial cooperation • Enhance cooperation in transport, energy, science and technology sectors • Strengthen environmental dimension of public policies • Foster people-to-people contacts 	<p>Support to the implementation of the Action Plan</p>	<ul style="list-style-type: none"> • Approximation of education and training policies • Support to acquis-related activities • Exchange of information on acquis and action plan related issues 	<ul style="list-style-type: none"> • 	<p>€ 8</p>
Budget total				€8

Table C.2.8 Jordan

Priority areas (Action Plan)	Priority areas of EC response strategy	Objectives	Main expected results	Budget (€million & share)
<ul style="list-style-type: none"> • Take foreword a political dialogue on democracy and political life • Develop and independent and impartial judiciary • Take further steps to guarantee freedom of the media and freedom of expression 	<p>Political reform, human rights, justice and co-operation on security and fight against extremism</p>	<ul style="list-style-type: none"> • Protecting women’s rights • Develop civil society and participatory democracy • Develop an independent judicial institution framework • Support the freedom of media 	<ul style="list-style-type: none"> • Better protection of human rights, especially women’s rights; reduction of religious extremism; more independent media; creation of civil society platforms 	<p>€ 17 (6%)</p>
<ul style="list-style-type: none"> • Promote equal treatment of women • Enhance political dialogue for a lasting settlement of the Middle East conflict • Improve business conditions to enhance trade and investments • Further liberalisation of trade, and upgrading customs legislation and procedures 	<p>Trade and investment development</p>	<ul style="list-style-type: none"> • Modernisation of the service sector • Develop export-oriented activities • Facilitate trade between Jordan and its neighbours 	<ul style="list-style-type: none"> • Increased competitiveness; increased trade in services with the EU; increased added value of the service sector • Increased competitiveness of SMEs; • Improved trade procedure; implementation of the WCO framework 	<p>€78 (29%)</p>
<ul style="list-style-type: none"> • Progressive liberalisation of trade in services • Effective management of migratory flows • Implement the government’s PRS 	<p>Sustainability of the development process</p>	<ul style="list-style-type: none"> • Upgrade the national labour and employment strategy • Reduction of oil dependency • Better use of water resources 	<ul style="list-style-type: none"> • VET systems better adapted to labour markets; greater capacity of the minister of labour • Renewable energy sector developed • More rationale water use 	<p>€63 (24%)</p>
<ul style="list-style-type: none"> • Develop the transport, energy and information society sector • Strengthen cooperation in science and technology 	<p>Institution building, financial stability and support for regulatory approximation</p>	<ul style="list-style-type: none"> • Reform public finance and public administration • Implement effectively the Action Plan programme 	<ul style="list-style-type: none"> • Reduced fiscal deficit; better results orientation; better allocation of financial resources and budget execution • Improved Jordanian capacity to formulate and implement national policies; good performance implementing the Action Plan 	<p>€107 (41%)</p>
Budget total				€265

Table C.2.9 Lebanon

Priority areas (Action Plan)	Priority areas of EC response strategy	Objectives	Main expected results	Budget (€million & share)
<ul style="list-style-type: none"> • Enhance political dialogue on democracy and political life • Develop and independent and impartial judiciary • Establish a comprehensive human rights strategy • Promote cross-cultural dialogue • Take further steps to guarantee freedom of the media and freedom of expression • Further promote equal treatment of women • Enhance political dialogue for a lasting settlement of the Middle East conflict • Bring the fiscal position to a sustainable basis • Improve business conditions to enhance trade, investments and jobs • Enhance Lebanon's export potential • Progressive liberalisation of trade in services • Effective management of migratory flows • Strengthen the environmental dimension of public policies • Promote sustainable development policies • Develop the transport, energy and information society sector • Strengthen cooperation in science and technology 	<p>Political reform</p>	<ul style="list-style-type: none"> • Promoting democracy and human rights • Improve the efficiency and independence of the judiciary 	<ul style="list-style-type: none"> • Increased respect for civil, political and economic rights; improved performance of civil society organisations • Improvement in prison management and detention conditions; more professional judicial system 	<p>€ 22 (12%)</p>
	<p>Social and economic reforms</p>	<ul style="list-style-type: none"> • Support the implementation of the Action Plan 	<ul style="list-style-type: none"> • Modernisation of procedures of public sector; improved delivery of public services; institutional capacity of Lebanese institutions strengthened 	<p>€86 (46%)</p>
	<p>Reconstruction and recovery</p>	<ul style="list-style-type: none"> • Local economic development • Reinvigorate small and medium enterprises affected by conflict • De-mining 	<ul style="list-style-type: none"> • Reconstruction of public local infrastructure; increase the number of municipality taking part to EU-funded projects • Job creation; easier access to financing • Unexploded ordnance and cluster bombs cleaned 	<p>€79 (42%)</p>
<p>Budget total</p>				<p>€187</p>

Table C.2.10 Moldova

Priority areas (Action Plan)	Priority areas of EC response strategy	Objectives	Expected results	Budget (€million & share)
<ul style="list-style-type: none"> • Viable solution to the Transnistria conflict • Strengthen the effectiveness and stability of institutions guaranteeing democracy and the rule of law • Ensure freedom of expression and of the media • Reinforce administrative and judiciary capacity • Resume cooperation with IFIs, foster private sector –led growth • Improve the investment climate • Improve state border management • Working towards the EU granting autonomous trade preferences • Increase fight against organised crime and human trafficking • Efficient management of migratory flows 	<p>Democratic development and good governance</p>	<ul style="list-style-type: none"> • Improve the quality of services provided by the public administration • Strengthen democracy and the rule of law • Strengthen human rights and fundamental freedoms • Improve democratic development and social stability 	<ul style="list-style-type: none"> • Develop and implement a civil service reform; plan developed for better public funds management • Improved efficiency, knowledge and integrity of the judiciary system; implementation of reform of the court system; simplified legal procedures • Increase awareness on human rights including labour standards; improved framework for freedom of expression and media • Greater capacity of research structures; improved links with EU research institutions: greater participation in exchange programme 	<p>€2.4-€73.4 (25%-35%)</p>
	<p>Regulatory reform and administrative capacity building</p>	<ul style="list-style-type: none"> • Facilitate trade, improve the investment climate and employment situation • Regulatory convergence with the EU 	<ul style="list-style-type: none"> • Reforms to promote trade and investment implemented; reforms in the employment and social area implemented • Sector-specific regulatory reform in line with the Action Plan 	<p>€31.5-€41.9 (15%-20%)</p>
	<p>Poverty reduction and economic growth</p>	<ul style="list-style-type: none"> • Make progress towards the achievement of the MDGs 	<ul style="list-style-type: none"> • Improved provision and access to health care and education services; modernised municipal and regional infrastructure 	<p>€ 83.9-€125.9 (40%-60%)</p>
Budget total				€209.7

Table C.2. 11. Morocco

Priority areas (Action Plan)	Priority areas of EC response strategy	Objectives	Main expected results	Budget (€million & share)
<ul style="list-style-type: none"> • Pursue legislative reforms and apply international human rights provisions • Enhance political dialogue on the CSFP and fight against terrorism • Negotiate an agreement to liberalise trade in goods and services • Promote FDI, growth and sustainable development • Cooperate on social policy to reduce poverty and unemployment • Support to the education and training system • Development of transport sector and interconnection with TEN-T • Development of the energy sector including integration of Maghreb countries into the EU internal electricity market • Effective management of migration flows and facilitate the movement of people within the existing structures 	<p>Social policy</p>	<ul style="list-style-type: none"> • Alleviate poverty and social exclusion • Reduce the illiteracy rate • Improve the quality of human resources • Extend universal health cover • Improve the overall quality of health care 	<ul style="list-style-type: none"> • Overall reduction of poverty; easier access to social services for vulnerable groups • Illiteracy rate reduced; education inequalities between boys and girls reduced; • Curricula are revised; primary education for all and VET widespread; • Compulsory health insurance schemes consolidated; improved governance of the health sector; medical assistance scheme set up • Improved access to health services especially by vulnerable groups 	<p>€ 296 (45%)</p>
	<p>Economic modernisation</p>	<ul style="list-style-type: none"> • Promote investment and exports • Improve workers' skills • Improve the agriculture sector • Sustainable and balanced economic development of the northern provinces • Development of landlocked rural regions • Develop the energy sector 	<ul style="list-style-type: none"> • Higher industrial investment; higher exports • Apprenticeship developed; strategic partnership between VET centres and professional associations established • Improved sector policy formulation; diversification of production; development of local labelled products • Creation of new economic activities; construction of a road • Construction, upgrading and maintenance of rural roads • Development of the gas sector and progress in reforming the electricity sector; improve energy efficiency and use of renewable resources; better oil product quality 	<p>€240 (37%)</p>

	Institutional support	<ul style="list-style-type: none"> • Attain high level of effectiveness in managing the public budget and human resources • Align to legislative and legal frameworks to the EU 	<ul style="list-style-type: none"> • Completion and implementation of the new system of pay and human resource management • Improved regulation of domestic market 	€40 (6%)
	Good governance and human rights	<ul style="list-style-type: none"> • Improve the performance of the prison and legal system • Support to democratic transition 	<ul style="list-style-type: none"> • Improved conditions of detention; reform of family law consolidated; justice for minor improved • Creation of a national history museum and of a Moroccan institute of contemporary history 	€28 (4%)
	Environmental protection	<ul style="list-style-type: none"> • Enhance environmental protection • Improve management of water resources 	<ul style="list-style-type: none"> • Reduced industrial emissions; improved air and water quality • Sewage treatment plants built; improved urban environment 	€50 (8%)
Budget total				€654

Table C.2.12. Syria

Priority areas of EC response strategy	Objectives	Expected results	Budget (€million & share)
Political and administrative reform	<ul style="list-style-type: none"> • Promoting decentralisation and local development (including interest rate subsidies for EIB loans) • Reforming and modernising the judiciary • Building capacity for human rights (linked to the creation of a national institution) 	<ul style="list-style-type: none"> • ... • ... • ... 	€30 (23%)
Economic reform	<ul style="list-style-type: none"> • Trade enhancement • Simplification of the business environment • Public finance reform • Promoting business development 	<ul style="list-style-type: none"> • Better regulated trade regime; diversified and more competitive export sectors; better enforcement of intellectual property rights • Eased procedure for doing business • ... • ... 	€60 (46%)
Social reform	<ul style="list-style-type: none"> • Reform social protection • Reform upper secondary education • Upgrade the VET system 	<ul style="list-style-type: none"> • ... • ... • ... 	€ 30 (23%)
			€130

Table C.2.13 Tunisia

Priority areas (Action Plan)	Priority areas of EC response strategy	Objectives	Main expected results	Budget (€million & share)
<ul style="list-style-type: none"> • Consolidation of reforms that guarantee democracy and the rule of law • Enhance political dialogue and cooperation in the area of democracy, human rights and fight against terrorism • Promote FDIs, growth and sustainable development • Enabling the business environment • Establish a knowledge society through better education and scientific research 	<p>Economic governance, competitiveness and convergence with the EU</p>	<ul style="list-style-type: none"> • Improve governance and make the public administration more efficient • Enable Tunisian authorities to implement all components of the NIP • Facilitate access to the EU single market 	<ul style="list-style-type: none"> • Balanced macro economic framework, improved management of public finances, increase in domestic and foreign investment, improved regulatory framework for business, efficient financial sector • Consolidation of economic integration with the EU • Electrical, electronic, mechanical & chemical sector ready to sign ACAA bilateral agreement 	<p>€180 (60%)</p>
<ul style="list-style-type: none"> • Facilitate trade in good and services trough the negotiation of FTAs • Approximation of technical regulations and standards • Development of transport sector and interconnection with TEN-T 		<p>Improved gradual employability</p>	<p>Ensure better matching between the educational and training system and the labour market</p>		Increased number of graduates and reduction of dropping out; improved decentralisation, autonomy and regional equity; better teaching and governance in university	€65 (22%)
<ul style="list-style-type: none"> • Integration of Maghreb countries into the EU internal electricity market • Effective management of migration flows • Facilitate the movement of persons within the existing structures 	<p>Sustainable development</p>	<ul style="list-style-type: none"> • Environmental upgrading of companies, implementation of the national water resource plan and improve energy efficiency • Strengthen Tunisian R&D national system 	<ul style="list-style-type: none"> • Reducing consumption of energy, water and other raw material; contribution to energy management and efficiency; improved water quality; better organisation of waste industries • Improvement in technological innovation indicators, intensified technological cooperation with EU countries 	<p>€55 (18%)</p>
<p>Budget total</p>					€300

Table C.2.14. Ukraine

Priority areas (Action Plan)	Priority areas of EC response strategy	Objectives	Expected results	Budget (€million & share)
<ul style="list-style-type: none"> • Strengthen the effectiveness and stability of institutions guaranteeing democracy and the rule of law • Ensure the democratic conduct of parliamentary and democratic elections • Ensure freedom of expression and of the media • Develop possibilities for enhancing EU-Ukraine consultations on crisis management • Enhance cooperation on disarmament and non-proliferation • Enhance cooperation on regional security, especially on the settling of the Transnistria conflict 	Democratic development and good governance	<ul style="list-style-type: none"> • Improve the quality of services provided by the public administration • Strengthen democracy and the rule of law • Strengthen human rights and fundamental freedoms • Upgrade the education and training system 	<ul style="list-style-type: none"> • Develop and implement a civil service reform; plan developed for better public funds management • Improved efficiency, knowledge and integrity of the judiciary system; implementation of reform of the court system; simplified legal procedures • Increase awareness on human rights; secured freedom of expression and media; local government structures strengthened • Greater capacity of research structures; improved links with EU research institutions: greater participation in exchange programme 	€148.2 (30%)
<ul style="list-style-type: none"> • Accession to the WTO • Gradual removal of restrictions and non-tariff barriers • Improving the investment climate • Tax reform and improved tax administration 	Regulatory reform and administrative capacity building	<ul style="list-style-type: none"> • Gradual alignment of Ukraine with EU standards • Regulatory convergence with the EU 	<ul style="list-style-type: none"> • Reforms to promote trade and investment implemented; reforms in the employment and social area implemented • Sector-specific regulatory reform in line with the Action Plan 	€197.6 (40%)
<ul style="list-style-type: none"> • Establish a constructing dialogue on visa facilitation • Gradual approximation of Ukrainian legislation • Encourage dialogue on employment issues • Full implementation of the MoU on the closure of the Chernobyl 	Infrastructure development	<ul style="list-style-type: none"> • Improve infrastructure networks and border management services 	<ul style="list-style-type: none"> • Investment projects launched by the EIB, EBRD, IFIs; environmental and social impact assessment of infrastructure projects carried out 	€494
Budget total				€494

Table C.3 Regional tables (2007-2010)

Table C.3.1 Euro-Mediterranean partnership

Priority areas (Barcelona 2005)	Priority areas of EC response strategy	Objectives	Expected results	Budget (€million & share)
<ul style="list-style-type: none"> • Strengthening democracy, promote gender equality, enhance respect of human rights and freedom of expression, and guarantee the independence of the judiciary • Enhance the security of all citizens • Intensify cooperation on illegal and legal migration • Develop the Mediterranean Strategy for sustainable Development and endorse a timetable to de-pollute the Mediterranean sea • Meet the MDGs, especially in the area of education • Act jointly against racism, xenophobia and intolerance • Strengthen dialogue between governmental and non-governmental players • Promote South-South regional integration 	<p>Justice, security and migration</p>	<ul style="list-style-type: none"> • Development of a regional civil protection system • Relaunch the peace process • Fight against organised crime, better judicial cooperation and better knowledge and management of migration flows • Consolidate and develop the network of Euro-Mediterranean foreign policy institutes • Consolidate and develop the network of Euro-Mediterranean economic institutes 	<ul style="list-style-type: none"> • Development of a stronger civil protection response • Strengthened civil society and other transnational links • Better police and judiciary cooperation, improved border management • Improved visibility of the network, organised annual conferences and thematic seminars • Monitor progress of the Mediterranean partner countries and undertake socio-economic research 	<p>€45,4 (15%)</p>
	<p>Sustainable economic development</p>	<ul style="list-style-type: none"> • Investment promotion • Improve dialogue on transport and energy issues • Further develop South-South regional integration • Improve the quality of the environment • Enhance supply of foreign and domestic financing • Development of the information society 	<ul style="list-style-type: none"> • Increased FDI volume • More integrated energy markets; more secure and open transport sector • Reinforcement of the network of the South-South FTA; full implementation of the Agadir agreement • Implementation of the Horizon 2020 road map; better implementation of the Barcelona convention • More investments • Extension of permanent research and educational networks; promotion of on-line services; develop the electronic communication sector 	<p>€199 (64%)</p>

	Social development and cultural exchanges	<ul style="list-style-type: none"> • Promote gender equality • Support information and communication • Develop people-to people contacts amongst the young (EUROMED youth) • Strengthen dialogue between cultures 	<ul style="list-style-type: none"> • Establishment of national platforms on gender issues; better women's participation in civil society • Wider awareness of the ENP; increased freedom of expression • Impact of the programme improved • Active Euromed network of intercultural dialogue 	€67 (22%)
Budget total (including the global allocation)				€342.3

Table C.3.2 Inter-regional Programme

Priority areas of EC response strategy	Objectives	Expected results	Budget (€ million & share)
Promoting reform	<ul style="list-style-type: none"> • Promote the implementation of the ENP (TAIEX component) • Improve public administration institutions (SIGMA) 	<ul style="list-style-type: none"> • Progress in the implementation of the Action Plan • Improvement in the legal and regulatory framework 	€40 (15%)
Higher education and student mobility	<ul style="list-style-type: none"> • Promote institutional cooperation in higher education • Promote student mobility 	<ul style="list-style-type: none"> • Improvement of higher education • Higher education student mobility 	€208.6 (80%)
Cooperation between local actors	<ul style="list-style-type: none"> • Closer understating, dialogue and cooperation 	Creation of lasting partnership; strengthened ties between local and regional authorities	€12 (5%)
Implementation of the ENP and SP	<ul style="list-style-type: none"> • Effective and efficient implementation of the ENP and SP 	<ul style="list-style-type: none"> • Effective and efficient action at the interregional level; Increased awareness of the ENP 	N/a
Budget total			€260.8

Table C.3.3 Eastern Regional Programme

Priority areas of EC response strategy	Objectives	Expected results	Budget (€ million & share)
Networks	<ul style="list-style-type: none"> • Transport • Energy • SME regional cooperation 	<ul style="list-style-type: none"> • Enhanced transport flows; harmonised rules • Improved energy management and infrastructure; increased operational safety; progress with reforms in the energy sector • Increased prospects for FDI; closer business linkages between SMEs 	(23%-35%)
Environment protection and forestry	<ul style="list-style-type: none"> • Sustainable use and management of natural resources 	Enhanced implementation of the EU water initiative; improved implementation and monitoring of the Kyoto Protocol	(23%-35%)
Border and migration management	<ul style="list-style-type: none"> • Enhance border, migration and asylum management system 	Establishment of regional and sub-regional cooperation mechanism	(20%-30%)
People-to-people activities	<ul style="list-style-type: none"> • Enhance cooperation between people and civil society organisations • Improve mutual understanding between citizens in the EU and partner countries 	<ul style="list-style-type: none"> • Joint trans-boundary civil society initiatives • Increased awareness of the ENP 	(10%-15%)
Land mines, explosive remnants of war	<ul style="list-style-type: none"> • Reduce the impact of landmines 	<ul style="list-style-type: none"> • Consolidate the previous EU Mine Action Strategy 	(5%-10%)
Budget total			€223.5

ANNEX D –ENP COUNTRIES AT A GLANCE

Country	Freedom Rating	Income category	Poverty headcount ratio at \$2 a day	Inequality of income distribution (Gini index)	Human Development Index ranking	Gender gap ranking	Aid (% of GNI)
<i>Algeria</i>	Not free	Lower middle income	...	...	104	108	0,4
<i>Armenia</i>	Partly free	Lower middle income	31	34	83	71	4
<i>Azerbaijan</i>	Not free	Lower middle income	33	37	101	59	2
<i>Belarus</i>	Not free	Lower middle income	2	30	67	23	0,2
<i>Egypt</i>	Not free	Lower middle income	44	34	119	120	1
<i>Georgia</i>	Partly free	Lower middle income	25	40	100	67	5
<i>Jordan</i>	Partly free	Lower middle income	7	39	90	104	5
<i>Israel</i>	Free	High income	...	39	23	36	0,4
<i>Lebanon</i>	Partly free	Upper middle income	...	...	81	...	...
<i>Moldova</i>	Partly free	Low income	46	33	116	21	6
<i>Morocco</i>	Partly free	Lower middle income	...	39	125	122	1,3
<i>Palestine</i>	Partly free	Lower middle income	...	...	103	...	25
<i>Syria</i>	Not free	Lower middle income	...	...	107	103	0,3
<i>Tunisia</i>	Not free	Lower middle income	7	40	89	102	1,4
<i>Ukraine</i>	Free	Lower middle income	5	28	78	57	0,5
<i>Source list</i>	Freedom House	OECD-DAC (2006)	World Bank (2000-2005)		UNDP (2006)	World Bank (2007)	World Bank (2005)

BIBLIOGRAPHY

Balfour R. and Missiroli Antonio, *Reassessing the European Neighbourhood Policy*, Issue paper of the European Policy Centre, June 2007.

Civil Society Letter to ENP Conference, Brussels, October 2007.

Court of Auditors, *Special Report Concerning the MEDA Programmes*, May 2006

Court of Auditors, *Special Report Concerning the Performance of Projects Financed under TACIS in the Russian Federation*, February 2006

Economisti Associati, *Assessment of budgetary resources and means in the area of development and cooperation*, commissioned by the European Parliament, August 2006.

Ecorys-NEI, *Mid-term Evaluation of the MEDA II programme*, July 2005

Emerson, M., G. Noutcheva & N. Popescu, *European Neighbourhood Policy Two Years on: Time indeed for an "ENP Plus"*, CEPS Policy Brief, March 2007.

European Commission, EuropeAid Co-operation Office, *Aid Delivery Methods: Project Cycle Management Guidelines*, Brussels, June 2006.

European Commission (2006), Directorate General for Economic and Financial Affairs, *European Neighbourhood Policy: Economic Review of ENP countries*, June 2006.

European Commission, *ENP Action Plans and Country Reports, 2005-2007*

European Commission, *ENP Progress Reports, 2006*

European Commission, *ENPI Country Assistance Programming Documents, 2007*

European Commission, *ENPI Interregional Programme: Strategy Paper (2007-2013) and Indicative Programme (2007-2010)*, 2007

European Commission, *ENPI Eastern Regional Programme: Strategy Paper (2007-2013) and Indicative Programme (2007-2010)*, 2007

European Commission, *ENPI Euro Mediterranean Partnership Programme: Strategy Paper (2007-2013) and Indicative Programme (2007-2010)*, 2007

European Commission, COM(2006)726 final, *Communication from the Commission to the Council and the European Parliament on strengthening the European Neighbourhood Policy*, December 2006, Brussels.

European Commission, COM(2007)774 final, *Communication from the Commission on a strong European Neighbourhood Policy*, December 2007, Brussels.

European Community (2006), *Regulation (EC) No 1638/2006 of the European Parliament and of the Council laying down general provisions establishing a European Neighbourhood and Partnership Instrument*, Official Journal of the European Union, November 2006.

European Parliament, *European Parliament resolution on the European Neighbourhood Policy*, January 2006

European Parliament, *Strengthening the European Neighbourhood Policy*, November 2007

General Affairs and External Relations Council (GAERC), *Strengthening the European Neighborhood Policy: Presidency Report*, June 2007

IDD and Associates, *Evaluation of General Budget Support: Synthesis Report*, May 2006

Milcher S. and Ben Slay, *The Economics of the European Neighbourhood Policy: an Initial Assessment*, April 2005

OECD - DAC , *European Community Peer Review*, Paris 2007

UNDP, *MDGs Monitor*, <http://www.mdgmonitor.org>.

United Nations, *The Millennium Development Goals in the Arab region 2005, 2006*

World Bank, *Country briefs of ECA countries*, 2007

Economisti Associati
Via Rialto 9
40124 Bologna
ITALY

Phone +39 051 6569606

Fax +39 051 6486838

E-mail main@economistiassociati.com