



# **External Evaluation of the European Neighbourhood Instrument (ENI) (2014 – mid 2017)**

**Final Report  
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## **External Evaluation of the European Neighbourhood Instrument (ENI)**

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# External Evaluation of the European Neighbourhood Instrument (ENI)

## *Final Report*

The report consists of three volumes and the executive summary.

### **EXECUTIVE SUMMARY**

Executive summary

### **VOLUME I: MAIN REPORT**

1. Introduction
2. Approach and methodology
3. Responses to the evaluation questions
4. Conclusions and recommendations
5. Annex: Intervention logics

### **VOLUME II: EVIDENCE BASE ON INDICATOR LEVEL**

1. EQ 1 on relevance
2. EQ 2 on effectiveness, impact and sustainability
3. EQ 3 on efficiency
4. EQ 4 on added value
5. EQ 5 on coherence, consistency, complementarity and synergies
6. EQ 6 on leverage

### **VOLUME III: Annexes**

1. Annex 1: Case study reports
2. Annex 2: Answers to CIR specific questions
3. Annex 3: Summary of OPC contributions
4. Annex 4: Consultation strategy
5. Annex 5: List of persons interviewed
6. Annex 6: Bibliography

## Table of Contents

<b>1</b>	<b>Introduction.....</b>	<b>1</b>
<b>2</b>	<b>Approach and methodology .....</b>	<b>1</b>
2.1	Key methodological elements.....	1
2.2	Challenges and limitations .....	2
<b>3</b>	<b>Responses to the evaluation questions .....</b>	<b>3</b>
3.1	EQ 1 on relevance.....	3
3.2	EQ 2 on effectiveness, impact and sustainability .....	10
3.3	EQ 3 on efficiency .....	16
3.4	EQ 4 on added value.....	23
3.5	EQ 5 on coherence, consistency, complementarity and synergies .....	26
3.6	EQ 6 on leverage .....	35
<b>4</b>	<b>Conclusions and Recommendations.....</b>	<b>39</b>
4.1	Overall coherence of ENI assistance .....	39
4.2	Differentiation and alignment on partner countries' needs .....	40
4.3	Effectiveness of the incentive mechanism.....	41
4.4	ENI response capacity in the face of current challenges.....	42
4.5	Coordination with EU MS and other donors .....	43
<b>5</b>	<b>Annex: Intervention logics.....</b>	<b>45</b>

## List of figures

Figure 1	Faithful ENI intervention Logic .....	45
Figure 2	Reconstructed ENI intervention logic .....	46
Figure 3	ENP 2011 Intervention Logic .....	47
Figure 4	ENP 2015 Intervention Logic .....	48

## List of acronyms and abbreviations

AA	Association Agreement
AFD	Agence Française de Développement
AOSD	Authorising Officer by Sub-Delegation
AP	Action Plan
ATA	Anti-Tax Avoidance Directive
BS	Budget Support
CBC	Cross-Border Cooperation
CC	Climate Change
CH	Switzerland
ECB	European Central Bank
CIR	Common Implementing Regulation
COEST	Working Party on Eastern Europe and Central Asia
COSCE	Council of Europe
CoTE	Centres of Thematic Expertise
CRIS	Common Relex Information System
CSO	Civil Society Organisation

DAC	Development Assistance Committee
DCFTA	Deep and Comprehensive Free Trade Areas
DCI	Development Co-operation Instrument
DG AGRI	Directorate-General for Agriculture and Rural Development
DG BUDG	Directorate-General for Budget
DG DEVCO	Directorate General for International Co-operation and Development
DG ECHO	Directorate-General for European Civil Protection and Humanitarian Aid Operations
DG ECFIN	Directorate-General for Economic and Financial Affairs
DG ECFIN	Directorate-General for Economic and Financial Affairs
DG ELARG	Former Directorate-General for Neighbourhood and Enlargement
DG HOME	Directorate-General for Migration and Home Affairs
DG NEAR	Directorate-General for Neighbourhood and Enlargement Negotiations
DG TAXUD	Directorate-General for Taxation and Customs Union
DG TRADE	Directorate-General for Trade
EAMR	External Assistance Management Report
EAMRs	External Assistance Management Reports
EBRD	European Bank for Reconstruction and Development
EC	European Commission
EDF	European Development Fund
EEA	European Economic Area
EEAS	European External Action Service
EEC	European Economic Community
EFI	External Financing Instrument
EFTA	European Free Trade Association
EIA	Environmental impact assessment
EIB	European Investment Bank
EIDHR	European Instrument for Democracy and Human Rights
EIF	European Investment Fund
ENI	European Neighbourhood Instrument
ENP	European Neighbourhood Policy
ENPI	European Neighbourhood and Partnership Instrument
EP	European Parliament
EQ	Evaluation Question
ERDF	European Regional Development Fund
EU	European Union
EUD	Delegation of the European Union
EUISS	European Union Institute for Security Studies
EUR	Euro
EU MS	EU Member States

EURATOM	European Atomic Energy Community
EUTF	EU Trust Fund
FAQ	Frequently Asked Questions
FEMIP	Facility for Euro-Mediterranean Investment and Partnership
FPI	Foreign Policy Instrument
FR	Financial Regulation
HoD	Head of Delegation
HQ	Headquarters
HR	Human rights
IcSP	Instrument contributing to Stability and Peace
IFI	International Financial Institution
INGO	International Non-Governmental Organization
IO	International Organisation
IPA	Instrument for Pre-accession Assistance
JC	Judgement Criterion
KfW	Kreditanstalt für Wiederaufbau (German development bank)
KPI	Key Performance Indicator
LAs	Local Authorities
LRRD	Linking Relief, Rehabilitation and Development
LS	Local Stakeholders
MFA	Macro-Financial Assistance
MFF	Multiannual Financial Framework
MICs	Middle-Income Countries
MIP	Multiannual Indicative Programme
MIS	Management information System
MS	Member State
MTR	Mid-Term Review
NGOs	Non-Governmental Organisations
NIF	Neighbourhood Investment Facility
ODA	Official Development Assistance
OECD	Organisation for Economic Co-operation and Development
PAR	Public Administration Reform
PFM	Public Finance Management
PPP	Public-Private Partnership
PRAG	Practical Guide
RACER	Relevance, acceptability, clarity, easiness, robustness indicators
RF	Result Framework
ROM	Results-Oriented Monitoring
SDGs	Sustainable Development Goals
SGUA	Support Group for Ukraine

SMEs	Small- and Medium-Sized Enterprises
SSF	Single Support Framework
TEU	Treaty on the European Union
TF	Trust Fund
TOR	Terms of Reference
UFM	Union for the Mediterranean
UN	United Nations
UK	United Kingdom
UNFCCC	Climate Change Framework Convention on Climate Change
USAID	United States Agency for International Development
VAT	Value-Added Tax
VET	Vocational Education and Training
WB	World Bank

## Executive summary

The evaluation of the European Neighbourhood Instrument (ENI) for the period 2014-2020 will, together with parallel evaluations of other external financing instruments (EFIs) under the multiannual financial framework (MFF) 2014-2020, feed into the required mid-term review (MTR) report of the EFIs. The MTR is required by the Common Implementing Regulation (CIR) Article 17, by end of December 2017.

### Overall assessment

**The ENI Regulation and the management by EEAS and DG NEAR of ENI programming and implementation of assistance are fit for purpose and successfully use most of the key features offered by the regulatory framework.** Consequently, the instrument enables the EU to pursue its related external policy objectives. EU internal and international experience and expertise in dealing with reform and development issues has been soundly used and responses to emerging challenges in the Neighbourhood have been creative in relation to the regulatory burden linked to the EU external assistance implementation. While **it is too early to assess effectiveness, impact and sustainability**, ENI planning and actions have been prepared in a way which promotes ownership and institution building. **ENI programmes support political and policy dialogues and significantly contribute to the special relationship with partner countries** expected from the implementation of the instrument. **ENI is mutually reinforced by IcSP, ECHO and Macro-financial assistance** (DG ECFIN) and vice versa. The link with other thematic EFIs is rather characterised by broad complementarity (EIDHR, DCI/CSO-LA). **Enhanced coordination with EU MS is progressing** with recent Joint Programming efforts and two EU Trust Funds to which ENI is contributing. **Management is found to be cost-efficient.** Financial management is sound, with several layers of control present and a low reported residual error ratio. The **M&E system ensures systematic reporting** for financial and administrative data as well as for operational results.

However, the evaluation identifies **scope for improvements**, in particular for key features of the ENI Regulation, i.e. assistance strategy, departing from EDF development narratives and size of projects, incentive-based approach, financial flexibility, internal coherence, synergy with other external actions, and coordination. Moreover, specific instruments such as ENI (but also external action overall) are constantly facing a **discrepancy between ambitions/objectives, the EU's particular interests in its Neighbourhood and available resources**. Furthermore, **the ENI**, as it has been implemented to date, **has marginalised the short-medium term crisis prevention realm which is critical in the increasingly unstable Neighbourhood to help protect the EU's vital interests**. Even when combined with other EFIs (mainly IcSP) and other tools available to EEAS and DG NEAR, this lack of sufficient coverage cannot fully be compensated.

### Main responses to the evaluation questions

#### EQ 1 on Relevance

The ENI is highly relevant in relation to the EU's objectives and the context and priorities of our neighbouring partners. EU priorities and the embedded policy framework of the ENI are not laid out in a single specific document but rather in a set of bilateral agreements, communications, conclusions and declarations of EU institutions. This particularly complex set (compared to other EFIs), which defines the ENP policy framework, somewhat hinders the clear understanding and visibility of the strategic framework by partners as well as by EUD staff. However, a broad range of tools accompanies this framework, which permits considerable flexibility and serves the principle of differentiation. Despite the fact that the ENI Regulation (n°232/2014) did not retain the full elements contained in the initial proposal submitted by the European Commission, its objectives (Article 1) and thematic priorities (Article 2) are congruent with the six core pillars of the main ENP policy document COM (2011) 303 "A new response to a Changing Neighbourhood". As a result, the Regulation ensures the responsiveness of the new Instrument to the challenges of the Neighbourhood, in line with prevailing ENP priorities when it was adopted but also following the changes introduced by the ENP Review in 2015.



Policy dialogue is an inherent feature of the ENI during implementation of assistance, thus ensuring that ENI programmes and upstream strategy and programming documents are aligned to the reform agenda of partner countries' governments, approximated to their populations' needs. In comparison to ENPI, ENI introduced new tools and adjusted those whose use continued. New or reinforced features compared to ENPI include the incentive-based approach, the principle of differentiation and the focus on country ownership and civil society. ENI thus demonstrates an adequate level of understanding of on-going challenges, emerging needs and limited capacities/political will for reform in most of the ENI partner countries.

### EQ 2 on Effectiveness, Impact and Sustainability

Since 2014, the global progress of Neighbourhood countries regarding EU fundamental values has been bleak in several countries, owing largely to the unfavourable political environment as the main cause. Reported progress differs in terms of quality in each country and even across sectors within a single country. Overall, while ENI actions have actually delivered well targeted outputs in the field of rule of law and good governance, the prospects for sustainable economic development are limited. So far, effects on growth and inclusion in the partner countries have been marginal and are likely to remain limited. However, as only very few ENI programmes have been implemented on the ground, it is too early to provide a conclusive assessment of actual results and of the extent to which ENI programmes have contributed to economic progress or improved resilience. The preparation and early implementation of ENI programmes has furthermore been extensively used by EUDs to sustain a strong policy dialogue, systematically associated to political dialogue. HQ and EUDs staff's international experience and thematic expertise were instrumental in that regard.

### EQ 3 on Efficiency

Efficiency of ENI delivery is positive in terms of procedures, processes and the ratio of administrative costs. ENPI procedures for programmed measures have continued under the ENI Regulation which has not introduced new major features in this respect. EU Budget Financial Regulations, the Common Implementing Regulation (CIR) and DG NEAR's administrative procedures and practices prevail over simplification, leaving the regulatory burden (formal and inherited from past practices) unchanged. In-house expertise was strengthened by the creation of Centres of Thematic Expertise (CoTE)<sup>1</sup> and even if all of them do not yet possess the full set of resources needed to fulfil their tasks, progress in terms of coherence between sectoral and cross-cutting assistance and in terms of quality is taking place. A number of special measures<sup>2</sup> are contributing to ENI's timely delivery so that programming and allocation timelines are accelerated and sufficient flexibility is built into the EU response. The control systems are in place and are running at all levels; monitoring and evaluation systems provide the required feedback for adjusting implementation and targeting programming, though the culture of drawing lessons and experience from evaluations is still uneven.

### EQ 4 on added value

The ENI Regulation sees the added value of the EU in the Neighbourhood mainly in cases where the key objective of EU support is alignment to EU rules and standards.<sup>3</sup> However, this "inherent" added value has become somewhat blurred by changing objectives (e.g. in the regional context but also through the principle of differentiation and strategic reorientations introduced by the ENP Review). Seen in a broader context, EU added-value (i.e. the comparative advantages in ENI programming and implementation vis-à-vis EU MS), is positively assessed based on its i) ability to provide substantial funding mainly through grants; ii) capacity to coordinate with other instruments to simultaneously address long, medium, short-term and

<sup>1</sup>CoTEs are providing services to geographical units, delegations and senior management on policy analysis, formulation and implementation. They focus on core policy objectives of DG NEAR to ensure greater effectiveness and impact of EU enlargement and Neighbourhood policies.

<sup>2</sup> This relates to projects that have been approved using specific procedures outside the usual programming phases, as highlighted in Art. 2 of the CIR: *"In the event of unforeseen and duly justified needs or circumstances, and when funding is not possible from more appropriate sources, the Commission may adopt special measures not provided for in the indicative programming documents [...]."*

<sup>3</sup> ENI Regulation, preamble 31: *"In European Neighbourhood countries, where alignment to Union rules and standards is one of the key policy objectives, the Union is best placed to deliver its support under this Regulation."*

emergency challenges; iii) capacity to mobilise in-house expertise suited for the needs and priorities within a framework consistent to EU and partner countries' mutual interests; iv) ability to value the quality of a national reform agenda and PFM by engaging in budget support, and v) political influence and policy leverage through dialogue with governments and CSOs.

However, there is still scope for reinforcing EU added value by increasing the incentives for coordination and division of labour with EU MS and donors. Though progress could be identified, ENI efforts towards Joint Programming have not succeeded to induce EU MS to shift the focus of their diplomacy and cooperation away from their national interests. EUTFs and delegated cooperation have reduced EU MS aid fragmentation by utilising their expertise and implementation capacities but decentralised management with MS needs to be mainstreamed to build the special relationship with partner countries.

#### EQ 5 on coherence, consistency, complementarity and synergies

Coherence within ENI programmes is broadly good. Nevertheless, complementarity with the relevant EFIs was too superficial to lead to the needed operational synergies which would be necessary to achieve EU objectives.

ENI internal coherence owes largely to the general compliance with the programming instructions but also to the continuous efforts of the different services (HQ, EUDs) to avoid overlaps. Furthermore, the limited geographical scope of the Instrument allows for a close follow-up by HQ. However, while coherence of programmes is mainly found in relation to the policy framework of the Regulation, operational linkages or synergies have remained rather weak. Some limited inconsistencies between bilateral and regional programmes and issues in linking cross-border programmes with the rest of ENI support have been identified.

All key aspects for stabilisation and development of partner countries are covered by the set of EFIs. However, the coverage of crisis prevention appears insufficient in the unstable context of the region. The resources allocated by IcSP in the Neighbourhood are not proportional to the on-going tensions and potential crises. ENI programmed and non-programmed measures have targeted crisis prevention only to a limited extent. Moreover, coordination and pooling of contributions has remained relatively limited overall, and absent for crisis prevention in particular. Thus, operational synergies are rather rarely observed. Conversely, coordination with EU MS was strengthened in recent years, even though they are often reluctant to further advance broad programme complementarity towards division of labour.

#### EQ 6 on leverage

It is too early to assess the extent to which ENI improved the leverage of EU resources on structural reforms, as too few ENI programmes (including umbrella ones) have actually been implemented. The results likely to be produced by budget support programmes do, however, show promise. Nevertheless, the potential leverage effect of ENI policy dialogue was hindered by multiple factors (e.g. weakness of the political systems, on-going conflicts, shifting regional alliances), with a few notable exceptions (Morocco, Georgia and Tunisia). The incentive-based approach set in the ENI Regulation does not appear to be very effective in counterbalancing political economy constraints and security measures against terrorism's rise. Reputational and non-financial incentives have not been able to compensate for the limited financial incentive (in particular for middle-income countries). In addition, high performing countries in the field of human rights and democracy are scarce in the Neighbourhood and non-performers are not even close to basic democratic standards or under too strong social and political pressure to move ahead soon – unless there are unpredictable political changes, notably in the East. This contrasted situation minimizes competition for umbrella programmes to 3-4 partners, which in turn reduces the incentive of both performers and non-performers to take further risks in terms of advancing politically sensitive reforms. In terms of financial leverage, blending within the EU Family – and to a lesser extent with IFIs and other donors – has demonstrated an effective way to mobilise additional resources. However, ENI funds pledged to EU Trust Funds have not (yet) induced the expected level of EU MS pooling of funds.

#### Conclusions

Overall, the ENI is fit for purpose and enables the EU to pursue its external policies with the Neighbourhood.

**Conclusion 1** – Overall coherence of ENI assistance is good and generally ENI programmes are well aligned to one another as well as to the overarching policy framework.

**Conclusion 2** – The focus on differentiation as a key principle of the Instrument is realistic and pragmatic.

**Conclusion 3** – Through the use of EU policy and political dialogue, ENI programmes are reasonably well aligned to country priorities.

**Conclusion 4** – The effectiveness of the incentive mechanism aiming at a special relation based on shared values of democracy and human rights is limited.

**Conclusion 5** – ENI's response capacity has improved in terms of flexibility, but is found not proportionate to the challenges being faced, in particular the prevention of crises and conflicts: Programmes are of the same magnitude as those under EDF for countries where EU interests are far less vital and pressing. In the near future, financial needs to which the EU will be called to contribute are likely to be much higher than resources made available to ENI in the present MFF: reconstruction and treating the root causes of radicalism and terrorism, among others.

**Conclusion 6** – Despite shortcomings with regard to Joint Programming and the division of labour, coordination with EU MS has improved.

### **Recommendations**

**Recommendation 1a** – The EU should consider developing further guidance on ENI assistance to reinforce coherence and promote a more balanced political/policy dialogue with partner countries. EU goals and ENI potential would gain from being better understood by partners, and thereby also contribute to enhanced ownership.

**Recommendation 1b** – The quest for complementarity between ENI and relevant thematic EFIs, MFA and ECHO could be scaled-up to ensure actions mutually reinforce each other, comprehensively cover EU priorities and reflect medium and long term planning horizons.

**Recommendation 2** – ENI should continue its focus on differentiation based on countries' needs and situation, but also by further differentiating the support provided to the EU's closest neighbours from assistance to other, more distant, parts of the world. One way could be to design more Neighbourhood specific assistance strategies based on updated theories of change that fully take into account and link stabilisation, conflict prevention and long term development. This could be associated with strengthening scenario building/forecasting capacities, preferably in close cooperation with EU MS.

**Recommendation 3** – By reinforcing their partners' capacity (both governments and CSOs) to contribute to policy dialogues, ENI could improve its ability to identify country priorities and, more importantly, population needs.

**Recommendation 4** – The incentive-based approach could be developed to reflect a set of financial incentives that goes further than the umbrella programmes and the ranges, with revised criteria for allocation (prioritising achievements in conflict prevention and stabilisation). Financial incentives foreseen under the ENI regulation could be more strongly and directly linked to the non-financial incentives to provide further and more sustainable momentum for reform.

**Recommendation 5a** – The legislative authority could consider increasing the ENI allocation of funds to avoid the marginalisation of crisis prevention<sup>4</sup> and to increase flexibility to respond to crises in the Neighbourhood. All the while without compromising directly required ENI long-term assistance for treating the root causes of instability and conflicts.

**Recommendation 5b** – The EU should devise crisis prevention strategies targeted at the Neighbourhood as a specific dimension of the ENI and further develop existing operational synergies (tighter coordination, pooling of resources and procedures) with IcSP.

**Recommendation 6** – Joint assessment and programming should continue to be rolled-out among partner countries for the 2017-2020 period.

<sup>4</sup>Unless the budget line 21 03 01 03 (Mediterranean countries – Confidence building, security and the prevention and settlement of conflicts) can be increased specifically.

## 1 Introduction

The EU multiannual financial framework (MFF) lays down the maximum annual amounts which the EU may spend in different political fields over a period of at least five years. The current MFF covers seven years: from 2014 to 2020. As part of the 2014-2020 MFF, a package of External Financing Instruments (EFIs) was adopted in 2014; one of them was the European Neighbourhood Instrument (ENI). The object of this evaluation is the European Neighbourhood Instrument using all evaluation criteria, and extended to its predecessor, the ENPI, for effectiveness.

The ENI is the main funding instrument supporting the European Neighbourhood Policy (ENP) which covers cooperation with South Mediterranean countries<sup>5</sup> and East Neighbourhood countries<sup>6</sup> either bilaterally or multi-country (in this latter case also Russia is included). It aims to encourage democracy and human rights, sustainable development and the transition towards a market economy. The implementation of ENI is managed by DG NEAR and EUR 15.4 billion have been allocated to it for the 2014-2020 MFF period.

The evaluation will assess whether the ENI is fit for purpose to deliver EU resources towards the EU's external policy, both at start of the planning period (2014) and currently, and will consider the place of the ENI – its complementarities and synergies – within the wider set of external financing instruments. Together with the other independent mid-term evaluations of each EFI, and that of the Common Implementing Regulation (CIR) and the Coherence Report, this evaluation will feed into the Mid Term Review Report (MTR) of the EFIs.

Based on the analysis of the documentation and the ToR, the evaluation team decided to elaborate four intervention logics (ILs)<sup>7</sup> to differentiate between the policy (ENP) and the instrument (ENI). This approach takes into account that the ENI is the main (but not the only) financing tool to implement ENP, including other elements such as political dialogue, trade agreements, visa related agreements and so on. The CIR as well as the EFI package has been considered as part of ENI's broader context as well.

## 2 Approach and methodology

### 2.1 Key methodological elements

#### 2.1.1 Focus of analysis

In accordance with the reconstructed intervention logic for ENI, the evaluation focused mainly on the additional features and tools introduced with the ENI Regulation. As a general rule, the situation on 1 January 2014 and ENPI and its provisions have been taken as the baseline. Evidence from the previous MFF (2007-2013) was considered to be relevant, partly to understand the origins of innovations introduced in the 2014-2020 ENI, but also to substantiate findings on issues where there was continuity between the two programming periods.

While maintaining the focus on ENI, the development of intervention logics for the ENP 2011 and its revised version of 2015 that successively constituted the pivot of the instrument's policy framework led us to add a focus on the ability of DG NEAR and EEAS to respond to emergencies and crises in the Neighbourhood. Crises during that period have included political unrest, coups d'état, a massive influx of refugees and balance-of-payments crises.

Countries bearing the most important lessons in this regard for the mid-term review are Egypt, Tunisia, Lebanon, Jordan, Georgia, Ukraine, and Moldova. The countries most affected by turmoil and crisis, Syria and Libya, are considered less relevant for this evaluation since EU cooperation with these countries mainly occurs outside the context set by the ENI Regulation (e.g. humanitarian aid). For case studies, a preliminary analysis identified five countries with differing response capacities to crises and paths towards democracy. Hence, data collection concentrated on the following countries: Egypt, Tunisia, Lebanon, Ukraine, and Georgia. Field visits covered all those countries with the exception of Lebanon.

<sup>5</sup>Algeria, Egypt, Lebanon, Libya, Jordan, Israel, Morocco, Syria, Tunisia and the occupied Palestinian territories.

<sup>6</sup>Armenia, Azerbaijan, Belarus, Georgia, Moldova and Ukraine.

<sup>7</sup>See Annex: Intervention logics.



### 2.1.2 Data collection and analysis

The evaluation of ENI is evidence-based. The EU evaluation criteria (relevance, effectiveness, efficiency, EU added value, coherence, consistency, complementarity and synergies, as well as leverage) have been applied as an underlying basis. The evaluation questions (EQs) from the Terms of Reference have given rise to a number of JCs and associated indicators. The evaluation is indicator-based.

For all EQs, data collection included various tools and methods. Priority was given to document review and interviews at HQ, in line with the methodological indications in the ToR and further guidance provided by DG NEAR and DEVCO. The following data collection activities were carried out mainly during the desk phase, but continued during subsequent phases:

- Compilation and analysis of roughly 300 DG NEAR/EEAS documents;
- Interviews with approximately 60 staff (mostly heads of unit/division and key staff) in NEAR, EEAS, Line DGs, EU MS representatives in ENI Committee;
- Questionnaire-based telephone survey with twelve (of 16) Heads of Cooperation;
- Analysis of EAMRs for the years 2013, 2014, and 2015;
- Analysis of the QSG2 quality reviews 2014 to-date;
- Results of the Joint Survey, notably the ENI-specific open questions.

The above sources were complemented during the validation phase, which focused on (i) validation of the hypotheses identified by JCs and EQs during the desk work and (ii) gathering the views of the stakeholders (national authorities, CSOs, EU MS) and EUDs as key implementers/partners of ENI programmes.

The four field missions (Egypt, Georgia, Tunisia, and Ukraine) utilised the same interview guidelines and were reported upon based on a common template.

Interviews were organised during the desk phase with relevant units of DG NEAR and EEAS, as well as other concerned EU institutions and MS. To the extent possible, interviews were attended by two senior experts of the team. Brief interview guidelines were transmitted at least two days before the meetings, in particular for telephone interviews (with EUD Heads of Cooperation, CoTEs, EU MS). A list of persons interviewed can be found in annexes (main and in country notes also).

The combination of data collection methods and techniques varies according to the different EQs and JCs. Several methods and techniques were used to collect the necessary data to assess a given JC according to the nature of the set of indicators identified. Where possible, the Evaluation Team combined the use of qualitative and quantitative data and relied both on primary and secondary data sources (EU Budget, NEAR B3) while taking into account resource and time constraints.

## 2.2 Challenges and limitations

As stated in the ToR and agreed by the consultant, the timeline of this evaluation was a challenge. The team managed to mitigate potential limitations by mobilising resources to carry out all tasks indicated in the methodology in parallel and analyse additional sources of information when available. The agreed tight schedule might have somewhat limited the depth of data treatment but was overall overcome effectively by the team.

The key limitation, which is inherent to any mid-term review, are the outputs of the Instrument (i.e. ENI programmes have only recently entered the implementation stage). Therefore, effectiveness/sustainability/impact criteria could not be assessed based on results at this stage for new (differentiation in particular) or renewed features of ENI compared to its predecessor ENPI, but were partly addressed by looking at the results of ENPI projects directly related to areas addressed by ENI projects. The evaluation team was, however, able to gain an impression of these criteria based on the quality of the action documents and, for the five case studies, the congruence of the context analysis and the EU response strategy.

Overall, the quality of the collected evidence (documentation, interviews, data and survey results) for this evaluation can be assessed as good, demonstrating a satisfactory degree of confidence regarding the various findings of this evaluation.

### 3 Responses to the evaluation questions

#### 3.1 EQ 1 on relevance

To what extent do the overall and the specific objectives (ENI Regulation, Article 1 and 2) and the design of the ENI respond to:

(i) EU priorities and beneficiary needs identified at the time the instrument was adopted (2014)?

(ii) Current EU priorities, in particular emerging from the 2015 ENP Review such as stabilisation, and beneficiary needs, given the evolving challenges and priorities in the international context (2017)?

EU priorities with regard to the European Neighbourhood Instrument (ENI) stem from its policy framework, as defined in Article 3(1), and are not set out in a single specific document but rather in a set of bilateral agreements, Communications, conclusions and declarations of EU institutions (European Parliament and Council).

This **complex set somewhat hinders the clear understanding and visibility of the strategic framework** by partners as well as by EUD staff. This is somewhat specific to ENI, as the hierarchy of documents appears to be much clearer with, the EDF, for example. That being said, the **complexity provides a broader range of available tools**, allows for considerable flexibility and thus serves the principle of differentiation.

Despite the fact that the ENI Regulation (n°232/2014) did not retain the full elements contained in the initial EC proposal, its objectives (Article 1) and thematic priorities (Article 2) are congruent with the six core pillars of COM (2011) 303 “A new response to a Changing Neighbourhood”. This document is the main policy document<sup>8</sup> that framed the preparation of the ENI Regulation. As a result, the **Regulation ensures the responsiveness of the new instrument to the challenges of the Neighbourhood in line with ENP priorities**, both before 2015 and after the adoption of a new ENP review communication in November 2015. This review responded to the need to update an approach that had become obsolete by political events in a quickly changing context. The broad and comprehensive nature of priorities listed in the Regulation, as well as the framework for programming and implementation, still ensure EU response capacity after the adoption of the ENP Review by the Council in 2015.

Article 3(2) of the ENI Regulation sets out a strong basis for enhanced alignment with partners’ needs and priorities. However, this congruence is more difficult to assess, as a country analysis of needs during the 2014-2015 period would have been necessary. Policy dialogue is an inherent feature of the ENI framework that is implemented, thus ensuring that **ENI programmes and upstream strategy and programming documents are aligned to the priorities of partner countries’ governments and their populations’ needs** (especially through the inclusion of civil society representatives). In comparison to ENPI, ENI introduced new priorities, revised those that continue to be used and introduced the incentive-based approach, the principle of differentiation and the focus on country ownership and civil society. ENI thus demonstrates an adequate level of understanding of on-going challenges, emerging needs and limited capacities/political will for reform in most of the ENI partner countries.

However, strategy and programming **documents do not usually include a risk assessment analysis that goes beyond projects or sectors**. These documents which are shared with the partner governments are largely based on the political status quo. From interviews with EEAS and DG NEAR, it appears that extensive use of geostrategic analyses (internally or externally produced) is rather exceptional in internal documents – an analysis that would aim to anticipate discontinuities and social/political changes. As a consequence, in the case of sudden political unrest, economic shock or the outbreak of a conflict, EU cooperation (EEAS and Commission alike) seems to have been taken by surprise by such events. **Forecasting multiple scenarios would seem necessary in unstable/complex environments** (and require the relevant strategic analysis capacity) so that programming could be adjusted.

<sup>8</sup> Combined with EEAS/NEAR annual Communications of implementation of the ENPI (2011, 2012, 2013)

### 3.1.1 JC11: The ENI objectives and design were initially (2014) congruent with (i) EU priorities and (ii) partner country needs and priorities

In terms of relevance, congruence of the ENI with EU priorities refers to the consistency of the Regulation with the policy framework applied to the Neighbourhood.

The European Neighbourhood Instrument's policy framework is defined in its Article 3(1)<sup>9</sup>. The ENI policy framework is thus not one specific document but a set of bilateral agreements, Communications, conclusions and declarations of several instances not limited to EU institutions (i.e. conclusions of ministerial meetings). An aggregated framework of these various sources is not available, neither to the general public nor to EEAS/EC staff. However, all of the ENI stakeholders<sup>10</sup> interviewed systematically refer to Communications adopted by the Parliament and the Council as the ENP policy framework. This focus on Communications rather than on the legal definition of ENI policy framework as defined in Article 1 of its Regulation is confirmed by the EC's dedicated website<sup>11</sup>.

Therefore, the key documents for stating objectives and priorities of the ENP are the Conclusions of the Council and the European Parliament endorsing the Communications of the Commission and EEAS. The initial objectives and priorities of the ENP conceived in 2003-2004<sup>12</sup> were mainly aiming at promoting an approximation process towards EU acquis among EU neighbours for whom accession to the EU was a priori excluded. At that time (early 2000s), most Neighbourhood countries were experiencing growth in stable institutional contexts, although they presented a widely diversified picture both between the South and East as well as further differentiations between countries within each region. The ENP was adjusted over time by several specific Communications.<sup>13</sup> In addition, the ENP is included in the larger framework of EU external policy, and is, as such, compliant to key Communications like the COM (2011) 637 final "Agenda for Change"<sup>14</sup> and more recently the EU Global Strategy<sup>15</sup>. Finally, other interventions contribute to achieve ENP objectives, such as EIB external mandate, funding from the EBRD and macro-financial assistance implemented by DG ECFIN, which demonstrates that the ENP is not strictly defined by one strategic document and is implemented through a rich but complex set of decision centres.

The Communication, "A new response", from 2011 was a turning point. It stressed the need to address new priorities emerging from the changing geopolitical landscape, fostering political dialogue and a core focus on the democratic and institutional aspects directly linked to the Arab Spring. Through this Communication, the Commission acknowledged the importance of these events, the quickly changing geopolitical context and, hence, the need to

<sup>9</sup>"The partnership and cooperation agreements, the association agreements and other existing or future agreements that establish a relationship with partner countries, corresponding Commission Communications, European Council conclusions, and Council conclusions, as well as relevant summit declarations or conclusions of ministerial meetings with the partner countries of the ENP, including in the context of the Eastern Partnership and the Union for the Mediterranean, and also relevant European Parliament resolutions, shall, while respecting the principle of ownership, constitute the overall policy framework of this Regulation for programming and implementing Union support under this Regulation".

<sup>10</sup> ENI stakeholders in this "instrument evaluation" include staff of EU institutions managing or utilising the instrument, and the partners of ENI programmes (national authorities, civil society organisations), and final beneficiaries.

<sup>11</sup>[http://ec.europa.eu/enlargement/neighbourhood/overview/index\\_en.htm](http://ec.europa.eu/enlargement/neighbourhood/overview/index_en.htm)

<sup>12</sup>COM(2003)104 final, 11.03.2003 – "Wider Europe – Neighbourhood: A new Framework for relations with our Eastern and Southern Neighbours"; COM(2003)393 final, 01.07.03 "Paving the Way for a New Neighbourhood Instrument"

<sup>13</sup> (COM(2006) 726 final – Strengthening the European Neighbourhood Policy; COM(2011) 200 – "A Partnership for Democracy and Shared Prosperity with the Southern Mediterranean" (March 2011); COM(2011) 303 "A New Response to a Changing Neighbourhood"<sup>13</sup>; A review of European Neighbourhood Policy for the Mediterranean Neighbourhood (May 2011), and also annual joint Communications learning from the result of ENP implementation country-wise (JOIN(2012) 14 final – Delivering on a new European Neighbourhood Policy ; JOIN(2014) 12 final – Neighbourhood at the Crossroads; JOIN(2015) 9 final – Implementation of the European Neighbourhood Policy in 2014).

<sup>14</sup> COM(2011) 637 final "Increasing the impact of EU Development Policy: an Agenda for Change"

<sup>15</sup> EC 2016, Shared Vision, Common Action: A Stronger Europe – A Global Strategy for the European Union's Foreign And Security Policy

adapt the ENP and align it to the altered external context. The renewed 2011 ENP had six core pillars<sup>16</sup>:

- Supporting progress towards ‘deep democracy’;
- Intensifying political and security cooperation;
- Supporting sustainable economic and social development;
- Establishing Mobility Partnerships;
- Strengthening sub-regional partnerships (East and South);
- Providing additional funding with clearer priorities – An additional EUR 1,240 million is being used to support growth and fund new initiatives, in particular collaboration with civil society and rural and regional development.

In 2014, the “European Neighbourhood Instrument” (ENI 2014-2020) replaced the ENPI. The prevailing ENP policy framework was the COM (2011) 303 with its six pillars. The Commission proposal (COM(2011) 839 final) for the ENI was issued in December 2011. The proposal acknowledged the renewed policy framework: *“The new approach calls notably for greater support to partners committed to building democratic societies and undertaking reforms, in line with the “more for more” and “mutual accountability” principles, and provides the strategic policy framework for the EU relations with the neighbours”* (COM(2011) 839 final, p.2). A number of issues related to ENPI had to be tackled by the new instrument: Application of the “more for more” principle; the complexity and length (18 months) of the programming process; its very broad thematic scope (29 cooperation areas); the partly outdated implementation provisions and lack of coherence between the external instruments; the eligibility and rules of the Cross-Border Cooperation provisions; the weak link with internal policies and instruments; and changing relations with Russia (COM(2011) 839 final, pp.2-4).

These issues were addressed through the definition of the following elements/principles:

- *“Apply the principle of “more for more” and mutual accountability in line with the new vision of the ENP, notably through specific provisions on differentiation for financial allocations and for the programming process, as required;*
- *Address the complexity and length of the programming process in order to streamline, shorten and better focus the process, especially for ENP partners that have jointly agreed with the EU strategic priorities in Action Plans or equivalent documents;*
- *Streamline the scope of the Instrument, striking a balance between flexibility of the Instrument and focus on the policy objectives and key areas of cooperation;*
- *Adapt the implementation provisions and improve coherence between the external instruments;*
- *Improve the provisions on the Cross-Border Cooperation to facilitate effective and fast implementation of the programmes;*
- *Promote closer links with EU internal instruments and policies, including by stepping up cooperation with the Commission at the programming stage and, where relevant, promote mechanisms to pool funds from internal and external headings of the EU budget;*
- *Respond to the evolving relationship with Russia by amending provisions on Russia’s eligibility for ENI funding to reflect the specific status of Russia as an EU neighbour and strategic partner.”*(COM(2011) 839 final, p.9)

The ENI Regulation (n°232/2014) adopted in 2014 after negotiations with the European Parliament and the Council has neither retained the streamlining of the scope of the Regulation (kept wide in its Article 2) nor the focus on key areas of cooperation. Specific instructions to address the complexity and length of the programming process cannot be found in the Regulation either. Improved links between EFIs were expected from the Common Implementing Regulation (CIR), and pooling funds was addressed by the revised financial regulations.

<sup>16</sup>The six pillars were defined following a review of the existing ENP as well as consultations with governments and civil society organisations from the EU and the Mediterranean region over one year. <http://collections.internetmemory.org/haeu/content/20160313172652/>; [http://eeas.europa.eu/top\\_stories/2011/250511\\_en.htm](http://eeas.europa.eu/top_stories/2011/250511_en.htm)



The ENI Regulation objectives (Article 1) and thematic priorities (Article 2) are congruent with the above six core pillars of the COM(2011) 303 “A new response”. It can be therefore concluded that ENI was a response to the challenges of the Neighbourhood consistent with ENP priorities.

Regarding congruence with partner countries’ needs and priorities in 2014, alignment is also ensured by the Article 3(2)<sup>17</sup>. For these countries, the Regulation does not indicate to which document it refers in order to define “Union policy objectives”, whether in the ENP constellation as defined in Article 3(1) or in the Regulation itself (Articles 1 and 2). For each individual partner country, ENI programmes and upstream strategy and programming documents are aligned to the priorities of the administration and the needs of the population as defined by the government’s overall policy and foreseen sector reform processes. ENI programmes are designed within dialogue platforms (which can be more or less institutionalised depending on the country), where the EU endeavours to include representatives of civil society in order for them to contribute to a structured dialogue. The ENI gave an additional momentum to the pre-existing practices of the EU regarding inclusive dialogue. (I-111; I-113)

Congruence is also pursued through policy dialogue, with a strong emphasis on its inclusiveness (i.e. structured, timely and informed consultations with CSOs). In the ENI Regulation, ownership is linked to policy dialogue. With a major pillar of the Regulation being co-ownership, the quality of the political and policy dialogue with the partner countries is key. There are multiple examples where the EU has ensured the participation of national authorities in the programming and follow-up of ENI programmes. However, overall, the results of policy dialogue in terms of congruence with partners’ needs and priorities are mixed. For instance, they are good in Georgia and Ukraine, sometimes difficult in Egypt, weak in Belarus, and understandably almost non-existent in countries with highly unstable governments (e.g. Libya, Syria). (I-1.1.1)

On several occasions, programming and implementation of ENI programmes have constituted entry points to promote and enhance policy and political dialogue (e.g. Georgia, Moldova, Morocco) and, conversely, policy dialogue has supported the launch and implementation of programmes and thus contributed to the achievement of ENI and EU objectives (see incidence on ENI leverage in EQ6).

Strategy and programming documents at country level are in line with the set of priorities stated by the ENI Regulation (Article 2) and with the needs and priorities of the partner countries. This congruence has been facilitated by: i) the long list of objectives presented in Article 2; and ii) the relative stability of the sectors of concentration, detailed in annex 2 (I-111). Moreover, the allocation of funds per sector is aligned with the objectives of the ENI Regulation. However, the recommendation of programming instructions to focus on a limited number of sectors/priorities has not always been clearly translated in the programming documents. Usually, three sectors are presented as main chapters, but within each of these sections a large number of sub-sectors and fields are defined.

Regional cooperation has responded to the ENI policy orientation and has developed a capacity to complement bilateral activities by addressing critical issues in the countries and supporting national and EU policies and action plans.

Involvement of civil society in the programming and implementation stage has become a standard process (I-113), though the EUDs (and the HQ staff when in-country) faced some difficulties to: i) find umbrella organisations able to legitimately claim that they represented

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<sup>17</sup>Article 3(2) states: “The key points of reference for setting the priorities for Union support under this Regulation and for the assessment of progress as outlined in Article 2(3) shall be: action plans or other equivalent jointly agreed documents such as the association agendas between the partner countries and the Union in bilateral and multi-lateral formats, including, as relevant, within the Eastern Partnership and the southern dimension of the ENP”. For partner countries where such agreement has not been reached, Article 3(3) applies: “Where no agreements, as set out in paragraph 1, between the Union and partner countries exist, Union support under this Regulation may be provided when it proves useful in order to pursue Union policy objectives, and shall be programmed on the basis of such objectives, taking into account the needs of the country concerned”. For these countries, the Regulation does not indicate to which document it refers in order to define “Union policy objectives”, whether in the ENP constellation as defined in Article 3(1) or in the Regulation itself (Articles 1 and 2).

civil society at large; ii) integrate government and CSOs representatives in the dialogue on development issues, and iii) organise consultations in a structured, timely and informed way. The potential for consultation differs significantly between countries, depending on the institutional context in which CSOs operate (See also sections 3.2.2, 3.6.1). While relevant quantitative information on these issues is limited, during field missions CSOs and – in most cases – national authorities acknowledged a strong EU commitment to gender equality and minority rights as well as to the promotion of human rights and the fight against corruption.

With regard to supporting environmental protection and climate action, the Rio markers indicate that more than 20% of the overall amounts committed through ENI target environment and climate change as main or significant objectives. However, to summarise evidence collected from interviews, the level of priority given to climate change and environment has not changed significantly between ENPI and ENI. This is understandable given that the ENP Review in 2015 induced a strong emphasis on stabilisation, security and migration for which mainstreaming environmental protection and climate change mitigation/adaptation was not a priority. (I-113)

A key issue confirmed by field visits and interviews is that insufficient conflict sensitivity analysis was undertaken during the preparation phase (Partnership Priorities, formulation of actions) and the absence of procedures that address short and medium term crisis prevention. As detailed in EQ3, lengthy programming and contractualisation procedures for programmed measures are not appropriate for the swift responses that are often required. Even though special measures can be launched in a matter of weeks (in certain favourable circumstances), this is the exception and not the rule. This feature is common to all EFIs with the exception of IcSP which is managed in a highly specific framework (see EQ5 for details). Programmed measures address root causes of poverty, and thus instability or crisis on the long-term, while focusing on sustainability. Non-programmed measures are used to directly respond to crises in urgent situations. The structural weaknesses and the significant crisis potential in the partner countries were either under-estimated<sup>18</sup> or neglected. (I-112)

In this context, different scenarios linked to possibly critical events (political unrest in the South and East) were not considered during the programming of ENI actions due to limited capacity to provide geostrategic and political economy analyses. Whereas there is no doubt that interventions have focused on critical issues for the partners and are thus relevant to government policies in the partner countries, there is generally no evidence that ENI actions relied on a strategic analysis of the partner countries' prospective needs and conflict sensitivity assessments. There is rather convergent evidence that the DEVCO development paradigm has not developed towards a specific narrative or theory of change for our highly diverse neighbours in Central Europe, Near-East, and the Maghreb.

### **3.1.2 JC12: The ENI objectives and design are still congruent with (i) EU priorities emerging from the 2015 ENP Review such as stabilisation and (ii) partner country priorities resulting from the evolving global and regional challenges (2016-2017)**

The renewed objectives' framework that emerged from the 2015 ENP Review has become more congruent with the evolving global and regional challenges. However, as already stated above, the ENI Regulation (and CIR) was not amended<sup>19</sup> after the adoption of the new EU policy framework under the assumption that the regulatory framework and existing set-up (including EU trust funds) was fit for assisting partner countries in facing new challenges identified by the review. The services valued an enabling, stable and foreseeable framework rather than targeted strategies.

<sup>18</sup> Every partner country is expected to make progress: *"There is, for example, a need for greater flexibility and more tailored responses for dealing with rapidly evolving partners and reform needs – whether they are experiencing fast regime change or a prolonged process of reform and democratic consolidation. (...)"* (A new response to a changing Neighbourhood, p.1); while fast regime change does not mean moving forward; it means that the political situation is changing fast (as in Libya Egypt Ukraine or Tunisia) with no implied value judgement on whether this is or not going into the direction of progress.

<sup>19</sup> That would mean co-decision and years of negotiations.

Beyond the principles of differentiation already present in the Communication COM(2007) 774 alongside with the aspects of ownership and the regional dimension, the reviewed ENP policy of 2011 stressed that the partnership would “*develop with each neighbour on the basis of its needs, capacities and reform objectives*”. The EU intended to supplement its support by an increase of committed amounts through the more-for-more principle<sup>20</sup> which is one of the key elements of the current ENI Regulation.

Currently, the EU support under the ENI provided to each partner country shall be incentive-based and differentiated in form and amounts. The incentive-based approach shall not apply for support to civil society, people-to-people contacts, support for the improvement of human rights or crisis-related support measures (ENI Regulation, Art. 4(3)). The 2015 Review stresses the need for further differentiation between partner countries and greater mutual ownership, whereas “*cooperation should be given a tighter, more relevant focus; and that greater flexibility must be sought to enable the EU and its partners to respond to ever changing needs and circumstances*”.<sup>21</sup> This emphasis on differentiation is consistent with a number of assessments that show that in the Neighbourhood partner countries have very different objectives and commitments with regard to their overall relations with the EU. While many of them move or want to move closer to the EU values and practices (for example Georgia, Ukraine, Morocco, Tunisia), other partner countries have rather taken a more diverging path (e.g. Armenia in its decision to join the Eurasian Economic Union).

The renewed hierarchy of priorities adopted with the ENP Review in 2015 can be addressed by ENI objectives and priorities as stated in the Regulation: Security reforms, mobility of people (including management of illegal migration) are indeed listed among the ENI priorities (Article 2). The reorientation of the policy framework can be addressed by adjusting the ranking of priorities in strategic documents (SSFs) and during the programming of actions. This process has already started in most partner countries with the drafting of the SSFs for the 2017-2020 period.

The new template for bilateral programming, the Partnership Priority approach, is coherent with the renewed ENP priorities, i.e. the Partnership Priorities are coherent with the renewed ENP priorities, although most of them were still at the approval stage at the time this report was drafted (exceptions include Jordan and Lebanon). The renewed approach is also coherent with the more focused approach. However, the analysis of the degree of involvement of cooperation partners at the different stages and of the alignment between ENI objectives and partner countries' priorities within the new policy framework has not been possible. (I-123)

The new set of priorities has been fully internalised by EU officials at HQ. Nevertheless, information collected at the field level indicates that this does not hold equally true at the level of the EUDs. There, the differences between ENI and ENPI are not always clear and ENI is seen as a continuation of the former instrument. (I-121) Overall, partner countries and other partners do not seem to perceive a considerable change in terms of priorities.

The 2015 review of the ENP also acknowledged a major change in the political framework for international cooperation with the transition from the Millennium Development Goals (MDGs) to the Sustainable Development Goals (SDGs). Even though direct references to SDGs are rare in recent ENI programming, there appears to be on-going progress in their integration. (I-126)

Evidence of ownership of ENI programmes by partner countries in the post-ENP Review period (i.e. 2016) is very limited in terms of the reporting documents available, also at field level. (I-127)

Stabilisation is another major focus introduced by the ENP Review. ENI responds to this focus by providing a mix of aid modalities and tools intended to respond to an increasingly unstable region:

<sup>20</sup> As the 2011 Review pointed out, “*Increased EU support to its neighbours is conditional. It will depend on progress in building and consolidating democracy and respect for the rule of law. The more and the faster a country progresses in its internal reforms, the more support it will get from the EU*”.

<sup>21</sup> Joint Communication To The European Parliament, The Council, The European Economic And Social Committee And The Committee Of The Regions – Review Of The European Neighbourhood Policy (2015)

- Programmed measures through coordinated bilateral, multi-country and cross-border cooperation programmes, addressing long-term and structural reforms across-the-board (from democracy to trade);
- A capacity to allocate funds to respond to crises outside the regular programming process, through special measures either targeted directly to the partner country or by funding EU trust funds which address the shared needs of several countries.
- An incentive scheme with umbrella programmes (each year, 10% of ENI allocations are added as a reward to the agreed envelope of the two to three best performers in terms of reforms and progress);
- Further financial flexibility was also found by utilising the envelope foreseen for reward ranges (+/-10%) of indicative multiannual budgets initially intended as an incentive mechanism additional to umbrella programmes; this change in use from a reward mechanism to a flexibility cushion readily available to DG NEAR management occurred in the face of the pressure to respond to the Ukraine crisis (2014).

In coordination with other EFIs, these new or revised features (compared to the ENPI period) contribute to a faster response capacity, more financial flexibility and agility in allocating resources and at field level to more coordination with EU MS by contributing to pool funding. (I-1.2.5)

The need for more flexibility is already considerable and is increasing or is likely to increase because of the structural instability in the Neighbourhood and owing to DG NEAR and ENI objectives, notably in the field of migration and refugees (I-122). The urgent need to stabilise the Neighbourhood and the built-in ENI developmental approach emphasise the trade-off between focusing on long term/structural issues versus focusing on more short-term oriented crisis prevention issues and flexibility/quick adaptation capacity. In early SSFs (2014-2017), long-term development prospects are prominent. Tension mitigation, conflict sensitivity analysis and short term measures are limited, somewhat disconnecting programming from the geostrategic and political context.

Overall, a limitation of the ENI Regulation in the specific context of the Neighbourhood is that the need to design and fund programmes for short and medium term strategies to prevent crises is not addressed (see also JC53). On one hand, all financial resources are needed to achieve the long term development impact, notably in middle-income countries<sup>22</sup>. On the other hand, programmed measures require some two to three years to begin implementation and special measures, even if quick (e.g. some weeks for Ukraine), can only be launched after a major crisis and corresponding political decisions.

The multiplication of crises in neighbouring countries has stimulated the use of innovative practices (EUTF) and instruments (IcSP). (I-122) Finally, while the Neighbourhood is – and will likely continue to be – unstable, no multiple strategic scenarios have been elaborated or made available to better anticipate future challenges and shocks, and to pre-design appropriate and financially proportionate responses in the framework of the existing ENI and thematic EFIs Regulations.

<sup>22</sup> Most of the Neighbourhood countries fall in this category. As a consequence, the ratio of EU aid to the beneficiary countries' GDP is relatively low in the Neighbourhood and does not exceed 0.5% in most countries. The particularly low ratios in Algeria, Azerbaijan, Belarus and Libya (all below 0.1%) can be explained by the countries' high revenues in the energy sector (mainly through oil exports and refinement). As opposed to this, EU aid represented more than 1% of the GDP in Georgia, Moldova and Palestine, with Palestine leading the list with more than 5% during the ENPI period.



### 3.2 EQ 2 on effectiveness, impact and sustainability

#### To what extent does the ENI deliver results against the instrument's objectives, and specific EU priorities?

Since 2014, **progress of the Neighbourhood regarding EU fundamental values has been bleak**. Only a few countries have managed to recover from political crises and open or frozen conflicts have been used to justify a multiplication of human rights abuses. In the field of human rights, democracy and governance, the EC has appropriately targeted activities, but the country and regional context impeded the achievement of significant results. While the ROM Annual report (2014) on ENI estimates that ENI/ENPI actions have effectively delivered well targeted outputs of good technical quality in the field of rule of law and good governance (e.g. by strengthening civil society in various countries), the prospects for sustainability are limited in several countries. **The unfavourable political environment in most Neighbourhood countries has been identified as the main cause**. Nevertheless, limited improvements and success stories exist in specific contexts or areas. These achievements are important for further advancing the European Neighbourhood's political transition process in the medium (Ukraine, Tunisia, Georgia) or longer term. (JC 21)

The results of ENI sector programmes and policy dialogue considerably differ between and within countries. Key factors for success or failure cannot be identified because of the influential impact of the geopolitical context. The mix of implementation modalities has been adjusted to the absorption capacity, PFM discipline and sector priorities. Modalities are strongly linked to the EU response to partner needs and priorities. However, the ENI objectives are very ambitious with regard to tools and flexibilities introduced by the Regulation. **Few ENI programmes have already been implemented on the ground and those that have begun are aligned on a development model close to the ENPI**. They therefore do not yet fully address the latest EU priorities (as stated by the ENP Review in 2015) and still focus on addressing the long-term root causes of underdevelopment and poverty. Newly designed ENI programmes (but not yet implemented) focus more on the renewed orientations. The most recent project formulations present 'EU policy priorities' like those adopted through the ENP Review, recent Communications on security, migration, and the EU Global Strategy and call for an integrated approach to address crises. To note, the new Partnership Priorities for Lebanon and Jordan indicate the new way forward. (JC 21)

The preparation and implementation of ENI programmes is extensively used by EUDs (closely supported by HQ for high level meetings) to sustain a **strong policy dialogue, systematically associated to political dialogue** (by EEAS). The comparative advantage of the EU in this field is fully acknowledged by the partner countries, EU MS and other donors. The degree of leadership of the partner country in the dialogue varies and depends on the expertise and the coordination capacity of the governmental body in charge of international cooperation. **Reported progress is of different quality in each country and even across sectors in a single country**. (JC22)

While international indicators of investment climate and competitiveness show that the **ENI countries remain among those with a relatively poor business environment**, several countries in the East have significantly improved their performances (in relation to AAs and DCFTAs). With regards to EU market access and related programmes, the EU has contributed to a significant extent to increased trade potential within the Southern Neighbourhood, and between ENI South and the EU.<sup>23</sup> However, the extent to which EU support has been translated into increased sub-regional trade has been limited in both Neighbourhood sub-regions. Overall, the promotion of sub-regional cooperation has not been very effective, mainly due to the lack of willingness of countries in both regions to agree on measures boosting their cooperation. In the South, the region remains one of the most fragmented in the world in terms of production, trade and economic linkage, hence the difficulty of ENPI/ENI actions to have a specific impact. (JC23)

<sup>23</sup> On average, the Southern countries trade 30% of their merchandises with the EU. Detailed trade data presented in I-215.

In both regions, limited available information as well as the **parallel support of many donors does not permit for explicitly linking EU financed projects to economic progress or resilience**. Moreover, as most of them are middle-income countries, the ENI's specific contribution is difficult to measure against national public policies. It is thus too early to evaluate the specific impact of ENI actions. Whereas it is not possible to attribute statistical improvements directly to ENI programmes, interviews with HQ, field missions, and early monitoring reports convey the conviction that the continuous financial support provided under ENPI and now ENI have improved the enabling environment and started contributing to some significant results in the most 'performing' partner countries (Georgia, Tunisia).

EU cross-cutting issues ('**EU priorities**') are referred to in the Regulation. They are grounded in the very broad regulatory framework and body of practices, EU Treaties, international commitments, etc. that prevail on ENI rationale and objectives. As such, **they are taken into account in the programming process and tend to impose themselves**. Overall, the system lacks coherence and does not fully apply the principle of differentiation, especially in the South: **EU priorities are not always partners' priorities**. The key issue is the ability and capacity of programming counterparts in the administration of partner countries to have a full understanding of ENI assistance strategy, its focuses, its flexibilities, its new opportunities, etc. They capture the proposed cooperation framework through individual contacts with EUD programme managers, and in a few high level meetings with HQ desk and senior managers. Programming and programmes' preparation under ENI is one among other duties, and it would not be reasonable to expect them to have a balanced dialogue in the absence of a comprehensive understanding of ENI objectives. (JC 24)

### 3.2.1 JC21: ENI programmes contribute towards the objectives listed in the ENI Regulation, Article 1 and 2

In the first two years of its implementation, ENI has committed roughly 31% of its total allocations (EUR 15.4 billion). Given that the total programming period is seven years, the level of commitments is assessed as appropriate. (I-624)

The objectives indicated in the ENI Regulation are relevant. In the continuity of the previous ENPI framework they are very ambitious, especially in the current context of crisis and instability that prevails in a number of countries in the Neighbourhood, both in the East and in the South. Countries have progressed at different rates, thus results vary greatly even among priority sectors, depending on specific contexts and circumstances. Overall, since the implementation of ENI programmes is only starting in many cases, they have hardly had the chance to contribute yet to the objectives listed in the Regulation. As a consequence, this evaluation focuses on general trends derived from the programming phase and results from ENPI projects when directly related to areas where ENI projects are prepared.

EU financed programmes and projects in the area of good governance and rule of law have not brought significant improvement in the recent years at country level despite receiving satisfying ratings at project level by ROM reports. The lack of progress in the Neighbourhood is evidenced by various global indices such as the Freedom in the World Reports and the World Bank's Worldwide Governance Indicators<sup>24</sup>. However, the aggregated nature of these indices hides improvements in some relevant sub-categories. For instance, all six Eastern countries have made significant efforts in increasing the institutional independence of the judiciary. With regard to fighting corruption, however, there seems to have been little palpable change in the Eastern partner countries. For the South in most cases, indices show a worsening of the situation in terms of controlling corruption, government effectiveness and rule of law. In fact, only Morocco can register significant improvements in all three fields. At the other end of the scale, Lebanon, Libya and Syria – the countries most impacted by the aftermath of the "Arab Spring" – have regressed in all fields. However, despite the significant decrease in indices, democracy in Tunisia is developing successfully, but with difficulties (I-211). Overall, reporting documents and field interviews estimate that ENI interventions have actually delivered quality outputs in the field of rule of law and good governance (e.g. by

<sup>24</sup> For more details and for an overview of performance per country, please refer to I-211 in Vol 2.

strengthening civil society in various countries), but the prospects for sustainability have remained limited and their effects will depend on political stabilisation.

In the areas of human rights, the situation is marginally better. EUD interviews show that six out of thirteen countries report improvement (Algeria, Jordan, Morocco, Palestine, Moldova and Georgia). ENI interventions in this field often clash with the national policy priorities of the different countries, with Egypt as a vivid example. In several countries, significant improvements have been achieved with the support of the EU. In Armenia for example, dialogue in the field of human rights was extended to various political fora and, in particular, within the context of the Human Rights Budget support programme signed in December 2015, which is expected to lead to improvements in the protection of human rights through the development of relevant legislation. Moldova displays a continued comparatively high standard of political freedom, and has signed an Association Agreement (AA)/Deep and Comprehensive Free Trade Area (DCFTA) which commits the country to uphold Human Rights in accordance with EU rules and standards. Progress has also been made with regard to gender equality and the integration of national minorities. Across the region, long term oriented interventions of the EC have been generally well targeted and should deliver results. These observations suggest that even though there has been little overall progress during the period under review, limited improvements and success stories exist in specific contexts or fields. In the medium to long-term, these partial achievements can prove to be crucial in further advancing the European Neighbourhood's democratic transition process, if the security situation in the region improves. (I-212)

ENI programmes focusing on migration are under preparation in all concerned countries, as is a multi-country approach going beyond the boundaries of the Neighbourhood and involving several other EFIs. The portfolio is open to funding directly by ENI or through EUTFs. It is therefore far too early for any robust findings regarding effectiveness in this area. However, some countries (Jordan, Moldova, Morocco, and Tunisia) have made significant progress in their management of migration and have improved the status and conditions of migrant workers. These improvements have been greatly helped by the establishment of EU Mobility Partnerships. The range of EU support includes the set-up of a referral centre for reintegrating returning migrants in Armenia; the critical contribution to the adoption of new legislation and to reform plan of the State Migration Service through support in capacity building and upgrading the information management systems of the institutions dealing with migration in Ukraine; the EU-Institute of Migration MIGRECO in Ukraine; the support to Tunisia under the EU Emergency Trust Fund for stability and addressing root causes of irregular migration and displaced persons in Africa. Despite clear advancements, the situation of migrants must still be considered precarious in many of the Neighbourhood countries, in particular in those with a relatively high number of immigrants and which have been affected by major political crises. (I-216)

In both regions, EU support to promote economic development and competitiveness has been extensive and financed projects usually respond to the needs of the countries. (I214, I215)

Since the global financial crisis, growth trajectories have become more differentiated between countries in both regions of the Neighbourhood, depending on the type of immediate neighbours they have and on their political stability and economic resilience. While regional stability and the establishment of sound inclusive institutions are key to socio-economic progress in the Southern Neighbourhood, the quality of public governance has become critical in the differentiation of economic performance in the two regions. In this context, EU support in the field of governance and in modernising institutions is very relevant. The EU has also been particularly effective in delivering considerable emergency financial assistance (see also EQ1 and EQ3). In the most vulnerable countries, the support has been critical to avoid recession (Tunisia) or deeper recession (Ukraine), but most importantly has helped to avoid a significant reduction of the state budget. Finally, EU support has contributed to a large extent to an increase in trade potential between ENP South and East and the EU. In the South, the specific contribution took place through the progressive implementation of (bilateral) AAs, while in the East three DCFTA agreements were signed with Ukraine, Moldova and Georgia. (I-214; I-215) While interviews with the EUD and field visits confirm that ENI has had a posi-

tive impact on the economic situation of the Neighbourhood, it is difficult to evaluate the specific impact of EU funded interventions – both emergency and programmed – on economic development in the neighbouring countries. In addition, the parallel support of many donors makes the assessment of the specific results/impacts of the ENI actions rather impossible.

### 3.2.2 JC22: ENI programmes encourage policy dialogue

The whole ENP/ENI institutional set-up is mobilised for policy dialogue, as demonstrated by interviews with EEAS and NEAR, by field missions and by EUD interviews. Evidence and findings on policy dialogue have already been extensively presented in EQ1, and the relation to leverage is discussed in EQ6.

The programming phase is a key moment for policy dialogue. The ENI Regulation does not specify the way policy dialogue has to be implemented but suggests that consultation should involve civil society beyond national authorities and that the process should be structured and meaningful (e.g. by timely sharing of information) by the EU.

The key aim for dialogue and consultation is to determine a cooperation “*differentiated in form and amounts*”, but also to find shared ways to overcome social or political barriers between EU and its partners. The ENI Regulation sets out the elements to be taken into consideration, but does not detail them. These elements have also not been translated in an operational manner in the programming instructions 2014-2020 (in their first 2013 version and their 2016 version alike). Guiding principles for improved programming are: better linking assistance programming with policy objectives, ownership by partner country government and other stakeholders, focus/concentration, synchronisation, and a comprehensive approach. These are key orientations for effectiveness but, as they have not been translated into operational guidance, EEAS and EC staff is left, to some extent, without a set of thematic and result frameworks to back them. (I-221)

At the regional level there are fora for the development of shared policies between EU and partner countries. In the South, the Union for the Mediterranean (UfM) is a functioning platform for policy dialogue, which benefits from significant political support of its members, including the EU MS. The UfM's Secretariat (partially financed by the EU) prepares the context and supports the implementation of the dialogue. Working groups, in which the EC sectoral DGs, the EU MS and the UfM partner countries participate, elaborate common policy positions which are finally approved/endorsed in relevant UfM meetings. Around 15 sectoral policy dialogues are currently engaged in the South through the UfM.

In the East, relevant fora are functioning per sector within the framework of the Eastern Partnership. Ministerial meetings decide/endorse commonly developed policies. A number of platforms/panels also function under the Eastern Partnership to support policy development on multilateral cooperation themes. However, the partners seem to be increasingly unenthusiastic to cooperate with each other.

Overall, the ENI programmes use policy dialogue as a strategic tool to achieve objectives and build on results. In numerous cases, discussions on ENI programmes have served as windows of opportunity for raising major EU concerns and taking policy dialogue to a higher level. Policy dialogue also accompanies the launch and implementation of ENI programmes. This dialogue is implemented by the EUDs (sometimes supported by HQ officials) with the competent National Authorities. Bilateral dialogue is said to be balanced, based on long-standing working relationships. For formal policy dialogue platforms, the aid effectiveness agenda calls for strong leadership in the partner country. This is rarely the case in the Neighbourhood, except to some extent for Georgia and Morocco, and increasingly Tunisia. (I-2.2.2.; I-223) Information collected during the field work hints to the fact that real leadership relies on strong or improved expertise and coordination capacity of the governmental body in charge of international cooperation.

The process of formulating sector budget support operations presents opportunities for a policy dialogue on concerned sectors (e.g. PFM or the specific sector targeted by SBS). This dialogue is not limited to the agreed sectoral theme and policies, but often also extends to the broader enabling environment (e.g. good governance, macroeconomic stability, rule of law etc.) that influences the payment of tranches.



In the framework of ENI assistance, civil society frequently participates and this is systematically promoted by the EUD. An issue raised sometimes in the South Neighbourhood is the limited legitimacy of umbrella organisations, their lack of capacity for a structured dialogue, and political/religious rationale (rather than development). In the East, these limits are not as strong and most governments are more open to dialogue with civil society. In the South, Algeria and Egypt are reluctant to integrate CSOs in policy dialogue. In countries where significant political progress has been achieved, such as Ukraine or Tunisia, field interviews confirm that ENI support to CSOs has been crucial and has helped them to consolidate their status as stakeholders in the consultation processes and in policy dialogue. (I-2.2.2)

### **3.2.3 JC23: ENI programmes enhance sub-regional, regional and European Neighbourhood-wide collaboration as well as cross-border cooperation**

The ENP Policy Framework aimed at the development of a special relationship with “*sixteen countries whose hopes and futures make a direct and significant difference to us*” (COM(2011) 303) and to provide them with a large and specific assistance in order to build, and to benefit from, a stable and prosperous “*Ring of Friends*”. One of the priorities of the policy was the promotion and the establishment of sub-regional cooperation networks in both ENP Regions, and the expansion of sub-regional trade integration. Through a number of programmes the EU has certainly contributed to the promotion of sub-regional and regional cooperation. However, it is extremely difficult to identify causality links between these activities and the real level of regional cooperation.

Difficulties in enhancing sub-regional integration are related to the increasing lack of interest demonstrated by partners to cooperate among themselves within the architecture envisioned by the ENP. The ENP East and South areas are two regional aggregations which have, to some extent, been created externally by the EU and not through an endogenous integration process. They do not rest on pre-existing regional boundaries or institutions. The consequences of such a particular status are numerous and inter-connected: Initially, these regions had very limited capacity to engage the participating countries in sustained regional cooperation or initiatives; and regional institutions are weak. Many EU supported interventions have thus targeted the establishment of regional networks or organisations, which was a sensible action as long as the corresponding objective was in line with the policy framework. However, a direct consequence of this is that the sustainability of many of these regional bodies/networks depends on the continuation of EU support. The sustainability issue of network promotion and institution-building interventions at regional level is that, whereas regional bodies are necessary to sustain the regional cooperation process, in most cases they (still) have to be funded by an external donor. This difficulty can be illustrated by the EU objective to promote trade integration within each ENP region. In both regions, centrifugal forces have remained too powerful and the cooperation has not become very effective at the regional level. However, the opportunities for partnership created by ENI (and before, ENPI) regional activities have succeeded in the establishment of a sub-regional cooperative network that could become the core of further regional integration progress in a future, more peaceful geopolitical context. (I-231)

Cross-border cooperation (CBC) promotes cooperation between EU countries and Neighbourhood countries sharing a land border or sea crossing. Most of the CBC priorities can be linked to one or more ENI framework objectives. In particular, the support to SMEs and modernisation of the economy, the interest in mobility, the improvement of cooperation in security and the support to civil society are the most recurrent matching themes. The most common priority that is not fully covered by the ENI frameworks is environmental cooperation (which is often expressed also in terms of “management of common resources”). In both regions, CBC programmes have been an effective tool to strengthen sectoral cooperation between the EU and ENP countries. (I-232)

### **3.2.4 JC24: ENI mainstreaming of EU policy priorities**

As stated in the preamble of the ENI Regulation, EU policy priorities are: Mitigation and adaptation to climate change {[19]}, Gender equality {[21]}, Rights of persons belonging to minorities {[21]}, Fight against discrimination and inequalities {[21]}, Promotion of decent work and social justice {[22]}, Ratification and implementation of internationally recognised labour

standards, including the eradication of child labour {[22]}, and Ratification and implementation of multilateral environmental agreements {[22]}.

Having been drafted before the adoption of the Regulation, the first version of the ENI programming instructions 2014-2020 convey a more limited understanding of 'cross-cutting issues'. The second version (2016) mainly focuses on the implications of the adoption of the ENP Review and does not provide additional instructions regarding mainstreaming EU policy priorities. Indications on how the EU policy priorities will be integrated into ENI programmes are neither presented in bilateral programming documents nor in the Neighbourhood Investment Facility's (NIF) strategic orientations 2014-2020.

Due to a lack of clear and comprehensive<sup>25</sup> instructions and supported by the principle of differentiation, EU policy priorities stated in the ENI Regulation are unevenly taken on board at project formulation stages. In line with the programming instructions (and previous programming practices), limited emphasis has been given to consistency with EU policy priorities. There is a significant difference between the understanding in the ENI Regulation of 'EU policy priorities' and the one applied by the services in formulating ENI programmes (even without taking into account specific national contexts and needs). CIR, as an overarching document, merely i) repeats prioritisation of cross-cutting issues that already exist in EFIs regulations, and ii) lays down technical rules of implementation but does not give any specific instructions with regards to the mainstreaming of EU policy priorities.

Despite the lack of instructions and emphasis on mainstreaming EU policy priorities, our documentation analysis shows that ENI programmes are considered relevant for and in line with EU policy priorities.<sup>26</sup> This observation is confirmed when looking at the financial data: with regards to climate change action, the EU has set the overall objective that at least 20% of its total budget should be spent on climate-related projects. ENI is on track to meet this target: a significant part of the ENI budget is committed to programmes<sup>27</sup> where climate change mitigation (21% of ENI commitments) and adaptation (22% of ENI commitments) is at least a significant objective. Gender equality is another priority to which a high share of ENI commitments (39%) are contributing to as a significant objective. On the other hand, information collected during the field phase has shown that these objectives have been challenged by the renewal of strategic priorities and the focus on security and stabilisation.

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<sup>25</sup> Guidelines EU Gender Action Plan for external assistance were adopted in 2015 and widely disseminated to EU delegations and HQs.

<sup>26</sup> Based on a sample of programmes from the five case study countries, more information can be found in Vol 2, I-241.

<sup>27</sup> Based on the EC Statistical Dashboard.

### 3.3 EQ 3 on efficiency

#### To what extent is the ENI delivering efficiently?

**Efficiency in aid delivery by the Neighbourhood Instrument is assessed positively in terms of procedures, processes and the ratio of administrative costs.** Financial control systems are in place and are effective at all levels. Monitoring and evaluation systems at project and at country level provide the required feedback on ENI programmes' implementation. EU Budget Financial Regulations, the Common Implementing Regulation (CIR) and DG NEAR's administrative procedures and practices have prevailed over simplification, leaving the regulatory burden unchanged.

**Financial management** – ENPI procedures for programmed measures and their implementation have been continued under the ENI Regulation. The key features introduced in 2014 by the ENI Regulation and CIR are improving flexibility and offering new opportunities to achieve the policy objectives. The untying of aid for Highly Indebted Poor Countries is one of the major changes introduced by CIR which helps increase overall flexibility of the instrument. Procedures and processes are, however, bound by the Financial Regulations and administrative practices set internally at DG or service level. They are geared to financial controls ensuring the safe use of resources, i.e. limiting errors (residual error rate) and fraud, sometimes without a cost-effectiveness analysis in terms of acceleration of aid delivery.

Sound financial management is amply documented and subject to several layers of checks by responsible persons (HoD, HQ) via reporting tools and templates designed at HQ. Internal audits and controls are in place and running. The key KPI for financial management for DG NEAR is the residual error rate, which is common to ENI and IPA expenditures. The actual performance of ENI (0.7%) exceeds by far the benchmark stated by the DG management plan for 2016 (2%), thus confirming the sound financial management of the Instrument (NEAR B3). (JC32)

**Control systems** – The control system is complemented by systematic risk assessments and audits, providing further assurance of sound and safe budget execution. Risk assessments have rightly been given greater emphasis by DG NEAR in the new control plan.

**Administrative management** – ENI exhibits an adequate organisational set-up and high quality in-house expertise which are considered key factors of efficiency in general and of cost-efficiency in particular. The revised internal organisation of DG NEAR is fit for purpose. In terms of procedure, the process of harmonising procedures between the former DG ELARG and DEVCO F has progressed well after the January 2015 merger, even if some difficulties remain. In the present setting, cost-efficiency of ENI management is confirmed by an administrative cost ratio<sup>28</sup> of 2.0% on 2015 commitments (2.5% in 2014). In this respect, ENI is the most cost-efficient among the geographic instruments (IPA, DCI, EDF).

In-house expertise was strengthened with the creation of Centres of Thematic Expertise (CoTE) which enhance coherence in formulating sector and thematic ENI interventions. Some CoTEs do not yet have the full set of resources needed to fulfil their initial ToRs but progress is taking place in terms of coherence between sectoral and cross-cutting assistance and in terms of quality. (JC31)

**Delivery** – Under the ENI Regulation no significant changes occurred in the time span required to finalise a decision (the benchmark is set to 47 weeks for multi-annual programming) and for the various steps of implementation (formulation, financial agreement, contracting). However, EUDs indicated that the time span for decision-making is improving.

Special measures made possible by Financial Regulations and CIR are contributing to ENI's efficiency in delivery by accelerating the implementation process for unforeseen needs. The main difference to programmed measures is that they do not need to reflect the multi-annual programming documents in place; the adoption process for Special Measures is similar to

<sup>28</sup>Administrative cost ratio does not, however, provide any information on quality of the services; staff overloading was observed across the board, with a strong link to the scope for improvement identified in programming and management of ENI programmes.

the one for Action Programmes (though often quicker); there is a Financing Agreement for SMs (as there is for AAPs). Partner countries are consulted but no formal approval from the national authorities is required by EC procedures. Special measures are not a specific or new ENI feature. Ukraine exemplifies the potential of the use of special measures, with one measure approved in two months (and two still under adoption in 2017 for a total amount of EUR 765 million) and more to come until the planned date of the return to a regular bilateral programming regime (SSF) in 2018<sup>29</sup>. Special measures do provide flexibility to the EU response and can help accelerate the programming and allocation process within the given framework of EU institutions and the ENI Committee. (JC32)

**Monitoring and evaluation** – The monitoring and evaluation (M&E) system for ENI programmes has been put in place and is functioning in-house, but cannot rely on national statistical systems for assessing results. Projects' financial management and activities (output-based) are monitored in a robust and systematic way, as demonstrated in EAMRs but are not yet sufficiently geared to assess impact in relation to EU political objectives at a strategic level. So the results cannot be discussed at political level in a meaningful way. The results-oriented monitoring (ROM) system provided 144 reports on individual projects in 2015, following a reoriented systematic result-oriented approach; if quality and depth can be uneven, they are deemed useful by project managers. There are many more management and reporting systems, from the preparation of the programme statement to the annual management plan, and AOSD (Authorising Officer by Sub-Delegation, e.g. DG NEAR) reports. This diverse set-up ensures that staff both at HQ and at country level receives the required feedback on ENI implementation. (JC33)

### 3.3.1 JC31: ENI management is administratively cost effective

Since 2015, when DG NEAR was created by merging the former DG ELARG with DG DEVCO F, ENI management has been undergoing a significant organisational and procedural restructuring process.

During the period covered by this evaluation, DG NEAR has demonstrated strong interest and capacity for improving its business processes. Firstly, DG NEAR has organised, in the broader framework of the ENP Review (2015), a consultation between HQ and EUD staff on key aspects of management of ENI resources (accelerating aid delivery, coordination with EU MS...). ENI architecture, tools and functioning mechanisms were assessed by internal working groups based on consultation with EUDs and with a focus on aligning the requirements emerging from the renewed ENP strategy. Secondly, DG NEAR has commissioned a workload analysis of the HQ units<sup>30</sup> that supported its operationalisation process. The recently (July 2016) published report provides recommendations regarding: i) the optimisation of DG NEAR, ii) its organisational redesign (as per their ToR), and iii) additional considerations (e.g. promoting common corporate identity through cultural alignment). Overall, the analysis concluded that DG NEAR's organisational structure which includes Centres of Thematic Expertise (CoTE)<sup>31</sup> is fit for purpose, implying that there are no duplications, although a few adjustments are still needed. Interviews conducted point to the importance of a number of recommendations included in the Deloitte report, notably to improve cooperation to overcome silo mentalities and the ELARG/DEVCO cultural divide. (I-313)

The internal audit system of the DGs was abandoned in 2014 in favour of a more centralised approach (the Internal Audit Service). The focus is on the effectiveness and reliability of the internal control system concerning the legality and the regularity of the underlying transactions, and on sound financial management. Another priority consists in minimising the risk of fraud through the application of effective anti-fraud measures (DG NEAR Management Plan 2016).

<sup>29</sup>A total of six Special Measures with an overall budget of EUR 765 million was adopted for Ukraine in 2014 (1), 2015 (2) and 2016 (3). Two more are planned to be adopted in 2017.

<sup>30</sup>Deloitte 2016, Assessing and optimising DG NEAR's workload distribution in all entities of HQ

<sup>31</sup>Inspired from the organisation of DEVCO in thematic directorates.



Audit plans are prepared annually by EUDs and are aggregated at HQ. The coverage ratios are 10% for NEAR B<sup>32</sup> and 5% in NEAR C<sup>33</sup> (11% for the Support Group for Ukraine – SGUA). Projects at risk are first identified through a risk assessment procedure, and then they are subjected to a more in-depth assessment which results in the programming of ROM missions, audits, evaluations or on-the-spot checks. (I-312)

Overall, the NEAR internal/external control and audit systems provide a sound framework of instructions and controls for budget allocation and execution. DG NEAR administrative costs amount to EUR 47 million or 2% of the resources committed by ENI in 2015, and EUR 58 million or 2.5% in 2014. ENI is the most cost-efficient among the geographic instruments (IPA, DCI, and EDF). The ratio of administrative costs over disbursements is respectively 3.1% for 2015 and 3.5% for 2014. In comparison with other EFIs, ENI is roughly aligned with IPA (2.8%), DCI (3.5%) and EDF (3.8%). Cost-efficiency is a basic financial indicator and it does not say much about the quantity nor the quality of the services delivered under the pressure of insufficient human resources at HQ, as in delegations.

Although no hard data is available, implementation through country systems, e.g. budget support programmes is expected to improve ENI cost-efficiency, as they typically entail lower administrative costs for the EU than previous project approach when insufficiently focused. Budget support represents 22.3% of the funds paid in 2015. However, given ENI's strategic orientation, this share is bound to increase further in the years to come, with expected positive effects on the instrument's cost-efficiency. The tendency to concentrate ENI assistance in fewer bigger projects will also contribute to increase cost-efficiency. (I-311)

### **3.3.2 JC32: Budget allocation and execution are efficient, in particular in managing the incentive-based approach and response to crises**

**Financial management** – Financial management is amply documented and subject to several layers of assurance by responsible persons (HoD, HQ) and via reporting tools and templates designed at HQ. Internal audits and controls are in place and running. The relevant KPI for financial management for DG NEAR is the residual error rate, common to ENI and IPA expenditures. The benchmark stated in the DG management plan 2016 is 2% while the actual performance is 0.7% (source NEAR B3).

Apart from Syria and Libya, which can be excluded for obvious reasons, the ENI EUDs have performed well and without major differences between the EUDs (on average, in 2013 and 2014, respectively 16 and 17 out of the total of 20 KPIs were achieved). The EUDs that did not meet a KPI were still mostly close to the benchmark. Several KPIs are linked to administrative capacity of the partner countries and therefore to political stability. Overall, budget execution is sound and has improved between 2014 and 2015 for most of the countries. The change in KPI methodology in 2015 makes it difficult to assess the evolution over the whole period under scrutiny, but it is worth noting that from 2014 to 2015 there has been a significant drop in all indicators. (I-321)

**Timeliness of ENI budget execution** – Two processes influence the timeline of ENI budget execution: i) Multiannual programming and allocations from annual planning (both requiring COM decision) and ii) the actual implementation with negotiation of financing agreements which largely depend on partner countries' procedures, capacity management and willingness. The timeline from decision to signature of the agreement with the partner country is 317 days on average for ENI decisions since 2014 (NEAR B3<sup>34</sup>). The average time between signature and first payment to the contractor is 122 days and the average length of time between a decision and the first payment is 439 calendar days or thus roughly 1.2 years. The length of the programming phase (up to decision) cannot be determined statistically from CRIS or MIS, as the start date is not known. According to interviews with DG NEAR and based on data collected from field visits the length of the process is highly variable and clearly depends on partner countries' political will and administrative capacity. The timeline for

<sup>32</sup> NEAR B – Neighbourhood South

<sup>33</sup> NEAR C – Neighbourhood East

<sup>34</sup> NEAR B3 – Finance, Contracts and Audit

programming and implementing procedures and processes is not specific to ENI; it is chiefly influenced by the Financial Regulation (FR) and to a far lesser extent by the CIR, which only has a few narrow focuses. The ENI Regulation is silent about implementation modalities, as they were defined by the financial regulations and further specified by the CIR. Interviews at HQ and with EUDs do not indicate that the regular process became specifically swifter with CIR, and, in most cases, highlight the Financial Regulation as their main point of reference. CIR/FR requirements are not systematically consistent with one another and this situation implies additional workload for the services to combine and harmonise both sets of requirements<sup>35</sup>. The report of the 2015 DG NEAR internal working group on accelerating aid delivery points to the need to optimise the use of the existing regulatory framework and to introduce some amendments: it was produced after the beginning of the implementation of the CIR and some of the proposed areas for improvement are out of the scope of FR/CIR<sup>36</sup>. Yet many of them are of a procedural nature and would require changes in FR/CIR. (I-322)

**Reward** – Umbrella programmes are the key feature of the incentive-based approach and are decided annually. Once allocated, funds are added to the bilateral envelope for annual programmes. In the case of Budget Support programmes, umbrella funding can usefully be added (top-up) to ongoing programmes to increase their level of ambition (additional funds for additional indicators/targets). EUDs in potential beneficiary countries are asked to develop two scenarios, one with and one without umbrella funds. The formulation of the pre-identified programme is launched without notable delays. Indicative financial allocations for each single support framework are given in the form of a range of not more than 20% (Article 7.2). Responses provided by 11 of the 13 EUDs interviewed who were asked<sup>37</sup> if they had noticed improvements in ENI budget allocation and execution (in particular to support the incentive based approach, responses to crisis and to their prevention) presented an extremely varied picture and provided highly differentiated statements across the Neighbourhood countries (see summary tables in Volume 2). (I-323)

**Flexibility** – Flexibility, acceleration of programming, response to emergencies/crises are the most frequent keywords used by EUDs when asked in interviews about key areas where efficiency could be improved<sup>38</sup> (see summary tables in Volume 2). Improved flexibility has been among the key features reinforced with the ENI and CIR (Article. 2(1)) regulations notably with special measures<sup>39</sup> which allow a targeted response besides programmed measures. The CIR formulation is similar to the former ENPI regulation for overall justification of “unforeseen and duly justified needs” but adds specific areas covered by special measures (transition from emergency to development, people resilience), essentially broadening their application scope. The procedure did not change significantly from the previous period. Special measures do not need to reflect the multi-annual programming documents in place; the adoption process for Special Measures is similar to the one for Action Programmes (though often quicker); there is a Financing Agreement for SMs (as there is also for AAPs). They provide more leeway for the EU to act on politically sensitive matters such as democratic governance and human rights, as they do not require a partner country’s approval in contrast to Partnership priorities or SSFs encompassing all areas of cooperation. The programme’s financing agreement is signed with the partner country. Ukraine is the best example of the use of special measures: the first special measure was adopted within a few weeks, two measures are still in the process of adoption in 2017 for a total amount of EUR 765 million,

<sup>35</sup> Also see Annex 2: Answers to CIR specific questions in Vol. 3

<sup>36</sup> Develop in-house expertise instead of relying on framework contracts, limit cooperation to focal sectors, limit the frequent changes of the regulatory framework, ensure that horizontal service keep a consistent approach and do not change their procedures, etc.

<sup>37</sup> The question was: “Do you witness improvements since 2014 in ENI budget allocation and execution, in particular to support the incentive-based approach, responses to crises and prevention of crisis?”

<sup>38</sup> The question was: “Can you please identify below key areas where efficiency should be improved?”

<sup>39</sup> CIR Article 2(1): “In the event of unforeseen and duly justified needs or circumstances, and when funding is not possible from more appropriate sources, the Commission may adopt special measures not provided for in the indicative programming documents, including measures to ease the transition from emergency aid to long-term development operations or measures to better prepare people to deal with recurring crises.” Special measures are applicable to all EFIs (i.e. not ENI-specific).

and more will come until 2018, the planned date of the return to regular bilateral programming regime<sup>40</sup>. The timeline for their implementation can therefore be adjusted to the actual urgency on the ground. Special measures, as for programmed actions, are, however limited by the available appropriations on an annual basis, which in turn is a limit on flexibility. The budget can be reshuffled, as for Ukraine in 2014 and later for other countries. There have also been transfers from other instruments in recent years.

The response to crises is a particular area that requires flexibility. Specific regimes for crises and emergency situations are available to implement ENI funds (the same as for other EFIs). The “crisis” procedure in the CIR allows for waiving standard contracting procedures “for reasons of extreme urgency”. Various ENI countries (regions) are considered to be in “crisis” situations by authorisation of the Director General. This status gives the Heads of Delegation a range of additional decision-making options, including on waiving standard procedures of procurement/grants.

The setting of +/-10% range in the multi-annual indicative budget is another mechanism used – even if not intended –to introduce more flexibility in annual allocations<sup>41</sup> among countries. Such ranges do not incur lengthy procedures, as the decision is kept at DG NEAR management level. They were extensively used to address unforeseen needs/EU international political commitments, in particular for Ukraine and Tunisia. The envelope was quickly exhausted due to high level commitments on EU contribution to those countries and the obligation to stay at least close to the lower bracket for other partner countries.

In comparison to the ENPI, the untying of aid has increased with ENI. Although the eligibility criteria introduced by ENI are already broader than those of its predecessor, major changes in that regard have also come with the CIR. The two key measures introduced by CIR for all EFIs (including ENI) are to fully untie its aid for Highly Indebted Poor Countries (aid was already untied for Least Developed Countries under ENPI) and to open EU procurements to developing countries and territories, as included in the list of ODA recipients published by the OECD-DAC which are not members of the G-20 group (e.g. practically excluding China and India, the case of South Africa having been clarified later on). Globally, ENI programmes (at decision level) are untied for 41% of the commitments, and partially un-tied for another 51%. Tied aid is limited to less than 7% of EU assistance under ENI for that period.

Finally, as demonstrated by the work of the internal working groups to the ENP Review, there are still several untapped opportunities within the regulatory framework that could be further explored to accelerate aid delivery (e.g. avoid purely administrative and unnecessary decision layers, pre-selected implementing partners, keeping the focus on the identified sectors in the non-crisis situations, etc.) and gain more flexibility (e.g. longer timeframe, more focus on sector results, innovative sector actions, multiple-scenario planning, etc.) and response capacity to crises (i.e. to create reserves).

### **3.3.3 JC33: Appropriate monitoring processes and indicators for measurement of the performance of the ENI are in place and functioning**

The main system in place to monitor ENI programmes and to inform the recent EU results Framework is the results-oriented monitoring (ROM<sup>42</sup>) at action level. Some 144 projects were monitored in 2015, mostly from the ENPI period. In addition, the end of project results reporting, also consistent with the EU Results Framework, includes data of the pre-ENI period (2013-2014). The high level of aggregation of the Results Framework, linked to indicators (level 1 in particular) and provided by international organisations, does not provide a representative picture of the specific dimensions of ENI, i.e. progress in building a special relation-

<sup>40</sup> A total of six Special Measures with an overall budget of EUR 765 million was adopted for Ukraine in 2014 (1), 2015 (2) and 2016 (3). Two more are planned to be adopted in 2017.

<sup>41</sup> Annual allocations per country are a commission decision, as multiannual allocations are indicative and defined before the adoption of the actual annual budget.

<sup>42</sup> The methodology was revisited in 2014. The new Handbook was then issued in 2015 and further updated in October 2015. See: [http://ec.europa.eu/neighbourhood-enlargement/sites/near/files/news\\_corner/monitoring-and-evaluation/20160817-rom-handbook.pdf](http://ec.europa.eu/neighbourhood-enlargement/sites/near/files/news_corner/monitoring-and-evaluation/20160817-rom-handbook.pdf); Budget support programmes are not covered by the ROM framework contract.

ship. Other monitoring and evaluation systems are in place in most EUDs but all suffer from the structural weaknesses of national systems for reporting on results and outcomes. As a consequence, it is difficult to deliver reliable assessments, in particular on impact and sustainability of EU actions. While limited in scope (only two years have been entered to date) and with a methodology to be adapted (disaggregated indicators are difficult to retrieve if at all from evaluation reports), the Results Framework is potentially an interesting tool to fill these gaps – at least for impact.

At country level, EUDs prepare an annual internal monitoring report for HQ (the External Assistance Management Report EAMR), covering implementation of the projects, financial management and administrative aspects (audit, human resources, etc.). Evaluations contribute to assess the results of EU actions, both at project and at a strategic level. Lastly, outside the NEAR M&E systems, the European Court of Auditors issues occasional performance reports on sectors, themes or instruments that are of interest for the design and implementation of ENI programmes.

The M&E system produces a large amount of reports, too many to be meaningfully handled by EUDs, EEAS and EC headquarters' staff, and its other audiences (notably the general public and stakeholders for evaluations). Structural factors limiting the learning capacity of the EU institutions associated to development policy were identified by the Up-take study (2014)<sup>43</sup> and are acted upon. Moreover, the system is slow in delivering key messages to decision-makers at corporate level. According to qualitative interviews, the learning process of decision-makers is not clearly linked to lessons learnt through the monitoring and evaluation systems. Higher level constraints (budget, regulations, coordination) and political strategies may trump lessons conveyed by the formal systems in place. (I-331)

However, since the entry into force of the ENI, EUDs did not significantly strengthen the involvement of local stakeholders in the monitoring and evaluation system (interviews DG NEAR B and C). Reporting is mostly done by EUDs internally with EAMRs and with the support of consultants for ROM missions and evaluations of projects (mainly ex-post). On the positive side, increasing the share of budget support programmes in ENI resources implies that national authorities are more prominently involved in defining and running the monitoring system of tranche indicators. (I-332)

The two key M&E products for which RACER indicators are essential to measure results at action level are the Action Document (logical framework matrices are mandatory as an annex) and the ROM reports. They are linked, as the ROM missions are supposed to use indicators set in the logical framework of the projects as well as existing baselines available from either national (statistical or administrative) systems or from other sources that need to be identified at the start of the project. The consolidated ROM ENI report for 2015 concluded that indicators often lack RACER features and are mainly focused on projects' outputs with insufficient attention given to the higher levels of outcomes and impact. This finding applies to the project approach, but the issue is even more pronounced for budget support programmes.

Umbrella programmes provide supplementary funding based on a country's progress in building deep and sustainable democracy. The ENI Regulation sets the frame for assessing a country's progress but does not provide details. Countries are assessed by the EEAS against an assessment grid agreed by the Cabinets of the specific Commissioners at the time. The grids are based on Progress reports and information collected by EUDs but the set of criteria is not publicly available (even if presented several times to the ENI Committee). The allocation is based on "progress made by partner countries in building deep and sustainable democracy, also taking into account their progress in implementing agreed reform objectives contributing to the attainment of that goal", which are issues not known for being easy to fit in pre-determined and RACER indicators. The allocation is done in close coordination between EEAS and DG NEAR, and also based on EEAS political dialogue with beneficiary countries. The flexibility given by this allocation model was praised by interviewees (in-

<sup>43</sup> Study on the uptake of learning from EuropeAid's strategic evaluations into development policy and practice (2014).



terviews EEAS, DG NEAR A, B, and C). According to EEAS, this approach suits the objectives of the incentive-based approach by concentrating the umbrella programmes on a few countries, thus increasing the financial incentives, the reputational effect and finally the leverage of ENI. Stakeholders interviewed, notably during field missions and opinions expressed during the OPC are not fully congruent with this view. Some partner countries expressed a strong opposition to the sole focus on democracy. (I-334)

### 3.4 EQ 4 on added value

**To what extent do the ENI programmes add value compared to interventions by Member States or other key donors?**

The ENI Regulation sees the added value of the EU in the Neighbourhood mainly in cases where the key objective of EU support is alignment to EU rules and standards.<sup>44</sup> This **“inherent” added value has become somewhat blurred by changing objectives** (due to changes in the regional context but also through the principle of differentiation and strategic reorientations introduced by the ENP Review).

Seen in a broader context, **EU added-value** (i.e. the comparative advantages in ENI programming and implementation vis-à-vis EU MS), **is positively assessed** based on its i) ability to provide substantial<sup>45</sup> funding mainly through grants, ii) capacity to coordinate with other instruments to address simultaneously long-term, medium-term, short-term and emergency challenges, iii) comparative advantages in mobilising expertise suited for the needs and priorities within a framework consistent to EU and partner countries' mutual interests, and iv) political influence and policy leverage through dialogue with national authorities and civil society. In addition, and this is a key driver of added value, under the ENI various aid modalities can be used in a coherent way and adjusted to the partner country's (absorption) capacity. None of these features can be achieved individually by EU MS. Their combination is unique among donors, even more so when ENI utilises innovative instruments like blending and EUTFs to mobilise additional funding and implementation capacities. (JC41)

However, **there is still scope for reinforcing EU added value by increasing the incentives for coordination and division of labour with EU MS and donors**. Despite progress and formal commitments in some countries, in most cases EU MS have not introduced major changes to readjust the focus of their diplomacy and cooperation on their national interests. While the EU has been trying to advance the division of labour agenda with EU MS, progress has been slow to date, even considering the fact that the process is rather recent.

ENI resources allocated to EUTFs are another potential incentive for reducing EU MS aid fragmentation by utilising their expertise and implementation capacities. To date, however, the Madad fund has not attracted significant resources from EU MS (many having contributed to the level required to gain the possibility to vote) and no resources at all from other donors. (JC42)

#### 3.4.1 JC41: ENI offers added value in terms of size of engagement, particular expertise, and/or particular weight in advocacy, where ENI is operating in the same field as other donors

**Overall assessment** – The ENI Regulation highlights that in the Neighbourhood, “where alignment to Union rules and standards is one of the key policy objectives, the Union is best placed to deliver [...] support” (preamble 31). In addition, the recent experience of EU MS with transition (i.e. the Eastern European countries that have recently joined the EU and had to undergo a major transition process), is seen as another important added value in this context. This “inherent” added value of the EU in the Neighbourhood is however weakened when different key objectives become the main underlying theme of cooperation. Changes in the regional context, stronger emphasis on the principle of differentiation and the reorientations introduced by the 2015 ENP Review<sup>46</sup> led to a departure from the prominence given to align-

<sup>44</sup> ENI Regulation, preamble 31: “In European Neighbourhood countries, where alignment to Union rules and standards is one of the key policy objectives, the Union is best placed to deliver its support under this Regulation.”

<sup>45</sup> If indeed ENI funding is well above what MS mobilise particularly in middle income countries, still the term “substantive” might be too strong unless the loans from EU Development banks mobilised through the NIF are taken into account. Similarly, if we look at the portfolio of EFIs in a country like Morocco, the EIB alone has a portfolio 3 times the size of the bilateral programme.

<sup>46</sup> It states that stabilisation of the Neighbourhood is the EU's main political priority, to be advanced through i) A continued focus on good governance, democracy, rule of law and human rights; ii) Enhancing economic governance, strengthening fiscal stability and supporting structural reforms for improved competitiveness and inclusive growth and social development are keys to developing a country's economic resilience; iii) Stronger cooperation

ing with EU values and standards (less prevalent in the South). Approximation only remains a key overarching objective with countries engaged in Association Agreements and DCFTAs. In other partner countries, alignment with the EU standards is retained almost only to access the EU market.

Seen in a broader context, EU added value (i.e. the comparative advantages in ENI programming and implementation vis-à-vis EU MS), is positively assessed based on i) its capacity to provide substantial and coordinated funding in a simultaneous response to long-term, medium-term, short-term and emergency challenges, ii) its comparative advantages in mobilising expertise suited for the above-mentioned needs and priorities within a framework consistent to EU and partner countries' mutual interests, and iii) its political influence and policy leverage. This assessment is confirmed by both the responses to the ENI-specific survey (13 respondents) and to the Joint survey (eight respondents). In addition, and this is a key driver of added value, under ENI various aid modalities can be used in a coherent way, and adjusted to the partner country's (absorption) capacity. None of these features can be achieved individually by EU MS. Their combination is unique among donors.

**Size and scope of engagement** – The bilateral/regional/multi-country budgets are significant and allow for engagement in policy dialogue at a higher level than EU MS bilateral interventions. Ukraine and the Madad Funds are good examples of ENI's capacity to mobilise large amounts in response to crises, and to provide EU MS with an enabling policy framework and a targeted financial and operational vehicle. The Joint Programming, promoted by the EU for all geographic EFIs, is a new feature of ENI compared to ENPI, and helps to avoid scattered interventions. EUTFs are contributing to closer relations with EU MS on cooperation with partner countries.

In addition, budget support is another unique feature of the ENI compared to most other donors, in particular for middle-income countries (MICs). Finally, combining regional, cross-border and Neighbourhood-wide programmes and initiatives—represents an EU added value in itself. The resources were repeatedly deemed insufficient by national authorities and CSOs based on their needs and expectations for stability and development.

**Expertise** – In the highly differentiated context of the EU Neighbourhood, a thorough knowledge of context, local political economy and the record of structural and sector reforms are key to aligning priorities and needs in a realistic manner. Providing acknowledged added value and credibility to policy dialogues requires a similar level of qualification and experience. In this respect, the European Commission Services and EEAS combine diversified competencies and experiences that constitute a source of added value in comparison to EU MS. There is still scope for improving the mobilisation of expertise around ENI programmes, mainly by improving the communication lines between line DGs and with EUDs. (I-411)

**Donor coordination**— In some countries and/or sectors, the EU has taken a pro-active role and has established itself as a major player in leading donor coordination (e.g. Azerbaijan, Egypt, Georgia, Moldova and Ukraine). EAMRs attest that coordination between the EU, EU MS and other donors is generally good. Broadly speaking, there is a will to seek more ambitious synergies beyond mere and simple coordination. However, the division of labour remains a challenge in multiple cases (e.g. Algeria, Azerbaijan, Belarus, Georgia, Jordan, Morocco and Ukraine).

**Policy dialogue** – Interviews with NEAR B, C and SGUA<sup>47</sup>, as well as with EEAS, confirmed that the EU is leading the political and policy dialogues in most countries and most sectors. This leadership is stronger in the East since the share of EU assistance in those middle-income countries is predominant (up to 80% of ODA), and EU grants come under better terms than the loans awarded by IFIs. The Eastern partner countries also seem less attractive for EU MS, with often only Sweden and Germany being active in development cooperation.

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on security, including security sector reform, border protection, tackling terrorism and radicalisation, and improving crisis management; and iv) Cooperation with partner countries on regular and irregular migration and mobility.

<sup>47</sup> NEAR B – Neighbourhood South; NEAR C – Neighbourhood East; SGUA – Support Group for Ukraine

The situation is more balanced in the Maghreb, with easier access to concessional rates with IFIs and a stronger presence of EU MS due to market integration and historical legacy. The EU remains a key player in the major areas of sector reforms. In the Near East, the Syrian crisis has had an impact on both the donor landscape and the share of development cooperation vs. humanitarian aid. The lead in coordination in such crisis and emergency contexts is transferred to specialised UN agencies. EU policy dialogue has been downscaled and is only likely to become more prominent as soon as progress is made along the lines of the LRRD (Linking Relief, Rehabilitation and Development) approach. (I-412)

Finally, as confirmed by field visits, leverage of policy advocacy for reform tends to increase where ENI operates together with the EBRD, EIB and EU MS, in particular in the area of support to private sector development. (I-413)

### **3.4.2 JC42: ENI programming encourages Division of Labour (focus on the EU-MS rather than other donors)**

Division of labour is promoted in the aid effectiveness agenda (and the 2007 Code of Conduct).

As an advanced form of coordination, Joint Programming is organised by the EU Joint Programming Guidance Pack. In Joint Programming, EU development partners together develop a joint strategy which responds to the partner country's national development plan and sets out the overall rationale and direction for their support. It also coordinates which sectors/areas each of them will work in, what the overall objectives for these sectors are, and gives provisional figures for their financing over the joint strategy period. A best case in the Neighbourhood is Palestine. Joint Programming is complex and not an overwhelming success particularly as capacities in MS agencies in/for middle-income countries are often very limited. Hence instructions from MS HQ do not necessarily filter down to local offices and require massive investment from the Delegations for very little returns in terms of complementarity. Bilateral banks are the most reluctant to join in and to restrict their field of action to a limited number of sectors as the principles of division of labour would require.

As a result, division of labour never really materialised in most ENI countries, although it was promoted by EUDs in partner countries. The limited progress in division of labour, presented as built in into the Joint Programming, can be illustrated by the fact that in the EU strategic framework with the Neighbourhood (SSFs), only five Eastern countries present a donor matrix in the annex of their SSF, while it is systematically foreseen in the template. The matrices, when they are presented in annex, do neither lead to a presentation of an agreed or expected division of labour, nor to a dedicated section foreseen for it. While the existing coordination set-up is presented at sector level, the reengineering induced by an improved division of labour is not indicated. Interviews during the field missions confirm that EU MS and donors are not in favour of an approach going further than coordination, although division of labour is an integral part of Joint Programming

A recent review of Joint Programming (DEVCO) concluded that for the vast majority of countries examined (including Palestine), the Joint Programming process has proven to be very valuable for the EU and Member States. This was due in particular to the closer interaction and better understanding of each donor's cooperation and of investment in a common vision.

With a view to increasing efficiency, EU MS also have the possibility to contribute to ENI by pooling their funds with the EU. Under ENI, there are at least two projects where EU MS have contributed (in Palestine and Egypt). Similar contributions for ENPI can be found as well (Palestine and Lebanon). Co-funding has been provided, such as in the case of the 2015 Special Measure on decentralisation support in Ukraine by Germany, Poland and Denmark. Compared with the ENI resources, the EU MS funds remain limited even though co-funding is becoming more and more recurrent as a vehicle to strengthen division of labour.

### 3.5 EQ 5 on coherence, consistency, complementarity and synergies

**To what extent does the ENI facilitate coherence, consistency, complementarity and synergies both internally between its own set of objectives and programmes, vis-à-vis other EFIs, and other donors?**

The **coherence internally within ENI programmes has overall been assessed as good** (an assessment which is based on the external (ROM) monitoring of ENI actions). Contributing to this has been general compliance with the programming instructions but also the continuous efforts of the different services (HQ, EUDs) to avoid overlaps.

The ENI bilateral, multi-country and cross-border (CBC) programmes have each been designed with different cooperation areas in mind and the EU makes full use of this comprehensive toolbox. However, the extent to which coherence and complementarity issues are fully exploited during implementation is not clear. Evidence from reporting tools as well as interviews (at HQ and EUD level) suggest that **coherence is mainly found in relation to the policy framework of the Regulation** (e.g. the strategic intent) rather than in operational linkages or synergies. (JC51)

There is coherence between the ENI Regulation and the actions implemented under ENI in the sense that actions are required to present expected results in line with the specific objectives of the Regulation. In the context of a radically changing Neighbourhood and the 2015 review of the ENP policy priorities, a bottom-up process framed by EUDs (meaning that actions' priorities have been based on the reform agenda/needs of partner countries), has, to a certain degree, ensured this coherence. In addition, the quality review process was found to be working and QSGs have guaranteed that **inconsistencies are spotted and corrected during the programming cycle**. (JC52)

The priorities of EU external actions are explicitly mentioned in the ENI Regulation (Article 5) and, as such, are always referred to in the high level planning and programming documents of ENI. As a result of this shared framework, **overall consistency between the EFIs is not questioned**. The EU institutions dispose of a number of inter-service consultation and coordination mechanisms (with related templates and reporting lines), backed by congruent instructions in EFIs' Regulation that ensure coordination on the specific objectives of different EFIs, and on the coherence of projects between geographic and thematic Instruments. The degree of their success varies, but in general no inconsistencies have been identified between programmes.

A gap analysis from the perspective of an unstable and increasingly tense Neighbourhood concludes that **all key aspects for stabilisation and development of partner countries are covered by the set of EFIs**: defenders of human rights, empowerment of civil society, institutional building (of national and local authorities), etc. For most of these aspects, related objectives can be found in the geographic Instrument and in related thematic Instruments. Crisis prevention is indicated as an ENI objective and particularly present in the IcSP regulation. However, even though it is sometimes very difficult to distinguish between crisis response and crisis prevention, and some response activities have become prevention activities over time and vice versa, **dedicated crisis prevention appears to be marginalised in the context of the Neighbourhood**: the resources available to the IcSP are not proportional to the on-going tensions and on-coming crises (9% of the total envelope to-date) and ENI programmed and non-programmed measures have targeted crisis prevention only to a limited extent (roughly 2% of ENI commitments). This engagement is widely insufficient regarding the state of destabilisation of the whole Neighbourhood and the risks to EU vital interests. The lack of conflict sensitivity assessments during programming and programme preparations, reinforced by procedural constraints during decision-making, leads to a prioritisation of crisis management over crisis prevention. (JC53)

In line with the above, DG NEAR is demonstrating an appreciable capacity of coordinating ENI resources with other EU external instruments. However, **the results of these efforts were found to be relatively limited in terms of operational synergies**. Pooling with other EFIs was only reported for projects where it had been explicitly foreseen in the Regulation (for example support to civil society with EIDHR and DCI/CSO-LA). Emerging needs linked to crisis prevention and response are only partly addressed (mainly by IcSP). This limits the in-



intervention capacity of thematic Instruments when they are most required, due to staff and financial shortcomings. In a different context, the Neighbourhood Investment Facility (NIF) was a primary instrument for coordination and alignment of financing institutions including, but by far not only, the EIB. The NIF supports (mainly) infrastructure projects that complement or follow the reform agenda implemented by government and supported by Sector Reform Programmes with budget support programmes. This sequencing is important, as it guarantees that instruments are used to the best of their values: grants and BS for the reform process and the harmonisation agenda (laws, regulations, policies) and loans (through the NIF and in partnership with financing institutions) for the implementation of investments that these reforms have identified as priority and for which the reformed institutional set up ensures the viability. The Trust Funds for Syria and Africa were used successfully and so were other EU instruments outside the ENI, such as Macro-Financial Assistance (MFA) (also see EQ 6). Most coordination efforts between ENI and other EFIs are made at the level of the EUDs. Coordination with other EFIs was not assessed as problematic by the HoCs. It was not identified as a key area for improvement over the past years either. In particular, **coordination with other EFIs does not lead to operational synergies significant for achieving ENI objectives.** (JC54)

EU MS participate in Joint Programming of ENI in the partner countries. All thirteen EUDs interviewed through an ENI-specific telephone survey share the view that **coordination with EU MS has been strengthened in recent years**, even though they are reluctant to further advance programme complementarity and synergies (division of labour, see also EQ4). In that sense, even if Joint Programming exercises increased in quantity, complementarity remains largely restricted to specific areas of cooperation and with limited results. (JC55)

### 3.5.1 JC51: ENI programmes are coherent and complementary with one another

Coherence and complementarity of the ENI actions/programmes with all other actions/programmes implemented in a partner country or several partner countries (regional/multi-country actions/programmes) are permanent concerns and targets of the programming processes of the Instrument. Instructions and guidelines exist not only in the general planning/programming guidance documents but also in the specific multi-annual and annual/sectoral programmes.

The most important document for coherence/complementarity is the “Instructions for the Programming of the European Neighbourhood Instrument (ENI) – 2014-2020”, adopted in 2013. The instructions aim at ensuring coherence within the ENP framework: *“The instructions set out how the programming process is organized and how the overarching policies and principles which will govern the programming for that period (in particular the proposals for a new European Neighbourhood policy, as laid down in the “A new response to a changing Neighbourhood” Communication), are to be translated into the programming process and documents.”* This framework is applied mainly to bilateral programmes, but also in annex to multi-country programmes. Programming instructions are complemented by templates of the major programming documents (SSF, MIP, CSP/RSP), but those do not foresee dedicated sections for coherence issues (even though instructions to reflect on complementarity and synergies are given in all documents).

Overall, the sections dealing with complementarity and synergies among the three types of ENI programmes remain relatively vague and very few strategies or measures are laid out as to how expected results in terms of synergies are to be achieved. This relates to the fact that programming at country level is almost exclusively focused on bilateral programmes – multi-country programmes and CBC are managed centrally and their coherence with bilateral programmes and with one another is not a main responsibility of the EUDs. Coherence and complementarity are also ensured – beyond instructions and templates – by the various layers of the programming process itself (i.e. inside EUDs between technical staff and management, between operational and political sections, and the interactions between EUDs and HQ). Furthermore, based on observations from the EAMRs and other reporting tools, measures to ensure complementarity seem to be created more in an ad hoc fashion for individual cases (be it programmes or sectors).

In the EAMRs, overall complementarity is reported to be satisfactory, even though most of the countries do not provide examples. In addition, EAMRs indistinctly refer to complementarity between bilateral, thematic and regional programmes and with other EFIs. Assessing overall coherence at project level (for bilateral programmes) is made difficult by the fact that their consistency lies with the framework of priorities agreed with the partner country, not with the overall or regional ENI objectives or the objectives of its policy framework. In that respect, the ENI-specific survey was more explicit. In the countries (10) that signed an Association Agreement, the agreement is said to be more important than the framework set in the ENI Regulation. Furthermore, the survey showed that all EUDs rank coherence among bilateral programmes very highly. Coherence with other ENI types of programmes in a given country is ranked lower, and this item is the one that received the most mixed comments. Coherence with EC line DGs whose financing extends to the Neighbourhood is rarely emphasised, but plays an important role where mentioned. Coordination can be challenging as Delegations are not always informed of decisions made in other DGs at HQ, and line DGs do not necessarily master the principles and procedures of cooperation (in particular the principle of ownership and consent by the partner government). Hence their unilateral action can expose the Delegation to embarrassing situations or, vice versa, create unrealistic expectations of EU support in partner administrations.

Interviews at HQ and during field missions convey the same picture and further evidence points to weaknesses in the coherence between bilateral and multi-country programmes. In many cases, multi-country programmes are not designed to be aligned to individual country needs and priorities. They address challenges common to all or a number of partner countries: based on priorities of the Eastern Partnership and the southern dimension of the ENP; taking into account the work carried out in the context of the Union for the Mediterranean; regional and sub-regional cooperation, primarily between two or more partner countries, including also within the framework of the Northern Dimension and Black Sea Synergy. Rather, they are conceived as complementary, in some cases with a distinctive added value to agreed priorities in bilateral programmes. Several EUD staff indicated that the activities under multi-country programmes could be better targeted if they had been more involved earlier at programming stages. The findings highlighted in the draft proposal (January 2017) of the evaluation on support to SME competitiveness in Enlargement and Neighbourhood countries insists on the need to coordinate better programming between national and regional interventions. The Evaluation of the EU support to Neighbourhood Policy issued in June 2013 also strongly pointed out the lack of coordination between regional and bilateral programs/projects.

Weak coherence is more rarely pinpointed for CBC programmes due to the fact that CBC and bilateral programmes are hardly linked to one another. CBC programmes address territorial development activities that are not impacted by the prominently sector approach of bilateral programmes – and vice versa. One key factor for lack of coordination is that the MS heading the implementing agency often demonstrates limited interest for sharing information and coordinating with EUDs.

### **3.5.2 JC52: ENI programmes are aligned with the evolving ENP policy and, where relevant, the EU development policy**

The ENI Regulation is the key document for the implementation of the instrument and is legally binding. As a consequence, its specific objectives have been directly translated into all major programming documents (MIPs, SSFs, and RSP) and are, in turn, taken up by individual action documents. The quality review process in place (QSG) ensures the action's contribution to the ENI objectives and an analysis of the relevant documents has shown that actions are indeed well aligned with the specific objectives.

In light of the above, there is coherence between the Regulation and the actions implemented under ENI in the sense that the actions are required to present expected results in line with the specific objectives of the Regulation. However, the Neighbourhood has continued to change dramatically since the Regulation was adopted and its initial objective of creating an area of shared prosperity and good neighbourly relations by focusing on medium to long term support has somehow lost its purpose. In the present situation of rampant crises, urgent solutions have to be implemented effectively in the short to medium term. Although the Regula-

tion is flexible enough and does not restrict the implementation of these emergency actions, it does not provide guiding principles and specific instructions. (I-521)

In an effort to better reflect the changes in the Neighbourhood, the ENP policy priorities were recently modified and a revised ENP was issued in late 2015. As a consequence, ENI programmes originating from the first period of the instrument's cycle (i.e. until the review of the ENP), differ from the modified ENP to some extent. That being said, in practice the expected results of typical ongoing ENI programmes (those not dealing with emergency issues or the management of crises) are not expected to be radically incoherent with the new ENP. A bottom-up process, meaning that an ENI programme's own priorities are based on the needs of partner countries in the first place, EU expertise and international experience in the second place, ensures coherence to a certain degree. In addition, the quality review process during the identification of programmes and actions guarantees that inconsistencies with the ENP, as well as with other EU policies for external cooperation or specific sectors, are spotted early on and corrected. (I-522)

EU development policy, a cornerstone of EU relations with the outside world, is constituted by a framework of several different documents (e.g. the Lisbon Treaty, European Consensus on Development, Agenda for Change, Policy Coherence for Development and others). In their entirety, they represent the policy package to which ENI has to be aligned and work as guiding instructions for the identification and approval of actions and programmes financed under ENI. In view of the drastic changes in the Neighbourhood (social, political and economic), the priorities of the partner countries, in particular in the South, have become increasingly oriented towards mere political survival by promoting inclusive growth with a focus on jobs for youth, which has been identified as a key target for preventing radicalism and social unrest. As a consequence, actions responding to these needs are almost automatically expected to produce results consistent with EU development policy priorities. (I-523)

### **3.5.3 JC53: ENI programmes are consistent with other (than ENP and development policy) EU external action policies (EFIs and EU sectoral policies)**

EU external action priorities are defined by the policy package presented in the analysis of JC52. ENI high level planning and programming documents have been found to frequently refer to these priorities, mainly because (i) they are referred to in the ENI Regulation (Article 5), but also because (ii) they provide a sound basis for the development of key axes of the ENI programming. In lower programming documents, the specific needs of partners replace the overall framework of EU external action priorities as key reference for the development of actions (also see section 3.5.1). Nevertheless, the EU external action priorities remain present through the compliance of these documents with the ENI Regulation. The quality review process of DG NEAR successfully ensures that overall coherence is guaranteed. (I-531)

As a result, overall consistency between the EFIs is not questioned. However, each EFI has a different geographic or thematic focus and therefore specific objectives naturally vary. Special efforts are thus required to ensure the complementarity of these specific objectives across EFIs active in the same region. The EU disposes of a number of exchange platforms and communication channels to ensure coordination on that matter; some operate on a permanent and regular basis, others are more ad hoc or informal. All of them are used by the EU services engaged in the Neighbourhood for developing common policy approaches, common (joint) or coordinated interventions, synergies, complementarity and coherence for enhanced results and impact, and finally for achieving the objectives of each EFI. Inter-service consultation mechanisms are key, with the most prominent being Quality Support Group meetings. But congruence between EFIs is also the responsibility of top management and, closer to the ground, of EUDs. The degree of their success varies, but a more profound assessment of their individual strengths and weaknesses would surpass the scope of this evaluation. As a result of frequent coordination, the individual EFIs are well aligned to each other (in terms of their objectives and being governed by the same overall priorities), particularly at HQ level but less so on the ground where several reinterpretations can take place according to the local context. No major discrepancies or gaps could be identified. Due to the binding nature of the ENI Regulation and the overarching CIR, this coherence automatically reaches down to its programming documents and no evidence has been found of contradictory programmes either.



However, ENI country programming does not always sufficiently reflect priorities and objectives indicated under other EFIs or policy issues of high importance to other line DGs. For example, the SSFs of Lebanon and Jordan did not reflect upon migration even though it is a focal area of DCI and also several DGs (HOME, ECHO) who are active in these countries. When the Syrian crisis led to a massive influx of refugees to these countries, this lack of attention became problematic. In general, consistency problems are most likely to arise in cases where not all interested parties (such as DG NEAR and other line DGs, EEAS, EUDs) are involved in the development of basic programming documents or where information on context, needs and capacity is only available at an aggregated level and not directly collected on the ground.

Crisis prevention is identified as an ENI objective and has gained substantial weight due to the current situation in the Neighbourhood and through the reviewed ENP's focus on stabilisation. As a consequence, the ENI faces the dilemma of maintaining the balance between its initial focus on long-term, sustainable development and the emerging need to respond to crises, social tensions and conflicts in the short-term. Most actions under the ENI encompassing a crisis prevention or tensions alleviation component are related to acute crisis and post-crisis situations and rather contribute to mitigate a potential deepening of the crisis. This is certainly a key aspect for stabilisation, for instance, through short-term (budget) support to Tunisia to help the country maintain its macro-economic stability or the support to host and refugee communities in Lebanon and Jordan, but support is delivered widely in the context of response to an outbreak of crisis. The share of ENI resources dedicated to the actual prevention of crisis, acknowledged as being the most cost-effective approach to stabilisation, is rather low. By crisis prevention we understand a flexible support to built-in capacities of societies to deal with conflicting interests without resorting to violence, extended to the management of disputes or economic crises with destabilising potentials. Even though quite a number of actions include measures to potentially prevent (further) crises, none of them actually target pre-crisis situations specifically (roughly 2% of ENI commitments).<sup>48</sup> This is not a big limitation per se, as there is a dedicated thematic instrument for crisis response and prevention, the IcSP, which works to complement ENI programmes.

IcSP has adapted procedures to act swiftly, outside a programmed approach and a formal agreement with the partner countries which is a comparative advantage in cases of urgency. As its actions last a maximum duration of 18 months, a follow-up by ENI is looked at for sustainable results. To ensure better coordination, FPI/IcSP is in constant discussion with the EUDs and usually has people at the delegations. DG NEAR can also use the IcSP for pilot projects or approaches but too rarely makes use of this possibility due to limited funds. As a matter of fact, 70% of IcSP funds are dedicated to crisis response and are only available in a crisis situation (Article 3 of the IcSP Regulation), even though no formal declaration of crisis is required. Peace-building and conflict prevention only represent 9% of the resources, parts of which are also reserved for capacity building of local actors to strengthen their early warning and response capabilities. This is the programmed part of IcSP, relating to Article 4 in the IcSP regulation. The total amount allocated to these Article 4 actions (just slightly above EUR 4 million)<sup>49</sup> is extremely small compared to the challenges faced. Despite its dedicated focus, it would thus be wrong to think that IcSP can cover crisis response and prevention all by itself and that other instruments should not contribute. There has to be a trickle-down effect: the actions of other instruments – and in particular ENI – have to develop a crisis prevention angle, especially in unstable regions.

It is sometimes difficult to distinguish between crisis response, which includes preventing the recurrence of crisis and crisis prevention per se. Some response activities have become prevention activities over time and vice versa, but all in all short and medium term crisis prevention seems marginalised in the context of the Neighbourhood. The lack of conflict sensitivity assessments (lengthiness of preparation of programmed measures and of most special measures – with such exceptions as for Ukraine in 2014) during programming and pro-

<sup>48</sup>Based on a list of projects potentially covering crisis prevention provided by NEAR B3, see I-532 in Vol. 2.

<sup>49</sup>See I-532 in Vol.2 for a table highlighting the relevant projects as identified through interviews with FPI.

gramme preparations, reinforced by procedural constraints during decision-making, leads to a prioritisation of crisis management over crisis prevention.

Similarly, the EUTF for the Syrian refugees was established in response to the economic, political and social impact of the Syrian conflict. Some of its actions do however go further than to mitigate the impacts of crises and conflicts on the population. For instance, by easing tensions that would otherwise drive to a deepening of the crisis or by helping to link relief to resilience. The situation is different for the EU Emergency TF for Africa that is focused on development of the regions of origin of the migrants to reduce the “push factor”.

Political dialogue by EEAS contributes to crisis prevention if used as a warning system by governments but mostly with no related actions by EC assistance. The mechanism is in place but information available is insufficient to conduct a detailed assessment. (I-532, I-533 and I-534)

### **3.5.4 JC54: ENI programmes complement and stimulate synergies with other external action financing instruments**

DG NEAR is demonstrating an appreciable capacity for coordinating ENI resources with other EU external instruments to provide a unified response to partner countries’ needs, even if unforeseen. However, the results of these efforts were found to be relatively limited in terms of operational synergies, in particular with regard to the pooling of contributions. Many actions from thematic EFIs are short-term and would benefit from more long-term support through ENI programmes. This is particularly important for IcSP actions. Pooling with thematic EFIs was only reported for projects where it had been explicitly foreseen in the Regulation. Examples mentioned during the interviews are EIDHR and DCI/CSO-LA and, as such, are linked to the support to civil society which is specifically referred to in several articles of the ENI Regulation. The rigidity of the initial financial and human resource allocations between EFIs working in the Neighbourhood limits the capacity to adapt EU responses to fast changing situations that require imaginative solutions with reasonable transaction costs (flexibility cushion, EUTFs).

With regard to other EFIs, a shared common regulatory background (among others, the Better Regulation Guidelines, the CIR, Financial Regulation) as well as a shared framework in EU development policy ensures an overall level of complementarity. This stems chiefly from the specific focus of thematic EFIs (thematic sub-areas), the character of the activities (e.g. emergency actions), the specific categories of the beneficiaries (e.g. CSOs and LAs in the case of DCI, human rights defenders with EIDHR) and the coordination activities implemented at both HQ and EUD level. This legal and broad complementarity is coherent with the EU’s ‘theory of change’ for development but not necessarily with the reinforced attention to stabilisation in the Neighbourhood.

Most coordination efforts between ENI and the other EFIs are made at the level of the EUDs which have the mandate to design the bilateral ENI actions/programmes. EUDs play a key role in coordinating the EFIs: In countries where there is personnel working solely on a specific EFI, coordination with the EUD takes place on a day-to-day basis (usually sharing premises). In countries where there is no such “EFI staff”, the EUD is tasked with working on these instruments by itself (programming and implementation management/ monitoring). In several cases, a pooling of funds for a single call for proposals between ENI and DCI/CSO-LA was set up since both instruments share a very similar approach in their support to civil society.

The need for EU macro-financial support is at an exceptionally high level due to the ongoing geopolitical and economic instability in the Neighbourhood. Consequently, the MFA is considered as a major instrument in the EU’s external action toolbox (e.g. by all HoCs interviewed in the ENI-specific telephone survey). This is further evidenced by the fact that the EC is planning to quadruple the MFA’s lending capacity from EUR 500 million to EUR 2 billion. DG ECFIN cooperates very actively with DG NEAR when formulating and designing an operation. As a result, the ENI strategy framework is taken into consideration, and to the extent allowed by the macroeconomic objectives, conditions are worked out to also serve key objectives of sector reform sought by ENI programmes and policy dialogue. (I-541 and I-543)

Similarly, DG ECHO works closely with DG NEAR (ENI) for the humanitarian response to crises and conflicts. Increasing attention is provided to coordinating an EU development portfolio with ECHO projects, notably by having the EUD and the ECHO offices in the same premises. Joint Humanitarian and Development Frameworks have been developed in Jordan and Lebanon in an attempt to ensure an appropriate division of labour between the ENI and the humanitarian budget lines. Also DG ECHO acts on a wider spectrum of activities along the LRRD continuum, with the intention to close the gap with the ENI development priorities. A section of ECHO action proposals is dedicated to coordination with development actors and programmes.

Despite this generally positive assessment, coordination (with EFIs) rarely goes beyond more or less formal complementarity and, at best, co-funding of actions targeting the same beneficiaries by two or more instruments. Being mutually reinforcing is then left to the long term perspective, if and when programmes will have achieved their expected results. IcSP stands as an exception, with strong complementarity with ENI programmes. (I-542) The broad framework is moreover constantly facing a discrepancy between ambitions/objectives and available resources (for external action overall and each Instrument in particular). From exchanges among other evaluation teams in charge of thematic EFIs it becomes evident that a structural shortage of resources forces a focus on the individual objectives of thematic EFIs rather than on synergies with geographic Instruments. The 2014-2020 global allocation for external actions does not facilitate the complementarity between Instruments and thus the comprehensiveness of EU response and the sustainable stabilisation of the Neighbourhood.

Coherence with the ENI is not specifically addressed in the individual regulations, but in various programming documents of both EIDHR and DCI/CSO-LA. Even more, both have been particularly designed to be complementary to geographic instruments, which is their added value. This view is confirmed in the joint survey where seven out of eight EUDs positively assessed overall coherence with other EFIs, naming chiefly IcSP and EIDHR but also DCI/CSO-LA. This statement is also confirmed by the ENI-specific survey, at least in the sense that complementarity between EFIs was not perceived as an area with major problems according to the HoCs. In general, the ENI was providing broad support encompassing all sectors, whereas other EFIs specialised on more specific issues within their focal sector ("niches" in the ENI context where ENI funds are much higher than those of thematic EFIs). Challenges arose conversely in some sectors, such as migration, for example, where the number of different implementing tools involved made EU support appear fragmented in the eyes of partners. Furthermore, even though coordination with EFIs was not seen as a problematic topic by the HoCs, it was not identified as a key area of improvement over the past years either.

Complementarity with the EIB (and EBRD) was indicated as an important dimension of the ENI programming instructions (2013). The EIB operates extensively in the ENI region, mainly in the sectors of private sector/business development, transport infrastructure and environment. In the East, there are many individual EIB actions, whereas in the South EIB actions are channelled through the Facility for Euro-Mediterranean Investment and Partnership (FEMIP), an overarching support fund managed by the EIB. Coordination with the EIB (and also KfW and AFD) is mentioned in the ENI programming instructions mainly related to innovative financing (blending), especially through the NIF. Delegations are prompted to identify ways and sectors where the NIF (and subsequently the EIB) could be used to support or complement bilateral priorities during their programming. This is taken up in the individual programming documents (SSFs, APs), where reference is made to the need to seek complementarities and synergies with EIB actions. On the EIB side, complementarity with ENI programmes is one of the guidelines for actions under the "code of conduct".

In most cases, complementarity between bilateral programmes and EIB actions appears to be ensured chiefly by their different orientation. The Bank's activities mainly focus on large-scale infrastructure projects (e.g. the modernisation of railways in Moldova or the support to the reconstruction and upgrading of highways in Georgia), or other financially demanding projects (such as related to private sector development, SMEs, energy efficiency and climate change) which contribute to the overall stability and prosperity of the region. More attention was provided in recent years on coordinating EUDs and EIB offices on the ground through

frequent formal and informal contacts. The tendency is to share the same offices to deepen coordination and complementarities. The NIF channels ENI funds (specific annual decisions), which permit leveraging even larger funds. This is a useful tool often utilised by the EIB in this regard. Bilateral programmes on the other hand focus rather on supporting the partner government's agenda or on increasing the capacity of stakeholders in a particular sector. (I-544)

### **3.5.5 JC55: ENI programmes complement and stimulate synergies with interventions of EU MS and other donors**

The EU Member States are active in supporting the implementation of the policy objectives of the EU in the ENI region by providing funds (as per their financial capabilities and their foreign affairs focus) but also by their political and “technical” insights to the competent EU Services DG NEAR, EEAS and EUDs. The EU MS are consulted through the ENI committee at headquarters (policy making and programming of the ENI actions/ programmes in the sub-regions) and at the level of the countries, in cooperation with the EUDs, in the framework of the existing political and economic fora or cooperation platforms. The exchanges between DG NEAR/EEAS and EU MS are both organised (with contact at the political level at least every six months) and ad hoc (whenever required). The ENI Committee meets rather frequently (around 6 times a year). In the partner countries, representatives of EU MS meet with the EUD quite often (at least on a fortnightly basis).

As per their respective templates, all EU programming documents under ENI are required to follow-up on complementarity and coordination related issues. In several different sections they cover EU MS and other donors and briefly present key actions that are to be considered for coordination, complementarity and synergy.

Although the EU MS and the EC/EEAS all belong to the larger ‘EU entity’, they have frequently been found to act incoherently for many reasons. The principal reason for this is that, in countries with weak government and public administration, coordination between donors is limited, while strong governments sometimes try to put aid agencies in competition with one another. This results in “competition” among donors, especially on the financing of subjects that are relevant for their own strategic goals (e.g. Ukraine). (I-551 and I-553)

Nevertheless, all thirteen EUDs that responded to the ENI-specific telephone survey share the view that coordination with EU MS was strengthened in recent years. In one of our case studies (Egypt), EU funding and EU MS expertise were combined in a specific programme targeting various sectors (justice; PFM; public administration reform; cultural heritage, etc.), by pooling EU and MS grant funding, or by combining EU grants with MS loans (NIF). More generally, improvements are highlighted – although to a lesser degree of consensus – to complementarity for policy dialogue and joint programming including Division of Labour (JC42). As for the latter, EU MS are reluctant to go much further: programme complementarity is ranked low and synergies even lower. The findings of the field missions are fully consistent with this ranking: improvements were found for overall coordination, there was a slow rise of joint programming but issues remain in translating coordination at country and project levels into operational complementarity and a search for concrete synergies.

As per the overall framework of their involvement in the implementation of the overall ENI life cycle, the EU Member States are very much involved in the programming of the interventions of the Instrument. In general their participation is implemented either by officials of their embassies or by members of their Development Cooperation Agencies. The main place where the ENI bilateral programmes are elaborated is the EU Delegation (regional fora like the UfM contribute to the regional programming, which is managed at central EC HQ level). For multi-annual programming, Delegations are responsible for regular contacts and consultations with authorities and other stakeholders as well for developing draft programmes. However, the role of the HQ is essential, for instance, when it comes to inter-service consultations, political validation, strategic dialogue with the EP and designing operations for multi-country programmes.

Joint Programming exercises are not very advanced yet, even though there has been progress (of which Palestine is a good example). It is worth noting that nine out of 14 countries reviewed under the 2015 EAMRs are taking important steps towards developing joint anal-

yses and strategies. Our review of the available Joint Programming assessments/programming documents and the recent evaluation of Joint Programming, however, concludes that the quality of the result of such a long and time consuming process is often poor. In some cases, weaknesses are linked to poor inputs from external expertise. In most cases, it is the capacity for strategic analysis and programming that is unevenly shared among participants (notably local stakeholders), but also “small” EU MS that do not have the technical expertise to participate meaningfully in such an exercise (see also JC 3.4.2). The timeframe is also found to be a limiting factor. As a consequence, although Joint Programming is heavily promoted, it is not implemented effectively in all countries (e.g. Ukraine) for reasons relating to the broader organisation of donor coordination.

This is in line with statements from the HoCs in the ENI-specific survey which show an increase in quantity and quality over the past years but also express the feeling that more could be done and that working together currently remains mostly limited to specific areas (e.g. VET). From the field missions, it also became apparent that the EU is the largest donor in each ENI partner country and therefore usually leads the efforts for the overall coordination of all donor activities in the country (e.g. Georgia, Egypt, Tunisia), either by supporting the partner country’s competent authority to do so or by implementing this coordination itself. In cases where the EUD has not taken either role or was overwhelmed by rapid aid flows (e.g. Ukraine), the activities of the donors (including the EU and the Member States) become competitive with high risk for overall low effectiveness and for overlapping activities. (I-552 and I-554)



### 3.6 EQ 6 on leverage

#### To what extent has the ENI leveraged further funds and/or political or policy engagement?

It is **too early to assess the extent to which the ENI has improved the leverage of EU resources** on structural reforms, since too few ENI programmes have entered their implementation phase. However, the expected results of engaged budget support programmes are encouraging. Blending within the EU Family – and to a lesser extent with IFIs – proved to be an effective way to attract additional resources to achieve ENI objectives through infrastructure projects (Neighbourhood Investment Facility – NIF) or by supporting private sector development (EBRD, WB). ENI funds brought into EU trust funds have not induced EU MS to fund-pooling at the expected level.

The capacity of the **ENI policy dialogue and cooperation leveraged sustainable implementation of agreed priorities in only a few countries** during the period under review, namely Morocco, Georgia and Tunisia. Ukraine and possibly Egypt are improving their uptake of ENI-sponsored reforms as well, but these are limited to ‘technical’ areas for the latter (renewable energy, urban development). In the other countries of the Neighbourhood, many factors which remain beyond the reach of EU action (e.g. political weakness, oil revenues, on-going conflicts, diverging regional alliances etc.) represent stumbling blocks to political and policy leverage at present.

The **‘more for more’ principle is appreciated by partner countries that were rewarded** for their achievements in the political area. However, the **amounts do not represent actual incentives to middle-income countries** to deepen or initiate reforms which can have high political costs in an unstable social and political context.

**ENI provided the framework and the resources to mobilise additional funding**, either from the pre-existing blending facility – NIF (with a financial leverage effect of 1:8.6 in 2014 and 1:6.9 in 2015)), or from recent initiatives like the EUTFs (for example resources leveraged from EU MS amount to just over 10% of the contribution from the EU Budget).

Financial leverage is sought by EUDs at project level, either by partnering with EU MS and IFIs, (with the latter being more successful for the time being), or by promoting contributions from the national budgets. There are **many successful reported cases of the pooling of funds at project level**. Other types of funds-pooling, such as public private partnerships or schemes using diaspora remittances, have not been used so far for various reasons (e.g. like the significant sovereign risk or the lack of an appropriate legal framework).

#### 3.6.1 JC61: Under ENI/ENPI interventions, the EU makes a strategic use of policy and political dialogue to leverage political and policy engagement/reforms in the partner countries and implementation by the partners of jointly agreed objectives

Political and policy dialogues are an important part of the ENP. The COM 2011 “A new response” introduced – or at least emphasised – the involvement of national counterparts in the dialogue. A whole section of the communication is dedicated to “intensifying our political and security cooperation”, which is indeed focused only on political issues. The importance attached to political dialogue is equally demonstrated. Following the adoption of the ENP Review (2015), adjustments were introduced in: i) the level of priority given to pre-existing areas of cooperation by giving an increased prominence to security, migration and private sector development; and ii) the priority given to political dialogue while in general retaining the same approach to policy dialogue, e.g. systematically instructing policy dialogues to be engaged in all areas of cooperation and with all stakeholders.

The ENI Regulation of 2014 establishes the key role of dialogue for its activities in its preamble (“*The Union promotes, develops and consolidates the values of liberty, democracy, the universality and indivisibility of, and respect for, human rights and fundamental freedoms, and the principles of equality and the rule of law, on which it is founded, through dialogue and cooperation [...]*”), but makes no further reference to policy dialogue with the exception of Article 5, instructing that such dialogue has to be coordinated with EU MS.

Overall, differentiation is taken into account in the programming process (in the form of the five elements listed in the ENI Regulation Article 4(1)). Interviews at HQ and EUDs confirm that key areas of policy and political dialogue which take place at country level are, however, less clearly reflected in country programming documents which – being shared documents between the EU and the partner countries – focus on agreed and shared priorities. (I-621)

The EUDs have been found to be instrumental in bringing together the governments and CSOs for intense dialogue on key areas for the ENI. Regional programmes are also a frequent context for policy dialogue, bearing an implicit expectation that the dialogue could expand towards political dialogue between countries afflicted by protracted crises.

In light of the above, the Regulation has laid the groundwork for a more strategic use of policy and political dialogue which has materialised through the work of EEAS and DG NEAR who have established policy and political dialogue as key tools for ENI activities. As a consequence, policy and political dialogues have been mainly beneficial for the achievement of EU objectives within the context of combining an incentive-based approach, mutual accountability and differentiation as promoted by the Regulation. This new approach uses policy and political dialogue with the partner countries in order to determine the best “mix” of actions to ensure that ENI funds can maximise the expected effects in the country and, more widely, in the region. In that sense, policy and political dialogues are being used strategically under ENI. (I-611)

The Progress reports indicate an uneven pace of progress of policy reforms in the Neighbourhood. The report from 2014, the most recent year for which a global report is available, depicts an overall negative assessment with regard to policy reforms with the exception of one or two countries which have made sufficient progress to be presented as examples of good practice. From this point of view, 2014 is widely considered as a particularly bad year for the Neighbourhood. The 2015 country progress reports convey a slightly more nuanced picture, at least for the countries not affected by the crises in Ukraine, Syria and Libya. This new impetus for policy reforms is, however, too limited in regional scope and too recent to assess whether dialogue has been a driving factor behind the slight progress recorded.

According to EAMRs and interviews with EUDs, policy dialogue is considered “limited” in most countries. A more positive assessment emerges from the ENI specific survey where several EUDs highlighted a strong leverage effect of political/policy dialogue but only in some sectors, and only three out of 13 respondent EUDs pointed to a significant potential leverage effect of policy/political dialogue at country level overall. The most significant results have been produced by policy dialogue within the framework of BS operations, although during the field missions, several interviewees emphasised that the objectives pursued by the EU via dialogue were broader with notable geostrategic and geopolitical interests to defend. In addition, the perception of dialogue by local stakeholders (governments, CSOs and IFIs) is rather positive; highlighting that it has been important for the identification of development priorities and for the design of appropriate responses in the country. (I-612)

Progress in the implementation of the ENI funded country programmes is confirmed both by the EAMRs and the ENI-specific survey. However, the pace of progress and success of the interventions has been rather mixed, as assessed by the EAMRs: Morocco and Georgia are seen as “good performers”. Alignment of ENI programmes to partner countries’ priorities and a reasonable level of ownership have been identified as the key enabling factors. Ukraine has been improving the uptake of joint objectives, but is unlikely to make any further progress as long as the capacity of its public administration is not strengthened<sup>50</sup>. A few governments have been found too reluctant or too weak to implement reforms (Algeria, Lebanon, Moldova) and in most of the countries, progress is highly dependent on sectors. (I-613)

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<sup>50</sup> An important ENI financed operation on support to PAR was agreed at the end of 2016, amounting to 105 million euro and mostly implemented through budget support.

### 3.6.2 JC62: The incentive-based approach within the ENI (umbrella programmes, ranges) leverages political and policy engagement/reforms in the partner countries and implementation by the partners of jointly agreed objectives

The incentive-based approach was popularised as the ‘more for more’ principle, i.e. rewarding reforms by more support. It is applied in the framework of ENI through two mechanisms: the umbrella programmes and the +/-10% ranges of the indicative envelopes. Umbrella programmes are allocated annually. In principle, the incentive-based approach is not limited to additional ENI financial allocations, including other incentives such as “greater EU market access, easier mobility to the EU<sup>51</sup> and deeper sectoral cooperation (e.g. access to EU programmes and agencies)”. The latter key incentives proved to be hard to utilise and moreover to utilise in combination with ENI’s own financial mechanisms. Thus, it does not come as a surprise that the effectiveness of the umbrella programmes has been assessed overall as limited by the EUDs who managed them. The responses to the Joint survey confirm the above, as do the field visits.

Umbrella programmes are appreciated by partner countries that were rewarded for their achievements in the political area. The allocated amounts had a significant political added-value but the amounts themselves do not represent actual incentives to middle-income countries to deepen or initiate reforms that can have high political costs in an unstable social and political context. The mechanism has allowed for extending the scope of reforms already agreed but hardly incentivised partner countries for more or deeper reforms (e.g. Tunisia).

If ENI Regulation is clear on the rewarding scheme, the incentive-based approach is often communicated by services as a mechanism for triggering political reforms using financial rewards and attached reputational gains for the “winners”. This broad understanding does not appear to be very effective for two reasons: on the one hand, due to the lack of partner countries willingness or ability during their crisis situation to undertake the reforms necessary to be rewarded, and, on the other hand, because of the lack of communication by the EU on beneficiaries (press conferences, regional seminar) in order to maximise visibility. Moreover, good performers are well known and are not numerous in the current Neighbourhood. For them, the umbrella programmes are granted almost in advance, and thus constitute limited incentives to take further risks. In the case of Tunisia, the financial incentive has been further reduced by the government’s understanding that Tunisia is a strategic priority for all western donors and does not rely on rewards to ensure that it receives financial aid. In countries facing an acute crisis situation (e.g. Ukraine), the incentive-based approach does not play an important role as the circumstances require more rapid and unconditional channels of aid (e.g. special measures). (I-623 and I-625) The +/-10% ranges applied to the originally agreed indicative envelope according to achievements of PC regarding their reform agenda were not actually utilised. Even though these ranges were not intended for financial management flexibility purposes, they are de facto utilised as a flexibility reserve, as directly manageable by DG NEAR without requiring extended time for decision-making procedures (ENI Committee was consulted). The Ukraine crisis and related EU high-level political commitments to quickly engage financial support exhausted the margin provided by ranges for almost all other partner countries. Therefore, for some of the less performing partners, the remaining MFF envelop might not allow to honour the -10% ceiling. The lesson was learnt and several initiatives are under consideration by EEAS and DG NEAR, notably the “flexibility cushion” (I-622)

### 3.6.3 JC63: ENI co-operation leverages additional resources – from other Union’s instruments, partner countries, other donors, diaspora remittances, private sector

Although the importance to seek financial leverage is evoked in the ENI Regulation, no new specific or explicit strategy has been developed to this end. (I-633) That said, documents and interviews confirm that the mobilisation of additional funds is a key concern and is sought by programmes and staff (at HQ level as well as in the EUDs). The result is that there are many

<sup>51</sup> Notably visa action plans

examples which attest to the successful leveraging of additional funds mainly from the International donors and more rarely from the EU MS.

The Neighbourhood Investment Facility (NIF) was identified as an important mechanism to mobilise additional funding to finance infrastructure, support SMEs, agriculture, and other projects by pooling grant resources from the EU Budget and the EU MS and using them to leverage loans from European Financial Institutions as well as contributions from the ENP partner countries themselves. Interviews with NEAR B3 have confirmed that most of the financial leeway of blending is tapped by the NIF in association with the EIB and EBRD since 2009. In 2014, 16 new projects and two additional contributions for ongoing projects in the Neighbourhood region received final approval from the NIF Board for a total NIF contribution of EUR 294.46 million. These grants leveraged over EUR 2.53 billion of loans from European Financial Institutions – in other words for every Euro provided by the NIF, EUR 8.60 of lending or investment was mobilised. In 2015, the situation was comparable with NIF contributions of EUR 367 million leveraging an estimated EUR 2.17 billion of loans (financial leverage effect 1:6.9). In both years, roughly two thirds of the funds were awarded to projects in the Southern region and one third to projects in the Eastern region.

Beyond the pre-existing NIF, the EU recently established two EUTFs to allow a swift response to crises and resilience that illustrate the new strategy to pool and mobilise additional resources. ENI resources are used in both the Madad Trust Fund with a focus on the Syrian refugee crisis and in the North Africa component of the EU Emergency Trust Fund for Africa with a focus on migration strategy. However, while the Madad Trust Fund has proved to be a valuable instrument for a joint response by the EU and its Member States, its financial leverage remains just above 10% of the contribution from the EU Budget encompassing ENI €381 million, IPA €243million, DCI €16 million). (I-631 and I-632)

In addition to these mechanisms, initiatives are taken by EUDs to partner with IFIs and EU MS at project level. Successful examples have been provided by EUDs in response to the survey; among these is an SME development programme active in Georgia, Ukraine and Moldova for which ENI provides EUR 19 million and the EBRD EUR 100 million. Additional leverage through joint programmes with EU MS has been mentioned by a few respondents. The process is ongoing, but based on interviews during the field visits, it has not yet been found sufficiently attractive by the EU MS. In a few cases national budgets contribute to an increase in the leverage of ENI resources.

Finally, the private sector (Public Private Partnerships – PPPs) and new resources such as diaspora remittances remain untapped for the moment due to the high sovereign risk of the partner countries (in the case of PPP) or the lack of appropriate financial vehicles (for new resources). It is worth noting, however, that some of the NIF funding has been used to support PPPs, notably the large funds for the solar plant in Morocco.



## 4 Conclusions and Recommendations

The ENI Regulation and the management by EEAS and DG NEAR of ENI programming and implementation of assistance are fit for purpose and successfully use most of the key features offered by the regulatory framework. Consequently, the instrument enables the EU to pursue its related external policy objectives. EU internal and international experience and expertise in dealing with long-term development issues has been soundly used and responses to emerging challenges in the Neighbourhood have been creative in relation to the regulatory burden linked to the EU external assistance implementation. While **it is too early to assess effectiveness, impact and sustainability**, ENI planning and actions have been prepared in a way which promotes ownership and institution building. **ENI programmes support political and policy dialogues and significantly contribute to the special relationship with partner countries** expected from the implementation of the instrument. **ENI is mutually reinforced by IcSP, ECHO and Macro-financial assistance** (DG ECFIN) and vice versa. The link with other thematic EFIs is rather characterised by broad complementarity (EIDHR, DCI/CSO-LA). **Enhanced coordination with EU MS is progressing** with recent Joint Programming efforts and two EU Trust Funds to which ENI is contributing. **Management is found to be cost-efficient**. Financial management is sound, with several layers of control present and a low reported residual error ratio. The **M&E system ensures systematic reporting** for financial and administrative data as well as for operational results.

However, the evaluation identifies **scope for improvements**, in particular for key features of the ENI Regulation, i.e. assistance strategy, departing from EDF development narratives and size of projects, incentive-based approach, financial flexibility, internal coherence, synergy with other external actions and coordination. Moreover, specific instruments such as ENI (but also external action overall) are constantly facing a **discrepancy between ambitions/objectives, the EU's particular interests in its Neighbourhood and available resources**. Furthermore, **the ENI**, as it has been implemented to date, **has marginalised the short-medium term crisis prevention realm which is critical in the increasingly unstable Neighbourhood to help protect the EU's vital interests**. Even when combined with other EFIs (mainly IcSP) and other tools available to EEAS and DG NEAR, this lack of sufficient coverage cannot fully be compensated.

### 4.1 Overall coherence of ENI assistance

**Conclusion 1 – Overall coherence of ENI assistance is good and generally ENI programmes are well aligned to one another as well as to the overarching policy framework.**

Political and policy dialogue under the ENI, ENI programmes, and assistance tools funded by the ENI comprehensively address the range of development challenges in the Neighbourhood that fall under their respective mandates. Within the framework of the all-encompassing set of priorities of the ENI Regulation, EEAS and DG NEAR are effectively able to adjust support to an evolving, overarching policy framework and to agreed priorities with heterogeneous partner countries under Association Agreements, Deep & Comprehensive Free Trade areas and Partnership Priorities. The programming process and the recently started implementation of ENI programmes convey EU fundamental values and are aligned either to the EU sector policy and/or development cooperation frameworks, depending upon needs. The renewed set of priorities introduced by the conclusions of the Council on the EEAS/EC joint communication on the ENP Review (2015) is being integrated in ENI programmes (and thematic EFIs), supported by updated (2016) programming instructions and a close support by EEAS and DG NEAR HQ staff. Among the three types of programmes foreseen by the regulation, bilateral and multi-country ('regional') programmes constitute a broadly complementary nexus, with minor inconsistencies (between bilateral and regional programmes in particular) at country level. CBC programmes, however, hardly fit into that nexus. While the systematic recourse to enabling frameworks (political, regulatory documents) is instrumental for a flexible and reactive management of ENI funds, it also somewhat dilutes the essence of what ENI strategy and programming documents are expected to communicate to partner countries as well as to EUD staff.



*This conclusion and the subsequent recommendations are mainly based on findings for the EQs 1 and 5.*

**Recommendation 1a – The EU should consider developing further guidance on ENI assistance to reinforce coherence and promote a more balanced political/policy dialogue with partner countries. EU goals and ENI potential would gain from being better understood by partners, and thereby also contribute to enhanced ownership.**

The partner countries need to have full command of ENI opportunities and its flexibilities to contribute meaningfully to the policy dialogue with the EU. Similarly, EU exchanges with partner countries would be more effective if fully coherent at all levels (e.g. consistent messages from HQ, EUDs and EU representatives visiting partner countries).

In that regard, the following actions could be envisaged to further develop guidance on ENI assistance:

- The support to partners' (national authorities and civil society) capacity to contribute to policy dialogue could be reinforced and increased in scope. It would encourage a broader ownership and enhance the visibility of the will of the EU to develop a special relationship (transparent, inclusive and aligned on national priorities).
- The level of resources available to CoTEs could be increased to fit their ToR. Sector (line DGs) or thematic guidance could be made available to NEAR staff and, beyond, to partner countries. Accordingly, on-line helpdesk or comparable support could be made accessible to EUD staff.

*Main implementation responsibility: DG NEAR, EEAS, DG ECFIN*

**Recommendation 1b – The quest for complementarity between ENI and relevant thematic EFIs, MFA, and ECHO could be scaled-up to ensure actions mutually reinforce each other, comprehensively cover EU priorities, and reflect medium and long term planning horizons.**

Similarly to country level risk assessments – or within their framework – EFIs' complementarity and operational synergies could be assessed regularly. The same could apply to DG ECFIN and ECHO, preferably jointly with the EFIs. If drafted annually and detailing concrete expected results, an internal joint action plan would enhance mutual reinforcement between EFIs. The plan could additionally be reported on in EAMRs and evaluated.

*Main implementation responsibility: DG NEAR*

## **4.2 Differentiation and alignment on partner countries' needs**

**Conclusion 2 – The focus on differentiation as a key principle of the Instrument is realistic and pragmatic.**

The focus on differentiation acknowledges the limited leverage of the EU in the two regions as well as the fact that, among the ENP partners, only a few of them are willing or have the capacity to align their legislation and governance with the EU acquis. However, differentiation was only applied to a limited extent until it was entrenched in the revised ENP. As a consequence, its establishment as a key principle was too recent to impact on the nature of the previously established partnerships during ENPI. Furthermore, the Neighbourhood has increasingly become a cluster of countries with widely divergent paths regarding their interaction with the EU, but with increasingly similar development challenges.

*This conclusion and the subsequent recommendations are mainly based on findings for the EQs 1 and 2.*

**Recommendation 2 – ENI should continue its focus on differentiation based on countries' needs and situation, but also by further differentiating the support provided to the EU's closest neighbours from assistance to other, more distant, parts of the world. One way could be to design more Neighbourhood specific assistance strategies, based on updated theories of change that fully take into account and link stabilisation, conflict prevention and long term development. This could be associated with strengthening scenario building/forecasting capacities, preferably in close cooperation with EU MS.**

Further implementation of the differentiation principle could improve the effectiveness of ENI, notably by moving beyond the lowest common denominator approach implicit in a multi-country decision making process, and encourage functional or ad-hoc coalitions instead of “institutional multilateralism”.

*Main implementation responsibility: EEAS and DG NEAR (for the programming stages)*

**Conclusion 3 – Through the use of EU policy and political dialogue, ENI programmes are reasonably well aligned to country priorities.**

Article 3(2) of the ENI Regulation sets out a strong basis for enhanced alignment with partners’ needs and priorities. However, this congruence is more difficult to assess, as a country analysis of needs during the 2014-2015 period would have been necessary. Policy dialogue is an inherent feature of the framework that is implemented, thus ensuring that ENI programmes and upstream strategy and programming documents are aligned to the priorities of partner countries’ governments and their populations’ needs (especially through the inclusion of civil society representatives).

A number of limitations, however, lower the degree of alignment with country priorities and needs:

- Needs of the population are deduced from the need for agreed reforms rather than from inclusive consultation and only rarely from in-depth studies;
- The contribution of the partner country to policy dialogue is heavily dependent on the capacity of the body in charge of coordinating cooperation at the government level and of the political will of the government as a whole;
- Although the engagement in structured and productive dialogue with civil society has improved for bilateral programming, its added value for identifying the needs of the population is still rather limited. In particular, CSOs do not feel that they can influence priorities and aid modalities already jointly agreed by the EUDs and governments.

*This conclusion and the subsequent recommendations are mainly based on findings for the EQs 1 and 2.*

**Recommendation 3 – By reinforcing their partners’ capacity (both governments and CSOs) to contribute to policy dialogues, ENI could improve its ability to identify country priorities and, more importantly, population needs.**

Inclusive dialogue with civil society implies prior changes in the enabling environment in partner countries. ENI should continue to pave the way for this change in political and administrative culture by increasing time and resources for dialogue and designing dedicated programmes. Adjusting the timeline of consultations and the sharing of prior information, as required by the Regulation, would be instrumental to improve the analysis of needs extended to conflict sensitivity.

Also see Recommendation 1a.

*Main implementation responsibility: DG NEAR*

### **4.3 Effectiveness of the incentive mechanism**

**Conclusion 4 – The effectiveness of the incentive mechanism aiming at a special relation based on shared values of democracy and human rights is limited.**

The incentive-based approach was a major evolution introduced in the ENI regulation. However, the effectiveness of a mere financial incentive through the umbrella programmes is seen as unconvincing by the EUDs and by the few countries that are potential candidates to receive the reward. The mechanism has allowed extending the scope of reforms already agreed but hardly incentivised partner countries for more or deeper reforms. The emphasis on EU interests in the revised policy framework of ENI is challenging the criteria of allocation of umbrella programmes. The ENI Regulation that preceded this new orientation does not provide procedures to maintain the balance between the need for more reforms (in particular to promote fundamental rights) and short and medium term EU interests (stabilisation, security).

*This conclusion and the subsequent recommendations are mainly based on findings for the EQs 1, 3 and 6.*

**Recommendation 4 – The incentive-based approach could be developed to reflect a set of financial incentives that goes further than the umbrella programmes and the ranges, with revised criteria for allocation (prioritising achievements in conflict prevention and stabilisation). Financial incentives foreseen under the ENI regulation could be more strongly and directly linked to the non-financial incentives to provide further and more sustainable momentum for reform.**

The amount available to the principle of ‘more for more’ would gain from being increased and likely also gain from targets and criteria being diversified. In this regard, the umbrella programmes’ allocation process – and the political dialogue around it – could become more transparent and depart from the sole focus on democracy and human rights (i.e. also considering sustainable stabilisation, resilience, crisis prevention).

*Main implementation responsibility: EEAS and DG NEAR*

#### 4.4 ENI response capacity in the face of current challenges

**Conclusion 5 – ENI response capacity has improved in terms of flexibility, but is found not proportionate to the challenges being faced, in particular the prevention of crises and conflicts: Programmes are of the same magnitude as those under EDF for countries where EU interests are far less vital and pressing. In the near future, financial needs to which the EU will be called to contribute are likely to be much higher than resources made available to ENI in the present MFF: reconstruction and treating the root causes of radicalism and terrorism, among others.**

EU cooperation with the Neighbourhood, as emphasised in 2015 by the ENP review, faces an array of tensions, crises and conflicts that impact directly on EU vital interests. A key issue is that their causes are often – but not systematically – outside the development realm, which is a relatively new feature for EU cooperation and ENI in particular. The EU has, since 2014, designed a comprehensive response strategy and new instruments and flexibility mechanisms are being prepared. Implementation of resources available under the ENI has been agile (special measures) and innovative (EU trust funds) to respond to emergencies and crises, with strong complementarities with IcSP and DG ECHO.

However, the ENI response capacity is not proportional to the challenges:

- Even combined with IcSP (and other EFIs) or other response mechanisms (notably MFA), the resources available in terms of finances and staff are not sufficient to defend vital EU interests (trade, migration, security) in the region;
- The ENI regulation does not provide specific fast track procedures for programmed measures, even in pre or post crisis situations;
- ENI underlying theory of change ignores or underestimates violent and radical changes. This has prevented the Instrument from sufficiently adjusting its strategic focus from long-term needs to more realistic short-medium term priorities;
- ENI programmed and non-programmed measures have targeted crisis prevention only to a limited extent. Priority is given to the management of crisis and to actions containing crises at a certain level or region. IcSP alone cannot compensate this marginalisation of crisis prevention.

*This conclusion and the subsequent recommendations are mainly based on findings for the EQs 3, 4 and 5.*

**Recommendation 5a – The legislative authority could consider increasing the allocation of funds to avoid the marginalisation of crisis prevention<sup>52</sup> and to increase flexibility to respond to crises in the Neighbourhood. All the while without compromising directly needed ENI long-term assistance for treating root causes of instability and conflicts.**

Flexibility of financial and other resource allocation (staff, procedures) is key for responding to and preventing crises. In that regard, the flexibility cushion initiative is welcome.

<sup>52</sup>Unless the budget line 21 03 01 03 (Mediterranean countries – Confidence building, security and the prevention and settlement of conflicts) can be increased specifically.

Additionally, the following actions could be envisaged:

- The overall envelope allocated to the Neighbourhood for the 2017-2020 period could be increased to adjust to the deepening of instability and the induced risks for EU vital interests;
- The possibility to pool resources between EFIs (ENI, IcSP and other thematic EFIs where relevant) according to short and medium term challenges could be facilitated.

*Main implementation responsibility: DG NEAR, EEAS, and Legislative authority*

**Recommendation 5b – The EU could devise crisis prevention strategies targeted at the Neighbourhood as a specific dimension of the ENI and further develop existing operational synergies (tighter coordination, pooling of resources and procedures) with IcSP.**

In an unstable Neighbourhood, with EU vital interests at stake in any tense situation or crisis, conflict prevention would gain from being granted further priority for geo-strategic reasons and because it is known to be the most cost-efficient action in order to support stabilisation.

The following actions could be envisaged:

- The share of non-programmed measures could be increased in ENI to enhance the EU's capacity to respond to crises and to prevent them. EU vital interests could supersede thematic conditionalities in times of crisis;
- Temporary project/mission structures similar to SGUA could be used to face crisis situations at country and regional levels, backed by special measures. This option should remain limited to major crises to avoid the proliferation of both Support Groups and Special Measures;
- Using tools such as political economy analyses during programming and conflict sensitivity assessments at all stages, ENI could strengthen its understanding and anticipation capacity of tense situations and conflicts. Conflict/risk analyses could be undertaken jointly by EEAS and NEAR to allow the ENI programmes to better capture the complexity of crisis prevention;
- Crisis prevention and institutional building for crisis management could be scaled-up among ENI programmes for the 2017-2020 period, channelling ENI inputs through own programmed/non-programmed measures and through the IcSP (or other new instruments to come on security and migration) when urgent actions are required.
- Actions aiming at support to cultural relations/cooperation across borders or the promotion of the independence and freedom of the media could indirectly improve respect for human rights, Rule of Law, good governance and stability in general.

*Main implementation responsibility: DG NEAR*

#### **4.5 Coordination with EU MS and other donors**

**Conclusion 6 – Despite shortcomings with regard to Joint Programming and the division of labour, coordination with EU MS has improved.**

Most coordination efforts take place at country level and have benefitted from a recent increase in depth and numbers. In particular, EU trust funds have a strong potential of further coordination and complementarity with EU MS. Blending has emerged as a powerful vehicle for increased coordination and complementarity with IFIs as has delegated management with UN and EU MS agencies. However, several shortcomings could be identified:

- Joint assessment and programming of ENI country agreed priorities is instrumental for coordination and mutual understanding but is currently limited in terms of complementarity beyond a few joint operations;
- Division of labour is accepted as a long term prospect only;
- Indirect management by MS' cooperation agencies and IFIs is improving ENI implementation capacity and technical coordination with other donors. However, structures to which implementation of ENI programmes is delegated poorly reflect key messages of EU policy dialogue and have a limited contribution to the visibility of ENI strategic intent;

- Diverging interests among MS introduce political and economic dimensions that impose themselves on the capacity of ENI programmes to achieve the objectives stated in the ENI Regulation and their expected results.

*This conclusion and the subsequent recommendations are mainly based on findings for the EQs 4, 5 and 6.*

**Recommendation 6– Joint assessment and programming should continue to be rolled-out among partner countries for the 2017-2020 period.**

ENI should take into account the constraints of the MS and other stakeholders. Further awareness should be raised among all stakeholders about the influence they could exert during the programming process, hence the importance of their participation in a joint undertaking.

The following actions could be envisaged:

- Consultation processes with EU MS at HQ and at country-level should be further developed allowing for meaningful involvement of both parties. Here, EU leadership should be geared towards an enabling role rather than following own internal deadlines;
- Blending could be increased to allow for further financial leverage of EU support as a key contribution for achieving long-term development goals, notably private sector development;
- Communication materials should be drafted for EU MS agencies and IFIs implementing its programmes for policy dialogue and visibility of EU strategic intent.

*Main implementation responsibility: DG NEAR*



## 5 Annex: Intervention logics

Figure 1 Faithful ENI intervention Logic

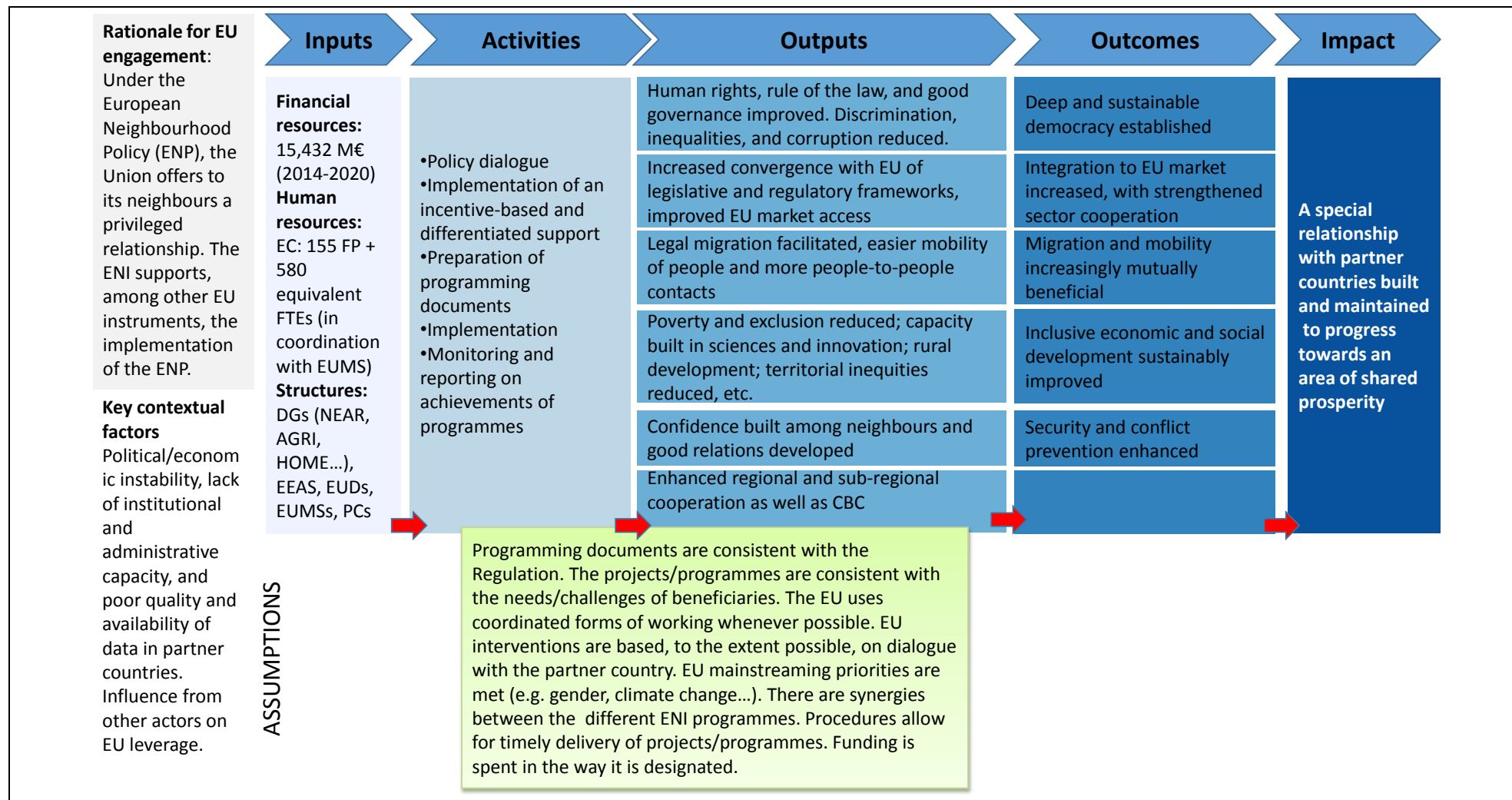


Figure 2 Reconstructed ENI intervention logic

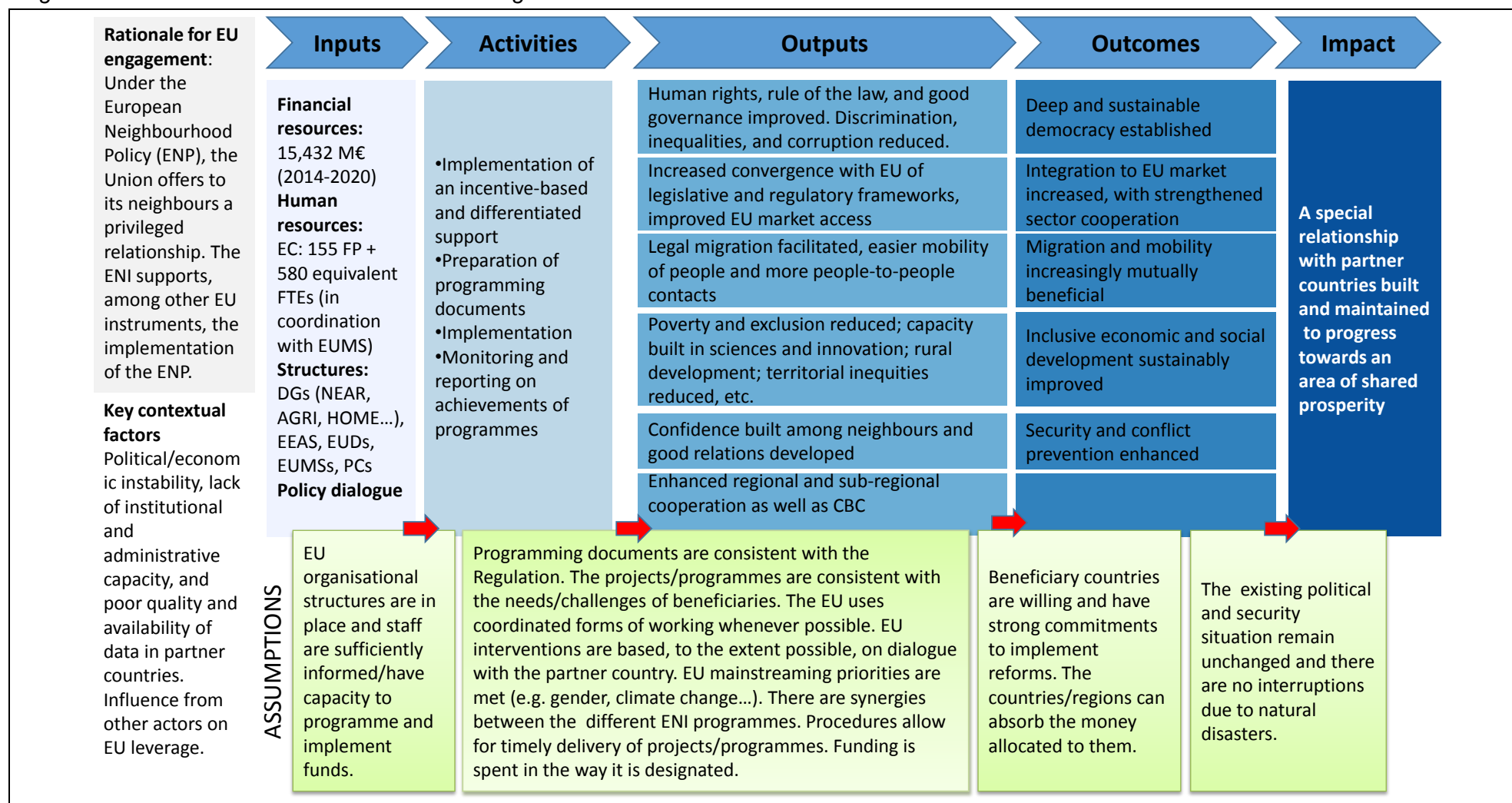


Figure 3 ENP 2011 Intervention Logic

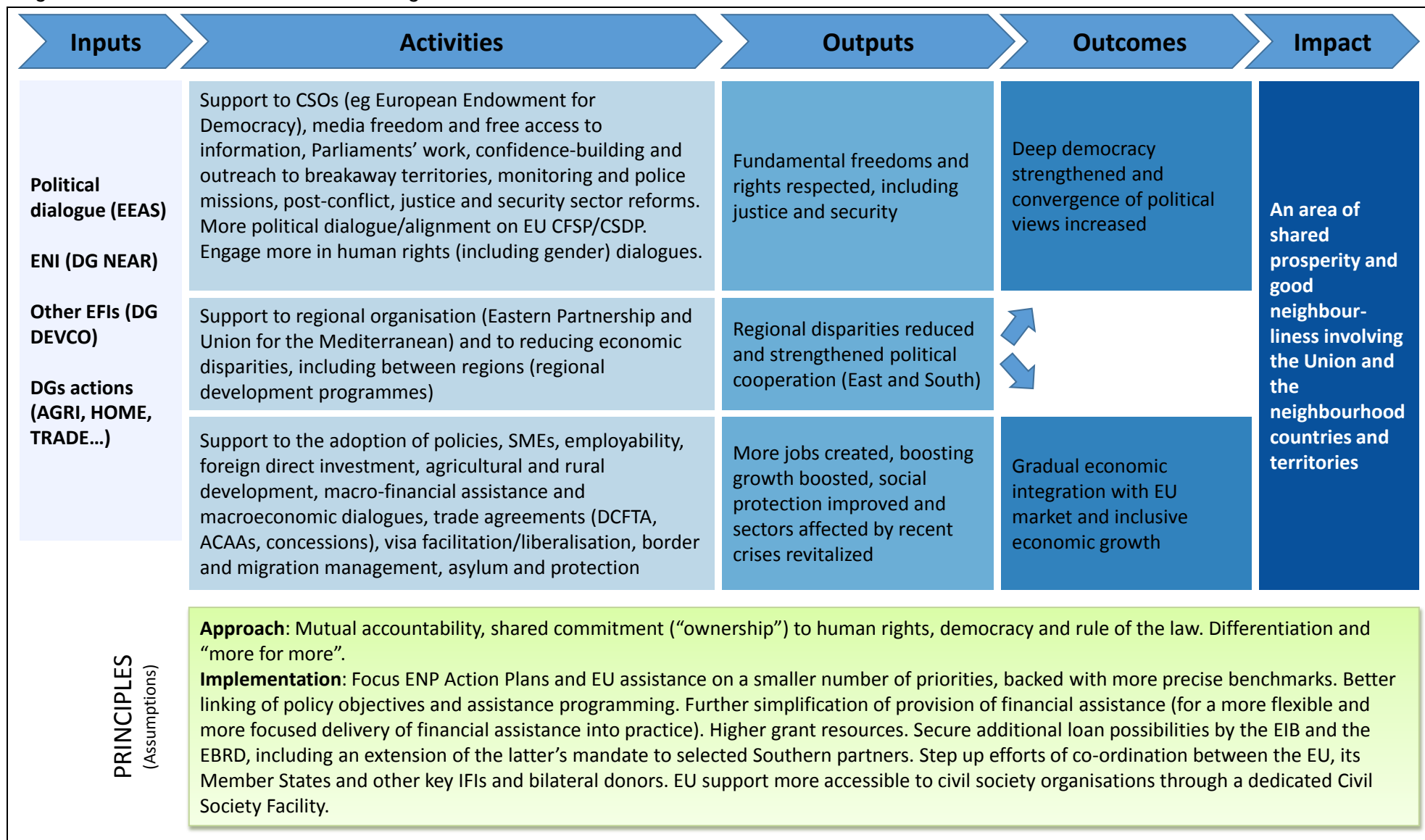


Figure 4 ENP 2015 Intervention Logic

