

External Evaluation of the European Neighbourhood Instrument

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)¹ 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 measures² 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.³ 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

¹CoTEs 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.

² 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 [...]."*

³ 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 prevention⁴ 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.

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