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## The European Neighbourhood Policy - A Reality Check

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## Executive Summary

The paper analyses the impact of the European Neighbourhood Policy (ENP) on good governance in the partner states. The European Neighbourhood Policy constitutes one of the most recent and innovative foreign policy tools of the European Union and the promotion of good governance lies at the heart of this new framework. The findings of this paper suggest that the influence of the European Neighbourhood Policy in triggering governance reforms has been limited. Since the formal launch of the policy in 2004, both quantitative and qualitative assessments produced by organisations such as the World Bank, Freedom House and Global Integrity show that improvements have been absent in most of the partner states. Moreover, it is shown that in those states showing signs of progress, domestic rather than EU influence has been the main driving force behind reforms. The paper argues that the absence of impact can be explained by several factors, (1) conflicting interest of the EU in the neighbourhood; (2) a mere replication of accession policies; (3) lack of sufficient incentive structures; (4) inadequate involvement of civil society and (5) too much reliance on front-loaded aid. The paper suggests that incentive structures, monitoring and the involvement of civil society are the most pressing issues that need reconsideration to increase the effectiveness of the European Neighbourhood Policy in promoting governance reforms.

### 1. Introduction

International actors and national donors have increasingly recognised that good governance constitutes a prerequisite for development. With sound state institutions, governments are capable of providing a stable environment that is favourable to economic growth. Without adequate institutions, immense costs will occur. As argued by the former President of the World Bank, Paul Wolfowitz, corruption alone creates costs for the developing world approximately \$ 80 billion a year, which equals the total of all development assistance transferred to the developing world per year (Wolfowitz, 2006). Due to growing recognition of the importance of sound institutions, the international community is in a continuous search for instruments that could accelerate a country's transition to good governance practices.

The present paper will employ the World Bank definition of good governance:

*“[good governance is]...epitomized by predictable, open and enlightened policy making; a bureaucracy imbued with a professional ethos; an executive arm of government accountable for its*

*actions; and a strong civil society participating in public affairs; and all behaving under the rule of law.” (World Bank, 1994).*

The definition is sufficiently broad as it combines the concepts of efficiency and effectiveness of government with that of democratic ruling. It goes well beyond effective delivery of public services and highlights the importance of an accountable government as well as the involvement of an active civil society. Limiting good governance to effective government would miss essential elements of good governance (e.g. corruption levels are often closely related to the degree of accountability a government faces).

The increasing awareness of good governance has been matched by increased funding for good governance-related programmes and a boost in research with the aim of developing indicators that could measure the level of good governance in specific countries. The EU does not pose an exception to this trend. With the adoption of the revised Lomé Convention in 1995, the EU included the concept of good governance in official documents for the first time and since then has attempted to optimise tools to promote good governance in third countries.

One of the most recent foreign policy tools, the European Neighbourhood Policy (ENP), constitutes an innovative instrument that tries to transfer the success of enlargement to other foreign policy instruments. Directed towards its eastern and southern neighbours<sup>1</sup> (see Appendix for map) and adopted in 2004, the ENP marks a departure from previous arrangements with third countries due its use of action plans, differentiation and regular monitoring. The centrality of good governance in the ENP framework is laid down in the 2004 Strategy Paper, where it is stated that the ENP should aim at “strengthening democracy, rule of law, reform of the judiciary and fight against corruption and organised crime” (European Commission, 2004: 13). Given the innovative nature as well as the recentness of the ENP as a policy tool, it is particularly interesting to analyse whether it has been effective in initiating change in the partner states. Hence, this paper is investigating whether the ENP has been successful in promoting good governance in the partner states.

Existing literature on the ENP has mainly focused on the rationale and evolution of the ENP (Lavenex, 2004; Smith, 2005; Kelley 2006; Delcour & Tulmets, 2009). Moreover, studies have engaged in theoretical discussions on the potential impact of the ENP (Schimmelfennig, 2006, Bobitski, 2008) or have examined specific countries and policy areas (Börzel, 2010, Sasse, 2008, Lavenex et al. 2009). Some authors have been rather pessimistic regarding the effectiveness of the ENP. They have argued that financial assistance is insufficient in bringing about change. In

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<sup>1</sup> *South:* Algeria, Egypt, Israel, Jordan, Lebanon, Libya, Morocco, Occupied Palestinian Territory, Syria, Tunisia; *East:* Armenia, Azerbaijan, Belarus, Georgia, Moldova, Ukraine

addition, it is argued that the costs of adopting liberal reforms constitute a challenge to domestic actors in authoritarian regimes (Börzel, 2010). Reform requirements threaten the power base of these regimes and therefore, the ENP will prove to be ineffective. On the other hand, it could well be argued that EU incentives may still constitute a sufficient condition for the successful transition to good governance by means of domestic empowerment (Vachudova, 2005<sup>2</sup>). Even if incentives fail to influence authoritarian regimes directly, domestic actors (civil society organisations etc.) might increasingly view the incumbent regime to be the key obstacle to further integration into the EU and, thus, demand change. Moreover, it is quite reasonable to assume that in states with likeminded governments, the influence of the ENP will prove to be considerable. Until today, there has been no comprehensive study to test these assumptions. Therefore, the present paper tries to fill a research gap that will allow European policy-makers to assess the effectiveness of the ENP more clearly.

The paper is structured as follows: the first part will outline the ENP in more detail. Both the general background and the most important instruments of the ENP will be introduced. Data from official EU documents as well as from semi-structured interviews with European Commission officials will be used to determine the degree of support to individual partner states. The second part will present the empirical findings as well as evaluate whether the ENP has been successful in initiating change in the partner states. The evaluation is based on impact indicators developed by the World Bank and Transparency International, as well as qualitative reports by Freedom House and Global Integrity. In order to avoid an over-emphasis of the EU impact, the evaluation will also include the importance of domestic factors to show that in countries where progress has been detectable, domestic rather than international factors have been the main causes of reform. The last part will conclude and offer policy recommendations to optimise the ENP.

## **2. The European Neighbourhood Policy as an instrument for the promotion of good governance**

### **2.1. Background**

The 2004 Eastern Enlargement posed new important challenges to the European Union. The question arose how to deal with the next ring of European neighbours, a group of culturally and geographically extremely diverse countries, which all shared one characteristic: proximity to the European Union. The European Union recognised the need to develop a new and coherent policy

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<sup>2</sup> This has been argued by Vachudova in the light of EU accession.

towards its new neighbours, which would address these difficult questions. From the beginning, the idea behind the ENP was driven by two main factors. On the one hand, the belief that the EU needs to offer an alternative to enlargement policy as the EU has only limited capacity to absorb new members and, on the other hand, the conviction that it is vital to create an area of peace and prosperity in its backyard. Moreover, the promotion of good governance in the partner states has been a central element of the ENP, as the EU has increasingly recognised that weak governance constitutes a major cause for considerable development restraints in the partner states.

Key to the development of the ENP has been the European Commission Communication “Wider Europe” which was adopted in March 2003. The initiative already sets out the main characteristics of what would later become the ENP, a differentiated and benchmarked approach that builds upon cooperation between the EU and its partners (European Commission, 2003). The concept of good governance played a major role from the beginning. The “Wider Europe Initiative” stressed that it is vital for the partner states to show strong commitment to capacity building of their judiciaries, administrations and political institutions and that the fight against corruption would ensure a stable setting for foreign investments (ibid: 16).

## **2.2. The Policy**

In May 2004, the Commission published a more detailed strategy paper on the ENP which constitutes the core document of the new policy and sets out the main elements of the new approach (European Commission, 2004). The main idea behind the policy is driven by the concept of positive conditionality and partnership. Thus, the level of the relationship depends on the extent to which the values are shared, including aspects such as human rights and democracy, good governance, market economy principles and sustainable development (ibid). Progressive integration into the EU’s internal market and extended political cooperation depends on progress made in the partner states.

The ENP builds on existing institutional agreements between the EU and the partner states (Association Agreements and Partnership and Cooperation Agreements)<sup>3</sup>. Next to the use of twinning<sup>4</sup> and financial support, one of the central and innovative elements of the ENP is the implementation of bilateral Action Plans that are agreed upon between the EU and each partner.

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<sup>3</sup> AA signed with Israel, Tunisia (1995), Morocco (1996), Jordan and the Occupied Palestine Authority (1997), Egypt (2001), Algeria and Lebanon (2002). Signature with Syria still pending. PCA signed with Ukraine and Moldova (1998), Armenia, Azerbaijan, Georgia, (1999). Ratification with Belarus stalled since 1997. PCAs /AAs contain essential element clause with regards to democracy and human rights. While there are no explicit suspension clauses (unlike Cotonou Agreements), the EU can take “appropriate measures” once principles of democracy or human rights are violated.

<sup>4</sup> Twinning is one of the main tools of institution building assistance. It aims at helping the partner countries in the development of efficient and modern administrations and provides the framework for administrations in the partner countries to work with their counterparts in Member States.

The Action Plans set out an agenda of political and economic reforms with short and medium-term priorities (ibid). Progress on the implementation of the commitments and objectives set out in the Action Plans is regularly monitored through sub-committees, dealing with specific sectors or issues. Moreover, yearly progress reports of the European Commission strictly monitor the degree implementation of reforms. The assessment of the Commission is then “complemented by a consensual monitoring structure in joint Association Councils” (Lavenex et al., 2009: 820). Action Plans are similar in outline, but the content is specific to each country reflecting the principle of differentiation.

The concept of good governance is central to the content of the Action Plans. Each Action Plan has a detailed chapter called “Enhanced political dialogue and reform” under which all aspects of democratic governance are covered. Moreover, further issues related to good governance can also be found in the other five chapters of each Action Plans. These include the fight against corruption, public administration reform or sound economic management. Today, Action Plans have been agreed with Jordan, Israel, Morocco, the Palestinian Authority, Tunisia, Egypt, Lebanon, Moldova, Ukraine, Armenia, Azerbaijan, and Georgia. The following table provides an overview of the contractual framework with the partner states as well as several key indicators.

**Table 1: The ENP – An Overview**

	PCA/ AA	Action Plan	GDP per capita USD (in mio. \$)	Population (in mio.)	Percentage of Total Trade with EU
<b>East</b>					
Armenia	1999	2006	4916	3	35.40%
Azerbaijan	1999	2006	9352	8.4	53.70%
Belarus	-	-	12486	9.8	31.80%
Georgia	1999	2006	4747	4.5	32.20%
Moldova	1998	2005	2766	4.2	47.80%
Ukraine	1998	2005	6461	47.1	36.00%
<b>South</b>					
Algeria	2005	-	6855	32.9	52.00%
Egypt	2004	2007	6147	74	34.40%
Israel	2000	2005	28271	6.9	32.20%
Jordan	2002	2005	5662	5.4	20.70%
Lebanon	2006	2007	4381	3.6	32.70%
Libya	-	-	14381	5.9	71.50%
Morocco	2000	2005	4587	30.2	57.90%
Syria	-	-	4858	19	23.00%
Tunisia	1998	2005	8285	10	70.30%
Occupied Territory of Palestine	1997	2005	2900	3.6	N/A

Source: European Commission (2010a), IMF (2010), European Commission (2010b)

Despite the fact that both Israel and the Occupied Territory of Palestine are formally part of the ENP, the following sections of the paper will not include both entities in the analysis. This is due to four main reasons. Firstly, both countries show extreme values when it comes to both aid and governance levels. Naturally, the objective of the EU in Israel is less focused on governance reforms than in the remaining states. Moreover, aid levels to the Occupied Territory of Palestine are difficult to compare to other states because of the special character of Palestine. Secondly, both entities also constitute outliers when it comes to the level of development. While Israel shows the highest level of development, the Occupied Territory of Palestine shows by far the lowest level of development. Thirdly, the question emerges whether the Occupied Territory of Palestine constitutes a sovereign state and fourthly, data on the Occupied Territory of Palestine was not available on many subjects.

In 2006 and 2007, the European Commission made proposals as to how the policy could be further strengthened. The 2007 Communication “A Strong ENP” made several suggestions which were

intended to realise a more significant offer vis-à-vis partner countries, mainly on issues such as mobility, economic integration and tackling frozen conflicts (European Commission, 2007 a). Part of the proposed changes also related to the funding of the ENP. Previous to the reform, funding still came from the traditional instruments of TACIS and MEDA<sup>5</sup>. From 2007, a new financial instrument (ENPI) merged both TACIS and MEDA into one financial instrument. The Commission proposed a budget of nearly € 13 billion for ENPI, but this figure was reduced to just over € 11 billion as a result of the compromise over the budget at the December 2005 European Council (Bendiek, 2009). The programming cycle of the new financial instrument includes “Country Strategy Papers” for a period of seven years as well as “National Indicative Programmes” for a period of three years. Next to the ENPI, two additional financial instruments have been introduced in 2007, namely the “Governance Facility” and the “Neighbourhood Investment Facility”. While the Investment Facility is set up to support IFI lending in ENP partner countries, the Governance Facility is specifically designed to reward countries with progress in good governance reforms.

The ENP marks a departure from previous arrangements with third countries due to its use of action plans and regular reports. In fact, the development of the policy shows significant borrowing from enlargement strategies. This comes as no surprise because the ENP was conceptualised within DG Enlargement and only later transferred to DG Relex (Kelley, 2006). As noted by Kelley, “from the use of action plans, regular reports and negotiations to the larger conceptualisation and use of socialisation and conditionality, the development of the policy shows significant mechanical borrowing from the enlargement strategies” (ibid: 29). This is also exemplified by the fact that “in the very early in-house ENP drafts, the name of a recent candidate state would sometimes accidentally appear” (ibid: 33). Moreover, the use of twinning programmes in the partner states also reflects a close resemblance to enlargement policies. Despite such similarities, the Commission made it clear that a membership perspective was not part of the ENP from the start. As argued by the former President of the Commission Prodi, the EU needs to offer “everything but institutions” (Prodi, 2002).

A more recent trend in the relations with the partner states has been the (re)establishment of multilateral regional initiatives. Both the Union for the Mediterranean (established in 2008) and the Eastern Partnership (established in 2009) have been designed to complement the bilateral dimension with a multilateral approach. Both the Eastern Partnership and the Union for the Mediterranean are supposed to be financed through existing ENPI funds. It remains to be seen

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<sup>5</sup> Technical Assistance for the Commonwealth of Independent States (TACIS) provided financial assistance for technical assistance as well as cross-border measures in the fields of infrastructure, the fight against organised crime or environmental protection.

Mésures d’accompagnement financières et techniques (MEDA) provided assistance to the Mediterranean states in order to support the economic transition and the establishment of a Euro-Mediterranean Free Trade Area by promoting social and economic reforms.

whether the ENP will maintain its geographical integrity or whether there will be a move towards greater regional differentiation. This question will, however, be beyond the scope of this paper.

Promoting good governance has been at the heart of the ENP framework. The policy has been in place for six years since its formal launch in 2004. Therefore, it is highly interesting to examine how successful the ENP has been in achieving some of the goals set out in the initial proposal. Before analysing how the partner states have progressed, the following section will introduce the main instruments of the ENP in more detail.

### **2.3. Overview of the Instruments**

Generally, the ENP policy framework combines three main elements to promote the good governance objectives of the EU. These encompass: (1) assistance, including technical assistance; (2) (positive) conditionality; (3) political dialogue.

As explained in the previous section, financial assistance is provided through the ENPI since 2007. The ENPI has replaced the TACIS and MEDA programmes and offers additional funding to the partner states. Funding from the new instrument has increased by 32% in real terms compared to previous instruments (European Commission, 2010 a). Yet, the amount of funding is relatively small compared to the funds available to accession states (Bendiek, 2008)<sup>6</sup>. The importance of good governance is enumerated throughout the Regulation establishing the ENPI. For instance, Art. 2.1 of the Regulation states that: “Community assistance shall [...] encourage partner countries’ efforts aimed at promoting good governance and equitable social and economic development. “(Council of the European Union, 2006, Art. 2.1.). Moreover, Art. 2 (2d) of the Regulation states that the ENPI shall promote “the rule of law and good governance, including strengthening the effectiveness of public administration and the impartiality and effectiveness of the judiciary, and supporting the fight against corruption and fraud” (ibid). According to Börzel et al., the strong commitment to good governance marks a clear departure from previous financial instruments (Börzel et al., 2008). While both MEDA and TACIS instruments have referred to good governance in broad terms, the new ENPI regulation constitutes a new dimension in the use of good governance.

Another area of cooperation has been in the field of technical assistance. Three main programmes are available to the partner states, namely Twinning, Technical Assistance and Information Exchange (TAIEX) and Support for Improvement in Governance & Management (SIGMA). Both Twinning and TAIEX have been used in the accession process in order to modernise institutions in the beneficiary countries. Officials from EU member states assist officials in the beneficiary

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<sup>6</sup> According to Bendiek, accession states receive around twice as much funding as ENP states for the 2007-13 financial period (Bendiek, 2008).

countries in implementing reforms. According to the Commission, “one of the key features is the concept of mandatory results” (European Commission, 2008a). This means that commonly agreed goals of the twinning project must be achievable and measurable. Moreover, Twinning must be related to the cooperation laid out in the AAs / PCAs or the Action Plans under the ENP framework and “the beneficiary country administration requesting a Twinning must be twinnable as a result of its status, functions, and reform ambitions” (ibid). It is important to note that not all twinning projects are related to good governance but also involve policy areas such as agriculture or telecom. TAIEX is very similar to Twinning projects but is exclusively directed towards supporting the implementation of the EU acquis. Lastly, SIGMA constitutes a joint initiative of the EU and the OECD to “provide short to medium-term support to improve Governance and Management [...] and assess reform progress and identify priorities on the basis of the EU acquis” (ibid). As twinning and TAIEX, SIGMA is mainly demand-driven meaning that the recipient governments need to request specific twinning projects.

Next to financial and technical assistance, the ENP makes use of the principles of positive conditionality and political dialogue as means of promoting good governance. Positive conditionality reflects the desire of the EU to develop a differentiated approach towards its neighbours in which closer political and economic relations depend on the progress in the partner states. The growing use of positive conditionality has been a reaction to the understanding that the use of negative conditionality has largely been ineffective (Börzel et al. 2008). In a 2006 Communication, the European Commission acknowledged the limited use of negative conditionality by arguing that dialogue rather than sanctions should be the preferred option in promoting governance reforms (European Commission, 2006a). The EU uses different types of positive conditionality. Deeper cooperation in specific policy areas (e.g. visa liberalisation, integration into the internal market) are just as well part of the ENP framework as additional funding (through the Governance Facility and the Investment Facility). According to Sasse, “the EU’s emphasis (with regards to positive conditionality) has switched to an emphasis on the creation of a free trade area and the offer of a ‘stake’ in the EU’s internal market as the primary incentive structure underpinning ENP” (Sasse, 2008: 301). Another usage of positive conditionality has been in the field of aid. As indicated in the previous section, the Governance Facility has been designed to reward countries which have shown signs of progress.

Lastly, the EU also makes use of political dialogue as a means of inducing change in the partner states. Partnership and Cooperation Councils or Association Councils have been set up in order to exchange views on the priorities set out in the Action Plans (European Commission, 2004). Moreover, several sub-committees such as the Parliamentary Cooperation Committee have been set up to discuss policy issues on a regular basis. In addition, permanent human rights dialogues have been set up to discuss issues such as the “signing, ratification and implementation of

international human rights instruments or the co-operation with international human rights procedures and mechanisms” (Council of the European Union, 2010: 1). Today, human rights dialogues have been established with Armenia, Moldova, Georgia, Ukraine, Belarus, Tunisia, Morocco, Lebanon, Jordan, Egypt, and Israel.

The following table provides an overview of the instruments in the partner states between 2004 and 2008:

**Table 2: Overview of ENP Instruments**

	EU funds 2004-08 (in mio. €)	EU funds per capita 2004-08 (in €)	EU funds on GG 2004-08 per capita (in €)	% of total funds	No. of Twinning, TAIEX, SIGMA Projects 2004-08	Governance Facility (in mio. €) 2007-2009
<b>East</b>						
ARM	65	21.67	9	41.53	35	0
AZE	71	8.45	3.4	40.24	29	0
BEL	20	2.04	1.09	53.43	4	0
GEO	80.8	17.95	5.61	31.25	33	0
MOL	144.3	34.36	12.78	37.19	48	16.6
UKR	492.6	10.46	4.12	39.39	65	33.2
<b>South</b>						
ALG	273	8.3	1.58	19.04	6	0
EGY	679.5	9.18	0.47	5.12%	54	0
JOR	262	48.51	1.88	3.88%	27	0
LEB	175	48.61	3.33	6.85%	8	0
LBY	N/A	N/A	N/A	N/A	0	0
MOR	865.26	28.65	8.34	29.11	72	49.8
SYR	N/A	N/A	N/A	N/A	0	0
TUN	400	40	3	7.50%	39	0

Source: Own compilation based on National Indicative Programmes for TACIS / MEDA funding (2004-06) and ENPI Annual Action Programmes (2007 & 2008) – (European Commission, 2010c); Activity Report on Twinning, TAIEX and SIGMA within ENP and OECD (2008b); European Commission (2010) – Interview with Official of the European Commission (2009).

The table demonstrates that the use of instruments has varied greatly between different partner states as well as between the East and the South. While southern states have received higher per capita funding, funding for good governance related programmes has been considerably higher in the East. On average funding for good governance related programmes makes up 40.51 per cent of total funding in the East and only 11.92 per cent in the South. This can be explained by two main

factors. Firstly, the EU has traditionally placed more emphasis on good governance promotion in the East. Good governance was already an explicit goal of the PCAs, while this was not the case with regards to the AAs. Secondly, the EU has been highly concerned with the issue of mass migration from the Mediterranean region as well as political stability (van Hüllen, 2009). Therefore, issues related to good governance might not constitute the top priority of cooperation with the southern states.

A similar pattern emerges with regards to technical assistance. This can be explained by the fact that technical assistance is mainly demand-driven, meaning that the partner states ask for cooperation in specific fields. It is quite common to expect that countries that are more eager to cooperate with the EU also make more use of technical assistance programmes. Overall, Morocco constitutes one remarkable outlier, as it has received the highest amount of funding from the Governance Facility, participated in various technical assistance programmes and received substantial amounts of funding from good governance related programmes.

After having introduced the ENP in some detail, the following section will examine progress in governance reforms in the partner states between 2004 and 2008 in an effort to assess the effectiveness of the ENP.

### 3. Empirical Evidence

How have the partner states of the ENP progressed with regards to good governance since the start of the ENP in 2004? To address this question, the paper uses the good governance indicators developed by the World Bank (WGI). The WGI measures good governance in over 200 countries and is subdivided into six broad categories (Political Stability, Voice and Accountability, Control of Corruption, Rule of Law, Government Effectiveness, Regulatory Quality<sup>7</sup>). Each indicator constitutes

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<sup>7</sup> **Voice and Accountability:** “the extent to which a country’s citizens are able to participate in selecting their government, as well as freedom of expression, freedom of association, and free media”.

**Control of Corruption:** “the extent to which public power is exercised for private gain, including both petty and grand forms of corruption, as well as “capture” of the state by elites and private interests.”

**Rule of Law:** “the extent to which agents have confidence in and abide by the rules of society, and in particular the quality of contract enforcement, the police, and the courts, as well as the likelihood of crime and violence.”

**Government Effectiveness:** “the quality of public services, the quality of the civil service and the degree of its independence from political pressures, the quality of policy formulation and implementation, and the credibility of the government’s commitment to such policies.”

**Regulatory Quality:** “the ability of the government to formulate and implement sound policies and regulations that permit and promote private sector development.”

**Political Stability:** “perceptions of the likelihood that the government will be destabilized or overthrown by unconstitutional or violent means, including political violence or terrorism.”

an aggregate of different data sources. For instance, the “control of corruption” indicator is composed of 20 sub-indicators measuring corruption. While there are inherent weaknesses in using aggregate indicators (i.e. loss of specificity)<sup>8</sup> and the WGI in particular (due to the problems related to the lack of significant change over time)<sup>9</sup>, they can play a helpful role in summarising and synthesising the sheer number of different indicators on good governance. Moreover, the WGI offers a valuable insight into the general trend of countries. The table below shows the relevant data for the ENP countries:

**Table 3: Development of World Bank Indicators**

Name	Control of Corruption (CoC)	Government Effectiveness (GE)	Rule of Law (RoL)	Regulatory Quality (RQ)	Voice and Accountability (VA)	Total
Georgia	19.6	21.3	19.2	21.3	-2.4	15.8
Moldova	15.9	3.8	8.8	3.8	9.6	8.38
Ukraine	8.1	0.5	4.9	0.5	18.3	6.46
Belarus	9.6	3.7	3.4	3.7	-1.9	3.7
Azerbaijan	2.3	9.9	3.4	9.9	-7.7	3.56
Armenia	6.2	-3	7.8	0.5	-3.9	1.52
Jordan	-1.8	1.4	2.2	-2.1	-4.8	-1.02
Egypt	-11.8	-2.4	-1.2	13.2	-8.7	-2.18
Morocco	-7	-1.9	-3.1	4.9	-4.3	-2.28
Algeria	7.6	-2.8	-4.6	-5.5	-7.7	-2.6
Libya	-3.1	-8.1	-9.8	7.7	-0.5	-2.76
Syrian Arab Republic	-18.5	15.2	-9.9	-2	-1.9	-3.42
Tunisia	-7.5	-4.7	-2.1	-2.4	-13	-5.94
Lebanon	-15.2	-13.2	-20.8	-1.5	-1.4	-10.42

Source: own calculations based on World Bank Governance Indicators (2010)

The data displayed above show the change in the percentile rank ranging from 0 to 100 between 2004 and 2008. As explained in the previous chapter, Israel and the Occupied Palestinian Territory are not included in the list. Next to the differences in every individual indicator, the table also summarises the average change of all five indicators (with the exception of political stability)<sup>10</sup>. Two observations are striking: (1) only the Ukraine and Moldova have improved on all indicators; (2) only

<sup>8</sup> For detailed methodology of aggregate indicators see Kaufmann et al, 1999

<sup>9</sup> For a comprehensive discussion on the problems with using the WGI see Arndt & Oman, 2008

<sup>10</sup> Including political stability does not change overall findings. Political stability is not directly linked to good governance.

the Eastern Partners have improved their overall average ratings in the governance indicators (albeit some to a very limited degree).

While some of the Southern partners have improved their ranks on individual indicators (e.g. Morocco on RQ or Jordan on RoL) none have been able to improve their overall average ranking. A somewhat similar picture emerges when examining differences in the ranking of the “Corruption Perception Index” of Transparency International between 2004 and 2009. While this index only captures a sub- category of good governance<sup>11</sup>, it gives a good indication for the level of corruption in the partner states and reaffirms the findings of the WGI indicators. What is striking is that only two states have progressed on this score, namely Georgia and Moldova. Again, none of the Southern partner states have progressed on the corruption perception index (see table below). A similar picture emerges when analysing the scores (not rank) for individual countries. Only Georgia shows statistically significant changes between 2004 and 2009 (Transparency International, 2010). It must be stressed that the data by the World Bank and Transparency International only show the general trend. It is quite clear that countries such as Moldova have not progressed on every level and that severe problems remain. For instance, the recent Nation in Transit Report of Freedom House reports that there have been serious delays in implementing anti-corruption laws in Moldova (Freedom House, 2009). Despite this, the general trend of progress identified above is also confirmed by qualitative reports of Freedom House or Global Integrity. For instance, reports by Global Integrity have documented that Moldova has shown clear progress between 2007 and 2008 by improving their overall ranking from 60 to 68 (Global Integrity, 2010). Global Integrity notes that there have been improvements with regards to voting procedures and public accountability. Similarly, in Georgia watchdog organisations such as Freedom House have acknowledged progress by stating that after the Rose Revolution: “subsequent years were marked by success in rooting out mass corruption, strengthening public institutions, and promoting robust economic growth” (Freedom House, 2008a: 1). In the southern partner states, the absence of political reform has also been well documented in qualitative reports. For instance, a report on political reform in Morocco finds that “Political reforms [...] have been ad hoc, selective and often superficial. Most importantly, Morocco’s semi-authoritarian power structures, and the concentration of all meaningful power in the hands of the palace, remain unchanged” (Kausch, 2009). In addition, the article makes clear that progress in Morocco has mainly been taken place prior to the establishment of the ENP.

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<sup>11</sup> Corruption perception Index measures the perceived level of public-sector corruption in 180 countries and territories around the world.

**Table 4: Development of TI Corruption Perception Index**

	<b>TI Corruption 04</b>	<b>TI Corruption 09</b>	<b>Difference</b>
Algeria	97	111	-14
Armenia	82	120	-38
Azerbaijan	140	143	-3
Belarus	74	139	-65
Egypt	77	111	-34
Georgia	133	66	67
Jordan	37	49	-12
Lebanon	97	130	-33
Libya	108	130	-22
Moldova	114	89	25
Morocco	77	89	-12
Syrian Arab Republic	71	126	-55
Tunisia	39	65	-26
Ukraine	122	146	-24

Source: Transparency International (2009) – based on authors own calculations

From the data a cluster of three countries is detectable. The first group encompasses Ukraine, Georgia and Moldova (Reformers). All three countries have shown signs of progress between 2004 and 2008. The second group is composed of Azerbaijan, Armenia and Belarus (Stagnation or small Progress). In this group all countries have made some positive steps but have also shown signs of regression on several individual indicators. Finally, the third group of countries is made up of the southern partners (Regression Group). In this group, no country has progressed. While it might be argued that it is too early to see progress, this does not explain why some countries have regressed<sup>12</sup>.

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<sup>12</sup> With the exception of Lebanon where regression can be explained by the war with Israel in 2006

## 4. Has the ENP been successful in initiating change?

### 4.1. Overall Findings

Once ENP instruments are related to the governance performance of the partner states, it becomes clear that the influence of the EU in initiating change has been rather limited. The first striking point to be made is that per capita funding does not seem to have any effect on governance performance in the partner states.

As shown by table 2, countries such as Tunisia or Jordan which have received per capita funding of above € 40 have regressed during the investigated period. Moreover, countries with relatively low amounts of per capita funding such as Ukraine or Georgia have progressed substantially. Higher per capita funding does not seem to produce any significant improvements in the governance scores of the partner states. Quite on the contrary, it appears that countries with higher per capita funding have regressed (with the exception of Moldova). While it is impossible to construct a clear correlation between ENP funds and governance levels, this observation coincides with previous studies, which have shown that higher aid levels lead to worse governance outcomes. It has repeatedly been argued that “aid weakens governmental accountability, by retarding the development of a healthy civil society underpinning democracy and the rule of law” (North, 1990: 2). Moreover, in his study on the relationship between aid levels and the quality of governance Knack has found that: “periods of higher aid levels coincide with periods of lower-quality governance” (Knack, 1999: 12). Overall, the lack of impact of EU funds gives a first indication that per capita funding does not automatically lead to improvements in the partner states.

The second observation to be made is that countries that received higher amounts of funding tied to good governance programmes have shown progress (see table 2 and 3). On average, countries of the first and second group (Eastern States) have received governance-related per capita funding of € 6 while this only amounts to € 3.1 in countries of the third group. Therefore, governance-related funding has been around twice the amount in countries, which have progressed. In addition, the number of technical assistance programmes in countries that have progressed exceeds the number of such programmes in countries with no signs of progress considerably. Jordan, Egypt and Morocco constitute the only group of (regression) countries where the number of technical assistance programmes is comparable to the eastern states. Overall, the data demonstrates that per capita good governance funding and technical programmes have been more effective in initiating change than overall funding. Again, to construct a clear correlation between good governance-related programmes/technical programmes and progress would be highly problematic. This is due to three main reasons. Firstly, there are remarkable outliers in both groups. Morocco which has received relatively high governance-related funding (€ 8.34 per capita) shows no

progress, while Georgia has progressed considerably and received funding of € 5.61 per capita only. Secondly, countries which have received higher per capita good governance funding have probably been more willing to implement reforms and consequently the EU spends more funds on good governance programmes in these countries. Thirdly, technical assistance programmes are mainly demand-driven. Therefore, countries with higher absorption capacities are more likely to demand further cooperation with the EU. Consequently, the impact of governance-related funds should not be overestimated. A final remark relates to the Governance Facility. The impact of this new and innovative instrument would certainly be too early to assess as it has only been in place since 2007. Moreover, funding from the Governance Facility has been extremely limited (€ 16.6 million per year).

## **4.2. The Top-Performers and the influence of the ENP**

Only three countries have shown substantial progress. It would be extremely tempting to argue that the EU had a substantial impact in bringing about change in these states. Nevertheless, the data presented above suggests otherwise. Moreover, once domestic conditions are added to the analysis, the impact of the EU becomes marginalised. Better performances in Ukraine and Georgia are less due to the influence of the EU but more a result of the “Coloured Revolutions” in 2004. Several authors have convincingly argued that progress in Georgia has mainly been due to the commitment of President Saakashvili to introduce far-reaching liberal economic reforms (Esadze, 2007; Kukhianidze, A, 2009; Scott, 2007). The introduction of a flat tax on personal income tax, the simplification of the customs regime or the dismissal of the traffic police have all contributed to the significant reduction in corruption levels in Georgia (Scott, 2007). While Saakashvili’s Western orientation played an important role for impetus of reform, direct influence of the EU let alone influence of ENP policies has been rather limited (Scott, 2007). It is quite probable that domestic (commitments of the political leadership) rather than international factors have caused improvements in governance scores in Georgia. The same applies to the Ukraine. Major improvements took place directly after the Orange Revolution in 2004/2005 but these sharp improvements were followed by a renewed deterioration of governance performance after 2006<sup>13</sup>. This is documented by following table:

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<sup>13</sup> Except for Voice and Accountability and Political Stability.

**Table 5: Governance Performance of Ukraine since the Orange Revolution**

<b>Ukraine Governance Performance 2004-08</b>					
<b>Voice and Accountability</b>	2008	47.1	<b>Political Stability</b>	2008	44
	2007	46.2		2007	49.5
	2006	45.2		2006	45.2
	2005	35.1		2005	34.6
	2004	28.8		2004	34.6
<b>Government Effectiveness</b>	2008	32.7	<b>Regulatory Quality</b>	2008	39.1
	2007	29.9		2007	36.4
	2006	38.4		2006	34.1
	2005	42.7		2005	44.9
	2004	32.2		2004	37.1
<b>Rule of Law</b>	2008	31.1	<b>Control of Corruption</b>	2008	28
	2007	26.7		2007	27.1
	2006	24.8		2006	33.5
	2005	33.8		2005	37.9
	2004	26.2		2004	19.9

Source: World Bank, 2010

The data suggest that the change in political leadership and their commitments to political reform were the driving factors behind the improvements in governance rankings and not international actors, as EU influence would not be able to explain the sudden drop after 2006. In fact, the ENP has been ineffective in anchoring reforms in Ukraine after 2006.

The situation in Moldova is somewhat different. The positive developments cannot be attributed to a change in government<sup>14</sup> but more to a re-orientation in foreign policy of the Moldovan government. After some disappointments in the relationship with Russia, Moldova perceived European integration more and more as a priority and signed an Action Plan with the EU in February 2005 (Sasse, 2009 & Freedom House, 2009). Moldova's new foreign policy priority was highlighted in a speech of the former President Voronin at a visit to the European Parliament in 2005 where he stated that "European integration is an irreversible and priority option" (Voronin, 2005: 1). The

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<sup>14</sup> Between 2004-08 the Communist Party has consistently been in power and has only been defeated in the recent parliamentary elections in 2009.

Moldovan government has to a certain degree been committed to adopt some of the political reforms set out in the Action Plan with the EU<sup>15</sup>. According to European Commission, Moldova has progressed in several governance-related areas by adopting laws on anti-corruption and a law on transparency in the public decision-making process. A study by Sasse has found that “the weak incentive structures of the ENP were sufficient to launch a number of reforms [...], thereby illustrating an attempt to use the EU as a domestic reform anchor” (Sasse, 2008: 313). Nevertheless, Sasse also recognises that most of the reforms are still at the level of strategies, declarations, and unimplemented legislation (ibid). While Moldova has adopted some of the laws set out in the Action Plan, the implementation of these laws remains problematic. Legislation has often been poorly designed and watchdog organisations such as Freedom House have criticised that laws often do not meet European standards (Freedom House, 2009: 383). Whilst the EU has helped to reinforce some of the positive developments in Moldova, the influence has been more indirect. Overall, the re-orientation of the regime in Chisinau towards the EU has been more important than specific ENP policies. It remains to be seen whether the ENP will be successful in promoting sustainable change, but recent reports on the implementation gap suggest otherwise.

To sum up, the findings correspond with previous studies on Europeanisation, which have argued that “the conceptual discussion [on the impact of the EU in the accession states] tends to overestimate and generalise the effects of EU conditionality vis-a`-vis domestic factors” (Sasse, 2008: 300). It has become clear that the ENP has not been able to trigger the transition to good governance in any sustainable way. While this might come as little surprise in countries such as Syria or Algeria (where incumbent regimes oppose political reforms), it is remarkable that countries where domestic conditions could have been receptive to international influence, the instruments of the ENP have been unable to trigger sustainable change. It is of course important to note that a possible long-run effect of the ENP on governance reforms in the partner states cannot be ruled out in the present paper. The following section will trace the reasons for the lack of impact in order to formulate policy recommendations that would enhance the future design of the ENP.

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<sup>15</sup> Action Plan sets out ten priority areas of which three are directly related to good governance – (1) further strengthening the stability and effectiveness of institutions guaranteeing democracy and the rule of law; ensuring the democratic conduct of parliamentary elections in Moldova in accordance with European standards; (2) ensuring respect for the freedom of the media and the freedom of expression; (3) further reinforcing administrative and judicial capacity.

### 4.3. Some Tentative Explanations

#### ***Conflicting Goals***

Good Governance does not constitute the only priority of the EU in relations with the neighbouring countries. Relations with the Mediterranean partners in particular have been shaped by other priorities. This is reflected by the fact that the amount of funding for good governance-related programmes has been considerably lower than in the East. Not good governance, but issues such as regional security, migration, and energy security dominate the agenda. For instance, the issue of migration has been a pressing concern for the EU in its relationship with Morocco. Especially the southern EU member states (most notably Spain and France) have pushed for the finalisation of a readmission agreement<sup>16</sup>, enhanced border management and stricter border controls. Thus, substantial amounts of funding have been absorbed for projects in the area of migration. Moreover, regional security policy often clashes with good governance policies. According to Kausch, officials from national governments have noted that “efforts to promote democracy in the region had given way to an increasing focus on activities with a more discernable link to countering terrorism, with concerns for root causes largely sidelined” (Kausch, 2009: 14). This reflects the dilemma the EU faces with many of the southern partners. The EU needs to find a balance between the need for stability and the promotion of good governance. Similarly, priorities other than the promotion of good governance constitute the lion’s share in the East. Issues such as trade and investment or socio-economic development make up around 70 per cent of all programmes.

#### ***Replicating Accession***

As argued in previous sections, the ENP borrows significantly from previously existing enlargement strategies. The use of action plans, regular monitoring or twinning demonstrates that the EU attempts to import the success of enlargement to the neighbouring countries. The problem with such an approach is quite evident. The ENP lacks the key element of the accession process, namely the membership perspective. Therefore, one of the most important engines for reform in the Central and Eastern European Countries (CEEC) is missing. As argued by Lynch, the ENP constitutes “a pale shadow of the enlargement policy that is driven by the logic of the enlargement – it is aimed similarly to promote the European values but does not offer the main carrot – the enlargement” (Lynch, 2006: 1).

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<sup>16</sup> Readmission Agreement still pending

While it is clear that the membership perspective will not be an option for the partner states, the ENP makes use of elements of the accession process, which have been less successful. As suggested by Mungiu-Pippidi, assistance policy has not been able to produce change of governance performances in the CEECs. Consequently, it is suggested that “the companion of enlargement” needs serious “revisiting and adjustment” in order to produce sustainable effects in the governance structures of the targeted states (Mungiu-Pippidi, 2008: 22). Mungiu-Pippidi argues that during the accession process “reforms were not driven by impact evaluations, but by the need to satisfy the pressing bureaucratic reporting needs for the EC regular monitoring reports” (ibid: 17). As a result of this mechanism, countries were often not evaluated by the effectiveness of the reforms but by the sheer number of measures taken (ibid). In the ENP framework, a similar pattern has emerged. Action Plans often use the ratification and adoption of international instruments or conventions (e.g. Criminal Law Convention on Corruption<sup>17</sup> by the Council of Europe) as a reference point for the standards to be achieved. As argued by Lavenex et al., “there is a clear discrepancy between rule adoption and rule application” (Lavenex et al., 2009: 926). While it is easy to formulate input indicators that simply measure the adoption of specific legislation, impact indicators (degree of implementation) are more difficult to formulate and monitor. Related to the accession process, Mungiu-Pippidi argues that while the EU introduces impressive reforms “on paper, developments on the ground are modest to nil” (Mungiu-Pippidi 2005: 22). Without effective monitoring, however, the EU will find it difficult to trigger sustainable changes.

Next to the problem of monitoring, Action Plans often resemble “shopping lists of reform” from which partners can pick the reforms that suit their agenda best (Balfour, 2007: 18). This clearly undermines the effectiveness of Action Plans. Lastly, good governance-related projects often tend to repeat experiences of enlargement by focusing too heavily on the harmonisation of standards as well as legislative approximation. Overall, it seems as if the EU has tried to transfer accession procedures to the ENP without assessing the effectiveness of accession instruments first.

### ***Incentive Structures***

A major weakness of the ENP in promoting good governance has been the lack of sizeable incentives. It has increasingly become clear that the EU has “over-sold” the ENP (ibid). Incentive structures are far from what has been labeled the “everything but institutions” framework set-out in 2003. The ENP cannot offer the partner states what they desire most: freedom of movement of workers and comprehensive access to the single market. While it seems highly unrealistic that the former will be on the agenda for years to come<sup>17</sup>, agreement to achieve further trade liberalisation

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<sup>17</sup> Freedom of workers is not even fully implemented within EU-27.

should be achievable. Especially the southern partners have often not been given the prospect of full trade liberalisation in those sectors where they enjoy a competitive advantage (i.e. agricultural products).

Despite persisting problems, the Commission has recognised that more needs to be done. In 2007, the Commission published a Communication<sup>18</sup>, which aims at offering improvements in economic cooperation, mobility of persons and participation in Community programmes. Moreover, the Eastern Partnership provides for “gradual steps towards full visa liberalisation as a long-term goal for individual partner countries on a case-by-case basis provided that conditions for well-managed and secure mobility are in place” (Council of the European Union, 2009). A further instrument that has been introduced to enhance incentive structures is the Governance Facility. While these steps go into the right direction, it is too early to assess whether they have proved to be successful.

### ***Civil Society***

The importance of a well-organised and active civil society in improving the efficiency and effectiveness of the political system has been well-documented. Civil society organisations serve a variety of functions (i.e. oversight, education) that have important repercussions for the transition to good governance. The EU was quick to identify the support for civil society as one of the priorities intended to strengthen the neighbouring countries’ commitments to good governance. The relevance of a civil society is documented in several ENP strategy papers covering various areas including culture, local administration or the fight against corruption. In addition, all Action Plans make specific reference to the support for civil society. Yet in practice, civil society organisations in the partner states have received little support through the ENP (Raik, 2006, Youngs, 2006). Especially in authoritarian regimes of the south, local reform voices are often undermined by the lack of support from the EU. As argued by Youngs, “in many Arab states the judiciary, civil society, media and new reformist ‘movements’ have spoken out against political repression with little support from the EU” (Youngs, 2006: 5).

While the EU has recognised some of the limitations of its approach towards civil society organisations<sup>19</sup>, two of the most pressing issues remain unsolved: overly strict bureaucratic rules on financing and the level of funding for civil society organisations itself. According to Raik, the EU regulation on financing civil society “imposes tight financial control with auditing rules that are far stricter than the usual standards in both the public and private sector and the extensive and

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<sup>18</sup> European Commission Communications “A strong ENP (2007)” and “Strengthening the ENP (2006)”.

<sup>19</sup> European Commission Communication “A strong ENP” notes that civil society organizations shall be involved in the drafting of Action Plans in the future. Moreover, the Communication sets out that civil society organization shall monitor progress in the partner states (European Commission, 2006b).

complicated reporting requirements pose a further extra burden on recipients of aid.” (Raik, 2006: 42). In addition, procedures to grant funds often take a very long time. This is especially problematic in some of the partner states where local conditions change rapidly. Lastly, time-consuming and costly application procedures hinder smaller NGOs in applying for programmes of the EU. This is particularly problematic since small NGOs often perform irreplaceable groundwork. As a result of European regulation, “most organisations prefer to work with other donors [such as the US] that are more flexible and less bureaucratic” (ibid). The second problem relates to the level of funding for civil society organisations. The amount of funding for civil society organisations often constitutes only a minimal fraction of overall funding to partner states. To sum up, the EU needs to make more use of civil society organisations in the partner states if it wants to see change in good governance performances.

### ***Funding***

It has repeatedly been argued that the ENP is underfunded. The paper has shown that is not simply about the level of funding but also a question of where funds go. Governance-related programmes (especially with the southern partners) as well as funding to civil society organisations have been neglected and need to be enhanced. Moreover, the EU’s approach has been based too much around a philosophy of front-loading aid, rather than making aid subject to progress. The need for reduce front-loaded aid has become very clear from this paper.

### ***Other Factors***

The final explanation relates to good governance programmes in southern partner states. EU good governance programmes have often an apolitical nature that fails to take national circumstances under consideration. In Algeria for example the EU judicial reform programmes “continued even though President Bouteflika was sacking independent-minded judges” (Youngs, 2006: 5). Moreover, good governance programmes have often helped to reinforce the incumbent regime. Using the example of Syria, Youngs argues that the regime in Damascus “has used co-operation on ‘administrative reform’ to improve the state’s capacity and thus consolidate its own power over decision-making, without any concomitant increase in accountability” (Youngs. 2006: 5). Consequently, in the southern partner states projects specifically designed to promote good governance have often tended to be rather ineffective.

## 5. Conclusions and Policy Recommendations

The ENP constitutes a very promising and innovative policy tool. The concept of differentiation and regular monitoring mark clear improvements to classic assistance policies with the potential of having a real impact on the partner states. In addition, the EU has recognised that incentive structures are a necessary prerequisite for achieving progress in good governance. Since the start of the ENP in 2004, the EU has continuously readjusted some of the instruments to enhance incentive structures for the partner states. At this point, it must be stressed that the present analysis has examined the first four years of the ENP only. Additional research is needed to assess the effectiveness of the ENP in promoting good governance in the future. The present analysis has nonetheless demonstrated that the ENP has been rather unsuccessful in achieving its goals. While it is evident that there are clear limits to what an instrument such as the ENP can achieve and that success is very much dependent on the willingness in the partner states to implement reform, the current design of the policy has some serious flaws, which need reconsideration. Incentive structures, monitoring and the involvement of civil society constitute the most pressing issues that need readjustment if the EU wants to improve its performance in promoting good governance in the neighbourhood.

### 5.1. The need for Tangible Incentives

#### ***Strengthening the Governance Facility***

The introduction of the Governance Facility follows the logic that in order to increase aid effectiveness, funds should be concentrated in those countries that show genuine commitment to improving governance. Aid selectivity introduced by the Governance Facility constitutes a type of ex-post conditionality that creates a positive link between aid allocations and country performances and thus increases incentives for the partners to progress. As demonstrated by this paper, such a link is more than necessary since European aid lacks impact. While the idea of the Governance Facility is noble, the concrete policy design needs serious revisiting and adjustment. The “Principles for the implementation of the Governance Facility” provide a good indication of the problems the new instruments suffers<sup>20</sup>. Firstly, the amount of funding allocated for a country (top-up of

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<sup>20</sup> New instrument is: “intended to provide additional support, on top of the normal country allocations, to acknowledge and support the work of those partner countries who have made most progress in implementing the agreed reform agenda set out in their Action Plan. In line with an assessment of progress made in implementing the (broadly-defined) governance aspects of the Action Plans, this funding would be made available to top-up national allocations, to support key elements

national allocations) constitutes a minimal fraction of total funding (€ 16.6 million per year). This can hardly serve as an incentive for a country to implement political reform. Secondly, in contrast to the Millennium Challenge Account of the U.S., the criteria for the allocation of funds are far from being transparent. The Commission states that the governance facility is primarily based upon progress reports and, thus the governance-related aspects of Action Plans. It remains completely unclear, however, on which criteria (no. and type of indicators) the Commission bases its decision to distribute funds to the partner states. This may explain the rather arbitrary decisions on the allocation of funds. Morocco has received funding in three consecutive years, while “reform champions” such as Georgia have received no funds whatsoever. In order to enhance the effectiveness of the Governance Facility two steps should be taken:

### Increase Funding for the Governance Facility

The Governance Facility needs to be equipped with additional funding to generate large enough incentives for countries to progress. Funds do not necessarily need to come from additional sources, rather funding should be transferred from national allocations to the facility. It is vital to reduce the amount of “front-loaded aid” and replace it with ex-post funding to enhance aid effectiveness. Around 40 to 50 per cent of current national allocations should become subject to ex-post conditionality. This leaves enough room for assistance to countries that do not progress but also creates sufficient incentives for the partner states.

### Transparent Indicators and Allocation Process

Next to a substantial increase in funding, the European Commission needs to establish clear and transparent indicators that document progress. This is not only important for the analysis of the Commission, but also for third parties. For instance, a transparent allocation process allows civil society organisation to scrutinise progress more closely. The Commission could make use of a variety of indicators. Existing indicators such as those developed by Transparency International, Freedom House, Bertelsmann Foundation, or the World Bank already offer a great diversity of indicators that measure the quality of governance in the partner states. In addition, other institutions are in constant search for improving existing indicators on governance. One such example constitutes the French Development Agency, which has developed an “Institutional Profile” database that covers 356 variables related to institutional quality. The database is fully

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*of the reform agenda; this will help reformist governments to strengthen their domestic constituencies for reform”* (Principles for the implementation of a Governance Facility under the European Neighbourhood and Partnership Instrument, 2008c: 1).

transparent and covers a greater institutional field than the WGI that could help the Commission to assess progress more effectively.

The Commission is currently in the midst of a discussion on the future of the Governance Facility and will publish a communication at the end of April (Interview with Commission Official, 2009 & 2010). It remains to be seen whether the Commission has included any of these recommendations.

### ***Economic Integration***

As argued in the previous section, economic incentives often lack substance. While the EU promises access to the internal market as an abstract goal, concrete measures often do not grant partner states concessions in the fields of their strategic interests (i.e. agricultural products). For instance, the EU has recently introduced the concept of an “Advanced Status” which rewards progress with special relationships between the EU and partner states. Morocco has been the first Arab or African country to be granted such an advanced status with the EU. The value added of such agreements, however, often remains unclear. Further trade liberalisation has not been on the agenda and the only real innovation relates to deeper political dialogue<sup>21</sup>. What such agreements lack are hands-on benefits, which could generate incentives. Moreover, as argued by Martin, “it did not take long for the specificity of this special status to be diluted by the rapid emergence of a plethora of other special relationships with EU neighbours” (Martin, 2009: 242).

Shortly after the adoption of an Advanced Status with Morocco, the EU has already opened negotiations with Jordan and Tunisia to establish a very similar framework.

### **Beef-up Economic Incentives**

Instead of granting one “special relationship” after the other, new agreements need to include tangible economic benefits in the field of strategic interest of the partner states. Full liberalisation of trade does not need to be the objective from the start. Rather, gradual liberalisation of trade should be linked to predefined measurable goals. In the end, it will be up to EU Member States to agree on further liberalisation and the Commission needs to be very clear in communicating that it is in the very interest of the EU.

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<sup>21</sup> Materialised in the first EU-Morocco summit held on March 7, 2010.

## Link Governance Performance to further elimination of trade barriers

There needs to be a clear link between the governance performance and additional removal of trade barriers. Once concrete benchmarks or indicators are met, countries can move up the ladder step by step.

### **5.2. Monitoring**

In the past, the EU has focused too much on input indicators. The emphasis on input indicators can explain the large divergence between rule adoption and rule application in the partner states. As a result, governments adopted various laws, conventions or regulations but the actual level of implementation of legal rules has been rather disappointing. In order to overcome these problems it would be advisable to place the focus on impact indicators. According to Mungiu-Pippidi, impact indicators can capture both “formal change (legal transposition) and behavioural change (implementation, application and enforcement)” (Mungiu- Pippidi, 2005: 7).

#### ***Enhance Monitoring Capacities***

It will also be important to install additional staff in DG Relex (External Relations) as well as in the Commission Delegations of the relevant partner states for monitoring purposes. Specifically trained staff that solely focuses on monitoring would greatly enhance the effectiveness of the ENP. In addition, strengthening monitoring will also help to improve good governance programmes in the south. As has been shown in the previous section, it is vital to ensure that programmes do not help incumbent regimes to consolidate their power.

#### ***Specify Action Plans***

Action Plans need to be specified to include information on tangible implementation steps and mechanisms, budgets, relevant stakeholders, timeframes as well as reference to impact indicators mentioned above. A specification of Action Plans would also allow to further increase differentiation between partner states.

### **5.3. Involvement of Civil Society**

The EU has increasingly recognised that the involvement of civil society organisation is a necessary complement to a stringent top-down approach. Civil society organisations have an indispensable oversight function that can help to trigger good governance reforms in the partner states. Moreover,

the “coloured revolutions” have shown that they can become a major player in initiating political change. Despite this, funds from the ENP are almost exclusively directed towards governments in the partner states rather than to independent civil society organisations. Moreover, stringent bureaucratic regulations make it difficult for small organisations to become eligible for funding.

### ***Increase Funding and to Civil Society Organisations***

Additional funding for civil society organisations should be dispatched in order to support existing organisations as well as encourage the establishment of new organisations. Complete independence of relevant stakeholders and the allocation and selection process from national governments is vital for additional funding to have an impact.

### ***Create Civil Society Twinning***

Additional support does not only need to come in the form of more funds. Instead, assistance should be extended to include technical support such as training in accounting, fundraising or language courses. Moreover, twinning projects between EU-NGOs and NGOs in the partner states could be co-financed through the ENP framework. Such channels of cooperation would be particularly useful for smaller NGOs that are not part of larger international groupings. There is no reason for twinning projects to be solely concentrated towards state administrations. This is particularly true for autocratic states where twinning projects have been absent.

### ***Revise the Financial Regulation for Funding of Civil Society Organisations***

The rules concerning Funding of Civil Society Organisations have seriously hindered NGOs in the partner states to apply for funding. It is vital that smaller NGOs are not overburdened by administrative work in order to apply for European money. Overall, it will be important to find the right balance between flexibility and rules that hinder malpractice.

## 6. Appendix



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