

European Neighbourhood Instrument

In a nutshell

The European Neighbourhood Instrument funds EU efforts to cooperate with and promote development in 16 countries and territories on its eastern and southern frontiers, as part of a European Neighbourhood Policy. The EU hopes that by incentivising reform and economic integration in the EU market, these countries will become more democratic, more prosperous and more stable. As a substitute for pre-accession investment in countries with little or no prospect of accession, auditors and analysts say the policy has had mixed success.

EU's Multiannual Financial Framework (MFF) heading and policy area

Heading 4 (Global Europe)

Cooperation with third countries; international agreements

2014-20 financial envelope (in current prices and as % of total MFF)

Commitments: €15 432.63 million (1.43 %)

2015 budget (in current prices and as % of total EU budget)

Commitments: €2 336 million (1.44 %)

Payments: €1 579.3 million (1.12 %)

2016 budget (in current prices and as % of total EU budget)

Commitments: €2 186.5 million (1.41 %)

Payments: €2 328.6 million (1.62 %)

Methods of implementation

Direct management (European Commission, European External Action Service) and *indirect management* (partner countries and organisations).



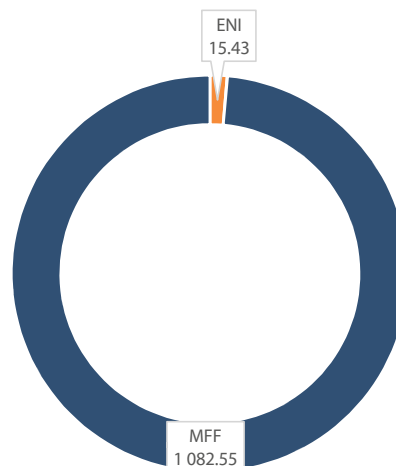
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EU role in the policy area: legal basis

Article 8 of the Treaty on European Union (TEU) states that 'the Union shall develop a special relationship with neighbouring countries, aiming to establish an area of prosperity and good neighbourliness, founded on the values of the Union and characterised by close and peaceful relations based on cooperation'. Title V TEU sets out principles governing the EU's external action and Common Foreign and Security Policy. Articles 206-207 of the Treaty on the Functioning of the European Union (TFEU) provide a legal framework for the EU's trade relations with third countries, while Articles 216-219 govern the EU's international agreements.

ENI and the EU's Multiannual Financial Framework (€ billion)



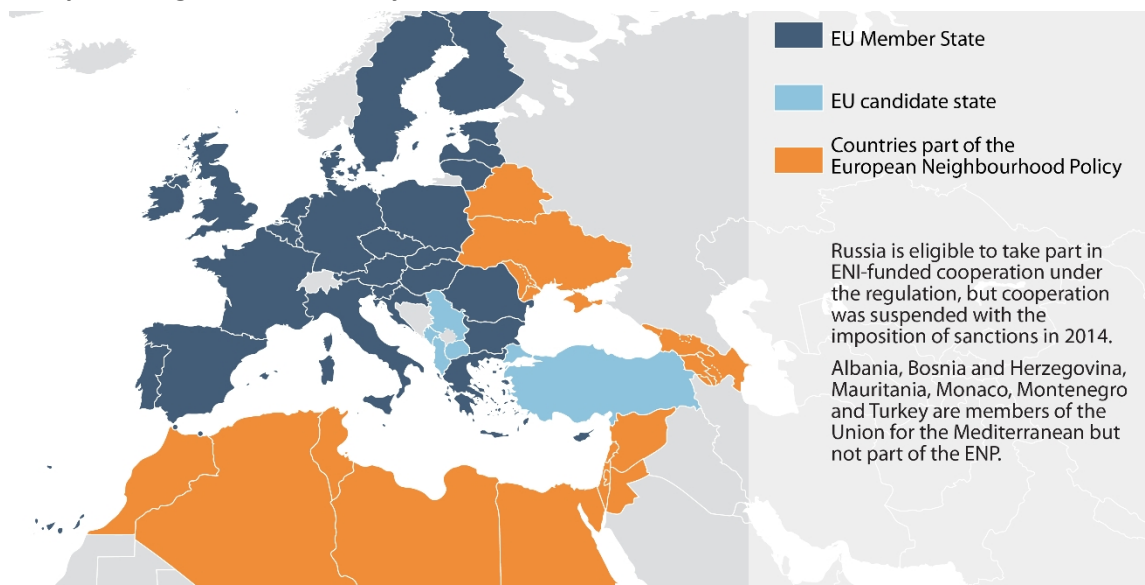
Source: Commission data.

The European Neighbourhood Instrument (ENI) was established by [Regulation \(EU\) No 232/2014](#). Common rules and procedures for implementing EU instruments financing external action are set out in [Regulation \(EU\) No 236/2014](#).

Objectives of the programme

The ENI was created in 2014 to fund the EU's European Neighbourhood Policy (ENP), a framework for efforts to advance democratisation and good governance in, and political cooperation and economic integration with, 16 countries and territories neighbouring the EU to its east and south, which are further divided into an Eastern Partnership and a Southern Neighbourhood. The ENP is complemented by two broader regional initiatives: the Union for the Mediterranean (UfM) and the Black Sea Synergy, which include ENP countries and other third countries.¹ The 16 ENP 'partner countries' targeted by the ENI for bilateral and multilateral cooperation with the EU are: Algeria, Armenia, Azerbaijan, Belarus, Egypt, Georgia, Israel, Jordan, Lebanon, Libya, the Republic of Moldova, Morocco, the occupied Palestinian territory (oPt), Syria², Tunisia and Ukraine. Other countries, including the Russian Federation, are also eligible under the regulation to participate in ENI-funded cooperation as part of bilateral, multilateral and cross-border projects involving the above-mentioned countries, but since the EU introduced sanctions against Russia in 2014, it has been barred from participation in the ENP.

The ENI is designed to promote integration by partner countries into the EU market; economic development; good relations and bilateral and multilateral collaboration; institution and capacity building; democracy, the rule of law and human rights; and orderly and legal movement of people across the EU's external borders. The ENI is meant to pursue these objectives through bilateral action plans – eventually leading to association agreements – negotiated with partner countries comprising a mix of jointly agreed legal, social and economic reforms supported by ENI financial assistance subject to 'conditionality'. Conditionality means that ENI investment is linked to demonstrable progress on reforms to approximate EU standards.

European Neighbourhood Policy countries

Source: EEAS and European Commission. Figure by DG EPRS.

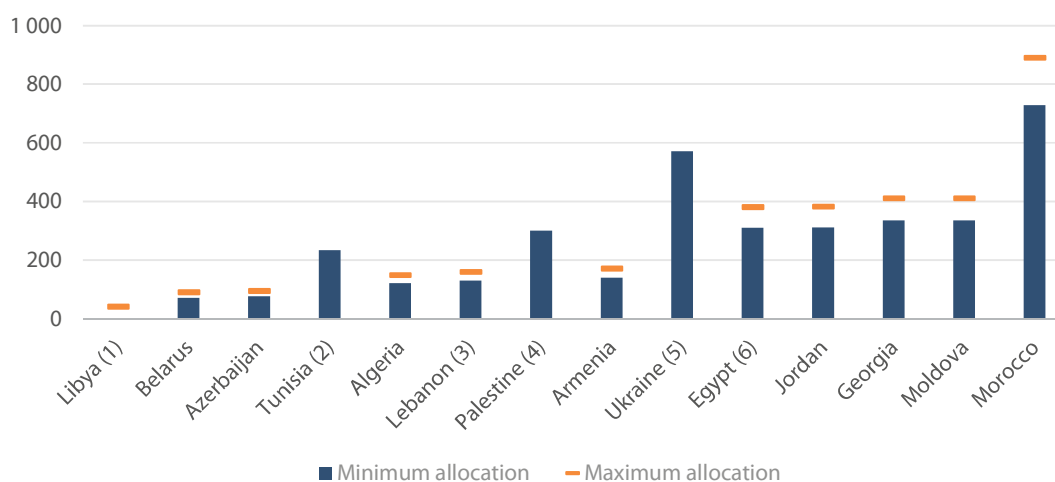
Funded actions

Projects funded under the ENI can take the form of direct bilateral investment from the EU in an ENP partner country, cross-border cooperation, and neighbourhood-wide cooperation. The 2016 budget for the ENI amounts to approximately €2.1 billion under the 2014-2020 MFF, the EU's seven-year financial plan.

Examples of neighbourhood-wide cooperation include a 'Community Resilience Initiative to support the Regional Development and Protection Programme in the North of Africa' benefiting Algeria, Egypt, Libya, Morocco, and Tunisia, and (€3.15 million granted by the Commission in 2015). Another project designed to nudge north-African and Middle Eastern partner countries (Algeria, Egypt, Israel, Jordan, Lebanon, Libya, Morocco, Palestine and Tunisia) to implement investment-friendly public policy reforms ('Enhancing Investment, Innovation and Growth in the Southern Neighbourhood') was allocated €10 million in 2015. Over the period 2014-2017, the ENI will provide €20 million for urban development in Armenia, Azerbaijan, Belarus, Georgia, Moldova and Ukraine ('Regional Programme in the Eastern Neighbourhood in support of the Eastern Partnership Flagship Initiative on Sustainable Municipal Development'). Approximately €23.5 million will be invested in Armenia, Azerbaijan, Belarus, Georgia, the Republic of Moldova and Ukraine over the same period to improve water management in those countries ('European Union Water Initiative Plus for the Eastern Partnership').

In terms of bilateral assistance to individual partner countries, ENI support for Algeria, for example, totalled €26.3 million in 2014, and was provided to help the country implement judicial, media and education reform. Tunisia received €186.8 million from the ENI in 2014 to support such objectives as vocational training and education; modernisation of the security sector; and integrated regional development. In Belarus, the Commission plans to invest between €71 and €89 million over the 2014-2017 period in social inclusion, environmental projects, local and regional economic development, and civil society and capacity development. In Armenia, €140-170 million will be spent over the same period on private sector development, public administration reform, judicial reform, capacity development and support for civil society organisations.

ENI allocations for bilateral cooperation during the 2014-2017 period (€ million)



Source: European Commission data.

Notes: Figures are indicative. Final allocations will depend on the country's needs and commitment to reforms.

(1) Figure is for the 2014-15 period. (2) Figure is for the 2014-2015 period. (3) Figure is for the 2014-2016 period.

(4) Figure is an approximate annual average. ENI aid for Palestine was programmed annually until 2014, when a biannual Single Support Framework was adopted, and subsequently extended through 2016. (5) Assumes annualised assistance of approximately €142.9 million over the 2014-2017 period. (6) Figure is for the 2014-2016 period.

Assessment of programme/actions

In March 2015, the European Commission and the High Representative of the European Union for Foreign Affairs and Security Policy published implementation reports on regional aspects of cooperation with the EU's southern and eastern ENP partner countries. These reports, as well as the country-specific [progress reports](#) also published by the Commission and the High Representative, assess partner countries' implementation of reform objectives agreed with the EU, not whether ENI spending represents value for money. One of the challenges of assessing the value and adequacy of ENI spending is deciding whether lack of progress towards reform objectives justifies more investment or less, and whether targets that have been met can be objectively attributed to EU investment. Since 2011, the Commission has applied the principle of 'more for more' to ENI investment, rewarding partner countries' progress on reform with greater investment.

The 2014 implementation [report](#) for the Southern Mediterranean observes that parts of the region were afflicted by conflicts and crises, especially Syria and Libya, impeding formal cooperation, though reforms in Morocco³ and a continuing democratic transition in Tunisia were positive notes. The 2014 Eastern Partnership implementation [report](#) highlights new Association Agreements with Georgia, Moldova and Ukraine, and a programme of support to help Ukraine stabilise its economy amid the ongoing political crisis in that country (up to €1 billion to be disbursed to support Ukraine under the ENI in the 2014-2020 period).

The European Commission launched a review of the ENP in 2015, issuing a [communication](#) on 18 November 2015 setting out priorities for a revised ENP in response to 250 public submissions from EU Member State and partner country governments and civil society organisations. While noting that the EU had committed 'substantial' resources to stabilising its neighbourhood via the ENI, the Commission concedes that this

will have to be paired with funds from other EU instruments, fellow donors and international financial institutions to underpin economic transition and stability in partner countries. The Commission intends to make the ENI more agile and responsive to urgent and unforeseen needs, including refugee support and disaster response, by making greater use of Trust Funds and creating a 'flexibility cushion' within the ENI.

The European Court of Auditors (ECA) has published a number of country-specific and thematic reports on EU spending in ENP neighbourhood countries, either partly or wholly funded via the ENI. An ECA special [report](#) published in September 2016 on EU assistance for strengthening public administration in Moldova concluded that EU funds had had limited impact. The projects chosen had merit and had delivered results as anticipated, but the Commission had not made correct use of conditionality or aligned its approach with Moldova's own strategic objectives. In December 2013, the ECA published a special [report](#) on EU financial support for the Palestinian Authority, including under the ENI's 2007-2014 predecessor, the European Neighbourhood Partnership Instrument (ENPI). The auditors noted that the Commission had already pledged to tie funding to recipient countries' progress on reforms ('more for more' principle), but had not yet applied this to the oPt.

Also in December 2013 the ECA [reported](#) on EU climate finance in the context of external aid, including aid delivered by the ENPI, concluding that the Commission had focused on appropriate priorities and managed to tailor its programmes to individual countries, but that Commission-Member State coordination should be improved. In June 2013, in a special [report](#) on EU Cooperation with Egypt in the Field of Governance, the ECA wrote that before the uprising there in 2011, the Commission had struggled to obtain results from governance reform efforts, partly on account of the Egyptian authorities' unwillingness to cooperate. The uprising itself triggered a far-reaching review of the ENP, however, the results of which had not yet been applied at the time of publication.

An ECA special [report](#) published in March 2016 assessed EU external migration spending in Southern Mediterranean and Eastern Neighbourhood countries until 2014 via the ENPI, and the thematic programme for migration and asylum (TPMA). The Court found that project objectives were often set in general terms, such as a project entitled 'Providing better protection for immigrants and boosting the capacity to manage mixed migration flows in Algeria' (€2.3 million). This made it difficult to assess results. Of 23 migrant readmission and return projects assessed by the Court, five relating to readmission were jointly funded by the ENPI and TPMA, which were assessed as 'often rather small and [...] limited in their results and effectiveness'. However, a project entitled 'Promoting respect for sub-Saharan migrants' rights in Morocco' begun in January 2013 (€2 million) was cited as an example of best practice for setting a limited number of objectives and identifying specific and measurable targets.

Some [analysts question](#) the ENP's broader rationale of influencing and encouraging reform in countries on the EU's frontiers with little immediate prospect of EU accession. They also [point](#) to disagreements between EU Member States with different historical, economic and geopolitical ties over how ENI resources should be distributed: France and Spain are thought to have a particular interest in the Southern Neighbourhood countries, for example, while Germany and Poland are thought to focus on the Eastern Partnership countries. Further, it has been argued that the resources allocated to the ENP under the ENI are not sufficient to encourage autocratic regimes to implement reforms that could weaken their own position.

Other EU programmes and action in the same field

As third countries, ENP partner countries are also eligible for other forms of EU investment, financing and support. These include the European Instrument for Democracy and Human Rights (EIDHR)⁴ (2014-2020 budget: €1 332.75 million), which promotes democracy and human rights in non-EU countries; the Instrument contributing to Stability and Peace (IcSP) (2014-2020 budget: €2 338.72 million), which the EU uses to fund crisis-management around the world; the Development Cooperation Instrument (2014-2020 budget: €19 661.64 million), a fund for economic, social, environmental, legal and institutional development in developing countries; and Erasmus+ (2014-2020 budget: €14 774.52 million), the EU programme for education, training, youth and sport.

The EU budget also contributes to the Neighbourhood Investment Facility (NIF), which supports ENP partner countries by funding energy and transport infrastructure projects; it does so by pooling EU and Member State funds to leverage loans from European financial institutions and contributors in the ENP partner countries; approximately €1 159 million of the EU budget was allocated to the NIF in 2007-2014.

Endnotes

¹ For a comprehensive overview of the EU's European Neighbourhood Policy and how it is linked to other EU regional initiatives, see Perchoc, P., [In-depth analysis: The European Neighbourhood Policy](#), European Parliamentary Research Service, October 2015.

² The EU suspended bilateral cooperation with the Syrian government, including Syrian government participation in regional programmes, following the outbreak of civil war in 2011.

³ Morocco put cooperation with the EU on hold early this year after the General Court of the EU annulled the Association and Liberalisation agreement in 2015 on the grounds that it illegally applied to the Western Sahara; this decision has since been challenged by lawyers at the EU Court of Justice.

⁴ Also in this series: Dobrova, A., [How the EU budget is spent: European Instrument for Democracy and Human Rights](#), European Parliamentary research Service, September 2015.

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