



## **The EU and the Mediterranean: good neighbours?**

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## **Executive summary:**

- The home-grown revolutions across North Africa and the Middle East have provided great cause for optimism. But they have also raised questions about the EU's record in promoting reform and stability in these areas – and, more importantly, about how Europe can best support this region in future.
- Since 1990, the EU has allocated around €66 billion in aid to its neighbouring countries – some of these countries have ended up joining the bloc, while others remain at arms length. Between 1995 and 2013, €13.3 billion has been allocated to countries in North Africa and the Middle East via three consecutive funding programmes. The EU's European Neighbourhood Policy (ENP), launched in 2004, is the latest stage of the EU's engagement with the countries on its borders.
- The Commission's claim that the ENP, designed to encourage and sustain political and economic reforms in the partner states, has been "a success story" is misleading. While some ENP countries have seen good results, the impact of the EU in the Middle East and North Africa has been very limited.
- In 2009, the EU distributed 35% of its ENP funding directly to governments in the form of so-called budget support. The European Commission claims that it only gives this kind of support to governments that meet "strict" criteria on good governance and administration. However, the now toppled – and clearly corrupt – regimes in Egypt and Tunisia received a combined total of €169 million in budget support in 2009, representing 77% and 80% of their overall funding commitments from the EU respectively.
- The Commission needs to explain how the Egyptian and Tunisian regimes were able to pass its democracy and anti-corruption tests for direct aid funding, while people living under them took to the streets in protest over these regimes' autocratic rule. Indeed, the recent upheavals in Tunisia, Egypt, Libya and Syria have shown that the EU's prioritisation of stability over democracy has been ill-judged and too simplistic; arguably, the EU has ended up promoting neither.
- The EU has increased funding to the region by 21% over the EU's 2007-2013 budgetary period, compared with the previous 2000-2006 period, including significant increases for the now toppled regimes in Egypt and Tunisia, despite the Commission itself noting limited progress regarding these countries' governments' records on human rights and democratic reforms.
- The EU's preference for dealing with elites and governments, rather than civil society, led to the opening of an "association agreement" with the Gaddafi regime in 2008, and the earmarking of €60 million in funding for Libya between 2011 and 2013. Though negotiations have now been suspended and no payments were made, a separate grant of €10 million was given to the Italian Interior Ministry to train Libyan "special units" to halt illegal immigration to Italy. The decision to provide this kind of support to Gaddafi now looks like a major error of judgement.
- While countries in Eastern Europe and the Caucasus have arguably benefitted from a boost in trade as a result of EU cooperation, almost every single Mediterranean partner state saw its exports to the EU drop as a percentage share between 2000 and 2007 (before the economic crisis). Too many barriers to

trade still remain in place, including EU tariff quotas on agricultural products that are vital to the incomes of farmers in these countries.

- The EU's project selection continues to reveal waste and questionable priorities. For example, under the ENP, almost €200,000 was granted to a Belgian travel company for the organisation of the 10th European Cultural Festival in Algeria, while €80,000 was spent on "European Movie Weeks" in Morocco. In 2009, the EU awarded €3,600 to a Tunisian company for the "purchase of ties with the EU logo."
- Too often, the EU has a limited ability to ensure that the money it disburses is spent as intended. For example, an independent audit carried out on behalf of the Commission found that it was not possible to ascertain how a €40 million grant, given to the Palestinian Authority in 2006-2007 under MEDA II, the funding programme preceding the ENP, had been spent, concluding that subsidies may have gone towards "activities which might further destabilise the area." The Commission signed off on the report from the Auditors, saying that it "provides credible and substantiated findings and conclusions."<sup>1</sup>
- Encouragingly, however, the Commission has proposed a series of reforms of the ENP – many of which are worth considering. We set out ten recommendations to improve the ENP, including making EU member state contributions voluntary to improve targeting; stronger links to government reforms and more focus on civil society; further market access for participating countries; and policies better tailored to individual countries' needs.

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<sup>1</sup> [http://ec.europa.eu/europeaid/how/evaluation/evaluation\\_reports/response/2009/1264\\_qual\\_en.pdf](http://ec.europa.eu/europeaid/how/evaluation/evaluation_reports/response/2009/1264_qual_en.pdf)

## **How does the EU support its neighbourhood?**

Since 1990, the EU has allocated around €66 billion to assist its neighbours, including countries that are now members of the Union (see Annex 1). Of this, North African and Mediterranean countries outside the EU have been allocated €13.3 billion between 1995 and 2013 (see Annex 2). The recent political upheaval in the region warrants a closer look at what impact the EU's policies have had in the region.

Unlike the EU's Pre-Accession Funds, which are specifically designed to help candidate countries meet the requirements for future membership, the objective of the EU's European Neighbourhood Policy (ENP) has been to create a sphere of friendly and stable countries on its eastern and southern flanks, but, in practice, this has been combined with a heavy focus on controlling migration flows and boosting regional security – in the absence of the possibility of most of these countries ever joining the EU.<sup>2</sup>

Launched in 2004, the ENP focuses on two types of countries: former Soviet states in Eastern Europe and the Southern Caucasus, and Arab states plus Israel in the southern and eastern Mediterranean. Some of the first group may eventually become official candidates for EU membership, while the Mediterranean states are not generally seen as potential members. Within these two broad groups individual countries often differ radically from each other.

Since 2007, the ENP has been funded through the European Neighbourhood and Partnership Instrument (ENPI). Of the ENPI's total €11.2bn budget for the period 2007-2013<sup>3</sup>, €5.6bn has been allocated in assistance to the Mediterranean states of North Africa and the Middle East<sup>4</sup>, and the remainder to states in Eastern Europe and the Caucasus, including Russia (although it is not an ENP partner state).<sup>5</sup>

Association Agreements are signed between the EU and each partner state in the ENP. These agreements include trade and aid provisions, in addition to a subsequent 'action plan' for reform in the ENP country. Algeria, Egypt, Israel, Jordan, Lebanon, Morocco, the Palestinian territories and Tunisia are active participants in the ENP, Syria has completed negotiations over its Association Agreement but signature is pending. Negotiations with Libya were opened in 2008, but have now been frozen as a result of the ongoing crisis.

In addition, EU member states participate in the little-known Union for the Mediterranean (UfM), launched in 2008 following a diplomatic initiative of French President Nicolas Sarkozy.<sup>6</sup> In theory, the UfM is meant to serve as a forum for

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<sup>2</sup> According to the European Commission, the objective of the ENP is to prevent "the emergence of new dividing lines between the enlarged EU and its neighbours and to offer them the chance to participate in various EU activities, through greater political, security, economic and cultural co-operation." See *European Commission* website;

[http://ec.europa.eu/economy\\_finance/international/neighbourhood\\_policy/index\\_en.htm](http://ec.europa.eu/economy_finance/international/neighbourhood_policy/index_en.htm)

<sup>3</sup> For the period 2007-2013, the European Commission has also earmarked a total €745 million for the Neighbourhood Investment Facility (NIF), aimed at financing major infrastructure projects in ENP countries, see [http://ec.europa.eu/europeaid/where/neighbourhood/regional-cooperation/irc/investment\\_en.htm](http://ec.europa.eu/europeaid/where/neighbourhood/regional-cooperation/irc/investment_en.htm)

<sup>4</sup> See breakdown by country in Annex 2

<sup>5</sup> In addition to direct funding via the ENPI, the EU's neighbours are also eligible for loan financing through the European Investment Bank, which can give loans up to a total of €12.4 billion for the period 2007-13. The EU also has a specific fund designed to promote democratic reforms and human rights – the European Instrument for Democracy & Human Rights (EIDHR), worth €1.1 billion for the 2007-13 period, which also partially covers ENP countries.

<sup>6</sup> Formerly known as the 'Barcelona Process', [http://www.eeas.europa.eu/euromed/index\\_en.htm](http://www.eeas.europa.eu/euromed/index_en.htm)

multilateral discussions between EU and Mediterranean leaders. However, in practice, it is widely acknowledged that the UfM is irrelevant and it is unclear how it interacts with the ENP.<sup>7</sup>

### **The failures of the EU's approach in the Mediterranean**

The European Commission defends the large chunk of money spent in its neighbourhood – in which all countries are classified as middle income (apart from the Palestinian territory) – by arguing,

*“the poverty focus of EU aid cannot be measured solely on the basis of its geographical distribution...the EU institutions provide substantial financial support (including ODA) to prepare (potential) candidate countries for membership and to establish an area of stability, prosperity and democracy in our wider neighbourhood, pursuing our goal of greater political cooperation and deeper economic integration with our neighbours.”<sup>8</sup>*

Under the ENP, funding commitments for the EU's Mediterranean neighbours were increased by 21% during 2007-2013, compared with the previous EU budget period (2000-2006).<sup>9</sup> The question is whether this increase is justified considering the EU's track record promoting its objectives in the region (“stability, prosperity and democracy”). In 2008, the then EU External Relations Commissioner Benita Ferrero-Waldner said,

*“Our neighbourhood policy is a success story. We work closely with our partners to help them advance their structural reforms and bring them closer to our Union.”<sup>10</sup>*

The European Commission attributes the following achievements to the ENP:<sup>11</sup>

- Political contacts have increased in profile and intensity;
- Trade has increased at double digit rates, aided by a steady process of liberalisation and regulatory convergence;
- Mobility with certain ENP partners has been strengthened.

However, this is only part of the story. In fact, while it is true that the policy has had some success in former communist states (though not without problems), the Commission's claims mask a series of problems with the ENP in North Africa and the Middle East. As has been widely acknowledged, most fundamentally, in the absence of the 'carrot' of future EU membership, countries in these regions have little incentive to go beyond introducing superficial reforms. Therefore, the ENP cannot emulate the successful social, political and economic reforms in Central and Eastern European countries, created as a result of the prospects of accession to the EU.

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<sup>7</sup> Charles Grant, 'A new neighbourhood policy for the EU', *Centre for European Reform policy briefing*, March 2011, [http://www.cer.org.uk/pdf/pb\\_grant\\_neighbourhood\\_11march11.pdf](http://www.cer.org.uk/pdf/pb_grant_neighbourhood_11march11.pdf)

<sup>8</sup> Response by the European Commission to Open Europe's briefing "EU external aid: Who is it for?", 27th April 2011, <http://blogs.ec.europa.eu/piebalgs/files/Detailed-document-to-answer-Open-Europe-29042011-final1.pdf>

<sup>9</sup> See Annex 2

<sup>10</sup> *European Commission press release*, 'EU deepens ties with its neighbours and supports their reforms', 3 April 2008 <http://europa.eu/rapid/pressReleasesAction.do?reference=IP/08/509&format=HTML&aged=0&language=EN&guiLanguage=en>

<sup>11</sup> For more details, see [http://ec.europa.eu/world/enp/welcome\\_en.htm](http://ec.europa.eu/world/enp/welcome_en.htm)

## 1. Failure to boost democracy and improve human rights

Recent events in Northern Africa have highlighted the need for a closer look at the conditionality the EU has placed on its aid to countries on its Mediterranean borders. In theory, disbursement of EU aid is conditional on democracy, human rights and good governance reforms in the recipient countries, but, in reality, the ENP lacks the credibility and conditionality to enforce these aims and funds continue to be paid out regardless. This is particularly true in the Mediterranean, where even the remote prospect of EU membership is absent. As the table below shows, even when the Commission has recorded limited or no progress in the key area of human rights, the EU has still opted to increase aid.

**Progress on democratisation and human rights versus EU funding**

| Country | Average allocations of ENP funds   | European Commission's assessment in 2010  |
|---------|--|---|
| Tunisia | <p>€75 million a year 2007-10</p> <p>€80 million a year 2011-13</p> <p>Increase of 6.7%</p>    | <ul style="list-style-type: none"> <li>➤ Problems with the elections in 2009. Restrictions persist in terms of democratic participation, pluralism and openness of public debates;</li> <li>➤ The monitoring of several trials in 2009 has not shown any substantial improvement from the previous year in terms of law enforcement and procedures;</li> <li>➤ No developments from previous year regarding social dialogue;</li> <li>➤ No significant developments from previous year regarding the fight against corruption</li> </ul>  |
| Egypt   | <p>€140 million a year 2007-10</p> <p>€150 million a year 2011-13</p> <p>Increase of 7.1%</p>  | <ul style="list-style-type: none"> <li>➤ The State of Emergency instituted in 1981 is still in place and was extended for a further two years in May 2008. It represents a major obstacle to human rights and fundamental freedoms;</li> <li>➤ No progress made regarding the independence of the judiciary;</li> <li>➤ Limited progress on tackling the practice of torture and ill treatment;</li> <li>➤ Increased number of court actions against internet bloggers and activists in 2009, with several tried under emergency rather than civil law and sentenced to prison;</li> <li>➤ Limited progress on the promotion of women's rights</li> </ul> |
| Morocco | <p>€170 million a year 2007-10</p> <p>€194 million a year 2011-13</p> <p>Increase of 14.1%</p> | <ul style="list-style-type: none"> <li>➤ The living conditions of prisoners remain a concern, primarily due to overcrowding and lack of medical care, but also to systematic resort to preventive detention and absence of alternatives to freedom-restricting measures;</li> <li>➤ Problems with press freedom and freedom of expression in general. Several journalists and bloggers have been prosecuted. Cases of suppressed demonstrations have also been reported</li> </ul>  |

Source: ENP Progress Reports for Tunisia<sup>12</sup>, Egypt<sup>13</sup> and Morocco<sup>14</sup>, May 2010

In addition to the Commission's own relatively critical assessments, independent human rights organisations have noted a similar lack of progress, such as Freedom House<sup>15</sup> and Human Rights Watch. Human Rights Watch's Director Kenneth Roth

<sup>12</sup> [http://ec.europa.eu/world/enp/pdf/progress2010/sec10\\_514\\_fr.pdf](http://ec.europa.eu/world/enp/pdf/progress2010/sec10_514_fr.pdf)

<sup>13</sup> [http://ec.europa.eu/world/enp/pdf/progress2010/sec10\\_517\\_en.pdf](http://ec.europa.eu/world/enp/pdf/progress2010/sec10_517_en.pdf)

<sup>14</sup> [http://ec.europa.eu/world/enp/pdf/progress2010/sec10\\_521\\_fr.pdf](http://ec.europa.eu/world/enp/pdf/progress2010/sec10_521_fr.pdf)

<sup>15</sup> For more information see Freedom House's Annual Reports, available here:

has said that, “The ritualistic support of ‘dialogue’ and ‘cooperation’ with repressive governments is too often an excuse for doing nothing about human rights,” adding, “The EU’s ‘constructive dialogues’ are among the most egregious examples of this global trend.”<sup>16</sup>

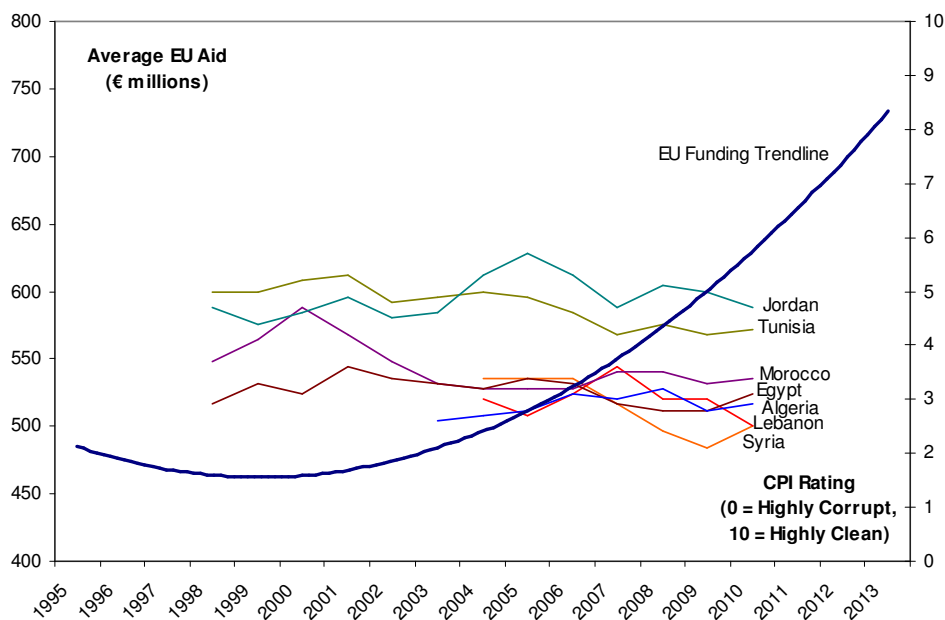
Wider foreign policy objectives (such as fighting terrorism and restricting illegal migration), and commercial interests (such as Italy’s dependence on Libyan energy resources) appear to have been prioritised over democratic reforms and respect for human rights. The recent events in Libya, Egypt, Tunisia and Syria have shown that this prioritisation of security over democracy has been ill-judged and too simplistic; consequently, the EU has arguably ended up promoting neither.

## 2. Failure to encourage good governance and greater transparency

The EU’s record is equally poor in terms of promoting good governance, improving transparency and combating corruption in the Mediterranean countries. To date, EU funding has not been made conditional on progress in these areas. Comparing Transparency International’s Corruption Perceptions Index, which measures the degree to which corruption is perceived to exist among public officials and politicians, with levels of EU funding, makes this clear (see graph).

While it is not reasonable to expect that EU funding in itself would have a dramatic impact on the governance of ENP countries, the broken link between funding and progress in these areas is clearly problematic. After all, promoting ‘clean government’ is an explicit aim in the national action plans that the Commission has drawn up together with the ENP countries.

**Progress on clean government versus EU funding**



Source: Transparency International’s Corruption Perceptions Index<sup>17</sup>

<http://www.freedomhouse.org/template.cfm?page=15>

<sup>16</sup> Human Rights Watch 2011 World Report, ‘Governments Soft-Talking Abusers; EU and Others Need to Use Pressure to Bring Change’ <http://www.hrw.org/en/news/2011/01/24/world-report-governments-soft-talking-abusers>

<sup>17</sup> [http://www.transparency.org/policy\\_research/surveys\\_indices/cpi](http://www.transparency.org/policy_research/surveys_indices/cpi)

Cleaner governments usually result in better economic performance. Using Transparency International's CPI ratings, Prof. Dr. Johann Graf Lambsdorff calculated that on average, an increase in corruption by one point lowered productivity by 4% of GDP, and decreased net annual capital inflows by 0.5% of GDP.<sup>18</sup>

### **3. Too much focus on governments and elites**

Speaking to the European Parliament's Committee on Foreign Affairs in February 2011, EU Enlargement and Neighbourhood Policy Commissioner Štefan Füle bluntly admitted,

*"Many of us fell prey to the assumption that authoritarian regimes were a guarantee of stability in the region. This was not even Realpolitik. It was, at best, short-termism – and the kind of short-termism that makes the long term ever more difficult to build."<sup>19</sup>*

The fact that the Commission lists intensified "political contacts" as one of the ENP's main accomplishments illustrates how the neighbourhood policy in North Africa is heavily geared towards states and elites – rather than grassroots organisations, the private sector, institutions and NGOs. Transparency International has noted that such an approach is likely to "undermine local ownership of anti-corruption efforts and reforms and limit the development of local accountability, where citizens should hold their governments accountable."<sup>20</sup>

The recent political uprisings in North Africa have also shed light on the close personal and business ties between governing elites in EU member states and their Mediterranean counterparts. For example, France's Foreign Minister Michèle Alliot-Marie was forced to resign due to public outrage over her links to the ousted Ben Ali regime in Tunisia.<sup>21</sup>

In 2008, the EU opened negotiations on a possible association agreement with Libya and earmarked €60 million of ENPI funds for the country over the 2011-2013 period.<sup>22</sup> Although the talks have now collapsed, this decision highlights the inconsistency between the EU's objectives of promoting democracy while also furthering political engagement with nearby regimes, whatever their characteristics.

Furthermore, in December 2010 the Commission adopted a "special measure" setting aside an additional €10 million via the ENPI to help the Libyan authorities control the flow of migrants using Libya as a transit point on their journey from Sub-Saharan Africa towards southern EU member states.<sup>23</sup> This project did not get off the ground. However, a similar project involving the Italian Interior Ministry was launched

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<sup>18</sup> Prof. Dr. Johann Graf Lambsdorff, 'How corruption affects economic development'

[http://www.wiwi.uni-passau.de/fileadmin/dokumente/lehrstuehle/lambsdorff/Papers/C\\_Development.pdf](http://www.wiwi.uni-passau.de/fileadmin/dokumente/lehrstuehle/lambsdorff/Papers/C_Development.pdf)

<sup>19</sup> From Commissioner Füle's speech on the recent events in North Africa, 28 February 2011

<http://europa.eu/rapid/pressReleasesAction.do?reference=SPEECH/11/130>

<sup>20</sup> *Transparency International*, 'Anti-corruption in the European Neighbourhood',

[http://www.transparency.org/regional\\_pages/europe\\_central\\_asia/eu\\_liaison\\_office/european\\_neighbourhood](http://www.transparency.org/regional_pages/europe_central_asia/eu_liaison_office/european_neighbourhood)

<sup>21</sup> *BBC News*, 'French Foreign Minister Alliot-Marie quits over Tunisia', 27 February 2011

<http://www.bbc.co.uk/news/world-europe-12591452>

<sup>22</sup> See the European Commission's National Indicative Programme 2011-2013 for Libya, page 21

[http://ec.europa.eu/world/enp/pdf/country/2011\\_enpi\\_csp\\_nip\\_libya\\_en.pdf](http://ec.europa.eu/world/enp/pdf/country/2011_enpi_csp_nip_libya_en.pdf)

<sup>23</sup> See European Commission Decision C(2010)9276 of 21 December 2010,

[http://ec.europa.eu/europeaid/documents/aap/2010/aap-spe\\_2010\\_lby\\_p2\\_en.pdf](http://ec.europa.eu/europeaid/documents/aap/2010/aap-spe_2010_lby_p2_en.pdf); for more details on the 'special measure', see [http://ec.europa.eu/europeaid/documents/aap/2010/af\\_aap-spe\\_2010\\_lby\\_p2.pdf](http://ec.europa.eu/europeaid/documents/aap/2010/af_aap-spe_2010_lby_p2.pdf)

in February 2010, with the expected results including: “Special units trained/able to gather intelligence information by debriefing the illegal migrants detected”; “Capacity of surveillance along the borders and along the main routes leading from the border crossing points towards the internal parts of the country and the coastal areas enhanced”. An EU grant of €10 million was awarded, and some paid out, under the separate Development Cooperation Instrument (DCI).<sup>24</sup> The DCI is considered to be the Commission’s main tool for promoting development and fighting poverty – but this project highlights the often mixed objectives underpinning the overall EU strategy.

The EU has also committed €259 million for Syria via the ENPI for the period 2007-2013<sup>25</sup>, on top of the almost €281 million that was committed under the MEDA and MEDA II programmes.<sup>26</sup> The signature of the negotiated Association Agreement is still pending, but EU member states gave their formal go-ahead in October 2009.<sup>27</sup>

The support that the EU has provided to autocrats and dictators in the Middle East and North Africa means that the bloc has been left vulnerable to accusations that it propped up those dictators in the name of “security”.

*Is the growing emphasis on budget support healthy?*

The EU’s willingness to cooperate directly with undemocratic regimes is also highlighted by the fact that a significant portion of ENPI funding has so far been allocated in the form of “budget support”, meaning that money has been given *directly* to governments. Budget support comes in the form of either ‘general budget support’ or ‘sector-specific budget support’, which is designated to a particular sector, such as education or health.

In total, 35% of funding via the ENPI in 2009 was for budget support, all of which was sector specific.<sup>28</sup> Not all ENP countries qualify for budget support, but some of them do receive substantial amounts. Responding to Open Europe’s report on EU aid – published in April 2011 – the Commission stated that it offers budget support

*“only to certain governments in the developing world that meet minimum conditions of governance and good administration, to carry out jointly agreed actions and objectives. These actions are subject to strict targets, monitoring and controls and the Commission strictly controls the spending.”<sup>29</sup>*

However, this statement begs the question why, in 2009, the now toppled regimes in Tunisia and Egypt received 80% and 77% of their total funding commitments as sector budget support. Given that these regimes were ousted by their own citizens

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<sup>24</sup> *EuropeAid*, ‘Thematic Programme on cooperation with Third Countries in the areas of migration and asylum’, 2009, [http://ec.europa.eu/europeaid/what/migration-asylum/documents/migration\\_and\\_asylum\\_2007-2008.pdf](http://ec.europa.eu/europeaid/what/migration-asylum/documents/migration_and_asylum_2007-2008.pdf), page 74; A EuropeAid official confirmed to Open Europe by telephone on 4 April 2011 that the project had started in February 2010 and was terminated at the start of the Libyan conflict.

<sup>25</sup> Of which €130m was committed for the period 2007-2010 and €129m for the period 2011-2013, see the European Commission’s National Indicative Programme 2011-2013 for Syria, page 7

[http://ec.europa.eu/world/enp/pdf/country/2011\\_enpi\\_nip\\_syria\\_en.pdf](http://ec.europa.eu/world/enp/pdf/country/2011_enpi_nip_syria_en.pdf)

<sup>26</sup> [http://eeas.europa.eu/euromed/docs/meda\\_figures\\_en.pdf](http://eeas.europa.eu/euromed/docs/meda_figures_en.pdf)

<sup>27</sup> [http://eeas.europa.eu/syria/index\\_en.htm](http://eeas.europa.eu/syria/index_en.htm)

<sup>28</sup> *EuropeAid*, “Annual report 2010”, page 170 and 195

[http://ec.europa.eu/europeaid/multimedia/publications/documents/annual-reports/europeaid\\_annual\\_report\\_2010\\_en.pdf](http://ec.europa.eu/europeaid/multimedia/publications/documents/annual-reports/europeaid_annual_report_2010_en.pdf). For reasons of accuracy, it must be noted that most of the money allocated for budget support in 2008-2009 went to ‘sector’ rather than ‘general’ budget support

<sup>29</sup> Response by the European Commission to Open Europe’s briefing, “EU external aid: Who is it for?”, 27 April 2011, page 2

specifically on the grounds of corrupt and autocratic rule, one has to wonder how they were able to pass the Commission's "strict" conditions on good governance and administration.

| Country               | Total ENPI commitments 2009 (€ million) | Budget support (€ million) | %  |
|-----------------------|---|----------------------------|----|
| Egypt                 | 140                                     | 107.7                      | 77 |
| Morocco <sup>30</sup> | 143                                     | 137                        | 96 |
| Tunisia               | 77                                      | 61.3                       | 80 |
| Jordan                | 68                                      | 29                         | 43 |

Source: EuropeAid, Annual Action Programmes 2009<sup>31</sup>

The Commission argues that budget support "is widely recognised as the best tool we have to end poverty by attacking the source, not just the symptoms, and many EU Member States are also making use of this option."<sup>32</sup>

However, in a recent consultation on the EU's use of budget support, the Dutch government stated that, "the Commission sometimes underestimates the risks and sensitivities associated with this aid modality [and] may, in certain cases, provide budget support too readily", and that due to the lack of regard to "good governance, human rights and fighting corruption" it would not support the Commission's recent proposals to grant budget support to a number of countries, including Algeria<sup>33</sup>, which was due to receive €20 million in budget support via the ENPI in 2010.<sup>34</sup>

The fact that the Commission provided so much of its aid to the Mubarak and Ben Ali regimes in the form of budget support suggests that the concerns expressed by the Dutch government are wholly justified.

For example, while there is no firm evidence that any ENP money was directly captured by corrupt officials in the Tunisian government, a leaked cable<sup>35</sup> from Robert F. Godec, US Ambassador to Tunisia between 2006 and 2009, laid bare the full extent of such corruption, and the "flagrant" involvement of President Ben Ali's extended family, often referred to as a "quasi-mafia" and cited as the nexus of Tunisian corruption.

The cable detailed how a lack of checks in the system enabled its members – Ben Ali's wife Leila's extended family in particular – to use the Tunisian state as a

<sup>30</sup> Morocco's 2009 Annual Action Programme included €20 million to be financed from the EU budget for the following year, [http://ec.europa.eu/europeaid/documents/aap/2010/af\\_aap\\_2010\\_egy.pdf](http://ec.europa.eu/europeaid/documents/aap/2010/af_aap_2010_egy.pdf), page 2

<sup>31</sup> For **Egypt**, see [http://ec.europa.eu/europeaid/documents/aap/2009/aap\\_2009\\_egy\\_en.pdf](http://ec.europa.eu/europeaid/documents/aap/2009/aap_2009_egy_en.pdf), page 2, and [http://ec.europa.eu/europeaid/documents/aap/2009/af\\_aap\\_2009\\_egy.pdf](http://ec.europa.eu/europeaid/documents/aap/2009/af_aap_2009_egy.pdf), page 6; for **Tunisia**, see [http://ec.europa.eu/europeaid/documents/aap/2009/aap\\_2009\\_tun\\_en.pdf](http://ec.europa.eu/europeaid/documents/aap/2009/aap_2009_tun_en.pdf), page 2, and [http://ec.europa.eu/europeaid/documents/aap/2009/af\\_aap\\_2009\\_tun.pdf](http://ec.europa.eu/europeaid/documents/aap/2009/af_aap_2009_tun.pdf), page 1; for **Morocco**, see [http://ec.europa.eu/europeaid/documents/aap/2009/aap\\_2009\\_mar\\_en.pdf](http://ec.europa.eu/europeaid/documents/aap/2009/aap_2009_mar_en.pdf), page 2, and [http://ec.europa.eu/europeaid/documents/aap/2009/af\\_aap\\_2009\\_mar.pdf](http://ec.europa.eu/europeaid/documents/aap/2009/af_aap_2009_mar.pdf), page 9 and 19; for **Jordan**, see [http://ec.europa.eu/europeaid/documents/aap/2009/aap\\_2009\\_jor\\_en.pdf](http://ec.europa.eu/europeaid/documents/aap/2009/aap_2009_jor_en.pdf), page 2, and [http://ec.europa.eu/europeaid/documents/aap/2009/af\\_aap\\_2009\\_jor.pdf](http://ec.europa.eu/europeaid/documents/aap/2009/af_aap_2009_jor.pdf), page 11

<sup>32</sup> Response by the European Commission to Open Europe's briefing "EU external aid: Who is it for?", 27th April 2011, page 13

<sup>33</sup> *Dutch Government*, 'The Dutch government's response to the European Commission's Green Paper 'The future of EU budget support to third countries', COM(2010)586, of 19 October 2010', p2; [http://ec.europa.eu/development/icenter/files/green\\_paper\\_contributions\\_future\\_eu\\_budget/Public%20Aauthorities/gp\\_pa\\_NL\\_en.pdf](http://ec.europa.eu/development/icenter/files/green_paper_contributions_future_eu_budget/Public%20Aauthorities/gp_pa_NL_en.pdf)

<sup>34</sup> [http://ec.europa.eu/europeaid/documents/aap/2010/af\\_aap\\_2010\\_dza.pdf](http://ec.europa.eu/europeaid/documents/aap/2010/af_aap_2010_dza.pdf), page 19

<sup>35</sup> US State Department Cable 'Corruption in Tunisia: What's yours is mine', 23 June 2008 <http://wikileaks.ch/cable/2008/06/08TUNIS679.html>

mechanism for furthering their own personal and business interests, including “property expropriation and extortion of bribes”, to abuse the banking sector “with multiple stories of ‘First Family’ schemes”, and to censor the press to ensure stories of familial corruption, a “red line that the press cross at their own peril”, were not published.

In total, it has been estimated that the Ben-Ali clan has amassed a worldwide fortune of \$5 billion.<sup>36</sup> That such type of regime could have passed the Commission’s criteria on “good governance” is hard to comprehend.

As aid and development experts such as Paul Collier<sup>37</sup> have argued, while budget support can provide clear benefits, there are inherent risks in allocating such funding as it can entrench bad government and its precise effects still remain unclear in many places.<sup>38</sup> Clearly, in the wake of the “Arab spring”, there needs to be a renewed discussion concerning the criteria the Commission uses to allocate budget support, as well as the monitoring structure it uses to ensure funding is spent correctly.

#### **4. Waste and mismanagement**

Although there have improvements in recent years, like EU aid more generally<sup>39</sup>, too much ENP money fails to reach intended recipients, or is spent on projects which do not add value.

##### **Examples of peculiar project selection**

- €1,421,000 spent on financing of the logistics of several Euro-Mediterranean Conferences, Seminars and Meetings in 2008-09, awarded to BCD Travel Belgium;<sup>40</sup>
- €970,000 allocated to a Spanish foundation for the purposes of “Strengthening Data Protection in Israel”;
- €18,000 spent on a “Survey on the perception of Europe” in Jordan in 2007;
- €5,000 spent on a seminar at the Ben-Gurion University in Israel “Reflecting on 50 Years of European Integration” in 2007;
- €3,600 granted to a Tunisian company for the “purchase of ties with the EU logo”.

Source: European Commission’s Financial Transparency System<sup>41</sup>

<sup>36</sup> *Wall Street Journal*, ‘France seizes Ben Ali private family jet’, 1 February 2011  
<http://blogs.wsj.com/corruption-currents/2011/02/01/france-seizes-ben-ali-private-family-jet/>

<sup>37</sup> Writing in the *Guardian*, ‘Send in the accountants’, 14 July 2009  
<http://www.guardian.co.uk/commentisfree/2009/jul/14/aid-obama-africa-accountants>

<sup>38</sup> See *Open Europe*, ‘EU external aid: who is it for?’, April 2011;  
<http://www.openeurope.org.uk/research/euaid2011.pdf>

<sup>39</sup> See *Open Europe*, ‘EU external aid: who is it for?’, April 2011;  
<http://www.openeurope.org.uk/research/euaid2011.pdf>

<sup>40</sup> BCD Travel describes itself as a “leading provider of global corporate travel management”;  
<http://www.bcdtravel.be/aw/home/Be-site/en-BE/Home/~fxm/About/>

<sup>41</sup> [http://ec.europa.eu/beneficiaries/fts/index\\_en.htm](http://ec.europa.eu/beneficiaries/fts/index_en.htm)

### *Poor project selection*

It is not yet possible to thoroughly assess the success or failure of many individual projects financed under the ENPI, given that most of them are still ongoing. Nonetheless, many of the projects selected for funding bear little relevance to the ENP's primary objective of encouraging and sustaining political and economic reforms in the partner states, or for that matter fighting poverty. For example, the EU has spent millions on various cultural projects in the region – including a range of activities specifically aimed at promoting European culture. How this is supposed to promote the ENP's objectives – or help the countries in the region – remains far from clear.

#### **Should aid funds be spent on culture?**

- €197,657 contribution to the organisation of the 10th European Cultural Festival in Algeria. The money was awarded to BCD Travel Belgium.
- €79,932 contribution to the organisation of the 2010 edition of the European Movie Weeks in Morocco,<sup>42</sup>
- €79,152 allocated to a French based association of librarians and stakeholders in cultural action for the purposes of “The Role of Libraries in the Transmission of Oral Heritage: Storytelling in North Africa, the Middle East and in Provence”;
- €49,910 spent on a circus festival in Egypt to celebrate Arab and European circus arts;
- €39,865 granted to the Israel-based Train Theatre company to host “Euro-Puppets”, a series of performances by European puppeteers featuring in the International Puppet Theatre Festival in Jerusalem;
- €35,760 spent on the European-Palestinian Hip-Hop Tour in 2009;
- €22,428 spent on the Europe Day Concert in Jordan;
- €10,000 to the German-Arab Chamber of Commerce in support of the “Europe Street” celebrations in Egypt in 2009. “Europe Street” is a sort of fair where, among other things, representatives from EU member states can distribute illustrative material and offer free samples of their traditional food and drinks;<sup>43</sup>
- €9,500 to the French government as a contribution to the organisation of a concert by “The 17 Hippies”, a German folk band, in Jordan<sup>44</sup>

Source: European Commission's Financial Transparency System<sup>45</sup>

<sup>42</sup> More details on the 2011 edition are available here, <http://www.filmeuropeen-maroc.com/accueil.php>

<sup>43</sup> The website of the Dutch Embassy in Cairo features some pictures of the 2010 edition of “Europe Street”, [http://www.hollandembassy.org.eg/The\\_Embassy/Impressions/Photo\\_Gallery\\_Europe\\_Street](http://www.hollandembassy.org.eg/The_Embassy/Impressions/Photo_Gallery_Europe_Street)

<sup>44</sup> <http://17hippies.de/en/news/amman-jordan>

<sup>45</sup> Many of the events listed above are organised on a running basis every year, and receive regular financial support from the EU. The box only specifies grants for the latest edition of each event

*Not enough controls to ensure aid is effective*

The EU claims to have “learned lessons from previous external assistance programmes and instruments like TACIS and MEDA”<sup>46</sup>, and claims that ENPI-funded assistance will be more “coherent and efficient”. But it remains to be seen whether that is in fact the case. Despite claiming that its aid is subject to “strict delivery mechanisms and control systems”, independent auditors have in the past flagged up how the Commission has failed to properly account for the money it has allocated (see below).

***The €40 million that went missing in Palestine***

**Project:** Interim Emergency Relief Contribution

**Location:** Palestinian Territories

**Timeframe:** February 2006-December 2007

**Allocated Budget:** €40 million under the MEDA II programme (precursor to the ENPI)

**Disbursed Budget:** Unknown

**Intentions:** Ensuring uninterrupted power supplies for the continued provision of essential public services to the Palestinian people.

**Evaluation:** An independent audit carried out on behalf of the Commission found out that the project is “not sustainable and may reduce incentives for proper billing and cost recovery for electricity provided”. Of far greater concern is the fact that the auditors are unable to account for what happened to the funding allocated to this project, as the document underlines, “We do not have the documentation to record disbursements.”

The evaluation also states that it is not clear where the funds actually ended up and what they may have eventually been used for. Under the headline “Issues”, the auditors ask, “Who have the real beneficiaries been?” and, “To what extent has this funding, which almost represents targeted budget support, allowed the powers to use financial resources for other purposes?” The document also points out that “by providing meta-level support, in the form of payment of invoices for power sold to the local electricity companies, the European Commission is not directly engaging in issues of who pays what for their electricity at a retail/consumer level. Funds generated at that level could be used to subsidise any element of the operations in West Bank and Gaza, including activities which might further destabilise the area.”<sup>47</sup>

<sup>46</sup> *EuropeAid*, ‘Annual report 2009’, page 45

[http://ec.europa.eu/europeaid/multimedia/publications/documents/annual-reports/europeaid\\_annual\\_report\\_2009\\_en.pdf](http://ec.europa.eu/europeaid/multimedia/publications/documents/annual-reports/europeaid_annual_report_2009_en.pdf)

<sup>47</sup> See *Development Researchers’ Network et al.*, ‘Evaluation of the Council Regulation No 2698/2000 (MEDA II) and its implementation’, Evaluation for the European Commission, June 2009, Annex 6, page 145-146

[http://ec.europa.eu/europeaid/how/evaluation/evaluation\\_reports/reports/2009/1264\\_vol3\\_en.pdf](http://ec.europa.eu/europeaid/how/evaluation/evaluation_reports/reports/2009/1264_vol3_en.pdf)

**No reports to monitor human rights in Jordan**<sup>48</sup>

**Project:** Promotion of Human Rights and Democratisation

**Location:** Jordan

**Timeframe:** October 2005-December 2010

**Allocated budget:** €5 million under the MEDA II programme (precursor to the ENPI)

**Disbursed budget:** Unknown

**Intentions:** Supporting “the establishment of a more democratic society” in Jordan, with a specific focus on: strengthening consultation between authorities and civil society; reinforcing the independence of the judiciary; developing independent journalism and media; and improving the rights of women, youth and children.

**Evaluation:** According to an independent audit carried out on behalf of the Commission, the project’s main defect is that “no monitoring reports [are] available”, so progress can only be judged by more general EU and independent assessments. Overall, progress in the areas listed above has been limited. Several initiatives aimed at consultation and dialogue were launched, but other than the establishment of an Ombudsman’s bureau it is not clear that any substantial progress was made, and some initiatives were questionable, such as the launch of a personal website for the Prime Minister.

The EU’s most recent progress report on Jordan emphasised “the need to enhance the independence of the judiciary”<sup>49</sup>, indicating no progress had been made in this area, while on press freedom, the Press and Publications Law still authorises the imprisonment of journalists, foresees the imposition of fines and encourages self-censorship. Efforts to further gender equality were mixed, while legal sanctions were toughened for crimes such as rape and “honour killings”, an earlier law simplifying divorce was abolished and marriage of underage girls is still allowed.<sup>50</sup> Human Rights Watch’s 2010 report noted that “despite a lack of progress, and a number of reverses”, EU assistance to Jordan increased by 12%.<sup>51</sup>

The case studies above reveal a number of flaws in the EU’s development strategy towards the region under the previous MEDA II programmes:

- Objectives are too broad and projects lack focus
- Too much money is directed at projects that add little value
- There is a lack of transparent and reliable data on progress achieved
- Insufficient monitoring makes it unclear whether funding reaches targets
- A failure to adapt projects to challenging circumstances on the ground

As noted above, the jury is still out on whether the ENPI has seen improvements in this regard compared to its predecessors. Some are sceptical. As has been noted in an academic study by Michal Natorski, under the ENPI, “the planning and

<sup>48</sup> See *Development Researchers’ Network et al.*, ‘Evaluation of the Council Regulation No 2698/2000 (MEDA II) and its implementation’, Evaluation for the European Commission, June 2009, Annex 6, page 177-181

<sup>49</sup> *European Commission*, ‘Progress report on Jordan’, 12 May 2010  
[http://ec.europa.eu/world/enp/pdf/progress2010/sec10\\_525\\_en.pdf](http://ec.europa.eu/world/enp/pdf/progress2010/sec10_525_en.pdf)

<sup>50</sup> *Human Rights Watch*, Jordan report 2010, <http://www.hrw.org/en/world-report-2011/jordan>

<sup>51</sup> *Human Rights Watch*, Jordan report 2010, <http://www.hrw.org/en/world-report-2011/jordan>

implementation procedures remain almost the same as in the case of the MEDA II regulation”.<sup>52</sup>

### 5. Mixed record on boosting trade

In light of the limited progress on human rights and democracy, the Commission admits that “more has been achieved in the economic sphere, notably trade and regulatory approximation, than in the area of democratic governance.”<sup>53</sup>

According to the Commission, EU trade with ENP countries has grown steadily over recent years, with EU imports from these countries rising by 91% between 2004 and 2008.<sup>54</sup> However, these figures are almost exclusively down to a boost in trade with the Eastern partners states.<sup>55</sup> In fact, as a percentage share, almost every Mediterranean partner state saw its exports to and imports from the EU *drop* between 2000 and 2007.<sup>56</sup>

|                | Imports from EU-27<br>(% of total imports) |      |              | Exports to EU-27<br>(% of total exports) |      |              |
|----------------|--|------|--------------|--|------|--------------|
|                | 2000                                       | 2007 | Variation    | 2000                                     | 2007 | Variation    |
| <b>Algeria</b> | 58.7                                       | 51.9 | <b>-6.8</b>  | 63.1                                     | 43.6 | <b>-19.5</b> |
| <b>Egypt</b>   | 33.2                                       | 23   | <b>-10.2</b> | 34.1                                     | 29.1 | <b>-5</b>    |
| <b>Morocco</b> | 58.7                                       | 51.9 | <b>-6.8</b>  | 75.2                                     | 72.4 | <b>-2.8</b>  |
| <b>Tunisia</b> | 66.1                                       | 64.9 | <b>-1.2</b>  | 73.9                                     | 79.3 | <b>+5.4</b>  |
| <b>Israel</b>  | 44.1                                       | 36.5 | <b>-7.6</b>  | 29.3                                     | 29.6 | <b>+0.3</b>  |
| <b>Jordan</b>  | 34.2                                       | 24.3 | <b>-9.9</b>  | 4.2                                      | 3.2  | <b>-1</b>    |
| <b>Lebanon</b> | 45.7                                       | 37.2 | <b>-8.5</b>  | 22.9                                     | 17.5 | <b>-5.4</b>  |
| <b>Syria</b>   | 32.9                                       | 25.4 | <b>-7.5</b>  | 68.3                                     | 43.5 | <b>-24.8</b> |

Source: Eurostat, ‘Euro-Mediterranean statistics’, October 2009<sup>57</sup>

At the same time, exports to Mediterranean countries as a proportion of the EU’s overall world trade increased between 2006 and 2010, while imports have gone down, meaning that Mediterranean countries’ annual trade deficit with the EU has soared from €530 million in 2006 to €20.4 billion in 2010.<sup>58</sup>

The ENP countries in the Maghreb and North Africa have different trade arrangements with the EU. Tunisia, Morocco, Egypt and Jordan have “free trade” agreements, providing various degrees of market access for industrial products from these countries. Algeria also has an agreement on trade, while Syria and Libya have limited cooperation.

<sup>52</sup> Michal Natorski, ‘The MEDA Programme in Morocco twelve years on: results, experiences and trends’, May 2008

[http://www.cidob.org/en/publications/cidob\\_documents/mediterranean\\_and\\_middle\\_east/num\\_11\\_the\\_meda\\_programme\\_in\\_morocco\\_12\\_years\\_on\\_results\\_experiencesand\\_trends](http://www.cidob.org/en/publications/cidob_documents/mediterranean_and_middle_east/num_11_the_meda_programme_in_morocco_12_years_on_results_experiencesand_trends)

<sup>53</sup> <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:52010DC0207:EN:NOT>

<sup>54</sup> Excluding energy products, the EU imports from ENP countries increased by 31% during this time period [http://ec.europa.eu/world/enp/pdf/progress2010/com10\\_207\\_en.pdf](http://ec.europa.eu/world/enp/pdf/progress2010/com10_207_en.pdf), page 6

<sup>55</sup> Eastern ENP countries’ share of EU imports grew from 0.8% to 1.4% during this time period.

<sup>56</sup> [http://www.cer.org.uk/pdf/pb\\_grant\\_neighbourhood\\_11march11.pdf](http://www.cer.org.uk/pdf/pb_grant_neighbourhood_11march11.pdf)

<sup>57</sup> [http://epp.eurostat.ec.europa.eu/cache/ITY\\_OFFPUB/KS-DI-09-001/EN/KS-DI-09-001-EN.PDF](http://epp.eurostat.ec.europa.eu/cache/ITY_OFFPUB/KS-DI-09-001/EN/KS-DI-09-001-EN.PDF), page

64; see also Eurostat, ‘Pocketbook on Euro-Mediterranean statistics’, October 2010,

[http://epp.eurostat.ec.europa.eu/cache/ITY\\_OFFPUB/KS-32-10-359/EN/KS-32-10-359-EN.PDF](http://epp.eurostat.ec.europa.eu/cache/ITY_OFFPUB/KS-32-10-359/EN/KS-32-10-359-EN.PDF), page 69.

Figures relate only to the trade in goods (not services).

<sup>58</sup> Source: European Commission, DG Trade, see

[http://trade.ec.europa.eu/doclib/docs/2006/september/tradoc\\_113485.pdf](http://trade.ec.europa.eu/doclib/docs/2006/september/tradoc_113485.pdf), page 3. Figures relate only to the trade in goods (not services).

However, despite these agreements, ENP countries still face significant barriers to trade, not least in agriculture. Between them, Mediterranean countries face tariff quotas on around 60 basic agricultural products, including fruit and vegetables – one of the key sources of income in North African countries, for example.<sup>59</sup> In combination with the Common Agricultural Policy, the EU seems to be more concerned with protecting the relatively small EU farming sector than fighting unemployment in North Africa.

The EU allocated €40 million between 2007 and 2010 to support the modernisation of Morocco's agricultural sector.<sup>60</sup> A further €55-60 million has been earmarked for the period 2011-2013 to support the Moroccan government's Plan Maroc Vert (Green Morocco Plan<sup>61</sup>), which aims to help small farmers become more competitive on national and international markets, boost their income, and reduce their vulnerability to sudden price changes.<sup>62</sup> This would be an example of EU aid money well spent but for the contradictory impacts of tariff quotas and the trade distorting effects of the Common Agricultural Policy, which subsidises European farmers at the expense of farmers elsewhere in the world.

Aside from agricultural tariffs, only Algeria, Morocco and Tunisia fully benefit from trade agreements with the EU because of so-called 'rules of origin'. These countries enjoy the same 'cumulation' rights as the rest of the EU trade bloc.<sup>63</sup> For example, Algeria can import products from countries without a trade agreement with the EU, further process or combine them with products from Algeria, so that the combined product then qualifies as a product originating in Algeria and therefore benefits from lower tariffs (so-called 'preferential' access to the EU market).<sup>64</sup>

However, other countries in the Mediterranean only enjoy 'diagonal cumulation' rights. For example, Egypt only enjoys preferential market access and escapes trade tariffs on products that it either solely produces or that it has combined with products from another country within the so-called Pan-Euro-Mediterranean area but not from the rest of the world.<sup>65</sup> Products that Egypt imports from outside the Pan-Euro-Mediterranean area are not eligible for preferential market access in the EU.

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<sup>59</sup> See Council Regulation (EC) No 747/2001, <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2001:109:0002:0029:EN:PDF>. The list of quotas has been repeatedly amended over the following years, due to the entry into the EU of Cyprus and Malta and the agreements concluded since by the EU with some of its Southern neighbours

<sup>60</sup> See the 2007-2010 National Indicative Programme for Morocco, [http://ec.europa.eu/world/enp/pdf/country/enpi\\_nip\\_morocco\\_en.pdf](http://ec.europa.eu/world/enp/pdf/country/enpi_nip_morocco_en.pdf), page 29-30

<sup>61</sup> For more details, see the website of the Moroccan Government's *Agence pour le Développement Agricole* (Agricultural Development Agency), [http://www.ada.gov.ma/Plan\\_Maroc\\_Vert/plan-maroc-vert.php](http://www.ada.gov.ma/Plan_Maroc_Vert/plan-maroc-vert.php)

<sup>62</sup> See the 2011-2013 National Indicative Programme for Morocco, [http://ec.europa.eu/world/enp/pdf/country/2011\\_enpi\\_csp\\_nip\\_morocco\\_en.pdf](http://ec.europa.eu/world/enp/pdf/country/2011_enpi_csp_nip_morocco_en.pdf), page 17

<sup>63</sup> *European Commission*, 'System of Pan-Euro-Mediterranean cumulation'; [http://ec.europa.eu/taxation\\_customs/customs/customs\\_duties/rules\\_origin/preferential/article\\_783\\_en.htm](http://ec.europa.eu/taxation_customs/customs/customs_duties/rules_origin/preferential/article_783_en.htm)

<sup>64</sup> For a discussion of rules of origin, see Stephen Woolcock, 'European Union policy towards Free Trade Agreements', *ECIPE Working Paper No 03/2007*, page 6 <http://www.ecipe.org/publications/ecipe-working-papers/european-union-policy-towards-free-trade-agreements/PDF>

<sup>65</sup> The Pan-Euro-Mediterranean area includes: the 27 EU member states; the nine Mediterranean countries participating in the ENP; the four members of the European Free Trade Association (EFTA): Norway, Iceland, Switzerland and Liechtenstein; the Faroe Islands and Turkey [http://ec.europa.eu/taxation\\_customs/customs/customs\\_duties/rules\\_origin/preferential/article\\_783\\_en.htm](http://ec.europa.eu/taxation_customs/customs/customs_duties/rules_origin/preferential/article_783_en.htm)

EU member states have recently given the green light to plans to simplify the complex rules on 'diagonal cumulation' within the region.<sup>66</sup> While this is welcome, the EU should extend 'full cumulation' rights to these countries.<sup>67</sup>

This is a hugely important issue, for several reasons. For one, restricting the economic prospects of poorer countries through trade barriers and farm subsidies is only likely to increase the number of people looking to come to Europe in search of a better life.

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<sup>66</sup> [http://www.consilium.europa.eu/uedocs/cms\\_data/docs/pressdata/en/agricult/121533.pdf](http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/agricult/121533.pdf)

<sup>67</sup> Regional Convention on Pan-Euro-Mediterranean preferential rules of origin (draft version), <http://register.consilium.europa.eu/pdf/en/10/st09/st09429.en10.pdf>, page 24

## **Recommendations**

While it is clear that the EU needs to radically reform its policy towards the region, it must also be realistic about what it can achieve through its joint policies. The EU's leverage and influence in much of North Africa and the Middle East remains limited.

However, if it pulls together in specific areas, the EU can still make a difference. EU Foreign Minister Catherine Ashton's External Action Service and the Commission have published an encouraging proposal to revamp the ENP, under the "Partnership for Democracy and Shared Prosperity". The document contains several ideas worthy of further consideration. These will be discussed below, in addition to some of our own suggestions for how the ENP can be better targeted:

### ***Make ENPI contributions voluntary***

The ENPI could follow the model of the European Development Fund (EDF), which relies on voluntary member state contributions, rather than a share of the EU's central budget. This would radically strengthen accountability of the funds and would allow member states to drive better performance. As the UK's Department for International Development has pointed out, the EDF performs much better than other EU aid schemes precisely because contributions to it are voluntary, which increases the pressure for it to be well spent.<sup>68</sup>

### ***Include some "negative" conditionality***

UK Foreign Secretary William Hague has argued that the ENP ought to "act as a magnet for positive change, providing clearer incentives for the creation of free, democratic and just societies that respect human rights."<sup>69</sup>

Entrusting corrupt, autocratic regimes to make voluntary progress towards these goals, as the EU has done up to this point has clearly failed, and the ENP needs to restore some badly needed credibility. One way of achieving this would be to include some negative conditionality. For example, suspending financial assistance where clear evidence exists of governments reneging on commitments to democratisation, respect for human rights, and reforms aimed at transparency and fighting corruption.

### ***Set realistic and achievable targets***

While the Commission's communication on reforming the ENP contains some good ideas, it falls into the EU's habit of trying to do too much. The document outlines a wide range of objectives, from "management of renewables", to boosting off-season tourism, encouraging internet use, and promoting cultural initiatives. Having too many objectives tends to result in none of them being achieved.

Instead, the ENP ought to be scaled back to focus on a few core economic and political objectives which are realistic, and where it is possible to monitor and track progress, with a particular focus on trade.

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<sup>68</sup> HoC International Development Committee, 'DFID's Performance in 2008–09 and the 2009 White Paper', 2010, pp. 39-40; (<http://www.publications.parliament.uk/pa/cm200910/cmselect/cmintdev/48/48i.pdf>)

<sup>69</sup> William Hague, 'The Arab Spring is more important than 9/11' *The Times* 23 March 2011  
<http://www.thetimes.co.uk/tto/opinion/columnists/article2956982.ece>

### **More market access**

The EU is a powerful trading bloc and amounts to the biggest single market in the world. It follows that the EU should focus more of its energy on helping its Southern neighbours to unleash their trading potential, and thereby boost prosperity. To this end, it is absolutely vital that the EU sticks to its original aim of creating a single Euro-Mediterranean free trade area and lifts remaining barriers to the free exchange of agricultural products – something which EU Foreign Minister Catherine Ashton seems broadly supportive of.<sup>70</sup> A good start would be for the European Parliament to approve a pending trade deal with Morocco, which would instantly scrap 55% of custom fees on Morocco's exports to the EU.<sup>71</sup> MEPs' fears that EU farmers would suffer as a result of more competition belong to a different century.<sup>72</sup>

This is not only an "economic" matter. More trade means more jobs, and given that unemployment is the biggest driver of illegal immigration to Europe, greater market openness can have a positive impact in that area as well.

### **AGOA-style 'rules of origin'**

EU member states have recently endorsed plans to simplify rules of origin in the Pan-Euro-Mediterranean area. This is a move in the right direction, but as a step towards a genuine free trade area the EU should consider scrapping rules of origin altogether. Such an arrangement could draw inspiration from the US African Growth and Opportunity Act (AGOA), which introduced a waiver to US standard restrictive rules of origin. AGOA expands the list of goods which certain Sub-Saharan African countries can export to the US subject to zero import duty to more than 6,400 items, including apparel and footwear, wine, motor vehicle components, a variety of agricultural products, chemicals, steel and others.<sup>73</sup> Figures from the US Department of Commerce show that AGOA countries managed to substantially boost their trade volumes with the US in the wake of these changes.<sup>74</sup>

### **More aid geared towards boosting trade**

Enhancing intra-regional economic integration should become a greater focus of the ENP. After all, this is the EU's area of expertise and yet trade volumes between Mediterranean countries remain relatively low. In this regard, the support granted to the Agadir Agreement is an example of good value for EU money.<sup>75</sup>

<sup>70</sup> Op-ed in *Le Figaro*, "Afrique du Nord: preparer l'après", 28 March 2011 <http://www.lefigaro.fr/mon-figaro/2011/03/27/10001-20110327ARTFIG00175-afrique-du-nord-preparer-l-apres.php>

<sup>71</sup> *European Commission press release*, "Negotiations between the EU and Morocco in the agri-food and fisheries sector: signature of agreed minutes", 17 December 2009 <http://europa.eu/rapid/pressReleasesAction.do?reference=IP/09/1952&format=HTML&aged=0&language=EN&guiLanguage=en>; see also <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2010:0483:FIN:EN:PDF>

<sup>72</sup> A statement from the EP noted, "While European markets have opened up almost completely to imports from Morocco, some agricultural products are still subject to quotas on exports from the EU." See European Parliament Resolution of 8 March 2011 on EU agriculture and international trade, <http://www.europarl.europa.eu/sides/getDoc.do?type=TA&language=EN&reference=P7-TA-2011-0083>

<sup>73</sup> For more details, see [http://www.agoa.gov/agoa\\_legislation/agoa\\_legislation.html](http://www.agoa.gov/agoa_legislation/agoa_legislation.html) and <http://www.agoa.info/>

<sup>74</sup> Statistics for 2001-2010 are available here, [http://www.agoa.info/index.php?view=trade\\_stats&story=all\\_trade](http://www.agoa.info/index.php?view=trade_stats&story=all_trade)

<sup>75</sup> The agreement was concluded in 2004 between Egypt, Tunisia, Morocco and Jordan under the auspices of the then EU External Relations Commissioner, Chris Patten, and entered into force in 2007. It aimed to encourage free exchanges between the four signatories and its implementation was supported by the EU with a total of €8 million for the period 2004-2012. See <http://www.enpi->

Since its entry into force, the Agadir Agreement saw the total trade volume between its members increase by 45%. Egypt benefited most, seeing a 115% increase in its exports to the region in 2007 compared to 2008<sup>76</sup>, while Jordan saw its exports rise by 82% and its imports increase by 30% over the same period. Tunisia and Morocco also experienced smaller improvements in their exports to other Agadir countries.<sup>77</sup>

### ***Tighter controls on how money is spent***

There has to be a rigorous, robust and more transparent quality control system which combines tougher vetting of project proposals and stronger monitoring of project implementation on the ground.

Such a system would intercept vague, dubiously premised projects that add little or no value to the ENP's principal objectives at the initial planning stage, such as many of the ENPI-funded projects in the field of culture. Crucially, a stronger monitoring system on the ground, possibly with involvement from local civil society/NGO actors, would make it less likely that funds are misdirected, or in the worst case scenario go missing altogether, such as in the case of the missing €40 million allocated to the Palestinian territories.

### ***More focus on civil society***

The Commission's communication correctly points out that, "A thriving civil society can help uphold human rights and contribute to democracy building and good governance, playing an important role in checking government excesses."<sup>78</sup>

Allocation of large sums of money via budget support tends to entrench an elite-driven approach. In future, organisations in partner states need to be better consulted during the negotiation stage of the action plans, and also assigned a role in the monitoring process. To this aim, the Commission has proposed a "Civil Society Neighbourhood Facility". The challenge is to make this into something more than another acronym.<sup>79</sup>

### ***Drop the 'one-size-fits-all' approach***

The European Commission's proposals for the revamped ENP acknowledge the need for a "differentiated approach", noting that, "Despite some commonalities, no country in the region is the same so we must react to the specificities of each of them."<sup>80</sup>

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[info.eu/mainmed.php?id\\_type=10&id=14](http://info.eu/mainmed.php?id_type=10&id=14); and here [http://www.enpi-info.eu/mainmed.php?id=314&id\\_type=10](http://www.enpi-info.eu/mainmed.php?id=314&id_type=10)

<sup>76</sup> *Maghreb news*, 'Trade volume among Agadir Agreement members up 45%', 26 May 2010

<http://news.marweb.com/economics/trade-volume-among-agadir-agreement-members-up-45.html>

<sup>77</sup> Full statistics for 2007-2008 are available here,

[http://www.agadiragreement.org/index.php?option=com\\_frontpage&Itemid=1&lang=english](http://www.agadiragreement.org/index.php?option=com_frontpage&Itemid=1&lang=english)

<sup>78</sup> See European Commission and HR for Foreign Affairs and Security Policy joint communication COM(2011) 200, 8 March 2011, [http://www.eeas.europa.eu/euromed/docs/com2011\\_200\\_en.pdf](http://www.eeas.europa.eu/euromed/docs/com2011_200_en.pdf), page 6

<sup>79</sup> For example, in 2006 the Cairo Institute for Human Rights Studies urged the EU to create a specific Sub-Committee on Human Rights with an efficient monitoring mechanism with "strong and systematic involvement of civil society organisations" in the EU-Egyptian Action Plan, see

<http://www.cihrs.org/English/NewsSystem/Articles/1734.aspx>. However, the Action Plan only referred to a "formal and regular dialogue", focused mainly on working with the Egyptian government, and failed to mention a monitoring process, see [http://trade.ec.europa.eu/doclib/docs/2010/april/tradoc\\_146097.pdf](http://trade.ec.europa.eu/doclib/docs/2010/april/tradoc_146097.pdf)

<sup>80</sup> See European Commission and HR for Foreign Affairs and Security Policy joint communication COM(2011) 200, 8 March 2011

[http://www.eeas.europa.eu/euromed/docs/com2011\\_200\\_en.pdf](http://www.eeas.europa.eu/euromed/docs/com2011_200_en.pdf), page 2

In hindsight, it is an extraordinary admission that the Commission and EU member states failed to do more to tailor policies and funding to the needs of individual countries in the first place. Nonetheless, greater differentiation of objectives and policies is a step in the right direction and must be further encouraged going forward.

### ***Scrap the Union for the Mediterranean***

The Union for the Mediterranean has so far failed to have any impact whatsoever on the EU's influence on its Southern neighbourhood. The Commission itself has admitted that the UfM "did not deliver the results we expected"<sup>81</sup>, while Italian Foreign Minister Franco Frattini described it as a "complete failure"<sup>82</sup> in the aftermath of the revolt in Tunisia.

Given that it is far from clear what its real potential is or how it is meant to enrich the ENP, the UfM should be scrapped and the €6.2 million<sup>83</sup> earmarked to run its new Barcelona-based Secretariat in 2011 should be channelled towards aid programmes instead.

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<sup>81</sup> See European Commission and HR for Foreign Affairs and Security Policy joint communication COM(2011) 200, 8 March 2011, [http://www.eeas.europa.eu/euromed/docs/com2011\\_200\\_en.pdf](http://www.eeas.europa.eu/euromed/docs/com2011_200_en.pdf), page 11

<sup>82</sup> *Il Corriere della Sera*, 'Frattini: Arginare il fondamentalismo. È questa la priorità dell'Europa', 17 January 2011 [http://www.esteri.it/MAE/IT/Sala\\_Stampa/ArchivioNotizie/Interviste/2011/01/20110117\\_FrattiniTunisia.htm](http://www.esteri.it/MAE/IT/Sala_Stampa/ArchivioNotizie/Interviste/2011/01/20110117_FrattiniTunisia.htm)

<sup>83</sup> See the 2011-2013 Regional Indicative Programme for the Euro-Mediterranean Partnership, [http://ec.europa.eu/europeaid/where/neighbourhood/regional-cooperation/enpi-south/documents/regional\\_indicative\\_programme\\_2011-2013\\_en.pdf](http://ec.europa.eu/europeaid/where/neighbourhood/regional-cooperation/enpi-south/documents/regional_indicative_programme_2011-2013_en.pdf), page 21. The document specifies that UfM member countries will contribute at least 50% of the amount

## Annex 1: EU spending commitments to neighbouring countries since 1990

| INSTRUMENT    | ACTIVE      | FUNDING               | PURPOSE   | BENEFICIARIES   |
|---------------|-------------|-----------------------|---|---|
| <b>PHARE</b>  | 1990 - 2006 | €15.8bn               | Economic Restructuring in post-Communist countries  | Czech Republic, Bulgaria, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia and Slovenia   |
| <b>TACIS</b>  | 1991 - 2006 | €7.3bn                | Technical Aid to the Commonwealth of Independent States   | Armenia, Azerbaijan, Belarus, Georgia, Kazakhstan, Kyrgyzstan, Moldova, Mongolia (up to 2003), Russia, Tajikistan, Turkmenistan, Ukraine and Uzbekistan.  |
| <b>MEDA</b>   | 1995 - 2006 | €8.8bn                | Reform of economic and social structures in the framework of the Euro-Mediterranean partnership | Algeria, Croatia, Cyprus, Egypt, Jordan, Lebanon, Malta, Morocco, Palestinian Authority, Syria, Tunisia and Turkey  |
| <b>ISPA</b>   | 2000 - 2006 | €2.9bn                | Instrument for Structural Policies for Pre-Accession (transport & environment )                 | Czech Republic, Bulgaria, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia and Slovenia   |
| <b>SAPARD</b> | 2000 - 2006 | €2bn                  | Special Accession Programme for Agriculture and Rural Development                               | Czech Republic, Bulgaria, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia and Slovenia   |
| <b>CARDS</b>  | 2000 - 2006 | €5.4bn                | Reconstruction, Development and Stabilisation in the Balkans                                    | Albania, Bosnia & Herzegovina, Croatia, (Kosovo), Macedonia, Montenegro and Serbia  |
| <b>ENPI</b>   | 2007 - 2013 | €11.2bn <sup>84</sup> | European Neighbourhood and Partnership Instrument   | <b>ENPI East:</b> Armenia, Azerbaijan, Belarus, Georgia, Moldova, and Ukraine<br><b>ENPI South:</b> Algeria, Egypt, Jordan, Israel, Lebanon, Libya, Morocco, Palestinian Authority, Syria and Tunisia |
| <b>IPA</b>    | 2007 - 2013 | €11.5bn               | Instrument for Pre-Accession Assistance   | Albania, Bosnia & Herzegovina, Croatia, (Kosovo), Macedonia, Montenegro, Serbia and Turkey  |
| /             | 2000 - 2006 | €0.7bn                | Pre-Accession Assistance  | Turkey  |

Sources: Various, see footnote<sup>85</sup>

<sup>84</sup> The ENPI also funds the EU's Strategic Partnership with Russia, [http://ec.europa.eu/world/enp/funding\\_en.htm](http://ec.europa.eu/world/enp/funding_en.htm)

<sup>85</sup> **PHARE, ISPA, SAPARD & Assistance to Turkey:** European Commission, Enlargement DG, 'Instrument for Pre-Accession Assistance', [http://ec.europa.eu/enlargement/how-does-it-work/financial-assistance/instrument-pre-accession\\_en.htm](http://ec.europa.eu/enlargement/how-does-it-work/financial-assistance/instrument-pre-accession_en.htm); **TACIS:** The European Commission's TACIS Programme 1991-2006: A success story, [http://ec.europa.eu/europeaid/where/neighbourhood/regional-cooperation/enpi-east/documents/annual\\_programmes/tacis\\_success\\_story\\_final\\_en.pdf](http://ec.europa.eu/europeaid/where/neighbourhood/regional-cooperation/enpi-east/documents/annual_programmes/tacis_success_story_final_en.pdf), page 8; **MEDA:** MEDA I (1995-99) = €3.4bn; MEDA II (2000-06) = €5.4bn; see *European Court of Auditors*, Special Report No 5/2006, <http://eca.europa.eu/portal/pls/portal/docs/1/173673.PDF>, page 12; **CARDS:** EU Enlargement – Archives, <http://ec.europa.eu/enlargement/archives/seerecon/gen/eu-see.htm>; **ENPI:** EU Regulation No 1638/2006 establishing the ENPI, see <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2006:310:0001:0014:EN:PDF>; **IPA:** European Commission, Enlargement DG, 'Instrument for Pre-Accession Assistance', [http://ec.europa.eu/enlargement/how-does-it-work/financial-assistance/instrument-pre-accession\\_en.htm](http://ec.europa.eu/enlargement/how-does-it-work/financial-assistance/instrument-pre-accession_en.htm)

## Annex 2: EU funding commitments to Mediterranean countries (€ millions)

| COUNTRY                | EU budget period 1993-1999   | EU budget period 2000-2006 | EU budget period 2007-2013 <sup>86</sup> |                |
|------------------------|------------------------------|----------------------------|--|----------------|
|                        | MEDA 1995-1999 <sup>87</sup> | MEDA II 2000-2006          | ENPI 2007-2010                           | ENPI 2011-2013 |
| Algeria                | 164                          | 339                        | 220                                      | 172            |
| Egypt                  | 686                          | 592                        | 558                                      | 449            |
| Israel                 | n/a                          | n/a                        | 8  | 6              |
| Jordan                 | 254                          | 331                        | 265                                      | 223            |
| Lebanon                | 182                          | 133                        | 187                                      | 150            |
| Libya                  | n/a                          | n/a                        | n/a                                      | 60             |
| Morocco                | 660                          | 980                        | 682                                      | 580            |
| Palestinian Authority  | 111                          | 522                        | 632 <sup>88</sup>                        | n/a            |
| Syria                  | 101                          | 180                        | 130                                      | 129            |
| Tunisia                | 428                          | 518                        | 300                                      | 240            |
| Regional programmes    | 471                          | 1,052                      | 343                                      | 288            |
| <b>Total</b>           | <b>3,057</b>                 | <b>4,647</b>               | <b>5,622</b>                             |                |
| <b>TOTAL 1995-2013</b> |                              |                            | <b>13,326</b>                            |                |

Sources: MEDA and MEDA II figures are from the European External Action Service<sup>89</sup>; ENPI figures for individual countries are taken from ENP countries' National Indicative Programmes (NIPs); ENPI figures for regional programmes are taken from the Regional Indicative Programmes (RIPs) for the Mediterranean region<sup>90</sup>

These figures are commitments, which is not the same as the money actually paid out. For example, of the €4.6bn committed under MEDA II, €4bn was disbursed by the end of the programme.<sup>91</sup> The total amount of money paid out via the ENPI will only be known at the end of the current EU budget period in 2013.

<sup>86</sup> Part of ENPI money is also used to finance cross-border programmes. Unlike regional programmes, cross-border programmes also involve regions of EU member states, which therefore get part of the funding. A total €355 million has been allocated via the ENPI for three cross-border projects involving the EU's Southern neighbours: two of them are bilateral (Spain/Morocco and Italy/Tunisia), while the third one covers the entire Mediterranean basin, see [http://ec.europa.eu/world/enp/pdf/country/enpi\\_cross-border\\_cooperation\\_strategy\\_paper\\_en.pdf](http://ec.europa.eu/world/enp/pdf/country/enpi_cross-border_cooperation_strategy_paper_en.pdf), page 29

<sup>87</sup> Funding under MEDA does not cover the entire EU budget period because the programme was launched along with the start of the Euro-Mediterranean Partnership (aka the Barcelona Process) in 1995

<sup>88</sup> Planning figures only, see [http://ec.europa.eu/world/enp/pdf/country/0703\\_enpi\\_figures\\_en.pdf](http://ec.europa.eu/world/enp/pdf/country/0703_enpi_figures_en.pdf)

<sup>89</sup> EEAS, 'Mediterranean Neighbourhood Countries: Payments and Commitments', 15 January 2007, [http://eeas.europa.eu/euromed/docs/meda\\_figures\\_en.pdf](http://eeas.europa.eu/euromed/docs/meda_figures_en.pdf). The total amount of money available for MEDA and MEDA II was €8.8 billion (see Annex 1). EEAS figures do not include Turkey, which was part of the MEDA and MEDA II programmes but now receives pre-accession assistance, and Malta and Cyprus, which joined the EU in 2004

<sup>90</sup> NIPs and RIPs are both available on the ENP official website,

[http://ec.europa.eu/world/enp/index\\_en.htm](http://ec.europa.eu/world/enp/index_en.htm)

<sup>91</sup> [http://eeas.europa.eu/euromed/docs/meda\\_figures\\_en.pdf](http://eeas.europa.eu/euromed/docs/meda_figures_en.pdf)