

BULLETIN

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Neighbourhood Policy: “More for More” Requires Stronger Union Diplomacy

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The question of how the “more for more” principle will be implemented in the next Multiannual Financial Framework 2014–2020 is limited in the current negotiations on the European Neighbourhood Instrument, to the amount of money to be spent according to this rule. However, in order to make it fully operational, the political role of the EEAS should be strengthened.

The Arab Spring highlighted the EU’s lack of means to support democratic transformation in its neighbourhood. In order to address this, the review of European Neighbourhood Policy on 25 May 2011, proposed the “more for more” approach, whereby the countries that perform the best in making democratic reforms gain additional aid. Accordingly, during 2011–2012, the southern neighbourhood received €350m under *The Support for Partnership, Reform and Inclusive Growth* or *SPRING Programme* (September 2011), and the eastern neighbourhood received €130m through the *Eastern Partnership Integration and Cooperation Programme—EAPIC* (June 2012). Egypt, Jordan, Morocco, Tunisia, Lebanon, Armenia, Georgia and Moldova were all granted additional support.

The next few months, however, will see the weightiest decisions, as the implementation of “more for more” in the European Neighbourhood Instrument (ENI) is currently the subject of “trilogue” discussions between the European Parliament, Commission and Council. The hottest topic is the amount of money dedicated to this principle, but negotiators have neglected the fact that, without a strengthened role for the European External Action Service in the distribution of neighbourhood aid, the EU’s geopolitical ambitions will be hampered.

The Amount of Money as the Preoccupying Issue. In the current negotiations, the EU Council advocates dedicating approx.10% of the ENI budget to countries progressing in reforms and democracy, a so-called “performance reserve” (operating like the current SPRING/EAPIC programmes). These funds, estimated at about €1.5–1.8 billion (depending on the agreement on the overall ENI budget) would be strictly linked to democracy and reform and distributed on an ad hoc basis, potentially providing a noticeable supplement to existing national allocations. Moreover, they would give some flexibility to the system of stiff national allocations that are fixed for several years and are not particularly responsive to reform. For instance, Azerbaijan, which maintained its domestic status quo, had an allocation in 2007-2010 of €92m, while reform-friendly Georgia received only slightly more at €120.4m. Bearing this in mind it is worth noting that, in considering allocations made according to SPRING and EAPIC, one can calculate that between seven and nine countries (out of 16 covered by the European Neighbourhood Policy) could be eligible in the short term to benefit from the “performance reserve”.

Judging by the failure of the Governance Facility, an instrument planned as a “performance reserve” entailing an additional €50m in the years 2007-2008 (and which did not directly spur any reforms), it is obvious that no amount of EU money can persuade countries to reform if they lack the political will. The absorption level of EU funds directed at government reforms (budget support) provides a good indicator of readiness to change, and amongst the eastern neighbours between 2007 and 2010 was apparent in Moldova (77%), Georgia (74%), Ukraine (67%), Armenia (47%) and Azerbaijan (27%). This suggests that the performance reserve helps those already on the transformation path. In this respect, additional funding would be notably weightier in the case of poor and small reforming countries, such as Moldova or Tunisia, rather than in those that are wealthier,

bigger and more democratically reluctant, but it would nevertheless require political flexibility in order to react to any changes.

How to Achieve Flexibility in the Performance Reserve? The “performance reserve” is a basket of money to be spent according to political criteria, but there is, however, the need to address one major deficit in the current system. The distribution of financial assistance is dominated by a logic based on development, since aid is implemented by the European Commission (DG DEVCO) according to its international principles. The Commission has some flexibility in determining how reserves are spent, but it cannot make political choices, as it only executes a budget. An effective performance reserve would, therefore, require more of a voice for the European External Action Service and Member States, since these are the players ready to make this kind of political choice. Awareness of that fact is probably why, in the current trilogue negotiations, the player least enthusiastic about the performance reserve is the European Commission, which perceives it as a limitation of its role.

In order to make a true political assessment of a country’s progress as well as to detach aid from broader development goals while also having a decisive voice, the EEAS would have to take on a greater role in coordinating neighbourhood policy. However, the practical arrangements under the Lisbon Treaty gave the EEAS very little leverage over the European Commission. While both the EEAS and the Commission have a say in formulating aid-strategy documents, the Commission retains control of the implementation of the neighbourhood budget, and it programmes aid at a technical, rather than political level. The EEAS is also understaffed in terms of political officers at both its headquarters and in delegations, as a result of budget shortfalls. In practice, this means that both parties have the veto power in the event of diverging views and, as the relations between these players are fixed only by an informal, inter-institutional agreement of January 2012, the result is that the decision-making process can be dominated by personalities, leading to turf wars.

In order to secure an effective reserve fund, the role of the EEAS would also have to be strengthened in relation to that of the Member States. After all, an increase in the flexibility of EU neighbourhood funding will lead to more political debates in the Council, about additional financial allocations. Even though a compromise was eventually reached - allocating 10% of the ENI budget to the “performance reserve”, for instance, Member States have totally different perspectives on spending priorities. Southern EU Member States fear that an injection of flexibility would disrupt the balance of the neighbourhood budget and worry about ad-hoc transfers to better-performing states in the east. Eastern members are keen on maximum flexibility, wishing to see at least Moldova and Georgia granted extra money in support of their EU integration efforts. More interestingly, the net payers in the EU budget support the “performance reserve”, seeing it as an excellent opportunity to find savings. With an eye on these potential divisions, past practice suggests that well-reasoned proposals will sway member governments when deciding how best to use the performance reserve, since each needs a blocking majority to oppose. The EEAS is best placed to do this.

Conclusion and Recommendations. Poland has vested interests in the development and efficiency of neighbourhood policy and should initiate a debate on strengthening the role of the EEAS, not just in the ENP but in other areas where a power struggle with the European Commission is proving damaging – in line with the report on the future of the EU presented by a group of Member States led by Guido Westerwelle in September in which Poland played an active part. An opportunity to launch such a debate would be with the review of the EEAS decision in 2013. Poland can, for instance, call for a strengthened role for EEAS in aid programming, limiting the European Commission’s role to a consultative function. This move should, however, be restricted to the neighbourhood (as the EU has the clearest political priorities there), and not extended to development policy overall as this would open a Pandora’s box (not least because of EEAS’s lack of human resources to cover the development sector). The most difficult problem to overcome will be under-staffing at the EEAS because of administrative budget cuts at EU institutions. As long as they are prepared to fund them, however, Member States may plug the gaps by sending their own national experts.

As for the future of the performance reserve itself, the outcome of the current trilogue negotiations lies in the balance, due to diverging views between the Commission and Member States. The player that could tip that balance is the European Parliament. So far, the ENI report prepared by the MEP Eduard Kukan has not been subject to a plenary vote, so the EP’s position is still unclear. In a vote at the level of the Committee on Foreign Affairs in July, MEPs passed amendments supporting “more for more” whilst rejecting the idea of a performance reserve. They argued for detailed indicators assessing any given country’s progress. Poland would do well to increase its advocacy of the performance reserve with influential MEPs.