

Using More for More: Incentivising Peace in the EU's Neighbourhood Policy

Prevention of conflict is one of the key objectives of EU external action as set out in the Lisbon Treaty and as repeatedly stated by EU High Representative for Foreign Policy, Baroness Ashton. The Lisbon Treaty states that the EU's aims are to 'promote peace, its values and the well-being of its peoples' (Art. 3.1) and to 'preserve peace, prevent conflicts and strengthen international security' (Art. 21.2(c)).

There are conflicts across the EU's neighbourhood region¹, including active conflicts in some countries of the Southern neighbourhood; a high risk of conflict in other countries in Southern neighbourhood; the protracted conflicts of the Eastern neighbourhood, with high incidences of violence in some cases and the risk of violent conflict developing in others; and post-conflict transition taking place in other countries.

The demand for greater freedom and political change in North Africa and the Middle East has highlighted some of the shortcomings of the EU's approach towards its neighbourhood. This has led to a welcome reflection and review of its policies culminating in an important shift as set out in its recent Joint Communications, A new response to a changing Neighbourhood² and A Partnership for Democracy and Shared Prosperity with the Southern Mediterranean.³

EPLO commends the EU for its review, for its acceptance of the shortcomings of the previous policies, and for the change in direction set out in the Communications. Above all, it is welcome that the strategy of supporting repressive regimes in the interest of stability is recognised as flawed. Supporting stability is a central part of responding to conflict but it alone is not sufficient and there will always be a risk of conflict when undemocratic regimes are allowed to prosper.

Second, the emphasis on civil society at the heart of the EU's new approach is very welcome. Even a cursory analysis of EU funding flows into two of the countries in the neighbourhood, Egypt and Tunisia, shows that this was not the case previously. Between 2007 and 2010, the vast majority of funding went to the governments of the two countries and to the private sector, with a very small proportion reaching civil society organisations (Annex 1). Civil society organisations have a role in delivering programmes, but more importantly they should be enabled to contribute to the formulation of economic and social policies that have a strong impact on daily life in their societies.

Below, EPLO puts forward recommendations on how implementation of the EU's new policies for the neighbourhood region can support peace and long-term stability.

(1) Peace Conditionality and Incentivising Peace

The 'more for more' approach, one of the pillars of the new Neighbourhood Policy, is based on positive conditionality: ***if*** partner countries introduce more reforms ***then*** they will receive more benefits (more funds and more integration).

EPLO believes that peaceful engagement by governments should be rewarded under the 'more for more' approach. The EU should incentivise peaceful actions by recognising and supporting them.

¹In EU policy, "European Neighbourhood" covers Algeria, Armenia, Azerbaijan, Belarus, Egypt, Georgia, Israel, Jordan, Lebanon, Libya, the Republic of Moldova, Morocco, the Occupied Palestinian Territories, Syria, Tunisia and Ukraine.

²Joint Communication from the European Commission and the High Representative of the Union for Foreign Affairs and Security Policy (COM(2011)303). A new response to a changing Neighbourhood (25 May 2011)

³Joint Communication from the European Commission and the High Representative of the Union for Foreign Affairs and Security Policy (COM(2011)200 final). A Partnership for Democracy and Shared Prosperity with the Southern Mediterranean. (8 March 2011)

Under the neighbourhood policy, there will be a set of benchmarks to demonstrate progress, as benchmarks are met more funds and more integration will be offered by the EU. The non-exhaustive list showing types of benchmark is:

- free and fair elections
- freedom of association, expression and assembly and a free press and media;
- the rule of law administered by an independent judiciary and right to a fair trial;
- fighting against corruption;
- security and law enforcement sector reform (including the police) and the establishment of democratic control over armed and security forces.

The EU should analyse the impact on peace and stability of reaching these benchmarks.

In the more detailed agreements concluded with particular countries, the following types of peaceful action could be rewarded:

- Genuine engagement across the conflict divide, for instance engaging in dialogue with neighbouring countries, break-away regions, civil society movements and other relevant groups and reducing military rhetoric
- Introducing and implementing legislation to protect the rights of minority communities
- Demilitarisation (e.g. of border areas)
- Participation of women in peace negotiations and post-conflict policy-making
- Reduction in military expenditure
- Implementation of peace agreements
- Respect for international law, including international humanitarian law, and rulings relating to conflict
- Return of persons displaced by conflict and integration of IDPs (focusing on improving their living conditions and ensuring political participation)
- Support for reconciliation processes and truth commissions
- Delivery of justice for victims of conflict
- Cross-border co-operation that fosters peacebuilding in conflict-affected border regions
- Desegregation of education systems

Of course, these are suggested as examples, the specific actions which promote peace or that can be taken as a sign of peaceful engagement will vary from country to country and should be determined by detailed analysis of conflicts there.

In cases where provision of funding is not seen as a great benefit by the country – for example, because of other sources of revenue – then the EU should review its use of other types of incentive, such as visa liberalization, high-level meetings and visits (which give legitimacy to governments) and other forms of cooperation.

A deeper analysis of the use of conditionality to promote reform is provided by the Open Society Institute in its recent papers, *EU policy towards the Eastern neighbours: a new wave of improvement* and *OSI-Brussels Response to the Joint Communication*.

(2) Partnership with Civil Society: Build in Accountability Mechanisms

The Communications – and public statements by EU policy-makers – demonstrate a strong commitment to supporting civil society in the neighbourhood. This is further demonstrated by the creation of two new funding programmes as set out in the most recent Communication: “*We will*

- *establish partnerships in each neighbouring country and make EU support more accessible to civil society organisations through a dedicated Civil Society Facility*
- *support the establishment of a European Endowment for Democracy to help political parties, non-registered NGOs and trade unions and other social partners.”*

EPLO believes that the EU could go a step further and build accountability to civil society into all support that it provides for the region. Thus, in order to build legitimate institutions⁴, all support for governments should include accountability mechanisms.

For example, part 3.2 of the Communication, includes sections on comprehensive institution-building and on partnership with societies. Both are extremely important however they should not be implemented entirely separately. Rather, accountability involves bringing together the two strands.

Partnership with civil society needs to be part of building institutions through the use of accountability mechanisms including participatory budgeting, expenditure tracking, budget transparency, civil society oversight committees for projects and government departments, community consultation in planning, transparent procurement procedures, participatory processes and involvement of representative groups of civil society in statebuilding processes, such as development of constitutions.

In assessing the progress of neighbourhood countries towards reaching the set benchmarks established in the More for More approach, the EU should consider establishing civil society consultation mechanisms similar to those it has in place with the accession countries where civil society is invited to provide written input and share analysis during a consultation in Brussels.

As well as accountability to civil society, other accountability mechanisms are of course essential and should be supported, including competent and independent audit commissions, parliamentary committees, independent media, to ensure that they are able to fulfil their oversight function.

To ensure that EU funding does not contribute to or fuel conflict in the European neighbourhood, the EU should find ways to support peacebuilding work in non-recognised and breakaway entities.

In its support to civil society, the European Union should ensure that:

- The initial mapping of needs and capacities on CSOs is inclusive and includes representatives from women’s organisations and minority groups
- The priority areas for the funding are drawn-up with the input from CSOs and are mindful of the conflict risks in the neighbourhood

Furthermore it should:

- Include a Peacebuilding Partnership within the European Neighbourhood Policy Instrument (ENPI). The introduction of a Peacebuilding Partnership⁵ under the ENPI would be an opportunity to support peacebuilding activities including engagement across conflict divides.

⁴ The World Development Report 2011 argues definitively that building legitimate institutions to deliver citizen security, justice and jobs has to be at the heart of external assistance to fragile, conflict-affected countries. Building these legitimate institutions requires accountability – oversight – at every stage.

⁵ EPLO proposes a Peacebuilding Partnership under all regional instruments, see http://www.eplo.org/assets/files/2.%20Activities/Working%20Groups/FiP/EPLO_Proposal_ENPI_Peacebuilding_Partnership.pdf and http://www.eplo.org/assets/files/2.%20Activities/Working%20Groups/FiP/EPLO_Proposal_IPA_Peacebuilding_Partnership.pdf

(3) Using EU Economic Leverage

The EU's real leverage lies not in its development assistance but in its overall economic power, including its trade relations. Even within development assistance, the bulk of EU support is not in regional funding instruments but in investment funds managed by the European Investment Bank (EIB). In the period from 2007 to 2010, the EIB provided loans worth €1.4 billion to Egypt, compared with EUR €558 million of assistance under the ENPI. Similarly, in Tunisia the EIB provided EUR €1.3 billion compared to EUR 300 million provided by the ENPI.

In its lending outside the EU, the EIB is guided by the objectives of the applicable EU policy. The change in the European Neighbourhood Policy should therefore be reflected in a shift of priorities regarding the type of projects that the EIB supports.

EPLO believes that the EU should use its trade and investment policies to promote peace, equitable growth and social justice. It should not be assumed that economic engagement automatically leads to peace or development.

The EIB provides extensive funding across the neighbourhood region and one of the first reactions of the EU to the changing situation in the southern neighbourhood was to increase EIB lending to the region. The current proposal foresees that the EIB could provide almost €6 billion to the Mediterranean countries between 2011- 2013.

According to a European Court of Justice judgement, the EIB should abide by EU development objectives. In addition, the Bank's Environmental and Social Principles and Standards commit it to conflict sensitivity:

47. Similarly, the EIB does not finance projects that give rise to conflicts or intensify existing conflicts. Additionally, the Bank takes into account that a number of countries where it operates face difficult post-conflict recovery and reconstruction efforts. When financing projects in such fragile states, the Bank is guided by the EU approach.

To guarantee that EIB lending is contributing to the alleviation of economic inequality and the development of an inclusive society, it has to be allocated in a conflict sensitive way, taking into consideration the impact of the lending on social dynamics within society and the fact that certain projects might benefit some, but not all parts of society. In light of this, the EIB should disclose information regarding the projects that are currently being screened in the neighbourhood countries to enable affected individuals and communities to be involved at an early stage and to ensure that projects that are supported by the EIB contribute to equitable growth and social justice by subjecting their approval to democratic decision making. In addition, the EIB should engage with civil society throughout the appraisal and monitoring phase of EIB projects. The same should apply for EBRD involvement in the neighbourhood, as the EBRD has the EU, the EIB and EU Member States as major shareholders.

Overall, there is far more that the EU could do to ensure that its investment funds are used to support peace and development. In addition, it needs to ensure that loans granted by the EIB do not fuel conflict by impacting negatively on the environment or violating human rights standards.

Similarly, the potential of trade relations to act as a lever to promote peace and development has not been fully explored.

In the neighbourhood region, the EU should be willing to:

- Strengthen human rights clauses in trade agreements

- Incorporate benchmarks covering human rights, democracy and peaceful engagement into trade agreements
- Ensure that benchmarks are met before deepening trade relations and providing investment funding
- Be prepared to suspend or limit trade relations and investment funding when reforms do not take place or when abuses occur (following review of the consequences of such actions)
- Use investment funds to promote peace (e.g. fund projects that will have a positive impact by tackling the root causes of conflict and seeking to mitigate the risk of conflict).

This should be done in transparent processes and in consultation with civil society and elected officials and/or institutions.

(4) More for More AND Less for Less

If more reforms lead to more benefits then a failure to implement reforms should mean less money and less integration. In particular, in cases of human rights abuses, undemocratic changes, serious high-level corruption, or where a state has systematically failed to ensure that aid reaches communities, the EU should be prepared to suspend agreements and introduce other punitive measures (while being aware of the risks of so doing). In countries where the withdrawal of financial support has limited impact, other benefits, such as those mentioned above, could be withdrawn.

The EU needs to retain its identity as a normative foreign policy actor. It should not allow its own trade, economic and narrowly conceived security interests to trump ethical considerations. In the medium- and long-term these interests are not served by providing support to undemocratic and conflict-generating regimes because instability results, economic development is unlikely and the EU's credibility (and thus its influence) is damaged.

The EU should not follow other donors and partner governments in a race to the bottom involving providing unconditional funds to any government, be it repressive or corrupt. If the EU invokes less is less and is unable to provide funds to a government, then they can be provided to civil society instead (or re-allocated).

To ensure that the new neighbourhood policy is based on mutual accountability as envisaged by the EU, concrete mechanisms need to be put in place to monitor the performance of neighbouring countries. In this respect, it is important that implementation and not only adoption of reforms is monitored. The annual progress report is a useful mechanism for this monitoring and possibly also reviewing the benchmarks and the process of drawing up the report should be transparent and include civil society. The EU's commitment to increase the effectiveness and credibility of human rights dialogues by reinforcing civil society involvement and transparency is a welcome development in this regard. Similarly, the EU and its Member States should be subject to monitoring to ensure that the commitments regarding More for More are met, which should involve the European Parliament. It could for instance be envisaged that in connection to the progress reports, a review of the EU progress in meeting its commitments could be undertaken.

Mechanisms should be put in place to ensure the regular monitoring of progress towards meeting the benchmarks. Civil society should be involved in this process. The European Parliament should also be involved in deciding on the application of More for More regarding specific countries.

(5) Support Inclusive Space for Dialogue

The EU should support the creation of inclusive political space, in which all sectors of society can be consulted and discuss the future political system.

Considering the pivotal role that women played in overthrowing the undemocratic regimes in Northern Africa, the key role they are playing in securing peace and the EU's own legal obligations regarding the political participation of women⁶, the EU's policy towards the European neighbourhood should support political and economic empowerment of women and include specific benchmarks related to gender.

'More for more' should include benchmarks on women's rights and political participation of women at local, regional and national levels and should include a gender perspective. The EU should be equally clear that financial and political support will be withdrawn from institution-building activities if women are not represented in decision-making structures at every level.

Most countries of the neighbourhood, especially those in the Southern neighbourhood, have very young populations, meaning that in some cases, the percentage of the youth (age 10 – 24) amounts to around 30 % of the overall population. This is not reflected in the governance structure of the countries concerned, which has implications for their representativeness and legitimacy.

EU support should encourage participation of young people in civil society and political decision-making, through for instance financial and political support for youth programmes. Increased mobility and possibilities for young people to travel to the EU and participate in e.g. exchange programmes are welcome in this respect.

(6) Lessons from Democratic Transition in the EU

In reviewing its neighbourhood policy, the EU should apply its own transition experiences in southern, eastern and central Europe. This means that while the EU should be clear about its objectives and set detailed benchmarks and conditions for its engagement, the long term societal change that needs to happen in both the southern and eastern neighbourhood should be taken into consideration.

There is a wealth of lessons from the accession process, some of which are applicable to the Neighbourhood region, including:

- The importance of civil society in monitoring reforms and holding governments to account was a central aspect of the transitions in Central and Eastern Europe
- The need to monitor implementation of change rather than just adoption of new standards
- Anti-corruption measures need to be in place to mitigate the high risks of corruption in transition contexts. The accountability mechanisms described above are the most effective ways to reduce the risk of corruption – either the direct loss of EU aid to corruption or the support for corrupt institutions and sustaining of systems of poor governance and weak public financial management.

The policy-makers and civil society of the EU member states which have recently experienced democratic transition should be at the forefront of the EU's work in its neighbourhood.

⁶ Gender equality is not only a key value of the EU, but also a legal obligation (Article 8 of the Treaty on the Functioning of the European Union). The EU has adopted a Comprehensive approach to the EU implementation of UNSCRs 1325 and 1820 on women, peace and security, complemented by Implementation of UNSCR 1325 as reinforced by UNSCR 1820 in the context of ESDP.

Annex 1: EU Funding for Tunisia and Egypt 2007 to 2010

COUNTRY STRATEGY PAPER 2007-2013

In the section on 'Key lessons learned from the 2002-2006 Egypt Country Strategy':

'Since 2004 there has been a shift from large-scale technical assistance programmes to budget support. Budgetary support has proved successful in areas where the Government has started ambitious reforms and has been willing to involve donors, such as customs reforms, economic and sustainable water use, textile restructuring and vocational training. Use of budget support operations has also been made possible by the high level of control exercised by the Ministry of Finance over public funds, the Government's consideration for new reforms to improve public finance management and for moving toward higher fiscal discipline.'

NATIONAL INDICATIVE PROGRAMME 2007-2010 (€558 million)

Priority 1: Supporting Egypt's reforms in the areas of democracy, human rights and justice

- 1.1 Support for political development, decentralisation and promotion of good governance (€ 13m)
- 1.2 Promotion and protection of human rights and involvement of civil society in protecting the environment (€ 17m)
- 1.3 Support for modernisation of administration of justice and enhancement of security (€ 10m)

Priority 2: Developing the competitiveness and productivity of the Egyptian economy (€ 220 m)

- 2.1 Support for implementation of the Action Plan Programme (SAPP)

'Depending on the needs identified and the scale of the reforms involved, assistance will mainly be channelled through technical assistance and twinning arrangements on the one hand or budgetary support on the other.'

Priority 3: Ensuring the sustainability of the development process

- 3.1 Support for reform of education (€ 120m)
- 3.2 Public health (€ 120 m)

'In line with the NIP for 2005-2006, the EC is preparing budgetary support totalling €88 million, building on the HSRP and in line with the Ministry of Health's priorities and sector reform plan.'

- 3.3 Support for investment in the transport, energy and environment sectors (€ 58 m)

NATIONAL INDICATIVE PROGRAMME 2011-2013 (€449 million)

Priority 1: Supporting reforms in the areas of democracy, human rights, good governance and justice

- 1.1 Support for political development, decentralisation and promotion of good governance (€ 5m)

'Nevertheless, Egypt continues to be characterised by limited participation of civil society in political life and its culture of democracy, while continuing to improve, remains fragile.'

- 1.2 Promotion and protection of human rights (€ 15m)

'Additional assistance is also proposed in the areas of independence of the media and freedom of expression and assembly. The role of CSOs in promoting these rights and relevant dialogue between these organisations and the Government will also be supported.'

1.3 Support for modernisation of administration and justice (€ 10m)

1.4 Upgrading of regulatory, institutional and legislative environment (€ 20m)

Priority 2: Developing the competitiveness and productivity of the Egyptian economy

2.1 Transport sector reform (€ 85m)

2.2 Energy sector reform (€ 84m)

2.3 Trade enhancement measures (€ 20m)

Priority 3: Ensuring the sustainability of the development process with better management of human and natural resources

3.1 support for reform of education as well as technical and vocational education and training (€ 210m)

3.2 Water sector reform (€ 105m)

3.3 Support for solid waste management (€ 20m)

3.4 Local community development (€ 35m)

'Participatory bottom-up approaches and close collaboration with public agencies, civil society organisations, business and other donors would be key elements of the programme'

In the section on 'Implementation':

'In areas where the Government has started ambitious sector-wide reforms, direct budget support has proven itself to be an efficient mechanism of aid delivery. Use of budget support operations has been made possible by the high level of control exercised by the Ministry of Finance over public funds, the Government's reforms to improve public financial management and the move toward higher fiscal discipline.'

'Although the EU is the only donor undertaking SBS in Egypt, this has indirectly had a positive impact upon harmonization of donors and alignment with national priorities in several sectors.'

'Approximately 50% of NIP 2011-2013 funds are expected to be allocated in the form of sector budget support.'

In the section on 'Risks and assumptions':

'Egypt presents a medium- to low-risk environment for EU assistance programmes. The state and its institutional components have shown continuity and stability over the last 30 years.' And 'Despite the dramatic regional and global events of recent years, Egypt's Government was able to maintain internal stability and continued to focus on reducing poverty and unemployment by promoting equitable and sustainable economic growth, combined with gradual political and social reforms.'

'Egypt continues to show commitment to implementing social, economic and sector reforms, and to a lesser extent to political reform.'