

DRAFT

**STRATEGY FOR
THE DANISH NEIGHBOURHOOD PROGRAMME
2013-17**

**Introduction by the Minister for Development Cooperation and
the Minister for European Affairs**

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1. A European Neighbourhood on the Move

A peaceful and stable Europe with freedom and progress for its citizens is closely dependent on the development of democratic societies with accountable authorities, vibrant civil societies, well-functioning markets, and conflict resolution in all parts of the continent. To this aim, the Danish Neighbourhood Programme seeks to promote civil, political, social and economic rights – from the promotion of democratic rights to the right of people to benefit from basic economic opportunities in order to escape poverty and social degradation.

Successive enlargements of the European Union have brought the countries in our Eastern and South-Eastern neighbourhood closer to the EU. Their security, stability and prosperity increasingly impact on ours. Most of the countries are in a transition phase and are carrying out reforms in the political, social and economic spheres, though at different stages and pace. Most of the countries have also to varying degrees stated their wish to develop closer relations with the EU. In a number of countries, the EU plays an important role as a driving force for reforms.

Danish assistance to this region has from its inception in the early 1990s aimed at supporting these positive developments based on the policies and needs formulated by the partner countries themselves. Following the fall of the Iron Curtain, it became clear that a sustained effort was needed in order to help the transition societies build democracy and achieve sustainable growth. This led to the establishment of a number of cooperation initiatives, which laid the foundations for the present-day Danish Neighbourhood Programme.

While the transition efforts of the past decades have markedly changed the lives and opportunities for many people in our European neighbourhood, important challenges remain. These include high levels of unemployment, especially amongst the youth. In terms of industrial production, the low-quality products produced under the inefficient command economy were never able to compete in the international marketplace, and in many countries industrial output has still not fully recovered, thus hampering the prospects of job growth. This has exacerbated an already grave demographic crisis by forcing many to emigrate either within the region or to the EU and beyond. In some countries, private ownership of assets is in the hands of a relatively narrow group of people with little interest in changes to the status quo.

Politically, all the countries adhere officially to a democratic form of government. Challenges remain in some places, however, for a truly democratic culture to take root. These include i.a. the full enjoyment of human rights, the respect for rule of law, the acceptance of independent media, and a vibrant civil society capable of holding the authorities to account. There remains in some places of the region a potential for ethnic clashes, and the region harbours a number of frozen conflicts. In addition to these political challenges, the region struggles with a legacy of severe degradation of the environment with significant energy inefficiencies and polluting technologies for power generation that remain in place to this day.

The high number of challenges facing the region combined with the budgetary frame of the Danish Neighbourhood Programme necessitates a clear focus for the programme. The Danish

Neighbourhood Programme 2013-17 seeks to act as a catalyst for change in order to contribute to the fulfilment of two major objectives:

- Democracy and Good Governance, including respect for human rights, conflict resolution and peace-building, gender equality, minority rights, and strengthening of civil society.
- Economic Development, including private sector development aiming at promoting sustainable growth, skills development, job creation, energy efficiency and green technology.

The Neighbourhood Programme is an integral part of Denmark's overall foreign policy with respect to the neighbourhood region and is based on the principles outlined in the strategy for Denmark's development cooperation, "The Right to a Better Life". The Neighbourhood Programme should also serve to reinforce Denmark's bilateral relations with individual countries in the region, including through strengthening personal, professional and economic ties between private actors. Wherever possible, the Neighbourhood Programme will seek synergies with instruments that promote business and trade relations between Danish companies and counterparts in the neighbourhood region, such as Denmark's Export and Credit Agency (EKF) and the Investment Fund for Developing Countries (IFU) that offer advice and risk capital to Danish companies wanting to set up a business in a number of neighbourhood countries.

Moreover, Denmark remains actively engaged in a range of EU policies in the region. Danish bilateral efforts are and will be in line with the strategic framework of the European Neighbourhood Policy and the EU enlargement process, as well as specific political initiatives such as the EU's Eastern Partnership and deep and comprehensive free-trade agreements with selected countries in the region based on common values.

To most of the countries under the Danish Neighbourhood Programme, the EU is also by far the biggest partner in terms of assistance, through financial instruments such as EU pre-accession assistance and the European Neighbourhood Partnership Instrument. The Danish assistance aims at complementing the assistance given through the EU and will be targeted at flexible interventions in selected priority areas where Denmark can make a difference.

2. Building Democracy and Good Governance

Most countries in Europe's Eastern neighbourhood are young democracies. One of the challenges facing the region is to consolidate and expand the important gains made towards the establishment of truly democratic societies with equal rights and opportunities for all, regardless of gender, religion, ethnicity, age, disability, sexual orientation or gender identity. At the same time, a stable democratic structure with accountable public institutions is a prerequisite for sustained economic growth and economic integration with the rest of Europe. The promotion

of democracy and good governance through targeted support for agents of change is therefore one of the pillars of the Neighbourhood Programme.

Assistance will focus on a limited number of key intervention areas:

Independent public institutions

The integration of human rights and good governance principles into national constitutions and legislation – as well as their translation into action – is crucial for the development and consolidation of democracy. Independent public institutions with a mandate to uphold human rights and ensure the rule of law are therefore vital actors in any democratic society. The Neighbourhood Programme will give support to institutions such as the ombudsman and national human rights institutions to enable them to fulfil their mandates. Assistance could encompass capacity development, training of staff, establishment of complaints mechanisms, facilitation of dialogue with government representatives, study visits and cross-border collaboration.

An accountable and effective public administration

Public institutions with the capacity to efficiently perform their role and being held accountable by their citizens are essential in any democracy. This includes adherence to the principles of rule of law, equal access for all citizens to fair legal proceedings, transparent administration of public funds, and inclusion of citizens in open decision-making processes. The Neighbourhood Programme will collaborate with selected national and local public authorities to this end. Assistance could encompass support to preparation and implementation of national policies and reforms, development and application of anti-corruption measures, alignment to international best practices and EU standards, and enhanced capacity to interact with civil society actors.

Civil society organisations

A strong, independent and diversified civil society is an essential part of a democratic society. Civil society actors contribute to promoting citizens' rights to organize themselves, to express views, formulate demands and expectations to public authorities and other actors, and to act as watchdogs and change agents. Civil society enables citizens to pursue their rights and interests – including social and economic rights – and contributes to inclusiveness and cohesion in society. Assistance from the Neighbourhood Programme could encompass capacity building of local, national and regional organisations as well as networks and umbrella organisations. Such capacity building would empower them to undertake advocacy and information campaigns, contribute to public hearings, enter into constructive dialogue with authorities, implement smaller projects and strengthen their own popular, democratic and financial foundation.

Conflict resolution and cross-border cooperation

A number of internal and regional conflicts are latent in the region, often due to the presence of ethnic minorities and unresolved situations for refugees and internally displaced persons. Some of these latent conflicts have turned violent in the past decades. The Neighbourhood Programme will continue to support efforts at conflict prevention and resolution as well as peace building. Assistance could encompass the conduct of surveys and hearings, facilitation of

mediation and confidence building between conflicting partners, and support to regional cooperation.

Effective solutions to challenges like organised crime, migration, environmental protection and climate change will often require joint and coordinated efforts between several countries and actors in the region. Assistance under the Neighbourhood Programme could include the promotion of regional cooperation, capacity building of existing structures, and support for preparation of joint policies and training.

3. Promoting Economic Development

Securing the right of people to benefit from basic economic opportunities in order to escape poverty and social degradation constitutes the second pillar of the Neighbourhood Programme. Economic development, including promotion of growth and job creation, is essential for securing stability both within the neighbourhood region and in Europe as a whole. Poverty reduction and improving living conditions are also central preconditions for positive democratic developments based on broad popular participation and active engagement in political processes.

Assistance will focus on the following key intervention areas:

Economic growth and job creation through development of SMEs

The economies in many countries of the region are characterised by low productivity, high unemployment levels, and impediments to private sector development. To fully develop the economic potential and to create jobs in the region, it is important to improve the conditions and prospects of small and medium-sized enterprises (SME). Based on positive experiences with a value chain approach, the Neighbourhood Programme will continue to support SMEs in parts of selected value chains with strong growth potential, particularly within agriculture and agribusiness due to the central importance of these sectors for most of the neighbourhood countries. Interventions may include support for policies to improve the general business environment, capacity building of relevant public institutions, business organisations and beneficiaries, as well as improved access to financial services.

Skills development

The low productivity and high unemployment of many countries in the region are partly explained by an insufficiently skilled labour force. The Neighbourhood Programme will continue to support skills development through vocational training relevant for the value chains selected for interventions to promote economic growth and job creation. This focus on skills development and creation of new jobs will also serve to mitigate possible negative effects on employment stemming from increased productivity in the selected value chains. Thus, interventions in support of skills development will most often be part of interventions in support of SMEs. Interventions may also include specific gender oriented components.

Energy efficiency and introduction of green technologies

Most countries of the region are highly dependent on imports for their energy needs, which constitute a major burden on their economies. At the same time, consumption and production in these countries are highly wasteful and characterised by inefficiency, and sustainable economic growth would require significant changes and reorientation.. As a new intervention area, the Danish Neighbourhood Programme will therefore promote energy efficiency and green technologies, which are areas where Denmark possesses significant know-how. Interventions could include support to policy planning and regulation integrating environmental and energy efficiency considerations, support for multilateral financing facilities to modernise energy production and energy networks, and development of pilot projects to promote innovation and application of energy efficiency measures and green technologies.

4. Focusing on Selected Countries

Geographically, the Danish Neighbourhood Programme covers all Eastern and South-Eastern neighbourhood countries. At the same time, to ensure effectiveness and synergy, it is necessary to focus the bulk of the assistance and efforts on longer-term programmes in a limited number of countries. Seven priority countries within the region have been selected on the basis of an assessment of i.a. possible impact, presence of relevant partners, lessons learned from previous programmes, as well as political considerations.

The following priority countries have been identified:

- Eastern Partners: Belarus, Ukraine, Moldova and Armenia.
- Western Balkans: Albania, Bosnia-Herzegovina and Kosovo.

Amongst the Eastern Partners, all three countries that share a border with the EU have been chosen – i.e. Belarus, Ukraine and Moldova. At present, cooperation with Belarus is hampered by the policies and practices of the current authoritarian regime, and assistance is limited to the area of Democracy and Good Governance. When developments in Belarus merit more extensive assistance cooperation, Danish assistance to the country could include the whole range of assistance programmes offered to priority countries. In an effort to focus Danish assistance, Armenia has been selected as the only priority country in the Caucasus for the Danish Neighbourhood Programme 2013-17.

In the Balkans, the three priority countries – Albania, Bosnia-Herzegovina and Kosovo – are amongst the poorest of that region in terms of GDI per capita, and all three face a number of challenges in securing both sustainable economic growth and the political reforms needed to realise their EU membership perspective. In light of its considerable progress over the past decade in moving towards integration with the rest of the EU, Serbia will be eligible for limited support with emphasis on reforms related to its EU accession process within the area of good governance.

Developments in Russia and Turkey are important to the neighbourhood region – and to the

EU. While Russia and Turkey are not priority countries, limited assistance will be given for targeted interventions, particularly in the fields of civil society and the media. This assistance will mainly be given on an ad hoc basis or as part of regional or thematic programmes.

5. Allocating Funds

The selection of the two overall pillars and of the seven priority countries of the Neighbourhood Programme have specific budget implications, as this prioritisation will guide the programming of a grand total of DKK 1 billion (€ 133 million) foreseen allocated over the five-year strategy period. Given the need to focus the assistance on larger interventions, it will, however, not be possible to cover all key intervention areas in all seven priority countries within the five-year timespan of the strategy. The Neighbourhood Programme is expected to launch two to four long-term interventions (typically 3-5 years) per year in selected priority countries and within selected key intervention areas.

As a general guideline, it is expected that approximately 80 % of the annual budgetary frame will be allocated to long-term support. Under current budgetary projections such interventions will amount to DKK 160 million (€ 21.5 million) annually.

The remaining approximately 20 % will be available for smaller and more flexible interventions in the Neighbourhood region, e.g. in case of sudden conflict or the appearance of new political opportunities. This will amount to DKK 40 million (€ 5.5 million) annually under current budgetary projections. Secondments of experts to international organisations and participation of Danish institutions in EU twinning programmes will also be financed under this part of the budget.

The general allocation of funds between countries and specific programmes will be outlined annually in the Danish Finance Act. Information about overall programming will be published on the webpage of the Ministry of Foreign Affairs upon approval.

6. Creating Dynamic Partnerships

The overall responsibility for the implementation and administration of the Neighbourhood Programme rests with the Ministry of Foreign Affairs with the active involvement, where possible, of Denmark's embassies in the region. Interventions will be based on mutually committing partnerships. The aim is to ensure an equal partnership where all sides contribute their part.

Selection of partners

The Ministry of Foreign Affairs will cooperate with agents of change and those partners that are considered to best further the objectives of the Neighbourhood Programme. These can be national governments, ministries, local authorities, regional or international organisations, civil society organisations, private businesses, research institutions, and networks. The partnerships

must be flexible in order to respond to challenges and changes of a political or economic nature. Capacity building of partners will be an essential part of most projects and programmes.

The Neighbourhood Programme will be implemented by public and private partners of both Danish, regional and international origin. The Ministry of Foreign Affairs will cooperate directly with multilateral organisations in areas where they possess the required capacity.

Key criteria will be formulated when selecting private partners, including through tender procedures. Criteria may include the ability to build and sustain partnerships in recipient countries; the ability of partners to transfer knowledge, technology and innovative solutions to promote economic development; and the ability of partners to transfer experience and methods to national and local partners in support of democracy and good governance. Danish expertise will be promoted wherever possible.

Core principles

The Danish Aid Management Guidelines will together with international aid effectiveness principles constitute the framework for the implementation of the Neighbourhood Programme. The main principles focus on ownership, results, inclusive development and partnerships, and transparency and accountability:

- *Ownership*
Interventions will be aligned with national policies and/or priority conditions in the recipient countries to ensure national ownership. When supporting civil society actors we will ensure that this support is based on clear visions and strategies of our partners and – where relevant – reflecting national priorities and policies.
- *Results*
Interventions should be designed to deliver measurable and sustainable results. Where relevant, components will include building of partner capacity to develop and measure indicators in order for the partners to exercise timely adjustments of activities and to ensure fulfilment of agreed objectives.
- *Inclusive development and partnerships*
Openness, trust, and mutual respect and learning will be at the core of the partnerships, recognising the different and complementary roles of all actors – especially EU's Neighbourhood Policy.
- *Transparency and accountability*
The Ministry of Foreign Affairs will hold partners accountable and promote transparency and openness in the dialogue with partners and other development actors and in the administration of projects and programmes.

Intervention types

In order to address the objectives of the Neighbourhood Programme, the implementation will be based on various tailored types of intervention:

- *Sector-specific programmes*
The main part of the Neighbourhood Programme's assistance is envisaged to take this form. These programmes could be national, regional or thematic in scope and would normally run 4-5 years. The relatively long grant periods aim at ensuring the development of strong partnerships and sustainable results while allowing for flexibility in the implementation of activities.
- *Ad hoc interventions*
Smaller projects and ad hoc interventions are options in order to address immediate challenges or new possibilities. Such interventions would primarily be used when flexible and immediate responses to suddenly occurred situations or favourable political developments are appropriate. These interventions will typically have a shorter time span.
- *Secondments*
As a supplement to traditional interventions based on partnerships, a limited amount of the budget will be used for secondment of staff to international organisations with activities relevant for the objectives of the Neighbourhood Programme. This instrument is used strategically to advance Danish priorities. The secondment of staff should contribute to reinforcing internationally established monitoring missions and to support the work of selected multilateral organisations. Until now, experts have primarily been seconded to the OSCE and EU, including to their field missions.
- *Twinning*
Support to Danish public sector institutions to facilitate their participation in EU Twinning Programmes is an activity with relatively small budgetary impact but with significant multiplier effects. The aim of the twinning facility is to help EU candidate countries and other EU neighbouring countries to develop modern and efficient public administrations with the structures, human resources and management skills needed to implement EU regulations and standards. The Ministry of Foreign Affairs provide advice and guidance about the rules for the twinning arrangements and can also provide funding to facilitate the participation of Danish public institutions in twinning projects.

7. Progress Monitoring

The Ministry of Foreign Affairs is responsible for monitoring the implementation of the Neighbourhood Programme based on input from all partners in the programme. Monitoring will take place on a number of levels, including project, programme, country and thematic levels. All grant holders will submit progress reports to the Ministry of Foreign Affairs based on agreed guidelines and formats laid down in the Ministry's Aid Management Guidelines.

Text Box: The Human Rights-Based Approach and the Neighbourhood Programme 2013-17

Denmark will:

- Apply human rights as a core value in our partnerships and use principles of non-discrimination, participation, transparency and accountability in all phases of our development cooperation.
- Work to promote all human rights – economic, social, cultural, civil and political – with a special focus on women’s rights and equal access to decision-making, resources and opportunities.
- Systematically strengthen capacity of public authorities, civil societies and rights holders.

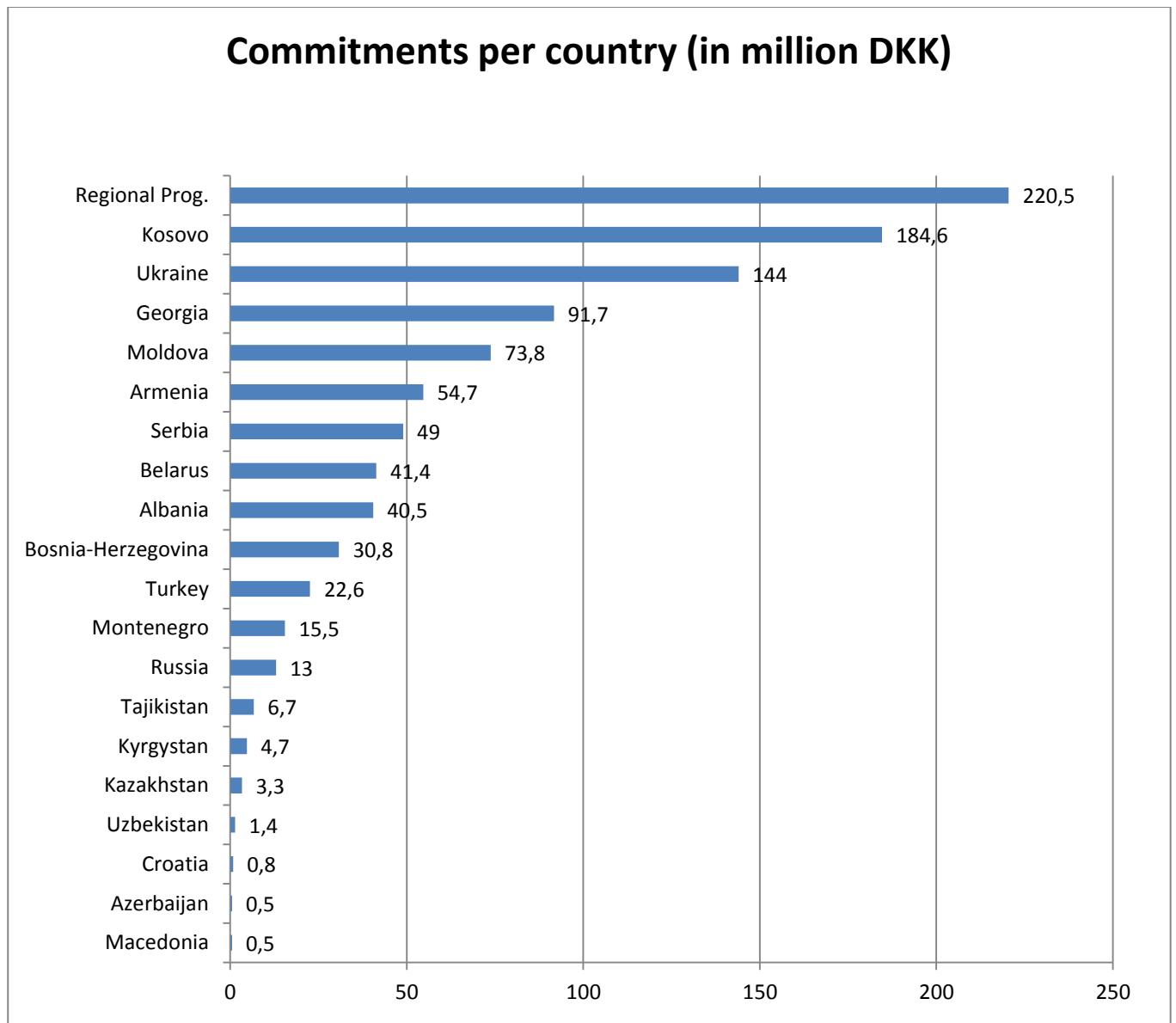
“The Right to a Better Life”, chapter 3, June 2012

The Neighbourhood Programme will apply a human rights-based approach in line with the overall Strategy for Denmark’s Development Cooperation “The Right to a Better Life” (June 2012). International human rights are part of Denmark’s core values and are a driver of change, precisely because they are based on commitments made by the countries themselves.

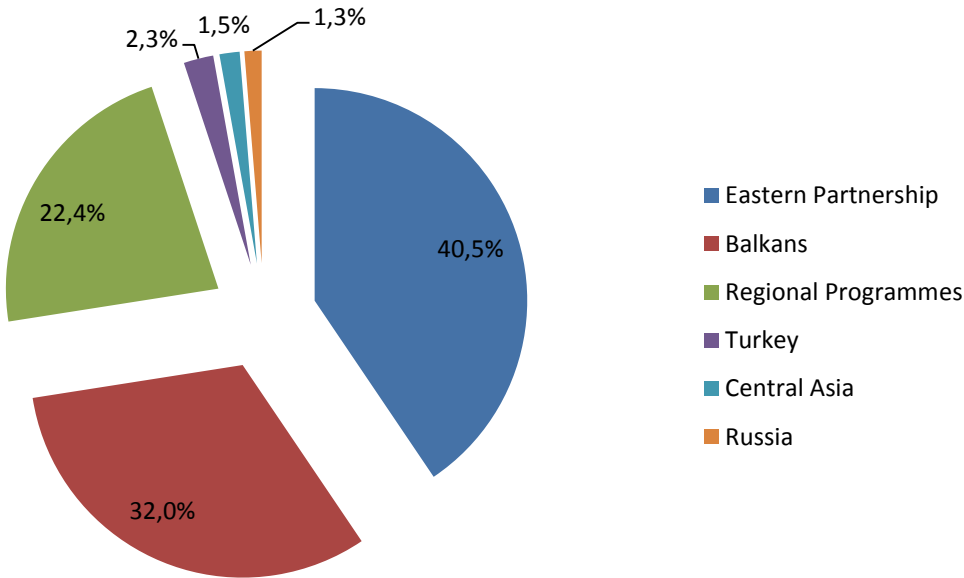
The realisation of human rights requires a state with the will and ability to respect and uphold these rights. At the same time it also requires well-informed and dynamic citizens and organisations with access to reliable and independent information and to opportunities to participate actively in society and resume responsibility of the development of society. The implementation of the Neighbourhood Programme will be based on partnerships founded on shared values, which should underpin efforts to realise human rights, whether they be civil, political, economic, social or cultural. Support of a strong and independent civil society is fundamental when applying a human rights-based approach since the civil society often gives voice to the most vulnerable and marginalised people.

Equal participation of men and women in both economic activities and development of society as such is essential to the Neighbourhood Programme which will encourage and ensure active inclusion of aspects pertaining to gender equality and equal access in the preparation and implementation of projects and programmes. Promotion and protection of the rights of minorities is also vital to the rights based approach and the Neighbourhood Programme will avail support for targeted interventions.

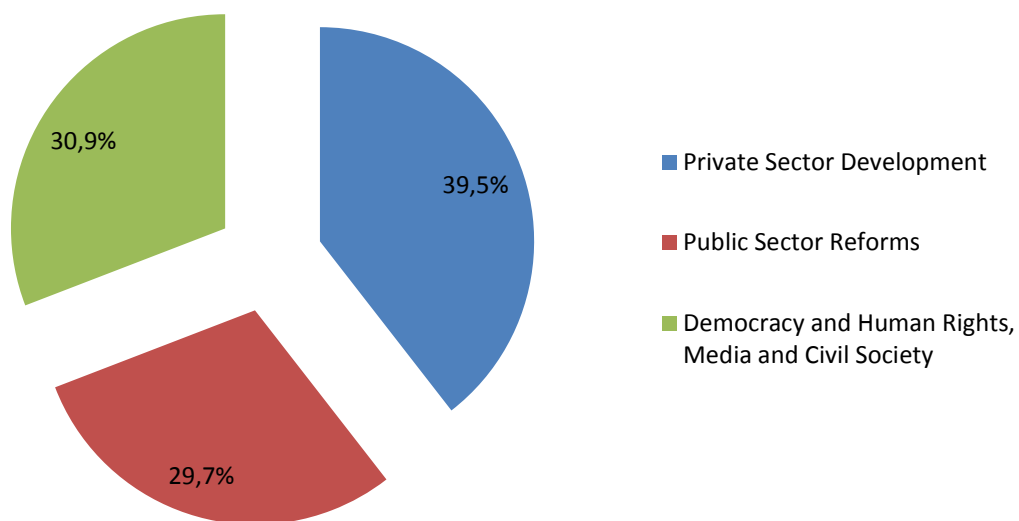
Illustrations: Statistical Facts of the Neighbourhood Programme 2008-12



Regional division of commitments under the Neighbourhood Programme 2008-12.



Thematical division of commitments under the Neighbourhood Programme 2008-12.



Additional Text Boxes: Examples of Interventions from the Neighbourhood Programme 2008-12

Support for Parliamentary Development in Moldova

In cooperation with UNDP and Sweden, Denmark has supported the Parliament in Moldova in its efforts to enhance the efficiency with which it carries out its functions and responsibilities. A well-functioning parliament is essential for the development of a viable democracy and an open society in Moldova. The Danish-funded project is taking a comprehensive, long-term approach to parliamentary development, including strengthening of the parliament's law-making, representation and oversight roles. The project supports, inter alia, the development and provision of IT equipment that will strengthen access to information of the members of parliament and the citizens (access to draft laws, amendments, votes in committees and plenary, access to records, etc.). This will allow the views of citizens to be reflected in the work of parliament via e-petitions, e-mail, interactive websites and other tools allowing citizens voices to be heard more clearly and enhance contact between MPs and citizens.

Support for civil society in Ukraine

A vibrant and diverse civil society, whose voice is heard, is one of the cornerstones of a democratic society. Denmark has for many years supported the development of Ukrainian civil society. Danish support has inter alia resulted in a large number of smaller civil society organisations improving their capacity to defend the rights of the individuals they represent. The Danish program has also contributed to the formulation of a new law on civil society organisations that meet international standards. The law was signed in April 2012. In Luhansk in Eastern Ukraine a local civil society organisation with support from the Danish program succeeded in launching an advocacy campaign to ensure that the citizens and civil society organizations were consulted in the development of a new General City Plan of Luhansk. The plan would be implemented in the city over the following ten years and would have a major impact on daily life. The authorities had initially labelled the town plan as a "classified" document with limited public access. But with an active civil society campaign, which also involved extensive coverage from the local media side, this was changed. The document was finally published, and citizens' right to be heard was secured.

International Business College of Mitrovica (IBCM), Kosovo

IBCM is teaching at both sides of the Ibar River that separates the Kosovo-Serbian and Kosovo-Albanian sides of the city of Mitrovica in northern Kosovo. The college is politically neutral and open to all ethnic groups. Today more than 350 students with different ethnic backgrounds and with an equal gender balance study at the college. IBCM's teachers are also of different ethnic backgrounds. Teaching is in English and based on modern principles. Graduates acquire skills with a strong EU orientation, which is needed by business and public institutions in the Mitrovica region and beyond. All students complete internships and are assisted by IBCM's career centre to find jobs or start their own business. A transitional programme prepares students from disadvantaged groups to meet entry requirements and scholarships help these to enrol. It is expected that IBCM will be a financially self-sustainable non-profit college by 2014. Tietgen Business College was chosen to assist IBCM with ensuring teaching levels at an international standard. International (German) accreditation of the college is expected by 2013. IBCM student Ms Miranda Rugovaj has recently started her own strawberry farm based on the skills achieved at IBCM. She says: "IBCM courses

were often challenging. But I succeeded. And I now feel optimally prepared for developing my new company."

Improving the value chain for aromatic plants in Albania

In Albania many families are involved in the collection and cultivation of aromatic plants. With Danish support, farmers and agro-processors in the marginalised mountainous areas of Albania have improved sustainable harvesting, processing, and export. One of the many recipients of Danish-funded technical assistance and grant support in the Shkodra region, Mr Ndoc Bashota has worked for 10 years as a processor of sage, thyme and lavender. The assistance has allowed Mr Bashota to upgrade his processing line with modern technology. The upgrade has dramatically improved Mr Bashota's business: The number of seasonal collectors providing input to Mr Bashota's factory has increased from 800 to 1,200 persons, the quantity of processed sage has increased from 45 tonnes of processed aromatic plants to 450 tonnes, and the selling price has increased by 30% due to better quality.