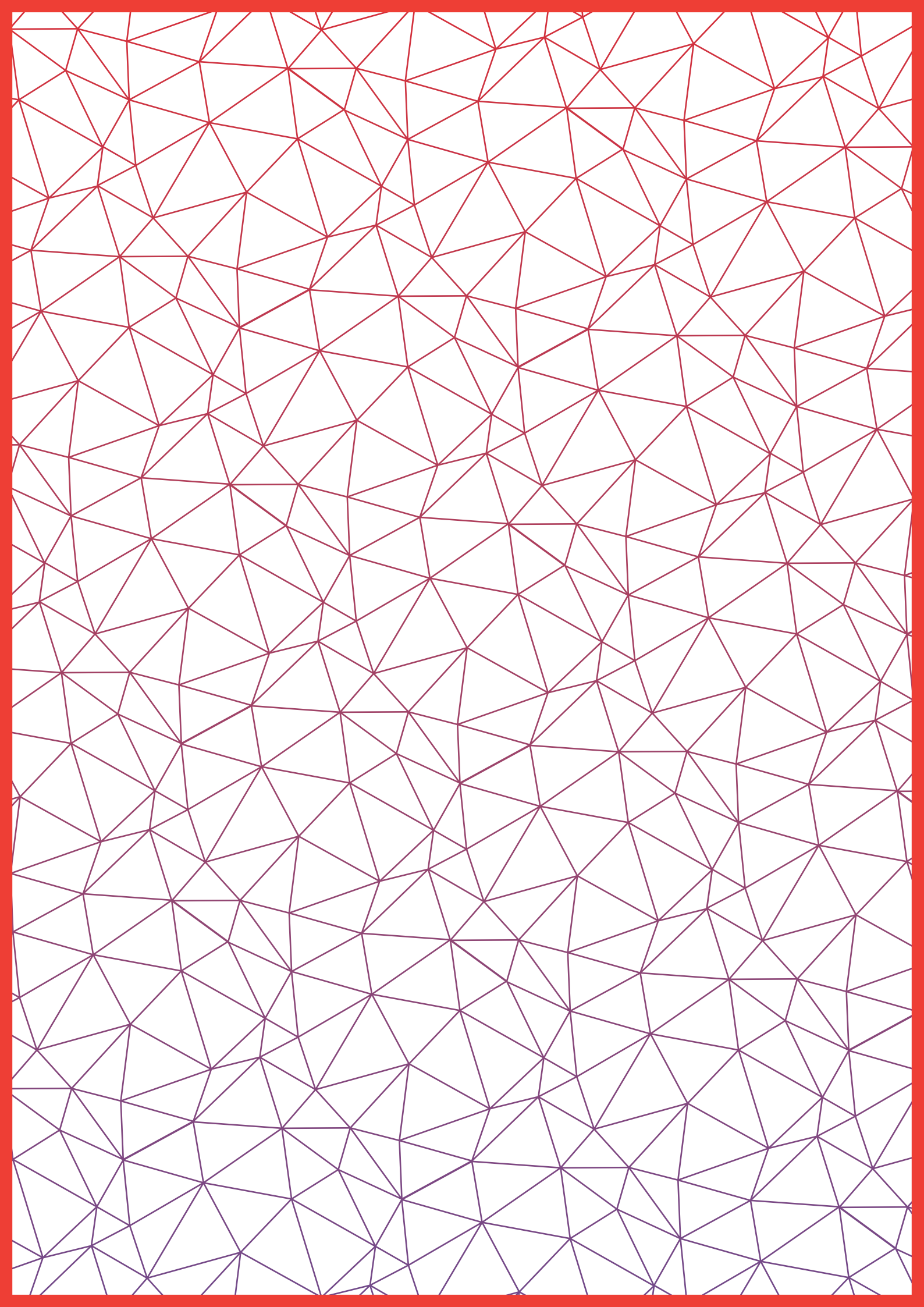


International Renaissance Foundation  
in cooperation with the Open Society Foundations

# EUROPEAN INTEGRATION INDEX

FOR  
EASTERN  
PARTNERSHIP  
COUNTRIES

May 2012



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COUNTRIES**

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# TABLE OF CONTENTS

REFORMING EASTERN PARTNERSHIP COUNTRIES:  
HIGH GEAR, LOW GAS

– 6 –

INSIDE THE INDEX: WHAT WE LOOK AT  
AND HOW WE MEASURE IT

– 9 –

KEY RESULTS AT A GLANCE

– 14 –

COUNTRY SPECIFIC ASSESSMENT

– 24 –

SECTOR SPECIFIC ASSESSMENT

– 48 –

LIST OF EXPERTS

– 66 –

# REFORMING EASTERN PARTNERSHIP COUNTRIES: HIGH GEAR, LOW GAS

## THE BUMPY ROAD TO INTEGRATION

Developments in Eastern Partnership (EaP) countries over the past year have confirmed the trends we observed in the 2011 Index. Moldova has kept moving forward while Georgia is lagging somewhat behind on many indicators of this Index. Ukraine has moved even further away from its one-time status as the ENP poster child as its democracy and business climate continue to deteriorate. The situation in Armenia has stabilised: although the May 2012 parliamentary elections were flawed, they were a clear improvement over the 2008 elections. Azerbaijan is showing increased lack of respect for democratic principles, while Belarus's 2010 elections finally brought out the sanctions.

The EU has attempted to put into practice the "more for more" principle announced in May 2011. Moldova and Georgia, the countries that have demonstrated greater commitment, have consequently seen greater rapprochement on the side of the EU. At the same time, the EU failed to prioritise values over interests in the case of Azerbaijan.

## ON THE GROUND: ARE REFORMS ON THE AGENDA?

In line with the 2011 Index, we continue to discern two groups within the EaP: partners with clear EU ambitions—Moldova, Georgia and Ukraine—and partners with less obvious EU aspirations—Armenia, Azerbaijan and

Belarus. The first group is doing better in terms of intensifying cooperation with the EU and also approximating EU standards. Political will continues to be the key factor for the state of democracy of EaP countries and their successful cooperation with the EU.

Moldova has continued to be the most willing reformer, remaining the frontrunner on many indicators in the Index, most notably where democratisation is concerned. Interestingly, indices other than this one confirm this trend. For instance, Moldova gained the highest Freedom House 2011 score in the region.<sup>1</sup> The Bertelsmann Transformation Index released in March 2012 also shows Moldova as the best performer in the former Soviet Union.<sup>2</sup> Given that Moldova's Parliament finally elected a President in March 2012 after almost three years of political gridlock, we expect reforms to accelerate in a more stable political environment.

Georgia and Ukraine have lagged behind and the situation in Ukraine has deteriorated even more, compared to 2011. The continued crackdown on the opposition, a politically dependent judiciary, and the squeezing of media freedoms and freedom of assembly led Freedom House to downgrade Ukraine's political rights rating in 2012. Democracy scores in our Index show that Ukraine is now doing on the same level as Georgia and Armenia do and even farther behind Moldova. Ukraine is still waiting for its major test of "Europeanness," which is the upcoming Verkhovna Rada election scheduled for October 2012. Preliminary assessments are not optimistic, given the flawed electoral legislation, but there are hopes that a large number of international observers, the



1  
*Freedom in the World 2012  
scores can be found here  
[www.freedomhouse.org](http://www.freedomhouse.org)*



2  
*Bertelsmann  
Transformation Index  
[www.bti-project.de](http://www.bti-project.de)*

## THE EU AS A PARTNER FOR REFORMS

attention of the EU, and increased civic activism in the country will prevent widespread electoral fraud.

Georgia has failed to move in the direction of greater openness, political inclusiveness and pluralism and has, instead, been hindering political competition. The October 2012 parliamentary elections will serve as an important test of its political will to move closer to the EU. At the same time, Georgia has demonstrated strong commitments where institutional arrangements for European integration, “Management of European integration,” are concerned.

The situation in Armenia has not changed significantly. It can be labelled as the most willing reformer among the three countries with weak or no membership aspirations. The parliamentary elections that took place in May 2012 were criticised for major shortcomings, but international observers agreed that they marked a step forward compared to the 2008 elections—which were followed by violence.<sup>3</sup> Interestingly, according to this Index, Armenia has demonstrated good results where approximation with EU standards in different sectors is concerned.

Azerbaijan, like Ukraine, has also seen deterioration with regard to democratisation due to widespread attacks on civil society, political activists and journalists, including their unlawful detention. According to our Index, Azerbaijan is far behind other countries in the region, as far as democracy is concerned, ahead of authoritarian Belarus by a relatively small margin.

Belarus has remained at the bottom of the list. Its relationship with the EU deteriorated following the 2010 elections and is now stagnant. For the past year, the EU has consistently and openly criticised Belarus and applied sanctions against its political leadership.

In terms of economic development, most countries in the region have demonstrated growth, although this growth is expected to slow down, especially in energy-importing economies.<sup>4</sup> Moreover, most of these countries have improved their business climate, especially Moldova and Belarus, with Georgia remaining the frontrunner. Ukraine is the only country whose business climate has deteriorated, despite the fact that Ukraine was the first Eastern Partnership country to complete Association Agreement negotiations, including the Deep and Comprehensive Free Trade Area (DCFTA) in 2011.

The EU’s position and policies have reflected developments in EaP countries. The Arab Spring embarrassed the EU. It exposed the fact that the EU favoured stability over democracy as it treated its authoritarian neighbours with indulgence. This wake-up call prompted the EU to review its Neighbourhood Policy in May 2011. The EU made “deep and sustainable democracy” a core value against which to assess progress and adapt its level of support. The EU’s main benchmarks include: free and fair elections, respect for human rights—particularly freedom of association, expression and assembly—, press freedoms, the abolition of torture, non-discrimination and religious freedom, the independence of the judiciary, combatting corruption, and security and law enforcement reforms.

Conditionality and differentiation have also become more prominent in the EU’s “more for more” approach: the more and the faster a country progresses with its internal reforms, the more support it will get from the EU. At the same time, the EU’s incentives remain mostly unchanged and include increased funding for social and economic development, capacity-building for government, greater market access, increased funds from European financial institutions, and greater mobility through visa facilitation and visa-free travel.

The main incentive—membership prospects—remains unspoken. Though the Joint EEAS and EC Communication of May 2011 made a brief reference to Art. 49 of the Lisbon Treaty, the EU Member States failed again to explicitly recognise the right of their Eastern Neighbours to apply for EU membership. Ukraine pushed hard for such a mention in its Association Agreement, but EU negotiators remained unconvinced. The European Parliament, on the other hand, has consistently recognised the membership aspirations of Eastern Partnership countries pursuant to Art. 49.<sup>5</sup>

Over the last year, the EU has applied the “more for more, less for less” principle with increasing consistency. The 2011 edition of this Index identified Moldova and Georgia as best performers in the region and the two countries are also favourites of the EU. Both initiated negotiations on Association Agreements in 2010, and moved quickly to extend the negotiations to encompass

<sup>3</sup> The assessment of the 2012 elections in Armenia is not covered by this Index and therefore is not reflected in the scores.

<sup>4</sup> IMF World Economic Outlook

<sup>5</sup> E.g. EP resolution on ENP review dated December 14, 2011.

DCFTA. Moldova, which already benefits from the Autonomous Trade Preferences (ATP), has been offered increased quotas for most of its strategic exports to the EU. The level of EU funding to both countries is constantly rising. Moldova has caught up with Ukraine on visa-free regime negotiations, while Georgia signed a visa facilitation agreement before Armenia and Azerbaijan.

Meanwhile, EU-Ukraine rapprochement has slowed down amid increasing concerns over the state of democracy and human rights in the country. Contrary to expectations, the Association Agreement has not yet been signed and its ratification will depend on whether opposition leaders are released from detention. The disbursement of EU funding to Ukraine has been held up on several occasions due to EU concerns over policy development and the management of funds.

Belarus is the most eloquent example of the EU's "less for less" approach. In response to the continuous persecution of political opponents by the Belarusian government, the EU has expanded sanctions over the last year. By contrast, Azerbaijan, which has seen further crackdowns against journalists, bloggers and protestors, has not faced negative policy consequences. The EU's unwillingness to consider imposing sanctions on Azerbaijan, where EU members have significant energy interests, is a sign that promoting EU values while safeguarding EU economic interests remains a challenge.

The 2011 ENP review also aimed to engage civil society in an official dialogue with partner countries. The proposed '*partnership with societies*' is meant to break the monopoly of governments' dealing with the EU by including civil society organisations (CSOs).

During the EU-Ukraine Summit of December 2011, European Commission President José Manuel Barroso and EU Council President Herman van Rompuy discussed critical points on the agenda in a meeting with local organisations for the first time. In a further case of best practice, during the EU-Moldova human rights dialogue, CSOs are exceptionally invited to participate as observers.

Aside from exceptions, EU consultations with CSOs on various aspects of bilateral relations and funding have been improving through specific structures like the Eastern Partnership Civil Society Forum and enhanced outreach by EU Delegations. A new Civil Society Facility has been launched to support CSO capacity to engage in

reforms: EUR 11 million will be disbursed annually to the EaP region. The European Endowment for Democracy, yet another mechanism to support civil society, has now reached its final stage of conception.

## WHY THE EAP INDEX?

The idea of comparing country reform agendas and performance in their relationship with the EU emerged in 2010, soon after the Eastern Partnership was launched. The first Assembly of the EaP Civil Society Forum that took place in Brussels in November 2009 demonstrated that there is strong civil society in the region, but it lacks collective effort to stimulate reforms on the ground.

From this perspective, the Index serves as a tool for civil society monitoring and advocacy in the EaP. Three aspects of the Index stand out. First, it takes the idea of deep and sustainable democracy seriously, setting out detailed standards for its assessment. Second, the Index provides a nuanced and transparent cross-country and cross-sector picture and a comparative view. The six countries are assessed along the same list of questions and indicators and this list is comprehensive (695 items). Third, the Index attempts to bolster existing EU efforts, such as the annual progress report, by offering independent analysis. The Index appears annually soon after the EU publishes its progress reports, and aims to reinforce their impact on reforms. Moreover, the approach applied in the Index is in line with the EU's "more for more" approach. It shows where each EaP country stands in terms of reforms and its relationship with the EU. As such, the Index points to those reform areas in each country where more progress is needed and serves as a reference point for civil society organisations in the EaP region that want to advocate policy change.

This Index is based on a more elaborated questionnaire than the 2011 Index and reflects comments and feedback received after the initial Index was published in November 2011. The Index has been developed by a group of over 50 civil society experts from EaP countries and the EU. Many more have contributed comments at various stages of the project. This Index is produced by the International Renaissance Foundation (IRF) and the Open Society Institute-Brussels. The project is funded by the IRF's European Programme and the EastEast: Partnership Beyond Borders Programme of the Open Society Foundations.



# INSIDE THE INDEX: WHAT WE LOOK AT AND HOW WE MEASURE IT

## WHAT?

The Index interprets “progress in European integration” as the combination of two separate yet interdependent processes: increased linkages between each of the EaP countries and the European Union; and greater approximation between those countries’ institutions, legislation and practices and those of the EU. While the first process reflects the growth of political, economic and social interdependencies between EaP countries and the EU, the second process shows the degree to which each EaP country adopts institutions and policies typical of EU member states and required of EaP countries by the EU.

The Index assumes that increased linkages and greater approximation mutually reinforce each other. However, this virtuous circle is not fully self-enforcing. Its dynamic depends more on facilitative political decisions and structures. Such a concept of European integration has led us to identify three dimensions for evaluation:

**1<sup>st</sup> Linkage:** growing political, economic and social ties between each of the six EaP countries and the EU;

**2<sup>nd</sup> Approximation:** structures and institutions in the EaP countries converging towards EU standards and in line with EU requirements;

**3<sup>rd</sup> Management:** evolving management structures and policies for European integration in EaP countries.

These dimensions are subdivided into the sections, categories and subcategories shown in Table 1.

All categories and subcategories are further broken down into items that are listed in full on the Project’s website<sup>6</sup>. These items consist of questions for experts and quantitative indicators from public data sources.

The structure of the *Linkage* and *Approximation* dimensions reflects the multi-level and multi-sectoral nature of European integration. It also reflects the structure of bilateral Action Plans/Association Agendas between the EU and EaP countries, and the EU’s annual Progress Reports. Since many items in these dimensions have not been compared systematically in existing surveys, we have asked various local experts to provide their assessments and information.

The *Linkage* dimension looks at depth and intensity of contacts and cooperation between the EU and each EaP country, in particular political dialogue, trade flows, cooperation in various sectors, people mobility and the level of EU assistance to each country.

The *Approximation* dimension seeks to assess how closely institutions and policies in EaP countries resemble those typical of EU member states. The sections on deep and sustainable democracy and market economy and DCFTA not only constitute core conditions that the EU imposes on countries interested in closer relations with it—they are also uncontested political aims and legitimising general principles in all EaP countries. These sections partly use ratings and composite indicators produced by international agencies and other non-governmental organisations (NGOs).



**Table 1.**

LINKAGE DIMENSION	APPROXIMATION DIMENSION
1. POLITICAL DIALOGUE	1. DEEP AND SUSTAINABLE DEMOCRACY
1.1 Bilateral institutions	1.1 Elections ( <i>national level</i> )
1.2 Multilateral institutions and Eastern Partnership	1.1.1 Fair electoral campaign
1.3 CFSP/ESDP cooperation	1.1.2 Legal framework and its implementation
	1.1.3 Organisation of elections
2. TRADE AND ECONOMIC INTEGRATION	1.1.4 Electoral competitiveness
2.1 Trade flows: goods	1.2 Media freedom, association and assembly rights
2.2 Trade barriers: goods	1.2.1 Media freedom
2.3 Services	1.2.2 Association and assembly rights
2.4 FDI	1.3 Human rights
2.5 Trade defence instruments	1.3.1 Protection of civil liberties
3. SECTORAL COOPERATION	1.3.2 Equal opportunities and non-discrimination
3.1 Freedom, security and justice	1.4 Independent judiciary
3.1.1 Migration and asylum	1.4.1 Appointment, promotion and dismissal
3.1.2 Border management	1.4.2 Institutional independence
3.1.3 Security and combatting organised crime	1.4.3 Judicial powers
3.1.4 Judicial cooperation: criminal and civil matters	1.4.4 Accountability and transparency
3.2 Energy: trade and integration	1.5 Quality of public administration
3.3 Transport: integration with Trans-European Networks	1.5.1 Policy formulation and coordination
4. PEOPLE-TO-PEOPLE	1.5.2 Impartial and professional civil service
4.1 Mobility, including academic and students mobility	1.6 Fighting corruption
4.2 Participation in EU programmes and agencies	1.6.1 Control of corruption
5. ASSISTANCE	1.6.2 Internal and external auditing
5.1 Overall EU Development Aid	1.6.3 Public procurement
5.2 European Neighbourhood and Partnership Instrument	1.7 Accountability
5.2.1 National	1.7.1 Executive accountability to legislature
5.2.2 ENPI East regional/ Interregional	1.7.2 Transparent budgeting
5.3 Thematic instruments and programmes and special technical assistance	1.7.3 Democratic control over security
5.4 European financial institutions	2. MARKET ECONOMY and DCFTA
	2.1 Business climate
	2.2 Sector transition

**Table 1.**

## MANAGEMENT DIMENSION

2.3 DCFTA	1. INSTITUTIONAL ARRANGEMENTS FOR EUROPEAN INTEGRATION <i>(coordination and implementation)</i>
2.3.1 Trade defence instruments and technical barriers to trade	
2.3.2 Sanitary and phytosanitary measures	2. LEGAL APPROXIMATION MECHANISM
2.3.3 Customs and trade facilitation	
2.3.4 Services	3. MANAGEMENT OF EU ASSISTANCE
2.3.5 Capital	
2.3.6 Intellectual property rights	4. TRAINING IN THE FIELD OF EUROPEAN INTEGRATION
2.3.7 Geographical indicators	
2.3.8 Competition	5. AWARENESS RAISING ABOUT EUROPEAN INTEGRATION
2.3.9 State aid	
3. SECTORAL APPROXIMATION	6. PARTICIPATION OF CIVIL SOCIETY
3.1 Freedom, security and justice	
3.1.1 Visa dialogue	
3.1.2 Migration and asylum	
3.1.3 Border management	
3.1.4 Security and combatting organised crime	
3.2 Energy: legislation convergence and energy policy	
3.2.1 Energy community	
3.2.2 EU “Energy packages” implementation	
3.2.3 Institutional framework of energy market	
3.2.4 Energy efficiency	
3.3 Transport: regulatory policy	
3.4 Environment and sustainable development	
3.4.1 Environmental policy	
3.4.2 Sustainable development policy	
3.4.3 Resources efficiency	
3.4.4 Climate change	
3.4.5 Pressure to/ state of environment	
3.4.6 Sustainable development and trade	
3.5 Policy on education, culture, youth, information society, media, audio-visual use	
3.5.1 Education	
3.5.2 Other policy areas	

For certain areas that were not well covered by existing cross-national comparisons, we decided to develop detailed catalogues of items through consultations with experts from civil society, public authorities and EU institutions. This was designed to obtain a more differentiated, first-hand comparative assessment that would make it possible to pinpoint the strengths and weaknesses of EaP countries.

The *Management* dimension looks at institutional structures and European integration coordination and management on the ground. While the EU has no specific requirements or blueprints as to how European integration policies should be managed, we believe that this dimension reflects the level of commitment to European integration and the capacity to deal with the growing EU-related agenda in each EaP country.

Notably, the 2012 Index is based on a more elaborate set of questions than the 2011 Index was. The 2011 Index was based on nearly 400 questions, while this year's Index is based on 695 questions. In contrast to the previous Index, the structure of each of the three dimensions is different. For instance, we introduced "Sectoral Cooperation" section in *Linkage* and "Sectoral Approximation" section in *Approximation* to give less weight to each individual sector.

We introduced a new section called "Deep and Sustainable Democracy" to the *Approximation* dimension, which offers a more comprehensive approach to democracy as suggested by the EU. Moreover, it helps to arrive at an accumulative democracy score for each country. The "Deep and Sustainable Democracy" section now includes issues covered previously by sections called "Democracy", "Rule of Law", "Governance Quality". But it also includes new sub-sections, such as "Equal Opportunities and Non-Discrimination" and "Democratic Control over Security", which were not covered in the previous Index. We expanded "Trade and Economic Integration" section to include new categories "Services", "FDI", "Trade Defence Instruments". The "Market Economy and DCFTA" section includes a new "DCFTA" category, which was not available before. The "Environment" category was expanded to include "Environment and Sustainable Development," to reflect sustainable development and trade issues, which are important for DCFTA. Under *Management*, we now include new sections on "Awareness Raising on European Integration" and "Training in the Field of European Integration". Altogether, the *Management dimension* grew from 13 to 51 questions. Apart from these changes, new questions were introduced to almost every category in the Index.

## How?

How can the European Integration Index achieve a valid and reliable measurement of its items? The Index combines indicators from existing sources with first-hand empirical information gathered by local country experts. This general design is intended to use the best existing knowledge and to improve this body of knowledge by focused, systematic data collection that benefits from OSF's unique embeddedness and access to local knowledge in EaP countries.

However, expert surveys are prone to subjectivity. Many such available surveys are characterised by a mismatch between "soft," potentially biased expert opinions and "hard" coding and aggregation practices that suggest a degree of precision not matched by the more complex underlying reality and their verbal representation in country reports. The expert survey underlying the Index therefore avoids broad opinion questions, and instead tries to verify precise and detailed facts. Drawing on existing cross-national studies<sup>7</sup> and local expertise we have adapted the questions from these surveys to our set of countries and our focus of measurement. Most survey questions asked for a 'Yes' or 'No' response to induce experts to take a clear position and to minimise misclassification. All questions invited experts to explain and thus to contextualise their response. In addition, experts were requested to substantiate their assessment by listing sources.



7

See 'Methodology' in  
[www.eap-index.eu](http://www.eap-index.eu)

The survey was implemented in four steps. First, the country team leaders selected and commissioned local experts, asking them to evaluate the situation in their country on the basis of the questionnaire. Different parts of the questionnaire were assigned to related sectoral experts. Next, the country team leaders returned the responses to the core project team, which reviewed and coded the responses to ensure cross-national comparability. The experts' comments allowed us to make a preliminary coding (scoring) that was sensitive to the specific context that guided individual experts in their assessments. As a third step, the core project team returned the coded assessments for all six EaP countries to the local country team leaders and experts, requesting them (1) to clarify their own assessments where necessary and (2) to review the codings by comparing them with codings and assessments made for the other countries. Experts who disagreed with the evaluation of their country were requested to communicate and explain their disagreement to the core team. Finally, the core team reviewed and adapted its scores in the light of this

expert feedback. This iterative evaluation was intended to facilitate mutual understanding among experts as well as between experts and coders, in order to improve the reliability and validity of the assessments.

As a rule, all Yes/No questions for country experts were coded 1 = yes or positive with regard to EU integration and 0 = no or negative with regard to EU integration and labelled “1-0”. If the expert comments and the correspondence with experts suggested intermediate scores, such assessments were coded as 0.5 scores and labelled “calibration”. For items requiring numerical data, that is, quantitative indicators, the source data was standardised through a linear transformation, using information about distances between country scores.

To transform source data into scores, it was necessary to define the endpoints of the scale. These benchmarks can be based on the empirical distribution or on theoretical considerations, on the country cases examined or on external standards. In the case of the Index, this problem is intertwined with the question of the ultimate fate of the Eastern Partnership. Whereas the EU refuses to consider accession as an option, yet tends to expect standards similar to those of the accession process, some EaP countries continue to aspire to membership. In addition to this uncertain destination, many items raise the problem of determining unambiguous best or worst practice benchmarks, in terms of both theory and empirical identification. Given these difficulties, we have opted for a mix of empirical and theoretical benchmarks.

For items scoring 0-1 or the intermediate 0.5, benchmarks were defined theoretically by assigning 1 and 0 to the best and worst possible performance. In contrast, benchmarks for quantitative indicators were defined

empirically: in most cases in both the *Linkage* and the *Approximation* dimensions, we assigned 1 and 0 to the best- and worst-performing EaP country to emphasise the relative position of a country among its peers. There were exceptions, however. In some cases, mostly in the people-to-people linkage, we assigned 0 as a baseline, not to the worst performing country, so that it will be possible to track progress from one year to the next. In the “Market Economy” category, benchmarks were defined by the best and worst performing countries covered by the EBRD Transition Reports. In the “Energy”, “Transport” and “Environment and Sustainable Development” categories, a mixed approach was used: both region-specific and external benchmarks were used, such as EBRD Transition Reports’ countries, EU-27 average, the largest possible number (i.e., the number of existing directives or organisations EaP countries can join), and so on. External empirical benchmarks make it possible to focus on gaps or catching-up relative to external benchmarks.

This Index is a snapshot of the situation in EaP countries as of March 2012. Thus, the measurement is status-oriented, allowing us to compare the positions of individual countries relative to other countries for the different components. Although we attempt to draw a comparison with the state of play covered in the 2011 Index, it would be wrong to take the change of scores at face value, given how much the Index was restructured. What we are doing, rather, is looking at how the positions of individual countries have changed with respect to each other and considering whether the findings and trends we identified last year still hold or not. Once the Index is produced on an annual basis, it will be possible to do cross-temporal assessments of a country’s convergence or divergence.

# KEY RESULTS AT A GLANCE

- 1** The findings of the 2012 Index show that **Moldova** is the best performer, coming first in *Linkage*, *Approximation* and *Management*.
- 2** The second best performer is **Georgia**, coming second in *Approximation* and *Management*, and third in *Linkage*.
- 3** **Ukraine** is the third best performer, ranking second in *Linkage*, third in *Management* and only fourth in *Approximation*.
- 4** **Armenia**, although fourth in *Linkage* and *Management*, ranks third in *Approximation*.
- 5** **Azerbaijan** ranks fifth in *Linkage* and *Approximation*, while sharing fourth position with Armenia in *Management*.
- 6** **Belarus** closes the list in all three dimensions.

In terms of overall ranking, these results are similar to those we presented in 2011 Index. Yet, some changes are evident in each dimension. In 2011, Georgia was the best performer for *Management*. The fact that Moldova scores better this year has purely methodological reasons. Indeed, in terms of policy and institutional arrangements for European integration, no significant changes occurred in any of the EaP countries. However, this year we relied on a more elaborate set of questions to assess *Management*, which accounts for different results. The margin between Moldova and Georgia is very slim, suggesting that both countries perform at about the same level.

In the 2012 Index, Ukraine found itself behind Armenia in *Approximation*, although the two countries were at the same level in 2011. This reflects some trends on the

ground. Firstly, Ukraine has slumped where democracy performance is concerned. Secondly, its business climate has deteriorated further, while its DCFTA performance—a subcategory introduced only in the current Index—is only slightly better than Armenia’s.

In the current Index, Armenia appears to be gaining ground. Its “Deep and Comprehensive Democracy” score is almost the same as Ukraine’s. At the same time, Armenia outperforms Ukraine in “Market Economy and DCFTA” and “Sectoral Approximation.” Moreover, there was a marked intensification of dialogue with the EU in many areas over the past year.

Another difference from the 2011 Index is the fact that Armenia and Azerbaijan demonstrated the same level in *Management*. As with Georgia and Moldova, this has more to do with changes in methodology. In fact, the margin between Armenia and Azerbaijan in this dimension was also slim last year.

As in last year’s Index, the results seem to divide EaP countries into two groups: Moldova, Georgia and Ukraine, the frontrunners with EU membership aspirations; Armenia, Azerbaijan and Belarus, the stragglers who have not indicated serious interest in joining the EU. As already stated, however, if Ukraine continues to deteriorate, while Armenia continues its current ascending trend, ranking might look different already in the next year Index.

In addition to the proactive position of individual EaP countries, the degree of EU involvement also matters. From this perspective, Belarus is understandably the least advanced among EaP countries. Political will also plays an important role, making it no surprise that Moldova is the frontrunner in the Index, given the political situation following its change of government in 2009.

Interestingly, Moldova demonstrated the best performance in all three dimensions, which supports the assumption underlying this Index—that increased linkages and approximation mutually reinforce each other. This assumption seems to hold true for all the EaP countries, although this year we saw increased deviations. For instance, although Ukraine ranks second in *Linkage*, it ranks only fourth in *Approximation* and third in *Management*. This suggests that, as in the previous year, Ukraine is not making the best use of its stronger record and more advanced level of cooperation with the EU compared to the other countries. By contrast, Armenia and Georgia performed well in *Approximation*, despite being less advanced in *Linkage*.

Also, while Moldova, Ukraine and Belarus have somewhat lower scores in *Approximation* compared to *Linkage*, the other three EaP countries are doing better in *Approximation* than in *Linkage*. This suggests that, despite the fact that Armenia, Azerbaijan, and Georgia are less advantaged where *Linkage* is concerned, partially due to their greater geographical distance from the EU, they might be catching up in *Approximation*.

Looking at specific categories in the Index reveals interesting cross-country findings. For instance, **Moldova**, although the best performer in most areas, could have done better where transport sector approximation is concerned. Together with Armenia, Moldova also does poorly where trade in services is concerned. **Georgia** has the highest score for trade in goods with the EU and demonstrates the best business climate and DCFTA performance. Georgia also shows the best results for an independent judiciary and combatting corruption.

On the other hand, despite demonstrating the most advanced level in “Trade and Economic Integration” **Ukraine** does more poorly for “Market Economy and DCFTA.” This is related to Ukraine’s poor business climate and DCFTA approximation, which could have

been better after four years of negotiations. For instance, Ukraine is more advanced than most countries in “Sectoral Cooperation” for *Linkage*, coming first in freedom, security and justice, energy, and transport. But it is behind other countries in all these sectors for *Approximation*. This confirms the trend we noticed last year: when it comes to Ukraine, greater *Linkage* does not mean deeper *Approximation*.

By contrast, **Armenia** is the second best performer, after Moldova or Georgia, on many aspects of *Approximation*. These include quality of public administration and sector transition to a market economy. Armenia also demonstrates the same level of “Sectoral Approximation” as Moldova, outperforming other countries. It is especially advanced and the best performer where approximation in the energy sector is concerned. For instance, Armenia just recently became an observer in the Energy Community, yet Ukraine and Moldova, which are full-fledged members of the Energy Community, lag behind on *Energy Approximation*. Armenia is also the best performer where *Approximation* in the transport sector is concerned and in its domestic policies on education, culture, youth, information society, media, and audio-visual use. This is despite the fact that Armenia has the lowest scores on both energy and transport where *Linkage* is concerned. In short, despite geographical distance from the EU and less advanced links with it, Armenia is serious about domestic performance.

**Azerbaijan** shows relatively good results where approximation in the transport sector is concerned and in its domestic policies on education, culture, youth, information society, media, and audio-visual use. Elsewhere, it is behind in many areas and outperforms only Belarus.

**Belarus**, although far behind other countries in most spheres, offers some surprises as well. For instance, it enjoys the most intensive trade in services with the EU.

**MOLDOVA**

**GEORGIA**

**UKRAINE**

LINKAGE



APPROXIMATION



MANAGEMENT





## ARMENIA

## AZERBAIJAN

## BELARUS



LINKAGE

APPROXIMATION

MANAGEMENT

## MOLDOVA

## GEORGIA

## UKRAINE

*POLITICAL DIALOGUE*

0.77

0.56

0.94

*TRADE AND ECONOMIC INTEGRATION*

0.66

0.49

0.68

*SECTORAL COOPERATION*

0.54

0.46

0.70

*PEOPLE-TO-PEOPLE*

0.78

0.45

0.48

*ASSISTANCE*

0.71

0.57

0.42



# ARMENIA

# AZERBAIJAN

# BELARUS



## POLITICAL DIALOGUE

0.63

0.55

0.28

## TRADE AND ECONOMIC INTEGRATION

0.49

0.52

0.37

## SECTORAL COOPERATION

0.19

0.35

0.36

## PEOPLE-TO-PEOPLE

0.43

0.24

0.30

## ASSISTANCE

0.34

0.13

0.25

LINKAGE



**MOLDOVA**

**GEORGIA**

**UKRAINE**



*DEEP AND SUSTAINABLE DEMOCRACY*

0.75

0.59

0.61

*MARKET ECONOMY AND DCFTA*

0.59

0.67

0.53

*SECTORAL APPROXIMATION*

0.60

0.54

0.56



# ARMENIA

# AZERBAIJAN

# BELARUS



## DEEP AND SUSTAINABLE DEMOCRACY

0.59

0.34

0.25

## MARKET ECONOMY AND DCFTA

0.60

0.44

0.36

## SECTORAL APPROXIMATION

0.60

0.53

0.31

APPROXIMATION



**MOLDOVA****GEORGIA****UKRAINE**

*INSTITUTIONAL ARRANGEMENTS FOR EUROPEAN INTEGRATION  
(coordination and implementation)*

0.65

0.65

0.46

*LEGAL APPROXIMATION MECHANISM*

0.61

0.67

0.70

*MANAGEMENT OF EU ASSISTANCE*

0.79

0.64

0.50

*TRAINING IN THE FIELD OF EUROPEAN INTEGRATION*

0.21

0.21

0.36

*AWARENESS RAISING ON EUROPEAN INTEGRATION*

0.00

0.00

0.00

*PARTICIPATION OF CIVIL SOCIETY*

0.90

0.90

0.70



## ARMENIA

## AZERBAIJAN

## BELARUS



### *INSTITUTIONAL ARRANGEMENTS FOR EUROPEAN INTEGRATION (coordination and implementation)*

0.46

0.27

0.15

### *LEGAL APPROXIMATION MECHANISM*

0.50

0.47

0.03

### *MANAGEMENT OF EU ASSISTANCE*

0.36

0.57

0.64

### *TRAINING IN THE FIELD OF EUROPEAN INTEGRATION*

0.14

0.14

0.00

### *AWARENESS RAISING ON EUROPEAN INTEGRATION*

0.00

0.00

0.00

### *PARTICIPATION OF CIVIL SOCIETY*

0.40

0.40

0.50

MANAGEMENT



# COUNTRY SPECIFIC ASSESSMENT

Here we present an explanation of the findings of the Index as reflected in country scores. We start with the best-performing country on all aspects, Moldova, and proceed in order until we reach Belarus, the worst-performing country.

## MOLDOVA

In the 2012 Index, Moldova has remained the front-runner, like it was in 2011. Indeed, Moldova can well be called the “most willing reformer” in the Eastern Partnership, due to the progress it has achieved in most areas covered by this Index. It has shown progress in both *Linkage* and *Approximation*, in the sense that commitment to domestic reform accurately reflects the level and intensity of links with the EU. In fact, over the last year, Moldova advanced key reforms related to European integration despite a three-year political deadlock over electing a president—which was finally resolved recently. At the same time, Moldova has achieved progress in negotiating an Association Agreement (AA) with the EU. It has provisionally closed 23 of 25 chapters, the remaining two being related to the DCFTA, talks on which were launched earlier in 2012. Along with the AA and DCFTA, implementing the Visa Liberalisation Action Plan and other sectoral reforms have been in the government’s focus. The EU has been quite supportive along this path. Apart from traditional budget support and targeted support to some reform areas, it has offered such tools as institutional capacity-building and high-level advisors.

Despite the honeymoon with the EU on the political level and pro-EU rhetoric from the governing alliance, the idea of European integration has lost the deep support of voters. European integration *fatigue* can be seen at the level of public opinion, with polls showing an important decline in support from around 75% in 2007 to only 52%

in 2012. This declining affinity for the European Union has numerous reasons: the crisis in the EU, the lack of concrete benefits at the level of the ordinary Moldovan, such as visa-free travel; growing support for a Russian-led Customs Union and negative EU rhetoric from the main opposition party—the Communist Party—are among the reasons for this shift in attitude.

As the EU has placed more emphasis on democracy-related reforms in its relationship with its neighbours, Moldova has continued to show progress in this area. According to this Index, Moldova is far ahead other EaP countries where “Deep and Comprehensive Democracy” is concerned. This is due to continued efforts in such areas as elections, human rights, quality of public administration, and accountability. One exception has to do with judiciary reform, which is being delayed for a number of reasons, including the lack of proper financial support and political disagreements. The EU has increasingly supported the judiciary reform process and smartly combined appraisal with emphasising the need to do the necessary “homework”.

Other areas where more work needs to be done include anti-discrimination policy and combatting corruption and organised crime. Thus, the law on anti-discrimination generated wide public debate over its adoption and was withdrawn from the parliamentary agenda for additional consultations. Another attempt is being made to get it adopted. Despite the fact that the legal framework for combatting corruption and organised crime is in place, the actual process of fighting corruption and organised crime is running into serious challenges. So-called “raider” attacks on state companies and banks have become frequent, while progress in combatting corruption among public officials has been quite modest. In addition, the regulation of party finances needs improvement. Both GRECO and civil society organisations have raised serious concerns in this regard. While Moldovan



authorities are working on a legal framework in this area, countries like Georgia have already settled this issue.

Moldova has successfully implemented the majority of reforms related to the visa liberalisation process. Together with Ukraine, Moldova is a frontrunner here, showing the best results in the *Linkage* dimension for “Freedom, Security and Justice.” Both countries have implemented Visa Liberalisation Action Plans and have already seen two monitoring reports by the EU. Nevertheless, Moldova has performed somewhat better than Ukraine where domestic reform efforts are concerned. After all, this area has been very much in the spotlight of media and public debate in Moldova, given the incentive offered by visa-free travel.

Important progress also took place in other areas. The speedy negotiation of the EU-Moldova Common Aviation Area was another priority of the government that has already been achieved and awaits signing following the bureaucratic process in the EU. Even if the agreement is not yet in force, the positive effects are already observed: prices for flights have slightly decreased, more companies have entered the market, and additional routes have opened up.

Moldova’s relative success in implementing DCFTA-related requirements can be explained by the fact that a great deal of work was done during the preparatory phase, namely dealing with two issues: state aid and competition. Thus, although negotiations started only recently, Moldova has achieved similar progress to Ukraine, which has already completed negotiations, as this Index shows.

Moldova is well ahead of other EaP countries in the “People to People” and “Assistance” components. It has seen more mobility than other EaP countries and a high level of participation in EU programmes and agencies. It has benefitted from more EU funding in relative terms, both per capita and in relation to GDP. “Environment and sustainable development” is another area where Moldova has shown progress. In “Transport,” including its regulatory environment and integration with the EU, Moldova is behind some EaP countries. Given its geographic proximity to the EU, more efforts need to be applied here.

In terms of the *Management* of European integration in the EaP Index, Moldova has similar results to Georgia on many indicators. On the positive side, it has the most streamlined system for coordinating external assistance. Also, Moldova can be proud of the high degree of civic participation in its decision-making process. The head of the National Participation Council, which is composed of CSOs, attends all government meetings and has the right to take the floor for comment and to give recommendations on the decisions that are being debated. Of course, not all suggestions are taken into account, but at least access to information and decision-making process is ensured.

Thus, despite the fact that Moldova is doing quite well in comparison with other EaP countries, more progress is needed in many sectors. The results of the Index give enough reasons for the EU to continue its supportive approach toward Moldova and further distinguish it from other countries by giving “more for more”—without overlooking the areas where more effort is needed.

## MOLDOVA



POLITICAL  
DIALOGUE

0.77



DEEP AND SUSTAINABLE  
DEMOCRACY

0.75



TRADE AND ECONOMIC  
INTEGRATION

0.66



MARKET ECONOMY  
AND DCFTA

0.59



SECTORAL  
COOPERATION

0.54



SECTORAL  
APPROXIMATION

0.60



PEOPLE-TO-PEOPLE

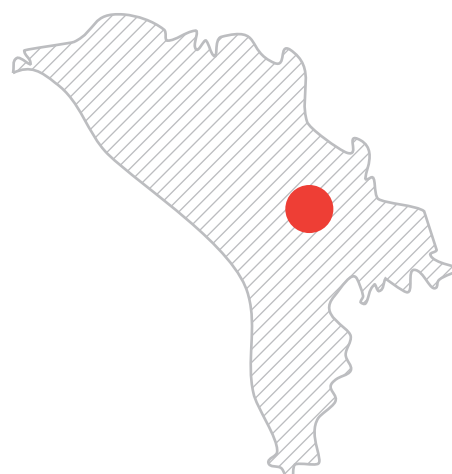
0.78



ASSISTANCE

0.71

# MOLDOVA



INSTITUTIONAL ARRANGEMENTS  
FOR EUROPEAN INTEGRATION  
*(coordination and implementation)*

0.65



LEGAL APPROXIMATION  
MECHANISM

0.61



MANAGEMENT  
OF EU ASSISTANCE

0.79



TRAINING IN THE FIELD  
OF EUROPEAN INTEGRATION

0.21



AWARENESS RAISING  
ON EUROPEAN INTEGRATION

0.00



PARTICIPATION  
OF CIVIL SOCIETY

0.90

## GEORGIA

Developments in 2011 demonstrated that, despite the strong consensus in favour of European integration among the political elites and Georgian voters, and the intensive evolution of institutional arrangements to enhance cooperation with the EU, Georgia has so far failed to come to terms with the challenge of fostering a truly competitive and pluralistic political system and meeting the criteria of “electoral democracy.” The need for such a system is particularly acute in view of the upcoming parliamentary elections in October 2012 and presidential elections in 2013.

Electoral legislation and procedures in Georgia have so far remained biased. In 2011, debates between the opposition and the incumbents, despite external pressure for reform that mostly came from the EU, did not result in amendments fully complying with international standards and principles in the most disputed areas of the electoral legislation: party financing, voters’ lists, systems for demarcating constituencies and seat allocation, and procedures for filing complaints procedures, to mention a few. The very fact that the new electoral code was drafted hastily by the parliament in September and amended in December 2011 without consultations with the main political players undermined trust that the new law could improve electoral practice and make the process more competitive. In this Index, Georgia’s elections score is much lower than that of Ukraine and even more so Moldova and comes very close to that of Armenia. Georgia has a chance, though, to improve its performance in 2012 and 2013 as parliamentary and presidential elections are coming up. Moreover, the country’s media remains politicised and unable to provide a truly pluralistic range of opinions and information. Although still doing quite well compared to other EaP countries, Georgia shows a slight downward trend here.

Rule of law also remains one of the most challenging issues for this country. Although doing quite well compared to other EaP countries, Georgia’s judiciary has not been able to provide an appropriate response in cases involving human rights violations. Despite attempts at judiciary reform in recent years, there is a marked lack of public trust in the independence of the country’s courts. The extremely high conviction rate and the failure of the legal system to adequately respond to many high-profile “political” cases leave legitimate concerns over the independence of the judiciary. It is believed that, for the successful reform of the judiciary in Georgia, fundamental changes are needed in the rules governing the appointment, promotion and dismissal of judges.

2011 was also marked by small-scale, largely peaceful assemblies and demonstrations on different social and political issues. However, the government failed to handle the protests in accordance with its international commitments. Cases of excessive use of force by police and the illegal detention of protesters were noted. The authorities also failed to carry out effective investigations and to hold responsible persons accountable, mainly because the legislative framework is very general and does not satisfy the ECHR requirement of “absolute necessity” in the use of lethal force in crowd control.<sup>8</sup> Moreover, the parliament faces difficulties in conducting efficient democratic control over the security forces, since the parliamentary opposition has limited rights to launch investigation of abuses made by the security and law enforcement agencies, unless the majority agrees to it. This Index shows that, where democratic control over security is concerned, Georgia needs major improvements and lags behind Moldova, Ukraine and Armenia.

Certain progress has nevertheless been seen in the establishment of a non-partisan, professional civil service. In particular, the government has increased the quality of public administration through advancing policy formulation and coordination procedures. However, many deficiencies remain, so more attention needs to be paid to the development of detailed administrative procedures for policy implementation and the institutionalisation of mechanisms to assess the impact of government-wide policies. In this Index, Georgia lags not only behind Moldova, Ukraine and Armenia, but also Azerbaijan, for the quality of public administration.

Despite the overall deficiency of public administration, Georgia has built up high-level institutional capacity to manage European integration. The position of Vice Premier and State Minister on European and Euro-Atlantic Integration was established and has responsibility to coordinate and monitor European integration policy. At the same time, various ministries and other central executive bodies have set up specific sub-units tasked to coordinate the European integration process. Indeed, in the *Management* of European integration of this Index, Georgia showed high results, along with Moldova. Increased institutional capacity probably contributed to the intensified EU-Georgia political dialogue.

To confirm this, the talks on an Association Agreement with the EU saw good progress in 2011 and talks on a DCFTA with the EU started up in March 2012. The latter is perceived as a major opportunity to boost Georgia’s economic growth through access to EU markets, increased FDI from the EU, and large-scale liberalisation of

<sup>8</sup> *The Law on the police and Ministerial Decree #1586 on the use of non-lethal weapons to prevent mass disorder.*

trade in services. Georgia is, in fact, the best performer where DCFTA is concerned in this Index. In addition, it has the least number of mutual trade barriers with the EU. This puts Georgia in a good position to successfully manage the talks and finalise them in the not-so-distant future.

The 2011 signing of Visa Facilitation and Readmission Agreements between the EU and Georgia also encouraged reform aimed at promoting visa liberalisation with the EU. For instance, Georgia has successfully implemented measures related to biometric documents such as passports and IDs, border management, fighting organised crime, corruption and human trafficking, as well as readmission. Still, in order to further extend the EU-Georgia visa liberalisation agenda, Georgia has to put in place an effective migration strategy and policies, introduce mechanisms for well-functioning integrated database systems for migration flow, personal data protection, and so on. This Index confirms that Georgia needs to apply more effort in this area. For *Approximation* in “Freedom, Security and Justice”, Georgia is doing better than Armenia and Belarus, but is far behind Moldova and Ukraine and on the same level as Azerbaijan. It is expected that the EU-Georgia visa dialogue will

be launched later in 2012 and will hopefully accelerate Georgia’s approximation in this area.

The emphasis on building institutions to manage European integration speaks for the political will in Georgia to prioritise its relationship with the EU. In fact, the EU played a fundamental role in ending the Russian-Georgian war, reconstructing Georgia’s economy after the war and helping the country to cope with the impact of the global recession. Georgia’s key policy documents reassert the country’s desire for membership in the EU as one of its key policy priorities.<sup>9</sup> This reflects a strong consensus among the political elites and Georgian society as a whole,<sup>10</sup> in favour of European integration, which Georgians see as a safeguard for security, democratisation and economic growth.

Overall, despite the active reform dynamic in the country, serious obstacles remain in the way of implementing the key requirements to consolidate democracy and entrench proper governance in Georgia. Reforming the judiciary, safeguarding fundamental freedoms and human rights, and ensuring a fair playing field in the upcoming elections will be a test of the government’s commitment to sustained reform.

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<sup>9</sup> *National Security Concept of Georgia 2005, 2011, and a Parliamentary Resolution of March 28, 2003.*

<sup>10</sup> *The public opinion poll conducted in 2012 shows that 74% of Georgian voters support their government’s stated goal to join the European Union and only 5% disapprove of this policy. Opinion Polls in Georgia: Results of a February 2012 survey carried out for NDI by CRRC and funded by the Swedish International Development Cooperation Agency.*

## GEORGIA



POLITICAL  
DIALOGUE

0.56



TRADE AND ECONOMIC  
INTEGRATION

0.49



SECTORAL  
COOPERATION

0.46



PEOPLE-TO-PEOPLE

0.45



ASSISTANCE

0.57



DEEP AND SUSTAINABLE  
DEMOCRACY

0.59



MARKET ECONOMY  
AND DCFTA

0.67

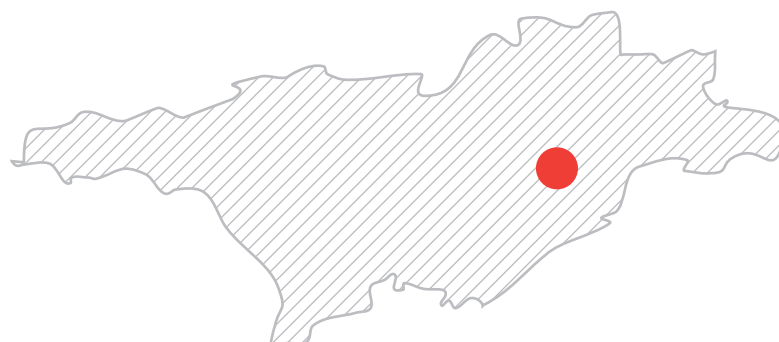


SECTORAL  
APPROXIMATION

0.54



# GEORGIA



INSTITUTIONAL ARRANGEMENTS  
FOR EUROPEAN INTEGRATION  
*(coordination and implementation)*

0.65



LEGAL APPROXIMATION  
MECHANISM

0.67



MANAGEMENT  
OF EU ASSISTANCE

0.64



TRAINING IN THE FIELD  
OF EUROPEAN INTEGRATION

0.21



AWARENESS RAISING  
ON EUROPEAN INTEGRATION

0.00



PARTICIPATION  
OF CIVIL SOCIETY

0.90

## UKRAINE

In 2011, Ukraine's relationship with the EU deteriorated as its reform process stagnated. Political and media freedoms, respect for human rights, the independence of the judiciary, corruption, and the business environment have become areas of major concern. Although negative trends in these areas had already begun in 2010, in 2011 Ukrainian authorities crossed what was perceived as a red line by the EU when the former Prime Minister and opposition leader Yulia Tymoshenko was first detained and then convicted and imprisoned and other members of her cabinet also faced persecution.

As a result, the annual EU-Ukraine summit that marked the conclusion of talks on the Association Agreement (AA) took place in a tense atmosphere. The previously planned launch of the Association Agreement, including the Deep and Comprehensive Free Trade Area (DCFTA), was postponed. It was finally initialled in March 2012, but the prospects of it being signed and ratified are uncertain and will depend on how the EU assesses the conduct of the Verkhovna Rada (VR) elections due in October 2012 and on the fate of imprisoned opposition leaders.

Although so far Ukraine's European choice has not been questioned by the political leadership of the country, President Yanukovich recently announced that the EU and Ukraine might need "to take a break" in their relationship. Statements on the EU's "interference" in Ukraine's internal affairs have appeared more often. At the same time, tough gas negotiations with Russia and pressure from Moscow to participate in the Customs Union among Russia, Belarus and Kazakhstan limit Ukraine's leaders room for manoeuvre and force them to keep the EU on the agenda whether they like it or not. Indeed, Ukraine is a frontrunner among EaP countries in "Political Dialogue", "Trade and Economic Integration" and "Sectoral Cooperation" in the *Linkage* dimension, as shown by this Index.

Popular support for European integration has not changed significantly, although public opinion polls show a slight decline since 2010: 57.9% supported EU integration in October 2010 whereas in October 2011, only 51.2%.<sup>11</sup> To some degree, this also reflects the relatively small number of Ukrainians travelling to EU countries. Despite geographic proximity and a long common border with the EU, according to this Index, Ukraine is far behind Moldova in terms of mobility.

Overall, in terms of specific reform efforts, 2011 was patchy. Ukraine lacked the political will to undertake reforms in democracy, rule of law and the energy sector. The year was marked by exacerbated trends toward the monopolisation of political power by the President and the ruling Party of Regions, and a weakening of checks and balances. In November 2011, a new Law on VR elections was adopted. Although it took into consideration some recommendations of OSCE/ODIHR and the Venice Commission of the Council of Europe, it still provides room for abuse during the October 2012 elections to the Verkhovna Rada. In fact, according to this Index, Ukraine lags behind Moldova and Georgia where "Deep and Sustainable Democracy" is concerned and has almost reached the level of Armenia. "Independent Judiciary" and "Fighting Corruption" are the most problematic areas where Ukraine lags behind not only Moldova and Georgia, but also Armenia.

After joining the European Energy Community on 1 February 2011, Ukraine spent the year avoiding any major steps toward increased transparency in its energy sector and the politically sensitive issue of modernising its gas transit system (GTS). In fact, Ukraine failed to undertake most of its commitments as a member of the Energy Community. The Index score on "Energy: Legislation Convergence and Energy Policy" puts Ukraine behind Moldova, Georgia and Armenia.

Meanwhile, Ukraine's business climate has deteriorated over the past year and its rank in the World Bank's "Ease of Doing Business Index" slipped from 149 to 152 in 2011. In the EaP Index, Ukraine shares the lowest "Business Climate" rank with Belarus. Interestingly, where "DCFTA" is concerned, for which mostly approximation with the relevant EU *acquis* were looked at, Ukraine is no more advanced than Georgia and Moldova, although it already completed DCFTA talks, while the other two countries only launched such talks earlier this year. This also speaks for the lack of efforts to bring the country's norms and standards closer to those of the EU.

The EU has reacted to the poor domestic performance of Ukraine by freezing its direct budget support transfers to Ukraine on several occasions over 2010-2011. This happened mainly due to widespread abuse of public funds through opaque public procurement procedures.

Against this background, some progress has been achieved with the adoption of a new Law on Non-Government Organisations, which





came into force in April 2012 after five years of constant lobbying by Ukrainian NGOs and international organisations, especially the Council of Europe. The law provides key improvements in the status of NGOs, such as a simplified registration procedures and broader rights in terms of the type, scope and geographical reach of their activities.

In addition, Ukraine has demonstrated relatively consistent efforts to implement economic and social reforms in accordance with Association Agenda priorities and some reforms demanded by the Visa Liberalisation Action Plan. For instance, Ukraine introduced pension reform in line with European best practice and the requirements of the International Monetary Fund. Noticeable progress has been achieved in budget planning with the introduction of medium-term budget forecasting and an improved approach to local budget development. Where the Visa Liberalisation Action Plan is concerned, Ukraine

progressed in setting up a system of personal data protection and migration policy. Nevertheless, in the comparative perspective of this Index, Ukraine lags behind Moldova and Armenia and is almost on the same level as Georgia and Azerbaijan in “Sectoral Approximation.”

Ukraine’s management of European integration still lacked a single coordinating institution in 2011. The Department for European Integration in the Secretariat of the Cabinet of Ministers enjoys only limited powers, although its staff was increased in 2012. Inter-agency coordination has also remained weak. This Index reflects the situation and puts Ukraine behind Georgia and Moldova. Nevertheless, unlike other EaP countries, Ukraine has a developed system of legal approximation and training in the field of European integration. These are left over from the previous administration and suggest the presence of institutional memory.

## UKRAINE



POLITICAL  
DIALOGUE

0.94



DEEP AND SUSTAINABLE  
DEMOCRACY

0.61



TRADE AND ECONOMIC  
INTEGRATION

0.68



MARKET ECONOMY  
AND DCFTA

0.53



SECTORAL  
COOPERATION

0.70



SECTORAL  
APPROXIMATION

0.56



PEOPLE-TO-PEOPLE

0.48



ASSISTANCE

0.42

# UKRAINE



INSTITUTIONAL ARRANGEMENTS  
FOR EUROPEAN INTEGRATION  
*(coordination and implementation)*

**0.46**



LEGAL APPROXIMATION  
MECHANISM

**0.70**



MANAGEMENT  
OF EU ASSISTANCE

**0.50**



TRAINING IN THE FIELD  
OF EUROPEAN INTEGRATION

**0.36**



AWARENESS RAISING  
ON EUROPEAN INTEGRATION

**0.00**



PARTICIPATION  
OF CIVIL SOCIETY

**0.70**



## ARMENIA

2011 was the year of growing ambitions in Armenia to deepen relations with the European Union as the country's dialogue with the EU intensified. This Index also confirms the trend we noticed last year—that Armenia has been successfully implementing EU requirements in certain sectors. Although the formula for its European aspirations remained unchanged—“everything short of membership”—there are signals confirming that the Europeanisation process could become more consistent for this country.

For the past year, there were several rounds of negotiation over the EU-Armenia Association Agreement. As of May 2012, 24 chapters have been closed, including economic and financial cooperation, offering sufficient grounds for the start of talks on Deep and Comprehensive Free Trade Area (DCFTA).

Meanwhile, in February 2012, the EU and Armenia launched negotiations on Visa Facilitation and Readmission agreements. Even earlier, in October 2011, the EU and Armenia signed a Joint Declaration on carrying out a series of initiatives in migration, launching a Mobility Partnership that opened up new opportunities for promoting mobility among Armenians. Finally, in May 2012 Armenia gained observer status in the Energy Community.

This all suggests that cooperation between Brussels and Yerevan over the past year has seriously deepened and Armenia is on the way to be catching up with Moldova, Ukraine and Georgia in rapprochement with the EU. Not only the frequency, but also the content of bilateral contacts has been manifesting a new quality of process. The Armenian side is showing up for negotiations with its homework better done and most of the time initiating action plans on its own. This was not the case earlier.

Apart from many reform areas that need attention, the main expectations were connected with the parliamentary elections in Armenia that took place on 6 May 2012. The electoral process was to make clear whether or not the country's political system would move towards European standards, to what extent basic human rights would be respected and rule of law and plurality ensured. Shortly before the election, in April, the European Parliament adopted a resolution stressing that “proper conduct, in accordance with international and European standards, will be of utmost importance for the development of EU-Armenia relations” in the Armenian parliamentary election. This was one of many signals on

the part of the EU that misconduct during the elections might jeopardise participation in European Union assistance projects.

On the one hand, political parties and candidates were generally provided with equal campaigning rights and fair access to the media. Instances of violence during the campaign, on Election Day and afterwards were few and far between, in sharp contrast to previous national elections. However, on the other hand, abuse of administrative resources, vote-buying, political pressure on public and private sector employees alike, were even worse than in previous elections.

In a joint statement following the elections, the High Representative of the EU for Foreign Affairs and Security Policy and Vice President of the EC Catherine Ashton and the Commissioner for Enlargement and European Neighbourhood Policy Stefan Füle welcomed “efforts by the Armenian authorities to hold these parliamentary elections in a way that represents progress towards more transparent and competitive elections.” However, they noted, “the elections also demonstrated the need to address a number of issues in order to fully meet internationally recognized democratic standards.”

The main message from the international assessment of Armenia's parliamentary elections was, probably, that no ultimate judgment could be made pending the 2013 Presidential elections. Armenia could count on the anticipated level of EU support, provided that the shortcomings identified in May 2012 were overcome in 2013. Our Index shows that, so far, Armenia is lagging behind Moldova, Ukraine and Georgia where elections are concerned. The May election was not covered in our scoring, but will be reflected, along with presidential race, in the 2013 Index. This should allow for some revealing comparisons.

The issues of elections, democracy, international assistance and their interdependence to some extent dominated the agenda in the country in 2011 and early 2012. Recent statements from top officials in Armenia have given an impression that they are taking “more for more” and “deep and sustainable democracy” quite seriously. Whereas in the initial stage of the Eastern Partnership Armenian officials seemed to see the EaP as predominantly a trade and economic project, after the Warsaw Summit in September 2011, their rhetoric changed significantly. National authorities made efforts to set up favourable political conditions for enhancing dialogue with the EU. In the first half of 2011, after several years of excessive restrictions, freedom of assembly was restored

to pre-2005 levels. The few remaining political prisoners were released. Despite a very inconsistent and eventually failed dialogue with the opposition and an endless, ineffective investigation into the tragic deaths of 10 people in the post-election protests of March 2008, developments in Armenia impressed the EU officials, making it possible to intensify dialogue on a number of issues.

In this Index, similarly to the previous one, Armenia is doing relatively well in terms of independent judiciary, quality of public administration, fighting corruption and accountability, ranking either 2<sup>nd</sup> or 3<sup>rd</sup> among EaP countries.

Armenia also shows good results where sectoral *Approximation* is concerned, a trend also noticed in 2011. More specifically, in “Energy”, “Transport” and “Policy on Education, Culture, Youth, Information Society, Media, and Audio-visual Use”, Armenia is ahead of all other EaP countries. The same situation is observed with its transition to a market economy, as reflected in EBRD Transition Indicators. Armenia also has relatively high scores for its “Business Climate”, “DCFTA”, “Environment and Sustainable Development”.

Nevertheless, independent assessments of the reform process in Armenia suggest that, despite certain achievements on the institutional, formal level, such as adopting laws, signing agreements and reorganising structures, qualitative improvements in the key areas are either taking place slowly or are not happening at all. For instance,

23 laws were adopted between February and April 2011 with the aim of improving the business climate and easing the process of setting up a business, as specified in the Progress Report on ENP Action Plan implementation. In practice, however, there are no signs that the monopolies that control the most profitable segments of business are losing market share, or that market competition has increased. Simplifying business registration or customs clearance procedures, or optimising the tax system in and of themselves do not lead to growing numbers of SMEs—unless they enjoy patronage from high level bureaucrats or oligarchs, who are very difficult to identify. In other words, the progress reported refers more to intentions, than to actual improvements.

This ambiguity is well reflected in public opinion. European integration is being perceived and accepted by more and more Armenians as a choice without alternative. This agenda will remain in the focus of public interest with a presidential race coming in less than a year. However, Europeanisation could become more controversial if the idea of the Eurasian Union is actively pushed by Russia.

In short, the trends we noted in the 2011 Index have been confirmed. If these trends continue, an impressive leap in the country’s Europeanisation and its Index scores can be expected. Yet, given Armenia’s lasting ambiguity in both commitments and aspirations towards Europe, hard conclusions are premature.

## ARMENIA



POLITICAL  
DIALOGUE

0.63



TRADE AND ECONOMIC  
INTEGRATION

0.49



SECTORAL  
COOPERATION

0.19



PEOPLE-TO-PEOPLE

0.43



ASSISTANCE

0.34



DEEP AND SUSTAINABLE  
DEMOCRACY

0.59



MARKET ECONOMY  
AND DCFTA

0.60



SECTORAL  
APPROXIMATION

0.60



# ARMENIA

0.31



INSTITUTIONAL ARRANGEMENTS  
FOR EUROPEAN INTEGRATION  
*(coordination and implementation)*

0.46



LEGAL APPROXIMATION  
MECHANISM

0.50



MANAGEMENT  
OF EU ASSISTANCE

0.36



TRAINING IN THE FIELD  
OF EUROPEAN INTEGRATION

0.14



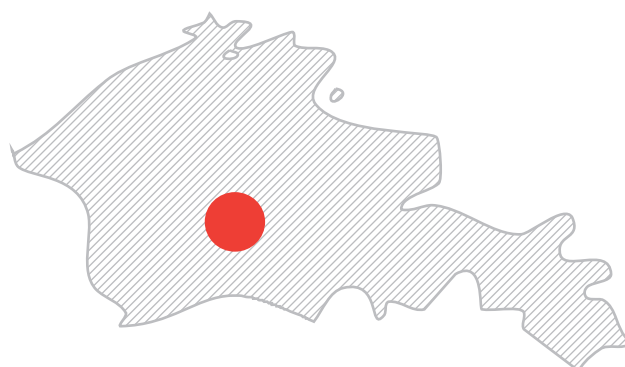
AWARENESS RAISING  
ON EUROPEAN INTEGRATION

0.00



PARTICIPATION  
OF CIVIL SOCIETY

0.40



## AZERBAIJAN

For the past year, EU-Azerbaijan relations have been developing against a background of active foreign policy efforts. Azerbaijan won a non-permanent seat of the Security Council of the United Nations, signed key agreements on the production and transportation of the gas from the Shahdeniz field in the Caspian Sea to the European markets, intensified relations with NATO, in particular on operations in Afghanistan, joined the meeting of G20 in 2011 and won the Eurovision Song Contest. Azerbaijan also currently chairs the GUAM Organisation for Democracy and Economic Development. These events demonstrate clearly that the country's role and importance as a foreign policy player is growing. During this period, relations with the EU intensified as well. Azerbaijan started negotiations over the Association Agreement and restored talks on visa facilitation, but DCFTA is on hold because the country has not yet acceded to the WTO. Russia's accession could have a stimulating effect on this process.

Against this background, a further deterioration with regard to freedoms and human rights was observed. A number of high-level visits from EU officials took place, including EU High Representative Catherine Ashton, EU President Jose Manuel Barroso, Commissioner Stefan Füle, and European Parliament President Jerzy Buzek. However, the priority of many of these visits was promoting the EU's Southern Gas Corridor project or EU policies in the region and Iran. Only Buzek and Füle met with opposition leaders and civil society, while Ashton only met with civil society representatives. This speaks for the fact that, while the EU is trying to diversify its dialogue with partners and to reach out to opposition and civil society, it still puts interests ahead of values.

The Nagorno-Karabakh conflict, another important point on the EU's agenda, saw no breakthrough, although meetings within the framework of the OSCE Minsk Group continued. The European Parliament adopted a Resolution on Azerbaijan and Armenia regarding negotiations over Association Agreements urging the EU to take a more active and balanced position on the Nagorno-Karabakh conflict.

As mentioned, the exercise of freedoms and human rights deteriorated in the country. Cases of journalists being harassed and beaten multiplied in early 2012, while property rights of hundreds of people were violated in the process of "city beautification". The majority of political prisoners continue to languish in jails, while the opposition and protest voters continue to have trouble exercising their right to freely assemble. The decree on

the NGO law in March 2011 introduced new restrictions on civil society's activities, especially international NGOs, while amendments to the law on political parties, which provided for public funding predominantly to sitting parties, could only promote continuing patronage.

The findings of this Index confirm the trends already noted in the 2011 Index. Azerbaijan received low scores on most components of "Deep and Sustainable Democracy," leaving only Belarus behind. Yet, on some aspects, such as elections and accountability, Belarus outperformed Azerbaijan. In terms of independent judiciary, Azerbaijan was as low as Belarus. At the same time, on anti-discrimination legislation and policy Azerbaijan is ahead of other EaP countries. This has to do with formalities more than realities, since non-discrimination provisions are included in many legal acts and related powers are vested in many institutions. Azerbaijan has also performed relatively well for quality of public administration.

In 2011 a number of international NGOs, such as Norwegian Human Rights House and National Democratic Institute, closed under government pressure. The government also banned the BBC and Radio Liberty from broadcasting on the domestic frequencies. The national office of the Open Society Foundations, which was an important donor to civil society in the country, was also closed by its headquarters. These are worrying trends given that in terms of people-to-people links with the EU and assistance from the EU, Azerbaijan is already behind all other EaP countries. Notably, where assistance to civil society is concerned, Azerbaijan, unlike other EaP countries, did not see any allocations through EIDHR and Non-State Actors and Local Authorities programmes in 2011. This actually shows how insignificant the presence, role and outreach of the EU really is in Azerbaijan, other than at the official level, compared to all other EaP countries.

Although it continues to post high economic growth rates, at around 4%, Azerbaijan's oil production has declined somewhat since the beginning of 2012. Oil revenues continue to be transferred to the State Budget, serving a growing affiliation process among ministries and funding mega projects in construction, rather than improving social policy. In the Index, Azerbaijan shows a discrepancy between *Linkage* and *Approximation* in the energy sector: despite having mature links with the EU in energy, its legislation convergence and energy policy in this sector are below other countries with the exception of Belarus.

There has been no visible change in Azerbaijan's attitude towards European integration at the official level. In the



Index, Azerbaijan shows the same results in *Management of European integration* as Armenia, doing well particularly on managing EU assistance, but also to a limited extent on the legal approximation mechanism. Yet, it stands low where institutional arrangements for European integration are concerned. This suggests a restrained level of European aspirations in Baku. Being an oil-based economy, Azerbaijan can afford to slow down the pace

of its European integration without undermining its position with the EU. Given the weak EU presence in the life of ordinary Azeris, officials in Baku tend to keep relations with the EU at the level of cooperation, which is just enough to benefit from trade preferences and transfer of know-how, but not to the point when the costs—particularly political costs—of integration with the EU might become too high for its political elites.

## AZERBAIJAN

0.36

POLITICAL  
DIALOGUE

0.55

TRADE AND ECONOMIC  
INTEGRATION

0.52

SECTORAL  
COOPERATION

0.35

PEOPLE-TO-PEOPLE



0.24

ASSISTANCE



0.13

0.44

DEEP AND SUSTAINABLE  
DEMOCRACY

0.34

MARKET ECONOMY  
AND DCFTA

0.44

SECTORAL  
APPROXIMATION

0.53

# AZERBAIJAN

**0.31**



INSTITUTIONAL ARRANGEMENTS  
FOR EUROPEAN INTEGRATION  
*(coordination and implementation)*

**0.27**



LEGAL APPROXIMATION  
MECHANISM

**0.47**



MANAGEMENT  
OF EU ASSISTANCE

**0.57**



TRAINING IN THE FIELD  
OF EUROPEAN INTEGRATION

**0.14**



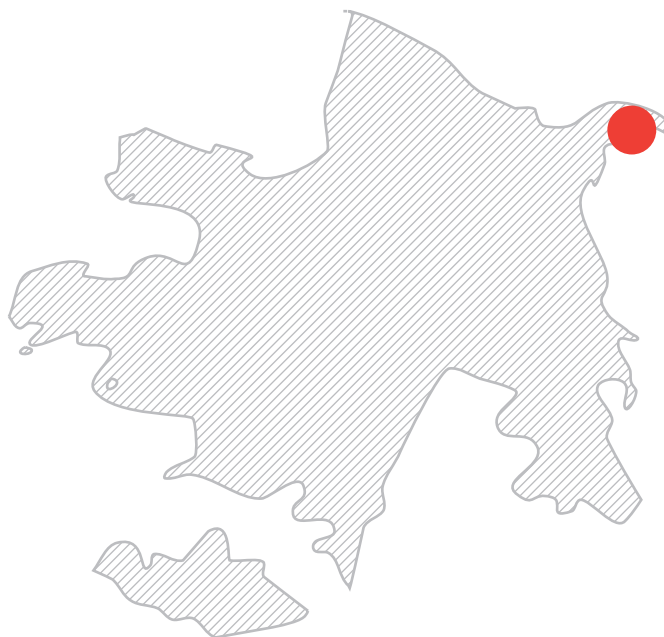
AWARENESS RAISING  
ON EUROPEAN INTEGRATION

**0.00**



PARTICIPATION  
OF CIVIL SOCIETY

**0.40**



## BELARUS

In 2011, Belarus failed utterly to improve its relations with the EU in the aftermath of its abysmal, violent 2010 presidential election. Indeed, the beginning of 2012 was marked by the deepest diplomatic crisis in the history of Belarus-EU relations. In January 2011, the Council of the European Union adopted a resolution on Belarus that imposed visa bans and asset freezes against 158 officials responsible for political repressions in Belarus. Throughout the year, this black list was expanded several times. For its part, the Lukashenka regime intensified persecution of civil society and the opposition. By the end of 2011, the regime had 15 political prisoners, including well-known opposition figures. The defining features of Alyaksandr Lukashenka's autocratic regime merely consolidated over the course of the year and no breakthrough in democratisation occurred.

Given this situation, it is no surprise that Belarus is at the bottom of this Index, as was the case with the 2011 Index. Belarus is behind other EaP countries in all three dimensions, showing particularly low scores for "Political dialogue" and "Deep and Sustainable Democracy."

This situation also reflects the fact that Belarus is the only country among Eastern Partnership countries that has no contractual relations with the EU. Although the European Union and Belarus signed a Partnership and Cooperation Agreement (PCA) in 1995, this agreement, as well as the Interim Agreement, was suspended in 1997. Consequently, Belarus does not enjoy the full benefits of the European Neighbourhood Policy (ENP) and there is no ENP Action Plan in place. Nor has Belarus at any point suggested any intent to join the EU.

In an attempt to engage Belarus somehow, the EU included it in the Eastern Partnership. However, deteriorating relations have limited the possibilities for Belarus to fully benefit from the initiative. The summer of 2011 was rich in events demonstrating that both sides were looking for ways to change the situation. In keeping with the secret agreements between Alyaksandr Lukashenka and the Bulgarian MFA Nickolay Mladenov, the Belarusian side released nearly all of the activists sentenced to prison for incidents on 19 December 2010. But this did not lead to détente in Belarus-EU relations and the September Warsaw Eastern Partnership Summit was marked by a series of diplomatic scandals. As a result, Minsk left the Summit before its formal end and refused to sign the final documents. In addition, the organisers of the Summit did not include a paragraph on Belarus in the final statement. The move was opposed by Eastern

European partner states. As a result, the EU delegates had to adopt a separate statement condemning the situation in Belarus. This attests both to the professionalism of Belarusian diplomats and to the fear of other Eastern partners of finding themselves in Belarus's shoes in the future. This consolidation of the Eastern European sextet has become an important structural factor that restricts the EU's options within the Eastern Partnership initiative.

The political conflict was further revealed in numerous negative statements by the Belarusian president, other top officials and in the Belarusian media, as well as the decision to shut down Germany's Friedrich Ebert Fund in Minsk and the persecution of civil activists. Belarusian focus on relations with Russia also aggravated the situation. In this context, relations with the EU have inevitably been put on the back burner.

Over the past year, Belarusian authorities have also tightened their grip on civil society activities and introduced legal amendments to three laws governing the right to free assembly, funding for public associations, and the powers of the State Security Committee (KGB). Signed into law on 8 November 2011, the amendment to the Law on mass events requires any gathering to be officially sanctioned ahead of time, while a simultaneous amendment to the Law on public associations prohibits any and all organisations from holding funds in foreign banks and criminalises foreign aid to political parties, NGOs and unions. The third amendment is still being debated but, if passed, will grant Belarus's KGB almost unlimited powers to investigate and restrict civil society activity.

The legal system in Belarus continues to be subordinated to the president, with the courts playing the role of punitive bodies executing the president's will against political opponents. The judicial branch in Belarus completely lacks independence, as it is regulated by the president, who also controls the appointment of judges. He also has the power to relieve citizens of criminal liability, and no high-ranking public official may be prosecuted without Lukashenka's consent.

All these trends are clearly reflected in our Index. Belarus is far behind other countries in "Deep and Sustainable Democracy," being particularly low where press freedoms, freedom of association and assembly, human rights and independent judiciary are concerned.

Yet, Belarus has maintained its interest in economic cooperation with the EU. Numerous sessions of trade and economic commissions, consultations between

Foreign Ministries, visits by entrepreneurs, investment talks with representatives of EU countries indicate the wish of Minsk to have greater extra-political cooperation in business and trade. This trend is not reflected in the Index yet. Compared to other EaP countries, Belarus' economic integration with the EU is limited, although it is the frontrunner for trade in services.

Meanwhile, the EU has continued to engage with the people of Belarus. Where mobility is concerned, Belarus is doing better in the Index than the three Caucasus countries. It has the highest number of EU and Schengen visas per capita among EaP countries. Indeed, the level of public support for European integration is relatively high: it peaked at 47.8% in June 2011 during a harsh economic downturn, but dropped down to 37.3% in March 2012, after agreements were signed on a Common Economic Space with Russia and the domestic economy stabilised.<sup>12</sup>

Despite the post-electoral repressions against political opponents, civil activists and independent media, Belarusian civil society organisations remain active and have maintained their coordination structures, such as

the National Platform of the EaP Civil Society Forum. This is reflected in the *Management* dimension where Belarus, in terms of participation of civil society, is not doing that badly. This is also reflected in "Assistance," where Belarus is ahead of Azerbaijan: after the crackdown during the 2010 presidential election, the European Union allocated additional funds to support civil society in the country.

Overall, there is increased uncertainty about the future of relations between the two sides. The previous paradigm of the EU policy on Belarus, "socialisation and engagement," has clearly failed. However, the EU has no strategic alternative and Belarus itself has no clear strategic vision, either, leading to fuzzy expressions in documents and statements. The complexity of efforts to align the two sets of interests is frequently contradictory. Indeed, while developing closer economic and political cooperation with Russia, Minsk is maintaining relations with the EU as a useful instrument for blackmailing Moscow in order to receive more subsidies and privileges. Whether this balancing act will be possible to maintain in the longer run remains to be seen.



## BELARUS

0.31

POLITICAL  
DIALOGUE

0.28

TRADE AND ECONOMIC  
INTEGRATION

0.37

SECTORAL  
COOPERATION

0.36

PEOPLE-TO-PEOPLE



0.30

ASSISTANCE



0.25

0.31

DEEP AND SUSTAINABLE  
DEMOCRACY

0.25

MARKET ECONOMY  
AND DCFTA

0.36

SECTORAL  
APPROXIMATION

0.31

# BELARUS

0.22



INSTITUTIONAL ARRANGEMENTS  
FOR EUROPEAN INTEGRATION  
*(coordination and implementation)*

0.15



LEGAL APPROXIMATION  
MECHANISM

0.03



MANAGEMENT  
OF EU ASSISTANCE

0.64



TRAINING IN THE FIELD  
OF EUROPEAN INTEGRATION

0.00



AWARENESS RAISING  
ON EUROPEAN INTEGRATION

0.00



PARTICIPATION  
OF CIVIL SOCIETY

0.50



# SECTOR SPECIFIC ASSESSMENT

## POLITICAL DIALOGUE

The intensiveness of political dialogue seems to depend significantly on the institutional structure envisaged by the Partnership and Cooperation Agreement for each EaP country. From this perspective, Ukraine, which hosts the annual summits and has the largest number of sub-committees—seven, compared to a maximum of four in other EaP countries—naturally takes the lead. Since Belarus has no PCA with the EU and the official bilateral agenda is limited, even frozen following the 2010 presidential election, Belarus effectively has no ongoing political dialogue with the EU.

Interestingly, the intensiveness of high-level bilateral visits indicates that Georgia, Moldova and Ukraine are the frontrunners, far ahead Armenia and Azerbaijan. This suggests that the countries with aspirations of membership are interested in having intensive dialogue with the EU and, in return, the EU is also more interested in these countries. Where cooperation with European party groupings is concerned, there is no clear pattern: Ukraine, Belarus and Armenia each have three parties that have observer status with parties in the European Parliament.

In this year's Index, we also looked at the number of the European External Action Service (EEAS) statements regarding each country. Belarus was the subject of some 30 statements, many of them on imposing bans on Belarus officials between 2009 and the beginning of 2012, whereas no other EaP country was the subject of more than 12 statements during this same period.

Ukraine is the frontrunner where Common Foreign and Security Policy (CFSP) and European Security and Defence Policy (ESDP) cooperation is concerned, participat-

ing in a number of security institutions and peacekeeping missions. Moldova lags far behind, together with other EaP countries, in having almost no cooperation in this field. Ukraine is also the only EaP country that cooperates with both the EU Military Committee and the EU Political and Security Committee.

The Eastern Partnership has offered all EaP countries a more advanced level of dialogue. Since their representatives are included in EaP multilateral institutions, its added value has been an opportunity to expand contacts with EU member states at various levels and on a variety of issues. Belarus has probably benefitted the most among EaP countries, since EaP institutions have included the country in cooperation with the EU. Its officials and civil servants take part in meetings of EaP institutions with the exception of Euronest, the parliamentary arm of the EaP. Moreover, Belarus civil society has played an active role in developing the Eastern Partnership Civil Society Forum. Unfortunately, as a result of visa ban imposed on high-level officials from Belarus and a generally deteriorating relationship with the EU, Belarus cannot fully benefit from the Eastern Partnership.

## DEEP AND SUSTAINABLE DEMOCRACY

Compared to the 2011 Index, this year's Index covers a much more comprehensive set of issues related to democratic reforms. We took the EU's concept of Deep and Sustainable Democracy on board and included seven categories: "Elections"; "Media Freedom, Association and Assembly Rights"; "Human Rights, including Non-Discrimination"; "Independent Judiciary"; "Quality of Public Administration"; "Fighting Corruption"; and



“Accountability”. Quality of public administration is not a part of this concept, but we perceive public administration to be an important aspect of democratic governance and thus included it in our assessment. If governments are there to serve their people, the quality of public administration, including a non-partisan, professional civil service, is of outmost importance.

Most of the categories listed were covered by the 2011 Index, although the structure was different. In the current Index, we included new subcategories, such as “Equal Opportunities and Non-Discrimination”, and “Democratic Control over Security”.

The findings of this Index show that democracy cannot so far be considered as deep and sustainable in the six EaP countries. The aggregate assessment in our Index, summarising the results for 265 questions and indicators, shows significant deficiencies for all six countries. However, the aggregate scores also indicate considerable differences among individual countries. Moldova emerges as the best-performing democracy, as was the case in 2011 Index, followed by three countries that are at nearly the same level: Armenia, Georgia and Ukraine. These countries are clearly ahead of Azerbaijan, which is closely followed by Belarus, the country with the gravest democratic shortcomings. Moldova is the frontrunner due to its top performance in all categories but “Independent Judiciary” and “Fighting Corruption”. In those two, Georgia takes a lead. Ukraine is doing better than Georgia where “Elections”, “Human Rights”, “Quality of Public Administration” and “Accountability” are concerned, while Georgia is ahead in “Press Freedoms, Freedom of Association and Assembly”, “Independent Judiciary”, and “Fighting Corruption”. Armenia is doing better than Georgia and Ukraine for “Quality of Public Administration”. It is doing better than Ukraine in terms of an “Independent Judiciary” and “Fighting Corruption” and better than Georgia for “Accountability”. In fact, this situation was also observed last year and it has more to do with deterioration in the situation in Ukraine and Georgia, than with significant improvements in Armenia. Azerbaijan and Belarus trail behind in all areas under “Deep and Sustainable Democracy.” They both demonstrate the worst performance where “Elections” are concerned. Azerbaijan’s “Elections” and “Accountability” are worse than those of Belarus, although in other categories it is doing better.

## ELECTIONS

None of the six countries fully meets the standards of democratic elections set by the Index. The quality of elections is significantly higher in Moldova and Ukraine than in Georgia and Armenia, which are clearly ahead of Azerbaijan and Belarus. The greatest weakness is the lack of fair electoral campaigns, the absence of broadly accepted electoral laws and gaps in implementing these laws. In Azerbaijan and Belarus the actual organisation of elections does not ensure freedom and fairness of voting. Only Moldova has reasonably fair and accepted electoral norms. Ukraine’s electoral management is less effective and its legitimacy more contested than in Moldova. The pattern of deficiencies is different in Armenia and Georgia, as these two countries organise elections comparatively well, but their electoral rules and campaigns are less fair, particularly in Armenia. Ukraine and Moldova have the most competitive elections, as indicated by the vote differentials between incumbent presidents and parties and the opposition.

Note that this assessment is based on the last parliamentary elections in Ukraine in October 2007, in Georgia in May 2008 and in Armenia in May 2007 and the presidential election in Armenia in February 2008. Armenia had its last parliamentary elections in May 2012, but they are not covered by this Index. They will be covered in the next Index, together with Ukraine’s and Georgia’s 2012 parliamentary elections and Armenia’s presidential vote expected in February 2013.

## MEDIA FREEDOM, ASSOCIATION AND ASSEMBLY RIGHTS

A free and pluralist media as well as freedoms of assembly and association constitute the key political rights that complement free and fair elections. While all six countries remain clearly below the benchmark set by Estonia as the most advanced post-soviet state, these rankings differ somewhat from the election-quality ranking: Georgia’s participation rights are better than Ukraine’s, and Azerbaijan is placed ahead of Belarus.

# DEEP AND SUSTAINABLE DEMOCRACY

## MOLDOVA

## GEORGIA

## UKRAINE



0.75

TOTAL



0.59



0.61

*Elections*

0.88

0.40

0.61

*Media freedom, association and assembly rights*

0.71

0.63

0.58

*Human rights*

0.68

0.55

0.61

*Independent judiciary*

0.66

0.73

0.50

*Quality of public administration*

0.79

0.47

0.59

*Fighting corruption*

0.75

0.78

0.67

*Accountability*

0.80

0.57

0.71

# DEEP AND SUSTAINABLE DEMOCRACY

## ARMENIA

## AZERBAIJAN

## BELARUS

TOTAL



0.59



0.34



0.25

Elections

0.38

0.05

0.16

Media freedom, association and assembly rights

0.54

0.29

0.16

Human rights

0.54

0.53

0.16

Independent judiciary

0.58

0.22

0.21

Quality of public administration

0.70

0.58

0.31

Fighting corruption

0.73

0.40

0.32

Accountability

0.66

0.32

0.43

## HUMAN RIGHTS INCLUDING EQUAL OPPORTUNITIES AND NON-DISCRIMINATION

This category of the Index looks at civil liberties and adoption of international standards in the field of human rights. It also includes subcategory 'Equal Opportunities and Non-Discrimination', which accounts for the majority of indicators we included under "Human Rights". This is also a new section that was not included in the 2011 Index, but was inspired by the concept of deep and sustainable democracy proposed by the EU.

**Civil liberties** are most severely violated in Belarus and most respected in Moldova and Georgia. Belarus is particularly notorious for retaining the death penalty and for its lack of international cooperation on the prevention of torture. While Azerbaijan complies with international standards in this field, its practice of protecting civil liberties is the second worst among the EaP countries.

To assess where EaP countries stand in terms of **non-discrimination** legislation and policy, we looked at three sets of criteria: the ratification of international and European non-discrimination legal instruments, the adoption and scope of national non-discrimination legislation, and the degree of empowerment of disadvantaged social groups.

Where the ratification of key international instruments providing for protection against discrimination is concerned, Ukraine is unquestionably the leader in the region, with Moldova and Armenia following closely. Despite being among the higher-ranking states, however, Moldova still has not yet ratified Protocol No12 to the ECHR, which, given its crucial role in the field of non-discrimination, warrants special attention. Belarus has not ratified any of the instruments.

Where national anti-discrimination law is concerned, none of the EaP countries has adopted a framework anti-discrimination law. Only Ukraine and Moldova are in the process of adopting such laws. In the meantime, the absence of a framework law is mediated by the presence of anti-discrimination provisions scattered throughout the legal systems. Virtually every EaP state prohibits discrimination in its Constitution. However, in this respect a distinction should be made between states like Georgia and Moldova, where the Constitutions contain solely an overarching requirement for equal treatment and do not outlaw discrimination per se, and other states where the Constitutions establish a more explicit prohibition of discrimination and, thus, a higher level of protection.

Most EaP countries, except for Moldova, guarantee protection from discrimination in their penal laws, labour laws, and education legislation. Only Georgia provides for a limited level of protection against discrimination in its civil law, and Moldova does so in its administrative law.

The uneven representation of anti-discrimination rules in key legislation is closely connected to and affects specific areas of socio-economic life, where the prohibition of discrimination is important. Given this disproportion, it can be seen in such fields as employment and education that individuals receive protection in all EaP countries and remain least protected in the wholesale and retail businesses supplying goods and services: only Belarusian, Armenian, and Azeri legislation specifically prohibit discrimination in this area.

While the prohibition of and liability for direct discrimination is typically defined explicitly or implied in existing anti-discrimination provisions in all EaP countries, other widespread forms of discrimination, such as indirect discrimination, discriminatory harassment, victimisation, instigation/instruction to discriminate, and failure to provide reasonable accommodation remain predominantly outside of the legal frameworks of these countries. Only Georgia guarantees protection from indirect discrimination, while Moldova protects from victimisation, and Ukraine, Armenia and Azerbaijan prohibit instigation to discriminate. In addition, all of the states except for Moldova, Azerbaijan and Ukraine, to some extent, have not established affirmative action measures to redress past discrimination and prevent future discrimination.

Moreover, it is important that protection be provided on the broadest range of grounds. Besides failing to provide protection against assumed, associated and multiple discrimination, the EaP states are almost uniform in the number of "factual" grounds for which they guarantee protection against discrimination. The leader in this respect is Georgia, as it guarantees protection for the largest number of specific grounds, including even sexual orientation (in its Labour Code). At the same time, Ukraine has to be complimented for keeping the list of protected grounds open throughout its legislation: given affirmative interpretations by the courts of law, this can effectively extend protection to virtually unlimited number of grounds. Other states have not provided for the same scope of protection.

A separate comment is warranted with respect to stand-alone laws that provide protection against discrimination on certain grounds, such as gender, nationality,

ethnic origin, and so on. On the one hand, such laws imply enhanced protection, which Belarus and Armenia fail to provide; on the other hand, they create an unnecessary hierarchy of protected grounds, some of which are granted more protection than others.

Most states except Moldova guarantee protection to physical entities, that is, individuals. Only in Moldova, Belarus and Armenia do anti-discrimination laws cover legal entities.

It is important to understand that anti-discrimination law alone is not sufficient. The means by which governments enforce them is also important, meaning that there have to be agencies that concern themselves with equality across the board. Among the EaP states, Georgia and Azerbaijan stand out for having more than one equality agency. However, the principle “the more, the better” has to be measured against such factors as the scope of powers these bodies are vested in, as well as the political and financial independence of the institutions. In terms of powers, Ukraine and Armenia, which have only one equality body each, outrun Georgia, which has several such bodies. When it concerns independence, Georgia remains the leader in both political and economic respects. Ukraine and Moldova share the second place for failing to ensure either political (Moldova) or financial (Ukraine) independence. Belarus, Armenia and Azerbaijan have mostly “puppet” equality bodies and have to invest significant effort in improving the situation.

## INDEPENDENT JUDICIARY

Georgia and Moldova have implemented the most rules and procedures guaranteeing an independent and professional judiciary. However, even these more progressive countries have been unable to ensure that the appointment, promotion and dismissal of judges is only guided by professional standards and free from political meddling. These selection procedures emerged as the weakest links in EaP country judicial systems, whereas judiciary powers are relatively well respected and enforced in most of the countries, except for Belarus and Azerbaijan. Both states also have particularly weak or dysfunctional procedures to ensure accountable and transparent judicial decision-making. Ukraine lags behind Armenia and the leading states of Georgia and Moldova mainly due to its less impartial appointment, promotion and dismissal procedures, but also due to the weak protection of judges against harassment, assault and even assassination.

None of the six countries can be said to guarantee a judicial deliberation that is sufficiently protected from undue influences by senior judges, private interests or officials from other branches of government. Only Georgia and Moldova have a judicial self-governing body that has a decisive influence on the career paths of judges, with a majority of members elected by judges. Establishing this element of self-government in the court system is key to depoliticising appointment and promotion decisions, but this step requires that incumbent judges be of exceptional personal integrity and not abuse their immunity to violate the law. Protecting functional immunity while maintaining accountability is a problem that has not been adequately solved in most EaP countries.

## QUALITY OF PUBLIC ADMINISTRATION

Public administration in Moldova and, to a lesser extent, Armenia comes closest to the standards of impartiality, professionalism and policy-making capacities defined in this survey. As for the judicial system, personnel decisions emerge as the weakest link in public administration for all countries, even though the legal and institutional frameworks of civil service administration are relatively well developed in many of them. The situation in Belarus is characterised by a lack of clearly defined institutions to coordinate, implement and supervise civil service policies in government. Recruitment, promotion and disciplinary procedures lack or do not provide protection against politically motivated interferences or conflicts of interests. In contrast, Azerbaijan, the other state that is short of free and fair elections, scores comparatively well in these sub-sections and outperforms even Ukraine with its much more competitive political system and better rule of law record. The main cause for this placement is Ukraine’s weak standards of recruitment, promotion and disciplinary procedures. In contrast with Ukraine, Azerbaijan and Armenia have, among others, consistent recruitment practices across the civil service, regular performance reviews and proper professional development systems for their staff.

In developing institutions for policy formulation and coordination, Moldova is far ahead of the other EaP countries, since its government has, amongst others, put together detailed administrative procedures for processing and evaluating policies. In contrast, Belarus and even Ukraine lag behind Armenia and Georgia, lacking, for example, bodies to coordinate cross-sectoral policies. While Armenia, Moldova and Ukraine organise

regular public consultations with stakeholders on drafts of legislation, these hearings appear to have little or no impact on subsequent revisions made to the particular bill.

## FIGHTING CORRUPTION

Whereas the perception-based indicators of corruption from Transparency International and the World Bank suggest huge shortcomings compared to our benchmark countries, Estonia and Slovenia, our expert questions on auditing and particularly on public procurement indicate that basic regulatory frameworks do exist and are operational in all EaP countries except for Belarus. If these results are interpreted in the context of relatively high scores on other integrity mechanisms, such as transparent budgeting and conflict of interest rules, it is possible to infer that the main remaining lack is the effective prosecution and conviction of corruption cases. Azerbaijan and Belarus are the only two countries that have not yet established full institutional frameworks of internal and external auditing or standard practices for public procurement.

## ACCOUNTABILITY

To hold executives accountable, legislatures need to combine institutional resources with information and sanctioning rights, in particular with regard to the state budget and the state control and law-enforcement agencies. Among the six EaP countries, Moldova's parliament has recourse to the strongest rights and resources, partly due to its parliamentary system of government. Moldova's Constitution endows its legislature with the most far-reaching powers to hold the executive accountable, including the power to elect and dismiss the president and the premier. Moldova is also the only EaP country that allocates chairs and places on parliamentary committees to opposition parties based on their share of seats in the legislature, which allows the opposition to influence the agenda of legislative debates. All other states are far from establishing similarly fair conditions for the opposition.

All other countries have directly elected presidents, but Ukraine, Georgia and Armenia have demonstrated that this constitutional model does not necessarily marginalise the legislature, as they have provided significant

powers to their assemblies. For example, the expert support resources and experience of elected deputies in Ukraine's Verkhovna Rada were considered to be equivalent to those of Moldova's MPs.

Legislatures in Azerbaijan and Belarus have especially weak rights and powers vis-à-vis the executive branch, which matches the lack of party pluralism within these institutions. The legislature in Belarus lacks any rights that might ensure it and its members some institutional independence, and the Belarusian president can even appoint a share of the members of the second chamber at his discretion.

Still, the legislatures in all six EaP countries lack resources, such as policy experts who might help opposition parties challenge the policy expertise of ministries and prepare adequate alternative bills. The budgetary control function of parliaments in all six countries is relatively well supported by governmental information related to budget plans and budget implementation.

Democratic control over security is a new subcategory that was not covered by the 2011 Index. To assess the situation in this area, we looked at internal control of security bodies, parliamentary and civil society oversight, and transparency. We looked at the situation with defence/army/military, law-enforcement authorities/police and security/intelligence agencies. Moldova is the leader in this area, while Ukraine and Armenia are less progressive. Georgia lags behind, although it is well ahead of Belarus and Azerbaijan. In most countries, external controls are quite weak: there are certain provisions, but in practice they can be abused. For instance, all countries have experienced instances of violation of the principle of proportionality in crowd control for the past years. In Moldova, Ukraine, Armenia and Georgia, the parliaments are provided with mechanisms to oversee security services, the military and the police. In contrast, these agencies are much more shielded from parliamentary scrutiny in both Belarus and Azerbaijan. Still, the procedures and bodies necessary to ensure transparency and civil society oversight are weak in all EaP countries except for Moldova where, for example, the Ministry of Interior publishes regular data on human rights violations by law-enforcement and security agencies. All six EaP countries have only rudimentary human rights monitoring and whistle-blowing structures in their security sectors. At the same time, Ukraine and Belarus are the only EaP countries that have not implemented an independent national torture prevention mechanism in accordance with the OPCAT Protocol.

## TRADE IN GOODS, SERVICES AND FDI: CURRENT STATE

As the largest regional market, the EU has been an important trading partner for all EaP countries. In 2010, the EU-27 was the #1 partner in both the export and import of goods for four of them: Armenia, Azerbaijan, Georgia and Moldova. For Belarus and Ukraine, the EU was the second largest trading partner after the Russian Federation.

On average, goods turnover with the EU constitutes about one third of total EaP turnover. Exact figures vary between 27% and 45%, with the highest EU goods trade observed in the cases of Moldova and Azerbaijan—the latter due to energy exports—, and the lowest in the cases of Belarus and Georgia.

The weight of the EU as a partner in services trade is less homogeneous across EaP countries. Services trade turnover with the EU is estimated between 13 and 22% of total for four smaller EaP countries (Armenia, Azerbaijan, Georgia and Moldova). The respective shares for the two larger countries – Belarus and Ukraine – constitute 37 and 50%.

While the EU occupies leading positions in the trade structures of EaP countries, these countries play a very modest role in the EU as trading partners. Altogether, the six countries of the region account for only about 2% of EU goods trade and a marginal 0.4% of EU services trade.

Ukraine has been the largest trading partner for the EU among the EaP countries. It averaged 1% of EU goods trade over 2009-2011 and less than 0.3% of EU services trade. Armenia has the lowest weight in the EU goods and services trade turnover.

Apart from trade links, the EaP countries heavily rely on EU investments. The share of foreign direct investments (FDI) from the EU remains between 30 to 80% of the total inward stock of FDI in the EaP countries. This share is the largest for Ukraine and Moldova, and the lowest for Belarus.



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## TRADE POLICY

Currently, trade regimes between EaP countries and the EU are determined by several categories of regulations, namely bilateral Partnership and Cooperation Agreements—for Belarus, a Trade and Economic and Commercial Cooperation Agreement—, WTO rules and practices—except for Belarus and Azerbaijan—, and unilateral preferences offered by the EU.

The EU and EaP countries accord each other the “most favoured” treatment in trade in goods. Moreover, most EaP countries enjoy additional preferences in access to the EU market, being eligible either for the Generalised System of Preferences (GSP)<sup>14</sup> or even the GSP+.<sup>15</sup> These preferences are non-reciprocal, and provided by the EU to developing countries with the primary aims of reducing poverty and promoting sustainable development and good governance in these countries.

All EaP countries except for Belarus are eligible for the GSP. Preferences to Belarus were temporarily withdrawn in December 2006 in response to a systematic and serious violation of the core principles of the International Labour Organization. Moreover, the EU applies trade sanctions against Belarus. Three EaP countries (Armenia, Azerbaijan, Georgia) benefit from preferences provided by the GSP+.

Moldova has been entitled to Autonomous Trade Preferences (ATPs) above the level of GSP+ since March 2008. The ATPs have provided unlimited and duty free access to the EU market for all products originating in Moldova, except for certain agricultural products.

The actual level of tariff protection faced by the EaP countries in the EU is determined by the Import Tariff Schedule of the EU, eligibility to existing preferential schemes (GSP, GSP+, ATPs), and bilateral agreements, as well as the commodity structure of the country.

Among the EaP countries, Belarus exporters face the highest level of tariff protections in the EU, followed by Ukraine, and Moldova’s exporters face the lowest. EU exporters have

<sup>14</sup> The GSP is an autonomous trade arrangement through which the EU provides non-reciprocal preferential access to the EU market. The system allows exporters from developing countries to pay lower duties on some or all of what they sell to the EU. It envisages duty-free access for non-sensitive products, and a reduction in import duties for sensitive products.

<sup>15</sup> The GSP+ constitutes additional preferences available to vulnerable Developing Countries as an incentive for them to ratify and effectively implement a set of key international conventions. These represent widely recognised international standards in the fields of core human rights and labour standards, sustainable development and good governance.

to deal with the highest tariffs in Belarus (reciprocity principle) and in Azerbaijan. The lowest imports tariffs on EU products are applied in Georgia. Both the EU and EaP countries tend to have higher average tariffs on agricultural products than on industrial goods.

Three EaP countries, Azerbaijan, Belarus and Ukraine, apply export tariffs that also affect exports to the EU. The list of products subject to export tariffs includes metals and metal scrap for Azerbaijan and Ukraine, mineral products for Belarus and Ukraine, and selected other sensitive raw products like oil seeds and skins for Ukraine and wood for Belarus. The EU does not apply export tariffs.

Trade defence measures have been rarely used in trade between the EU and the EaP countries. Ukraine accounts for the majority of currently registered cases. These measures were adopted mostly a decade ago, that is, before the EU granted Ukraine market economy status, and Ukraine became a member of the WTO.

## MARKET ECONOMY

In assessing domestic economic performance, we focused on the quality of the business climate in the countries and their transition progress. The analysis is based on widely used indicators for international economic comparison rather than country size, specific factors, and short-term shocks. In particular, we used indices produced by the World Bank (Doing Business), EBRD (Transition Reports) and the Heritage Foundation.

A number of conclusions can be drawn from the analysis. According to WB Doing Business 2012, Georgia enjoys the best business climate among EaP countries, followed by Armenia. The worst business climate is registered in Ukraine. Compared to the results included in the 2011 Index, five EaP countries—Armenia, Azerbaijan, Belarus, Georgia and Moldova—improved their ranking in Doing Business, while the most significant progress was achieved by Moldova and Belarus. Ukraine was the only EaP country whose Doing Business ranking was reduced.

Four of six EaP countries—Armenia, Azerbaijan, Belarus, Georgia—ensure that businesses can be established quickly, both in terms of time and monetary costs, thus allowing free entry to the market. Significant progress has been achieved in freeing market entrance in Armenia, where the number of procedures and amount of time needed for business registration has recently been reduced by half.

At the same time, all countries have set up obstacles for business closure, preventing free market exit, which is another basic principle of the market economy. Moreover, in three EaP countries—Armenia, Azerbaijan and Ukraine—the situation actually deteriorated compared to world trends.

Paying taxes is cumbersome in all EaP countries, although significant progress was achieved by Azerbaijan, Belarus, Georgia and Moldova, as compared to the 2011 Index. Georgia has still kept the best ranking in the group, while Ukraine remained the worst performer.

The EaP countries have a moderate standing in contract enforcement, with the exception of Armenia whose performance worsened as it increased delays. According to Heritage Foundation assessments, enforcement of property rights has remained quite weak in all the EaP countries, and corruption constitutes a serious challenge for economic development.

The EBRD Transition Indicators show that all EaP countries have room for improvement in the majority of sectors. The corporate sector and selected sectors in infrastructure have been the most developed. At the same time, further regulatory efforts should be devoted to the development of the financial and energy sectors.

There seems to be no direct link between trade turnover between the EU and each of the EaP countries, on the one hand, and business climate, on the other. For instance, Ukraine has the most intensive trade with the EU, partly determined by the size of the country; yet its business climate is the worst among the EaP countries. However, once business climate improves, it further boosts investments and trade between the parties.

## TOWARDS DCFTA

As part of the European Neighbourhood Policy and Eastern Partnership, the EU is working to establish Deep and Comprehensive Free Trade Areas (DCFTA) with all EaP countries. Negotiations on this part of the Association Agreement were underway with Ukraine from 2008 to December 2011. Negotiations were launched in February-March 2012 with Moldova, Georgia and Armenia. The remaining two EaP countries, Belarus and Azerbaijan, are not yet WTO members, but they are negotiating accession. DCFTA negotiations can only start after WTO accession.



The results of our research reflect the combination of two important factors. On one hand, they are influenced by a lasting and well-established trade dialogue between the EU and EaP countries. Therefore all six countries have made certain progress in many areas covered by this Index, although the degree of progress varies. On the other hand, the results reflect the degree of willingness and commitment to pursue approximation of domestic policies in line with EU requirements.

The liberal approach to domestic regulation applied by Georgia, for instance, is coupled with the openness of its market – Georgia lifted various trade barriers. As a result, Georgia is leading among EaP countries, although it only recently began negotiating DCFTA. The case of Moldova, which shows the same level of performance as Ukraine although its DCFTA negotiations were only launched earlier this year, is another example of willingness to meet EU standards.

At the same time, lack of domestic reforms in Ukraine, despite the fact that it has already completed DCFTA negotiations with the EU, resulted in its relatively poor performance in this Index. This means that Ukraine has not benefitted from the talks with the EU in order to improve its regulatory environment and liberalise its market.

The performance of Armenia and Belarus can be attributed to a pragmatic approach to trade policy. In the case of Armenia, the experience of WTO membership provides more positive signs in performance. The performance of Belarus is highly influenced by the balancing act between membership in the Customs Union with Russia and Kazakhstan and the pragmatism of maintaining trade relations with the EU. Despite these controversies, Belarus has performed well in such areas as technical barriers to trade and sanitary and phytosanitary standards.

The specific nature of Azerbaijan's economy and trade policy resulted in poor results.

The results of our study reveal some paradoxes. For example, countries that have a stronger interest in trade in food products of animal origin (Ukraine and Belarus) are not very advanced in terms of the necessary domestic reforms. To some extent, this could be explained by the necessity for these countries to balance between two major exporting markets for these products – the EU and the Russian Federation. At the same time, the cost of adjusting domestic companies to new rules in these countries are higher than in those where this sector is not so strongly developed.

All EaP countries have demonstrated a high level of participation in international covenants on customs and trade facilitation. However, major challenges for all countries appear when it comes to the actual implementation of EC Customs Blueprints.

The services sector in all EaP countries is fairly liberal, part of a general trend among states that are in transition and are looking for foreign direct investment in their service markets.

All states have been working to protect intellectual property rights properly. Also, it seems that protection of geographic indicators is not going to be an obstacle for trade liberalisation with the EU, as was anticipated before DCFTA talks with EaP countries were launched.

Varying results in competition and state aid also reflect the dynamics of the negotiation process, where Ukraine, Moldova and Georgia are more advanced than other states. However, differences may also reflect the structure of domestic economies. The large scale of the Ukrainian economy requires more attention to the protection of competition. At the same time, control over state aid is a matter of transparency of government activities, where we can see that Georgia has made considerable progress recently.

To sum up, political will is important. However, the costs of adjustment that are apparently higher in Ukraine than in Georgia, Moldova and Armenia also account for the results this Index shows.

## FREEDOM, SECURITY AND JUSTICE

The leaders, Ukraine and Moldova, are at about the same level of FSJ cooperation with the EU, although Moldova is apparently doing better where *Approximation* of FSJ is concerned, while Ukraine is doing better where *Linkage* of FSJ is concerned. Ukraine took the lead for a long time, while Moldova made steps to catch up and even moved ahead after the change of government in 2009. Meanwhile, Georgia has had more success in combatting corruption and organised crime, where it outperforms the leaders. Armenia and Azerbaijan have a substantially shorter record of institutional FSJ cooperation with the EU and weaker political will. In the case of Belarus, obvious political limitations dominate.

FSJ cooperation between the EU and EaP countries is an issue of great importance, as it indicates the level of integration/cooperation in the most sensitive areas, which require a high degree of confidence between partners. FSJ cooperation is closely connected with the maturity of democratic institutions and rule of law. Increasing standards of FSJ cooperation may encourage countries to proceed with crucial reforms in combatting corruption and organised crime, fighting illegal migration and human trafficking, and stimulate reforms aimed at better protection of human rights, more effective law enforcement and a transparent judiciary.

The specific carrot for FSJ cooperation with EaP countries is visa liberalisation, which is expected to stimulate and guide important reforms aimed at making these countries safer for both their own citizens and foreign partners.

At the same time, FSJ cooperation can raise certain risks when it comes to relations with authoritarian and repressive regimes, as in the case of Belarusian human rights activist Ales Bialiatski. Belarusian authorities detained Bialiatski in August 2011 on charges of tax evasion as a result of information provided by the Lithuanian and Polish governments on a matter presented by Minsk as “combatting money-laundering.” This case clearly demonstrates the way FSJ cooperation may be misused and even used against the purpose for which it has been designed. For Ukraine, which has witnessed cases of selective justice against opposition leaders, such aspects of FSJ cooperation as data exchange, extradition and other law enforcement cooperation also entail risks. Providing asylum for some opposition party members in the EU may be the first sign of growing challenges. Thus, FSJ cooperation cannot be assessed automatically with a quantitative approach, but rather, the actual capacity of a partner to cooperate on the basis of democracy, respect for human rights and rule of law should be considered.

As mentioned, Ukraine and Moldova are the leaders of the group. Ukraine launched institutional cooperation with the EU in FSJ back in 2002, when the first EU-Ukraine Action Plan on “Freedom, Security and Justice” was signed, and updated in 2007. In the case of Moldova, there was no separate document on the matter and structured cooperation was launched under the EU-Moldova ENP Action Plan signed in 2005.

Both Ukraine and Moldova have completed negotiations on the chapter on Justice, Liberty and Security in the framework of official talks on the Association Agreements that will replace their PCAs.

For a long time, especially after the Orange Revolution in late 2004, Ukraine was seen as a pioneer in FSJ. It was the first among EaP countries to sign the Visa Facilitation Agreement (VFA) and a Readmission Agreement in 2007. Then the process was synchronised with Moldova and the Western Balkans and all agreements entered into force as of January 2008.

Georgia signed such documents with the EU in June 2010 and they entered into force in March 2011, while the negotiations with Armenia and Azerbaijan were launched in February and March 2012 respectively.

The European Commission also received a mandate for VFA and readmission talks with Belarus. Despite almost frozen relations, the Council of Foreign Ministers stressed the importance of promoting people-to-people contacts between Belarus and the EU on January 31, 2011. At the same time, the EU imposed visa restrictions on over 200 Belarusian officials involved in political repression following the presidential elections in December 2010.

Ukraine unilaterally cancelled visa requirements for EU citizens in 2005, with Moldova and Georgia following suit several months later. Armenia and Azerbaijan maintain a symmetric visa policy approach. Azerbaijan even toughened its visa policies in 2011.

In October 2009, Ukraine was the first country to start an official Visa Dialogue, with the ultimate goal of establishing a visa-free travel regime. Moldova launched its dialogue in June 2010, while other EaP countries can do so after full implementation of VFAs and Readmission Agreements.

Ukraine signed its Action Plan on Visa Liberalisation (APVL) in November 2010. Moldova did likewise in January 2011. The initial period of APVL implementation showed that this new instrument was an effective tool to mobilise both countries’ governments to proceed with important legislation, including ratification of CoE and UN conventions, in such areas as integrated border management, data protection, countering human trafficking and illegal migration, protecting refugees and asylum-seekers, and so on.

In Ukraine, 13 cooperation agreements on judicial cooperation and assistance with EU Member States are currently in effect, which is the largest number among EaP countries.

Currently, no EaP country has enforced operational agreements with Europol or Eurojust. Ukraine and Moldova have only signed framework agreements with Europol.

In border management, only Ukraine and Moldova have Working Arrangements with FRONTEX, as well as valuable practical cooperation with EUBAM, the EU Border Assistance Mission. Ukraine, Georgia, Moldova and Armenia have all implemented an integrated border management concept in domestic legislation, while the first three have also put together the necessary Action Plans or implementation strategy. These three countries are obviously ahead of other three EaP partners in efforts to reform border security structures into a European-style border force.

Moldova can be considered the “laboratory” for new initiatives such as the Mobility Partnership, since 2008, and the Common Visa Application Centre, since 2007.<sup>16</sup> Armenia was also offered a Mobility Partnership in 2011 as it signed a Joint Declaration with the EU. In 2011, Moldova became the first EaP country to stop issuing non-biometric passports to its citizens and is now issuing only biometric, ICAO-compliant passports.

Yet, Georgia is the more obvious success story in such key areas as combatting corruption and organised crime. This fact has been confirmed by numerous independent studies, such as Transparency International’s Corruption Perception Index, which gave Georgia the best score, 3.8, among all EaP countries in 2010. By contrast, Ukraine and Azerbaijan were at the bottom, with 2.4, Belarus was marginally better at 2.5, Armenia similarly at 2.6, and Moldova a still-distant 2.9.<sup>17</sup>

Ukraine and Moldova, although frontrunners on most aspects of FSJ, are more often considered countries of origin for illegal migration to the EU than other EaP countries. The government of Moldova proved most willing to cooperate comprehensively with the EU in migration and asylum. Meanwhile, Belarus and Azerbaijan are source countries for asylum-seekers, but cooperation with them is limited for political reasons. Ukraine is the most advanced where border management is concerned, while the relative success of Moldova is restricted by the

Transnistrian conflict: 450 km of the country’s border is out of control of the central government. Georgia, Azerbaijan and Armenia have similar problems with frozen conflicts and hostile relations with some neighbours.

To sum up, Moldova and Ukraine are at about the same level of FSJ cooperation with the EU, with Moldova being somewhat in the lead. Ukraine’s success is due to the longer formal record of cooperation with the EU in this field, whereas the political will to reform is stronger in the case of Moldova. Georgia is also a success story in such key areas as combatting corruption and organised crime, while Armenia has started catching up in 2011-12. The more modest success of Azerbaijan is due to a substantially shorter record of institutional FSJ cooperation with the EU, as well as to weaker European aspirations in this country. In the case of Belarus, political risks place serious limitations on existing opportunities.

## ENERGY

As far as energy is concerned, the EaP Index analyzes the extent to which the energy markets of EaP countries are integrated with and organised similarly to EU energy markets. Since the issues of energy sector and energy policy receive a lot of attention in EU policy towards EaP countries, the Index looks at energy market regulation and the market structures of EaP countries in terms of EU standards.

All EaP countries are engaged, to a greater or lesser extent, into multilateral platforms supported by the EU. However, only Azerbaijan as major oil and gas exporter in the region and Ukraine as a major transit country have signed EU sectoral agreements (Memoranda of Understanding). The structure of Georgian and Moldovan trade with the EU also relies on energy commodities, while Belarus focuses primarily on exporting fuels, minerals and refining products.

The situation looks drastically different, however, if the normative framework and market organisation of EaP countries are taken into account. Formal commitments have less to do with the real implementation of acquis communautaire in the domestic legislation



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[www.viitorul.org](http://www.viitorul.org)



17  
[www.transparency.org](http://www.transparency.org)

<sup>16</sup> *Moldova’s Foreign Policy Statewatch, Issue 30, July 2011*

<sup>17</sup> *Corruption Perception Index 2010 Results*

## TRANSPORT

of EaP countries. Ukraine, despite being full member of the Energy Community, shows very low progress by having only prepared the ground for gas market reform. It has hardly implemented any other reforms or requirements within its membership in the Energy Community. Ukraine's heavy activity in implementing some energy efficiency incentives could be explained by its energy and CO<sub>2</sub> intensity—the highest among EaP countries.

Moldova, also a member of the Energy Community, and, interestingly, Armenia, demonstrate better performance in implementing European reforms of the gas and electricity markets. The latter, despite having the weakest links to the EU in terms of energy, demonstrates relatively good progress in areas of environment and electricity, in setting and supporting Renewable Energy Sources (RES) targets, and even in solving grid connection issues which are problematic in other EaP countries. Georgia, an Energy Community observer like Armenia, shows partial compliance with the EU directives and regulations, while it pursues gas and electricity market liberalisation and is close to full legal unbundling.

EaP countries have only begun to transform their energy sectors in accordance with EU regulations. Advanced reforms within the Third Energy Package and ambitious 20-20-20 targets, which aim at deep market restructuring and wide-scale infrastructure investments are not yet on the agenda. Independent regulators in Armenia and Moldova and free access to infrastructure in Georgia and partly Ukraine are the first steps that have already been taken in reshaping local markets in this direction.

Where such structural indicators as EaP countries' energy consumption are concerned, the energy intensity of these countries is twice as high as the EU average and the RES share in primary energy consumption is still low, though increasing. Greenhouse gas (GHG) emission reduction targets remain high because national policies are less focused on production, which is heavily dependent on fossil fuels. This means that even having implemented EU standards, EaP countries will need to make painstaking efforts in order to bring their energy market structures closer to those existing in the EU. This process may take several years if not decades as the direction and pace of reforms are defined not only by political will, but also by economic, industrial and (geo)political factors that often act as intervening variables.

Modern transport policy should be aimed at making transport connections smoother, safer and more reliable for all transport users from the EU and EaP countries. So far, EaP countries have not demonstrated much success in pursuing the goal of deeper integration with the common transport spaces of the EU both in terms of infrastructure and regulatory environment. However, a closer look at some countries reveals some progress. Georgia and Moldova have already signed an Agreement on Common Aviation Area (CAA), and Azerbaijan began negotiations in 2011. At the same time, Ukraine, the first to start talks to join the CAA, is still far from achieving this goal. Nevertheless, these efforts by EaP countries show their intentions to ensure better quality and reasonable prices for aviation services for all users.

All EaP countries are located along transport axes between the EU and Russia and Asian countries. Consequently, they occupy a very advantageous transit position, in particular Ukraine, which is characterised by the largest number of international transport corridors, which are priorities for the EU's transport system. However, transport companies from Belarus and Moldova have also managed to benefit from their location and obtain relatively high numbers of permits to enter the EU, compared to Ukraine. Caucasus countries do not have a common land border with the EU and are therefore disadvantaged in terms of integration with the EU's land transport system. Nevertheless, they have made noticeable efforts in recent years to improve the quality of their transport infrastructure and customs procedures. As a result, being in more disadvantageous geographic conditions, they are now more advanced in logistic performance and infrastructure, which allows them to compete with Ukraine and Belarus, their larger EU-bordering neighbours.

In terms of regulatory environment, Armenia, Azerbaijan and Georgia rank higher. Ukraine comes in only fourth and is likely to be surpassed by Moldova in the near future if the current pace of reforms continues. While Moldova has demonstrated some progress, reforms in Ukraine have almost stopped over the last two years. While Ukraine has allowed third parties to access port and airport infrastructure and unbundle different business activities there, it has not established an independent transport regulator and has not significantly reduced the influence of the state, in particular in railways and roads. Belarus has the weakest regulatory environment by EU standards.

In terms of road safety, Georgia has shown the worst indicator, though this can be partly attributed to its complicated terrain. In general, all EaP countries demonstrate poor transport safety, which means all of them have to work hard to improve this aspect of their transport systems.

To sum up, all countries under consideration are at different progress levels in transport integration and harmonisation with the EU. However, the efforts of Moldova and the Caucasus countries are noteworthy and it is expected that these countries will swiftly progress along the European pathway.

## ENVIRONMENT AND SUSTAINABLE DEVELOPMENT

In this part of the Index, Moldova, Belarus and Georgia are the best performers, while Ukraine and Azerbaijan are the worst, mostly due to the high strain on their environments and poor environmental conditions.

We assessed performance in two major issue areas: 1) environment, climate change and sustainable development policy and 2) resource efficiency, impact on / state of the environment. In the first set of issues, Moldova shows the highest results. Ukraine comes in second, followed by Armenia and Georgia. Azerbaijan and Belarus close the list.

Moldova is leading in terms of policy, where environmental protection has a crosscutting nature and environmental policy integration (EPI), as demanded by the EU. Major international environmental conventions with compliance monitoring mechanisms assess Moldova as a country that complies with major requirements. Ukraine has showed some progress in terms of policy development and implementation. It recently adopted a new environmental policy consisting of a Law on State Environmental Strategy and the National Environmental Action Plan, where the EPI is a core. Ukraine is also leading among all EaP countries in terms of the number of Environmental Conventions and Protocols it has ratified. At the same time, Ukraine did not comply with the Aarhus and Espoo UN ECE Conventions or the Kyoto Protocol in 2011. Yet, after having implemented the recommendations of the Compliance Committee of the Kyoto Protocol, Ukraine was allowed to resume its participation in trade of greenhouse gas emissions quotas in March 2012. Armenia comes in third and is the only

country among the six EaP countries that has ratified the Protocol on Strategic Environmental Assessment to the Espoo Convention, one of the main EPI instruments. Georgia, in fourth place, adopted the second generation of the National Environmental Action Plan in December 2012. Azerbaijan and Belarus lag behind in terms of environmental policy and legislation development.

In sustainable development policy, only Armenia has recently adopted the National Programme on Sustainable Development. Notably, this was developed with the active participation of civil society. Also, Armenia has a functioning National Council on Sustainable Development (NCSD) under the President, where NGOs have a seat. Moldova went through a structured process including NGO involvement for the preparation of its own National Sustainable Development Strategy (NSDS), but the Government did not adopt it, while other sectoral programmes on sustainable development were adopted. The NCSD in Moldova was established with the participation of NGOs as well. Azerbaijan has a State Sustainable Development of Regions Programme, while National SD Strategies have not yet been adopted in Georgia, Belarus or Ukraine. The latter has the SD principles and elements incorporated into its State Environmental Strategy. All countries, except Armenia, lack effective institutional provisions for the SD at the national level, though preparations for the Rio+20 Global Conference on Sustainable Development revitalised some activities on SD. Armenia, Ukraine and Moldova are all developing 10-year framework policies on Sustainable Consumption and Production.

In Sustainable Development and Trade, several indicators were considered. Ukraine ratified the largest number of International Labour Organization (ILO) conventions, 69, among EaP countries and 60 of them are already in force. Azerbaijan follows with 57 and 55 correspondingly, Belarus with 49 and 42, Moldova with 42 and 40, Armenia with 29 and 29, while Georgia has ratified and implemented 16. There has been little progress in imposing an EU-comparable mechanism for the prevention of illegal and unofficial fishery. Only Moldova adopted a relevant law, while Ukraine's legislation meets the standards only partially. Control of legal trade in forestry is slightly better, in particular in Armenia, Belarus and Ukraine, but the matter needs further investigation.

The analysis of the 12 indicators on resource efficiency, impact on the environment and state of the environment in this Index demonstrates that Belarus has the best environmental situation among EaP partners,

followed by Georgia and Moldova. Ukraine has the worst situation. This result correlates with the recently-published Yale University Environmental Performance Index (EPI) covering 163 countries, where Ukraine ranks well below other EaP countries. Armenia and Azerbaijan have the worst water exploitation indexes (WEI), and Georgia and Armenia have performed poorly where water pollution is concerned. While Ukraine's WEI is comparable with the EU-27 average, Armenia's and Azerbaijan's is double. Ukraine is a leader on SO<sub>2</sub> pollution, showing approximately 3 times higher emissions than EU-27.

At the same time, the level of individual consumption of all EaP countries is not yet at EU-27 levels, confirmed by lower municipal waste production per capita. Where recycling is concerned, Belarus is recycling 12% and Ukraine 5-8%, while the others are not even at 1%, compared to over 22% in the EU-27.

The analysis demonstrated that, in terms of reducing greenhouse emissions compared to reduction potential, some countries actually increased their emissions in 2010—from 10% to 30%—, which could also indicate a need to redefine reduction potential. At the moment, Belarus is leading in the region with 51% and Moldova with 42%, compared to a 40% reduction by EU-27 in 2010.

Georgia has the highest pesticide input per hectare, almost twice exceeding the EU average, Moldova and Belarus correspond to EU practices, and Ukraine is the best, taking only 0,5-1 kg per hectare making least impact on the soil.

Meanwhile, the level of soil erosion is very high in EaP countries. All of the EaP countries exceed the EU-27 average. The worst situation is in Ukraine, where erosion is up to 57.5%, three times higher than in the EU-27. Armenia follows with 43.7%, Azerbaijan comes in at 36.4% and Georgia – 33%. At 26.0% and 19.3%, Moldova and Belarus look relatively better, although they still have a high share of eroded soil per territory.

In terms of forest area, only Belarus and Georgia exceed the EU-27 share. Ukraine has proportionally half as much forestland as the EU-27 average, while Armenia, Azerbaijan and Moldova all have only one third. A similar situation is observed with natural protected areas. None of the EaP countries came close to the EU-27 average indicator, with Azerbaijan being the best with  $\frac{2}{3}$  of EU areas, with Ukraine at  $\frac{1}{3}$ , Moldova with  $\frac{1}{4}$  being the worst.

A general conclusion can be drawn that despite some success in policy elaboration and international cooperation, implementation of new strategies, plans and laws, all EaP countries lag behind when it comes to resource efficiency and the state of/impact on the environment. For the time being, Moldova is the most successful in its environmental policy effectiveness, while Belarus and Georgia follow. Ukraine is the biggest country in Europe by territory after Russia, with a long history of industrial and conventional agriculture within the former USSR. As such, it inherited heavy environmental consequences that are yet to be solved. This explains the largest gap among all EaP countries between modern environmental policy and the modest results of its implementation.

## PEOPLE-TO-PEOPLE AND POLICIES ON EDUCATION, CULTURE, YOUTH, INFORMATION SOCIETY, MEDIA, AND AUDIO-VISUAL USE

This part of the Index looks at the mobility of ordinary people, including students, at educational policies, focusing on the Bologna process, and at policies on culture, youth, the information society, media, and audio-visual use.

Where mobility is concerned, Moldova is far ahead of other countries, followed by Ukraine and Georgia, with the remaining three lagging significantly behind. Although Belarus receives the highest number of EU visas per capita and is close to the EU geographically, due to limited domestic opportunities for mobility such as legislation for student mobility and the availability of low-cost flights, it lags behind Georgia, a much more geographically distant country.

Participation in EU programmes and agencies is open to all EaP countries that have Partnership and Cooperation Agreements with the EU, but Belarus is an exception. Several EU programmes are open to Belarus for participation as well. Participation in selected Programmes and Agencies is defined by the European Commission according to the needs of each country and provided for in bilateral Protocols. A PCA Protocol has been signed by Ukraine and Moldova.

Moldova leads among EaP countries in terms of participation in EU programmes and agencies. It is followed by Georgia, Armenia and only then Ukraine, Azerbaijan

and Belarus. This is largely due to the fact that we mostly measured per capita participation in different programmes. Where absolute figures are concerned, Ukraine, as the biggest country in the region, leads in participation in different programmes.

With regard to the Bologna process and general education reforms, Georgia is the best performer. Georgia managed to make serious reform efforts back in the early 2000s and the situation now in many ways reflects what was done before. Belarus is lagging behind on the majority of indicators. This is due to the fact that education in this country is totally subordinated to the state at the central level, while reforms are mostly formal. Other countries, notably Ukraine, Moldova, Armenia and Azerbaijan, have so far preserved the soviet legacy with the state trying to control universities and at the same time attempting to implement Bologna principles. The situation regarding the autonomy of universities with regard to academic, institutional, personnel and financial components illustrates this rather vividly: the state controls universities in many respects, denies them the right to issue diplomas and grant qualifications and allows only limited institutional and academic freedoms. Ukraine remains the outsider where the new law on education is concerned, while other EaP countries have reformed education legislation. At the same time, Ukraine is doing better in terms of the National Qualifications Framework. No EaP country has made progress in providing opportunities for foreign students, including students from the EU. The majority of foreign students still come from neighbouring post-soviet countries and Central Asia.

Where culture, youth, information society, media, and audio-visual use are concerned, all EaP countries have more or less equal scores. More specifically, Ukraine, Moldova and Armenia are the most progressive in cultural policy, although Ukraine initiated reforms and monitoring through the Cultural Policy Review later than other EaP countries. Specific provisions are defined by the UNESCO Convention on the Protection and Promotion of the Diversity of Cultural Expressions (2005) and the activities of the Council of Europe in this field, governed by the European Cultural Convention (1955) and participation in European cultural policy dialogue at the level of the Council of Europe.

Regarding youth policy, we looked at the national concept or legislation on youth policy, the national youth report, and at legal provisions for volunteering and for youth work. There are two different approaches in the

region regarding national documents on youth: some countries use or amend old laws from the early 1990s, while others develop new legislation.

Apart from Belarus, all EaP countries are making progress in developing new strategies and laws, such as a law on volunteering. There are strong debates on the provision of youth work and informal education in Armenia. Until 2009, there were only fragmentary provisions for youth policy in Georgia, but the development of a National Youth Policy started in 2009 and the new law was already adopted and will come into force later in 2012. Georgia adopted its cultural legislation rather recently, but it is open to develop a new quality of youth policy. Moldova has no comprehensive youth report—only numerous fragmented studies on youth. There has been progress in preparing a new law on youth. Moldova also adopted a Law on Volunteering and at the moment is the only country that provides conditions for youth work according to an informal educational strategy. Ukraine has passed a number of amendments and also adopted a Law on Volunteering, while Belarus has stuck to its old legislation.

## ASSISTANCE

The Eastern Partnership countries are the recipients of Official Development Assistance (ODA) provided by the European Union. Despite the fact that the EaP countries are not traditional EU development partners, ODA constitutes an important linkage dimension, as it involves not only the transfer of financial resources, but also the exchange of experience and know-how as well as contacts between people.

In the EaP Index, we focused in particular on ODA delivered by the European Union itself (assistance delivered by the EU institutions, subsequently referred to as “EU”), including ENPI national and regional assistance, participation in thematic instruments and cooperation with European financial institutions. Nevertheless, to measure the real linkages between the EU and EaP countries in terms of assistance, we also examined the volume of aid delivered by Union Member States. In 2010, the volume of aid provided by the EU and EU-27 was almost equal—around EUR 400 million each—totaling slightly above EUR 800 million.

Among EaP countries, European assistance plays evidently the biggest role in the cases of Moldova and

Georgia. In these two countries, EU-27 and EU aid represents each 1-2% of GDP, whereas in the case of the remaining countries the assistance links with the EU are rather marginal. In the case of Ukraine, it stems from the size of the country and its GDP, in the case of Azerbaijan, Belarus and, to a lesser extent, Armenia, the limited level of assistance is a result of the political situation and evident lack of willingness toward European Union integration. This refers to both assistance provided by individual Member States and to EU aid.

The key assistance instrument used by the EU in relation to Eastern Partnership countries is the European Neighbourhood Policy Instrument. For the years 2007-2011, the EU committed around EUR 1,5 billion to the EaP countries, with the biggest share—more than one third—planned as aid for Ukraine. The only country that will not benefit significantly from these funds is Belarus.

To measure the linkages between the EU and EaP in terms of transfer of experiences, know-how and contacts between people, we also studied the number of TAIEX projects aimed at providing targeted policy and legal advice, usually by sending an expert from an EU Member State to help a ministry or local government in a partner country with a specific reform task. In 2007-11, two countries, Ukraine and Moldova, each implemented more than 100 TAIEX projects, whereas in other countries, the scope of activities of this kind was much smaller. This somewhat mirrors the depth of engagement of these EaP countries' institutions in approximating its legislation with the *acquis communautaire*. We also examined the number of Twinning projects focused on sending officials from EU Member State administrations to work together with their counterparts in the administration of a partner country. In this case, the projects implemented in Ukraine—40 over 2007-2011—were most numerous, although other countries, except for Belarus, also benefit from this scheme.

All countries except Azerbaijan are involved in ENPI East regional and interregional projects, in particular Ukraine, Moldova and Belarus, which are in closest proximity to the EU and share the longest land borders with EU Member States. Ukraine and Moldova also received additional EU support, on top of the EU funding amounts already allocated for those countries, from the so-called Governance Facility aimed at providing support to those partners who have made the most progress in implementing the agreed reform agenda set out in their Action Plan. Additionally, all countries, with the excep-

tion of Azerbaijan and Belarus, benefit from the Neighbourhood Investment Facility. On the other hand, only Armenia and Moldova employ high-level EU advisors in their governments.

Regarding European financial institutions, we examined the loans offered by the European Investment Bank (EIB)—one of the EU institutions—and the European Bank for Reconstruction and Development (EBRD), which is outside the EU institutional framework. While all EaP countries have recently benefitted from loans offered by the EBRD, the EIB is actively involved in all countries with the exception of Azerbaijan and Belarus.

## MANAGEMENT OF EUROPEAN INTEGRATION

In the 2012 Index, unlike the previous one, we have relied on a more elaborate set of issues and questions to assess the management of European integration in EaP countries. We have studied institutional arrangements for European integration for coordination and implementation, legal approximation for institutional and policy aspects, management of EU assistance, professional development in the field of European integration for civil servants and in universities, and the participation of civil society.

Among EaP countries, management of European integration seems to reflect the level of priority placed on the EU in each country. Georgia, Moldova and Ukraine, those that have the greatest EU aspirations, are ahead of Armenia, Azerbaijan and Belarus that have weaker EU aspirations. Georgia and Moldova, the frontrunners, are approximately at the same level of performance, while Ukraine lags somewhat behind. Armenia and Azerbaijan are further behind and show similar results. Therefore, the EU is on the agenda in all six EaP countries, albeit to a lesser extent in Belarus.

Performance in different aspects of European integration management is uneven. Where institutional arrangements for European integration, that is, coordination and implementation are concerned, Moldova and Georgia are far ahead, and Armenia has caught up with Ukraine. This is largely so due to Ukraine's poor performance compared to two or three years ago when the country had a relatively efficient coordination mechanism.



Although none of the EaP countries have established an EU coordination mechanism that is comparable to the UKIE in Poland, in Georgia and Moldova, the official in charge of European integration is a deputy premier, which entails the power to coordinate the system. This is also the case in Ukraine, although this official has a very broad portfolio in which European integration is just one component. In Moldova, the Minister of Foreign Affairs and European Integration, who is also the deputy premier, is in charge. In Georgia, the relevant functions are performed by the State Minister for European and Euro-Atlantic Integration. This office is the main coordinating authority for EU affairs and serves as the secretariat of the European Integration Committee, the latter being a council of ministers that meets regularly. In Armenia, the Special Commission for EU Affairs is headed by the Chair of the National Security Council, who reports directly to the President and is completely in charge, but its powers are more advisory in nature. In Azerbaijan, much like in Ukraine, a deputy premier with a broad portfolio coordinates European integration.

Ukraine leads in terms of legal approximation, closely followed by Georgia. This is not to say that comprehensive approximation takes place in reality, but it reflects developed policy and procedural arrangements that were taken over from the previous government. In fact, this part of the Index looks at policy and procedures, while the impact of approximation is assessed in the *Approximation* dimension. Georgia probably has the most efficient system of legal approximation given that procedurally any bill or regulation submitted to the legislature has to be accompanied by an explanatory note that scrutinises compliance with the EU *acquis*.

Ukraine is also leading in our assessment of training in the field of European integration, both for civil servants and at Universities. This has to do with the fact that Ukraine has a special state programme for training in the field of European integration with limited budget allocations, and a National Academy of Public Administration that organises courses. Other EaP countries mostly rely on international donor support, including TAIEX and Twinning instruments of the EU. At the university level, there is no state support for this process, although European studies are slowly developing in all EaP countries. Overall, there is much room for improvement in all EaP countries in regards to the capacity building of civil servants that deal with the EU.

Management and coordination of EU assistance is less developed in Ukraine and Armenia than in other countries. Meanwhile, Moldova has a firm lead. Azerbaijan and Belarus are doing relatively well due to being strongly centralised with a strong vertical system and due to the fact that they receive much less funding than other countries, which in a way reduces the workload for them.

From our perspective, a criterion such as the political position of the National Coordinator for EU assistance is crucial because it consolidates the functions of strategising national reforms and coordinating the instruments for their implementation. This directly affects the efficiency of EU assistance. In this respect, Moldova is the only EaP country where the Premier is the National Coordinator for EU assistance.

The assessment of EaP countries according to the criterion of a donor coordination mechanism again puts Moldova in the lead. In Moldova, the External Assistance Unit within the State Chancellery is in charge, while in other EaP countries the coordination of EU assistance is less clearly streamlined and sometimes is divided between different institutions or is in the hands of a ministry.

In this Index, we have also examined awareness-raising about European integration and found that activities aimed at making society better aware of the EU and the costs and benefits of European integration are not carried out in any of the EaP countries. If such activities take place, they are funded and implemented by donors and NGOs, while the governments of these countries place little importance on this issue.

Finally, we looked at the level of civil society involvement in European integration among EaP countries. We studied both civil society activities and their impact on decision-making concerning European integration. Moldova and Georgia are the frontrunners due to the fact that civil society in these countries has more chances to be included in the policy process. Ukrainian civil society, although active and vibrant, has enjoyed very limited access to the policy process in the past year.

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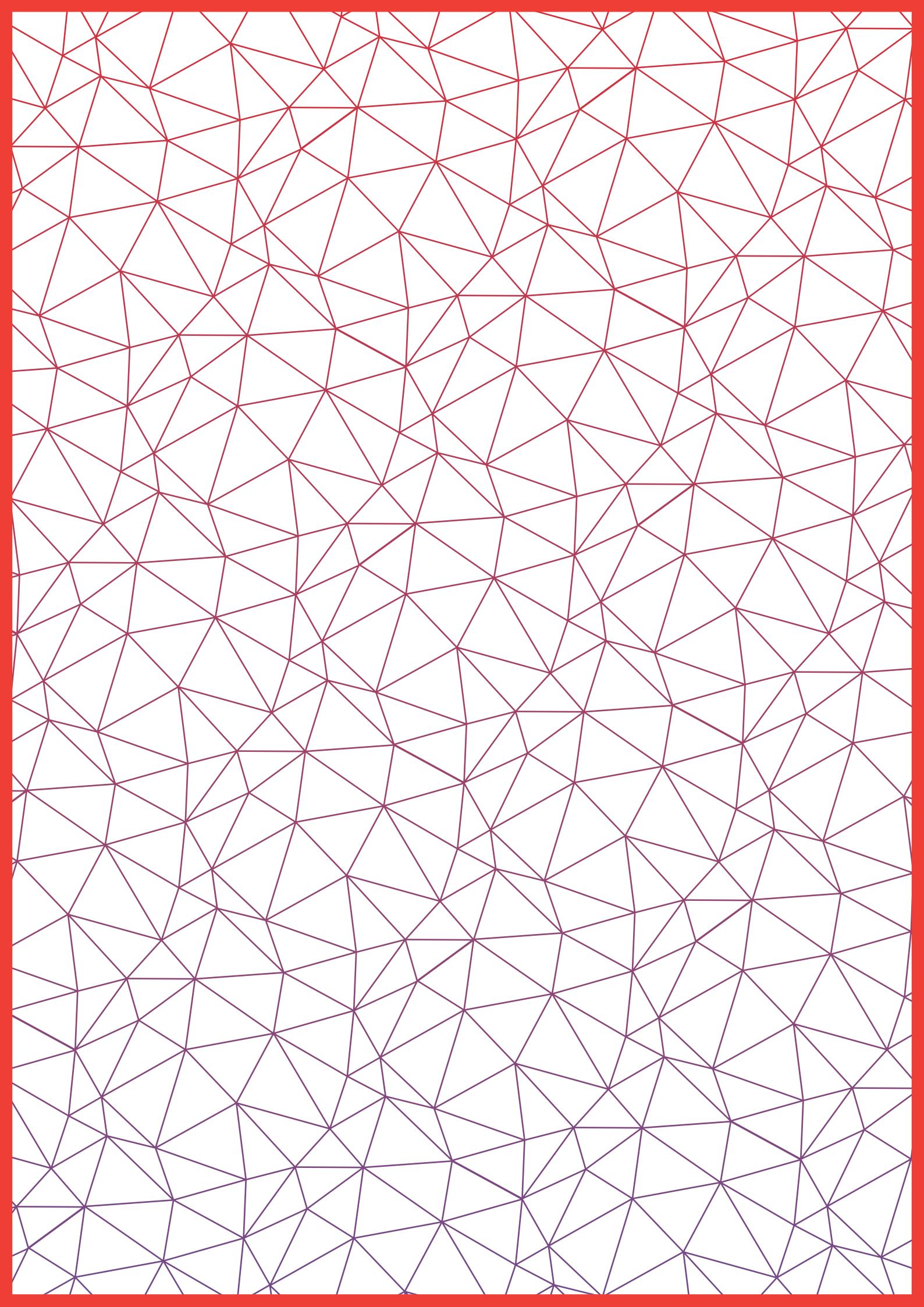
## INTERNATIONAL RENAISSANCE FOUNDATION

International Renaissance Foundation (IRF) is the largest Ukrainian charity organisation that promotes civil society development in the country. The IRF is a part of the Open Society Foundations (OSF) network founded by American financier and philanthropist George Soros. Its main objective is to provide financial, operational and expert support for open and democratic society development in Ukraine. IRF initiates and supports key civic initiatives, which foster the development of civil society, promote rule of law, independent mass media, democratisation of education and public health, advancing social capital and academic publications and ensuring protection of national minority rights and their integration into Ukrainian society. IRF's European Programme was established in 2004. The goal of the Programme is to promote Ukraine's European integration by providing financial and expert support to the relevant civil society initiatives.



## THE OPEN SOCIETY FOUNDATIONS

The Open Society Foundations work to build vibrant and tolerant democracies whose governments are accountable to their citizens. To achieve this mission, the Foundations seek to shape public policies that assure greater fairness in political, legal, and economic systems and safeguard fundamental rights. On a local level, the Open Society Foundations implement a range of initiatives to advance justice, education, public health, and independent media. At the same time, we build alliances across borders and continents on issues such as corruption and freedom of information. The Foundations place a high priority on protecting and improving the lives of people in marginalised communities. Investor and philanthropist George Soros established the Open Society Foundations, starting in 1984, to help countries make the transition from communism. Our activities have grown to encompass the United States and more than 70 countries in Europe, Asia, Africa, and Latin America.





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