

# EUROPEAN INTEGRATION INDEX **2014** FOR EASTERN PARTNERSHIP COUNTRIES





European Integration Index 2014 for Eastern Partnership Countries  
© Eastern Partnership Civil Society Forum  
Open Society European Policy Institute  
International Renaissance Foundation  
PASOS (Policy Association for an Open Society)

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# THE EASTERN PARTNERSHIP IN 2014: TURNING POINT FOR SOME, INSECURITY FOR ALL

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## TOP CHALLENGES FOR 2015

- The EU should carefully differentiate between the six Eastern partner countries, and provide intense support to Ukraine to help it overhaul its system of governance against the backdrop of the war in Eastern Ukraine.
- The EU Council should approve visa-free travel for Georgia and Ukraine (granted to Moldova in 2014) upon completion of the second phase of the Visa Liberalisation Action Plan.
- The Comprehensive Institution Building programme should be strengthened, building on the “more for more” approach of enhanced support, including political support, for those countries that achieve demonstrable reforms. The EU should support civil society and expert monitoring of implementation of EU support.
- In Armenia, Azerbaijan and Belarus, the EU should consistently offer dialogue and support to civil society and reform-minded actors, and put in place a communications campaign to demonstrate the benefits of integration with the EU. The EU should balance offers of co-operation on “modernisation” with the governments with a robust programme providing stronger support to non-governmental actors working to promote freedom of expression, independent media, and human rights.

## THREE OUT OF SIX EASTERN PARTNER COUNTRIES HEAD FOR DEEPER INTEGRATION WITH THE EU

The Eastern Partnership (EaP) Summit in Vilnius, Lithuania, on 29 November 2013 marked a turning point for the Eastern Partnership initiative. The summit and the months leading up to it accentuated the deep differences of orientation among the Eastern partner countries - those who were prepared to move to much deeper integration with the European Union (EU) and sign Association Agreements, and those with more limited ambitions.<sup>1</sup>

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<sup>1</sup> The six countries that signed the Eastern Partnership summit declaration in Prague on 7 May 2009 were: Armenia, Azerbaijan, Belarus, Georgia, Moldova, and Ukraine.

But the whole region was thrown into a state of heightened uncertainty - namely insecurity created by pressure from Russia not only to prevent countries from developing closer ties with the EU, but also its outright violation of a neighbour's territorial integrity, with the annexation of Crimea and the outbreak of war in Eastern Ukraine in 2014. The annexation took to a new level Russian intervention in the territories of the Eastern partner countries, compounded by accords between Moscow and the breakaway regions in Georgia, including unilateral repositioning by Russia deeper into Georgia of the border fence between Georgia and Russia-backed South Ossetia in late 2013.

In the months running up to the Vilnius Summit, the political leadership in two countries on course to sign Association Agreements

yielded to pressure from Moscow to turn away from the prospect of deeper integration with the EU. On 3 September 2013, after the conclusion of Armenia's negotiations on its agreement, including a Deep and Comprehensive Free Trade Area (DCFTA), President Serzh Sargsyan decided to change course and instead accede to the newly created Eurasian Economic Union (EEU) led by Russia. Armenia's dependence on Russia for both energy supplies and security had played a role in this decision.

In Ukraine, President Viktor Yanukovich, under strong pressure from Moscow, likewise opted out of deeper European integration until the Euromaidan protests swept him from power in February 2014, ushering in a political leadership that restored Ukraine's pro-EU orientation. Russia responded by destabilising the country, annexing Crimea and intervening militarily in Eastern Ukraine.

By the end of 2014, Ukraine had joined Georgia and Moldova in signing and ratifying Association Agreements with the EU, complete with a DCFTA (although the latter's implementation was delayed until 2016 in the case of Ukraine). Armenia was set to join the EEU with Russia, Belarus and Kazakhstan at its launch in January 2015. Belarus's membership of the EEU and its precursor, the Customs Union, prohibit a DCFTA with the EU, while the leadership in Azerbaijan showed no interest in integration with either trade bloc.

While the Association Agreements do not amount to an EU membership perspective, Georgia, Moldova and Ukraine have made a commitment to align policies and legislation to those of the EU in return for political and financial support, preferential access to EU markets, and visa-free travel (in the case of Moldova, visa-free travel was achieved in May 2014).

The governments of Belarus and Azerbaijan remain far removed from the commitment to "fundamental values, including democracy, the rule of law and the respect for human rights and fundamental freedoms" to which they subscribed in the Eastern Partnership summit declaration that launched the Eastern Partnership in Prague on 7 May 2009. Armenia's support for these values remains questionable.

Can the Eastern Partnership be considered at least a partial success to date?

The record is mixed. The instruments of co-operation and integration the EU offers are technical in nature and cannot compete with stronger geopolitical factors. The EaP also lacks policy tools that can be deployed when domestic power considerations and vested interests prevail to work against European integration. The case of Ukraine under Yanukovich and Armenia's U-turn are the two most obvious examples.

Nevertheless, the negotiation of ambitious Association Agreements with three partners does constitute an important achievement, and its impact is evident in the performance of these countries already.

Much is by definition out of the EU's reach - it is not a security alliance that can provide military protection against a resurgent Russia. It also has few tools to drive reforms where political will is absent or corrupt elites block change.

Many member states of the EU are dependent on energy supplies from Russia and hold vested interests in Russian economy. This is reflected in their reluctance to confront Moscow to buttress the independence of smaller countries in the European periphery.

## TWO GROUPS, BUT MANY DIFFERENCES

Since it was first published in 2011, the Index has shown a division between two groups of countries in terms of the extent of their efforts towards European integration. This is again evident in the 2014 Index. What we observe today is that the three countries that have consistently shown the best performance have now signed Association Agreements with the EU. The readiness to sign an Association Agreement was the reflection of deeper long-term processes the Index tracked already back in 2011. Armenia was the only country whose place in one group or the other was unclear, since on some indicators it performed on the same level or sometimes even better than the front-runners.



It can be argued that the division in the Eastern Partnership will consolidate even more over the coming years, as the first three countries move closer and closer towards the EU, most importantly in terms of approximating their domestic institutions and practices to EU standards, while the other three countries run the risk of further consolidation of authoritarian rule.

Yet, beyond this division, the region is heterogeneous in many other ways too and, to succeed in strengthening relations with each of the six countries, the EU needs to differentiate more astutely, looking deeper into domestic structures, actors and processes in each country.

The countries of the region share many commonalities.

First, they are all a part of the common neighbourhood of the EU and Russia, which has serious implications for the security situation of the countries and their ability to integrate more closely with the EU.

Five of the six countries (the exception is Belarus) have territorial problems and frozen (or active) conflicts. Armenia and Azerbaijan are in a long-standing confrontation over Nagorno-Karabakh, while Russia is backing secessionist enclaves in Abkhazia and South Ossetia in Georgia, Transnistria in Moldova, and since 2014 Crimea and Donbass in Ukraine.

All six countries continue to face internal challenges in terms of democracy and the rule of law, not least corruption and the power of oligarchs over the political system and the media environment. Moreover, the democratic performance of the three frontrunners remains far behind that of most new member states of the EU.

Similarly, unlike Georgia which has long enjoyed a high rating in the World Bank Doing Business reports (placed 15th, ahead of 22 EU member states, in the 2014 ranking), neither Moldova nor Ukraine has a stable or welcoming business environment for investors (Ukraine ranks the worst of the six partner countries).

## SUSTAINABLE SUPPORT TO CIVIL SOCIETY AND REFORM-MINDED ACTORS

There are reform-minded actors and veto-players in each country. It is the constellation of these actors that is decisive for the reform process. In all six countries, the veto-players are stronger and are to be found among the political elites. The reform-minded actors are mostly in civil society and small and medium-sized businesses, although Moldova, Georgia and now Ukraine have seen some of these players join the government in senior roles after elections have brought about a change of government. The EU cannot impose its agenda from outside, but it can tip the balance in favour of the first type of actors, by consistently engaging with them and limiting the space for manoeuvre for the spoilers.

The veto-players enjoy the broadest space for manoeuvre in situations when the rule of law is weak or absent, and when pluralism and political competition are suppressed.

Most recently, reform-minded actors in Ukraine changed the direction of developments in the country. If it were not for the Euromaidan movement that rebelled against the political leadership, Ukraine would not have signed the Association Agreement. In contrast, the reform-minded actors in Armenia did not have the same leverage and lacked strong support among opposition political parties to stand against the decision of Sargsyan to turn the country towards the EEU.

## RUSSIA THE DESTABILISING FACTOR

In 2014, the opposition of Russia to the process of European integration became more pronounced than ever. To make it clear, the Association Agreements with the EU do not preclude the partner countries from having free trade areas with Russia, China or any other country in the world. The Russian-led EEU, however, does exclude the possibility of free trade agreements with the EU.

Russia has deployed a number of instruments to disrupt the EU's agenda in the region. The cases of Armenia and Ukraine (during Yanukovich's

rule) served as the most vivid examples, but trade embargoes against Moldova also had a significant impact. Societies in the Eastern partner countries are now polarised between pro-EU and pro-Russia tendencies.

Russian aggression in Ukraine has meant that - outside of the separatist-held areas - closer relations with Russia under President Vladimir Putin have become unpalatable for political elites and the general public alike. Between December 2013 and December 2014, support for Ukraine's membership in the Customs Union/EEU fell from 36% to only 16%.<sup>2</sup>

The EU and Russia act on different levels with different checks and balances.

Russia has a highly centralised state that can take decisions quickly, and with little consideration for its neighbours' sovereignty. In the EaP region, it has sustained frozen conflicts, struck non-transparent deals with authoritarian leaders, and unleashed propaganda and disinformation campaigns.

The EU acts through a process of democratic consensus among its 28 member states - highly accountable, but limited in speed and unity of response, and through arrangements which are largely technical in nature.

But the EU is rather weak in communicating its values, thus reducing the effectiveness of its "soft power". In contrast, Russia dominates the region's information space and can easily disrupt the EU's normative power. The Russian version of the interpretation of events in Ukraine reached the majority of the population in the Eastern partner countries. In Belarus and Armenia, Russian TV is the top source of information on the situation in Ukraine. In Moldova, it continues to be an important source of information as well.

While the EU's actions should bring results (institutional changes) in the longer run, Russia can disrupt the EU's agenda in the short term. The EU needs to develop mechanisms, including fast-response political support actions, to counterbalance immediate threats from Russia.

## THE ROAD TO THE RIGA SUMMIT

The clear division between the six countries poses a challenge to the EU's Eastern Partnership initiative. Should the EU keep the same level of ambitions for all the six countries, hoping that those that are lagging behind will catch up in the future, or rather develop alternative arrangements for Belarus, Armenia and Azerbaijan?

The prospect of a common trajectory would provide incentives for reform-minded actors, no matter how weak, in the countries that have not signed Association Agreements.

The EU should therefore try to ensure that the *de facto* institutionalisation into two groups of countries is tempered by offering instruments that give Armenia, Azerbaijan and Belarus the chance to catch up whenever there is a window of opportunity or an increase in political will for European integration, by working to strengthen the reform-minded actors and to limit the space for manoeuvre for the veto-players. Deeper engagement through cultural and educational exchanges, and also with local and regional authorities, will be an important investment, spreading EU good practice and standards, as well as building good will that will serve well if and when a change in the political climate emerges.

As the new European Commission that took office on 1 November 2014 reviews the European Neighbourhood Policy - East and South - an opportunity exists in the run-up to the Eastern Partnership Summit in Riga, Latvia, on 21-22 May 2015 to forge a nuanced policy that is merit-based and inclusive.

A programme of peer exchange should be launched between those countries engaged in implementation of Association Agreements in areas such as DCFTA implementation, visa dialogue, and Energy Community obligations, organising special meetings open also for Armenia, Azerbaijan and Belarus.

The EU should carefully differentiate between the six Eastern partner countries, in particular through intense support to Ukraine to help it overhaul its system of governance against the backdrop of the war in Eastern Ukraine. It is also necessary to further strengthen

<sup>2</sup> [http://dif.org.ua/en/polls/2014\\_polls/jjorjokpkhpkp.htm](http://dif.org.ua/en/polls/2014_polls/jjorjokpkhpkp.htm)

the “more for more” approach of enhanced political and financial support for those who achieve demonstrable reforms, even more so as the three frontrunners are all under intense pressure from Russia on the trade, security and propaganda fronts.

The Comprehensive Institution Building programme (CIB) should be made more wide-ranging, providing systematically more technical and financial assistance, as well as twinning, on the “more for more” basis. The EU should support civil society and expert monitoring of the implementation of EU support. Energy Community membership and visa liberalisation should be on the table for all six countries.

The EU should send a strong political signal of support to the societies of the three countries that have not signed an Association Agreement. It should consistently offer engagement with a broad range of civil society actors and reform-minded actors in the three poorest performing countries, with a view to keeping opportunities for a deeper partnership open for a later date. It could well be a very long wait before another Association Agreement is concluded, so the engagement with reform-minded actors must be conceived and sustained for the long term.

# WHAT IS THE EAP INDEX?

*The European Integration Index 2014 for Eastern Partnership Countries* charts the progress made by the six countries towards integration with the EU. The 2014 Index covers the period of January 2013 - June 2014, combining independent analysis with the most recent annual quantitative data to provide a snapshot of progress in attainment and continued fulfilment of democratic standards.

When the EU's Eastern Partnership initiative was launched in May 2009, the governments of the six Eastern European partner countries declared their intention to respect the values of democracy and human rights, and to align with EU standards of good governance and the rule of law.

With a common Soviet past, they embarked together on the path of closer integration with the EU, but already in 2009 they were setting out from different starting-points with varying expectations of their trajectory. Some of them declared an ambition to become EU members. For others, their engagement was more a question of balancing geopolitical relations, not least with the EU to the west and Russia to the east.

Clearly, the dramatic events in Ukraine (first, the withdrawal from the Association Agreement and DCFTA, then the Euromaidan protests and emergence of a new government, followed by Russia's illegal annexation of Crimea and the start of the war in Eastern Ukraine) have meant that the period covered is not one of ordinary development, but rather a series of stops and starts, and multiple challenges. The U-turn by President Serzh Sargsyan, withdrawing Armenia from the Association Agreement and DCFTA in September 2013, likewise split the period covered into an initial phase of intense negotiations and progress followed by a reorientation towards accession to the Eurasian Economic Union (EEU).

The Index is designed to generate recommendations to guide countries along the reform process and to raise the alarm when countries depart from the expected trajectory, when progress is being held back or even

reversed. The Index also serves as an important monitoring tool for both civil society and policymakers in the partner countries and the EU.<sup>1</sup>

The Index has three important characteristics:

- It sets out a detailed standard for the assessment of “deep and sustainable democracy”.
- It provides a cross-country and cross-sector picture that is both nuanced and comparative. The six countries are assessed across the same list of (more than 800) questions and indicators.
- Finally, the Index attempts to complement and reinforce existing EU efforts, such as the annual progress reports, by offering independent analysis provided by experts in the partner countries.

The Index is produced annually and informs the EU and partner countries' governments about the relevance and effectiveness of EU assistance, including the “more for more” approach that rewards good performance with additional support. The Index points to the policy areas in each country where more progress is needed, and provides analysis for civil society organisations advocating for policy reforms in the EaP region.

The Index interprets “progress in European integration” as the combination of two separate, yet interdependent processes:

- firstly, increased *linkages* between each of the EaP countries and the EU;
- secondly, greater *approximation* between each EaP country's institutions, legislation and practices, and those of the EU.

On the one hand, the linkage process reflects the state of political, economic and social interdependencies between EaP countries and the EU. On the other hand, the approximation

<sup>1</sup> The Index does not cover the situation in the breakaway territories of Transnistria, Nagorno-Karabakh, South Ossetia, and Abkhazia.

process shows the degree to which each EaP country has adopted institutions and policies typical of EU member states and expected by the EU.

The Index is designed on the premise that increased linkages and greater approximation are mutually reinforcing. However, the dynamic of this virtuous circle depends on enabling political decisions and structures. This concept of the dynamics of European integration resulted in the identification of three dimensions for evaluation:

**Linkage:** growing political, economic and social ties between each of the six EaP countries and the EU;

**Approximation:** legislation, practices and institutions in the EaP countries converging towards EU standards and in line with EU requirements;

**Management:** evolving management structures and policies in the EaP countries that aim at further European integration.

These three dimensions are subdivided into the sections and sub-sections shown below in *The Three Dimensions of the Index*. The breakdown of all sections and sub-sections comprises analysis by independent country and sectoral experts, indicators from external sources (such as Freedom House, Transparency International, and the Bertelsmann Transformation Index), and quantitative indicators from public data sources. The full breakdown can be found on the Index's website ([www.eap-index.eu](http://www.eap-index.eu)).

The detailed methodology of the Index is explained in the chapter, *Methodology of the Index*.

The sections in *Linkage* and *Approximation* reflect the multi-level and multi-sectoral nature of European integration. They also reflect the structure of bilateral Action Plans/Association Agendas between the EU and EaP countries and the EU's annual progress reports on the EaP countries. Since existing surveys have not covered systematically all the indicators pertinent to *Linkage* and *Approximation*, local experts have provided their assessment and analysis exclusively for the Index.

*Linkage* looks at the depth and intensity of contacts and co-operation between the EU and each EaP country, in particular political dialogue,

trade flows, mobility of people, and the level of EU assistance to each country.

*Approximation* 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 partly use ratings and composite indicators produced by international agencies and other non-governmental organisations (NGOs).

For certain areas that were not well covered by existing cross-national comparisons, the Index provides detailed catalogues of items developed through consultations with experts from civil society, public authorities and EU institutions. The result is a nuanced, first-hand comparative assessment that makes it possible to pinpoint the strengths and weaknesses of each country.

*Management* looks at institutional structures and co-ordination and management of the European integration process on the ground. While the EU has no specific blueprint as to how integration policies should be managed, this dimension reflects the level of commitment to integration and the capacity to deal with the growing EU-related agenda in each EaP country.

The 2014 Index continues the more elaborate questionnaire introduced in 2013 in order to take into account the actual implementation of reforms and not just the existence of legislation. This makes it possible to trace progress or lack of progress, and make conclusions about reform efforts and political will in each of the EaP countries. (The questionnaire is available at [www.eap-index.eu](http://www.eap-index.eu).)

The Index was developed by a group of more than 50 civil society experts from EaP and EU countries. Many more contributed comments at various stages. The 2014 Index is produced by the Eastern Partnership Civil Society Forum (CSF), Open Society European Policy Institute (OSEPI), the International Renaissance Foundation (IRF), and PASOS (Policy Association for an Open Society).

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# THE THREE DIMENSIONS OF THE INDEX

## LINKAGE DIMENSION

- 1 POLITICAL DIALOGUE
  - 1.1 Bilateral institutions
  - 1.2 Multilateral institutions and Eastern Partnership
  - 1.3 CFSP/CSDP co-operation
- 2 TRADE AND ECONOMIC INTEGRATION
  - 2.1 Trade flows: goods
  - 2.2 Trade barriers: goods
  - 2.3 Services
  - 2.4 Foreign Direct Investment (FDI)
  - 2.5 Trade defence instruments
- 3 SECTORAL CO-OPERATION
  - 3.1 Freedom, security and justice
    - 3.1.1 Migration and asylum
    - 3.1.2 Border management
    - 3.1.3 Security and combatting organised crime
    - 3.1.4 Judicial co-operation: criminal and civil matters
  - 3.2 Energy: trade, FDI and integration
  - 3.3 Transport: integration with Trans-European Networks
- 4 PEOPLE-TO-PEOPLE
  - 4.1 Mobility, including academic and student mobility
  - 4.2 Participation in EU programmes and agencies
- 5 ASSISTANCE
  - 5.1 Overall EU development aid
  - 5.2 European Neighbourhood and Partnership Instrument
    - 5.2.1 Country-specific
    - 5.2.2 ENPI East regional/ Interregional
  - 5.3 Thematic instruments and programmes, and special technical assistance
  - 5.4 European financial institutions

## APPROXIMATION DIMENSION

- 1 DEEP AND SUSTAINABLE DEMOCRACY
  - 1.1 Elections (national level)
    - 1.1.1 Fair electoral campaign
    - 1.1.2 Legal framework and its implementation
    - 1.1.3 Organisation of elections
    - 1.1.4 Electoral competitiveness
  - 1.2 Media freedom, association and assembly rights
    - 1.2.1 Media freedom
    - 1.2.2 Association and assembly rights
  - 1.3 Human rights
    - 1.3.1 Protection of civil liberties
    - 1.3.2 Equal opportunities and non-discrimination
  - 1.4 Independent judiciary
    - 1.4.1 Appointment, promotion and dismissal of judges
    - 1.4.2 Institutional independence
    - 1.4.3 Judicial powers
    - 1.4.4 Accountability and transparency
  - 1.5 Quality of public administration
    - 1.5.1 Policy formulation and co-ordination
    - 1.5.2 Impartial and professional civil service
  - 1.6 Fighting corruption
    - 1.6.1 Control of corruption
    - 1.6.2 Internal and external auditing
    - 1.6.3 Public procurement
  - 1.7 Accountability
    - 1.7.1 Executive accountability to legislature
    - 1.7.2 Transparent budgeting
    - 1.7.3 Democratic control over security and law enforcement institutions
- 2 MARKET ECONOMY and DCFTA
  - 2.1 Business climate
  - 2.2 Sector transition

- 2.3 DCFTA
  - 2.3.1 Trade defence instruments and technical barriers to trade
  - 2.3.2 Sanitary and phytosanitary measures
  - 2.3.3 Customs and trade facilitation
  - 2.3.4 Services and establishments
  - 2.3.5 Capital
  - 2.3.6 Intellectual property rights
  - 2.3.7 Geographical indications
  - 2.3.8 Competition and state aid
  
- 3 SECTORAL APPROXIMATION
  - 3.1 Freedom, security and justice
    - 3.1.1 Visa dialogue
    - 3.1.2 Irregular immigration, including readmission
    - 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 Other EU energy acquis 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 Policy development and implementation
    - 3.4.2 Resource efficiency, pressure on/state of environment
  - 3.5 Policies on education, culture, youth, information society, media, audiovisual policies
    - 3.5.1 Education
    - 3.5.2 Cultural policy
    - 3.5.3. Youth policy
    - 3.5.4. Information society, media, audiovisual policies

## MANAGEMENT DIMENSION

- 1 INSTITUTIONAL ARRANGEMENTS FOR EUROPEAN INTEGRATION (co-ordination and implementation)
  
- 2 LEGAL APPROXIMATION MECHANISM
  
- 3 MANAGEMENT OF EU ASSISTANCE
  
- 4 TRAINING IN THE FIELD OF EUROPEAN INTEGRATION
  
- 5 PUBLIC AWARENESS RAISING ABOUT EUROPEAN INTEGRATION
  
- 6 PARTICIPATION OF CIVIL SOCIETY

# THE 2014 INDEX - KEY RESULTS AT A GLANCE

## MOLDOVA LEADS, BUT GEORGIA GAINS GROUND, IN EUROPEAN INTEGRATION

The 2014 Index shows a mixed set of results for the six Eastern partner countries in the period covered (January 2013 - June 2014). On the one hand, Moldova and to an even greater degree Georgia continued steady progress in integration with the EU. On the other hand, Armenia and Ukraine experienced a stop-and-start trajectory, and a range of internal and external challenges. Ukraine, alongside Georgia and Moldova, proceeded to sign and ratify an Association Agreement with the EU, while Armenia instead abandoned the agreement and prepared to join the Eurasian Economic Union (EEU) with Russia, Belarus and Kazakhstan.

While Belarus engaged in more dialogue with the EU, including starting negotiations on visa facilitation and readmission agreements, it remained the weakest performer in all three dimensions of the Index. Azerbaijan remained in fifth place in all dimensions, with little impetus towards closer EU integration and a worsening record on human rights.

The different starting points, varying political orientation towards Russia or the EU, and speed of reforms all shaped the countries' scores.

## UPS AND DOWNS

**Moldova** continued to be the top reformer in the region and had come the furthest in meeting EU standards. Its *Linkage* score - the highest of all six countries - remained the same as in the 2013 Index, and it continued to lag behind Ukraine when it came to Political Dialogue, Trade and Economic Integration, and Sectoral Co-operation with the EU. Moldova continued to have a very low score in Services, where it was outperformed by all countries except Armenia. However, Moldova had the

most developed people-to-people links with the EU, and in 2014 became the first Eastern partner country to secure visa-free travel to the EU.

Moldova improved in *Approximation*, sharing the lead with a much improved Georgia. In this dimension, Moldova showed the best results in all aspects of Deep and Sustainable Democracy with the exception of fighting corruption and the independence of the judiciary, where Georgia performed better. Moldova's approximation in all sectors was relatively high, with the exception of its transport regulatory policy that continued to lag far behind EU requirements. On the other hand, Moldova substantially improved its policies on education, culture, youth and information society.

Moldova also improved in *Management of European Integration*, where it was placed second after Georgia.

**Georgia** was the second best performer overall, and the country that showed the biggest advances in the 2014 Index. As in 2013, Georgia improved its scores in all three dimensions. Georgia remained third in *Linkage* after Moldova and Ukraine. In this dimension, its Trade and Economic Integration with the EU remained weak – on the same level as Azerbaijan.

Georgia climbed to share first place with Moldova in *Approximation*, registering the highest improvement among all six countries in Deep and Sustainable Democracy, with particularly marked improvement in elections and human rights. Moreover, it continued to have the best business climate in the region and performed best in meeting the DCFTA requirements.

Georgia leaped ahead of Moldova to become the leading performer in *Management of European Integration*. This resulted not only from the



signing of the Association Agreement, but also the development of a communications strategy for EU integration and university support for EU research.

**Ukraine**, in overall third position, experienced a mixed record on reforms and a dramatic year, including the war in Eastern Ukraine, which hampered progress. Ukraine maintained second position in *Linkage* after Moldova, showing a slight gain over the 2013 Index. In this dimension, Ukraine continued to enjoy the highest level of Political Dialogue, Trade and Economic Integration, and Sectoral Co-operation with the EU.

With a slight improvement in *Approximation* compared against the 2013 Index, Ukraine caught up with Armenia to share third place. Ukraine improved a little to rank third (equal with Armenia) in Deep and Sustainable Democracy, although still lagging behind Moldova and Georgia in many areas. Improvements in *Approximation* included education reform (greater autonomy for universities and a new system of degrees) and the adoption of the law on energy (which obliges Ukraine to implement the EU's third energy package).

Ukraine remained third in *Management of European Integration* after slipping a little since the 2013 Index. It trailed behind Moldova and Georgia in almost all aspects of *Management of European Integration*.

**Armenia** made some progress but also experienced setbacks in a period marked by intense negotiations on the Association Agreement, then a political U-turn to instead join the EEU. Despite occupying fourth position in *Linkage*, Armenia registered a small improvement, and showed the highest results among all six countries in participation in EU programmes and agencies. On the other hand, its links with the EU in energy and transport sectors were the lowest of any Eastern partner country.

Over the period as a whole, Armenia registered a slight improvement in *Approximation*, reflecting the enhanced independence of the judiciary, and was placed third (equal with Ukraine). There was also a small gain in Deep and Sustainable Democracy (placed third jointly with Ukraine), but Armenia faced continuing

challenges in terms of media freedom, association and assembly rights. In contrast, its quality of public administration ranked second only to Moldova.

Armenia slipped back in *Management of European Integration*, reversing some of the progress made in the previous year, and remaining fourth behind Georgia, Moldova and Ukraine. Following the abandonment of the Association Agreement, most of the institutions established for co-operation with the EU became non-functional, and this was reflected in the lower score.

**Azerbaijan** ranked fifth in all dimensions of the 2014 Index. It showed no change in *Linkage*.

Azerbaijan's slight improvement in *Approximation* resulted from continued progress in energy co-operation and the emergence of Azerbaijan as the leader among the six countries in Environment and Sustainable Development. It remained fifth in Deep and Sustainable Democracy, falling slightly closer to last-placed Belarus. Azerbaijan was ranked the poorest in terms of elections, and slipped lower compared with 2013 in media freedom, association and assembly rights, almost joining Belarus at the bottom.

For a second successive year, Azerbaijan saw a slight decline in *Management of European Integration*.

**Belarus** remained the poorest performer when it comes to European integration, with the lowest marks in all three dimensions. However, in January 2014 the EU and Belarus launched official negotiations on visa facilitation and readmission agreements.

Whereas it showed no change in *Linkage*, Belarus improved its scores for the second successive year in *Approximation*, even though it registered no change in Deep and Sustainable Democracy, where it continued to be the poorest performer. The minor improvement in the score of Belarus in *Approximation* reflected the fact that Belarus showed the most progress across all six countries in the quality of public administration.

Belarus also improved its scores in *Management of European Integration*.

**MOLDOVA**

**GEORGIA**

**UKRAINE**

LINKAGE

**2014**



**2013**



APPROXIMATION

**2014**



**2013**



MANAGEMENT

**2014**



**2013**

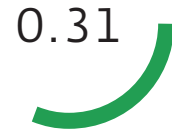


# ARMENIA

# AZERBAIJAN

# BELARUS

2014

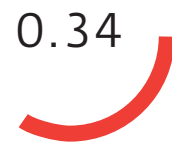


LINKAGE

2013



2014



APPROXIMATION

2013



2014



MANAGEMENT

2013



**MOLDOVA**

**GEORGIA**

**UKRAINE**

LINKAGE



POLITICAL DIALOGUE



0.86

0.79

0.89

TRADE AND ECONOMIC INTEGRATION



0.71

0.56

0.74

SECTORAL CO-OPERATION



0.61

0.55

0.66

PEOPLE-TO-PEOPLE



0.66

0.47

0.51

ASSISTANCE



0.66

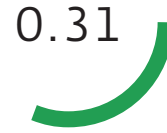
0.57

0.48

# ARMENIA

# AZERBAIJAN

# BELARUS



LINKAGE

## POLITICAL DIALOGUE

0.68

0.54

0.26



## TRADE AND ECONOMIC INTEGRATION

0.54

0.56

0.40



## SECTORAL CO-OPERATION

0.24

0.47

0.30



## PEOPLE-TO-PEOPLE

0.50

0.29

0.34



## ASSISTANCE

0.57

0.18

0.26



**MOLDOVA**

**GEORGIA**

**UKRAINE**

APPROXIMATION



DEEP AND SUSTAINABLE DEMOCRACY

0.77

0.73

0.61



MARKET ECONOMY AND DCFTA

0.61

0.67

0.57



SECTORAL APPROXIMATION

0.68

0.66

0.62

# ARMENIA

# AZERBAIJAN

# BELARUS



APPROXIMATION

## DEEP AND SUSTAINABLE DEMOCRACY

0.61

0.30

0.27



## MARKET ECONOMY AND DCFTA

0.57

0.41

0.37



## SECTORAL APPROXIMATION

0.62

0.61

0.37



**MOLDOVA**

**GEORGIA**

**UKRAINE**

MANAGEMENT



INSTITUTIONAL ARRANGEMENTS FOR EUROPEAN INTEGRATION  
(CO-ORDINATION AND IMPLEMENTATION)



0.80

0.73

0.42

LEGAL APPROXIMATION MECHANISM



0.72

0.72

0.57

MANAGEMENT OF EU ASSISTANCE



0.81

0.56

0.50

TRAINING IN THE FIELD OF EUROPEAN INTEGRATION



0.29

0.50

0.43

PUBLIC AWARENESS RAISING ON EUROPEAN INTEGRATION



0.67

1.00

0.36

PARTICIPATION OF CIVIL SOCIETY



1.00

0.92

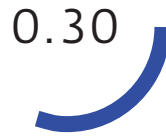
0.70



# ARMENIA

# AZERBAIJAN

# BELARUS



MANAGEMENT

## INSTITUTIONAL ARRANGEMENTS FOR EUROPEAN INTEGRATION (CO-ORDINATION AND IMPLEMENTATION)

0.53

0.14

0.03



## LEGAL APPROXIMATION MECHANISM

0.22

0.38

0.03



## MANAGEMENT OF EU ASSISTANCE

0.44

0.44

0.81



## TRAINING IN THE FIELD OF EUROPEAN INTEGRATION

0.64

0.29

0.14



## PUBLIC AWARENESS RAISING ON EUROPEAN INTEGRATION

0.36

0.17

0.14



## PARTICIPATION OF CIVIL SOCIETY

0.67

0.42

0.33



## LINKAGE VERSUS APPROXIMATION

The project of closer integration between the EU and the Eastern partner countries is predicated on both closer approximation in terms of legislation, institutions and policies, and also closer political co-operation, for instance defence and security co-operation, or trade. The Index assesses both the interaction of linkages and the extent of approximation, and higher *Linkage* scores can be expected to go hand in hand with higher *Approximation* scores.

The results of the 2014 Index confirm a significant overall correlation between the aggregate scores in *Linkage* and *Approximation* for each country, but there is no correlation in a number of sectors, e.g. where a particular country has a comparative economic advantage.

The 2014 Index shows that Moldova, the frontrunner among the Eastern partner countries, achieved similarly high overall scores for both dimensions. With Moldova's continued improvement in *Approximation*, there is now almost no gap between the scores in the two dimensions (L0.70 vs. A0.69, where L is *Linkage* and A is *Approximation*). Azerbaijan and Belarus also display similar aggregate scores in both dimensions (L0.41 vs. A0.44 and L0.31 vs. A0.34 respectively), but at much lower levels.

The correlation between aggregate scores is weaker in Georgia and Armenia where the *Approximation* scores exceed the *Linkage* scores: A0.69 vs. L0.59 for Georgia and A0.60 vs. L0.51 for Armenia. Their strong performances in *Approximation* indicate that both countries are progressing more in domestic reforms than in strengthening links with the EU. The gap between the *Linkage* and *Approximation* scores for Georgia widened compared with the previous year - reflecting progress in free and fair elections, independence of the judiciary, and in human rights and media freedom.

Ukraine's *Linkage* score was higher than its *Approximation* score, although the scope for further approximation with the implementation of the Association Agreement bodes well for the prospects of its moving closer to the high level of correlation enjoyed by Moldova.

The correlations are evident from a comparison of sector scores in *Linkage* and *Approximation*.

**Economy.** Ukraine enjoys the most intensive trade and economic integration with the EU, but it trails behind Moldova and Georgia in its market economy and DCFTA performance. At the same time, Ukraine showed the biggest improvement here, catching up with Armenia.

**Freedom, Security and Justice.** Moldova is the clear leader here in both dimensions, although Georgia has overtaken Ukraine in *Approximation*, principally due to further improvements in migration policy, while still trailing far behind in *Linkage*.

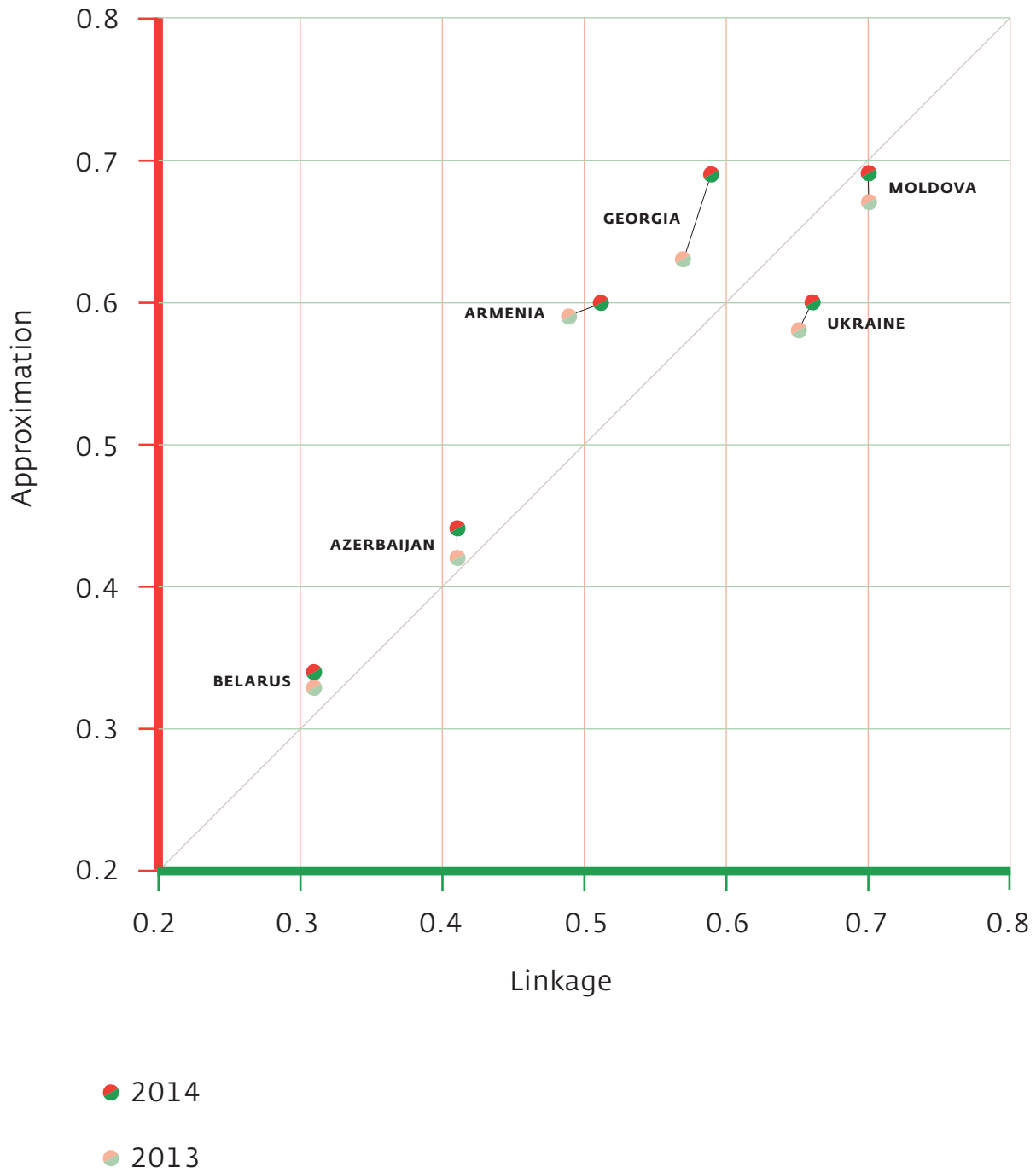
**Energy.** Azerbaijan is a significant supplier of energy to EU markets, and energy accounts for 40% of its GDP, so the correlation is much weaker in the energy area. Ukraine, Azerbaijan and Belarus fall short in legislative and policy convergence despite better trade integration (Azerbaijan leads in *Linkage*, but is second lowest in *Approximation*). Armenia is the worst performer in *Linkage*, but is placed third after Moldova and Georgia in *Approximation*.

**Transport.** The correlation is similarly weak, with Ukraine and Moldova being the best performers in *Linkage*, but trailing behind Georgia, Azerbaijan and Armenia in *Approximation*.

**People-to-People.** Contacts translate into more developed policies on education, culture, youth and information society in the case of Ukraine, Azerbaijan and Armenia. In the case of Moldova, a large improvement in domestic policies still leaves it trailing behind these three countries in these areas of *Approximation* despite its first place in people-to-people contacts in *Linkage*. Azerbaijan has the second lowest score in people-to-people contacts, but shares first place with Ukraine in approximation of domestic policies.

The correlation holds between **Assistance** in *Linkage* and **Deep and Sustainable Democracy** in *Approximation*. Moldova, Georgia and Armenia enjoy the largest per capita assistance from the EU. Since these countries improved their democracy performance, under the "more for more" principle the level of EU assistance also increased. Although Ukraine scores the same as Armenia in terms of democracy, the country has a lower score for EU assistance since Ukraine is a much more populous country and it receives less per capita EU assistance.

# Linkage versus Approximation, change from 2013-2014



**MOLDOVA**

**GEORGIA**

**UKRAINE**

LINKAGE VS APPROXIMATION



0.71 / 0.61

ECONOMY

0.56 / 0.67

0.74 / 0.57

FREEDOM, SECURITY AND JUSTICE



0.95 / 0.99

0.61 / 0.90

0.81 / 0.86

ENERGY



0.48 / 0.56

0.67 / 0.49

0.65 / 0.43

TRANSPORT



0.39 / 0.58

0.37 / 0.73

0.51 / 0.57

PEOPLE-TO-PEOPLE



0.66 / 0.61

0.47 / 0.53

0.51 / 0.75

ASSISTANCE / DEEP AND SUSTAINABLE DEMOCRACY



0.66 / 0.77

0.57 / 0.73

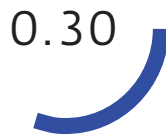
0.48 / 0.61

# ARMENIA

# AZERBAIJAN

# BELARUS

LINKAGE VS APPROXIMATION



ECONOMY

0.54 / 0.57

0.56 / 0.41

0.40 / 0.37



FREEDOM, SECURITY AND JUSTICE

0.36 / 0.64

0.33 / 0.60

0.18 / 0.42



ENERGY

0.18 / 0.45

0.80 / 0.30

0.35 / 0.26



TRANSPORT

0.18 / 0.65

0.26 / 0.67

0.37 / 0.20



PEOPLE-TO-PEOPLE

0.50 / 0.72

0.29 / 0.75

0.34 / 0.30



ASSISTANCE / DEEP AND SUSTAINABLE DEMOCRACY

0.57 / 0.61

0.18 / 0.30

0.26 / 0.27





# COUNTRY ASSESSMENTS

# MOLDOVA

## TOP CHALLENGES FOR 2015

- The newly elected government must demonstrate commitment to reform and EU integration
- Reform of the Prosecutor's Office
- Political will to tackle high-level corruption and provide a stable and predictable business environment

## LEADER AMONG THE BEST PERFORMERS

Co-operation between the EU and Moldova deepened and widened during 2013-2014, and delivered on several key issues such as visa liberalisation and entry into force of the EU-Moldova Association Agreement.

Despite the moderate progress on some reforms related to the justice sector and the rule of law, the results on fighting corruption were modest and highly non-transparent deals in the banking sector continued to take place. Moreover, the events in Ukraine and the assertive position of Russia towards Moldova's rapprochement with the EU have created difficulties for the economy, and resulted in lower public support for reforms and a direct threat to the country's security.

With the signature and subsequent ratification of the Association Agreement, including the establishment of the Deep and Comprehensive Free Trade Area (DCFTA), Moldova took on the responsibility to implement an ambitious agenda of reforms directed towards closer integration with the EU. In order to support the reform process, Moldova also adopted a National Action Plan on the Implementation of the Association Agreement.

The provisional implementation of the Association Agreement started on 1 September 2014, but it came at a price: in response to

Chisinau's declared intention to implement the agreement and DCFTA, in 2013 the Russian Federation unilaterally imposed export restrictions on wine, and subsequently on fruit and meat products. Although within the Commonwealth of Independent States (CIS) free trade agreement Russia can apply trade protection measures, Moscow has no argumentation for imposing restrictions against Moldovan products, thus trade is used as a tool to punish Chisinau for its choice to associate with the EU.

The country's stability was shaken by the illegal actions of local authorities in the autonomous region of Gagauzia, which held an unlawful referendum on 2 February 2014, and by increasingly tense relations with the authorities in its Moscow-backed breakaway region of Transnistria - which were unsuccessfully used by Russia to roll back the process of Moldova's EU integration.

## CUSTOMS UNION VERSUS EUROPEAN INTEGRATION

Russian assertiveness also revealed itself in an aggressive disinformation campaign, which was accentuated against the background of the conflict in Ukraine and in the run-up to the parliamentary elections held in Moldova on 30 November 2014. Although the Audiovisual Co-ordination Council banned the Russian channel



Rossiya-24 for spreading incorrect information, other Russian media continue to wield a strong influence on Moldovan public opinion.

A controversy surrounding Russian financing for political parties came to the surface when three days before the vote the Chisinau Court of Appeal ruled that the Homeland (Patria) Party, known for its pro-Russia orientation, be banned from running for having used foreign financial resources - an activity considered illegal under Moldovan law. While the grounds for deregistration were serious, it is hard not to suspect the hand of political influence over the ruling, given that it was issued only three days ahead of the election date. Lack of transparency of party financing remains a big problem that plagues all parties across the political spectrum.

While the pro-EU parties gained enough seats to form a new coalition government (55 out of 101 seats), the election results showed a continuing split in the electorate - with support for pro-EU parties only a fraction higher than support for pro-Russia parties.

Despite the fact that some concrete results such as progress on visa-free travel were delivered by the pro-EU government, support for European integration has decreased to 35%, while support for the Customs Union rose to 38%.<sup>1</sup>

Trying to understand the causes for such shifts, sociologists developed questions using 19 criteria, which included the level of corruption, crime, rule of law, poverty, prices, pensions, and unemployment, and asked citizens to assess where the situation is better - in the EU or in the Customs Union? For 17 criteria, the EU was significantly outshining the Customs Union, although the latter was considered by the majority to be more conducive to maintaining lower prices and a lower rate of unemployment in Moldova. Overall, however, when asked which option (EU or Customs Union) would fix Moldova's current problems, respondents chose the Customs Union over the EU.<sup>2</sup>

In terms of Political Dialogue between Moldova and the EU, after stagnation in 2013 compared with a more dynamic 2012, in 2014 Moldova scored higher and almost caught up with the

1 Barometer of Public Opinion, IPP, April 2014, [http://ipp.md/public/files/Barometru/Rezumat\\_de\\_presa\\_BOP\\_04\\_2014\\_2-rg.pdf](http://ipp.md/public/files/Barometru/Rezumat_de_presa_BOP_04_2014_2-rg.pdf)

2 CBS-AXA, May 2014, <http://infoeuropa.md/comunicare/ce-cred-cetatenii-republicii-moldova-despre-uniunea-europeana-si-uniunea-vamala-sondaj-de-opinie/>

leader in this part of the Index - Ukraine. This is mainly due to an important increase in co-operation on Common Security and Defence Policy (CSDP).

## FIRST PARTNER COUNTRY TO SECURE VISA-FREE TRAVEL

The removal on 28 April 2014 of visa requirements for Moldovan biometric passport-holders' short-term travel to the Schengen countries was a largely merit-driven decision by the EU, and one of the concrete results of implementation of reforms and closer relations with the EU. The progress was confirmed by the results of the Index in which Moldova was the best performer in the area of Freedom, Security and Justice.

Although not all the reforms had yet produced the intended results, the systems were in place, and it is important that they deliver once a new government is firmly in place after the parliamentary elections. Meanwhile, Moldovan citizens now enjoy freedom of travel, and from May to October 2014 more than 300,000 people travelled to the EU without visas. In the same context, the People-to-People result in *Linkage* shows that Moldova was the best performer for the third year in a row.

## KEY DOMESTIC REFORMS REMAIN BLOCKED

The domestic reform process in Moldova during 2013-2014 was uneven. Despite the good results in the Index in comparison with other countries in the area of freedom of media, Moldova's ruling coalition resisted taking the necessary steps that would improve the media environment.

As in previous years, the law on media ownership remained blocked in the parliament (after having been adopted at first reading) owing to a lack of political will. This blockage and other developments in the audiovisual sector favoured a tycoon-driven media environment and were not contributing to media impartiality and balanced coverage.

Another very important law - the law on public financing of political parties - had been blocked in parliament since its adoption at first reading.

## JUDICIARY REFORM MUST CONTINUE

The efforts to implement the Strategy of Reform of the Justice Sector (SRJS) continued. Although the adoption of legislation is an important achievement, many of the steps that are necessary to implement the legislation are long overdue to bring about the reform of the Prosecutor's Office and the judicial system.

The Ministry of Justice reported that 80% of the SRJS has been implemented, while civil society's estimations pointed to a much lower level of implementation. Although this is not reflected in the Index results (where Moldova scores high in comparison with other Eastern partner countries), trends would look very different if reforms in Moldova were compared with the EU average.

As a result of Moldova's lower rate of implementation, the EU decreased the second assistance tranche for implementation of the SRJS following the conclusions of a group of experts who monitored how more than 20 institutions involved in the process of reform had fulfilled the tasks.

The most challenging area where there was insufficient progress is the reform of the Prosecutor's Office where legislative changes are required, including those necessary for the fight against corruption.

On the other hand, some progress was made with the establishment of a judges' performance evaluation mechanism, actions to streamline the administration of the courts, the creation of the position of secretary of the courts, an increase in the number of legal assistants, and the gradual increase of salaries. Although the system is largely in place, the results have been modest, especially when it comes to high-level corruption. The above conclusions are confirmed by the Index results: in the fight against corruption, Georgia continues to outperform Moldova.

In terms of the economy, in 2013 Moldova experienced record growth of 8.9%. However, this increase was not so much due to reforms, but rather due to favourable climactic conditions that led to an increase in agricultural output by 38.3% in 2013.

Economic development in recent years has been marked by a number of negative aspects. The banking sector became the arena of oligarchic struggles, and corporate "raider" attacks (fraudulent takeover bids through misappropriation of shareholdings in financial institutions) became commonplace in Moldova. The responsible authorities usually did not react and, on the rare occasions when they intervened, they mostly did so in favour of oligarchic groups.

## INSECURE BUSINESS CLIMATE

The state acted at the expense of the economic security of the country, and ceded important stakeholdings in a non-transparent manner. Chisinau Airport was leased to a Russian company, Avia-invest, and the Moldovan state ceded its controlling shareholding in Savings Bank (Banca de Economii), following which one-quarter of its shares were taken over by Vnesheconombank, a Russian bank subsequently placed on the EU sanctions list against Russian companies.

An area of major concern is the lack of oversight in the banking sector. The former President of Banca de Economii was placed under investigation for allegedly bypassing legal requirements when extending credit to companies connected with influential politicians. The National Bank placed three banks, including Banca de Economii, under special administration due to the high level of risk incurred after about \$1 billion was transferred in suspicious operations. Despite the promises of Prime Minister Iurie Leanca to create an international commission for investigation, no steps had been taken by the time of the parliamentary elections of 30 November 2014.

Similarly, foreign investors were discouraged: Grawe Carat insurance company (Austrian investment) was stripped of the right to issue green cards (car insurance) as a result of a cartel agreement, and the American-founded Glass Container Company came under pressure from the Customs Office.

The *Approximation* chapter on DCFTA shows that Moldova witnessed a minor improvement and maintained second place among the best performers, but the distance increased between the leading performer – Georgia – and Moldova.

In the Trade and Economic Integration section of *Linkage*, Moldova showed overall stagnation, scoring at the same level as in 2013. Moldova scored second for the third year in a row, having a very low score in Services, where it was outperformed by all countries except Armenia.

In the energy sector, few important changes were observed. The main achievement was the building of the gas interconnector (Iasi-Ungheni) with Romania, marking an important step towards diversification of energy supplies. However, in order for this to become fully operational, the two remaining phases of the project will require substantial financial resources and will take four to five years.

In *Management of European Integration*, Georgia re-took the leading position from Moldova after surrendering it in the 2013 edition of the Index. No big changes took place in Moldova except that finally the government, in co-operation with civil society, started to implement an awareness-raising campaign about European integration. However, this was still an isolated case rather than a series of actions planned on a permanent basis, and Moldova's performance in the area of Public Awareness-Raising Campaigns and Training in the Field of EU Integration is the weakest.

Moldova fares stronger in *Management* compared with other Eastern partner countries in the Management of EU Assistance and the Participation of Civil Society.

Overall, the European integration process in Moldova improved, and the country showed that it is able to fully implement some of the reforms. However, the biggest issues remain the inability to deal with fighting high-level corruption, and the need to create a stable and predictable business environment. Reforms in these two areas need to become the flagship priorities of the future government; otherwise Moldova risks losing its leadership position among the Eastern partner countries.

# MOLDOVA

## LINKAGE



POLITICAL DIALOGUE



0.86

TRADE AND ECONOMIC INTEGRATION



0.71

SECTORAL CO-OPERATION



0.61

PEOPLE-TO-PEOPLE



0.66

ASSISTANCE



0.66

## APPROXIMATION



DEEP AND SUSTAINABLE DEMOCRACY



0.77

MARKET ECONOMY AND DCFTA



0.61

SECTORAL APPROXIMATION



0.68

# MOLDOVA

## MANAGEMENT



INSTITUTIONAL ARRANGEMENTS FOR EUROPEAN INTEGRATION (CO-ORDINATION AND IMPLEMENTATION)



**0.80**

LEGAL APPROXIMATION MECHANISM



**0.72**

MANAGEMENT OF EU ASSISTANCE



**0.81**

TRAINING IN THE FIELD OF EUROPEAN INTEGRATION



**0.29**

PUBLIC AWARENESS RAISING ON EUROPEAN INTEGRATION



**0.67**

PARTICIPATION OF CIVIL SOCIETY



**1.00**



# GEORGIA

## TOP CHALLENGES FOR 2015

- Striking a balance between prosecutions of abuse of power and “selective justice”
- Swift progress to bring about visa-free travel between Georgia and the EU
- Full, accountable implementation of the Association Agreement and DCFTA

## LEADER IN MANAGEMENT OF EUROPEAN INTEGRATION

The entry into force of the Association Agreement marked a significant breakthrough in co-operation between Georgia and the EU. The agreement, including the Deep and Comprehensive Free Trade Area (DCFTA), was initialled at the Eastern Partnership Summit in Vilnius, Lithuania, on 29 November 2013. With the historic signing of the agreement on 27 June 2014, Georgia - together with Ukraine and Moldova - has made a significant step towards closer ties with the EU.

Georgia has been praised for its continuing commitment to closer integration with the EU, acting on most of the key recommendations of the European Commission, delivering presidential elections in line with international standards, continuing reform of the justice sector, advancing sectoral reforms, and actively participating in the Geneva talks over Georgia’s territorial conflicts.<sup>1</sup> In recognition of these efforts, the Association Agreement was signed earlier than anticipated (initially envisaged to take place in autumn 2014), although the alarming developments in Ukraine played a part in the acceleration.

In the period up until the presidential election of 27 October 2013, the political landscape was overshadowed by the painful cohabitation of the ruling Georgian Dream coalition led by billionaire Prime Minister Bidzina Ivanishvili and the United National Movement (UNM) under then President Mikheil Saakashvili.

1 Implementation of the European Neighbourhood Policy in Georgia Progress in 2013 and recommendations for action, 27 March 2014, [http://eeas.europa.eu/enp/pdf/2014/country-reports/georgia\\_en.pdf](http://eeas.europa.eu/enp/pdf/2014/country-reports/georgia_en.pdf)

However, this did not prevent the Georgian authorities from overseeing elections widely recognised as the most free and fair in Georgia’s post-independence history.<sup>2</sup> According to the OSCE/ODIHR Election Observation Report, the campaign environment was notably less polarised than the parliamentary elections of 2012, and fundamental freedoms of expression, movement and assembly were respected.<sup>3</sup>

## SUCCESSFUL TRANSITION TO PARLIAMENTARY RULE

With the inauguration of the duly elected President Giorgi Margvelashvili, the provisions of the new constitution entered into force, changing rule in Georgia from a powerful presidential system to a mixed parliamentary model. The period has been characterised by the European Commission in the following way: “Georgia navigated successfully a complex and unprecedented transition with two landmark elections in which power has changed hands peacefully, two changes of prime minister, change of president, a functioning cohabitation and constitutional shift in the political system, moving away from a one-party dominated state.”<sup>4</sup>

The parliament, accustomed to playing a subordinate role to a dominant executive branch in the past, played a key role in the transitional period and showed its potential to emerge as an important player in the new political system.

2 *ibid.* p. 2.

3 OSCE/ODIHR (Organization for Security and Co-operation in Europe/Office for Democratic Institutions and Human Rights), Election Observation Mission Final Report, Georgia, Presidential Election, 27 October 2013.

4 See footnote 1, p. 2.



The Georgian Dream coalition government came to power with an ambitious agenda, including the sentencing of those responsible for past abuse of power and “restoration of justice”.<sup>5</sup> Several thousand people were questioned, most of them UNM activists, in criminal investigations concerning misuse of state resources and/or abuse of power by former government officials.<sup>6</sup> The UNM assessed the investigations as selective justice and politically motivated attacks on the opposition, an opinion shared by some international actors.

For instance, the arrest of Vano Merabishvili, former prime minister and minister of interior, caused international concern. EU High Representative for Foreign Affairs and Security Policy Catherine Ashton and European Commissioner for Enlargement and European Neighbourhood Policy Štefan Füle warned against politically motivated persecutions and demanded strict adherence to the protection of the right to a fair trial.<sup>7</sup> On 17 February 2014, Merabishvili was found guilty of abuse of office, and given a five-year jail sentence.

On 22 December 2013, the Mayor of Tbilisi, Gigi Ugulava, was suspended from office by a Tbilisi court on charges of abuse of municipal funds, and then in July 2014 he was arrested on charges of money laundering.

The dismissal in November 2014 of Minister of Defence Iraklia Alasania was followed by the departure from the ruling coalition of his party, the Free Democrats, who claimed that Georgia’s European choice was in danger.<sup>8</sup> Their departure prompted fears as to whether the ruling coalition as to whether the ruling coalition would be able to maintain its majority in parliament and handle this political crisis.

Another influential pro-western party, the Republican Party, admitted problems in the

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5 Thomas Hammarberg, *Georgia in Transition, Report on Human Rights Dimension: Background, Steps Taken and Remaining Challenges*, Tbilisi, Georgia, 2013. p.6.

6 *ibid.* p. 29.

7 Statement by the Spokespersons of High Representative Catherine Ashton and Commissioner Štefan Füle on the arrests of former Prime Minister of Georgia, Brussels, 22 May 2013, [http://europa.eu/rapid/press-release\\_MEMO-13-452\\_en.htm](http://europa.eu/rapid/press-release_MEMO-13-452_en.htm).

8 On 4 November 2014, Prime Minister Irakli Gharibashvili, dismissed Minister of Defence Irakli Alasania. The dismissal was preceded by criminal charges being brought against high officials at the Ministry of Defence over alleged misappropriation of state funds. The charges were brought when the minister was on an official visit to France. Upon his return, charges were brought against further ministry employees in relation to a separate case of food contamination. In reply, Alasania and his party colleagues held a press conference claiming that the country’s European course was in danger.

management of the coalition, but did not follow suit. The Georgian Dream coalition managed to keep its majority in parliament.

Apart from concerns about politically motivated prosecutions, the expectations created after the change of government and related to the “restoration of justice” were not entirely met. After the October 2012 parliamentary elections, thousands of complaints from individuals were lodged with the Prosecutor’s Office, the parliament, and the Public Defender’s Office (Ombudsman) alleging unfair trials, torture, ill treatment, unjustified arrests and illegal deprivation of property.<sup>9</sup>

Although high expectations had been created in relation to the establishment of the State Commission on Miscarriages of Justice – established to study complaints of injustice in judicial proceedings – in autumn 2013 the Ministry of Justice declared that the government did not have enough financial resources to proceed with the initiative, causing dissatisfaction in prisons.

In order to assist the new government with the transitional period, the EU deployed former Council of Europe Commissioner for Human Rights Thomas Hammarberg as EU Special Adviser on Constitutional and Legal Reform and Human Rights in Georgia. His report, *Georgia in Transition*, served as a baseline for the first ever National Human Rights Strategy (2014-2020) confirmed by the parliament and the corresponding Human Rights Action Plan adopted by governmental decree.

## JUDICIARY SHEDS CONTROL BY PROSECUTOR’S OFFICE

The liberalisation of the severely punitive criminal justice policies and the adoption of a comprehensive package of laws aimed at ensuring the independence of the judiciary was acclaimed as one of the key successes of the new government. Likewise, the granting of the media of permission to access courtrooms for audio, video and photo recording was seen as a positive step towards judicial transparency and accountability. The practice of using imprisonment as a preventive measure was considerably reduced.

The perception that the judiciary is dominated by the Prosecutor’s Office no longer prevailed and, notably, in sensitive cases related to

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9 See footnote 5, p. 6.

former high-ranking officials, judges on several occasions rejected requests by the Prosecutor's Office.<sup>10</sup> Restoration of the principle of absorption of sentences in cases of multiple offences was welcomed as a means to avoid disproportionately long punishments.

Problems persisted in other policy areas. One of the issues prevalent in discussions in Georgia was the systematic intrusion of the state into the private lives of citizens. The Ministry of Internal Affairs discovered approximately 24,000 video and audio tapes depicting scenes from the intimate lives of politicians, journalists and civil society activists, which had evidently been obtained by the previous authorities for political reasons. According to the Ministry, all illegally obtained files were destroyed.

The ministry inspired little confidence among citizens, however, over protection of personal data and freedom from illegal surveillance. Serious concerns persisted regarding the continued presence of surveillance equipment at telecommunications operators, allowing the Ministry of Internal Affairs to have direct access to all communications. A legislative package was proposed by civil society organisations aimed at solving the problem; however, it remains to be seen whether the parliament will overcome the reluctance of the government to regulate the matter.

The persistent delay of civil service reform was another issue of concern. Although the necessity of this reform had been discussed for several years, no comprehensive policy was developed. While the Law on Public Service explicitly determines the nonpartisan nature of the civil service and provides protection from politically motivated dismissals, in practice there had been little respect for the nonpartisanship principle by the current or previous authorities. Civil servants were dismissed *en masse* after the 2012 parliamentary elections.

The trend continued in 2013 with the enactment of the provisional article in the Law on Public Service, according to which all civil servants employed in local government were to be considered as serving *ad interim* upon the election of the new local government authorities in June 2014. However, under pressure from civil society organisations and from the Public Defender's Office, in May 2014, the parliament adopted amendments to overturn this change. The judiciary was

instrumental in restoring the rights of people allegedly dismissed for politically motivated reasons; however, the number of those applying to the courts for legal remedy was low.

## DEMOCRACY DEEPENS

Georgia was the one Eastern partner country that showed a substantial improvement in Deep and Sustainable Democracy in the *Approximation* chapter of the 2014 Index, confirming consistent progress. In *Approximation*, Georgia caught up to be a best performer alongside Moldova.

Georgia made across-the-board improvements, not least in the area of free and fair elections (the presidential elections of October 2013), but also in public accountability, independence of the judiciary, and in human rights and media freedom. Notably, the move away from a powerful presidential system brought in more parliamentary powers of oversight over the executive body and powers to conduct independent investigations into abuse of power by executive institutions or officials through standing parliamentary committees or temporary investigative commissions.

The media environment has diversified and improved. However, the failure of the parliament to follow the spirit of the law and nominate members to the board of the Georgian Public Broadcaster created the impression that the authorities had attempted to interfere in media freedom.<sup>11</sup>

Stringent party financing regulations were introduced before the 2012 parliamentary elections. They banned donations from legal entities and imposed disproportionate fines and restrictions on companies and individuals on the basis of a vaguely formulated provision of "declared political and electoral goals".

These were considerably liberalised as a result of the work of the Inter-fractional Group in parliament, created in March 2013. The group comprised representatives of parliamentary fractions and non-parliamentary opposition, and concluded its work before the presidential elections in October 2013.

<sup>11</sup> Previously, the parliament could choose only from nominees selected by the president (three for each of 12 board positions) until the change of law came into effect on 1 January 2014, excluding the president from the nominations process. Under the new law, the board is reduced to nine members, six of whom are nominated by parliament. See: <http://civil.ge/eng/article.php?id=26136>

<sup>10</sup> For instance, former Minister of Defence Bacho Akhalaia was acquitted on one of the charges.



Georgia preserved its leading position on Market Economy and DCFTA in the *Approximation* chapter. Businesses can be established quickly and at low cost (in marked contrast to the situation in Ukraine and Moldova), thus allowing free entry to the market. Georgia's much lower tax rates compared with other Eastern partner countries were complemented by significant progress in large-scale privatisation and good corporate governance in the 2014 Index period.

## GREATER ENGAGEMENT WITH CIVIL SOCIETY

In 2013-2014, the authorities engaged with civil society on a range of policy reforms. The impact of non-governmental organisations (NGOs) was considerable in some areas (e.g. the first wave of judicial reforms in 2013 was largely based on the studies produced by an NGO coalition), but in other spheres the government was reluctant to pursue changes advocated by NGOs. These included reforms in the energy, environmental, and natural resources sectors.

In spring 2014, despite criticism by the influential Patriarchy of Georgia, the parliament adopted a new Law on the Elimination of All Forms of Discrimination. Although the adoption of the law was welcomed by civil society and by the international community, concerns were voiced regarding the lack of strong enforcement mechanisms in the legislation. Repeated instances of violence, hatred and discrimination against representatives of religious and sexual minorities were a matter of particular concern throughout 2013 and the beginning of 2014.<sup>12</sup> The reaction of the authorities, at both local and national level, to many instances of violence and discrimination was delayed or unsatisfactory.

Civil society organisations voiced concerns related to the protection of the rights of religious or sexual minorities, and the authorities were called upon to examine the frequent episodes of religious intolerance with a view to taking decisive action.

A promising development is the civil society platform envisioned under the Association Agreement. The platform, which began to take shape after the signature of the agreement, institutionalises the role of civil society in monitoring implementation of the agreement.

<sup>12</sup> UN Human Rights Committee, Concluding observations of the fourth periodic report of Georgia, 23 July 2014.

The adoption of the anti-discrimination law, together with the new Law on Legal Status of Foreigners and Stateless Persons (in effect from 1 September 2014), represented one of the most important decisions taken by the Georgian government towards implementation of the Visa Liberalisation Action Plan (VLAP) during the Index reporting period.

On 31 October 2014, the European Commission concluded that Georgia had met the requirements of the first phase of the VLAP, launching the second and final assessment phase before the Commission can recommend to the EU Council and the European Parliament the introduction of visa-free travel. Georgia agreed the VLAP two years later than Ukraine – only in February 2013 – but by the end of 2014 had managed to start the implementation of the second phase together with Ukraine. On the whole, Georgia showed significant progress in the field of Freedom, Security and Justice in *Approximation*.

## COMMUNICATIONS STRATEGY FOR EU INTEGRATION

Georgia registered a slight improvement in *Linkage* in the 2014 Index, but still trailed behind Moldova and Ukraine. The one significant improvement was in the area of Political Dialogue following a new framework agreement signed with the EU in November 2013 on Georgia's participation in the EU's crisis management operations. On 6 June 2014, Georgia sent a company-size army unit to contribute to the EU's military mission in the Central African Republic. It also participated in the EU Training Mission (EUTM) in Mali.

There was a significant improvement in *Management of European Integration*, and Georgia became the leader among the six Eastern partner countries in this chapter of the 2014 Index. This results not only from the signing of the Association Agreement, complete with the DCFTA, but also the development of a communications strategy for EU integration, state budget support committed to promote public awareness about EU integration, and university support for EU research.

Taking into account the overall progress in the country, Georgians now look forward to the prospect of the long-awaited visa-free regime with Schengen countries, and expect the government of Georgia to make full use of the tools available for implementation of the EU-Georgia Association Agenda.

# GEORGIA

## LINKAGE



POLITICAL DIALOGUE



0.79

TRADE AND ECONOMIC INTEGRATION



0.56

SECTORAL CO-OPERATION



0.55

PEOPLE-TO-PEOPLE



0.47

ASSISTANCE



0.57

## APPROXIMATION



DEEP AND SUSTAINABLE DEMOCRACY



0.73

MARKET ECONOMY AND DCFTA



0.67

SECTORAL APPROXIMATION



0.66

# GEORGIA

## MANAGEMENT



INSTITUTIONAL ARRANGEMENTS  
FOR EUROPEAN INTEGRATION  
(CO-ORDINATION AND IMPLEMENTATION)



**0.73**

LEGAL APPROXIMATION  
MECHANISM



**0.72**

MANAGEMENT  
OF EU ASSISTANCE



**0.56**

TRAINING IN THE FIELD  
OF EUROPEAN INTEGRATION



**0.50**

PUBLIC AWARENESS RAISING  
ON EUROPEAN INTEGRATION



**1.00**

PARTICIPATION  
OF CIVIL SOCIETY



**0.92**



# UKRAINE

## TOP CHALLENGES FOR 2015

- International support for the unity and stabilisation of Ukraine and for complete overhaul of the political system, including decentralisation, the rule of law, and strong anti-corruption mechanisms
- Sustained strengthening of civil liberties, independent media, civil society and watchdog agencies
- Dynamic economic development, building strong trade links with EU countries, and a strategy for energy diversification

## POST-EUROMAIDAN INTERNAL AND EXTERNAL CHALLENGES

In 2013 and 2014, Ukraine underwent the most dramatic events in its history since independence. After President Viktor Yanukovich refused to sign the Association Agreement with the EU in November 2013, a series of events unfolded that changed beyond recognition the context for EU-Ukraine relations. The Euromaidan protests that lasted three winter months saw on the one hand a scale of mass mobilisation unseen in the history of independent Ukraine, and on the other hand an unprecedented degree of brutality on the part of the police and security services.

The outcome of the protests - the transition of power from Yanukovich to the opposition - led to two parallel developments. Russia intervened militarily, first with the illegal invasion and annexation of Crimea, and then by arming the emerging insurgent militia in Donbass and intervening with Russian regular troops. By early 2015, the war had already left more than 6,000 people dead and more than 1 million displaced, while a part of Ukrainian territory in Donbass (which accounts for 3% of the territory and 4% of the population of Ukraine) was no longer under Ukraine's control. This situation imposed heavy costs on Ukraine, and will continue having a destabilising effect for years to come.

The second important development was the signature and ratification of the Association Agreement (although with a one-year postponement period for implementation of the Deep and Comprehensive Free Trade Area (DCFTA)). Moreover, the EU and other international institutions extended the largest financial assistance package since Ukraine's independence (including a €11 billion package announced by the European Commission on 5 March 2014<sup>1</sup>).

The post-Euromaidan situation also opened up a unique window of opportunity for Ukraine not only to undertake reforms to modernise the country in line with EU norms and standards, but also to re-build Ukraine as a nation-state. Whether internal and external developments allow Ukraine to use the opportunity to good effect will have far-reaching implications for years to come.

The period covered by the Index can be divided into three distinct phases.

The first period included the months leading up to the Vilnius Eastern Partnership Summit on 28-29 November 2013. The state of democracy was deteriorating as Yanukovich consolidated administrative and media resources to maximise his chances of staying in power following the then scheduled 2015 presidential election.

1 This figure includes €8 billion in loans from the European Investment Bank (EIB) and the European Bank for Reconstruction and Development (EBRD) and €3 billion assistance from the EU budget.

The level of corruption and misuse of public resources had reached unprecedented levels. At the same time, Yanukovich was trying to stage-manage relations with the EU and Russia to serve his objective.

On the one hand, he created the impression that he was serious about signing the Association Agreement with the EU. Throughout June-November 2013, the Ukrainian parliament was working at full speed to adopt a number of reforms stipulated by the EU for the signature of the Association Agreement. Simultaneously, Yanukovich was expressing support for the Cox-Kwaśniewski mission that aimed to secure the release from prison of former prime minister and opposition leader Yulia Tymoshenko.

On the other hand, Yanukovich held a series of tête-à-tête meetings with Russian President Vladimir Putin. Russia undercut the EU by offering an effective combination of sticks - threat of a full-scale trade war in the event that Yanukovich decided to sign the Association Agreement - and carrots - the promise of a large loan, \$15 billion of which was delivered soon after the Euromaidan started, and discounted gas prices. Eventually, Yanukovich refused to sign the agreement, despite the fact that on the last day of the Vilnius Summit the EU agreed to lift all the preconditions.

The second phase was the period of Euromaidan protests that started a week before the Vilnius Summit - on the day when Prime Minister Mykola Azarov announced that the Association Agreement would not be signed. The protests lasted until the end of February 2014 and underwent an evolution from peaceful student protests in support of the Association Agreement into mass protests all over the country against Yanukovich's rule and the significant radicalisation of modes of protest. This radicalisation emerged in response to attempts by the regime to brutally disperse the protests, to the prosecution, kidnapping, torture and killing of protesters, and finally the use of lethal weapons against protest gatherings.

On 16 January 2014, a set of laws was passed that declared the very act of protesting as illegal and labelled Ukrainian civil society organisations "foreign agents". All these attempts to put an end to the protests not only failed, but also produced a much stronger

resistance and a determination to bring about the resignation of Yanukovich. Both Yanukovich and Putin were caught completely off guard by the scale of opposition.

The third phase started when Yanukovich fled on 22 February 2014 in the wake of an internationally brokered compromise to resolve the crisis. On 21 February, following an agreement reached the night before between Yanukovich, opposition leaders Arseniy Yatsenyuk, Vitali Klitschko and Oleg Tiahnybok, and three EU foreign ministers, Radosław Sikorski of Poland, Laurent Fabius of France, and Frank-Walter Steinmeier of Germany, the Ukrainian parliament passed amendments to Ukraine's constitution that provided for power-sharing between the president and the parliament.

Immediately after Yanukovich fled, a new majority configuration emerged in parliament, which appointed a transitional government, headed by Yatsenyuk as the new prime minister. Early presidential elections took place on 25 May 2014 and resulted in the first-round election of Petro Poroshenko. Parliamentary elections took place on 26 October 2014, with the Petro Poroshenko Bloc and the People's Front led by Yatsenyuk emerging as the two biggest parties. Both were strongly in favour of closer integration with the EU.

Thus, between February and November 2014, Ukraine was transformed from a *de facto* privatised, autocratic state where the judiciary, law-enforcement, and other public resources and institutions had been concentrated in the hands of a narrow circle of people around Yanukovich into a system where political competition is vibrant and core political freedoms and human rights are respected. Major reform challenges remain, however.

## MIXED RECORD OF REFORMS

These most recent developments are not yet reflected in the Index, given the short period of time after the Euromaidan covered by the assessment. Moreover, just like after the Orange Revolution in 2004, these developments will not be sustainable unless deep-rooted systemic failures are tackled and the state, still dysfunctional in many respects, starts meeting its obligations and performing effectively and accountably.

The record of reforms has been mixed, and this is reflected in the 2014 Index.

Ukraine remained second in *Linkage*, ahead of Georgia and behind Moldova, but with little change. Ukraine was still the best performer in co-operation as the only Eastern partner country that holds official consultations with both the EU Military Committee (EUMC) and the Political and Security Committee (PSC). While Ukraine received a Visa Liberalisation Action Plan earlier than Moldova, a big delay in reforms saw Moldova leapfrog Ukraine to become the first to achieve visa-free travel with the Schengen area.

The success stories included educational reform (greater autonomy was granted to the universities and a new system of educational degrees was launched), adoption of laws aimed at fighting corruption, the reform of the police, the law on lustration, the establishment of public service broadcasting, and the adoption of the law on energy (which obliges Ukraine to implement the EU's third energy package). Most of these initiatives were still at the very initial stages of implementation.

## NEW IMPETUS FOR EUROPEAN INTEGRATION

Not least due to the stops and starts of a difficult year, the gap in *Management of European integration* in the Index dramatically widened between Moldova and Georgia on the one hand and Ukraine on the other hand, with significant slippages on the part of Ukraine in terms of legal approximation and training in the field of European integration. Assistance to Ukraine was uneven over 2013, reflecting the backtracking on reform commitments during the rule of Yanukovich. However, in March 2014, the EU pledged €11 billion for Ukraine over the coming seven years.

Moreover, the new government began to prepare a new co-ordination mechanism for European integration. The Government Office for European Integration was established, and the posts of deputy ministers for European integration were introduced in all ministries. These were the first steps in the direction of developing a comprehensive and effective co-ordination mechanism to steer European integration. Importantly, the National Action Plan for the Implementation of the Association Agreement was adopted the day after the

European Parliament and the parliament of Ukraine simultaneously ratified the Association Agreement on 16 September 2014.

## CONSTITUTIONAL REFORM INCREASES ACCOUNTABILITY

In *Approximation*, a slight improvement brought Ukraine level with Armenia in third position in the 2014 Index. Although still lagging behind Moldova, Ukraine witnessed an improvement in accountability, reflecting the constitutional changes that increased the role of the Ukrainian parliament in the formation of the government. Ukraine's record on elections improved in 2014, not least with the undisputed results of the presidential election in May 2014 and parliamentary election in October 2014.

Yet a number of important reforms were not implemented. These include new election legislation that would introduce a proportional election system and regional and open party lists. Reform is also necessary to introduce transparency of political party financing and media ownership.

Constitutional reform is needed to decentralise the current highly centralised system of governance, revise the relationship between the executive and regional and local authorities, and give more powers to municipalities. Constitutional reforms should also clearly delineate the division of responsibilities between the president and the prime minister. Civil service reform that would inter alia clearly separate political appointments from the civil service is another urgent task that has not yet been fulfilled.

Last, but not least, Ukraine needs to establish an independent judiciary that enforces equality before the law. Ukraine was the only one of the six Eastern partner countries to show no improvement on the independence of the judiciary, falling further behind Moldova, Georgia and Armenia in an area that is crucial to democratic development.

## PUBLIC PRESSURE CAN DRIVE REFORM

Two important factors that were not present after the Orange Revolution increase the chances that reforms might succeed this time.<sup>2</sup>

<sup>2</sup> Amid allegations of vote-rigging in the second round of the 2004 Ukrainian presidential election, the subsequent protests, known as the Orange Revolution, led to a re-run of the elections and the victory of Viktor Yushchenko.



First, throughout society there is a strong demand for reforms. The people of Ukraine have paid a high price (numerous deaths on the Maidan and thousands dead in the war in Eastern Ukraine). This demand is channelled through the unprecedented pressure civil society has exercised to push for reforms. Moreover, the scale of voluntary activism that in many ways performs the tasks of the state cannot be neglected. According to a recent public opinion poll, 77% of Ukrainians have started donating funding to support the army, voluntary battalions and numerous voluntary initiatives that help internally displaced persons and the families of the injured. The demand for reforms has been strengthened by the sense of responsibility for the future of the country that has fostered an active sense of citizenship.

Second, public opinion has consolidated in favour of EU integration. Support for EU integration increased from 47% in 2013 to 57% by the end of 2014. At the same time, support for the Customs Union with Russia, Belarus and Kazakhstan diminished from 36% to 16%.<sup>3</sup> Importantly, positive attitudes towards EU integration prevail all over Ukraine, with the exception of Donbass.

Nevertheless, many Ukrainians have become disillusioned with the EU due to the perceived lack of EU support not only to protesters during the Euromaidan, but to Ukraine as a whole during the military conflict with Russia. For instance, it took the EU a long time to lift the embargo for selling military and related equipment to Ukraine, which was imposed at the end of the Euromaidan. This strengthened the perception among Ukrainians that Ukraine needed to focus on sustainable democratic reforms for their own merits. Such reforms would bring Ukraine in line with EU standards, regardless of whether there was a perspective for EU accession or not.

## ASSOCIATION AGREEMENT PROVIDES FRAMEWORK FOR REFORMS

Although the Association Agreement between Ukraine and the EU is not yet fully ratified, and although the DCFTA will come into force only as of 2016, the Association Agreement creates an important framework for the implementation of EU norms and standards.

The decision by the EU to unilaterally open its market for Ukrainian producers already in April 2014 has already stimulated the growth of Ukrainian exports to the EU and sent an important signal to Ukrainian businesses that still have to meet the standards to access the EU market. Simultaneously, the Association Agreement, being a legally binding document, creates pressure on the authorities in Ukraine to implement the necessary reforms and gives additional leverage to Ukrainian civil society in its advocacy work.

The difficult legacy left by the government of Yanukovych is a cumulative one that predates his rule. Sorely needed reforms have been repeatedly neglected or postponed throughout Ukraine's independence. Even if more democratic as a result of the Euromaidan, Ukraine remained a dysfunctional state with dysfunctional law-enforcement authorities, civil service, judiciary and the army. These institutions all need not only reform, but in many ways a complete overhaul. Ukraine has the highest trade turnover with the EU and is the largest recipient of FDI from the EU, but its business climate is the worst among the six countries.

The challenge is compounded by endemic corruption, a harsh economic situation, and a painful war that consumes resources and energy needed for more constructive state-building and reform purposes.

After years of performing a delicate balancing act, in 2014 Ukraine made a choice in favour of EU integration and against membership in the Eurasian Economic Union. The clear sense of direction in favour of an accountable, democratic model of governance and social contract along the lines seen in EU member countries, which is shared by the majority in society and among political elites, is an important prerequisite for the reforms taking place.

It remains to be seen whether the push from civil society and the pressure from outside can offset the veto players who favour the old rules of the game, where oligarchs guard privileged access to decision-making and public resources. It is also far from clear to what extent Russia will further destabilise the situation and undermine the reform and state-building potential in Ukraine.

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<sup>3</sup> Data from Ilko Kucheriv Democratic Initiatives Foundation. [www.dif.org.ua](http://www.dif.org.ua).

# UKRAINE

## LINKAGE



POLITICAL DIALOGUE



**0.89**

TRADE AND ECONOMIC INTEGRATION



**0.74**

SECTORAL CO-OPERATION



**0.66**

PEOPLE-TO-PEOPLE



**0.51**

ASSISTANCE



**0.48**

## APPROXIMATION



DEEP AND SUSTAINABLE DEMOCRACY



**0.61**

MARKET ECONOMY AND DCFTA



**0.57**

SECTORAL APPROXIMATION



**0.62**



# UKRAINE

## MANAGEMENT



INSTITUTIONAL ARRANGEMENTS  
FOR EUROPEAN INTEGRATION  
(CO-ORDINATION AND IMPLEMENTATION)



**0.42**

LEGAL APPROXIMATION  
MECHANISM



**0.57**

MANAGEMENT  
OF EU ASSISTANCE



**0.50**

TRAINING IN THE FIELD  
OF EUROPEAN INTEGRATION



**0.43**

PUBLIC AWARENESS RAISING  
ON EUROPEAN INTEGRATION



**0.36**

PARTICIPATION  
OF CIVIL SOCIETY



**0.70**



# ARMENIA

## TOP CHALLENGES FOR 2015

- Rebuild public awareness and political parties' engagement in EU-Armenia co-operation, and prioritise a stronger role for civil society in monitoring effectiveness of EU budget support
- Consolidate the reforms made during the process of approximation of laws and norms with EU standards
- Strengthen Armenia's prospects for energy diversity

## EURASIAN INTEGRATION STALLED EU APPROXIMATION

The commitment by Armenia to join Russia, Belarus and Kazakhstan in the Eurasian Economic Union (EEU), signed on 10 October 2014, removed ambiguity about Armenia's foreign policy orientation and set it firmly on a trajectory of Eurasian integration.

Despite diplomatic statements from both the side of the EU and the Armenian government about their mutual interest in deepening co-operation in certain areas, the engagement of the country in the Eurasian integration project puts an end to the agenda envisaged when in 2013 negotiations had been concluded on an EU-Armenia Association Agreement and Deep and Comprehensive Free Trade Area (DCFTA).

As a result, the data of the 2014 Index (covering the period ending 30 June 2014) reflect a period whose trajectory has been cut short. The previous Index covered probably the most active period of Armenia's negotiations on the Association Agreement with the EU, accompanied by vigorous efforts towards the approximation of the regulatory framework to EU standards, extensive contacts between the Armenian authorities and their EU counterparts, and a number of creative approaches towards effective management of the anticipated provisional Association Agenda.

In spite of these efforts and achievements on a technical level, the case of Armenia proves

that the domestic political environment can be highly susceptible to geopolitical developments – which in turn can have a significant impact on the scope and outcomes of bilateral dialogue and co-operation with the EU, which is based on formally agreed Action Plans. Technical implementation of the latter appeared to be somewhat detached from political realities.

Although the U-turn of 3 September 2013, when President Serzh Sargsyan announced that Armenia would join the EEU, was a very unexpected development for most observers, a closer look at the domestic discourse in Armenia, preceding and accompanying the change of course, suggests that European integration was not an obvious and easy choice for Armenia.

The debates accompanying the parliamentary and presidential elections of 2012-2013 had already provided certain grounds for concerns about the consistency of the country's choice of European integration. The main participants in the elections avoided the topic of relations with the EU, and demurred from statements declaring European integration as the priority of the country's external relations.

The rapid progress in EU-Armenia relations during the years preceding the U-turn on Yerevan's foreign policy was not supported by an accompanying public awareness campaign. Moreover, the attempts by opponents of the Association Agreement to discredit the European path of Armenia turned out to be

more consistent and productive in terms of reaching a mass audience receptive to conservative ideas.

The main targets of efforts to discredit the Association Agreement before the U-turn were obligations to adopt legislation criminalising domestic violence and an anti-discrimination law. The absence of a proper explanatory campaign on the negotiations and content of the Association Agreement between Armenia and the EU enabled critics to point out “negative components” of the Agreement that had never existed. Concessions on the Nagorno-Karabakh conflict, requirements to limit co-operation with Russia, the delegation of power to EU institutions, and the unconditional closing of the Metsamor nuclear power plant (perceived by Armenians as the main guarantor of the country’s energy security) were widely cited as alleged provisions of the Association Agreement.

Later, the Ukrainian crisis, followed by the accompanying mobilisation of a Russian disinformation campaign against the EU’s policies towards the former Soviet republics, strengthened the perception among the Armenian public that the benefits of the Association Agreement with the EU were illusory and the eventual choice of the Eurasian integration model was unavoidable. The backdrop of the developments in Ukraine and their interpretation in the mainstream Russian media strengthened the main arguments that proved decisive for the Eurasian choice of Armenia.

Those arguments were the following:

- First, the absence of any alternative to Russia as the supplier of ammunition to Armenia’s armed forces. This factor became especially pertinent in the context of the ongoing Nagorno-Karabakh conflict and the large-scale military deal between Russia and Azerbaijan envisaging the sale of weapons for the sum of approximately €4 billion. The general perception was that Armenia could not allow a change from relative parity in military capability in favour of Azerbaijan, and thus needed to accept Moscow’s “invitation” to join the Customs Union/ Eurasian Economic Union.
- Secondly, the issue of energy security, where the prevailing perception was that

energy needs can be ensured exclusively through Russian gas supply and co-operation with Russia to prolong the operations of the Metsamor nuclear power plant. This dependence is a direct consequence of successive concessions made to Gazprom, which eventually gained a monopoly position in the Armenian market, excluding supplies from Iran or an Iran-Armenia gas pipeline as a possible alternative.

- Thirdly, at least 2.5 million Armenians live in Russia, or stay there as migrant workers. They transfer annually about €1.5 billion in remittances to their relatives in Armenia (80% of all private transfers). This is a crucial resource for the Armenian economy, and a factor for the stability of the country’s financial system (for comparison, the annual state budget revenues amount to less than €2 billion). Any threat to the status of those migrants - which could have emerged in the event that Armenia did not join the Russian-led EEU - would have triggered social unrest.

## SECURITY FACTOR SHIFTED POLITICAL CONSENSUS

Although not much talked about, a crucial factor was the “security of the government”. If Armenia had initialled the Association Agreement, the country’s leadership would have faced external and internal pressures that it could not withstand, and consequently would have been forced to leave office. The political opposition would have faced a similar situation. Most leading opposition parties believe that their successful and secure operations are possible only if they do not take a stance against Armenia’s accession to the EEU.

Thus, the political background for EU-Armenia relations changed drastically between autumn 2012 and autumn 2013 - from a consensus about the European choice into a consensus about joining the Russia-led EEU. Although most of the influential political parties spoke in favour of maintaining close relations with both the EU and Eurasian partners (primarily, Russia), the shift in external political priorities was inevitable.

This situation has introduced uncertainty regarding the format and content of EU-Armenia relations. The absence of an appropriate, legally binding document is a

serious obstacle to the development of bilateral relations. The term of the Partnership and Co-operation Agreement has expired, and the Association Agreement was neither signed nor initialled. Even the formulation of a new agenda for EU-Armenia co-operation will be hampered by uncertainty about the areas and extent of Armenia's interaction with the EU in the light of Armenia's membership of the EEU with effect from January 2015 (upon ratification of the respective agreement in the parliaments of Armenia, Belarus, Kazakhstan, and Russia).

## FREEZING OF INSTITUTIONAL AND LEGISLATIVE REFORMS

However brief the period covered following Armenia's U-turn of September 2013, the 2014 Index clearly reflects the retreat from consistent co-operation with the EU. The limited progress in the *Approximation* component of the Index marks improvements in the independence of the judiciary, in particular on procedures for dismissal of judges, and a new law approving the introduction of a random-case-selection mechanism at courts.

The *Approximation* section otherwise reflects the freezing of institutional and legislative reforms. The prime minister's Decree on the Approximation of legislation for selected industries, issued in December 2011, has expired and was never renewed. The same can be said for the National Plan for Approximation, although it has not been formally suspended.

Most of the institutions established for co-operation with the EU are now non-functional, a trend clearly reflected in the lower Index scores for *Management of European Integration*.

The slightly higher score for *Linkage* compared with the 2013 Index can be explained by the fact that the first part of the period covered by this research coincided with the final and very extensive stage of negotiations on the Association Agreement, and the second part also involved quite active high-level consultations between the EU and Armenia about the future of co-operation.

## FINDING A FORMULA FOR EU-ARMENIA RELATIONS IN DIFFICULT TIMES

The ongoing dialogue between the EU and Armenia did not help to overcome the uncertainty regarding the principal grounds for bilateral co-operation. However, it proved two things that may be valuable in the future:

- First, Yerevan sincerely does not want to distance itself further from Brussels. This was confirmed by statements from Armenian officials about their readiness to sign the "political component of the Association Agreement" (or "AA light").
- Secondly, the EU remains loyal to its commitment "not to leave its partners alone in difficult situations". Practical outcomes of this commitment included the ratification of the Visa Facilitation and Readmission Agreements that took place after 3 September 2013, as well as the launch of the Single Support Framework for EU direct budget support in 2014-2017 (between €140 - €170 million).

The private sector, public administration, and justice sector will be the three priorities of the planned reform implementation. This selection demonstrates the will of both sides to avoid seemingly sensitive areas in terms of anticipated membership of Armenia in the EEU.

The same logic can be seen in the plans for co-operation in the fields of agriculture, healthcare, education and the environment, where the interests of Moscow are not displayed. The programmes planned for implementation in the field of human rights protection are modest in ambition, albeit covering the improvement of legislation with regards to free elections, torture prevention, anti-discrimination, gender equality, and child protection.

The forthcoming agenda for EU-Armenia co-operation might be considered promising, given the current complicated situation, if it were not for the absence of effective mechanisms to oversee practical implementation of reforms. The institutionalised engagement of civil society was quite realistic in the context of the Association Agreement, but now lacks a framework. In this light, the prospects for objective assessment of reforms and, consequently, the relevance of a "more for more" approach, look problematic.

A negative side-effect might be a reduction in the advocacy potential of Armenian civil society, including the National Platform of the Eastern Partnership Civil Society Forum.

## NEED FOR INCLUSION OF CIVIL SOCIETY EXPERTISE

Therefore, efforts to improve assessment mechanisms and the greater inclusion of Armenia's independent civil society and expert community, who have consistently promoted the case for European integration, should rank among the priorities in shaping the new format of EU relations with Armenia. The EU and, even more so, the government of Armenia need to continue to seek ways to broaden areas of co-operation.

Freedom of assembly and association, and freedom of expression on the internet ranked among the major achievements of the democratic reforms in recent years, and contributed to a large degree to a more open and pluralistic atmosphere in the country. These freedoms should receive the special attention of EU institutions, not least in the new geopolitical environment. Lessons learned from the suspended Association Agreement process point to the need for more public awareness-raising, ensuring a better understanding of, and support for, joint EU-Armenia initiatives from the side of Armenian society.

The Armenian National Platform of the Eastern Partnership Civil Society Forum has continued the consolidation of EU-oriented civil society around the platform, and has conducted awareness-raising campaigns in the regions of Armenia to promote and explain the benefits of closer EU integration.

The publication of the negotiated draft Association Agreement and its presentation to the public would refute the misleading allegations circulated about its contents, and make the public more supportive towards the new stage of EU-Armenia co-operation. Given the change in the positions of the leading political forces in Armenia, the identification of reliable pro-EU partners could become another focus where pan-European political parties might be instrumental.

# ARMENIA

## LINKAGE



POLITICAL DIALOGUE



0.68

TRADE AND ECONOMIC INTEGRATION



0.54

SECTORAL CO-OPERATION



0.24

PEOPLE-TO-PEOPLE



0.50

ASSISTANCE



0.57

## APPROXIMATION



DEEP AND SUSTAINABLE DEMOCRACY



0.61

MARKET ECONOMY AND DCFTA



0.57

SECTORAL APPROXIMATION



0.62

# ARMENIA

## MANAGEMENT



INSTITUTIONAL ARRANGEMENTS  
FOR EUROPEAN INTEGRATION  
(CO-ORDINATION AND IMPLEMENTATION)



0.53

LEGAL APPROXIMATION  
MECHANISM



0.22

MANAGEMENT  
OF EU ASSISTANCE



0.44

TRAINING IN THE FIELD  
OF EUROPEAN INTEGRATION



0.64

PUBLIC AWARENESS RAISING  
ON EUROPEAN INTEGRATION

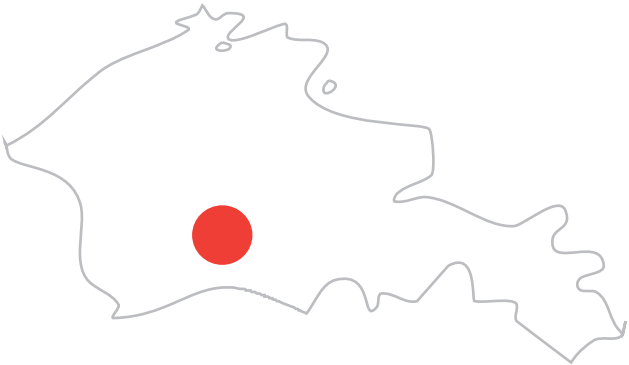


0.36

PARTICIPATION  
OF CIVIL SOCIETY



0.67





# AZERBAIJAN

## TOP CHALLENGES FOR 2015

- Sustained international support for the defence of human rights and release of political prisoners, combined with relaxation of the strict controls imposed on civil society organisations; consistent EU strategy of democracy promotion in Azerbaijan independent of the influence of reliance on Azerbaijan's energy supplies
- Stronger focus on regional security to ease tensions in the conflict areas
- High-level EU engagement to apply all available means to influence the government on promotion of democratic standards, free trade, and independence of the judiciary, and to empower civil society and public opinion alike to monitor these efforts

## ENERGY CO-OPERATION TAKES PRECEDENCE OVER TALKS ON ASSOCIATION AGREEMENT

Dramatic events in the post-Soviet space combined with domestic political developments to shape the policy landscape in Azerbaijan in 2013-2014. The overall regional political context became less favourable for deepening relations with the EU against the background of the visibly growing pressure exerted by Russia on the Eastern partner countries. The degree of Russia's influence was proven by the decisions by Ukrainian and Armenian leaders not to sign an Association Agreement with the EU ahead of the Eastern Partnership Summit in Vilnius on 28-29 November 2013. For Azerbaijan, the regional instability was compounded by a harsh government clampdown on independent civil society, including the imprisonment of a number of prominent human rights defenders.

The powerlessness of the international community in the face of the Russian invasion of Crimea and Russia's arming of secessionists in Eastern Ukraine fed the perception of the incontestability of Russia's power in the region. Against this backdrop, Azerbaijan remained uninterested in negotiating an Association

Agreement with the EU and continued to press for the negotiation of a Strategic Modernisation Partnership agreement instead with a weaker normative base. At the same time, Azerbaijan proved its importance to the EU's energy security needs, not least by supplying natural gas from the Caspian region through the Southern Gas Corridor. In June 2013, an agreement was signed on alternative gas supplies to EU markets through the Trans Adriatic Pipeline (TAP), building on the agreement signed in 2012 to supply gas from the Shahdeniz field in Azerbaijan's sector of the Caspian through the Trans Anatolian pipeline (TANAP).

Azerbaijan participated in the Vilnius Summit, and signed a Visa Facilitation and Readmission Agreement (VFRA) with the EU, which came into force on 1 September 2014.

Azerbaijan showed no overall change in *Linkage* in the 2014 Index, as a fall in Political Dialogue was offset by progress elsewhere, with the EU-wide approval of its pipeline projects TANAP and TAP, and also the signature of the VFRA.

There was no progress in negotiations on the Nagorno-Karabakh conflict. On the contrary,



there was a resumption of hostilities on 3 August 2014 when, according to official sources, eight troops were killed in three days of fighting. The unresolved conflict and hostilities served the basis for an exchange of military rhetoric between the presidents of Azerbaijan and Armenia.

The continued military hostilities afforded an opportunity for Russian President Vladimir Putin to assert his role of mediator on the conflict by hosting Armenia-Azerbaijan peace talks in Sochi in August. The year 2014 witnessed a rapprochement between Azerbaijan and Russia and intensified bilateral relations in trade, culture, and politics.

In 2013, Azerbaijan's trade turnover with Russia increased 4% compared with 2012, totalling €2.5 billion. However, in Azerbaijan's overall commodity trade, Commonwealth of Independent States (CIS) countries represented only 11.8% of turnover. Azerbaijan has still not entered the World Trade Organization (WTO), a prerequisite for commencement of negotiations with the EU on the establishment of a Deep and Comprehensive Free Trade Area.

The Azerbaijan economy continued to be highly dependent on oil, with the energy sector contributing 72% to budget revenues and comprising 40% of GDP. According to independent estimates, in 2013 the economy grew by 4.1%, albeit with a decline in the oil sector.<sup>1</sup> Growth in the oil sector decreased by 0.1%, and increased in the non-oil sector by 8.9%. According to official statistics, the average individual income increased by 8% compared with 2012.

The slight improvement in the *Approximation* section in the 2014 Index resulted from continued progress in energy co-operation and the emergence of Azerbaijan as the leader among the Eastern partner countries in Environment and Sustainable Development - as the only country to significantly reduce its water exploitation index scores, and as the highest ranking partner country in terms of natural protected areas.

In the Deep and Sustainable Democracy component of the *Approximation* section, Azerbaijan continued to trail, together with

Belarus, far behind the other Eastern partner countries, and continued to be ranked worst in terms of elections. In the 2014 Index, Azerbaijan slipped lower compared with 2013 in Media Freedom, Association and Assembly Rights, almost joining Belarus at the bottom.

## RIGGED ELECTIONS FOLLOWED BY WORSENING HUMAN RIGHTS RECORD

The period included the presidential election on 9 October 2013, which drew a harsh assessment from the OSCE/ODIHR observation mission. According to the OSCE/ODIHR findings, the election was undermined by limitations on the freedoms of expression, assembly and association to the extent that it was not possible to guarantee a level playing field for candidates, combined with a restrictive media environment and shortcomings in vote counting.<sup>2</sup>

Regional instability - in particular the Euromaidan protests that began in Ukraine on 21 November 2013 and the Gezi Park protests that commenced in Istanbul, Turkey, on 28 May 2013 - exacerbated Azerbaijan's domestic insecurities. Following the presidential elections, the human rights record of Azerbaijan visibly worsened, space for freedom of expression narrowed significantly, and persecution of civil society activists increased dramatically.

On 16 December 2013, Anar Mammadli, co-ordinator of the Eastern Partnership Civil Society Working Group 1 (human rights, democracy and good governance), was imprisoned on charges of alleged tax evasion, receiving a five-and-a-half year sentence. Mammadli is the chair of the Election Monitoring and Democracy Studies Center (EMDS), the biggest election monitoring NGO in Azerbaijan. His arrest followed the October presidential elections, when EMDS concluded on the basis of its election monitoring that the

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2 Azerbaijan, Presidential Election, 9 October 2013: Statement of Preliminary Findings and Conclusions, Organization for Security and Co-operation in Europe (OSCE) Office for Democratic Institutions and Human Rights (OSCE/ODIHR) and the OSCE Parliamentary Assembly (OSCE PA).  
<http://www.osce.org/odihr/elections/106901>

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1 Center for Economic and Social Development, 2014, [www.cesd.az](http://www.cesd.az)

elections failed to meet the requirements of a free and democratic vote.

From May to July 2014, the bank accounts of dozens of leading non-governmental organisations (NGOs) were frozen, and the authorities opened criminal cases connected to the activities of foreign donors and major independent local NGOs working in the areas of human rights, democracy promotion, and the transparency and monitoring of government policies.

A number of prominent activists, independent journalists and opposition politicians were arrested in 2014, including internationally renowned activist and journalist Leyla Yunus and her husband, historian Arif Yunus, known for their support for human rights. Intigam Aliyev, a leading human rights lawyer, and Rasul Jafarov, the head of Human Rights Club, were also arrested. In June 2014, Jafarov and other human rights defenders had presented evidence to the Parliamentary Assembly of the Council of Europe on the situation of political prisoners in Azerbaijan. Jafarov and Aliyev were arrested on fabricated charges of tax evasion, illegal business activity, and abuse of authority. Other independent civil society activists fled the country.

## CLAMPDOWN TO WEAKEN VOICE OF CIVIL SOCIETY

On 18 September 2014, the European Parliament adopted a resolution criticising the Azerbaijan authorities for human rights violations and calling for consideration of targeted sanctions.

On 29 September 2014, the Václav Havel Human Rights Prize - bestowed by the Parliamentary Assembly of the Council of Europe to honour outstanding civil society action in defence of human rights - was awarded to Anar Mammadli (and accepted on his behalf by his father, Asaf Mammadov). The prize was presented at the Parliamentary Assembly of the Council of Europe in Strasbourg, sending a strong signal of international condemnation to the government of Azerbaijan during the period when it chaired the Committee of Ministers of the Council of Europe (Azerbaijan held the chairmanship from May to November 2014). On 13 November 2014, the Norwegian Helsinki

Committee awarded the Andrei Sakharov Freedom Award 2014 to political prisoners in Azerbaijan.

Despite the international criticism, on 17 October 2014 the parliament of Azerbaijan adopted a new tranche of reactionary amendments to the NGO law. Earlier, on 15 February 2013 amendments had been adopted to the laws “On state registration of legal entities and state register”, “On NGOs (public associations and funds)” and “On Grants” in the Code of Administrative Offences, which subjected NGOs to tighter financial and programmatic control by the government.

The amendments to the NGO law adopted by the parliament in October 2014 amounted to “legal completion” of the crackdown on local civil society, and foreign organisations and donors operating in Azerbaijan, by requiring organisations and grants to be registered with, and approved by, the Ministry of Justice.

The high degree of dependence of the judiciary on executive power continued in 2013-2014, contributing to the growing number of politically motivated arrests. An anti-discrimination law was not adopted, and neither the defamation law nor the electoral code was amended. The international mission of observers (OSCE/ODIHR) to the 2013 presidential elections noted restrictions in all areas of human rights and democracy in the pre-election period, and stressed that in the majority of the polling stations observed, the vote counting “was bad or very bad”.

Co-operation between government and civil society was weak, and in some areas totally absent, both in trilateral (EU delegation, government and civil society) and bilateral (civil society and government) formats. There were no consultations between civil society and the government during the negotiations with the European Commission on an Association Agreement or about the decision to initiate the Strategic Modernisation Partnership agreement.

## NO PROGRESS EVEN ON STRATEGIC MODERNISATION PARTNERSHIP TALKS

With no conclusion reached even on the Strategic Modernisation Partnership agreement, Azerbaijan slipped further in the *Management of European Integration* section of the Index. The agreement was expected to address political and economic reforms, democracy, regional security, and energy co-operation, but progress has stumbled as Azerbaijan has demanded that its territorial integrity should be recognised in the agreement, while the EU has insisted on the inclusion of human rights conditionality.<sup>3</sup>

Civil society, and its capacity to monitor, campaign, and influence decision-making in the field of EU integration, was seriously undermined during the crackdown in May-August 2014. Nevertheless, civil society and the opposition issued a number of statements during this time period, urging the government to negotiate an Association Agreement and express its aspiration for EU membership. The opposition reacted to the rapprochement with Russia and the issue of political prisoners by holding a public meeting on 12 September 2014, attended by several thousand people.

The government reported positive steps in the development of the state registry system, the Azerbaijani Service and Assessment Network Service (ASAN). In the summer of 2013, a mobile version of ASAN's service for the Azerbaijan population was created to cover the regions. While the ASAN system is viewed by the government as an important remedy in the fight against corruption, the legal requirement for a declaration of income by public officials had still not been implemented. Moreover, the bank accounts of leading NGOs working in the area of transparency of revenues and budget spending (such as Transparency International

and Economic Research Center) were frozen, which in practice has incapacitated civil society's monitoring function.

Thus, while in the prior years some approximation took place at least at the level of legislation, in 2013-2014 the impetus of energy co-operation dominated all other areas of integration.

The government may further tighten its control over rights and freedoms, both in legislation and in practice, not least ahead of the European Olympics to be hosted in Baku in June 2015 and the parliamentary elections due to take place in November 2015. These restrictions on fundamental freedoms are unlikely to be challenged in the negotiation of a much more pragmatic Strategic Modernisation Partnership agreement, the absence of effective EU policy mechanisms and instruments in relations with oil-rich states, and the increased importance of Azerbaijan as an alternative gas supplier to the EU against the backdrop of the Russia-Ukraine crisis.

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<sup>3</sup> On 18 September 2014, the European Parliament reaffirmed its position that "EU support for and co-operation with the Republic of Azerbaijan, including the ongoing negotiations for a Strategic Modernisation Partnership, must be conditional on and include clauses relating to the protection and promotion of human rights", European Parliament resolution on the persecution of human rights defenders in Azerbaijan (2014/2832(RSP)), <http://www.europarl.europa.eu/sides/getDoc.do?pubRef=-//EP//TEXT+TA+P8-TA-2014-0022+0+DOC+XML+V0//EN&language=EN>.

# AZERBAIJAN

## LINKAGE



POLITICAL DIALOGUE



0.54

TRADE AND ECONOMIC INTEGRATION



0.56

SECTORAL CO-OPERATION



0.47

PEOPLE-TO-PEOPLE



0.29

ASSISTANCE



0.18

## APPROXIMATION



DEEP AND SUSTAINABLE DEMOCRACY



0.30

MARKET ECONOMY AND DCFTA



0.41

SECTORAL APPROXIMATION



0.61

# AZERBAIJAN

## MANAGEMENT



INSTITUTIONAL ARRANGEMENTS  
FOR EUROPEAN INTEGRATION  
(CO-ORDINATION AND IMPLEMENTATION)



**0.14**

LEGAL APPROXIMATION  
MECHANISM



**0.38**

MANAGEMENT  
OF EU ASSISTANCE



**0.44**

TRAINING IN THE FIELD  
OF EUROPEAN INTEGRATION



**0.29**

PUBLIC AWARENESS RAISING  
ON EUROPEAN INTEGRATION

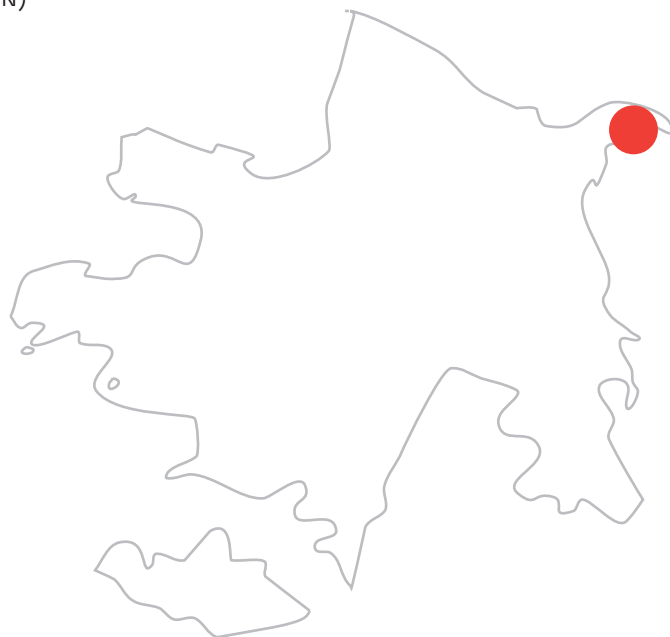


**0.17**

PARTICIPATION  
OF CIVIL SOCIETY



**0.42**



# BELARUS

## TOP CHALLENGES FOR 2015

- Sustained international support for the defence of human rights and release of political prisoners
- High-level EU engagement to apply all available means to influence the government on promotion of democratic standards, to empower civil society, and to strengthen government dialogue with civil society through the EU-Belarus engagement on co-operation and modernisation
- Strengthening of EU dialogue with the government against the backdrop of the growing challenges to regional security

## MORE ACTIVE DIALOGUE, BUT STILL THE POOREST PERFORMER ACROSS THE INDEX

In 2013 and the first half of 2014, Belarus continued to lag far behind the other Eastern partner countries, both in its links with the EU and in its approximation to EU standards. However, certain positive trends did emerge in the Belarus-EU relationship. Although the EU decided to prolong for another year sanctions imposed following the crackdown on peaceful protesters and political freedoms in 2010-2011, it intensified co-operation with Belarus on different levels. The position of Belarus on the crisis in Ukraine also contributed to a more active dialogue between the EU and Minsk.

Belarus-EU relations were strengthened by a sharp increase in working contacts between diplomats of all ranks after the prolonged diplomatic row of 2011-2012.

The trend began at the end of 2012 and gained momentum in 2013. Foreign Minister Uladzimir Makey paid three important foreign visits within the framework of the Eastern Partnership in 2013: ministerial meetings

in Brussels and Yerevan, and the Eastern Partnership Summit in Vilnius on 28-29 November 2013. Economy Minister Mikalai Snapkou joined him in Vilnius to attend the 2nd Eastern Partnership Business Forum. Against the backdrop of generally cold relations between Belarus and the EU, those were particularly noticeable.

The Vilnius Summit saw the culmination of the trend. At the summit, Foreign Minister Makey announced that Minsk was ready to launch visa facilitation and readmission agreement negotiations with the EU. Essentially, it was an offer to initiate a substantive agenda in EU-Belarus relations after a prolonged period of only sporadic diplomatic contacts.

## NEW ROUND OF TALKS ON MODERNISATION

This new agenda in Belarus-EU relations subsequently grew to include modernisation issues. At the end of May 2014, in accordance with Article 29 of the Joint Declaration of the Eastern Partnership Summit in Vilnius, the Belarusian government and EU institutions



launched the first round of consultations “with a view to determining the best future form of co-operation on modernisation issues”.

This new negotiation format substituted the European Dialogue for Modernisation with Belarusian Society (EDM), which the EU had launched in spring 2012. The EDM’s initial idea was to create an additional platform for communications and co-operation among Belarusian civil society, business and authorities. But the latter refused to take part in it due to the fact that they had not been consulted about the development of the initiative beforehand. Therefore, the EU had to establish two parallel formats.

The modernisation consultations began on the inter-governmental level, while the EDM with Belarusian society was replaced by a policy-oriented research and discussion project, which primarily involves civil society organisations and political parties.

## NEGOTIATIONS LAUNCHED ON VISA FACILITATION AND READMISSION AGREEMENTS

Although there was no change in the score of Belarus for *Linkage* in the 2014 Index, and bilateral institutional relations remain frozen - Belarus is the one Eastern partner country lacking any contractual framework with the EU, and remains the worst ranked country in *Linkage* - in January 2014 the EU and Belarus launched official negotiations on visa facilitation and readmission agreements.

Although the citizens of Belarus already benefitted from the highest number of Schengen visas per capita among the Eastern partner countries, this step serves as another indication of an intensification of dialogue between the EU and Belarus, reflected in a slight improvement in the *Management of European Integration* section in the Index. Belarus nevertheless remained the worst performing Eastern partner country in all three dimensions of the Index.

To a great extent, the internal logic of Belarus-EU relations was overshadowed by the crisis in Ukraine and its implications for Eastern Europe.

The crisis had a noticeable impact on Belarus’s domestic and foreign policy. During the first months of the protests in Kyiv and the tensions in Eastern Ukraine, the Belarusian authorities tried to avoid any public comment on the situation.

Later, it became difficult to adhere to a “strategy of silence”, and a series of contradictory statements and actions followed after Russia’s annexation of Crimea.

In spite of all the ambiguity, three elements of the Belarusian position on the crisis were reiterated consistently. They were:

- Belarus will co-operate with any Ukrainian government;
- Belarus supports Ukraine’s territorial integrity;
- Federalisation will create chaos in Ukraine.

This position of Minsk attracted the attention and appreciation of the EU, and served as a catalyst for a more active dialogue between Belarus and the EU.

## RELEASE OF THREE POLITICAL PRISONERS

The Belarusian authorities, on their part, also tried to sustain the trend towards closer relations with the EU in domestic policies. In the first half of 2014, they released three political prisoners. Two of them were freed due to the expiration of their terms of imprisonment. The most noteworthy was the early release of the well-known human rights defender, Ales Bialiatski, director of the Human Rights Centre Viasna. However, the problem of political prisoners was not resolved altogether. According to Belarusian human rights defenders, seven political prisoners remained behind bars.

Although the local elections of March 2014 were marked by the same irregularities as seen in previous elections, no major scandal was recorded. Minor amendments to the Electoral Code, which were introduced in 2013, further complicated candidates’ campaigns (funding from the state budget was no longer available for candidates, while boycott campaigns

have now been banned). At the same time, amendments to the Law on Public Associations slightly simplified the registration procedure.

The Ice Hockey World Cup that took place in Minsk in May 2014 served as another chance for Belarus to demonstrate its openness towards the EU. In order to attract more tourists during the competition, the government temporarily waived visas for foreigners. Several thousand EU citizens used the opportunity to visit the country. A couple of them were denied entry, however, on the grounds that they were on the so-called “stop list”.

- of the Eurasian Economic Union with Russia, Kazakhstan and Armenia, which rules out the prospects of an Association Agreement and accompanying Deep and Comprehensive Free Trade Area between Belarus and the EU. At the same time, the factor of regional instability may make both Belarus and the EU more willing to expand bilateral dialogue.

## ECONOMIC POPULISM FOLLOWED BY CAUTIOUS STABILISATION

The Belarusian economy was driven first by the government’s economic populism that dominated in the first half of the period and then the cautious stabilisation measures that followed later. In particular, the beginning of 2013 was marked by the growth of wages in real terms at a pace much higher than the increase in labour productivity. Steadily, wage growth began to decline, and in the first half of 2014 it was brought down to a more sustainable level. Meanwhile, the government and the National Bank produced a common plan of structural economic reforms that contained a number of market-oriented measures. However, the implementation of the plan was delayed.

The minor improvement in the score of Belarus in the *Approximation* section of the 2014 Index reflects improvement in the quality of public administration, where Belarus showed the most progress of all six Eastern partner countries. The most evident development in this sphere was the “reform-optimisation” of the state apparatus that resulted in cuts of 25-30% in public administration personnel.

The depth of relations between the EU and Belarus is likely to remain limited, given the continuing poor record of Belarus on human rights, freedom of association, and the lack of free and fair elections. The progress on modernisation consultations will likewise depend on ongoing relations between Belarus and Russia, not least following Belarus’s membership - with effect from 1 January 2015





# BELARUS

## LINKAGE



POLITICAL DIALOGUE  
**0.26**



TRADE AND ECONOMIC  
INTEGRATION  
**0.40**



SECTORAL CO-OPERATION  
**0.30**



PEOPLE-TO-PEOPLE  
**0.34**



ASSISTANCE  
**0.26**

## APPROXIMATION



DEEP AND SUSTAINABLE  
DEMOCRACY  
**0.27**



MARKET ECONOMY AND DCFTA  
**0.37**



SECTORAL APPROXIMATION  
**0.37**

# BELARUS

## MANAGEMENT



0.25

INSTITUTIONAL ARRANGEMENTS  
FOR EUROPEAN INTEGRATION  
(CO-ORDINATION AND IMPLEMENTATION)



**0.03**

LEGAL APPROXIMATION  
MECHANISM



**0.03**

MANAGEMENT  
OF EU ASSISTANCE



**0.81**

TRAINING IN THE FIELD  
OF EUROPEAN INTEGRATION



**0.14**

PUBLIC AWARENESS RAISING  
ON EUROPEAN INTEGRATION

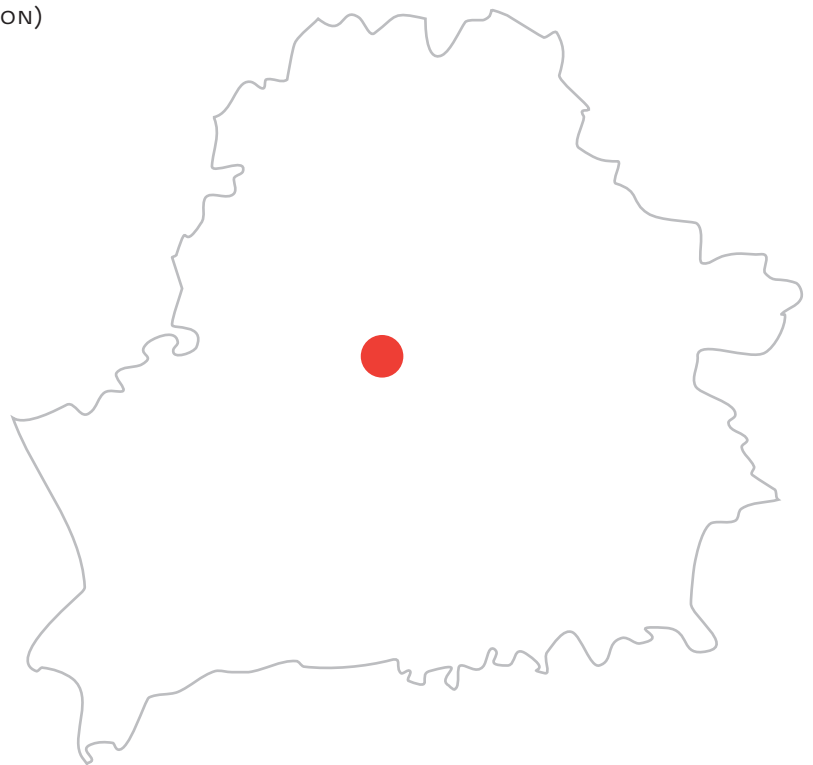


**0.14**

PARTICIPATION  
OF CIVIL SOCIETY



**0.33**





# SECTOR ASSESSMENTS

## POLITICAL DIALOGUE

Dialogue at the political level between Eastern partner countries and the EU continued to evolve during the period covered by the 2014 Index. An important turning point was the Vilnius Summit in November 2013 and the subsequent political crisis in Ukraine.

Just a few months before the Vilnius Summit, four partner countries - Ukraine, Armenia, Georgia and Moldova - were pursuing a fast-paced EU integration track through intense talks towards their association with the EU. Armenia, Georgia and Moldova had finalised negotiations on Association Agreements, and were expected to initial them at the Vilnius Summit. Eventually, only Georgia and Moldova initialled their agreements in Vilnius, while in June 2014 Georgia, Moldova and Ukraine signed Association Agreements with the EU and Armenia dropped out.

As in previous years, Ukraine sustained its leading position among the partner countries concerning the activities of bilateral institutions – as the only country that holds an annual summit with the EU (held on 25 February 2013, but postponed in 2014) and as the country participating in the highest number of co-operation sub-committees (seven against four for other countries - except Belarus with none). The last-minute Armenian decision to abandon the Association Agreement in favour of joining the Russia-led Eurasian Economic Union (EEU) and the Ukrainian decision under President Viktor Yanukovich to step back from signing the Association Agreement represented crucial turning points in the political dialogue between all partner countries and the EU.

Thus, after no visits by the Ukrainian President or Prime Minister to Brussels and Strasbourg in 2013 and with only a limited number of visits of EU officials to Kyiv, in 2014 the intense diplomacy between the EU and Ukraine restored Ukraine's position as the country with the highest frequency of high-level bilateral visits. Most of the visits were held with the aim of defusing the political crisis, resuming talks on the Association Agreement, and seeking EU support for solving current Ukrainian domestic

and foreign policy challenges. Moldova and Georgia followed Ukraine when it came to the greatest intensity of high-level bilateral contacts.

Although the EU-Belarus bilateral relationship remained frozen, after the Vilnius Summit Belarus agreed to start talks with the EU on visa facilitation and readmission agreements. Belarus continued to be the only partner country that has no contractual framework with the EU (the Partnership and Cooperation Agreement (PCA) was frozen in 1997).

The political crisis and the war in Eastern Ukraine meant that Ukraine was the subject of the most statements released by the European External Action Service (EEAS). Belarus, Georgia and Azerbaijan were the focus of the next highest number of statements. The EEAS statements referred to human rights issues in Belarus, the 2013 presidential elections in Georgia and Azerbaijan, and 2014 local elections in Georgia.

Despite different institutional frameworks in relations with the EU, political parties from all six partner countries have established co-operation with EU-wide political groupings represented in the European Parliament. Interestingly, both ruling and opposition parties, including those pleading for an Eastern-oriented geopolitical choice of their countries, have established ties with the EU political groups. In three countries - Ukraine, Moldova and Armenia - the heads of state or heads of government are leaders or senior members of a political party linked to the European People's Party.<sup>1</sup>

While affiliations to EU parties can be very helpful in promoting a country's interests at the highest level of EU decision-making, and in securing EU support for domestic democratic reforms, they provide no guarantee for the irreversibility of the country's European choice, as the Armenian example showed. Moldova has eight political parties that participate as associates or observers to the European political parties, Ukraine, Georgia, and Armenia each have six, Belarus has four, and Azerbaijan has three.

As far as the multilateral track is concerned,

<sup>1</sup> This centre-right grouping has comprised the largest party in the European Parliament since 1999 and in the European Council since 2002.

in 2013 all six countries participated throughout the year in the activities of the Eastern Partnership institutions. The only exception was Euronest, where Belarus has not participated ever since its constitution in May 2011. Belarus's involvement was temporarily suspended following the flawed presidential elections of 2010 and the ensuing violent repression against the opposition.<sup>2</sup>

Human rights are an important area of co-operation between the EU and the partner countries. The EU has established dialogues on human rights with all six countries, but each with a different format and frequency.

Dedicated annual Human Rights Dialogues regularly take place with Armenia, Georgia, and Moldova. The EU-Belarus Human Rights Dialogue took place only once, in 2009, and was subsequently suspended. In 2013, Moldova held two meetings, one of which was organised with national human rights experts on an *ad hoc* basis before the Vilnius Summit. Ukraine and Azerbaijan decided to discuss human rights issues as part of the Justice, Freedom and Security sub-committees that meet annually.

Ukraine remained the best performer in co-operation within the Common Foreign and Security Policy (CFSP) and the Common Security and Defence Policy (CSDP), and was the only partner country that holds official consultations with both the EU Military Committee (EUMC) and the Political and Security Committee (PSC). However, it was Moldova again that demonstrated the closest alignment with the EU foreign policy by subscribing to 80% of EU CFSP statements.

With Georgia and Moldova following the Ukrainian example, in 2014 the number of partner countries that participated in EU military and crisis management missions increased. Currently, Georgia is the only Eastern partner country that is involved in two EU CFSP operations: in the EUFOR RCA (European Union Force in the Central African Republic), where Georgia is the second largest contributor, and in the EU Training Mission (EUTM) in Mali. All partner countries except Belarus regularly take part in different EU CFSP consultations and trainings.

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<sup>2</sup> The Euronest Parliamentary Assembly is the parliamentary component of the Eastern Partnership, consisting of members of the European Parliament as well as members of the national parliaments of Ukraine, Moldova, Armenia, Azerbaijan and Georgia.

DEEP AND SUSTAINABLE DEMOCRACY

**MOLDOVA**

**GEORGIA**

**UKRAINE**



0.77



0.73



0.61

ELECTIONS (NATIONAL LEVEL)

0.83

0.80

0.52

MEDIA FREEDOM, ASSOCIATION AND ASSEMBLY RIGHTS

0.67

0.67

0.60

HUMAN RIGHTS

0.74

0.70

0.73

INDEPENDENT JUDICIARY

0.83

0.88

0.47

QUALITY OF PUBLIC ADMINISTRATION

0.75

0.58

0.60

FIGHTING CORRUPTION

0.73

0.81

0.60

ACCOUNTABILITY

0.81

0.67

0.75



# ARMENIA

# AZERBAIJAN

# BELARUS



0.61

0.30

0.27

## ELECTIONS (NATIONAL LEVEL)

0.46

0.06

0.15

## MEDIA FREEDOM, ASSOCIATION AND ASSEMBLY RIGHTS

0.56

0.23

0.19

## HUMAN RIGHTS

0.58

0.47

0.15

## INDEPENDENT JUDICIARY

0.73

0.27

0.24

## QUALITY OF PUBLIC ADMINISTRATION

0.62

0.44

0.45

## FIGHTING CORRUPTION

0.68

0.22

0.42

## ACCOUNTABILITY

0.64

0.37

0.30

DEEP AND SUSTAINABLE DEMOCRACY

## DEEP AND SUSTAINABLE DEMOCRACY

The concept of Deep and Sustainable Democracy encompasses elections, media freedom, association and assembly rights, human rights, independence of the judiciary, quality of public administration, the fight against corruption, accountability, and democratic control over security and law enforcement institutions. The Index shows which of the countries improved in these areas and thus deserve additional rewards from the EU under the “more for more” principle, and which of the countries have regressed to a degree where reform has become a more urgent priority.

In the 2014 Index, Moldova was again the best performer in Deep and Sustainable Democracy, which features within the *Approximation* dimension. However, the biggest improvement in scores over the 2013 Index was shown by second-placed Georgia. Ukraine and Armenia shared third position. Azerbaijan and Belarus both lagged far behind the four frontrunners.

Moldova showed the best results in all aspects of Deep and Sustainable Democracy with the exception of fighting corruption and the independence of the judiciary, where Georgia performed better. Georgia showed the strongest improvement in elections and human rights. Ukraine and Armenia improved a little to rank equal third, although still lagging behind Moldova and Georgia in many areas. Armenia faced continuing challenges in terms of media freedom, association and assembly rights. In contrast, independence of the judiciary was enhanced, and its quality of public administration ranked second only to Moldova.

Azerbaijan remained fifth, falling slightly closer to Belarus. Azerbaijan was ranked the poorest in terms of elections, and slipped lower in media freedom, association and assembly rights. Belarus registered no change, and continued to be the poorest performer.

## ELECTIONS

Although the Index looks mainly at parliamentary elections, the legislative, normative and organisational improvements of the election process in general are also considered when evaluating the performance of each country in holding elections. During 2013-2014 Georgia, Armenia, Azerbaijan and Ukraine all held presidential elections, while Georgia additionally held local elections. Due to a number of positive developments in managing elections, Georgia has seen a significant rise in its Elections score and dramatically closed the gap with highest-scoring Moldova.

Ukraine maintained third place, with a slight improvement in the quality of the election process following its decision to resume electoral reform. Ukraine is followed by Armenia that showed no overall change in its score. Belarus and Azerbaijan continued to demonstrate the biggest failings in ensuring fair, free and transparent electoral campaigns.

Georgia made significant progress in ensuring free, fair, transparent and well-managed elections. Improvements in the activity of the elections management body, as well as the fact that a civil society nominee was appointed as head of Central Election Commission, have increased overall confidence in election administration. The accuracy of voter lists also improved following technical amendments to election legislation. Georgia is the only Eastern partner country that has properly addressed the issue of voting accessibility for people with disabilities. Nevertheless, the latest elections revealed a number of persistent problems related to the unequal access of all electoral contestants to the state-owned media, restrictive procedures for citizens to file election-related complaints, inefficient implementation of legislation on party financing, and superficial oversight of campaign financing.

Since 2010, when Moldova held its last parliamentary elections (the 2014 election on 30 November took place after the period covered by the Index scoring), no major changes have been made in the quality of elections. On the contrary, driven by party interests, legislators adopted a number of restrictive amendments to electoral legislation, which were negatively perceived by both citizens and international partners, and subsequently

reversed. Most of the problems noted during previous parliamentary elections remained unsolved, such as limited transparency of party financing, ineffective oversight of campaign finance, lack of transparency in establishing polling stations abroad, and inefficient enforcement of sanctions against media outlets that ignore electoral legislation. A positive change in the accuracy of voter lists was made by introducing a centralised electronic voter register to be applied in the 2014 elections.

Despite the political crisis and difficult domestic situation, Ukraine's track record on elections slightly improved in 2014. The electoral legislation was subject to numerous and extensive amendments, aiming to ensure the feasibility and security of the early presidential elections and to address recommendations made previously by the Office for Democratic Institutions and Human Rights (ODIHR) of the Organization for Security and Co-operation in Europe (OSCE) and the Venice Commission.<sup>3</sup> Although the changes were adopted under a fast-track procedure, there is a broad perception of their legitimacy. Ukraine still faces problems related to the system of dual jurisdiction for electoral complaints that is cumbersome and inefficient. Adequate regulations for campaign finance and an effective enforcement mechanism to address the violations of electoral legislation are still missing. The participation in elections of citizens residing in Crimea and Eastern Ukraine represented another serious concern.

After progress in its Elections score in the previous index, in 2014 Armenia registered no change, mainly because the unlevel playing field for all electoral contestants persisted and the quality of voter lists remained questionable. The lack of political will to implement electoral legislation impartially remained a key problem leading to misuse of administrative resources, voter intimidation, a formalistic and partisan approach in examining election appeals and complaints, partisan election administration, and undue interferences in the ballot-counting procedure. Together, these issues gave rise to serious concerns about the legitimacy of election administration, and generated widespread distrust in the integrity of elections.

Despite the negative assessment of the 2012 parliamentary elections, Belarus did not launch any electoral reform. The October 2013

presidential elections in Azerbaijan were beset by limitations on the freedoms of expression, assembly and association, and shortcomings in vote counting, according to the OSCE/ODIHR findings.<sup>4</sup>

Belarus and Azerbaijan remained the least committed to reaching democratic election standards.

To conclude, a number of positive developments took place in Georgia, Ukraine and Moldova over the monitoring period. Nevertheless, none of the partner countries yet meets the standards of democratic elections set by the Index. The Association Agreements that Georgia, Moldova and Ukraine have recently signed offer propitious frameworks for the consolidation of democratic norms, human rights and fundamental freedoms, and thus hold out the hope that these three countries will continue to make improvements to the quality of elections.

In this regard, a number of challenges need to be tackled. The transparency of election campaign finance could be increased by strengthening independent and effective oversight mechanisms governing party and campaign financing along with a sanctions mechanism for violations of campaign-finance regulations. Georgia has already put a mechanism in place, although it is not very robust. Georgia is the only partner country that provides both direct and indirect public funding to political parties. In Ukraine and Moldova there is only indirect public funding, while in Armenia, Azerbaijan and Belarus, there is no financial support to political parties at all.

Adequate sanctions to prevent vote-buying are a major issue for all six countries. Although all have regulations against vote-buying, their enforcement is superficial.

Guarantees of fair treatment of all political players competing in elections, including equal access to media outlets, and proper management of appeals and complaints

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<sup>4</sup> Azerbaijan, Presidential Election, 9 October 2013: Statement of Preliminary Findings and Conclusions, Organization for Security and Co-operation in Europe (OSCE) Office for Democratic Institutions and Human Rights (OSCE/ODIHR) and the OSCE Parliamentary Assembly (OSCE PA). <http://www.osce.org/odihr/elections/106901>

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<sup>3</sup> The Venice Commission is an advisory body of the Council of Europe, composed of independent experts in the field of constitutional law.

through an inclusive, accessible system that processes complaints in a timely manner, are lacking in all six countries. The capacity of national independent media regulatory bodies to supervise media coverage and to impose sanctions for violations of media-related provisions of the election law needs to be increased.

Likewise, the absence of fair and effective systems for constituency demarcation and seat allocation poses a significant challenge.

The key problem of electoral participation of citizens in breakaway regions in some partner countries will persist as the countries concerned (now also including Ukraine) lack the means to bring the regions back under their control.

## MEDIA FREEDOM, ASSOCIATION AND ASSEMBLY RIGHTS

The scores in this part of the Index relied largely on the assessments of independent international rankings such as Freedom House's Freedom of the Press Index, the Bertelsmann Transformation Index and Reporters Without Borders' World Press Freedom Index.

The situation of media freedom was uneven. Georgia made steps to catch up with Moldova and now they are joint best performers. Both Freedom House and Reporters without Borders highlighted slight improvements in Georgia. Armenia came third (although placed second, above Georgia, by Reporters Without Borders). Ukraine, which followed after Armenia, registered a slight improvement. Azerbaijan registered worsening media freedom, moving closer to worst-placed Belarus.

Where association and assembly rights were concerned, the pattern was somewhat different. Ukraine and Georgia became leaders, followed closely by former leader Moldova. These three countries left Armenia some way behind. Azerbaijan and Belarus trailed much further behind. Azerbaijan showed a small decline against the 2013 Index, while Ukraine, Georgia and Armenia showed improvement.

## HUMAN RIGHTS, INCLUDING EQUALITY AND NON-DISCRIMINATION

Human rights were most at risk in Belarus and most protected in Moldova, Ukraine and Georgia. In the case of Georgia, significant improvements in the 2014 Index period widened the gap with fourth-placed Armenia. Belarus is the only country in Europe that retains the death penalty (excluding the country from membership of the Council of Europe), and also stands out for its resistance to international co-operation on the prevention of torture. While Azerbaijan adhered to many international instruments on human rights, its practice of protecting civil liberties is the second poorest among the six partner countries. The arrests of civil society activists and independent journalists marked a serious clampdown on civil liberties in Azerbaijan.

In the area of ratification of international legal instruments, Ukraine remained the leader among the six countries. Moldova and Armenia lagged a considerable way behind. Further behind, Azerbaijan had signed up to a comparable number of international legal instruments as Georgia. Belarus was the most reluctant partner country in signing up to international human rights instruments.

Observance of the principle of non-discrimination and adoption of measures to guarantee equality through new legislation or amendments to existing legislation remained high on the bilateral agenda of the EU and the respective Eastern partner countries. The adoption of comprehensive and effective legislation, as well as its effective implementation, is one of the requirements for visa-free travel. Three main groups of indicators were used to assess the state of play and progress of the partner countries in this area: ratification of international non-discrimination legal instruments; domestic anti-discrimination legislation; and policy implementation, the latter including the degree of empowerment of disadvantaged social groups.

Only three partner countries showed progress in the area of non-discrimination: Moldova, Georgia and Ukraine. Moldova is the only country in the region that set up a specialised equality body – the Council on Ensuring Equality and Combating Discrimination. The Council is composed of five members from civil society, appointed by the parliament, and

investigates cases of discrimination. Established under the anti-discrimination law, the Council started to operate in the second half 2013. By the middle of 2014, the Council had already processed several cases and issued decisions.

In March 2014, Georgia finally ratified the UN Convention on the Rights of Persons with Disabilities, and in May 2014 developed and adopted its first anti-discrimination law. Following the experiences of Ukraine and Moldova, and taking into account recommendations received by both countries from the side of the EU, Georgia developed its law based on the same model. It provides definitions of various forms of discrimination, enlists protected characteristics, mentions mainly vulnerable groups, including LGBT persons<sup>5</sup> (Moldova precisely mentions LGBT only in the Labour Code, when Ukraine does not mention this group at all), and appoints the Ombudsman office as the national equality institution.

Ukraine made a second attempt to fulfil recommendations received from the European Commission and the Council of Europe, and the Ministry of Justice developed another draft law (4581), which was adopted by the parliament on 13 May 2014. This time, the government and MPs made amendments to the definitions of different forms of discrimination, and broadened the list of responsibilities of the Ombudsman office, as well as its mandate in the sphere of non-discrimination and equality (now the Ombudsman can deal with individual complaints, regarding violations by both state bodies and private entities). The Civil Procedural Code was amended by the same draft law, establishing the principle of the shift of the burden of proof.

For all three frontrunner countries, implementation of the legislation will be crucial in the future.

All six countries have provisions prohibiting discrimination in their constitutions. However, a clear distinction should be made between Georgia and Moldova, where the constitutions contain solely an overarching requirement of equal treatment and do not prohibit discrimination *per se*, and other partner countries where the constitutions more explicitly prohibit discrimination and thus afford a higher level of protection.

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<sup>5</sup> Lesbian, Gay, Bisexual, and Transgender persons.

All the partner countries guarantee certain protection from discrimination within their penal laws, labour laws and education laws. Moldova introduced changes into its criminal and contraventional codes. It also explicitly prohibited discrimination on the grounds of sexual orientation in employment, and in 2014 introduced changes into its education legislation, explicitly prohibiting discrimination in this sphere.

The situation as regards protection from discrimination on a broader range of grounds remained almost without change across the six countries. The leaders in this respect were Moldova, Ukraine and Georgia, as they guaranteed protection on the largest number of specific grounds, including sexual orientation in Moldova and Georgia. Ukraine, Moldova and Georgia kept the list of protected grounds open in legislation, enabling the courts to interpret the law broadly, which might mean *de facto* that the law covers discrimination on unlimited grounds. Armenia, Belarus and Azerbaijan have not provided the same scope of protection.

When developing draft law 4581, the Ukrainian authorities were asked to take into account the recommendation to prohibit discrimination on the grounds of sexual orientation and gender identity, or to at least explicitly mention it in the Labour Code following the example of Moldova. This request was ignored, and there was open reluctance from certain MPs who publicly refused to vote for amendments if the draft mentioned LGBTs as a protected group. To close this gap in legislation, the Higher Court of Ukraine provided a letter of explanation, a recommendation to all courts on how they should understand the open list of protected grounds, as such including sexual orientation. Such letters are not binding.

Georgia, Ukraine and Moldova have clear definitions of direct and indirect discrimination and harassment. The latter is also defined and prohibited in Armenian law. Failure to provide reasonable accommodation is defined by the Moldovan, Georgian and Ukrainian anti-discrimination law, while all other countries fail to regulate this guarantee. These three countries' anti-discrimination laws meet the minimum standards prevalent in the EU and guarantee protection in all major spheres. They cover assumed discrimination, discrimination by association, and multiple forms of discrimination, while Armenia prohibits discrimination by association.



When it comes to enforcement mechanisms, all partner countries except Moldova follow the same model of the Ombudsman office acting as the national equality body. In Ukraine, one of the four specialised departments within the Ombudsman office works on non-discrimination, gender rights and children's rights. In Georgia, the Public Defender's Office deals with individual complaints on discrimination and simultaneously runs the Tolerance Centre and two Civil Councils, one on National Minorities and another on Religious Minorities.

None of the countries showed any progress as to development of a comprehensive national anti-discrimination policy or strategy that would cover all vulnerable groups and set up goals and tasks for state authorities. However, at the end of 2013 the Ombudsman office in Ukraine drafted and approved its own equality strategy and, together with civil society, developed an action plan to implement the strategy in 2014.

## INDEPENDENT JUDICIARY

The indicators of independence of the judiciary as a whole improved in five of the six partner countries. The exception was Ukraine, which showed no change over the 2013 Index. The results also showed that Moldova, Georgia, and Armenia were more active in implementing reforms than Ukraine, Belarus or Azerbaijan.

In most of the six countries, the general trend was that judges were appointed on the basis of two sets of objective criteria, such as minimum qualification requirements and examination marks, by which the candidates' professional knowledge and skills were assessed by a regulatory body.

Armenia established a Justice Academy, replacing the former Judiciary School - by which it extended the initial education programme for candidates and set out more and detailed rules on qualification criteria. Similarly, Ukraine and Georgia introduced initial training programmes and corresponding educational institutions for judge-candidates, under which the selection and appointment of future judges would depend on the marks received by the candidates during the initial training courses. In Belarus and

Azerbaijan, judicial appointments continued to fall short of EU standards, as in both cases the president and the parliament retain decisive roles in the process of selection and appointment of candidates.

The procedures by which officials were promoted within the judiciary system lacked clear, detailed and objectively defined criteria in all six countries. The most important factor was loyalty to the regime.

Moldova, Georgia, and Armenia made significant progress in improving how judges are dismissed. In general, the common trend in partner countries was to give that authority to judicial councils, comprised mostly of judges. The councils are part of the judiciary branch of government, thus avoiding interference from the executive branch.

In most partner countries, violations of ethics and gross violations of substantive and procedural law norms may result in the removal of judges. The Venice Commission has consistently criticised the dismissal of judges because of governmental disapproval of their rulings as grossly jeopardising the independence of the judiciary.<sup>6</sup>

In this context, Ukraine, Belarus and Azerbaijan still face systemic problems. In Belarus and Azerbaijan, the executive branch is involved in the appointment and disciplining of judges. In Ukraine, the parliament has the same authority. Despite the progress that Armenia made in ensuring that the selection, appointment, and removal of judges be regulated by a body comprised mostly of judges and located within the judiciary, the fact that the president of the country is vested with the power of approving the Justice Council's list of selected, promoted and disciplined judges remained a matter of concern.

All six countries have made significant efforts in increasing the institutional independence of the judiciary by introducing special measures to ensure guaranteed tenure of judges and to protect them from threats. In Georgia, since the change of government in 2013 the Prosecutor's Office is no longer seen as exerting pressure on the judicial branch, and the number of pre-trial detentions has been dramatically reduced.

<sup>6</sup> See, for example, the Venice Commission document CDL-AD(2007)009 of 19 March 2007.

However, further measures are needed in all six countries to ensure their institutional independence, such as the elimination of internal influence over judges (for instance, from higher or highest instance court judges), giving the judiciary decision-making power over its budget, and ensuring that justice councils enjoy complete independence from the executive and legislature. Even in countries where the justice councils are comprised mostly of judges elected by their peers (Armenia, Georgia, Moldova), they do not enjoy sufficient independence from the executive branch.

All partner countries have developed legal frameworks to ensure effective constitutional review of legislation and official acts, judicial review of administrative acts, adequate subpoena, contempt, judicial decisions enforcement procedures, and appellate proceedings. However, the overall picture shows that the judiciary systems are still influenced by political decisions, since during periods of political conflict the judiciary fails to play its full role.

With respect to the accountability and transparency of the judiciary, Armenia passed a law approving the introduction of a random case-selection mechanism in the courts. Moldova improved its mechanism of publication of court decisions, and clarified the scope of immunity of the judiciary. Ukraine registered no changes against the 2013 Index. Georgia improved in the category of openness of court hearings after lawmakers approved legislation making it possible for the media to attend trials.

Azerbaijan showed the lowest level of compliance with EU standards in this area. It is the only partner country that bars citizens who are not a party in the proceedings from attending court hearings (with a minor exception for NGOs in cases of public interest), bars the publication of first instance court decisions, and bars ordinary citizens from filing complaints against judicial misconduct.

## QUALITY OF PUBLIC ADMINISTRATION

High-quality public administration is a precondition for the implementation of effective, sustainable reform in different sectors in any country. The Index considers such aspects as policy formulation and co-ordination and an impartial and professional civil service, the latter including legal, institutional and procedural aspects and the management of public service quality. The 2014 Index, as in previous years, showed minor developments in this area.

Moldova continued to be the leader in terms of quality of public administration across the six countries. There were some developments in the period covered: the law on testing professional integrity was adopted in December 2013 and the National Committee for Integrity became functional (it was established in 2012). Different registers and hotlines were created to report corruption, conflicts of interest, and attempted bribery. A new Internet portal, [www.particip.gov.md](http://www.particip.gov.md), was created for more effective public consultations on draft laws and public policies. The State Chancellery trained staff from the ministries to use the portal. In 2013 and 2014, the function of state secretaries was established in all ministries, and the hiring process was conducted based on professional criteria.

Armenia was the second best performer. Amendments were passed to the Law on Civil Service related to the appraisal of civil servants' work and to the formation of competition commissions (in force only from 1 January 2015). A new Law on Remuneration of Persons in State Offices was adopted, coming into force on 1 July 2014.

Ukraine was placed third in this category, closely followed by Georgia. Belarus and Azerbaijan switched places, with Belarus coming in fifth and Azerbaijan in sixth. Belarus showed the most progress of all six countries in this category in the 2014 Index.

The main developments in the Belarusian public administration system were connected with the so-called "reform-optimisation" of the state apparatus. This reform was conducted due to the president's initiative and was intended to reduce civil service staff and to increase the salaries of government employees. About 25-

30% of public administration personnel were cut, but no functions were reduced, and no significant salary increases were made. The year 2014 was significant in that a new fight against corruption was announced. The introduction of populist measures, focused mainly on introducing more severe punishments for corruption, is likely to feature in the presidential election campaign in 2015.

Azerbaijan lagged slightly behind. In general, there was no progress in Azerbaijan.

## FIGHTING CORRUPTION

There seems to have been little palpable change regarding corruption and the way public finances are managed and accounted for in the Eastern partner countries. There was even a very slight worsening in perceived levels of corruption, according to the Transparency International Corruption Perceptions Index.

Belarus and Azerbaijan continued to lag behind in all aspects of transparent public financial management, lacking public procurement systems that would ensure value for money. Moldova remained the best performer, while Ukraine, Georgia and Armenia all registered progress in public procurement procedures.

Public procurement continued to be prone to corruption. Nearly all states had a framework that mandates competitive procurement and, at least in the law, limits the use of sole-sourcing. The generally vast number of exceptions and vagueness of the stipulations, however, curtails the effectiveness of these laws. Azerbaijan retained the poorest score.

The conviction of legal entities for bribery does not automatically disqualify them from partaking in public procurement in most of the partner countries. Where debarment is mandated by the law (Ukraine, Moldova and Armenia), there is little confidence that the regulation will not be sidestepped by the individuals and groups behind culpable entities (they can set up new entities with a clean record).

While Supreme Audit Institutions existed in all six countries, none of them could yet claim the

full independence and clout necessary to ensure effective and impartial oversight over public finances. Belarus and Azerbaijan were the worst two performers, but there was no guarantee in any of the countries that Supreme Audit Institution findings would be acted upon.

Even though the systems and practices are imperfect in all six countries, there is room for sharing best practices among each other. Georgia's system of full public access to online procurement processes and results can be a useful tool for increased transparency elsewhere. Moreover, the Georgian Procurement Agency's openness to collaboration with civil society offers the potential for further strengthening both the integrity and trustworthiness of the system. Trust and reputation could be further enhanced by effectively penalising entities involved in bribery. Clear legislation in this regard would be a good first step in all six countries.

## ACCOUNTABILITY

After Georgia, Moldova and Ukraine signed Association Agreements with the EU in 2014, Association Agendas replaced European Neighbourhood Policy (ENP) Action Plans for Georgia and Moldova, setting specific obligations to develop constitutional systems of effective checks and balances. While Armenia and Azerbaijan did not significantly advance their positions in relation to closer integration with the EU, obligations undertaken in the framework of ENP Action Plans to implement effective reforms remain. ENP Action Plans with Armenia and Azerbaijan declare as a priority area better separation of powers between the executive and legislative branches. A properly functioning system of checks and balances requires the accountability of the executive to the legislative branch, ensuring that elected representatives of the public can exercise effective controls over the work of the government.

The 2014 Index shows an improvement for Georgia, which higher scores in line with the parliament's increased oversight over the executive branch. Fundamental changes have resulted from significant amendments to the Constitution - changing the super-presidential



system to the mixed parliamentary one. Moldova, as a parliamentary republic with an effectively functioning parliamentary oversight system, remains the frontrunner among the partner countries, followed by Ukraine, Georgia and Armenia. Azerbaijan and Belarus continue to have low scores, given that their parliaments have limited or only formal oversight powers.

Legislators in Moldova, Georgia, Armenia and Ukraine have the power to conduct independent investigations into cases of abuse of power by executive institutions or officials through standing parliamentary committees or temporary investigative commissions. However, procedures of operation of the temporary investigative commissions are not clear in Ukraine and have not proved effective in Armenia. There have been no improvements in Belarus or Azerbaijan. The legislators of both countries lack institutional and effective power to independently investigate cases of misconduct by the executive.

Parliamentarians in Georgia and Moldova have the power of oversight over the agencies of coercion. While the Ukrainian parliament may control the activities of law enforcement bodies via general mechanisms of parliamentary oversight, the effectiveness of such control is limited, as the parliament is not allowed to pass a vote of “no confidence” in the heads of the relevant agencies. The relevant provision of the Georgian Constitution, which gave the exclusive right to dismiss the ministers of justice, internal affairs and defence to the president, was amended in the reporting period.

The role of the Ukrainian parliament in the formation of the government has been increased, as compared with the previous years, when the appointment of ministers was the exclusive right of the president. Similarly, the new constitutional reality in Georgia deprived the president of the authority to lead the process of the cabinet’s formation, giving this right to the prime minister. The role of the parliament in the formation of the government is non-existent in Belarus, Armenia and Azerbaijan, where it is the president’s exclusive authority to appoint and dismiss the members of the government.

The parliaments of all six partner countries have formal rights to vote no confidence in the government, but these are limited in practice. For instance, in Belarus, the president could

interfere in the process by dissolving the parliament. It is only in Azerbaijan, where the president does not have the right to dissolve the parliament, even in the case of a political crisis.

The parliamentarians of all six countries can theoretically override presidential vetoes – however, in practice, the chances of overruling a presidential veto is negligible in Azerbaijan, where the procedure requires 95 supporters of the initial bill out of 125 parliamentarians. Interestingly, in Georgia, during the process of a painful cohabitation of two political forces (when Mikheil Saakashvili was president and Bidzina Ivanishvili was prime minister), the parliament successfully overrode the presidential veto a number of times.

The parliaments of Armenia, Azerbaijan, Georgia, Moldova and Ukraine benefit from institutional autonomy vis-à-vis the executive branch in relation to the distribution of financial resources necessary for their own operations. In Belarus, the president exercises control over the allocation of resources to the legislature.

In theory, the parliamentarians of all six countries enjoy immunity from criminal prosecution; however, there have been claims of allegedly politically motivated criminal prosecutions against individual parliamentarians in Armenia and Azerbaijan, when the respective parliamentarians have been stripped of their immunity in recent years.

The Index data illustrates that further efforts of the partner countries are required for a properly functioning system of checks and balances.

## DEMOCRATIC CONTROL OVER SECURITY AND LAW ENFORCEMENT INSTITUTIONS

Security and law enforcement institutions are prone to abuse by those who wield political power. Democratic control is an essential safeguard to ensure that these services do not become sources of instability or insecurity, and to provide protection for individuals against infringements of their civil liberties and human rights. Democratic control should be conducted through laws, regulations, formal chains of command, the judiciary, elected officials, parliament, and the president.

The main challenge for oversight is to guarantee a process that commands democratic accountability at the same time as protecting national security. The experience of parliaments in modern democracies has shown that the security services and accountability are not mutually incompatible. On the contrary, accountability and transparency are necessary both for the effectiveness and the legitimacy of security and law enforcement institutions.

The 2014 Index results showed that all partner countries face a difficult task to advance the practice of democratic control over security and law enforcement institutions. There were only slight changes in the Index's scores for democratic control compared against previous years. Moldova and Ukraine continued to show the highest level of democratic controls, followed by Georgia and Armenia. Belarus and Azerbaijan lagged behind with the poorest scores.

The legislative framework of all six countries defines the core functions of parliament in exercising democratic oversight over the government, although a thorough examination of the challenges to democratic oversight showed that only the constitutions of Moldova and Ukraine and the respective laws in these two countries provide their parliaments with a wide range of mechanisms for effective control over the executive institutions.

The Ukrainian and Moldovan parliaments hold partial rights to be consulted during the appointments of the highest-ranking officials of the security and armed forces (Minister of Defence, Minister of Interior, Supreme Chief of Staff, generals), and are represented in the National Security Council. Likewise, all parliamentarians have unrestricted access to classified information. The existing mechanisms strengthen control leverage in the hands of MPs and enable them to conduct wide-scale oversight over the security and law enforcement forces.

The limited participation of the Georgian parliament in National Security Council meetings contributed to the lower scores of Georgia. Georgia improved its performance related to the changes in internal control mechanisms in the security and law enforcement structures. The amendments to the law on police adopted in October 2013 prescribe the principle of proportionality in use

of coercive measures, and prohibit the police from using lethal force in situations where there is a threat that other persons might be injured.

In general, excessive use of force by police and security personnel while handling demonstrations has been a concern in almost all Eastern partner countries during the past three years, except Moldova where the last case of police violence in crowd control was registered in April 2009. Therefore, the effectiveness of the application of the principle of proportionality in use of coercive measures remains questionable (the principle is prescribed in Armenia, Georgia, Moldova and Ukraine).

The 2014 Index also revealed a number of areas where the relevant regulations had been put in place but national parliaments showed a lack of political will to exercise their leverage effectively. For instance, the parliaments in Azerbaijan and Belarus showed no interest in ensuring formal reporting to parliament by executive law enforcement structures.

In five out of the six partner countries (the exception is Belarus), the state parliaments could strengthen their oversight by drawing on the support of the Ombudsman institutions, which are responsible to report annually to parliament on the human rights situation in security and law enforcement institutions. While in these five countries legislation generally obligates public servants to provide the Ombudsman institution with all necessary information, the Ombudsman institutions lack the power to conduct investigative activities independently.

The Index results showed that problems related to malpractices by the security services remained in all partner countries, with the exception of Moldova. There have been instances of intimidation towards, or persecution of, civil society organisations and media representatives engaged in investigating or reporting on human rights violations and corruption within security and law enforcement bodies in the past three years.

# ECONOMIC CO-OPERATION: TRADE IN GOODS, SERVICES AND FDI

As the world's largest regional market, the EU has been an important trading partner for all Eastern partner countries. In 2013, as before, the EU-27 was the leading trading partner in both the export and import of goods for four partner countries: Armenia, Azerbaijan, Georgia and Moldova. For Belarus and Ukraine, the EU was the second-largest trading partner after the Russian Federation.

On average, turnover of trade in goods with the EU constituted around one-third of partner countries' total turnover of trade in goods.

Across the six countries, the figure varied between 27% and 46%, with the highest percentage of trade in EU goods observed in Moldova and Azerbaijan — the latter due to energy exports — and the lowest share in Belarus and Georgia.

The importance of the EU in trade in services is more differentiated across the partner countries. Turnover of trade in services with the EU is estimated at between 13% and 22% of total trade in services in each of the four smaller partner countries (Armenia, Azerbaijan, Georgia and Moldova). The share with the two larger countries - Belarus and Ukraine - constituted 51% and 37% respectively.

While the EU occupies a leading position in exports and imports in the six countries, these countries represent only a small percentage of the EU's overall trade. Altogether, the six countries account for only about 2% of EU trade in goods and barely 0.5% of EU trade in services. As a comparison, the EU's southern neighbours<sup>7</sup> represent 5% of EU trade and Russia accounts for 10%.

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<sup>7</sup> The European Neighbourhood Policy covers 10 southern neighbours of the EU: Algeria, Morocco, Egypt, Israel, Jordan, Lebanon, Libya, the Palestinian Authority, Syria, Tunisia.

Ukraine has been the EU's largest trading partner among the partner countries. It accounts for about one-half of overall trade between the Eastern Partnership region and the EU. Armenia is the least significant trade partner, accounting for only 1% of total EaP-EU trade. Georgia and Moldova follow closely behind with 3% and 4% respectively.

Apart from trade links, the partner countries rely heavily on EU investment. The share of foreign direct investment (FDI) from the EU varies between 26% to 78% of the total inward stock of FDI in the EaP countries. Ukraine and Moldova attract the highest share, while Belarus receives the lowest.

In 2014, trade regimes between the Eastern partner countries and the EU were regulated by several frameworks, namely bilateral Partnership and Co-operation Agreements (for Belarus, a Trade and Economic and Commercial Co-operation Agreement), World Trade Organization (WTO) rules and practices (except for non-members Belarus and Azerbaijan) and unilateral preferences offered by the EU.

The EU and partner countries accord each other the "most favoured" treatment in the trade of goods. Moreover, most of the six countries enjoy additional preferences in access to the EU market, being eligible either for the Generalised System of Preferences (GSP), the GSP+ or even Autonomous Trade Preferences (ATPs).<sup>8</sup> These preferences are non-reciprocal and provided by the EU with the primary aim of reducing poverty and promoting sustainable development and good governance in developing countries.

Three partner countries – Ukraine, Georgia, and Armenia – were eligible for the GSP in 2014. Preferences to Belarus were temporarily withdrawn in June 2007 in response to

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<sup>8</sup> The EU's "Generalised Scheme of Preferences" (GSP) allows developing country exporters to pay less or no duties on their exports to the EU. The standard/general GSP arrangement offers the partial or entire removal of tariffs on two-thirds of all product categories. The GSP+ enhanced preferences means full removal of tariffs on essentially the same product categories as those covered by the general arrangement. These are granted to countries that ratify and implement international conventions relating to human and labour rights, environment and good governance. [http://ec.europa.eu/trade/policy/countries-and-regions/development/generalised-scheme-of-preferences/index\\_en.htm](http://ec.europa.eu/trade/policy/countries-and-regions/development/generalised-scheme-of-preferences/index_en.htm)

systematic and serious violations of the core principles of the International Labour Organisation. Azerbaijan, as a middle-income country, lost its GSP eligibility after the revision of the GSP system. Moldova also lost its GSP eligibility since it had already for several years been entitled to other type of preferences – autonomous trade measures (ATMs), which have provided unlimited and duty-free access to the EU market for all products originating in Moldova, except for certain agricultural products for which quotas are applied. Two partner countries (Armenia and Georgia) benefit from preferences provided by the GSP+.

In 2014, Georgia, Moldova and Ukraine signed and ratified Association Agreements, which include the establishment of a DCFTA between each of these countries and the EU. In April 2014, as an interim measure aimed at supporting the Ukrainian economy, the EU granted ATMs to Ukraine. Initially, these were set for a six-month period, but in October 2014 they were prolonged until the end of 2015.

The actual level of tariff protection faced by the Eastern partner countries when exporting to the EU is determined by the Import Tariff Schedule of the EU, the respective country's eligibility for existing preferential schemes (GSP, GSP+, ATMs), and bilateral agreements, as well as the commodity structure of each country.

Among the six countries, Belarus exporters face the highest level of tariff protection in the EU, followed by Ukraine. Moldova's exporters face the lowest level of tariff protection. EU exporters have to deal with the highest tariffs in Belarus (the reciprocity principle) and in Azerbaijan. The lowest import tariffs on EU products are applied in Georgia. Both the EU and partner countries tend to levy higher average tariffs on agricultural products than on industrial goods.

Three countries, Azerbaijan, Belarus and Ukraine, apply export tariffs that affect exports to the EU. The list of products subject to export tariffs includes metals and scrap metals from Azerbaijan and Ukraine, mineral products from Belarus and Ukraine, and selected other sensitive raw products like oil seeds and skins from Ukraine and wood from Belarus. The EU does not apply export tariffs. The establishment of the DCFTA between Ukraine and the EU will result in the eventual elimination of Ukraine's export tariffs in trade with the EU, although the

agreement envisages long transition periods and temporary trade remedy measures allowing for the existing level of protection to be kept during the transition period.

Trade defence measures have rarely been used in trade between the EU and the partner countries.

Within the period covered by the 2014 Index, the EU did not launch any new anti-dumping or safeguard investigations concerning products from the partner countries. Similarly, on the part of the partner countries, no new investigations were conducted concerning products from the EU.

Ukraine accounts for the majority of currently registered cases. In the EU, measures applied towards Ukraine's products were adopted before Ukraine became a member of the WTO, and the number of measures applied fell gradually in 2013-2014.

Measures applied in Ukraine towards goods produced in the EU are quite recent. There are two anti-dumping measures and three safeguard measures applied in Ukraine concerning EU products. Meanwhile, Belarus is applying one anti-dumping and four safeguard measures against EU products.

## MARKET ECONOMY

In assessing domestic economic performance and market economy status, the Index focuses 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, it makes use of the indices produced by the World Bank (Doing Business), European Bank For Reconstruction and Development (EBRD) (Transition Reports), the World Economic Forum, and the Heritage Foundation.

According to the World Bank Doing Business 2014 report, three Eastern partner countries –



Armenia, Azerbaijan, and Belarus – worsened their global rank in the ease of doing business, while Ukraine, Moldova and Georgia improved their global standing.<sup>9</sup>

The relative ranking among the partner countries remained unchanged. Georgia preserved its leading position, and Armenia held second place. Although Moldova and Ukraine demonstrated significant progress, they still had the least attractive business climates in the group.

Four of the six countries - Armenia, Azerbaijan, Belarus and Georgia - ensure that businesses can be established quickly, both in terms of time and monetary costs, thus allowing free entry to the market, while Ukraine and Moldova still lag far behind the group average. Progress in easing market entrance was demonstrated by Moldova, Azerbaijan, Armenia, and Ukraine.

The global ranking of the six countries in the category of insolvency resolution changed a little compared with the previous period. The situation deteriorated in two markets - Ukraine and Armenia - and improved in three markets - Belarus, Azerbaijan and, most significantly, Georgia. All Eastern partner countries have set up barriers to exit for resolving insolvency, thus preventing free market exits, which is another basic principle of the market economy. Armenia and Belarus are the leaders in ease of resolving insolvency, while Ukraine has the worst ranking, due to high associated costs and a low recovery rate.

Paying taxes remained quite cumbersome in the partner countries, with the exception of Georgia, which has a low tax rate and a system where only five payments are made annually. Four countries improved their scores in the category of paying taxes, while two regressed. Ukraine remained the worst performer in the group.

The partner countries had a moderate standing in contract enforcement, with the exception of Armenia, whose performance continued to deteriorate. Belarus held the leading position in ease of contract enforcement, according to Doing Business 2014, with the lowest number of procedures. According to Heritage Foundation assessments, enforcement of property rights remained quite weak in all six countries and corruption continued to

9 <http://www.doingbusiness.org/rankings>

constitute a serious challenge impeding the economic development of the region.

The EBRD country transition indicators showed that five out of six Eastern partner countries, with Belarus remaining the exception, achieved comprehensive price and trade liberalisation and completed the privatisation of small companies with tradable ownership rights. The progress in large-scale privatisation is not uniform across the countries. The most significant progress in large-scale privatisation and corporate governance was registered in Georgia and Armenia, while Azerbaijan and Belarus preserved state ownership for a considerable part of the economy and the process of large privatisation was still in only the early stages. All six countries featured little progress in governance and enterprise restructuring or in competition policy reform. According to the World Economic Forum, the effectiveness of promotion of competition policy in the six countries was low.<sup>10</sup>

There was very little change in the EBRD sector transition indicators of the countries.<sup>11</sup> All six countries had room for improvement in market structure and market-supporting institutions and policies in the majority of sectors. Armenia, Georgia, Ukraine and Moldova had relatively more developed market structures, while Belarus and Azerbaijan lagged behind. Across sectors, the corporate sector and selected sectors in infrastructure had been developed the most. 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 the respective partner countries, on the one hand, and the business climate on the other. For instance, Ukraine had the most intensive trade with the EU and was the largest recipient of FDI from the EU, partly determined by the size of the country, and yet its business climate was the worst among the six partner countries.

10 <http://reports.weforum.org/global-competitiveness-report-2014-2015/>

11 <http://www.ebrd.com/what-we-do/economic-research-and-data/data/forecasts-macro-data-transition-indicators.html>

## TOWARDS DCFTA

The EU offers Deep and Comprehensive Free Trade Areas (DCFTAs) as integral parts of Association Agreements with the Eastern partner countries. Having ratified Association Agreements, Georgia, Moldova and Ukraine passed critically important stages on their way towards DCFTA implementation. Thus, all three have included Association Agreements into their national legal frameworks.

However, due to the complex nature of the ratification process, Ukraine, Moldova and Georgia started applying the agreements only provisionally. While for Georgia and Moldova this entailed legal application of virtually all DCFTA provisions, in the case of Ukraine the application of the DCFTA was postponed until the beginning of 2016.

The DCFTA part of the Index looks at all sectors relevant to the free trade area and included as chapters in the Association Agreements. The EU cannot start DCFTA negotiations with Azerbaijan before the country's accession to the WTO. Belarus is also not a member of the WTO and its membership of the emergent Russia-led Eurasian Economic Union (EEU) excluded a free trade agreement with the EU. Armenia withdrew from the Association Agreement in September 2013, and prepared instead to join the EEU.

Ukraine, Moldova and Azerbaijan moved forward in trade defence instruments and technical barriers to trade (TBT) while the other three Eastern partner countries showed no progress. Ukraine adopted a standardisation law in June 2014 and offered the opportunity for producers to apply EU and international standards. Moldova caught up with Ukraine in approximating its market surveillance legislation and institutional setup with EU requirements, while further increasing its absolute lead in the number of implemented New Approach directives. Over the 2014 Index period, Azerbaijan became a full-fledged participant of the WTO TBT Agreement.

The biggest breakthrough in the area of sanitary and phytosanitary measures (SPS) concerned the increase in number of national establishments authorised to export animal origin products to the EU. Ukraine, Belarus and

Moldova increased the number of authorised establishments. Georgia, Armenia and Azerbaijan maintained their very low numbers of authorised establishments.

Georgia progressed in legally obliging the implementation of the HACCP (Hazard Analysis and Critical Control Points) system, although the obligation concerned only the companies to be determined by a pending decree of the Georgian government.

Finally, Ukraine joined the group of Moldova, Georgia and Armenia where national legislation allows direct application of international standards as a basis of compliance assessment with national requirements. No country was able to achieve EU recognition that its food safety was in line with EU standards.

The area of customs and trade facilitation is the most harmonised one, with an average score of 0.81 across the six countries. Moldova improved its performance by obliging itself to implement EU Customs Blueprints, and Armenia ratified the Revised Kyoto Convention on the simplification and harmonisation of customs procedures.

In services and establishments, the overall picture remained static, with the exception of Azerbaijan, which caught up with the majority of partner countries when it established independent national authorities in financial services (including in banking and insurance).

In the area of capital movement, Azerbaijan put in place a prohibition against acquisition of either land or real estate by foreigners. This was the only negative change in capital indices.

In the area of intellectual property rights, Ukraine demonstrated good progress with a more than threefold increase in the number of registered national Geographical Indications (GIs). Belarus scored highly both in national and EU GIs (in the previous Index Belarusian GI data were not available).

The competition and state aid sector index score improved only in the case of Ukraine, due to the adoption of a State Aid Law in July 2014. Thus, together with Georgia, Ukraine received the maximum score in this area.

In the overall approximation towards DCFTAs, Georgia and Moldova stood out as clear leaders, while Ukraine improved the most within the reporting period. Armenia stood in between the three frontrunners and Belarus and Azerbaijan, which both trailed far behind. These rankings well reflect the existing reality both statically and dynamically. Georgia, Moldova and Ukraine manifested clear political will to proceed with closer integration with the EU. Armenia abruptly fell away after its switch towards the EEU. Belarus and Azerbaijan remained uninterested in close integration with the EU.

## FREEDOM, SECURITY AND JUSTICE

The Freedom, Security and Justice (FSJ) agenda played an important role in fostering the implementation of reforms in a number of the partner countries in 2013-2014. The key thematic priorities of the EU's strategy with regard to the Eastern partner countries include the fight against terrorism, organised crime, corruption, drug-trafficking, a focus on co-operation through the exchange of personal data in a safe environment, and management of migration flows. Partnerships are to be established between the EU and individual partner countries based on the development of a wide-ranging, structured dialogue on migration, mobility, and security, with a view to securing tangible mutual benefits for both the EU and the respective partner countries.

Even if it is a long process - agreeing upon, and meeting, the conditions for, first visa facilitation and then visa liberalisation agreements with the EU - the final goal of visa liberalisation, namely visa-free travel to the EU, is shared by all the Eastern Partner countries. However, only three countries are engaged in dialogue with the EU towards visa liberalisation. Only Ukraine, Moldova and Georgia had received a Visa Liberalisation Action Plan (VLAP), while Armenia, Belarus, and Azerbaijan were engaged only in negotiations towards visa facilitation and readmission agreements with the EU.

The index assesses the level of co-operation of each partner country with the EU on FSJ matters, and examines the implementation of domestic reforms required by the EU for closer co-operation. Many, but not all, of the requirements are stipulated in the VLAPs.

The 2014 Index confirmed Moldova's leading position in implementing reforms required by the Action Plan both in *Linkage* and *Approximation*. Following the European Commission's positive evaluation of implementation of the second phase of the VLAP, on 28 April 2014 Moldova became the first Eastern partner country where holders of biometric passports enjoy visa-free travel with the EU. Visa-free movement is allowed for a period of up to 90 days within a 180-day period. There has been a significant impact on the mobility of Moldovans: in the first six months since visa liberalisation, 300,000 citizens (about 9% of the population) had already taken advantage of their new freedom to travel.

Despite the good progress, the government in Chisinau still needed to undertake substantial efforts in the fight against corruption and the reform of the judiciary.

Although Ukraine received the VLAP two months earlier than Moldova, in the 2014 Index it ranked second in implementation. Ukraine was in the second phase of the VLAP following a big delay in reforms, and serious stagnation in terms of FSJ, during the rule of President Viktor Yanukovich. More concrete steps towards fulfilling the requirements for visa liberalisation were taken following the arrival of the post-Maidan government in Kyiv. Progress was registered, but the challenges of implementation persist, and the second phase of the VLAP comprises monitoring of the implementation of the laws adopted in the first phase. As in the case of Moldova, the most challenging area remains anti-corruption policy. Reforms are needed to remove the high degree of bureaucracy required to get a passport, especially biometric passports that will be available from 1 January 2015. Reform is also required to improve the implementation of the anti-discrimination law.

Georgia received the VLAP two years later than Ukraine - only in February 2013 - but has already managed to officially start the implementation of the second phase and has even overtaken Ukraine in the *Approximation* of

FSJ. The Georgian system of issuing passports and other document security issues were upgraded even before the VLAP was launched. Efficient implementation of the laws adopted in the first phase of the VLAP is crucial for the successful completion of the second phase. Good progress was recorded in the areas of visa dialogue and irregular migration, while in the area of border management a slight decrease was observed. The 2014 Index showed that the government needed to launch official co-operation with Europol and with the European Monitoring Centre for Drugs and Drugs Addiction (EMCDDA).

The other three countries were not yet engaged in a visa dialogue process with a view to securing visa liberalisation. Armenia now had visa facilitation and readmission agreements (VFRAs) with the EU in place, followed by Azerbaijan (the VFRA between the EU and Azerbaijan came into force on 1 September 2014 - after the period covered by the 2014 Index). In June 2014, Belarus held the first round of negotiations with Brussels on visa facilitation. Moldova and Ukraine have already amended their Visa Facilitation Agreements with the EU, thus having *de facto* second-generation agreements.

Even though Armenia made important steps in the FSJ area in previous years, the results since the country diverted its foreign policy towards membership of the EEU indicated that Yerevan was less interested in continuing reforms. A small improvement was registered in almost all areas of Approximation, except for border management, where performance has stagnated for three successive years. On the other side, Armenia sustained its high score in the area of security and combating organised crime. Armenia demonstrated effective mobilisation to introduce reforms in recent years and has the ability to further modernise in the FSJ area, but it needs a continuation of the dialogue with the EU and the prospect of a VLAP for Armenia would significantly change the intensity of reforms.

In the case of Azerbaijan, there have been no striking breakthroughs since the 2013 Index. Some progress was recorded in *Approximation* and, most importantly, in *Linkage* in the area of irregular migration and border management, and a little progress was evident in the area of security and combating organised crime. But a decrease was visible in judicial co-operation in

criminal and civil matters in *Linkage*. The top priority for Azerbaijan should be visa dialogue if the political will can be sustained, but a major area of concern remains judicial co-operation in criminal and civil matters.

In *Approximation*, unlike in *Linkage*, Belarus made good progress in security and combating organised crime. Overall, Belarus made some progress in most areas, but still trailed in last place in the Index. For Belarus, there are few incentives to implement more reforms, especially given the political circumstances, but there is room for greater progress in “technical” co-operation between Minsk and Brussels.

The 2014 index results showed that the FSJ co-operation between Brussels and Eastern partner countries is based on meritocratic principles. The findings underlined that - no matter how developed political relations with the EU might be - the partner states must implement more reforms in the security field, fight corruption and organised crime, and manage migration better, but at the same time they should ensure respect for human rights. Last but not least, the Index demonstrated that the implementation of reforms does contribute to changes in the rankings - which means that reforms are important and contribute to a country's success.

## ENERGY

During the period covered by the 2014 Index, the EU came forward with a more coherent energy security policy, focusing on infrastructure projects of common interest. This factor appeared to have more impact on the partner countries' linkage to the EU than proximity to borders or participation in multilateral programmes initiated or supported by the EU. With the development of the Southern Gas Corridor, namely the EU-wide approval of, and support for, the Trans Anatolian Pipeline (TANAP) and Trans Adriatic Pipeline (TAP) projects, the standing of Azerbaijan and Georgia increased as these countries are the main supplier and transit states respectively.



Ukraine and Moldova registered only minor changes in their scores. While they increased their energy imports from the EU, these two countries also focused on developing the interconnectivity of their gas and electricity networks with those of the EU. However, these projects were at a very early stage. Belarus increased its energy-related exports to the EU, but failed to move closer in terms of Linkage. Armenia remained the most remote trade partner for the EU in the energy sector.

The partner countries were still struggling to adapt their energy sectors in accordance with EU rules. Ukraine and Moldova are the two full members of the Energy Community, membership of which plays a crucial role, as it imposes mandatory requirements to transpose (and also implement) certain *acquis communautaire*. Ukraine and Moldova demonstrated progress in implementing the Energy Community commitments, in particular reforming gas and electricity markets, and increasing energy efficiency. Both have developed renewables' national targets and support schemes as well as special grid connection mechanisms (as has Armenia). Ukraine even started to follow certain provisions of the Third Energy Package, which - if properly implemented - could yield significant benefits in the future.

However, this leadership was less visible in the area of advanced *Approximation* - in terms of emissions reduction and trading, carbon dioxide storage, and environmental fuel quality standards. Georgia, Armenia and Moldova were the most advanced in building a sustainable institutional framework - by supporting the capacity and independence of regulators, as well as promoting competition. Ukraine also improved. Azerbaijan and Belarus have simply chosen other economic models where state-owned or state-controlled corporations dominate markets and are often the single supplier.

There are also some interesting dynamics in the partner countries' energy efficiency performance. Moldova showed almost no progress on indicators of energy and CO<sub>2</sub> intensity. Ukraine and Belarus improved their performance, but the three countries of the South Caucasus were the leaders in this respect.

With three Eastern partner countries having signed Association Agreements and some

partner countries becoming increasingly important as strategic energy partners, another set of opportunities has been created for even deeper European integration. At the same time, issues such as institutional structure or energy mix cannot be improved by simple approximation in terms of legislation.

The opening of the Eastern partner countries' energy markets to the EU and the creation of a true Energy Union require proper enforcement of the legislation and significant investment in cross-border infrastructure. To bring about such a transformation, political dialogue, international obligations, and technical and financial support are only a part of the picture. The EU should reach out beyond political elites, and promote the concept of EU-style energy markets to the general public since consumers will be the final beneficiaries.

## TRANSPORT

As in previous years, transport issues have not been particularly important within Eastern Partnership programmes. The most significant achievements in this area were partial harmonisation with EU legislation, reflected in the *Approximation* dimension, and advancements in transport links, evident in the Linkage dimension.

In 2014, all the partner countries, except for Armenia, showed minor increases in *Approximation* scores regarding transport. That progress was to a large extent caused by improvements in road safety, which constitutes one of the most significant priorities of transport co-operation between the EU and its neighbours. Armenia was the only partner country where road safety deteriorated.

Facing scarce public finance, the governments of the Eastern partner countries continued to introduce commercial incentives and private sector participation in highly monopolised transport sectors. For example, Azerbaijan finally corporatised its railway monopoly operator. Conservative Belarus, aiming at more intensive transit flows through better-quality transport links, introduced tenders for road construction and tolls for major highways.

Thus, the partner countries slowly moved closer to adoption of EU standards and practices in transportation.

The countries followed the earlier established pathway of reforms to align their transport systems with EU standards, helping them to better integrate into European transport networks and internal markets. Mainly, they enacted more regulations. In particular, Moldova and Georgia further improved air transport regulation and investigation of air accidents following their commitments made through Common Aviation Area agreements negotiated with the EU. Ukraine and Azerbaijan were still waiting to move forward on this. Negotiations with Ukraine should have been concluded in June 2014, but were postponed.

No substantial change took place in the *Linkage* section. Moldova and the South Caucasus countries, having demonstrated rapid and quite surprising progress in previous years, showed almost the same scores as in 2013. Ukraine and Belarus slightly increased their scores, thanks to intensification of existing transport links and some improvements in logistical services. A Regional Eastern Partnership Transport Network was developing very slowly, mainly through infrastructure projects funded by different European financial institutions, such as the European Bank for Reconstruction and Development (EBRD) and the European Investment Bank (EIB), supplemented with EU technical co-operation.

## ENVIRONMENT AND SUSTAINABLE DEVELOPMENT

Five of the Eastern partner countries - the exception was Ukraine - either improved or showed no change in the Environment and Sustainable Development part of the Index. Azerbaijan achieved the biggest increase and became the new leader. Armenia took second place. Moldova and Belarus share third place, while Georgia and Ukraine fell to the bottom of the table with the lowest scores.

The index assessment was composed of two principal parts:

- 1) environment, climate change and sustainable development policy;
- 2) resource efficiency, pressure on/ state of the environment.

In the first part, Moldova maintained the leadership mainly due to improvement in its multilateral co-operation and demonstration of the stability of its course of integration with the EU. Ukraine was the poorest performer, in part since the country remained non-compliant with the Aarhus<sup>12</sup> and Espoo<sup>13</sup> conventions. Azerbaijan, Belarus and Armenia improved their scores. Azerbaijan registered the highest increase.

In general, all countries were slow in developing the horizontal instruments and procedures of environmental policy, namely access to environmental information, public participation in decision-making, environmental impact assessment (EIA) of projects and strategic environmental assessment (SEA) of policies, programmes and plans. These instruments are essential for good environmental governance and effective environmental management according to EU standards. During the 2014 Index period, Moldova ratified the Pollution Release and Transfer Register (PRTR) protocol to the Aarhus Convention and Armenia ratified the SEA protocol to the Espoo convention. Georgia is not yet a party to the Espoo Convention.

The Green Economy concept, closely integrated with environmental requirements, is being implemented currently in the EU, starting from legally binding integration of environmental policy into other sectoral policies. Yet the attempts to formulate such a requirement in policies and laws met with little success in the partner countries. Ukraine alone put it explicitly into its State Environmental Policy Strategy, adopted in 2010, but did not follow up with further laws and instruments, or institutional reforms. At the same time, a number of sectoral environmental strategies were being developed and adopted in the region, reflecting some

12 United Nations Economic Commission for Europe (UNECE) Convention on access to information, public participation and access to justice on environmental matters.

13 UNECE Convention on environmental impact assessment in transboundary context.

improvement in environmental governance and a slightly higher profile for environmental issues on the development agenda.

Belarus and Armenia were the only Eastern partner countries to have adopted sustainable development strategies since independence from the Soviet Union. However, none of the countries have included wording on Green Economy in their policies. Ukraine included actions on preparation and adoption of a Sustainable Consumption and Production (SCP) strategy in its State Environmental Strategy and National Action Plan, but no actions were taken. Ukraine also prepared a draft Green Economy Concept, which has not yet been adopted. Armenia was the only partner country where a Sustainable Development Council was not only formally established as an institutional mechanism, but was also functioning.

The Index's rating and analysis of 12 indicators on resource efficiency, pressure on/ state of environment showed that Azerbaijan improved its environmental situation, and achieved the best scores, followed by Belarus and Armenia. Ukraine remained the worst performer in this section, with a lower score than in the 2013 Index. Moldova and Belarus also saw falls in their scores. Azerbaijan showed the biggest progress.

All countries except Azerbaijan and Georgia increased their water exploitation index (WEI) scores. The increase in Armenia was the most acute. Azerbaijan on the contrary reported that its WEI had been significantly reduced. At the same time, wastewater discharge levels decreased in all countries. Ukraine maintained its position as the worst offender in SO<sub>2</sub> pollution, showing approximately three times higher emissions than the EU-27, though continuing to reduce the levels. Belarus continued to lead on NO<sub>x</sub> pollution, although reducing the level of pollution.

The level of individual consumption of all six partner countries had still not reached EU-27 levels, which also manifests itself in lower municipal waste production per capita by weight. However, the share of plastics increased in waste, and the overall recycling share continued to drop in Ukraine. The recycling share continued to grow in Moldova, fell in Armenia and showed no change in other countries. Belarus remained with the best result of 16%, compared with over 22% on average in the EU-27.

Georgia had the highest pesticides input per hectare, exceeding the EU average almost twofold. The figures in Moldova, Ukraine and Belarus were in line with EU levels. Armenia enjoyed the best situation, taking only 0,9 kg per hectare and thus exerting the least pressure on the soil. Meanwhile, the level of soil erosion remained very high in the six countries. All of them exceed the EU-27 average. The worst situation was in Ukraine, where erosion reached 57.5% in 2011, a level three times higher than in the EU-27. Armenia (33.7%), Georgia (33%) and Moldova (32%) followed. Armenia showed an improvement, while Georgia saw no change. The situation in Moldova continued to worsen. Azerbaijan achieved the biggest improvement.

In terms of forest area, only Belarus and Georgia exceed the EU-27 average share. The trend of forestation for all countries is positive. Ukraine registered the same figure compared with 2012, still having proportionally half as much forestland as the EU-27 average, while Armenia, Azerbaijan and Moldova each have only one-third. A similar situation was observed with natural protected areas. All countries except Ukraine increased their natural protected areas. None of the six countries came close to the EU-27 average, although Azerbaijan ranked highest with two-thirds of the EU level, followed by Ukraine with one-third and Moldova trailing at the back with one-quarter.

The general conclusion is that the Eastern partner countries continued slow progress in environmental policy reform in accordance with bilateral agreements with the EU and Multilateral Environmental Agreements (MEAs), but there are also signs of reversal of some of the achievements to date, a reflection of the vulnerability of the environmental sector alongside other political priorities. A sustained reform programme on the part of each respective partner country requires more attention to strategic planning, adoption, implementation and reporting procedures in the framework of an overarching state environmental policy document, which should be developed according to EU standards and adopted as a law.

Improvements in interagency co-ordination and cooperation continued to be a necessary reform that would contribute to reducing environmental pressure and increasing resources efficiency. Environment Ministries should obtain the mandate of "last word" in

environmentally sensitive decisions based on well-established procedures. The use of public participation in planning and implementation of environment and sustainable development policies should be accorded the role of a major environmental integration instrument. NGOs are recommended to sustain dialogue with their countries' Environment Ministries based on conclusions and recommendations of public assessments of environmental performance, including the current Index.

## PEOPLE-TO-PEOPLE AND POLICIES ON EDUCATION, CULTURE, YOUTH AND INFORMATION SOCIETY

In the people-to-people and education policy sections of the Index, the key indicators comprise mobility of citizens of Eastern partner countries, including students' education opportunities, exchange, training, voluntary programmes, and cultural and youth policies.

According to the 2014 Index, Moldova was the best performing country on the people-to-people indicator. Ukraine and Armenia shared second place, with Georgia placed fourth.

Tangible results of the facilitated visa regime between Ukraine and the EU are evident: citizens of Ukraine receive more Schengen visas to EU countries year by year. Thus, Ukrainians received more than 1.5 million Schengen visas in 2013, a higher figure than the year before. Belarus received the second highest number of Schengen visas. The lowest number was given to Azerbaijan. According to the 2014 Index, EU consulates temporarily stopped their operations in several regions of Ukraine (including Crimea,

Luhansk and Donetsk) as a consequence of the annexation of Crimea and the conflict in Eastern Ukraine.

The mobility of students from the partner countries is regulated by the relevant agreement between the partner country and the EU and the relevant legislation adopted in the relevant state agency's orders or bilateral university agreement. According to the 2014 Index, the highest number of people participating in EU mobility programmes in 2013 was in Belarus (40,643 total mobile students) and the lowest was in Armenia (7,011 total mobile students).<sup>14</sup>

Armenia was the best performing country in EU programmes and agencies, followed by Georgia and Ukraine respectively. Azerbaijan and Belarus were the least active of the six countries. All partner countries participated in the 7th Framework Programme for Research and Technological Development.

Georgia led the field in the number of hosted Youth in Action projects - with 145 projects, including youth exchanges, training, and networking. Armenia hosted 114 projects, and Ukraine and Moldova 68 and 58 projects respectively. Azerbaijan followed behind with 44 projects, while Belarus was the least performing country with a dramatic fall from 71 projects in 2011 to only 4 projects in 2013.

Interestingly, the partner countries do not actively implement Youth in Action (European Voluntary Service) projects. Ukraine implemented 14 projects, and Armenia, Georgia and Moldova each had 3-4 projects. Azerbaijan's performance was observed only in one project, and Belarus did not implement any projects.

The level of participation of partner countries in Erasmus-Mundus Master's and Joint doctorates programmes differed sharply. Georgia was the best performer for Erasmus-Mundus projects with 250 beneficiaries. Armenia had 20 Erasmus-Mundus Master's programmes and three Erasmus-Mundus Joint Doctorates. Ukraine was in the highest place among the remaining four countries, and Azerbaijan was the least active.

The number of Tempus projects was the highest in Ukraine with 33 projects. Armenia and Georgia shared the same place for the implementation of Tempus Projects per capita

<sup>14</sup> <http://www.uis.unesco.org/Education/Pages/international-student-flow-viz.aspx>



(5.88%). Azerbaijan followed with 13 projects, and the weakest performing country was Moldova (10 projects).

An education system based on EU standards is very important for the partner countries from different perspectives. Ukraine was one of the best performers for adopting new legislation based on EU standards in 2014, emphasising quality, transparency at state and private universities, giving more autonomy to universities, making university authorities more accountable before the public, and providing space for independent research and social inclusion.

Georgia and Armenia also adopted relevant legislation based on EU standards. Ukraine was the most active with the adoption of recent legislation on education, making several positive changes in order to include a three-cycle structure.

The autonomy of universities, including organisational, academic, financial and personnel components, is almost the same in all six countries. Ukraine - by adopting new legislation on education - tried to provide autonomy in all four components, but it will take time before tangible results can be seen. The universities in other partner countries cannot be considered autonomous, as the level of government control is higher.

All six partner countries accord the same rights to all pupils who want to attend higher education courses. The same rights are accorded to foreign students as well. In several partner countries, foreign students are more welcomed in the host country than local students, for instance in Belarus and Azerbaijan.

## ASSISTANCE

The pivotal political developments of 2013-2014 had a considerable impact upon the levels and types of EU assistance to the Eastern partners. In response to the crisis in Ukraine, and following the deepening of political and economic integration with Kyiv, Tbilisi and Chisinau, the EU redirected the majority of its aid to support stability and reforms in the three

frontrunner partner countries. Funding for the implementation of the Association Agreements and DCFTAs with Ukraine, Moldova and Georgia was scaled up, including through the “more for more” reward mechanism. On the other hand, the sudden reversal in Armenia’s EU association course cost Yerevan more than €50 million of EU funding previously committed in support of EU-Armenia agreements.

Assistance to Ukraine was uneven over 2013: there were relatively small disbursements and few new programmes under the main EU instruments, reflecting the backtracking on reform commitments by the government of President Viktor Yanukovich. However, aid increased in 2014 in response to the military conflict in the country and the election of a new government committed to an ambitious reform agenda. In March 2014, the EU agreed to an €11 billion support package for Ukraine over the coming seven years from the EU budget and EU-based International Financial Institutions (IFIs). Of these funds, €3 billion would be supplied from the EU budget in the form of loans and grants.

Support to Belarus and Azerbaijan continued the pattern of previous years. Each country received only about €14 million of actual disbursements in European Commission official development assistance (ODA) in 2013, compared with more than €100 million to Georgia and Moldova each, and roughly €60 million for Armenia. In the case of Belarus, a large part of EU assistance was directed in support of civil society, media and local authorities, whereas in Azerbaijan energy efficiency and regional and rural development represent the main funding priorities. Neither of the two receives budget support from the EU.

Funding for Eastern partner countries under the European Neighbourhood and Partnership Instrument (ENPI) – the dedicated assistance instrument to the countries of the EU neighbourhood – more than doubled for 2011-2013 to more than €2.1 billion in committed resources, compared with around €1 billion for the period 2007-2010. In 2013, about €200 million in ENPI funds was made available for Ukraine.

To support the stabilisation of the country and the reform of institutions after the collapse of the Yanukovich government in early 2014, the EU further launched a State

Building Contract (SBC) for Ukraine – a special measure to provide direct financial support in the short term and support the process of transition with a particular focus on the fight against corruption and public administration reform, as well as constitutional, judiciary and electoral law reform. A total of €250 million of non-reimbursable assistance was paid under the SBC in June 2014, and €10 million was later assigned for support of civil society in monitoring the implementation of reforms.

Among the other partner countries, Moldova and Georgia continued to receive high allocations of assistance under the ENPI in 2013, amounting to €135 million and €75 million respectively, and scaling to €38 and €15 in per capita support. While some funding for Armenia was discontinued in late 2013, it still received about €22 per capita over the year, followed by the much more modest figures for Azerbaijan and Belarus of €2.6 and €2.5 respectively.

As differences in political ambitions deepen among the partner countries, incentive-based assistance that rewards more reform and democratisation with increased support, or “more for more”, takes on a stronger meaning. Over 2012-2013, the Eastern Partnership Integration and Co-operation (EaPIC) programme provided such rewards for progress in deep and sustainable democracy to Moldova (€63 million), Georgia (€49 million), and Armenia (€40 million). In 2014, the group of best performers no longer included Armenia, whereas €40 million of “more for more” financing was offered to Ukraine. In the run-up to the signature of their Association Agreements with the EU in June 2014, Moldova and Georgia also each received €30 million of supplementary funding to help with the modernisation of public institutions, competitiveness and market access needed for the implementation of the agreements.

Only Ukraine received EU macro-financial assistance (MFA) from 2013 to mid-2014. Of the €1.61 billion in MFA loans that the EU pledged to counter further deterioration in market confidence and shore up macro-economic stability in response to the crisis, €600 million was disbursed in the first half of 2014. A decision to provide MFA to Georgia was adopted in August 2013 for a total of €23 million in loans and €23 million in grants. The payment of MFA assistance is conditional on

the adoption of a new International Monetary Fund (IMF) disbursement programme for Georgia. Current negotiations between Tbilisi and the IMF on future arrangements could open the way for a disbursement of this funding in the near future.

The EU uses several instruments to share best practices, know-how and experience in managing reforms with its partners. TAIEX (Technical Assistance and Information Exchange) is one such programme that offers assistance and exchange through short-term activities such as EU expert and advisory missions, seminars, study visits for Eastern partner officials to EU member states, and reform assessment missions. Demand for TAIEX assistance has continued to grow. In 2014, Ukraine and Moldova far surpassed all other neighbourhood countries in terms of the number of TAIEX requests. They registered 154 and 111 requests respectively, compared with only 23 from Armenia at the lower end of the spectrum. The two also hosted the largest number of TAIEX events, 50 and 123 respectively, followed by Belarus (39) and Georgia (21). Surprisingly, given its limited participation in the ENP, Belarus consistently comes third among all ENP countries in terms of its interest in TAIEX. In 2013, Moldova, Ukraine and Belarus again sent the highest number of officials to participate in TAIEX seminars and trainings.

Twinning projects are longer-term forms of co-operation between the administrations of EU partners and member states on sectoral issues ranging from finance, justice and home affairs, and trade to health, energy, telecommunications and others. Ukraine is the leader in the entire neighbourhood by the overall number of Twinning projects implemented since 2004. In 2013-2014, it concluded 13 ongoing projects and planned a series of new ones in the spheres of public finance management, integrated border management, and civil service reform.

Two new projects were launched in Armenia over the period of the 2014 Index in the areas of financial control and education. Azerbaijan launched projects in construction safety, social protection for persons with disabilities, taxation, social security financing, and standardisation. In Georgia, two projects were launched to support public finance and audit, whereas Moldova started five projects in finance, trade and cadastre.

The SIGMA program offers public governance support by conducting expert studies and evaluations in key reform areas.<sup>15</sup> In 2013, it assisted all Eastern partner countries, except Belarus, focusing mainly on civil service reform, state administration and public procurement. Moldova and Armenia benefited from the highest number of SIGMA activities. They were also recipients of EU advisory groups supporting the implementation of the EU association and reform agenda. A total of 15 international high-level policy advisers continued their work in Moldova within the third phase of the European Union High Level Policy Advice Mission (EUHLPAM) launched in 2010 to guide the country's EU integration. A group of 10 international advisers remained in Armenia in 2013, assisting the government with legislative reform and institution building in the areas of justice, liberty and security, democracy and human rights, and trade.

To support the prospect of deeper political and economic integration with its Eastern partners, the EU offers additional assistance through the Comprehensive Institution Building (CIB) programme. It strengthens the capacities of select institutions involved in the implementation of the Association Agreements, or other future agreements, and the management of mobility partnerships and visa facilitation and readmission agreements. All Eastern partner countries, except Belarus, receive CIB funding. Moldova (€15.6 million) and Georgia (€12 million) were the biggest recipients in 2013, followed by Ukraine and Azerbaijan with €9.2 million each. In 2013, a large part of the CIB allocation for Armenia was decommissioned following the cancellation of the Association Agreement, including a DCFTA. However, the component linked to justice and home affairs issues and the visa facilitation and readmission agreement were maintained for a €2 million assistance package.

Ukraine (€55 million), Armenia (€35 million), Georgia (€30 million), Azerbaijan (€10 million) and Belarus (€3.5 million) received funds for regional and rural development in 2013 to

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<sup>15</sup> SIGMA is a joint European Commission and Organisation for Economic Co-operation and Development (OECD) initiative, mainly funded by the EU, which helps mobilise European expertise to support reforms to public governance institutions, which are responsible for horizontal management systems of government – civil service, administrative law, expenditure management, financial control, external audit, public procurement, policy and regulatory capacities, and property rights' management.

reduce in-country regional disparities. Cross-border regional co-operation also continued among Eastern partner countries and EU member states. All Eastern partners, except Azerbaijan, participated in such projects - with particularly active exchanges taking place across the shared EU land borders with Ukraine, Moldova and Belarus.

In 2013, ten projects were approved for the Eastern neighbourhood under the Neighbourhood Investment Facility (NIF) for a total contribution of €90.5 million. The NIF finances key infrastructure projects in the transport, energy, social and environment sectors with a mixture of grants and loans. It also aims to support private sector development and SMEs in particular. Two region-wide projects were supported to promote energy efficiency and renewable energy in the South Caucasus and private sector development in the DCFTA countries. Armenia benefited from the largest NIF contribution in 2013 to the amount of €34 million for housing finance, transport, and water and sanitation projects. Moldova was next in line with €33.4 million for transport, and water and sanitation infrastructure, followed by Georgia with €8 million of funding for the construction of a hydropower interconnector in western Georgia.

Ukraine, Belarus and Azerbaijan did not receive new NIF funds in 2013. However, as part of its emergency assistance package, the EU has pledged to mobilise the NIF in support of bankable investment projects in Ukraine, hoping to leverage loans of about €3.5 billion with a grant contribution of €200-250m over the coming years.

In addition to geographically targeted instruments, the partner countries receive funding under a number of thematic programmes. These are especially important in the areas of human rights and democracy promotion. Civil society organisations and human rights defenders in the partner countries receive support under the European Instrument for Democracy and Human Rights (EIDHR) and the thematic programme, Non State Actors and Local Authorities (NSA-LA). A dedicated Eastern Partnership Civil Society Facility aims to further contribute to the development of non-governmental actors as watchdogs and drivers of reform.

Ukrainian civil society received the highest support in 2013, benefiting from €4.1 million under these three programmes. It was followed by Belarus with €3.1 million where the EU continues to privilege interactions with civil society over government authorities. Azerbaijan and Georgia were next with €2.9 and €2.5 million respectively, while civil society in Moldova received the least, €1.5 million, in 2013. In some countries in the region, such as Azerbaijan, civil society organisations found themselves under growing government pressure, unable to register grants and projects or access their bank accounts to benefit from EU financing. While comparatively flexible in that they don't require host government consent, EIDHR and the EU's other instruments for civil society would need to seek still more innovative approaches in the future to maintain support to non-governmental organisations and rights defenders in difficult contexts.

Finally, the Index compares the levels of assistance by IFIs, particularly the European Investment Bank (EIB) and the European Bank for Reconstruction and Development (EBRD), to Eastern partner countries. In 2013, Moldova and Armenia were the biggest beneficiaries in percentage of GDP terms, receiving lump sums of €323.3 million and €231.8 million respectively. Ukraine received the biggest amount in absolute figures of more than €1.2 billion. As Ukraine continues to experience serious macro-economic difficulties, with even the prospect of default in the near term, increased support will be expected from these two IFIs. They have, for the time being, pledged up to €8 billion over the next seven years.

## MANAGEMENT OF EUROPEAN INTEGRATION

The 2014 Index covers the period until June 2014, when three Association Agreements were signed between the EU and respectively Georgia, Moldova, and Ukraine. As the Index reveals, all three countries showed good potential in legal approximation, while Moldova was better prepared to organise implementation

of the Association Agreement in terms of the linkage of relevant national plans with other national strategies and sector policy documents. Ukraine trailed behind a little in setting up a co-ordination facility.

A little more than a month before the EU-Ukraine Association Agreement was signed, the Cabinet of Ministers of Ukraine announced the establishment of a Government Office for European Integration as part of a new co-ordination scheme. Although the process of development of the European Integration Office began later, the European integration segment had been depleted in terms of powers, functions, and motivation. Looking back to November 2013, all European integration structures had been rendered irrelevant during a very short period of time, when political pressure overruled all public administration procedures.

It is worth recalling two critical points before the Vilnius Summit: a phantasmagorical calculation of €160 EUR billion of expected losses following the entry into force of the Association Agreement, and an urgently drafted government resolution to postpone its signature. Indeed, no consultations were held with actors such as the special envoy in Brussels, the European Integration department in the government chancellery or even the Ministry of Economic Development and Trade as formal co-ordinator of social and economic co-operation with the EU. The draft resolution was prepared by the Ministry for Industrial Policy of Ukraine, and a justification of losses was written either by some members of Ukrainian academia or Russian experts.

What lesson does this experience hold? Look beyond the formal illusion sustained by the government. In Ukraine, the prime minister took his personal responsibility for European integration issues, while the Ukrainian part of the EU-Ukraine Co-operation Committee stopped to gather regularly, and meetings of the expert board of this body came to a halt.

In Armenia, a similar pattern could be detected. Although the European integration plans were compatible with the reform agenda, and the government had the powers to implement them, at the same time the basic legal act on legislation approximation was suspended.



A number of common issues for certain Eastern partner countries need to be underlined.

Firstly, five countries - Ukraine, Moldova, Armenia, Azerbaijan, and Belarus - do not have a process for co-ordination of awareness-raising activities in the sphere of European integration.

Secondly, it is only in Georgia and Armenia that the government supports the development of European studies at universities.

Thirdly, there is no system of European integration policy at regional level. No country reported that regional governments have specific structural units performing tasks related to European integration. In Armenia, these functions are assigned to international relations units, but this is a formal approach, not a functional one.

Fourthly, only two countries - Ukraine and Georgia - had a mandatory requirement to establish European Integration units at the central level or within ministries, whereas in Ukraine this norm was neglected for the past three years.

Clearly, a management system not only requires strategies and policy documents correlated with a reform agenda; it also needs people responsible for their implementation. A recommendation therefore can be formulated for all stakeholders, partner countries, civil society, and the EU: to bring the administrative infrastructure of European Integration policy in alignment with functional areas like policy design, technical assistance co-ordination, legislation approximation, and awareness raising.

A common policy challenge for all Eastern partner countries is created by the quality of instruments of public policy in general, like budget programming. The Index survey has shown no conversion of legal approximation requirements into horizontal national plans with budget implications (or sectoral plans) of institutional capacity needs and implementation tasks. A visible risk here is the isolation of European integration policy in its balloon of implementation plans and strategies, even formally linked with other plans, as mentioned above. The full reflection of policy documents in budgets at all levels is a system issue which may have an impact also on the

securing, and provision, of EU budget support. If not addressed properly, budget implications may lead to a vicious circle: less support as a consequence of less capacity to utilise it.

# THE METHODOLOGY OF THE INDEX

How can the European Integration Index achieve a valid and reliable measurement of its items?

The research relies on two types of data: expert assessments commissioned by the core project team and numerical data from publicly available sources. It is intended that this general design uses the best existing knowledge and improves this body of knowledge by focused, systematic data collection that benefits from the project partners' unique embeddedness and access to local knowledge in Eastern partner countries.

However, expert surveys are prone to subjectivity. Many existing expert 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. Complex issues are disaggregated into detailed questions that enable experts to provide more specific responses. Guided by a detailed questionnaire, experts are less often forced to assign subjective weights to different aspects of reality in their evaluation. Most of our survey questions asked for a “Yes” or “No” response to induce experts to take a clear position and to minimise misclassification errors. Experts were requested to explain and document their responses.

As a rule, all questions to be answered with “Yes” or “No” by the country experts were coded 1 = yes or positive with regard to EU integration and 0 = no or negative with regard to EU integration (labeled “1-0”). If the expert comments and the correspondence with experts suggested intermediate scores, such assessments were coded as 0.5 or even 0.25 or 0.75 when a more nuanced valuation was needed (labelled “calibration”).

For items requiring numerical data (quantitative indicators) the figures were coded through a linear transformation using information about distances between country scores. The transformation used the following formula:

$$y = \frac{x - x_{\min}}{x_{\max} - x_{\min}}$$

where  $x$  refers to the value of the raw data;  $y$  is the corresponding score on the 0-1 scale; and  $x_{\max}$  and  $x_{\min}$  are the endpoints of the original scale, also called “benchmarks”. We preferred this linear transformation over other possible standardisation techniques (e.g.,  $z$ -transformation) since it is the simplest procedure.

The benchmarks may be based on the empirical distribution, on theoretical considerations, on the country cases examined or on external standards. In the case of the Eastern Partnership Index, this problem is intertwined with the question of the *finalité* of the Eastern Partnership. Whereas the EU refuses to consider accession an option, at the same time it tends to expect standards similar to those of the accession process and some EaP countries aspire to EU membership.

In addition to this uncertain *finalité*, many items entail the problem of determining unambiguous best or worst practice benchmarks, both in terms of theory and empirical identification. Given these difficulties, we have opted for a mix of empirical and theoretical benchmarks.

Question	Assessment	Score
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Is polling accessible, secure and secret?

Yes/No

**No.** In many cases, authorities and law enforcement officials, and government-orchestrated sportsmen directly interfere and intimate voters in order to make them vote for the pro-government candidate. It continues to breach the secrecy of the vote. There has not been any serious challenge in the accessibility of the polling stations. As to the security of the polling, the cameras installed in polling stations were reportedly used to scare vulnerable groups in the regions in order to deter them from voting for opposition candidates.

0

**Yes.** According to the OSCE/ODIHR and national observer organisations reports, the secrecy of voting was generally ensured during Presidential (2013) and Local Municipality (2014) elections. From the OSCE report on 2013 elections “The CEC addressed the participation of voters with disabilities in various ways.(...) Braille templates for ballots were introduced in all polling stations. In addition, 302 polling stations were fitted with ramps and 800 special voting booths for disabled voters were available..

1

**Yes,** but in 2012 OSCE/ODIHR EOM reported tension and unrest in 2% of election precincts, as well as isolated cases of voter intimidation, proxy and multiple voting, group voting at 5% of election precincts observed, while at 6% of the election precincts observed not all voters marked their ballot papers in secret. According to the OSCE/ODIHR EOM, in 12% of the election precincts observed in 2012, web cameras were placed in a way that they could compromise the secrecy of voting. IFES observers also reported that accessibility of polling stations for disabled voters was uniformly weak. The 2014 early presidential elections were generally accessible, secure and secret, except for two regions in the Eastern Ukraine, where voting/tabulation was impossible to organise in many territorial districts.

0.5

For items scored with 0-1 or the intermediate 0.5, benchmarks are defined theoretically by assigning 1 and 0 to the best and worst possible performance. In contrast, benchmarks for quantitative indicators were defined empirically: in the *Linkage* dimension we assigned 1 and 0 to the best and worst performing Eastern partner country to emphasise the relative positioning of a country vis-à-vis its peers. This holds with a few exceptions mostly in the questions on people-to-people linkage and assistance, where 0 was used as a baseline in order to make tracking of the progress possible from one year to the next.

In the *Approximation* and *Management* dimensions we defined benchmarks either on the basis of theoretical considerations or based on the performance of other East European countries (including new EU member states) in order to focus on gaps or catching-up relative to this group.

To construct an Index that is a composite indicator it is necessary to aggregate the individual scores resulting from numerical data and expert assessments. However, aggregation implies decisions about the relative weighting of components that need to be explained. The hierarchical structure of the Eastern Partnership Index reflects theoretical assumptions about the components and boundaries between concepts.

For example, we define the section Deep and Sustainable Democracy as consisting of seven categories: elections; media freedom, association and assembly rights; human rights; independent judiciary; quality of public administration; fighting corruption; and accountability. The individual weighting of each category should depend on the importance each category has for deep and sustainable democracy. One could, for example, argue that free and fair elections constitute the core of democracy and should therefore be given a higher weighting than the category of association and assembly rights. Conversely, one could also argue that democracy in most Eastern partner countries is mainly impaired by unaccountable governments and shortfalls in media pluralism, while elections are more or less well organised.

Since it is difficult to establish a clear priority of one or several categories over others, we have decided to assign equal weighting

to all categories. The equal weighting of all components is also intuitively plausible since this method corresponds to the conceptual decision of conceiving democracy as composed of seven categories placed on the same level. Equal weighting assumes that all components of a concept possess equal conceptual status and that components are partially substitutable by other components.

An arithmetical aggregation of components is, strictly speaking, only possible if the components in the data set are interval variables, that is, that the distances between the scores of items, subcategories, categories, sections and dimensions have meaning. Most numerical data is measured at interval level: in these cases we know, for example, that a share of EU exports amounting to 40% of GDP is twice the share of 20% and that this ratio is equal to the ratio between 60% and 30%. For the yes-no questions and items measured with other ordinal scales we only have information about the ordering of scores, not about the distances between scores.

For example, we do not know the distance between a yes and a no answer for the question regarding parties' equitable access to state-owned media. Neither do we know whether the difference between yes and no for this question is equivalent to the difference between yes and no for the subsequent question on whether political parties are provided with public funds to finance campaigns.

In principle, this uncertainty would limit us to determine aggregate scores by selecting the median out of the scores a country has achieved for all components (assuming equal weighting). This would, however, mean omitting the more detailed information contained by the numerical items. To use this information and to put more emphasis on big differences between countries, we have opted to construct quasi-interval level scores by adding the scores of items measured at ordinal level. This has been standard practice in many indices and can also be justified by the rationale behind equal weighting.

Given the frequent uncertainty about the importance of components for aggregate concepts, the safest strategy seems to be assigning equal status to all components. Equal status suggests assuming that a score of 1 used to code a positive response for one

Item	Raw Data	Transformation	Score
Share of commodity imports from the EU, % (three-year moving average for 2011-2013)	32.4 percentage points	Linear transformation. Benchmarks defined by best and worst performing EaP countries; best = Moldova (44.3%); worst = Belarus (21.1%)	$0.49 = \frac{32.4-21.1}{44.3-21.1}$
Vote differential between strongest party / electoral alliance and the main opposition party/ alliance, in most recent legislative elections. Difference between vote shares in percentage points.	4.46 percentage points. In the 2012 parliamentary elections in Ukraine the Party of Regions received 30% (6,116,746) of the votes, while the main opposition party Batkivshchyna received 25.54% (5,209,090 votes).	Linear transformation, best = 0 (maximum competitiveness), worst = 100 (no competitiveness)	$0.96 = \frac{4.46-100}{0-100}$
Personal autonomy and individual rights (Freedom House, Freedom in the World 2014, subscore)	9 (subscore)	Linear transformation. Benchmarks defined by the subscores of the best and worst performing EBRD transition countries; best = Czech Republic (15); worst = Turkmenistan, Uzbekistan (3)	$0.50 = \frac{9-3}{15-3}$
ENP Social Cohesion funds: Regional and Rural Development – EU committed amount for 2013 (EUR million)	EUR 10 million	Linear transformation, benchmarks defined by best performing EaP country and absence of financial support: best = Ukraine (EUR 55), worst = 0	$0.18 = \frac{10-0}{55-0}$

question equals a score of 1 for another positive response. Moreover, equal status means that all components constituting a concept are partially substitutable. The most appropriate aggregation technique for partially substitutable components is addition.

Since the number of items differs from subcategory to subcategory and since we wish to apply equal weighting, we have standardised the subcategory scores by dividing them by the number of items. Thus, the subcategory score ranges from 1 to 0 and expresses the share of yes-no-questions answered positively in terms of the aggregate concept (and/or the extent to which numerical items or ordinal-level items are evaluated positively).

Quasi-interval level scores allow a range of aggregation techniques at higher levels of aggregation (subcategories, categories, sections and dimensions). The most important methods are multiplication and addition. Multiplication assigns more weight to individual components, emphasising the necessity of components for a concept. In contrast, addition facilitates the compensation of weaker scores on some components by stronger scores on other components, emphasising the substitutability of components for a concept.

We apply an additive aggregation of subcategories, categories and sections because this method fits the method used on the item level, reflects the substitutability of components and is less sensitive with regard to deviating values in individual components. To standardise the aggregate sums and ensure equal weighting, arithmetical means are calculated.

The survey was implemented in five 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 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.

In 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 explain their disagreement to the core team. In a fourth step, the answers and the scores were peer-reviewed. This stage is crucial to ensure the accuracy of data and therefore involves several parallel processes:

- (1) An external review was commissioned for some parts of the Index. An expert on a particular topic from a particular country, who was not involved in filling in the questionnaire, was asked to review the answers submitted by the Index expert from the same country on the same topic.
- (2) Guided by one of the experts, experts from the six countries working on the same topic had to review the scores in the respective parts of the Index once again and provide feedback to the core team.
- (3) The Open Society Foundations' experts also offered their expertise and made observations.

Finally, the core team reviewed and adapted the scores in light of this multi-level expert feedback. This interactive evaluation was intended to facilitate mutual understanding among the experts, as well as between the experts and the coders in order to improve the reliability and validity of the assessments.



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## EASTERN PARTNERSHIP CIVIL SOCIETY FORUM

The Eastern Partnership Civil Society Forum (EaP CSF) is an umbrella organisation for more than 700 civil society organisations from the six Eastern Partnership countries and the EU. Launched in 2009, the Forum provides a platform for interaction between the EU and Eastern partner civil society organisations, and aims at facilitating reforms in the EU's Eastern partners and bringing them closer to the EU.

The Forum operates as an independent, transparent, and inclusive actor to secure changes on key policy areas across the four Eastern Partnership thematic platforms, in which the Forum has a permanent participant status. On the national level, the Forum aims to strengthen diversity and plurality of public discourse and policymaking in the Eastern partner countries by holding governments accountable and protecting and promoting fundamental freedoms, participatory democracy and human rights.

[www.eap-csf.eu](http://www.eap-csf.eu)



## 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 the integration of minorities 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 relevant civil society initiatives.

[www.irf.ua](http://www.irf.ua)



## OPEN SOCIETY EUROPEAN POLICY INSTITUTE (OSEPI)

The Open Society Foundations (OSF) work to build vibrant and tolerant societies whose governments are accountable and open to the participation of all people. The Foundations seek to strengthen the rule of law; respect for human rights, minorities, and a diversity of opinions; democratically elected governments; and a civil society that helps keep government power in check. The OSF implement initiatives to advance justice, education, public health, and independent media.

Working in every part of the world, the OSF place a high priority on protecting and improving the lives of people in marginalized communities.

The Open Society European Policy Institute (OSEPI) is the EU policy arm of the Open Society Foundations. OSEPI works to foster open societies inside and outside Europe by leveraging the EU's policies, legislation, funding, and political influence.

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

## PASOS (POLICY ASSOCIATION FOR AN OPEN SOCIETY)

PASOS is a network of more than 50 independent policy centres spanning 28 countries in Europe and Central Asia. PASOS aims to promote and protect democracy, human rights and open society values - by supporting civil society organisations that foster public participation in public policy issues. PASOS organises projects and events to strengthen the concerted policy impact of independent policy centres in building an open society; and works to strengthen the capacity of policy centres and quality standards in policy work.

PASOS is leading *Advocacy for Open Government*, a 2012-2016 project on the Open Government Partnership in the Western Balkans, and is managing a consortium that is contracted from 2014-2018 to provide foreign policy expertise for the European Parliament on EU Enlargement, Eastern Neighbourhood, Russia and Central Asia. In 2015, PASOS launched *Partners in Empowerment*, a three-year EU-funded programme to support civil society organisations in five Eastern Partner countries, in monitoring public policy decisions and public service delivery.

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







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