

INTERNATIONAL RENAISSANCE FOUNDATION
IN COOPERATION WITH THE OPEN SOCIETY FOUNDATIONS

European Integration Index for Eastern Partnership Countries

PILOT EDITION

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Preface

The European Integration Index for Eastern Partnership Countries will track the progress of Eastern Partnership (EaP) countries—Armenia, Azerbaijan, Belarus, Georgia, Moldova, and Ukraine—on an annual basis. It provides a nuanced cross-country and cross-sector picture that is comparative.

The Index is a monitoring tool that is also intended to assist EU institutions in applying the ‘more for more’/‘less for less’ principle, announced by the EU in May 2011. Although the EU and independent civil society initiatives provide numerous regular assessments of the progress of EaP countries in European integration, few of these assessments have attempted to place the countries in a comparative perspective. This is what the Index primarily attempts to do.

The Index was developed by independent civil society experts who advocate reforms related to European integration. It is prepared by the International Renaissance Foundation (IRF) in partnership with the Open Society Foundations (OSF) and experts from think-tanks and university institutions in EaP countries and the EU. The project is funded by the IRF’s European Programme and the EastEast: Partnership Beyond Borders Programme of the OSF.

This is a pilot edition of the European Integration Index, so we welcome feedback on the composition and methodology of the Index in order to work to improve this product. The first full-fledged edition of the Index will be published in May 2012 and will then become an annual project.

Inside the Index:

What we look at and how we approach it

WHAT?

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

The Index assumes that increased linkages and greater approximation mutually reinforce each other. However, this virtuous circle is not fully self-enforcing. Its

dynamic depends more on facilitative political decisions and structures. Such a concept of European integration has led us to identify three dimensions for evaluation:

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

2. **Approximation:** structures and institutions in EaP countries converging towards EU standards and in line with EU requirements;

3. **Management:** evolving management structures for European integration in EaP countries.

These dimensions are subdivided into the **SECTIONS**, **Categories** and *Subcategories* shown in *Table 1*.

Table 1.

LINKAGE DIMENSION

1. POLITICAL DIALOGUE

- 1.1 Bilateral institutions
- 1.2 Multilateral institutions and Eastern Partnership
- 1.3 CFSP/ESDP Cooperation

2. TRADE AND ECONOMIC INTEGRATION

- 2.1 Trade flows
- 2.2 Trade Barriers

3. FREEDOM, SECURITY AND JUSTICE

- 3.1 Visa dialogue
- 3.2 Migration and asylum
- 3.3 Border management
- 3.4 Security
 - 3.4.1 *Organized crime*
 - 3.4.2 *Money laundering, including financing of terrorism*
 - 3.4.3 *Drugs*
- 3.5. Judiciary
 - 3.5.1 *Judicial cooperation: criminal and civil matters*
 - 3.5.2 *Detention and imprisonment*

4. ENERGY and TRANSPORT

- 4.1 Energy trade
- 4.2 Integration with Trans-European Networks

5. EDUCATION and PEOPLE-TO-PEOPLE

- 5.1 Mobility, including academic and students mobility
- 5.2 Participation in EU programmes and agencies

6. ASSISTANCE

- 6.1 European Commission Development Aid
- 6.2 European Neighbourhood and Partnership Instrument
 - 6.2.1 *National*
 - 6.2.2 *ENPI East regional/ Interregional*
- 6.3 Global and thematic instruments
- 6.4 European financial institutions
- 6.5 Special technical assistance

APPROXIMATION DIMENSION

1. DEMOCRACY

- 1.1 Elections (national legislature)
 - 1.1.1 *Fair electoral campaign*
 - 1.1.2 *Legal framework and its implementation*
 - 1.1.3 *Organization of elections*
- 1.2 Robust political competition
- 1.3 Executive accountability to legislature
 - 1.3.1 *Legislature's influence over executive*
 - 1.3.2 *Legislature's institutional autonomy*
 - 1.3.3 *Legislature's specific powers*
 - 1.3.4 *Legislature's institutional capacity*
 - 1.3.5 *Conditions for opposition*
- 1.4 Media freedom
- 1.5 Association and assembly rights

2. RULE OF LAW

- 2.1 Independent, professional judiciary
 - 2.1.1 *Appointment, promotion and dismissal*
 - 2.1.2 *Institutional independence*
 - 2.1.3 *Judicial powers*
 - 2.1.4 *Accountability and transparency*
- 2.2 Protection of civil liberties
- 2.3 Equal opportunities

3. GOVERNANCE QUALITY

- 3.1 Control of Corruption
- 3.2 Impartial, professional public administration
 - 3.2.1 *Legal framework of civil service management*
 - 3.2.2 *Institutional framework*
 - 3.2.3 *Employment and remuneration*
 - 3.2.4 *Recruitment, promotion and disciplinary procedures*
- 3.3 Policy formulation and coordination
- 3.4 Budget preparation and implementation
- 3.5 Internal and external auditing
- 3.6 Public procurement

4. MARKET ECONOMY

5. FREEDOM, SECURITY AND JUSTICE

- 5.1 Visa dialogue
- 5.2 Migration and asylum
- 5.3 Border management
- 5.4 Security
 - 5.4.1 *Organized crime*
 - 5.4.2 *Money laundering, including financing of terrorism*
 - 5.4.3 *Human Trafficking*
 - 5.4.4 *Drugs*
 - 5.4.5 *Customs (law enforcement aspects)*
- 5.5 Judiciary
 - 5.5.1 *Detention and imprisonment*

6. ENERGY and TRANSPORT

- 6.1 Energy: legislation convergence
 - 6.1.1 *Energy community*
 - 6.1.2 *EU "Energy packages" implementation*
- 6.2 Energy policy
 - 6.2.1 *Institutional framework of energy market*
 - 6.2.2 *Energy efficiency*
- 6.3 Transport regulatory policy

7. ENVIRONMENT

- 7.1 Environmental policy
- 7.2 Resources efficiency
- 7.3 Climate change
- 7.4 Pressure to/ state of environment

8. EDUCATION and PEOPLE-TO-PEOPLE

- 8.1 Bologna principles implementation
- 8.2 Policy on culture, youth, Information society, media, audiovisual policies

MANAGEMENT DIMENSION

1. COORDINATION MECHANISM

2. LEGAL APPROXIMATION MECHANISM

3. PARTICIPATION OF CIVIL SOCIETY

4. MANAGEMENT OF EU ASSISTANCE

All categories and subcategories are further broken down into items that are listed in full on the *Project's website*¹. These items consist of questions for experts and quantitative indicators from public data sources.

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

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

For certain areas that were not well covered by existing cross-national comparisons, we decided to develop detailed catalogues of items through consultations with experts from civil society, public au-

thorities and EU institutions. This was designed to obtain a more differentiated, first-hand comparative assessment that would make it possible to pinpoint the strengths and weaknesses of EaP countries.

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

How?

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

However, expert surveys are prone to subjectivity. Many such available surveys are characterized by a mismatch between “soft,” potentially biased expert opinions

and “hard” coding and aggregation practices that suggest a degree of precision not matched by the more complex underlying reality and their verbal representation in country reports. The expert survey underlying the Index therefore avoids broad opinion questions, and instead tries to verify precise and detailed facts. Drawing on existing cross-national studies¹, we have adapted the questions from these surveys to our set of countries and our focus of measurement. Most survey questions asked for a ‘Yes’ or ‘No’ (Y/N) response to induce experts to take a clear position and to minimize misclassification. All questions invited experts to explain and thus to contextualize their response. In addition, experts were requested to substantiate their assessment by listing sources.

The survey was implemented in four steps. First, the country coordinators selected and commissioned local experts, asking them to evaluate the situation in their country on the basis of the questionnaire. Different parts of the questionnaire were assigned to related sectoral experts. Next, the country coordinators returned the responses to the core survey team at IRF, which reviewed and coded the responses to ensure cross-national comparability. The experts' comments allowed us to make a preliminary coding (scoring) that was sensitive to the specific context that guided individual experts in their assessments. As a third step, the core survey team returned the coded assessments for all six EaP countries to the local country

coordinators and experts, requesting them (1) to clarify their own assessments where necessary and (2) to review the codings by comparing them with codings and assessments made for the other countries. Experts who disagreed with the evaluation of their country were requested to communicate and explain their disagreement to the core team. Finally, the core team reviewed and adapted its scores in the light of this expert feedback. This iterative evaluation was intended to facilitate a mutual understanding among experts as well as between experts and coders, in order to improve the reliability and validity of the assessments.

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

To transform source data into scores, it was necessary to define the endpoints of the scale. These benchmarks can be based on the empirical distribution or on theoretical considerations, on the country cases examined or on external standards. In the case of the Index, this problem is intertwined with the question of the ultimate

¹ http://www.irf.ua/index.php?option=com_content&view=category&layout=blog&id=273&Itemid=519

fate of the Eastern Partnership. Whereas the EU refuses to consider accession as an option, yet tends to expect standards similar to those of the accession process, some EaP countries continue to aspire to membership. In addition to this uncertain destination, many items raise the problem of determining unambiguous best or worst practice benchmarks, in terms of both theory and empirical identification. Given these difficulties, we have opted for a mix of empirical and theoretical benchmarks.

For items scoring 0-1 or the intermediate 0.5, benchmarks were defined theoretically by assigning 1 and 0 to the best and worst possible performance. In contrast, benchmarks for quantitative indicators were defined empirically: in most cases in both the *Linkage* and the *Approximation* dimensions, we assigned 1 and 0 to the best- and worst-performing EaP country to emphasize the relative position of a country among its peers. There were exceptions, however. In the “Market Econo-

my” section, benchmarks were defined by the best and worst performing countries covered by the EBRD Transition Reports. In the “Energy and Transport” and “Environment” sections, a mixed approach was used: both region-specific and external benchmarks were used, such as EBRD Transition Reports’ countries, EU-27 average, the largest possible number (i.e., the number of existing directives or organizations EaP countries can join), and so on. External empirical benchmarks make it possible to focus on gaps or catching-up relative to external standards.

The Index measures the situation in EaP countries in June 2011. Thus, the measurement is status-oriented, allowing us to compare the positions of individual countries to other countries for the different items. Once the Index is produced annually, it will enable cross-temporal assessments of a country’s convergence or divergence.

Key results at a glance

- ❶ The findings of the Index show that **Moldova** is the best performer, coming first in *Linkage* and *Approximation* and second in *Management*.
- ❷ The second best performer is **Georgia**, coming first in *Management*, second in *Approximation*, and third in *Linkage*.
- ❸ **Ukraine** is the third best performer, ranking second in *Linkage* and third in *Approximation*—along with Armenia—and *Management*.
- ❹ **Armenia** follows Ukraine, sharing third position with Ukraine in *Approximation*, but ranking fourth in *Linkage* and *Management*.
- ❺ **Azerbaijan** follows Armenia, ranking fifth in all three dimensions.
- ❻ **Belarus** closes the list, being the worst performer in all three dimensions.

The result seems to divide EaP countries in two groups: Moldova, Georgia and Ukraine, the frontrunners with EU membership aspirations; Armenia, Azerbaijan and Belarus, the laggards who have not indicated interest in joining the EU. It seems that EU membership aspirations do determine the degree of *Linkage* and *Approximation*, as well as the *Management* of European integration. From this perspec-

tive, it is no surprise that Moldova, Georgia and Ukraine, which have long aspired to EU membership, are doing better than Armenia, Azerbaijan and Belarus, which have never aimed at joining the EU.

Notably, the results for *Management* correlate with the overall ratings of individual countries. In other words, the countries that are best performers in general, Moldova and Georgia, show better scores for *Management*. They are followed by Ukraine, Armenia, Azerbaijan and Belarus, in the same order as the overall Index rating. If we assume that *Management* scores mostly reflect the level of interest and political will on the part of EaP countries, while *Linkage* and *Approximation* reflect interest and effort on the part of both the EU and EaP countries, this suggests some interdependence between the degree of commitment of the EU and that of EaP countries. It might also mean that, not only European aspirations, but also political will within each country to reform and benefit from the instruments offered by the EU plays a decisive role. In this case, it is no surprise that Moldova is the frontrunner in the Index, given the political situation in this country following its change of government in 2009.

Ukraine, the country that was once seen as the flagship country of the Eastern Partnership, comes only third. Understandably, Belarus is the least advanced among EaP countries.

Interestingly, Moldova demonstrated the best performance both in *Linkage* and *Approximation* and second best in *Management*, which supports the assumption underlying this Index—that increased linkages and approximation mutually reinforce each other. This assumption seems to hold true for all EaP countries with a few deviations. For instance, although Ukraine ranks second in *Linkage*, it ranks only third in *Approximation* and third in *Management*. This suggests that Ukraine has not made the best use of its stronger record and more advanced level of cooperation with the EU compared to the other countries. By contrast, Armenia performed well in *Approximation*, despite being disadvantaged in *Linkage* (see scatter plot—page 14).

Also, while Moldova and Ukraine have somewhat lower scores in *Approximation* compared to *Linkage*, the other four EaP countries are doing better in *Approximation* than in *Linkage*. This suggests that, despite the fact that Armenia, Azerbaijan, Georgia—who share great geographical distance from the EU—and Belarus—which suffers more from great political distance—are less advantaged where *Linkage* is concerned, they are catching up in *Approximation* (see scatter plot—page 14).

Looking at specific sections in the Index reveals interesting cross-country findings. For instance, although Azerbaijan has a very low score, coming last, for “Freedom, Security and Justice” under *Linkage*, it is as advanced as Ukraine, second best, in this section under *Approximation*. Similarly, where “Education and People-to-People” is concerned, in the *Linkage* dimension Azerbaijan is the second worst, only narrowly better than Belarus, yet it shows good result in the *Approximation* dimension. It is not clear what drives domestic *Approximation* in Azerbaijan given the limited *Linkage* in those fields. Armenia shows a similar pattern. It is the worst in *Linkage* for “Energy and Transport,” yet the best in this sector under *Approximation*. On the contrary, Ukraine is the best in terms of “Trade and Economic Integration,” yet the second worst—just above Belarus—when it comes to “Market Economy.”

Another surprise: Belarus did the best in “Environment” under *Approximation* and “Management of EU assistance” under *Management*, possibly due to centralized management in the country.

It is important to note that relatively low scores of Ukraine, Belarus and Azerbaijan for “Assistance” have to do with the fact that the Index have attempted to focus on relative, rather than absolute figures. This approach seems to benefit smaller countries: Moldova, Georgia and Armenia have been leading, although Moldova is far ahead of the others.

LINKAGE

Moldova



Georgia



Ukraine



Armenia



Azerbaijan



Belarus



APPROXIMATION

0.67



0.63



0.57



0.57



0.49



0.37



MANAGEMENT

0.88



0.92



0.68



0.32



0.28



0.20



* 1 (the full circle) means different things in different parts of the Index. In most cases fuller circle indicated more leading ranks of a country in comparison with other EaP countries or more convergence with best performing transition countries. See page 7 for more detailed explanation.

LINKAGE

Moldova

Ukraine

Georgia

Armenia

Azerbaijan

Belarus



0.75

0.94

0.56

0.64

0.50

0.28

Political dialogue



0.74

0.78

0.57

0.61

0.54

0.10

Trade and Economic integration



0.85

0.81

0.47

0.19

0.08

0.11

Freedom, Security and Justice



0.38

0.34

0.35

0.09

0.37

0.24

Energy and Transport



0.64

0.48

0.59

0.51

0.27

0.26

Education and People-to-people



0.87

0.28

0.62

0.48

0.15

0.16

Assistance

APPROXIMATION

Moldova

Georgia

Ukraine

Armenia

Azerbaijan

Belarus

0.67

0.63

0.57

0.57

0.49

0.37



0.72

0.54

0.64

Democracy

0.47

0.31

0.20



0.61

0.63

0.60

Rule of Law

0.51

0.42

0.23



0.79

0.71

0.62

Governance Quality

0.74

0.46

0.35



0.59

0.63

0.45

Market Economy

0.61

0.55

0.43



0.94

0.67

0.76

Freedom, Security and Justice

0.47

0.76

0.43



0.46

0.37

0.34

Energy and Transport

0.52

0.31

0.16



0.60

0.66

0.49

Environment

0.61

0.37

0.67



0.64

0.81

0.68

Education and People-to-people

0.64

0.77

0.45

MANAGEMENT

Georgia

Moldova

Ukraine

Armenia

Azerbaijan

Belarus



1

1

Coordination mechanism

0.50

0.25

0.25

0



0.67

0.50

Legal approximation mechanism

0.77

0.33

0.17

0



1

1

Participation of civil society

0.75

0.50

0

0



1

1

Management of EU assistance

0.70

0.20

0.70

0.80

LINKAGE VS APPROXIMATION

Moldova

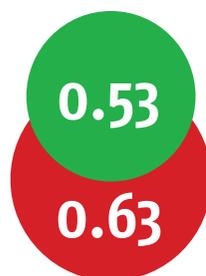
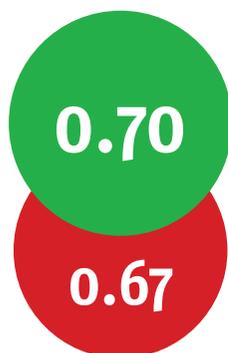
Georgia

Ukraine

Armenia

Azerbaijan

Belarus



0.88

0.92

0.68

0.32

0.28

0.20



0.74 / 0.59

0.57 / 0.63

Trade and Economic integration / Market Economy

0.78 / 0.45

0.61 / 0.61

0.54 / 0.55

0.10 / 0.43



0.85 / 0.94

0.47 / 0.67

Freedom, Security and Justice

0.81 / 0.76

0.19 / 0.47

0.08 / 0.76

0.11 / 0.43



0.38 / 0.46

0.35 / 0.37

Energy and Transport

0.34 / 0.34

0.09 / 0.52

0.37 / 0.31

0.24 / 0.16



0.64 / 0.64

0.59 / 0.81

Education and People-to-people

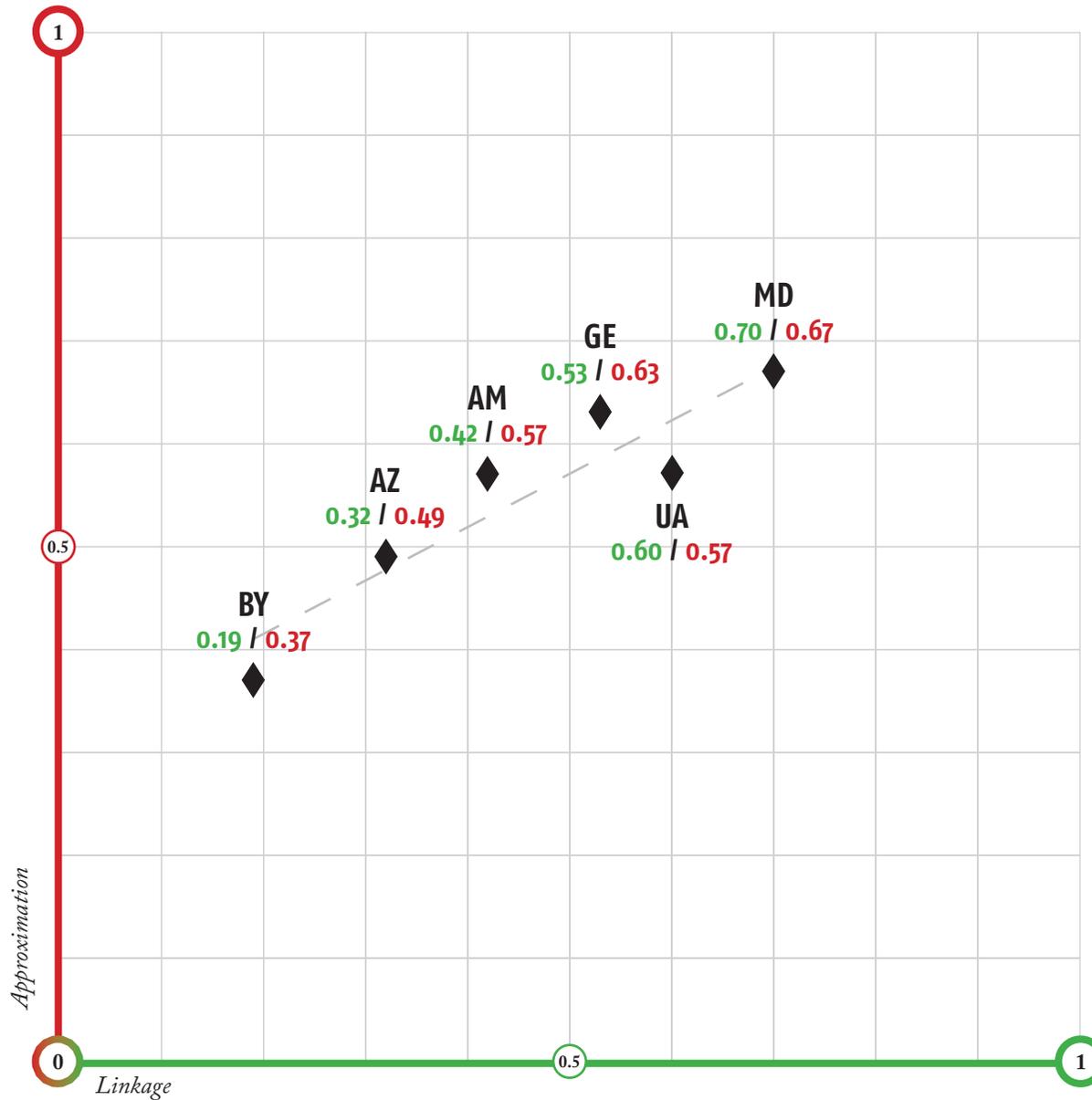
0.48 / 0.68

0.51 / 0.64

0.27 / 0.77

0.26 / 0.45

LINKAGE VS APPROXIMATION



This scatter plot shows the relationship between *Linkage* and *Approximation* for each country. It shows whether our assumption—that increased linkages and approximation mutually reinforce each other—holds true.

The fitted line has been drawn to highlight this relationship. It shows the performance of a hypothetical average country in both dimensions.

Thus, it is evident that Ukraine (the country located furthest away from the line) shows the worst result in *Approximation* relative to the depth of its linkages with the EU, while Georgia and Armenia are less linked to the EU than Ukraine and have reached comparatively high levels of *Approximation*.

Moldova and Azerbaijan, the two countries situated closest to the line, indicate corresponding levels of *Linkage* and *Approximation*.

Country specific assessment

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

MOLDOVA is the best performer in *Linkage* and *Approximation* and the second best in *Management*.

The country is very advanced in “Freedom, Security and Justice” (the best in both *Linkage* and *Approximation*), “Energy and Transport” (the best in *Linkage* and second best in *Approximation*), “Trade and Economic Integration” (second after Ukraine), “Education and People-to-People” (*Linkage*) and “Assistance.” It is also the best performer in “Democracy” and “Governance Quality” and the second best in “Rule of Law.”

In general, Moldova confirms the assumption that there is a relationship between *Linkage*, *Approximation* and *Management* in the sense that more and deeper links with the EU correlate with better performance at home (*Approximation*) and better *Management* of European integration. Apparently, political will seems to be the key to European integration.

When it comes to specific sectors, however, the picture is not so clear. For instance, Moldova shows high results for “Freedom, Security and Justice” in both *Linkage* and *Approximation*, but a high discrepancy between *Linkage* and *Approximation* where “Education and People-to-People” is concerned: compared to other countries, Moldova is the best performer for *Linkage* but only fourth best, with Armenia, for *Approximation*.

GEORGIA also performs rather well. It is the best in *Management*, second best in *Approximation* after Moldova, and third best in *Linkage*, after Moldova and Ukraine. Given that Georgia has relatively low scores in *Linkage* compared to Ukraine and Moldova, geographical proximity may be making a difference. Georgia shows the best scores for “Rule of Law,” “Market Economy” and “Education and People-to-People” in *Approximation*, and the second highest score on “Assistance,” after Moldova, and “Environment,” after Belarus. It seems that Georgia has done well in the areas where there has been political will to reform.

Georgia proved less advanced only in “Political Dialogue” and “Trade and

Economic Integration,” where it is barely ahead of Azerbaijan and Belarus. This means that these areas need more attention, particularly on the part of the EU, not only Georgia. It is important to note that Georgia is lagging behind Armenia in “Political Dialogue” due to the fact that Armenia participates in peacekeeping missions with the EU and is thus more advanced in CFSP/ESDP cooperation, which is a part of “Political Dialogue.”

UKRAINE is the second best performer in *Linkage*, third best in *Management*, and *Approximation*. Ukraine shows the best results for “Political Dialogue” and “Trade and Economic Integration,” second best results in “Freedom, Security and Justice” (both *Linkage* and *Approximation*, along with Azerbaijan) and in “Democracy.”

Ukraine lags behind in “Energy and Transport” and “Education and People-to-People” for both *Linkage* and *Approximation*, in “Governance Quality,” “Market Economy,” “Environment”. Poor performance in terms of “Environment,” somewhat advanced than Azerbaijan, the laggard, has to do with the fact that both Ukraine and Azerbaijan are highly industrialized countries compared to other countries in the EaP region.

Although Ukraine had the best performance in “Trade and Economic Integration,” it showed poor results in “Market Economy,” leaving only Belarus behind. In general, although Ukraine seems to be doing well in *Linkage*, it has not benefited from this to fullest extent to improve

domestic performance, as *Approximation* scores suggest.

ARMENIA is generally doing worse than Moldova, Georgia and Ukraine, but better than Azerbaijan and Belarus. This holds true for such areas as “Freedom, Security and Justice” for *Linkage*, and “Democracy” and “Rule of Law”. This also holds true for *Management*.

Yet, Armenia has showed relatively good results in *Linkage* “Political Dialogue” and “Trade and Economic Integration,” leaving Georgia behind; “Education and People-to-People” and “Assistance”, leaving Ukraine behind.

It also has showed relatively good results in *Approximation*, having shared the third position with Ukraine. This is due to high scores in “Governance Quality,” where it is third after Moldova and Georgia, “Market Economy” where it is second only to Georgia, “Energy and Transport” where it is the best performer, and “Environment” where it is third only to Belarus and Georgia.

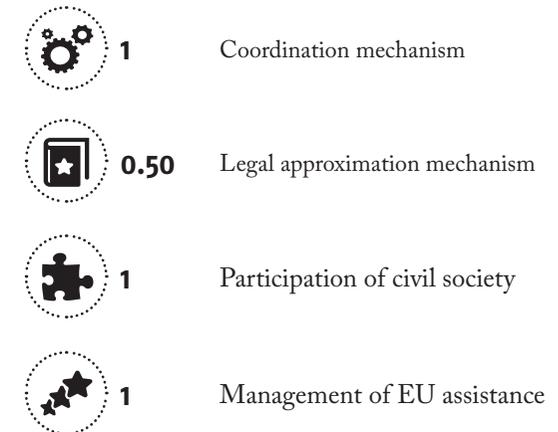
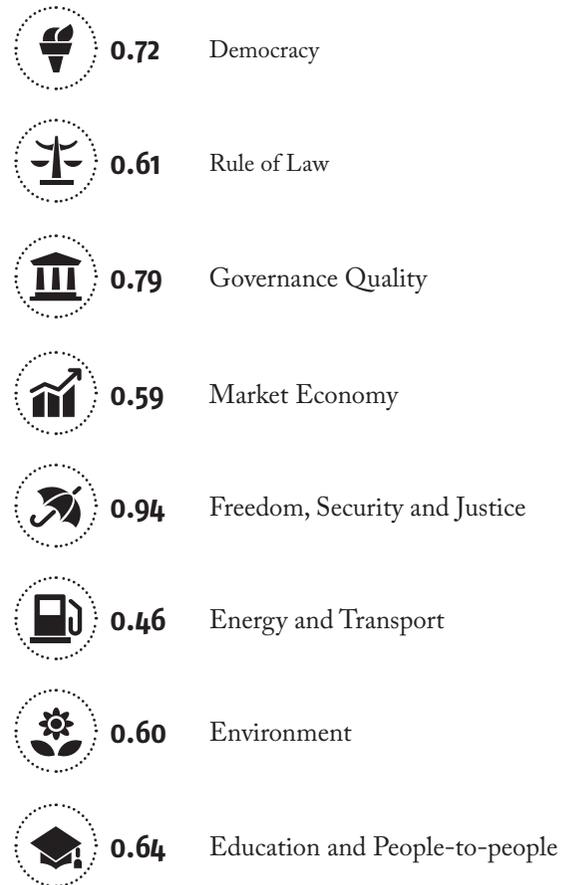
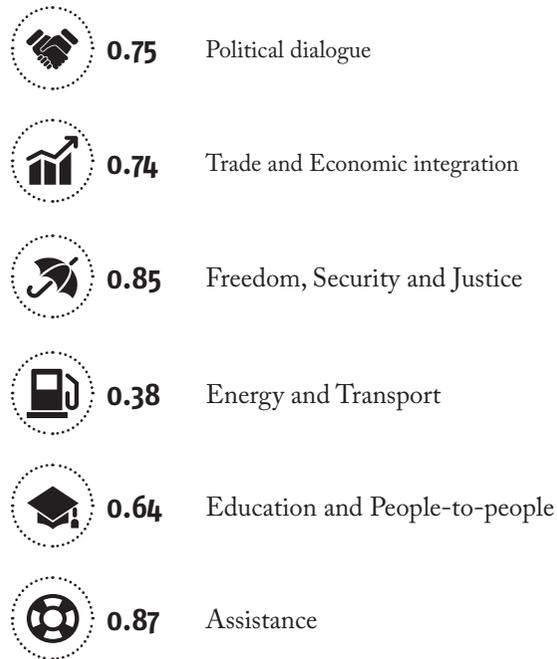
Yet, Armenia significantly lags behind other countries in “Energy and Transport,” where it is the worst performer for *Linkage*, and “Freedom, Security and Justice” and “Education and People-to-People” for *Approximation*.

In “Energy and Transport,” Armenia shows surprising results. While it is the least developed among the countries in *Linkage* here, it is the best performer in *Approximation*.

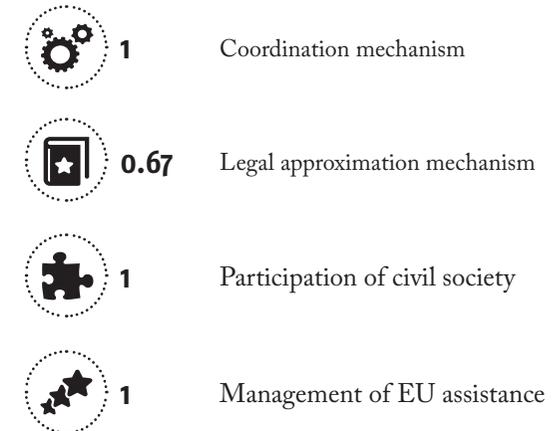
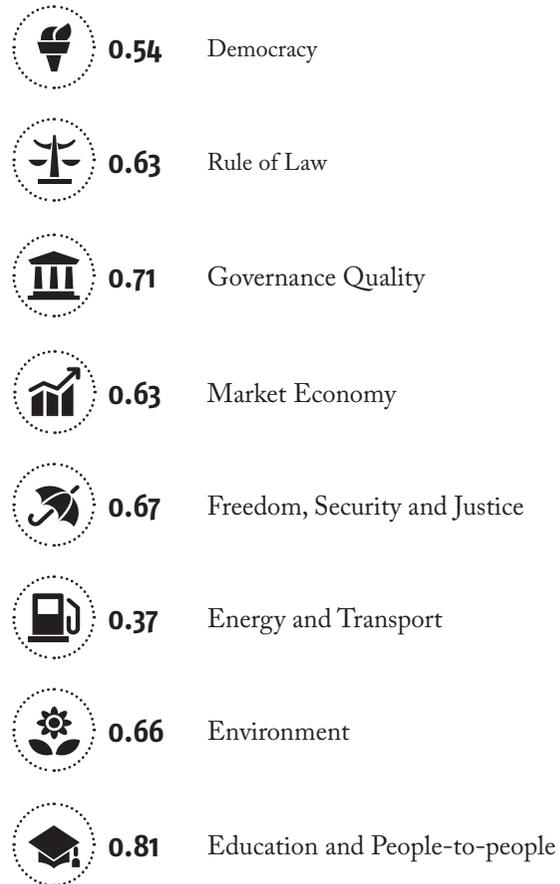
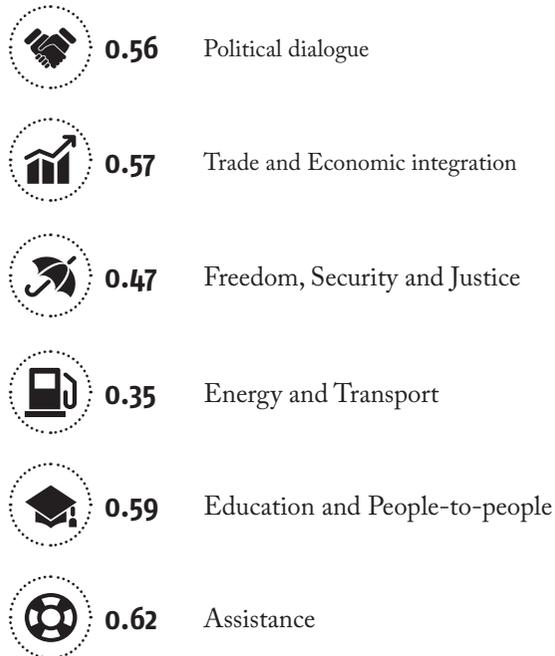
AZERBAIJAN is the second worst performing country on all three dimensions, coming after Belarus. It is ahead of Armenia and Belarus and also Georgia only in “Freedom, Security and Justice” for *Approximation*. It is the worst performing country in “Freedom, Security and Justice” for *Approximation*, “Assistance” and “Environment.” Yet, Azerbaijan is the second best performer in “Energy and Transport” for *Linkage* and “Education and People-to-People” for *Approximation*.

BELARUS closed our list, since it shows the poorest scores on all three dimensions. “Environment” is the only exception: here, Belarus is the best performer of the six countries. Interestingly, Belarus also has the highest score for “Management of EU assistance.” Centralized management seems to be the factor at play here. Notably, the level of EU assistance to Belarus, as well as Azerbaijan, is considerably below the level of other EaP countries.

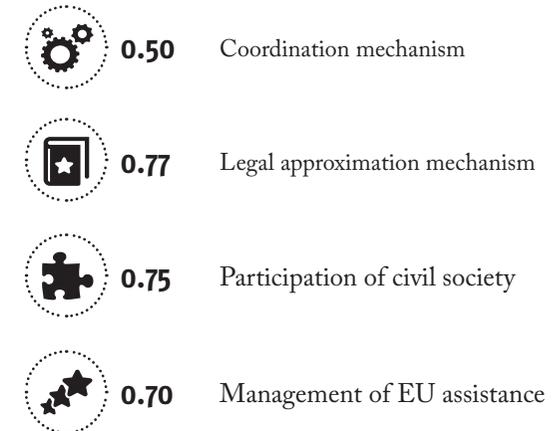
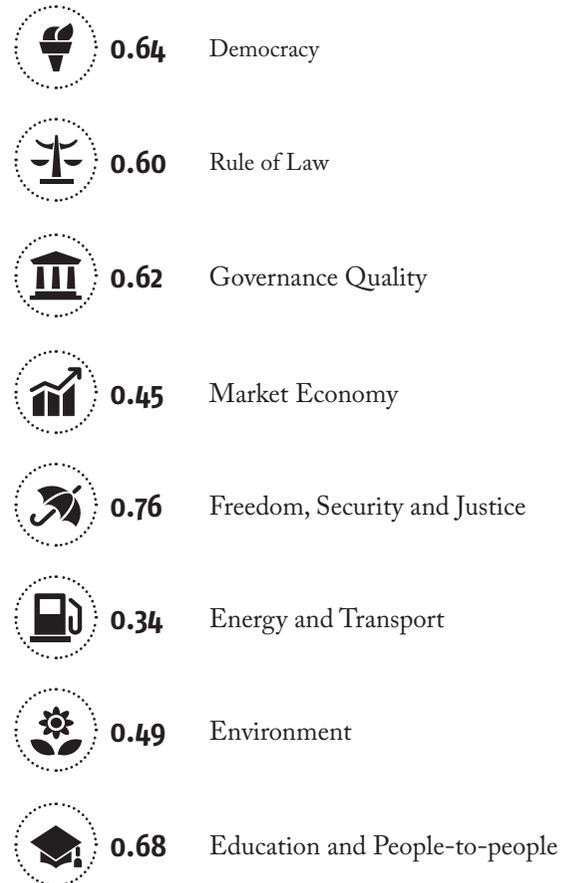
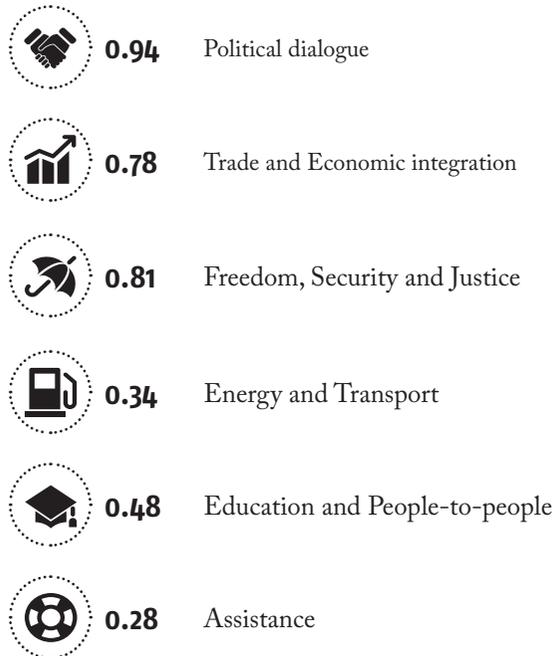
Moldova



Georgia



Ukraine



Armenia

0.42

LINKAGE

0.57

APPROXIMATION

0.32

MANAGEMENT



0.64

Political dialogue



0.61

Trade and Economic integration



0.19

Freedom, Security and Justice



0.09

Energy and Transport



0.51

Education and People-to-people



0.48

Assistance



0.47

Democracy



0.51

Rule of Law



0.74

Governance Quality



0.61

Market Economy



0.47

Freedom, Security and Justice



0.52

Energy and Transport



0.61

Environment



0.64

Education and People-to-people



0.25

Coordination mechanism



0.33

Legal approximation mechanism



0.50

Participation of civil society



0.20

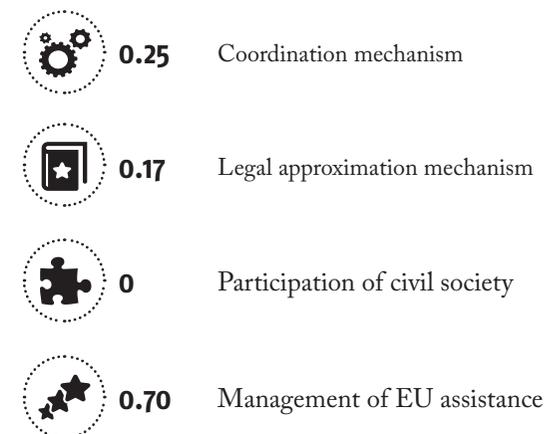
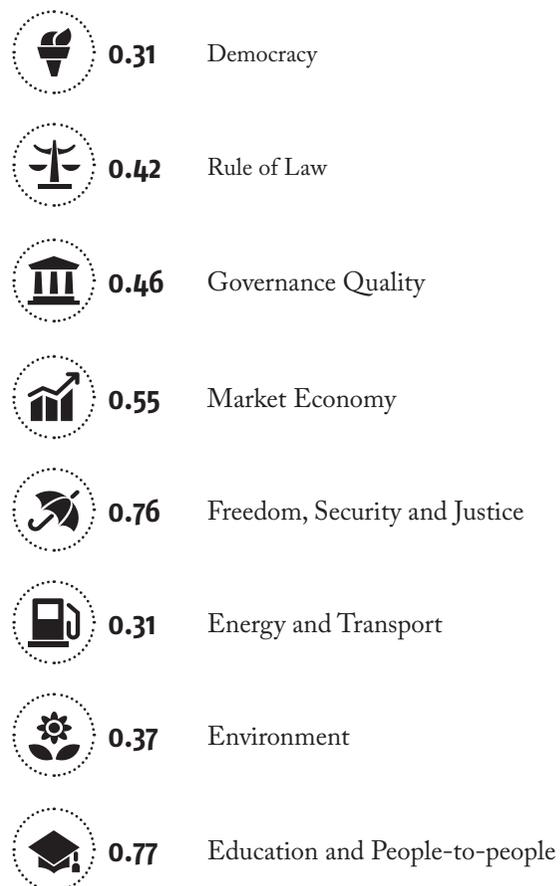
Management of EU assistance

Azerbaijan

0.32 LINKAGE

0.49 APPROXIMATION

0.28 MANAGEMENT



Belarus

0.19 LINKAGE



	0.28	Political dialogue
	0.10	Trade and Economic integration
	0.11	Freedom, Security and Justice
	0.24	Energy and Transport
	0.26	Education and People-to-people
	0.16	Assistance

0.37 APPROXIMATION



	0.20	Democracy
	0.23	Rule of Law
	0.35	Governance Quality
	0.43	Market Economy
	0.43	Freedom, Security and Justice
	0.16	Energy and Transport
	0.67	Environment
	0.45	Education and People-to-people

0.20 MANAGEMENT



	0	Coordination mechanism
	0	Legal approximation mechanism
	0	Participation of civil society
	0.80	Management of EU assistance

Sector specific assessment

POLITICAL DIALOGUE

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

Interestingly, the intensiveness of high level bilateral visits and cooperation with European political parties that have groups in the European Parliament indicate that Georgia, Moldova, and Ukraine are the frontrunners. This suggests that the countries that have membership aspirations are interested in having intensive dialogue with the EU and, in return, the EU is also more interested in these countries. Belarus may somewhat compensate

here for the lack of official political dialogue due to the activities of its opposition.

Ukraine is the frontrunner where CFSP/ESDP cooperation is concerned, participating in a number of security arrangements and peacekeeping missions. Moldova lags far behind, together with other EaP countries, in having almost no cooperation in this field—although Armenia does participate in a Kosovo mission.

The Eastern Partnership has offered all EaP countries a more advanced level of dialogue. Since their representatives are included in the EaP multilateral institutions, its added value has been an opportunity to expand contacts with EU member states at different levels and on different issues. In terms of political dialogue, Belarus has probably benefited the most among EaP countries, since EaP institutions have included the country in cooperation with the EU. Its officials and civil servants take part in meetings of EaP institutions. Euronest, the parliamentary arm of the EaP, for political reasons, is the only exception.

DEMOCRACY

Where elections are concerned, none of the six countries fully meets the standards of democratic elections assumed by the Index. The quality of elections is significantly higher in Moldova and Ukraine than in Georgia, which, in turn, is clearly ahead of Armenia, Azerbaijan and Belarus. The greatest weakness is the lack of fair electoral campaigns, but in Azerbaijan and Belarus electoral laws and the actual organization of elections are also clearly deficient. In contrast, Ukraine and Moldova have reasonably fair and accepted electoral norms. Ukraine's electoral management is less effective and its legitimacy more contested than in Moldova. The pattern of deficiencies is different in Armenia and Georgia, as these two countries organize elections comparatively well, but their electoral rules and campaigns are less fair, particularly in Armenia.

With respect to political competition, Ukraine and Moldova have the most competitive political systems, as indicated by the vote differentials between incumbent presidents and parties and the opposition, the legislative activism of the opposition and the cohesion of parliamentary groups. Although Georgia's legislature is more competitive than Armenia's, the most recent presidential races in both countries have been clearly dominated by incumbents. In contrast, presidential elections have been more competitive in Azerbaijan

and Belarus, but these countries suffer from monopolized legislatures.

As far as the accountability of lawmakers is concerned, the absence of pluralist legislatures in Azerbaijan and Belarus reflects the weak rights and capacities of these legislatures in relation to the executive branch. The legislature in Belarus lacks any rights that might ensure it and its members some institutional independence, and its president can even appoint a share of the members of the Savet Respubliki at his discretion. Moldova's Constitution endows its legislature with the most far-reaching powers to hold the executive accountable, including the power to elect and dismiss the president and the premier. Moldova is also the only EaP country that allocates chairs and seats of parliamentary committees to opposition parties on the basis of their share of seats, enabling the opposition to influence the agenda of legislative debates.

All other countries have directly elected presidents, but Ukraine, Georgia and Armenia have demonstrated that this constitutional option does not necessarily mean marginalizing the legislature, as they have provided significant powers to their assemblies. Still, legislatures in all six EaP countries lack resources, such as policy experts who might help opposition parties challenge the policy expertise of ministries and prepare substantiated bills.

RULE OF LAW

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

None of the six countries can be said to guarantee a judicial deliberation protected from undue influences by senior judges, private interests or other branches of government. Most countries also lack a judicial self-governing body with a majority of members elected by judges that has a decisive influence on the career paths of judges. Establishing this element of judicial self-government is key to depoliticizing

appointment and promotion decisions, but this step requires that incumbent judges be of exceptional personal integrity and not abuse their immunity to violate the law. Protecting functional immunity while maintaining accountability is a problem that has not been adequately solved in most EaP countries.

GOVERNANCE QUALITY

Public administration in Moldova and, to a lesser extent, Armenia comes closest to the standards of impartiality and professionalism defined in our survey. As for the judicial systems, personnel decisions emerge as the weakest link in public administration for all countries, even though the legal and institutional frameworks of civil service administration are relatively well developed in many of them. The situation in Belarus appears to be most removed from a professional and impartial public bureaucracy, while Azerbaijan scores comparatively well and outperforms even Ukraine with its much more competitive political system and better rule of law record. The main cause for this placement is Ukraine's weak standards of recruitment, promotion and disciplinary procedures. In contrast with Ukraine, Azerbaijan and Armenia operate, among others, consistent recruitment practices across the civil

service, regular performance reviews and proper professional development systems for their staff.

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

TRADE AND ECONOMIC INTEGRATION

Trade in Goods¹: As things are

As the largest regional market, the EU plays an important role in trade in goods with all the EaP countries. In 2010, it was the N^o1 trading partner in both exports and imports of goods for all EaP countries except for Belarus.² EaP trade turnover with the EU varies between 30% and 50% of total trade, with the highest EU share seen in Moldova and the lowest in Belarus and Georgia.

By contrast, EaP countries play a very modest role as EU trading partners. Ukraine has been the largest trading partner for the EU among the EaP countries, accounting for only 1.2% of EU trade

turnover on average over 2007–2010 and ranking 23rd among EU trading partners. Armenia has the lowest share of EU trade turnover and ranks 108th.

The breakdown of EaP country exports and imports from and to the EU differs significantly. Firstly, EaP exports to the EU are dominated by raw materials and unfinished products, like energy and metals, while the countries import mostly final products from the EU. Only Moldova shows a high—over 50%—share of final products in exports to the EU, largely textiles and clothing. For other EaP countries, shares vary between 0 and 15%. Exports of machinery and transport equipment to the EU occupy noticeable share only for two EaP countries, namely Ukraine, with 10.9% of total exports in 2010, and Moldova, with 8.3%. The highest shares of raw material exports to the EU are from Azerbaijan, with 99.5% of total exports, and Georgia, 86.9%, also due to the export of energy.

By contrast, EaP country imports from the EU are dominated by finished products—40–70% of the total—, especially machinery and vehicles. The EU has played an important role in modernizing the EaP economies, supplying capital products and the organizational know-how associated with them.

¹ Reliable and comparable statistics on trade in services, as well as investment, appears to be unavailable.

² Trade turnover with the EU is second to the Russian Federation, with which Belarus has signed a Customs Union Agreement

Trade policy

Most EaP countries enjoy some preferential access to the EU market, either under the Generalized System of Preferences (GSP)⁴ or the GSP+⁵ and Autonomous Trade Preferences (ATP). These preferences are non-reciprocal and are provided by the EU to developing countries with the primary aim of contributing to poverty alleviation, sustainable development and good governance in these countries.

All EaP countries except for Belarus are eligible for the GSP. Preferences to Belarus were temporary withdrawn in December 2006 in response to systematic and serious violations of the core principles of the International Labour Organization.

Three EaP countries—Armenia, Azerbaijan and Georgia—are eligible for the GSP+. Moldova was formally removed from the list of GSP beneficiaries as it became entitled to ATPs above the level of GSP+ as of March 2008. ATPs give Moldova unlimited and duty-free access to the EU market for all products originating in Moldova, except for certain agricultural products.

Thanks to continuous EU trade liberalization efforts and the flexible system of trade preferences, over 80% of EaP country products effectively enter the EU market without paying import duty.

Azerbaijan enjoys zero duty on virtually all its products, mostly because energy products almost entirely dominate its exports basket.

Ukraine has to pay duty on more products than any other EaP country. This is due to the nature of the country's exports and the relatively high share of 'sensitive' products. Also, Ukraine's exports exceed 1% of the total GSP-covered imports, while its GSP-covered imports are not sufficiently concentrated, preventing the country from being classified as 'vulnerable.'⁶ As a result, Ukraine is not eligible for the more generous preferences provided within the GSP+, either.

The actual level of tariff protection faced by EaP countries in the EU is determined by the EU Import Tariff Schedule, eligibility for existing preferential schemes—GSP, GSP+ and others—, bilateral agreements, and the country's commodity structure.

Among EaP countries, Belarusian exporters face the highest level of protection in the EU, followed by Ukraine, while Moldova's exporters face the lowest. EU exporters have to deal with the highest duty in Belarus, based on the reciprocity principle, and in Azerbaijan. The lowest import duty on EU products is applied in Georgia. Both the EU and EaP countries

tend to have higher average duty on farm products, compared to industrial goods.

Trade protection measures have been rarely used in trade between the EU and EaP countries. Ukraine accounts for the majority of currently registered cases. These measures were adopted mostly a decade ago, that is, before the EU granted Ukraine market economy status, and Ukraine became the member of the WTO. No new measures against the Ukrainian exports have been implemented recently.

Towards DCFTA?

As part of the European Neighbourhood Policy and Eastern Partnership, the EU is working to establish Deep and Comprehensive Free Trade Areas (DCFTA) with all EaP countries. Negotiations on this part of the Association Agreement have been underway with Ukraine since 2008. With Armenia, Moldova, and Georgia these negotiations are expected to begin in the near future. The remaining two EaP countries, Belarus and Azerbaijan, are not yet WTO members, but they are negotiating accession. The DCFTA negotiations can only come after accession.

Given the fairly liberal duty regime applied in commodity trade between the EU and EaP countries, the natural focus

of DCFTA talks is expected to be non-tariff barriers to commodity trade and trade in services, and other trade-related topics like intellectual property rights, competition policy, state procurement, the environment, and dispute settlement mechanisms. In tariff negotiations, access for agricultural products to EU markets is highly sensitive on both sides of the table.

The deep institutional reforms embedded in implementing the DCFTAs make impact assessment a challenging exercise. Databases and measurement techniques need further elaboration. In particular, a comprehensive statistical database for trade in services is needed between the EU and its partner countries.

MARKET ECONOMY

In assessing domestic economic performance, we focused on the quality of the business climate in the countries and their transition progress as widely-used indicators for international economic comparisons, not affected by country size, specific factors, and short-term shocks. In particular, we used two sets of indices produced by the World Bank Doing Business and the EBRD Transition Reports.

A number of conclusions can be drawn

⁴ The GSP is an autonomous trade arrangement through which the EU provides non-reciprocal preferential access to the EU market. The system allows exporters from developing countries to pay lower duties on some or all of what they sell to the EU. It envisages duty-free access for non-sensitive products, and a reduction in import duties for sensitive products. See details at <http://ec.europa.eu/trade/wider-agenda/development/generalised-system-of-preferences/>

⁵ The GSP+ is an autonomous trade arrangement through which the EU provides non-reciprocal preferential access to the EU market. The system allows exporters from developing countries to pay lower duties on some or all of what they sell to the EU. It envisages duty-free access for non-sensitive products, and a reduction in import duties for sensitive products. See details at <http://ec.europa.eu/trade/wider-agenda/development/generalised-system-of-preferences/>

⁶ See definition and list of eligible countries at http://trade.ec.europa.eu/doclib/docs/2008/july/tradoc_139963.pdf

from the analysis. According to WB's Doing Business, Georgia enjoys the best business climate among the EaP countries, followed by Belarus. The worst business climate is reportedly in Ukraine.

Four of the six EaP countries—Armenia, Azerbaijan, Belarus, Georgia—have organized quick start-up procedures for business, both in terms of time and fees, effectively allowing free entry on their markets. At the same time, all six countries throw up obstacles for business closure, thus preventing free market exit (another basic principle of market economy). Armenia demonstrates the best result, while Ukraine shows the worst.

Paying taxes is cumbersome in all of the EaP countries, with Georgia being the least so. Both time-consuming procedures and high tax rates cause problems.

All EaP countries have relatively good standing in contract enforcement.

The EBRD Transition Indicators show that all EaP countries have room for improvement in the majority of areas. The corporate sector and certain infrastructure sectors are currently the most developed. At the same time, further regulatory efforts need to be devoted to developing the financial and energy sectors.

There seems to be no direct link between “Trade and Economic Integration” with the EU, on the one hand, and “Market Economy,” on the other. For instance, Ukraine has the largest trade value with

the EU, partly determined by the size of the country, but its business climate is the worst of the lot. Still, once a business climate improves, it further boosts investments and trade between the parties.

FREEDOM, SECURITY AND JUSTICE

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

FSJ cooperation between the EU and EaP countries is an issue of high importance, as it indicates the level of integration/cooperation in the most sensitive areas, which require a high confidence between partners. FSJ cooperation is closely connected with the maturity of democratic institutions and rule of law. Increasing standards of FSJ cooperation

may encourage countries to proceed with crucial reforms in combating corruption and organized crime, fighting illegal migration and human trafficking, and stimulate reforms aimed at better protection of human rights, more effective law enforcement and a transparent judiciary.

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

At the same time, FSJ cooperation can raise certain risks when it comes to relations with authoritarian and repressive regimes, as it happens with Belarusian Ales Bialiatski, Chair of the Viasna Human Rights Centre. In August 2011, Mr. Bialiatski was detained by Belarusian authorities on charges of tax evasion as a result of information provided by Lithuanian and Polish governments on a matter presented by Minsk as “combating money-laundering.” This case clearly demonstrates the way FSJ cooperation may be misused and even used against the purpose for which it has been designed. So, FSJ cooperation cannot be assessed automatically with a quantitative approach and actual capacity of a partner to cooperate on the basis of democracy, respect for human rights and rule of law should be considered.

As mentioned, Ukraine and Moldova are the leaders of the group. Ukraine

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

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

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

Georgia signed such documents with the EU in June 2010, while the negotiations with Armenia and Azerbaijan are to be launched in the near future.

The European Commission also received a mandate for VFA and readmission talks with Belarus. Despite almost frozen relations, the Council of Foreign Ministers stressed the importance of promoting people-to-people contacts between Belarus and the EU on January 31, 2011.

At the same time, the EU has imposed visa restrictions on some 200 Belarusian officials involved in political repression following the presidential elections in December 2010.

Ukraine unilaterally cancelled visa requirements for EU citizens in 2005, with Moldova and Georgia following suit several months later. Armenia and Azerbaijan continue to practice a symmetric visa policy approach. Azerbaijan even toughened its visa policies as it cancelled visas at borders.

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

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

13 cooperation agreements on judicial cooperation and assistance with EU

Member States are currently in effect in Ukraine, which is the largest number among EaP countries.

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

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

Moldova can be considered as the "laboratory" of new initiatives such as the Mobility Partnership, since 2008, and the Common Visa Application Centre, since 2007⁷. In 2011, Moldova became the first EaP country to stop issuing non-biometric passports to its citizens and is now issuing only biometric, ICAO-compliant passports.

Yet, Georgia is the more obvious success story in such key areas as combating corruption and organized crime. This fact

has been confirmed in numerous independent studies, such as Transparency International's Corruption Perception Index, which gave Georgia the best score, 3.8, among all the EaP countries in 2010. By contrast, Ukraine and Azerbaijan were at the bottom, with 2.4, Belarus was marginally better at 2.5, Armenia similarly at 2.6, and Moldova a still-distant 2.9.⁸

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

Ukraine is the most advanced where border management is concerned, while the relative success of Moldova is restricted by the Transnistrian conflict: 450 km of the country's border is out of control of the central government. Georgia, Azerbaijan and Armenia have similar problems—"frozen conflicts" and hostile relations with some neighbours.

To sum up, Moldova and Ukraine are at about the same level of FSJ cooperation with the EU, with Moldova being somewhat in the lead. Ukraine's success is due to the longer formal record of cooperation with the EU in this field, whereas the po-

litical will to reform is stronger in the case of Moldova. Georgia is the more obvious success story in such key areas as combating corruption and organized crime. The more modest success of Armenia and Azerbaijan is due to a substantially shorter record of institutional FSJ cooperation with the EU, as well as to weaker European aspirations in these countries. In the case of Belarus, political risks place serious limitations on existing opportunities.

ENERGY AND TRANSPORT

Energy

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

Our analysis of trade in energy included mineral fuels, mineral oils and products of their distillation⁹. Foreign direct investment in trade was excluded from the analysis due to unavailability of reliable and comparable data. The results show that Azerbaijan is significantly ahead of other EaP countries in export of energy, while Moldova and Georgia in import of energy.

⁷ Moldova's Foreign Policy Statewatch, Issue 30, July 2011, http://www.viitorul.org/public/3466/en/Policy%20Statewatch30_en.pdf

⁸ Corruption Perception Index 2010 Results http://www.transparency.org/policy_research/surveys_indices/cpi/2010/results

⁹ Article 27 of United Nations Commodity Trade Statistics Database.

For now, EaP countries are only at the initial stage of integration with the EU in energy, partly due to the institutional weakness of EaP country energy markets, especially in terms of secure energy policy, internal market competition and energy commodity and investment turnover with the EU. To a lesser extent, this also has to do with the fact that the EU's energy market has been constantly moving towards higher standards, which makes it difficult for EaP countries to catch up. Objective reasons—historical, geographical and geopolitical—also account for differences among EaP countries in cooperation with the EU.

Energy legislation in EaP countries largely fails to meet the requirements of the EU and Energy Community in South-Eastern Europe. Only Ukraine and Moldova are members of the Energy Community and have taken on strict obligations to meet EU legal requirements, while Georgia has observer status. Yet, few relevant reforms have taken place. For instance, only three countries adopted some of the legislation demanded by the EU to regulate the gas market (Ukraine), electricity market (Armenia and Moldova) and renewables (Armenia). Other important issues remain uncovered.

In terms of the standards for organizing the EU's internal gas market, EaP countries are far behind. Only Moldova, Georgia and Armenia have an independent regulator on their energy market with

responsibility for fair and non-discriminatory pricing. Moreover, energy markets in EaP countries remain highly monopolized, which hampers competition, transparency and the general efficiency of the sector.

Unlike the EU, EaP countries are less dependent on energy imports, since many of them have domestic resources and different primary energy consumption patterns. Nevertheless, EaP countries consume twice as much energy as the EU standard due to the high energy intensity of their economics and inefficient energy sectors. Their efforts in developing renewables, adopting CO₂ Emission Trading Scheme and CO₂ emission reduction targets, and so on, have been quite weak. Only Ukraine and Armenia have defined National RES targets as guidelines in their national energy policy. EaP countries have relatively high CO₂ emission levels, generated primarily by coal-fired power generation. This means they have to work hard to reach even today's level of energy and carbon emission efficiency in the EU. It is expected that the latter aspect will play an increasingly dominant role in the EU and will be demanded of non-EU countries wanting to integrate into the EU's energy market.

Transport

Where transport is concerned, the underlying idea is that transport connections should be smoother, safer and more reliable for all transport users from the EU

and EaP countries.

So far, EaP countries have not demonstrated much success in pursuing deeper integration with the common transport corridors of the EU, in particular in aviation and maritime transport. Only Georgia has signed an agreement on a Common Aviation Area, although Moldova finalized the talks in October and Ukraine still in talks to join as well. When this happens, it will be advantageous for all sides because of better quality and more reasonably priced aviation services.

All the EaP countries are located along transport corridors between the EU and Russia and Asian countries. Consequently, they occupy a very advantageous transit position, in particular Ukraine, which has the largest number of international transport corridors that are priorities for the EU's transport system. However, transport companies from Belarus and Moldova obtain relatively significant numbers of permits to enter the EU, compared to Ukraine. Armenia, Azerbaijan and Georgia do not have a common land border and are therefore disadvantaged in terms of integration with the EU's land transport system. Nevertheless, they have made significant efforts in recent years to improve the quality of their transport infrastructure and customs procedures. As a result, despite their more disadvantageous geographic placement, they are more advanced in terms of infrastructure, which allows them to compete with Ukraine and

Belarus, who are both larger and closer to the EU.

In terms of the regulatory environment, Azerbaijan and Moldova rank high, with Georgia a close third. Ukraine has the worst record: while it has allowed third-party access to its marine port and airport infrastructure and unbundled different business activities there, it has not established an independent transport regulator and has not reduced state influence. Belarus has the weakest regulatory environment in terms of EU standards.

When it comes to road safety, Georgia has been the worst performer, though this can be attributed to its complicated terrain. In general, all EaP countries demonstrate poor transport safety, which means that all of them have to work hard to improve this aspect of their transport system.

It can be argued that all the countries under consideration are at a different progress level in transport integration and harmonization with the EU and the efforts of Moldova and the three Caucasus countries are noteworthy.

ENVIRONMENT

Armenia, Ukraine and Moldova are leading in terms of policy, where environmental protection has a crosscutting nature—environmental policy integration (EPI)—, as demanded by the EU. Although Ukraine recently adopted new

environmental policy consisting of a Law on Strategy and the National Environmental Action Plan, poor planning and reporting on Conventions and Protocols and an incoherent climate change policy leave it behind other countries. Armenia is the only country among the six EaP countries that has ratified the Protocol on Strategic Environmental Assessment, one of the main EPI instruments.

The rating and analysis of 11 indicators of Resource Efficiency and Pressure to/ state of environment selected for the Index demonstrate that Belarus has the best environmental situation among the EaP partners, followed by Georgia, Moldova, and Armenia. Ukraine is the worst, scoring a paltry 0.3 in this index category. This result correlates with the recently-published Yale University Environmental Performance Index (EPI) covering 163 countries: it ranked Ukraine as having the lowest EPI among EaP countries. It is not a surprise that the two most industrially-developed countries, Azerbaijan and Ukraine, have the worst indicators on pollution and water exploitation indexes (WEI). The difference is that Ukraine's WEI is comparable with the EU-27 average, while Azerbaijan's is double.

At the same time, the level of individual consumption of all EaP countries is not at EU-27 levels yet. Lower municipal waste production per capita confirms this. Where recycling is concerned, Belarus is recycling 12% and Ukraine 5-8%, while

the others are not even at 1%, compared to over 22% in the EU-27.

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

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

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

EDUCATION AND PEOPLE-TO-PEOPLE

This part of the Index looks at the mobility of people, including students; educational policies, focusing on the Bologna process; policies on culture, youth, the information society, media, and audiovisual use; and participation of EaP countries in Community Programmes and Agencies.

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

With the Bologna process, Georgia is the best performer, while Armenia lags behind other countries.

Where culture, youth, information society, media, and audiovisual policies are concerned, all EaP countries have more-or-less equal scores, with Armenia and Azerbaijan somewhat more advanced than the others and Belarus lagging behind.

More specifically, Armenia and Ukraine are the most progressive in cultural policy, although Ukraine started reforms and monitoring through the Cultural Policy Review later than other EaP countries. Where provisions are concerned, they are

defined by the UNESCO Convention on the Protection and Promotion of the Diversity of Cultural Expressions (2005) and the activities of the Council of Europe in this field, governed by the European Cultural Convention (1955) and participation in European cultural policy dialogue at the level of the Council of Europe. Azerbaijan and Moldova have still not ratified and Georgia has not signed the European Charter for Regional or Minority Languages (1992), which makes the legal provision for cultural rights of minority groups unsatisfactory. In Belarus, there is currently no discussion of cultural reforms.

Where youth policy is concerned, we looked at the national concept or legislation on youth policy, the national youth report, and at legal provisions for volunteering and for youth work. There are two different approaches in the region regarding national documents on youth: some countries use and/amend old laws from early 1990s, while others develop new legislation.

Armenia and Azerbaijan are progressive in developing new strategies and laws, such as a law on volunteering. There are also strong debates on the provision of youth work and informal education in Armenia. Until 2009, there were only fragmentary provisions for youth policy in Georgia, but the development of a National Youth Policy started in 2009 and a new bill is now being prepared for the legislature. Georgia adopted its cultural

legislation rather recently, but it is open to develop a new quality of youth policy. Moldova has no comprehensive youth report—only numerous fragmented studies on youth. There is progress in preparing a new law on youth. Moldova also adopted Law on volunteering and at the moment is the only country that provides conditions for youth work according to an informal educational strategy. Ukraine and Belarus have been sticking to their old legislation, although Ukraine has passed any number of amendments and also adopted a Law on volunteering.

In general, Moldova and Armenia are the most successful countries in the field of youth policy, while Georgia has become more active since 2009. The situation in Azerbaijan is controversial because of human rights violations and restrictions on non-governmental and public activities. However, there are legal provisions for future cooperation with the European Union. Ukraine has shown no progress in developing new quality youth policy.

Participation in EU Programmes and Agencies is open to all EaP countries that have Partnership and Cooperation Agreement with the EU. This means all EaP countries, apart from Belarus. Several EU Programmes are open for Belarus to participate as well. The participation in selected Programmes and Agencies is defined by the European Commission according

to the needs of each country and provided for by bilateral Protocols. The related Protocol to the Partnership and Co-operation Agreement was signed with Ukraine in 2010.

Ukraine is leading among EaP countries in terms of participating in EU Programmes and Agencies in science and education, but Georgia and Armenia are more advanced where youth, informal education and culture are concerned. It means that the involvement of formal institutions, such as educational or research establishments is higher in Ukraine, but the involvement of NGOs and cultural institutions is relative low, compared to Georgia and Armenia.

Ukraine is the biggest country in the region and leads in participation in the 7th Framework, Erasmus Mundus, Tempus and Jean Monet Programmes in absolute figures. In relative figures—number of projects, activities, participants per million of population—, however, Armenia, Georgia and Moldova are ahead.

ASSISTANCE

To assess the level of EU assistance to EaP countries, we looked at European Commission's development aid and ENPI national and regional assistance, participation in global thematic instruments and

cooperation with European financial institutions. We have attempted to focus on relative, rather than absolute figures.

This approach seems to benefit smaller countries: Moldova, Georgia and Armenia have been leading, although Moldova is far ahead of the others.

An interesting finding is that ENPI assistance constitutes less than 1% of GDP for all EaP countries, while budget support is less than 1% of the national budget for all countries, except for Georgia, where it is 1-2% of the state budget. This does not imply that EaP countries are not interested in EU assistance, especially if there are no conditions attached. But the importance of assistance as a purely financial contribution should not be overstated.

Azerbaijan is not receiving all the assistance it could for political reasons: boycotting Armenia's perceived aggression with respect to Nagorno-Karabakh. As a result, it has not joined the CBC, to avoid projects with Armenia, and has refused to have projects funded by the Neighbourhood Investment Fund.

Georgia and Moldova are performing well, not only due to relatively high figures, but also due to the fact that these countries have taken advantage of most of the EU's global thematic instruments.

In short, it seems that Moldova has been the most willing recipient of EU assistance, and Azerbaijan the most

reluctant when it comes to ENPI assistance only. Belarus is doing as poorly as Azerbaijan, mostly due to the limited assistance offered by the EU.

MANAGEMENT OF EUROPEAN INTEGRATION

Among EaP countries, the system of management and institutional support for European integration seems to reflect the level of political will and the priority placed on the EU in each country. Although there are deficiencies, mostly resulting from lack of capacity in the civil service at the level of individual ministries and none of the EaP countries has established an EU coordination mechanism that is be comparable to the UKIE¹⁰ in Poland, differences among EaP countries are obvious.

Here, Georgia and Moldova appear to be the frontrunners, with Ukraine lagging somewhere behind since the 2010 presidential election: before that, Ukraine was the frontrunner, with a relatively strong coordination mechanism. Armenia, Azerbaijan and Belarus make it clear that the EU is much less of a priority.

Both in Georgia and Moldova, the official in charge of European integration is a deputy premier, which entails the power to coordinate the system. This is also the

¹⁰ UKIE - The Office of the Committee for European Integration in Poland, which was established in 1996 and coordinated the activities of all ministries and institutions directly involved in the process of Poland's integration with the European Union. It is considered to be the model coordination mechanism.

case in Ukraine, although this official has a very broad portfolio in which European integration is just one component. In Moldova, the Minister of Foreign Affairs and European Integration, who is also the deputy premier, is in charge. In Georgia, the relevant functions are performed by the State Minister for European and Euro-Atlantic Integration. This office is the main coordinating authority for EU affairs and serves as the secretariat of the European Integration Committee, the latter being a council of ministers that meets regularly. In Armenia, the Special Commission for EU Affairs is headed by the Chair of the National Security Council, who reports directly to the President and is completely in charge, but its powers are more advisory in nature. In Azerbaijan, a deputy premier with a broad portfolio coordinates European integration, with the Ministry of Foreign Affairs and the Ministry of Economic Development working closely in tandem.

No EaP country is scrutinizing all domestic laws for compatibility with the *acquis*, except for Georgia. In Georgia, any bill or regulation submitted to the legislature has to be accompanied by the explanatory note that scrutinizes compliance with the EU *acquis*. In Moldova, the Ministry of Justice, through the Centre for Legal Approximation, is the focal point for legal approximation and any bills have

to be coordinated with this office.

In Ukraine, the system is even less developed, especially as the State Department for Legal Approximation under the Ministry of Justice was abolished in 2011. No system for legal approximation that might serve as a reference point in decision-making exists in Armenia and Azerbaijan.

The level of civil society involvement in EaP countries seems to speak for the degree of political will as well. Mechanisms for consulting with civil society exist in all EaP countries, but only in Georgia and Moldova are civil society opinions taken into account. In Moldova, civil society representatives can also take part in the government meetings on EU affairs. In Ukraine—again, since the 2010 elections; prior to that the situation was comparable to Moldova's—, Armenia, Azerbaijan and Belarus, civil society has little impact via consultation mechanisms.

The strong role of the Ministry of Foreign Affairs seems to be a common feature for all EaP countries. It is particularly true for countries that have entered negotiations with the EU over an Association Agreement, that is, Ukraine and Moldova.

Moreover, European integration has not become an overarching reference point in the domestic reform process or decision-making in any EaP country. In other words, decision-making continues

to be guided by domestic logic much more than by European integration, which is evident from the fact that domestic reform and development plans are being put together without any bearing to bilateral action plans with the EU and other EU-related documents.

The effectiveness of EU assistance directly depends on the quality of the coordination system in a partner country. The political position of the National Coordinator for the EU assistance is an important criterion, possibly even a critical one, in terms of having the functions of strategizing national reforms and coordinating the instruments for their implementation in one place.

The political importance of the position of the National Coordinator for the EU assistance demonstrates two things: the political importance, supervision and inclusion of EU funding into the national process of reforms. In this respect, Moldova is the only EaP country, where the Premier is the National Coordinator for the EU assistance. Indeed, only Moldova has managed to introduce Paris Declaration monitoring criteria.

The assessment of EaP countries according to the criterion of a donor coordination mechanism again puts Moldova and Georgia in the lead, as international donors are coordinated around their national reform plans in these countries.

Ukraine is the only EaP country where the coordination of EU assistance is divided between two state institutions: Ministry of Economy and Main Department of Civil Service, thus making coordination, not policy-driven but instrument-driven. Surely, such a split deprives Ukraine's system of EU assistance coordination of both integrity and the unanimity inherent in having a single centre for political coordination.

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INTERNATIONAL RENAISSANCE FOUNDATION (IRF) is the largest Ukrainian charity organization 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, democratization of education and public health, advancing social capital and academic publications and ensuring protection of national minority rights and their integration into Ukrainian society.

IRF's European Program was established in 2004. The goal of the Program is to promote Ukraine's European integration by providing financial and expert support to the relevant civil society initiatives.



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on issues such as corruption and freedom of information. The Foundations place a high priority on protecting and improving the lives of people in marginalized communities. Investor and philanthropist George Soros established the Open Society Foundations, starting in 1984, to help countries make the transition from communism. Our activities have grown to encompass the United States and more than 70 countries in Europe, Asia, Africa, and Latin America.



