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# Bringing South Caucasus Closer to Europe:

## Achievements and Challenges in ENP Implementation

Laure Delcour and Hubert Duhot



DEPARTMENT OF  
EUROPEAN INTERDISCIPLINARY STUDIES

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LAURE DELCOUR AND HUBER DUHOT

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Achievements and Challenges  
in ENP Implementation

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## Abstract

While the initial Commission Communication on Wider Europe (March 2003) did not include Armenia, Georgia and Azerbaijan in the forthcoming policy for the EU's new neighbourhood, the Southern Caucasus region has now gained considerable attention in the framework of the ENP and beyond, not least because of security considerations. The ENP undoubtedly represents a step forward in the EU's policy towards Armenia, Azerbaijan and Georgia, yet its implementation highlights major differences between the three countries and important weaknesses in all three of them. The Eastern Partnership addresses some of these weaknesses and it also significantly strengthens the EU's offer to South Caucasus countries, which is now fully in line with the perspectives proposed to the Western NIS. The paper highlights five main conclusions and recommendations:

- Political, economic, social and diplomatic developments in the South Caucasus in the 2000's highlight both diverging trends and the persistence of tensions between the three countries. They also have different aspirations vis-à-vis the EU and different records in ENP implementation. The EU should therefore mainly rely upon an **individual approach** towards each country.
- While bilateral relations should form the basis of the EU's approach, most of the challenges faced by Georgia, Armenia and Azerbaijan are not confined to national borders and require regional solutions. This applies primarily, but not exclusively, to the unresolved conflicts. The EU should promote **targeted regional cooperation including, *inter alia***, confidence-building measures to address indirectly the protracted conflicts and measures supporting drivers of change, which play a critical role in the confidence-building process;
- Under the ENP, especially since the opening of negotiations for association agreements and with the perspective of DCFTA, trade-related issues, market and regulatory reform have

become prominent in the EU's relations with all three Caucasus countries. At the same time, the priorities identified when the ENP was launched, i.e. good governance and the rule of law, still correspond to major challenges in the South Caucasus. The EU should more clearly **prioritise good governance and the rule of law as the basis of both the ENP and successful reforms;**

- In all partner countries (but even more so in the South Caucasus), ENP implementation has been adversely affected by poor administrative capacities and weak institutional coordination. The EU should increasingly focus on **institutional reform/capacity building** in its support to partner countries and ensure that **the link between the ENP and domestic reform processes is strengthened;**
- In the South Caucasus the EU has recently concentrated on a few assistance tools such as budget support, Twinning and TAIEX. While these instruments undoubtedly bring an added value, they should be **better combined with tools allowing for greater flexibility** and targeting non-governmental actors, e.g. EIDHR/NSA.



## Résumé

Alors que la Communication initiale de la Commission européenne, *Une Europe élargie* (mars 2003), n'incluait pas l'Arménie, la Géorgie et l'Azerbaïdjan dans la future politique de voisinage de l'Union européenne, le Caucase du sud est désormais une zone stratégique dans le cadre de la PEV et au-delà, notamment pour des raisons sécuritaires. La PEV représente sans aucun doute une avancée dans la politique de l'UE à l'égard de l'Arménie, de la Géorgie et de l'Azerbaïdjan; pourtant, sa mise en œuvre reflète des différences majeures entre les trois pays et d'importantes faiblesses dans chacun d'entre eux. Le Partenariat Oriental tente de pallier certaines d'entre elles et il renforce aussi sensiblement l'offre européenne aux pays du Caucase du sud, désormais au même niveau que celle proposée à l'Ukraine et à la Moldavie. Cet article avance cinq conclusions et recommandations:

- L'évolution politique, économique, sociale et diplomatique du Caucase du sud au cours des années 2000 met en lumière des tendances à la différenciation et la persistance de tensions entre les trois pays. Ceux-ci ont également des aspirations diverses à l'égard de l'UE et présentent un bilan contrasté dans la mise en œuvre de la PEV. L'Union européenne devrait donc se fonder essentiellement sur une approche individuelle à l'égard de chaque pays;
- Bien que les relations bilatérales doivent former le cœur de l'approche européenne, la plupart des défis auxquels sont confrontés l'Arménie, la Géorgie et l'Azerbaïdjan exigent des solutions régionales. Ceci vaut en particulier (mais pas seulement) pour les conflits non résolus. L'Union européenne devrait donc promouvoir une coopération régionale ciblée, notamment par des mesures visant à renforcer la confiance pour aborder indirectement les conflits, et par des mesures appuyant les agents de changement dans les trois pays;
- Dans le cadre de la PEV, notamment depuis l'ouverture des négociations pour des accords d'association et avec la

perspective d'une zone de libre-échange approfondi, les questions commerciales et la réforme réglementaire ont acquis une place centrale dans les relations de l'UE avec les pays du Caucase. En même temps, les priorités identifiées lors de la création de la PEV, c'est-à-dire la bonne gouvernance et l'Etat de droit, sont toujours pertinentes et correspondent à des défis majeurs dans le Caucase du sud. L'UE devrait plus clairement les placer en tête de ses priorités, en indiquant qu'il s'agit là de bases nécessaires au succès des réformes comme de la PEV;

- Dans tous les pays partenaires, et plus encore dans le Caucase, la mise en œuvre de la PEV a été affectée par le manque de capacités administratives et les déficiences de la coordination institutionnelle. L'Union européenne devrait se concentrer encore davantage, dans ses programmes d'assistance, sur la réforme administrative et le renforcement des capacités institutionnelles. Elle devrait également veiller à ce que le lien entre la PEV et le processus de réformes internes soit renforcé;
- Dans le Caucase du sud, l'Union européenne se tourne de plus en plus vers des instruments d'assistance tels que l'appui budgétaire, Twinning et TAIEX. Bien que ces instruments soient incontestablement pertinents, leur utilisation devrait être davantage conjuguée avec celle d'outils permettant une plus grande flexibilité et visant les acteurs non gouvernementaux, par exemple l'EIDHR ou NSA.

## **1. ENP Implementation in the South Caucasus: Regional Context, Challenges and Approach**

While the initial Commission Communication on Wider Europe (March 2003) did not include Armenia, Georgia and Azerbaijan in the forthcoming policy for the EU's new neighbourhood, the Southern Caucasus region has now also gained considerable attention in the framework of the ENP and beyond. This section will analyse the way in which the EU has become involved in the South Caucasus and the way in which it deals with regional challenges, more specifically under the ENP.

### **1.1 The Rise of South Caucasus on the EU's Agenda**

#### **1.1.1 The 1990's: the EU's Progressive Involvement in the Region**

Like other post-Soviet republics, Armenia, Azerbaijan and Georgia experienced a difficult political and economic transition following the dismantlement of the Soviet Union. In addition, they were confronted to the consequences of the conflicts that burst out at the beginning of the 1990's, e.g. political and economic instability as well as a high number of Internally Displaced Persons.

#### ***Assistance as the Core EU Instrument in the 1990's***

In this context, the EU became progressively engaged through the first and second TACIS (Technical Assistance to the Community of Independent States) programmes. In the South Caucasus, TACIS priorities varied significantly from one country to another: whereas emphasis has been put on the justice sector reforms in Georgia, the funds allocated to Armenia were mainly targeted at the education sector and the securitization of the Medzamor nuclear power plant (built on a seismic zone). Assistance to Azerbaijan was concentrated mostly on border management. The first attempts to develop a regional approach also took place during this

period in the sector of transports (with the Traceca East-West Corridor programme in 1993) and in the energy field (Inogate programme in 1995).

The EU has also provided assistance to South Caucasus countries using specific EC aid mechanisms outside the TACIS framework, such as the Food Security Programme (for the benefit of Armenia or Georgia) or humanitarian aid managed by the European Commission Humanitarian Office (ECHO), especially in the case of Georgia. This assistance stems from the challenges specifically faced by South Caucasus countries, whereas TACIS is meant to support the overall economic and political transition process in all CIS countries. On the whole, estimates suggest that the EU allocated over a billion euro to Azerbaijan, Georgia and Armenia from 1991 to 2000 (Coppieters 2003: 161).

Thus, assistance has been the major instrument of EU activity in the South Caucasus in the decade following the collapse of the USSR. The new contractual framework (Partnership and Cooperation Agreements signed in 1996) indeed came into force at the end of the decade, in 1999. Overall, the EU's policy toolbox (in particular, the level of relations foreseen under the PCA) indicates that in comparison to the Western NIS, Georgia, Armenia and Azerbaijan ranked low on the EU agenda in the former USSR.

### ***A Weak EU Involvement in Security Issues***

By contrast to its humanitarian and assistance engagement in the South Caucasus, the EU was not directly involved in security and conflict resolution issues, which were central in the 1990's. Such weak involvement can be explained by both external and internal factors. The latter pertain to the lack of a policy toolbox by that time; while the Common Foreign and Security Policy was created in the early 1990's, developments on a security and defence policy did not take place until the end of the decade. As far as external factors are concerned, a number of international actors

and organisations had been present in the region since the collapse of the USSR, which strongly constrained the EU's engagement. Whereas Russia has continuously played a major role in all three main regional conflicts (Abkhazia, South Ossetia and Nagorno-Karabakh), the negotiation mechanisms introduced for each of those also involved the United Nations (UN Group of Friends in the case of Abkhazia) or the Organisation for Security and Cooperation in Europe (OSCE, in the case of South Ossetia or Nagorno-Karabakh). Therefore, few options for a strong EU engagement existed. Moreover, since the early 1990s, the EU has been present in negotiation processes through its member states. France co-chairs (with the US and Russia) the Minsk Group created by the OSCE to negotiate a peaceful resolution to the Nagorno-Karabakh problem; the Group also includes other EU member states, namely Italy, Germany, the Netherlands, Portugal, Sweden and Finland. Germany, France and the UK (together with Russia and the US), which participate in the UN Group of Friends of the Secretary General for Abkhazia.

### **1.1.2 A Growing EU Engagement under the ENP**

In March 2003, the communication on Wider Europe excluded Armenia, Georgia and Azerbaijan from the new proximity policy to be developed by the EU. Such exclusion was justified by geographical reasons (the region had no direct land or sea borders with the EU in 2003).

South Caucasus started nonetheless to attract a growing interest within the EU, not least for security considerations. In December 2000, the European Parliament called for the creation of a "Southern Dimension" around the Black Sea (modelled on the "Northern Dimension" designed around the Baltic Sea). In July 2003, a EU Special Representative, Heikki Talvitie, was appointed with a regional mandate, in an attempt to foster EU political involvement in the region. The Rose revolution, which paved the way for both an ambitious package of reforms and a new foreign policy orientation, was a watershed in this process. Six months later, the Commission, backed by the European Parliament, recommended the inclusion of the

3 South-Caucasus countries into the ENP, a recommendation which was adopted by the Council in June 2004. Interestingly, such inclusion targeted all three countries and not Georgia alone, thus reflecting the EU's approach of South Caucasus as a region.

Under the ENP umbrella, the EU has been increasingly present in the South Caucasus, inter alia through the signature of the three bilateral action plans in November 2006 and through the opening of a Regional Delegation in Tbilisi (2005), then of two Delegations concomitantly in Baku and Yerevan (2008). The EU's enhanced presence is also reflected in the amount of financial assistance, which has considerably increased under the ENPI as compared to TACIS (e.g. under National Indicative Programme for 2007-2010 € 98 million allocated to Armenia, € 92 million to Azerbaijan and € 120,4 to Georgia).

### **1.1.3 Other “Players” in the Region**

The context in which the ENP is implemented is also shared, to a considerable extent, by other international players present in the South Caucasus. The region indeed concentrates strategic opportunities (as an energy corridor) as well as security challenges (in terms of fight against international crime and terrorism).

In this respect, the United States has been extremely active, notably under the Bush administration. It has indeed a strong leverage in the region, thanks to military cooperation – notably through NATO and the Partnership for Peace signed in 2002 - and economic and financial assistance. The US also exercises a strong political and diplomatic influence, especially in Georgia whose authorities have sent troops to Iraq and to Afghanistan. A shift has, however, been noted under the Obama administration, with a renewed focus on promoting dialogue with the Southern Caucasus' two big neighbours: Russia and Turkey.

A regional player itself, Russia is also obviously one of the key international powers with a direct geographic and political stake in a region that was

part of the Soviet Union. Russia has military bases in Armenia and in the separatist Georgian entities. The region is also central to Russian energetic edge. In terms of security, Russia considers the Southern-Caucasus as a backyard for “terrorist” groups present in the North-Caucasus, notably in Chechnya or in Dagestan. This very significant stake has been blatantly illustrated by the August 2008 conflict in Georgia and the subsequent recognition of Abkhazia and South-Ossetia independence.

Iran and Turkey also play an increasing economic and cultural role in the region. Turkey, as an EU candidate country, might also constitute a strong ally as well as powerful relay for EU policy in the region.

## 1.2 Regional Approach vs. Differentiation

In this section, we will examine the EU's approach towards Armenia, Azerbaijan and Georgia in the framework of the ENP, which can be apprehended as a mix between regional approach and differentiation. The EU's twofold objective to promote regional cooperation and to differentiate between partner countries according to their reform progress lies at the basis of the ENP as a whole; however, these two dimensions (and tensions arising between them) are even more apparent when it comes to the South Caucasus.

The three Southern Caucasus countries are extremely different in terms of historical and cultural legacies, as reflected in their self-perceptions. Armenia has historically viewed itself as a Christian stronghold amid Ottoman and Persian influences. The diaspora – in particular in the US and in Europe - continues to play a significant role in defining the country's foreign policy, not least by exerting a strong financial influence through remittances. Georgia is a multi-ethnic country with strong regional identities. At the same time, while it has experienced very tense relations with Russia climaxing in the August 2008 conflict, it has undergone a rapid process of modernization following Western standards and models. It is also the only country with a direct maritime access to Europe. Azerbaijan appears as a particular case as a country maintaining relatively good relations with both Russia and the EU while relying on its energy resources (more specifically with the prospect of the exploitation of the Shahdeniz II). The Southern-Caucasus has been historically viewed as a “melting-pot” of various cultural habits, ethnicities and religions; and the presence of strong national neighbouring minorities in all three countries still validates this picture today. However, following the collapse of the Soviet Union, clashing territorial ambitions and nationalist claims have resulted in three conflicts: in Abkhazia, South-Ossetia and Nagorno-Karabakh. The conflict between Armenia and Azerbaijan de facto blocks any attempt to create fully integrated regional networks amidst the three countries, and seriously impedes transportation and trade flows. Due to



its long-lasting dispute with Turkey, Armenia appears even more isolated and such isolation has serious economic consequences, as goods exported to Armenia by land or sea have to transit through Georgia.

Under the ENP, the EU has so far prioritised a regional approach towards South Caucasus, for a number of reasons. First of all, any conflict settlement, by nature, implies a global approach encompassing the different belligerents. Second, natural opportunities and threats (energy, environment but also natural disasters) can only be managed at a regional level. Third, due to the limited size of South Caucasus countries and to their strategic location, any sustainable economic development should foster mutual exchanges and trade – and at the same time it may also promote a healthy “emulation” between the three countries. The EU’s regional approach is illustrated by several examples: for instance, the signature of all three action plans was delayed in 2005-2006 due to the opening of a commercial line between Baku and Northern Cyprus (and in spite of the protests of Georgia and Armenia). In a similar vein, fully-fledged delegations in Baku and Yerevan were opened quasi-simultaneously, in order to avoid a political asymmetry between the two sides of the Nagorno-Karabakh conflict.

Nevertheless, partner countries’ expectations towards the ENP appear to be quite different. Georgia clearly considers the ENP as a path towards European and even EU integration, with major milestones and achievements (opening of the Association Agreement negotiations, opening of the DCFTA negotiations, signature of an air transport agreement for integration into the European common aviation market etc.). Armenia has developed a rather pragmatic approach with a clear focus on economic cooperation. Azerbaijan, also because of the strong stance it enjoys owing to its natural resources, has much more limited expectations towards the ENP. Whereas expectations vis-à-vis the ENP differ, perceptions towards regional cooperation appear contradictory. While Armenia may consider regional programmes under the ENP as a means to overcome its isolation, it remains opposed to Azerbaijan over the Nagorno-Karabakh conflict and to Turkey over a historic controversy. Azerbaijan has so far refused to take

part in any regional programme with Armenia. Even though it also sends clear signal to Turkish and Middle-Eastern investors, Georgia has chosen a clear focus on Europe and the Black Sea region and therefore considers itself as intrinsically different from the two other countries.

As a consequence, the three action plans signed with the EU, while explicitly ambitioning to foster regional cooperation, set hardly compatible objectives. Whereas the EU-Armenia Action Plan recalls the principle of self-determination, the EU-Azerbaijan Action Plan insists on territorial integrity. Even though these divergences can be easily explained by bilateral negotiation processes, they undermine the promotion of regional cooperation through the ENP. Conflict settlement and regional or cross-border cooperation are the best illustrations of such challenges.

### 1.3 The ENP in View of the “Frozen Conflicts”

The term “frozen conflicts” in itself may appear misleading, when one considers the August 2008 war in Georgia or the persisting tensions – both in rhetorical terms and on the ground - between Armenia and Azerbaijan over the Nagorno-Karabakh. It reflects, however, the regional situation where parts of the territory are still hardly, if at all, accessible, and where inter-state relations have been constantly affected over the past 20 years (De Wall 2004).

In a region marked by numerous influences (Persian, Ottoman, Russian) over the past centuries and by rapid political changes at the beginning of the 1900's, the so-called frozen conflicts appear deeply rooted while, at the same time, a long tradition of cultural proximity and multiculturalism still exists. Centuries of shared history have also resulted in the presence of national minorities in all three countries (notably Armenian and Azerbaijanis minorities in Georgia, respectively in Djavakhetie and in Kvemo-Kartli). Last but not least, the issue of Internally Displaced Persons (“IDPs”) resulting from the conflict in the 1990's and in 2008 have made any settlement more difficult. In Georgia, the government reported 236,000 IDPs from the conflicts in the 1990s' and 22,000 displaced in the wake of the 2008 war. In Azerbaijan, no less than 593,000 IDPs are reported.

As stated in the European Security Strategy in 2003 and then in ENP core policy documents, conflict prevention and conflict settlement constitute primary objectives of the EU policy in its neighbourhood. From the late 1990's, the EU has been the biggest donor in Abkhazia and South-Ossetia (if one excludes Russia's direct or indirect financial assistance). The appointment of the European Union Special Representative and the use of the Instrument for Stability (IFS) have also illustrated EU's involvement towards conflict resolution (Di Puppò 2007). As indicated above, the EU is also present (as such or through its Member States) in the peace talks and fora designed to foster a settlement of the three conflicts, either within the Minsk group format or within the current Geneva talks.

The EU's involvement has considerably increased with the August 2008 war in Georgia and the following recognition of the separatist entities by Russia. The French Presidency of the EU played a very active role, brokering the Sarkozy-Medvedev agreement. In the conflict's immediate aftermath, the Brussels donors conference under the aegis of the EU, which agreed on additional financial support for Georgia, and the rapid deployment of the European Union Monitoring Mission (EUMM), have clearly illustrated the active stance taken by the EU. One can however point out that most EU actions dedicated to conflict settlement at a political level in the region have taken place outside of the ENP direct scope, as is the case for the EUSR office and for EUMM.

The role of the ENP has been limited in this respect for three reasons. First, in operational terms, circulation in the separatist entities (in Georgia but also in the Karabkh region) has proven very difficult and partnership-building activities between the two sides of the conflicts appear therefore extremely difficult to carry out. Second, due to the nature of the conflicts at stake, the ENP does not seem fully equipped to deal with what one may call confidence and security building measures programmes, which also require a very high level of diplomatic, political and military attention. The third reason is related to the design of the ENP as such, which is legally based on bilateral agreements and focuses on internal reforms undertaken by each specific country.

In this respect, one could argue that the added value of the European Neighbourhood Policy in terms of conflict management stems mostly from its capacity to promote internal reforms and to foster political dialogue. In the case of Georgia, the intensive dialogue launched with the donor community over the so-called "law on occupied territories" has shown to some extent how bilateral assistance and regular policy dialogue allow for donors' direct involvement, which may not have been possible otherwise.

In addition, even though being an umbrella of bilateral agreements, the ENP also encompasses a clear regional dimension. The launch of the Black

Sea Synergy in April 2007 and, more significantly perhaps, the launch of the Eastern Partnership in 2009, have sent clear signals in this respect. The two initiatives also build on the principle that regional cooperation and joint projects in various fields, such as environment or economy (Wittich and Maas 2009), may constitute confidence building measures as such (European Parliament 2011), while they offer a platform for a more institutionalized and sustainable dialogue at a regional level.

## **1.4 Regional Programmes and Cross-Border Cooperation: Overview and Prospects**

Despite the difficulties stemming from the tense relations between South Caucasus countries, the ENP has succeeded in achieving some positive results, more specifically through a sector-based approach. Other schemes could prove successful in overcoming the existing barriers, both at a local level and from a wider regional perspective, possibly through reinforced joint-initiatives with Turkey.

The so-called ENP East region encompasses the three South-Caucasus states, plus Moldova, Ukraine and Belarus. Due to their geographical location and political aspiration towards greater political engagement, these states occupy a very specific place in the overall framework of EU external policies. Regional programmes and projects in the East tackle the following six areas of cooperation: transport, energy-sustainable management of natural resources, borders-migration-customs-fight against international crime, people-to-people activities, landmines-explosive remnants of war and light weapons. These objectives reflect the wide scope of EU cooperation in the Eastern region.

From the overall ENP funding of roughly € 12 billions for the period 2007-2013, the ENP East region has received approximately one third of the bilateral allocation. Overall, 10% of the ENPI envelope is dedicated to regional programmes. In addition, an envelope of more than € 1 billion is dedicated to cross-border-cooperation (CBC) and covers specifically the Black Sea Basin programme. The CBC programme targets directly so-called grass-root organizations in the fields of environment, local economic development, tourism promotion, people-to-people contacts and the list is not exhaustive. The Neighbourhood Investment Facility has also proved to be an efficient instrument in promoting regional initiatives, for instance through the € 300 millions allocation dedicated in 2009 to the Black Sea Energy Transmission System project, which aims at interconnecting the electricity grids in Georgia, Azerbaijan and Turkey.

These regional programmes roughly pursue two main strategic objectives: 1) to foster the creation or the reinforcement of regional networks and 2) to tackle issues of a transnational nature. One could add that regional programmes may also be viewed as confidence-building measures between the three South Caucasus countries. As far as the first objective is concerned, the Black Sea Synergy aims at promoting region-wide sector partnerships in the field of environment, transport or energy. It complements the establishment of networks already foreseen under Traceca (for instance, through the “Interoperability of Motorways of the Sea 2009-2011” project) or under Inogate (with the Trans-Caspian-Black Sea Gas Corridor). The Trans-boundary management of the Kura river project, which covers the three South Caucasus countries, also constitutes a clear example of how regional environmental protection may contribute to regional cooperation.

In spite of the initiatives, it proves however difficult to promote inter-state cooperation between the three countries, due more specifically to the tensions between Armenia and Azerbaijan. For instance, support to integrated border management system (SCIBM) provided by the EU allows for the organization of joint trainings but joint activities on the ground are implemented bilaterally (cooperation between Armenia and Georgia, and between Georgia and Azerbaijan).

Among the lessons learnt from ENP implementation in the South-Caucasus, the potential of regional programmes and cross-border-cooperation projects as confidence-building measures to foster region-wide cooperation can however be pointed out. In this respect, a stronger focus could be put upon drivers of change, such as local authorities, business entrepreneurs and civil society. Fostering the projects involving minorities, for instance Armenian and Azerbaijani minorities in Georgia, could bear fruits in this respect. With the emergence of the European External Action Service, potentialities also exist to better align cooperation under the ENPI with the dialogue conducted in the framework of the political fora, such as the Minsk group or the Geneva talks.

As it has been underlined by the Foreign Affairs Committee of the European Parliament, the role of Turkey as a potential mediator for EU cooperation in the region may also be reinforced, through the creation of a EU stability pact for the southern Caucasus, which would also involve Russia, the US and the UN in order to foster regional cooperation and conflict settlement<sup>1</sup>. Overall, the idea to involve Turkey in some regional programmes conducted by the EU find echoes both at a political level and at a technical level, through the greater participation of Turkey in cross-border-cooperation programmes in the South-Caucasus.

Overall, the ENP has set a basis for regional cooperation in the South Caucasus, notably at sector level. This dimension has also been reinforced thanks to the Black Synergy and the Eastern Partnership initiatives. This dimension ought to be preserved and reinforced under the next financial perspectives. Potentialities for greater cooperation both at macro (through a reinforced involvement of Turkey) and at a micro-level (via the participation of local authorities for instance) should not be underestimated. By putting regional cooperation clearly at the center of its focus, the ENP may also become a very powerful tool = together with a greater political involvement - to foster a settlement of the protracted conflicts in the medium run.

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<sup>1</sup> European Parliament, Committee of Foreign Affairs, Press release 20100406IPR72190, 8 April 2010.



## 2. ENP Implementation: Sector Assessment and Case Studies

This chapter will examine in detail the ENP activities supporting good governance, human rights, democracy and the rule of law in all three Caucasus countries. The selection of these issue areas stems from the following reasons: First, whereas Armenia, Azerbaijan and Georgia face different situations on a number of ENP priority areas, these are major challenges for all three Caucasus countries, although to a different extent. Second, good governance, democracy and the rule of law have been EU top priorities in the South Caucasus ever since the three countries were included in the ENP; both the time period considered and the level of EU involvement are therefore sufficient to draw lessons from policy implementation. Third, these are also the issue areas where the EU has mobilized a wider array of instruments. Therefore, they are found particularly relevant to assess the ENP's record in South Caucasus countries.

### 2.1 Brief Overview of the Pre-ENP Situation in Armenia, Azerbaijan and Georgia

When Armenia, Azerbaijan and Georgia were included in the ENP in 2004, they indeed faced major governance challenges, including the following:

- lack of democratic traditions and Soviet-style political system and leadership,
- absence of a viable civil society (again with the exception, to some extent, of Georgia),
- major human rights abuses (e.g. torture),
- endemic corruption.

In the early 2000's, the Soviet legacy was still deeply rooted in South Caucasus countries' *political system*, characterized by a strong executive

branch, weak Parliaments and opposition parties, clan politics, widespread frauds during elections. Whereas Armenia, Georgia and Azerbaijan had respectively gained access to the Council of Europe in 1996, 1999 and 2001, the presidential or parliamentary elections that took place in all three countries in 2003 were clear, though diverging in their results, illustrations of the Soviet political inheritance being a barrier to democratisation.

The February-March election in Armenia resulted in the reelection of President Kocharian, who had concentrated power in his hands following the attack on the Armenian National Assembly in 1999. Both the presidential election and the May parliamentary vote were criticized by international observers for not meeting democratic standards. In Georgia, a similar scenario was observed during the parliamentary elections of November 2, 2003, yet with different results: widespread reports of fraud triggered mass public protests which led to the resignation of President Shevardnadze, a former Soviet Foreign Affairs minister (the “Rose revolution”). Whereas Georgia made at the end of 2003-early 2004 a decisive shift towards democratisation, Azerbaijan simultaneously followed an opposite path. Since 1993, following a military coup, the country had been ruled by the former first secretary of the Communist Party, Heidar Aliiev, who withdrew his candidacy in favour of his son Ilham just a few days before October 2003 presidential elections.

Although to a different extent, Armenia, Azerbaijan and Georgia were not in line with the international *human and civil rights standards* at the eve of their inclusion in the ENP. The judiciary was subject to political pressures; arbitrary arrests and detention, use of torture and unfair trials were frequently reported in all three countries, especially in Azerbaijan where Freedom House described the judiciary as “subservient to the executive branch, corrupt and inefficient”<sup>2</sup>. Media freedom was limited, with common self-censorship among journalists, intimidation, and economic and political pressure over opposition media. Other rights provided for by Constitutions,

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2 Freedom House, *Freedom in the World Survey 2004*, retrieved at: <http://www.freedomhouse.org/template.cfm?page=22&year=2004&country=2884>.

such as freedom of association, were de facto not respected.

As a result, while Armenia and Georgia were rated as partly free countries by Freedom House in 2004, with political rights and civil liberties score of 4 each (out of 7) in both countries, owing to the flawed presidential elections of October 2003 Azerbaijan was downgraded to “not free” with a political rights score of 6 and a civil liberties score of 5.<sup>3</sup>

In addition, **corruption** was rampant in all three countries: Armenia, Georgia and Azerbaijan were respectively ranked 82<sup>th</sup>, 133<sup>th</sup> and 140<sup>th</sup> out of the 145 countries surveyed in Transparency International 2004 Corruption Perception Index.<sup>4</sup>

To sum up, while all three countries shared a profound lack of legacies upon which democracy and the rule of law could be built, they also increasingly engaged into different economic and political paths at the time when the ENP was launched. This was especially the case for Georgia after the Rose Revolution.

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3 Freedom House, *Freedom in the World Survey 2004*, retrieved at: [http://www.freedomhouse.org/template.cfm?page=351&ana\\_page=172&year=2004](http://www.freedomhouse.org/template.cfm?page=351&ana_page=172&year=2004).

4 Transparency International, *Corruption Perception Index 2004*, retrieved at: [http://www.transparency.org/policy\\_research/surveys\\_indices/cpi/2004](http://www.transparency.org/policy_research/surveys_indices/cpi/2004).

## **2.2 ENP Activities to Support Democratisation, Good Governance and the Rule of Law**

The inclusion of South Caucasus countries in the European Neighbourhood Policy marked a significant step forward in their relations with the EU. At the same time, pursuing the ENP was expected to call for major economic and political reforms in partner countries, which the EU would support through financial and technical assistance, opening of markets and providing access to Community programmes where possible.

Support to good governance, the rule of law and democratisation has been constantly identified as a core priority in major policy documents in all three countries. In the Country Reports prepared by the European Commission in 2005, political, rule of law and human rights issues were highlighted as areas where reforms should markedly be strengthened and where cooperation with the EU should develop for all three Caucasus countries. They were subsequently identified as core priorities in the Action Plans signed with Armenia, Azerbaijan and Georgia in 2006. However, table 1 below highlights slight differences connected to the specific situation of each country. These illustrate the principle of differentiation enshrined in the ENP. For example, political developments in Georgia in 2004-2005 confirmed progress towards democratisation: the elections which were held in Georgia in the wake of the Rose revolution (extraordinary presidential elections in January 2004, repeat parliamentary elections in March 2004) were assessed by international observers as largely fair and free. Accordingly, the Action Plan signed with the EU put the emphasis on consolidating such progress and focused on those areas which remained problematic (e.g. the rule of law). While the Action Plan signed with Georgia reflected the country's progress towards democratisation, the document concluded with Azerbaijan included much more basic and general priorities, thus reflecting the country's slower progress and sultanic political system. However, overall the examination of key policy documents shows a high degree of consistency in the EU's prioritization of good governance, democratisation and the rule of law.

EU support to these priority areas was mainly provided through technical and financial assistance, from 2007 onwards under the European Neighbourhood

**TABLE 1. ENP ACTION PLANS AND GOOD GOVERNANCE, DEMOCRACY, HUMAN RIGHTS AND THE RULE OF LAW IN THE SOUTH CAUCASUS**

ARMENIA	AZERBAIJAN	GEORGIA
<p><b>PRIORITY 1</b> Strengthening of democratic structures, rule of law, including reform of the judiciary and combat of fraud and corruption.</p>	<p><b>PRIORITY 2</b> Strengthen democracy in the country, including through fair and transparent electoral process, in line with international requirements</p>	<p><b>PRIORITY 1</b> Strengthen rule of law through reform of the judicial system, including the penitentiary system, and through rebuilding state institutions. Strengthen democratic institutions and respect for human rights and fundamental freedoms in compliance with the international commitments of Georgia (PCA, CoE, OSCE, UN)</p>
<p><b>PRIORITY 2</b> Strengthening of respect for human rights and fundamental freedoms, in compliance with the international commitments of Armenia (PCA, CoE, OSCE, UN)</p>	<p><b>PRIORITY 3</b> Strengthen protection of human rights and fundamental freedoms, in compliance with the international commitments of Azerbaijan (PCA, CoE, OSCE, UN)</p>	

Partnership Instrument (ENPI). The analysis of ENPI activities in the field of democratization and good governance highlights both a sufficient level of financial commitments and the use of a wide array of assistance tools.

In all three countries, support to good governance, democratisation and the rule of law has been identified as a focal assistance area under National Indicative Programmes 2007-2010 and 2011-2013. For all three countries, financial commitments in this issue area have increased in 2011-2013 as compared to 2007-2010; however, while significant in both Armenia and Georgia, this increase is expected to be more limited in Azerbaijan. Support to good governance, democratisation and the rule of law represents between 25% and 35% of the funds committed per country under the current indicative programmes. It ranks second after support to poverty reduction efforts in Armenia and in Georgia, while it is expected to be the least important priority in terms of financial commitments under the current NIP for Azerbaijan.

**TABLE 2. ENPI ASSISTANCE ON GOOD GOVERNANCE, DEMOCRACY, HUMAN RIGHTS AND THE RULE OF LAW IN THE SOUTH CAUCASUS<sup>1</sup>**

	FINANCIAL COMMITMENTS UNDER THE ENPI, €M		PART OF TOTAL COMMITMENTS UNDER THE ENPI	
	2007-2010	2011-2013	2007-2010	2011-2013
<b>ARMENIA</b>	29.52	47-55	30%	30-35%
<b>AZERBAIJAN</b>	30	30.5-37	33%	25-30%
<b>GEORGIA</b>	31	45-63	26,00%	25-35%

1 Figures are those provided in the National Indicative Programmes.

ENPI funds have often been assessed as insufficient to effectively support ENP objectives. Notwithstanding these frequent negative judgments on ENPI overall funding, the level of financial commitments to support specifically good governance, the rule of law and democratisation in the South Caucasus is found to be consistent with the ENP general objectives and priorities as included in the Action Plans.

Moreover, the EU has mobilized a wide array of policy and assistance instruments to reach these objectives, with a view to targeting a broad range of beneficiaries faced with different challenges.

**BOX 1. POLICY AND ASSISTANCE MODALITIES IN SUPPORT OF GOOD GOVERNANCE, THE RULE OF LAW, DEMOCRATISATION AND HUMAN RIGHTS IN THE SOUTH CAUCASUS**

**BUDGET SUPPORT:**

- Examples: public finance management in Georgia, reform of the justice sector in Azerbaijan and in Armenia

**EUROPEAN SECURITY AND DEFENCE POLICY**

- Example: THEMIS rule of law mission in Georgia

**ASSISTANCE PROJECTS:**

- ENPI projects
- European Instrument for Democracy and Human Rights
- Non-State Actors
- Rapid Reaction Mechanism, replaced by the Instrument for Stability
- SIGMA
- TAIEX
- Twinning

## 2.3 Assessment

Our assessment of the ENP's record in the field of good governance, democratisation and the rule of law will focus on the following questions: To what extent have assistance design and modalities proved adequate to support partner countries in these issue areas? Has the policy been effectively implemented? To what extent has the ENP contributed to improving democracy and the rule of law, good governance and the respect for human rights in the three South Caucasus countries?

Unlike the Western NIS and Ukraine in particular, sources and publications on ENP implementation in South Caucasus countries are sparse. More specifically, there is very little information available on the implementation of assistance activities. The recent report by the Court of Auditors on the launch of ENPI and its first results in Georgia, Armenia and Azerbaijan focuses on the implementation of the first Action Programmes in a few areas that do not match our focus; it is however highly instructive. Under this section, we will therefore rely on this report and the major policy documents for each country, as well as on our experience in the field, and we will triangulate our findings with evidence available from international organizations and watchdogs on good governance and with findings published in the academic literature.

The present paper does not pretend to be a fully-fledged evaluation, which is not possible without dedicated visits and access to documents in the field. Based upon the overall policy process and specific examples, we will rather aspire to highlight a few lessons which can be drawn from the first four years of policy implementation. Those relate to the relevance of assistance design and modalities, the effectiveness of policy implementation and its effects on good governance, the rule of law and democratisation in the South Caucasus.

As noted above, support to good governance, the rule of law, democratisation and human rights has figured constantly and prominently on assistance programming documents. In other words, prioritisation is clear and

consistent in both the Country Strategy Papers and the successive National Indicative Programmes, and it proceeds logically from the prioritisation of these issues in the ENP Action Plans. Our analysis, then, differs from the Court of Auditors' recent criticisms on the lack of clarity and prioritisation of assistance in the South Caucasus. In particular, unlike the Court we do not consider the different timeframes of assistance programming as being problematic. For South Caucasus countries, the entry into force of Action Plans (end of 2006) roughly coincides with that of CSP (2007); moreover, the drafting of new NIPs (which cover a four-year period) in 2009 provided an opportunity to carry out a mid-term review of CSP and to adjust assistance priorities.

Nevertheless, while the upper levels of the programming cycle are found to be consistent, this does not seem to be the case at the lowest levels, i.e. at the Action Programme level and between the AP and the NIP. To our knowledge, based upon the scarce project information at our disposal<sup>5</sup>, some of the issue areas singled out as sub-priorities in the NIP, e.g. the fight against corruption (see box 2 below), have not been tackled directly under EU assistance. This indirectly confirms the Court of Auditors' conclusion according to which "areas selected for assistance did not derive clearly enough from the programming documents."<sup>6</sup> The opposite phenomenon (i.e. priorities identified in the programming documents not being tackled sufficiently under areas selected for assistance) can be explained through several factors, e.g. limited funding capacities and the need to focus on the top priorities.

One of the most important explanations certainly relates to the shifting **combination of EU assistance modalities**. Over the past few years, the EU has increasingly moved towards **sector budget support** as the main channel

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5 Action Programmes, which contain an annual list of projects, are not publicly available.

6 European Court of Auditors, *Special Report No 13/2010 – Is the new European Neighbourhood and Partnership Instrument successfully launched and achieving results in the Southern Caucasus (Armenia, Azerbaijan and Georgia)?*, January 2011, available at: <http://eca.europa.eu/portal/pls/portal/docs/1/6970784.PDF>.



for its assistance, in line with the European Consensus on Development. While this instrument is meant to foster ownership by partner countries of sector-wide reforms, it reduces, as pointed out by the Court of Auditors, the visibility of EU assistance and it also suffers from shortcomings in partner countries, e.g. unpreparedness or reluctance of authorities. The increasing use of budget support also makes EU assistance less targeted at a specific topic, since funds are used for a sector-wide reform and even though sets of outputs and outcomes are agreed upon. **Twinning** has been introduced in the Action Programme 2007 as the second major assistance mechanism in the South Caucasus. While it is undoubtedly a promising instrument in the countries where institutional and administrative capacities and policy enforcement are problematic, the Court of Auditors points to its difficult beginnings, more specifically when it comes to setting up the national authority in charge of managing the tool.

The shift towards budget support and Twinning raises additional questions on the adequate balance of assistance mechanisms. As clearly evidenced by the implementation of EC assistance in the period 2004-2008, such a wide range of assistance mechanisms has been an asset for the EC to support democratisation, good governance and the rule of law. More specifically, the **European Initiative for Democracy and Human Rights** allows to target NGOs which are otherwise often left out of the policy process. This instrument is even more important in the South Caucasus as the selection of priorities and projects is out of the governments' control. The **Rapid Reaction Mechanism** (replaced since 2007 by the Instrument for Stability), which has been used several times in Georgia in the context of the Rose revolution, has enabled the EC to react quickly to a fast-changing environment. **Project aid** either in the framework of TACIS or ENPI has also allowed to support major activities in the areas of good governance and rule of law. To sum up, while the introduction of new tools seems entirely justified, the right balance still needs to be found and the EU should not neglect "older" or smaller mechanisms which allow for targeted aid and greater flexibility.

**BOX 2. REFORM OF THE JUDICIARY**

- Reform of the judiciary was identified as a sub-priority in both NIP (2007–2010 and 2011–2013) for Armenia and €18 million have been earmarked to this task through budget support. While budget support represents the bulk of EC funds dedicated to the reform of the judiciary, other activities have been implemented. A TAIEX-funded workshop was organized in 2009 to explore the EU experience on judicial statistics, with a view to improving their use and the work of courts in Armenia. Several small-scale projects were funded through the EIDHR, especially with a view to increasing protection of judicial rights and citizens' awareness of these rights. Improving access to justice and education of judges was the overall objective of a large-scale ENPI project implemented jointly with the Council of Europe (approximately € 4 million). The record can be assessed as mixed. Both the PRSP, 2007–2009 Medium-Term Public Expenditure Framework and the EU/Armenia ENP Action Plan stressed the importance of a successful reform and the government's commitment to that end. The reform of the judiciary is still ongoing with amendments to the judicial code, law on procuracy and on the academy of justice being adopted in 2009 and assisted by the EC through sector budget support. Whereas good progress has been made through increasing judges' salaries in 2009, the independence of the judiciary remains an area of concern, as stressed in the last EC Progress Report.
- Reform of the judiciary has also been identified as a sub-priority under the current Indicative Programme for Azerbaijan, where the judiciary, far from being strong enough to counterbalance the executive branch of power, is de facto not independent. The country has benefitted from € 16 million under the current NIP, through sector budget support. Nevertheless, the record is rather poor. Some progress has been made on the technical and administrative aspects of the reform, e.g. regarding the execution of court rulings or the selection procedures for judges and the Bar association. Yet, progress is found to be limited as far as the political aspects of reform are concerned, i.e. political pressures and independence of the judiciary.
- Georgia is undoubtedly the country in which the EC has developed the most far-reaching and strategic vision for its assistance in the rule of law area, developing

synergies between various instruments and complementarities between different projects. Under the Rapid Reaction Mechanism (RRM), support was provided to the organisational reform of the Ministry of Justice as well as other public institutions (0.9m EUR). In 2004, the EU also launched EUJUST THEMIS, the first Rule of Law mission conducted in the context of the European Security and Defence Policy (ESDP). The EU Rule of Law mission advised the Government of Georgia in designing the Strategy for the Reform of the Criminal Legislation of Georgia. EC interventions under TACIS/ENPI (e.g. support to the reform of the Office of the Prosecutor General, strengthening the institutional capacities of the Ministry of Justice) contributed significantly to capacity building in the main justice institutions and beneficiaries of related EC projects displayed a strong sense of ownership. Budget support has also strengthened Georgia's ownership of the reform process in the justice sector. A strong degree of complementarity between aid channels and modalities has been observed in EC support. For instance, RRM interventions were used to kick-start a reform programme. Funding under TACIS/ENPI followed most RRM-financed projects in the rule of law area, which enhanced their long-term impact. TACIS was also used to follow-up on the EUJUST THEMIS mission to assist the Georgian authorities in developing an implementation plan for criminal justice reform. Complementarity also exists in the case of EIDHR that is designed to fulfill possible gaps in the existing programmes, facilitating direct cooperation with NGOs on matters related to rule of law.

However, close monitoring of this process is needed as far as the instability of the policy environment is likely to affect the effectiveness of EC assistance. This includes staff turnover at all levels, frequent organizational changes within key institutions, and major policy shifts in the judiciary area. For instance, the emphasis put on juvenile justice in the 2011-2013 NIP stems from policy shifts which resulted in moving Georgia away from international standards. Nevertheless, the last EC Progress Report notes that a strategy for Juvenile Justice System Reform and its action plan were adopted in September 2009 to reverse the amendments adopted in 2007 for lowering the minimum age of criminal responsibility to 12.

The above example of the justice sector points to shortcomings in assistance effectiveness, which stem principally from the *complex EC procedures*. For instance, at the time when the new NIP 2011-2013 was designed in Georgia, none of the projects under the previous NIP had been completed, thus making it impossible to draw relevant lessons.<sup>7</sup> Moreover, as indicated by the Court of Auditors, a two-year programming process endangers the relevance of assistance in a fast-changing policy environment. Such instability also prompts a continuous *policy dialogue* with partner countries' authorities, in order to enhance assistance reliance, impact and sustainability. The EU Delegation in Georgia has conducted such dialogue, especially in the rule of law area, where the EC is considered as a lead donor. However, overall the policy dialogue has been affected by 'a lack of common understanding between EC and the government of Georgia on principles of good governance and sustainable cooperation.'<sup>8</sup> For instance, the Commission's wish to base assistance on sector policies has not always been shared by the Georgian authorities; Freedom House further confirms that the judiciary has undergone no meaningful or durable reform over the past years.<sup>9</sup> This has to some extent undermined the impact of assistance in the justice sector in the period 2005-2007. In the two other countries, the policy dialogue has been weaker owing to the lack of EU Delegations in the field. Delegations in Yerevan and Baku opened in 2008 and became fully operational in 2009.<sup>10</sup>

Overall, the ENP's impact in the field of good governance, democratisation and the rule of law can be assessed as contrasted, with some or major achievements being noted on key issues and very limited progress on other topics. This is evidenced both by sectoral examples and general country statistics and data. More specifically, the evidence provided by international organizations and watchdogs indicates that progress by South Caucasus countries in these issue areas has been slow and uneven.

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7 Initial Concept Note, *Potential priority areas for ENPI National Indicative Programme (NIP) 2011-2013*, retrieved at: [http://ec.europa.eu/world/enp/mid\\_term\\_review/initial\\_concept\\_note\\_georgia\\_en.pdf](http://ec.europa.eu/world/enp/mid_term_review/initial_concept_note_georgia_en.pdf).

8 *Ibid.*

9 Freedom House, Country Report Georgia, 2010, <http://www.freedomhouse.org/template.cfm?page=22&country=7827&year=2010>.

10 European Court of Auditors, *op. cit.*, p.52.

Even though much remains to be done, Georgia is undoubtedly the country where the most significant progress has been achieved. For example, elections are generally considered to be free and to meet international standards. Nevertheless, developments since 2007 also highlight the need for strengthening the democratic reform process which was launched in 2004, especially with a view to establishing a functioning system of checks and balances amongst power branches. More specifically, the repression of opposition mass demonstration in late 2007 was considered a serious setback in the democratisation process and tarnished respect for human rights. Moreover, in spite of notable progress (see box 3), Freedom House considers that corruption remains a challenge in the country.

Sometimes labeled a non-competitive democracy, Armenia also underwent a deep political crisis in the wake of the 2008 Presidential elections, the results of which were contested during violent riots. Although progress has been made over previous votes, serious deficiencies were reported in the 2009 municipal elections for Yerevan. The launch of a Human Rights Dialogue with the EU in 2009, as well as further strengthening of the Human Rights Defender's independence,<sup>11</sup> are considered as positive signals; yet, freedom of the press and ill-treatment in detention remain areas of concern. Over the past two years, progress has been made in the justice sector reform and in the fight against corruption, although significant challenges still need to be addressed.

As far as Azerbaijan is concerned, it has recently moved further away from democratic standards. While President Aliyev was reelected late 2008 (gathering over 89% of the votes), constitutional amendments adopted by referendum in March 2009 removed the limits on the presidential term of office. Elections are not considered to be fair and free by international observers. Freedom of expression and press freedom have also deteriorated over the past two years. The judiciary is still assessed by Freedom House as 'corrupt, inefficient and subservient to the executive branch.'<sup>12</sup>

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11 The office of the Human Right Defender is currently supported by the EU under a Twinning project. Cf. [http://www.pao-armenia.am/en/twinning\\_pline/](http://www.pao-armenia.am/en/twinning_pline/).

12 Freedom House, Country Report Azerbaijan, 2010,

**BOX 3. FIGHT AGAINST CORRUPTION: CONTRASTED SITUATIONS, LIMITED ENP CONTRIBUTION**

Corruption was described as pervasive in all three South Caucasus countries in the early 2000's. Reducing corruption has been continuously identified as a sub-priority under NIP. Progress has been tangible, yet uneven across the three countries.

**AZERBAIJAN** appears to be still extensively affected by corruption. On the one hand, the country has made significant steps forward as far as the legal framework is concerned. In 2004, it ratified the CoE Criminal Law Convention on Corruption and Civil Law Convention on Corruption and joined the CoE GRECO (Group of States against Corruption). In 2006, the corruption-related provisions of the Penal Code were subject to legal amendments which aimed at adjusting national legislation to the requirements of the Criminal Law Convention on Corruption. These amendments included the redefinition of the provisions on active and passive bribery, the extension of the concept of a public official, an increase in sanctions for active and passive bribery and the criminalisation of trading in influence. As a result, as indicated by GRECO the number of prosecuted cases has been increasing since the establishment of the Anti-Corruption Department of the General Prosecutor's Office in 2005 (e.g. in 2009, 176 persons were indicted for corruption-related crimes as compared to 35 persons in 2005). On the other hand, several major deficiencies remain which need to be addressed. As far as the legal framework itself is concerned, GRECO notes a number of shortcomings: 'Certain categories of civil servants and employees of institutions of local government are not captured by the notion of "official" -all civil servants and public employees at central and local level. The offer and the promise of a bribe as well as the acceptance of an offer or a promise do not constitute completed crimes. The criminalization of trading in influence shows several lacunae (...). It is to be regretted that six years after the entry into force of the Convention in respect of this country, Azerbaijan remains one of the GRECO member States to have entered nearly the maximum number of reservations allowed under the Convention'. However, the biggest challenge lies

with the enforcement of legislation. As indicated in the GRECO Third Round report, during the period 2005- 2010 only five persons were convicted of active bribery, 29 persons of passive bribery and five persons of trading in influence. As a result, Azerbaijan has not progressed in the fight against corruption, as evidenced by World Bank Governance Indicators. It ranks 134th in Transparency International 2010 Corruption Perceptions Index with a score of 2.4. In other words, the ENP has not significantly changed the country's situation in this respect. This may be explained by a lack of clear focus on the fight against corruption under the 2007-2010 ENP. The situation may improve however under the 2011-2013 NIP, especially with the launch of a Twinning programme to support the Anti-corruption Department of the Prosecutor's office.

**GEORGIA** offers a drastically different picture. After the Rose Revolution, the new authorities displayed a strong political will to eradicate corruption. They carried out several anti-corruption campaigns, including the prosecution of several high-ranking officials from the former government, the introduction of a new patrol police force, and the optimisation of licensing and permit regulations. These contributed to strengthening public confidence in the government's anti-corruption efforts. The Georgian government adopted key policy documents (e.g. the Anti-Corruption Strategy and the Action Plan for its implementation) and introduced new legal provisions e.g. on money laundering. Georgia also signed a partnership agreement with the G8 to promote transparency and combat corruption, and committed itself to following recommendations received from GRECO and the OECD Anti-Corruption Network for Transition Economies. Since the Rose Revolution, Georgia has introduced a vast array of new legislation. For instance, in 2004 it introduced an administrative confiscation scheme targeted at the unexplained wealth of officials. This provided law enforcement authorities with an effective tool to deprive officials and their relatives of the benefits of corruption. As a result, since the Rose Revolution, Georgia's score, as measured by Transparency International, rose steadily from 1.8 in 2003 to 3.8 in 2010. Georgia now ranks 68th in the Corruption Perceptions Index as compared to 133rd in 2004. Yet, again the contribution of the ENP is assessed to be limited.

No TACIS/ENPI project has directly focused on reducing corruption. However, the activities funded by the EC to strengthen the rule of law, inter alia through supporting the prosecutor's office, have effectively accompanied the reforms introduced by the Georgian authorities and contributed to their consolidation.

As far as **ARMENIA** is concerned, it falls in between its two neighbours. Progress regarding corruption has been slow and uneven and it is difficult to assess in the context of the present paper. The Third Evaluation Round report by GRECO is indeed kept confidential. The Second Round report, published in 2006, already noted the lack of a clear picture of the scale of corruption and the areas it affects in the country. It recommended that 'the authorities of Armenia carry out the necessary studies in order to gain a clearer insight into the scale of corruption and its various features so that anti-corruption initiatives and plans can be targeted more effectively'. Armenia adopted an anti-corruption strategy and acceded to the GRECO in 2003; a Council to fight corruption was established in 2004. However, even though the institutional tools were in place, the fight against corruption suffered from serious shortcomings pertaining either to the legal framework or to its application. The new anti-corruption strategy drafted in 2008 and adopted in 2009 (together with an action plan 2009-2012) seems to represent an important step forward in several respects, e.g. the involvement of NGOs/international organizations in the drafting process, the establishment of a monitoring system. Nevertheless, effective implementation remains a problem as shown by Armenia's rank (123rd) in the Corruption Perceptions Index. The contribution of the ENP is assessed to be limited. In spite of anti-corruption being mentioned in the sub-priorities under the NIP 2007-2010 and 2011-2013, no ENPI project has specifically focused on this issue area in which USAid has been quite active in the country. Like in Georgia, the fight against corruption is being tackled only indirectly by the EU, including through the Justice Reform sector budget support, which has however been launched much later than in Georgia (it was initiated late 2009 under the ENPI 2008 Action Programme).



Reports by international watchdogs are not considered in this report as providing fully-fledged evaluations; rather, they are used in the table below to highlight the general trends which are also confirmed by other sources. As compared to 2004 (when they were included in the ENP), and despite some fluctuations over the 2004-2010 period, none of the South Caucasus countries has improved durably its political scores as measured by Freedom House, and conversely Armenia does worse in 2010 than in 2004. Georgia performs best, with similar scores in 2004 and 2010. Azerbaijan's political rights and civil liberties scores have also remained similar (respectively 6 and 5 out of 7). Based upon Freedom House's typology Armenia and Georgia are currently considered as 'partly free' (although they differ in many respects) while Azerbaijan is classified as 'not free'.

	ARMENIA		AZERBAIJAN		GEORGIA	
	2004	2010	2004	2010	2004	2010
<b>FREEDOM HOUSE POLITICAL RIGHTS SCORE (OUT OF 7)</b>	4	6	6	6	4	4
<b>FREEDOM HOUSE CIVIL LIBERTIES SCORE (OUT OF 7)</b>	4	4	5	5	4	4
<b>TRANSPARENCY INTERNATIONAL CORRUPTION PERCEPTIONS INDEX (COUNTRY RANK OUT OF 145)</b>	82	123	140	134	133	68



### 3. ENP Implementation: Overall Country Assessment

#### 3.1 Armenia

While being to some extent overshadowed by its neighbours in the EU's general perceptions and in the literature on the ENP, Armenia offers an interesting case study for assessing ENP implementation. Like in Georgia, the reception of the ENP is quite positive in Armenia. On several occasions, Armenian leaders expressed the country's intention to join the EU and a recent poll confirmed that perceptions of the EU are overwhelmingly positive.<sup>13</sup> At the same time, Europeanisation has not remained declarative. Armenia has made good progress in setting up an institutional coordination framework for EU integration and in converging with EU trade and market-related acquis, as opposed to limited progress in converging with political and rule of law norms.

#### Progress in ENP Implementation

As already analysed, Armenia has made slow and uneven progress in the area of good governance, rule of law and democratisation. It underwent a major political crisis following the 2008 presidential elections. While the vote count demonstrated deficiencies of accountability and transparency, the post-election crisis led to the introduction of a state of emergency, arbitrary arrests and a number of restrictions of democratic freedoms and human rights, affecting in particular freedom of expression, freedom of assembly and media freedom. There are however recent positive developments, as illustrated by the setting up of a Human Rights Dialogue which first met in December 2009.

While good progress has been made in converging with EU economic and trade norms, e.g. in areas such as customs and taxation, additional efforts

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<sup>13</sup> This is the case for 87% of respondents. Cf. [http://www.enpi-info.eu/main.php?id=152&id\\_type=3](http://www.enpi-info.eu/main.php?id=152&id_type=3).

are needed to open negotiation for a deep and comprehensive free trade agreement, e.g. regarding sanitary and phyto-sanitary issues.

In implementing the ENP AP, Armenia is faced with two interconnected major issues: enforcement of legislation, as illustrated by the case of intellectual property, and administrative capacities. Public administration reform in line with EU best practices is therefore of critical importance. It has been incorporated as one of the main cross-cutting objectives (either at the central or at a regional level) in the government's *List of Actions for 2009-2011 To Ensure Implementation of ENP RA-EU Action Plan*.<sup>14</sup>

### **Institutional Set-up and Coordination**

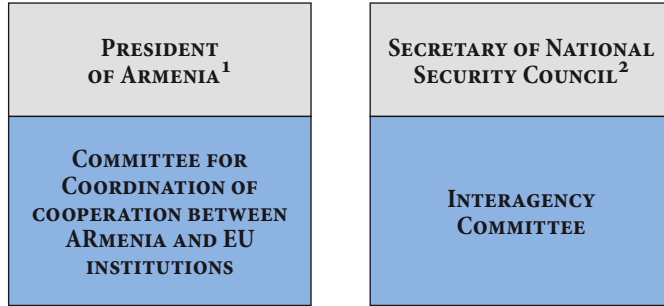
As far as institutional coordination is concerned, over the past five years Armenia has made good progress in setting up a framework dedicated to ENP implementation. A Coordinating Committee headed by the President of Armenia was established in 2006 to coordinate the activities of various ministries and governmental bodies with the EU institutions; a similar Coordination Committee was established under the Prime Minister's Authority for the purposes of ENP AP implementation. As a result, the institutional framework is now well-developed (see table below).

Moreover, unlike some other Eastern partners, Armenia has paid specific attention to strengthening institutional and administrative capacities dedicated to ENP implementation and to bridge gaps between ENP AP and national reform plans.

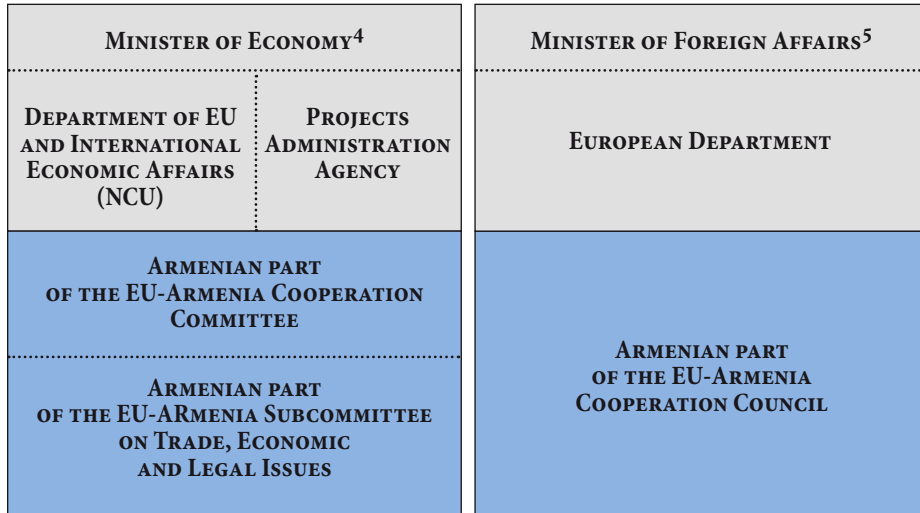
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<sup>14</sup> Ministry of Foreign Affairs, *List of Actions for 2009-2011 To Ensure Implementation of ENP RA-EU Action Plan*, Annex to RA President Order NK-68-A, 6 May 2009.

**COORDINATION OF EU ACTIVITIES IN ARMENIA<sup>15</sup>**



- 1 Serzh Sargsyan
- 2 Artur Baghdasaryan
- 3 Tigran Sargsyan
- 4 Nerses Yeritsyan
- 5 Edward Nalbandian



<sup>15</sup> Source: Armenian Policy and Legal Advice Centre, <http://www.aeplac.eu/en/reports/capacitybuildingevents/#anchor%205>.

Overall, while traditionally Russia-oriented, Armenia has become more and more involved in ENP implementation and in its relations with the EU over the past five years. Back in the mid-2000's, EU negotiators already noted that "the easiest negotiation [for the ENP AP] was in case of Armenia, who demonstrated the "most technocratic approach" to the priorities reflected in Action Plans ». <sup>16</sup> A similar approach has been pursued for ENP implementation when it comes to economic areas in which Armenia has made good progress; this is an obvious asset in the perspective of negotiations for a DCFTA. Yet, a strong commitment on the part of Armenian authorities to go ahead with political reforms is also needed for a successful implementation of the ENP.

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<sup>16</sup> L. Alieva, "EU and the South Caucasus", Discussion paper Berthelmann Foundation/CAP, December 2006, p. 11.

## 3.2 Azerbaijan

Azerbaijan displays major differences with the two other Caucasus countries in its relationship to the EU and therefore also in ENP implementation. Unlike Armenia and Georgia, it can rely upon major resources and assets (e.g. energy and an impressive economic performance throughout the 2000's<sup>17</sup>) which make the relationship less asymmetrical than in the case of Georgia and Armenia. At the same time, Azerbaijan's foreign policy is primarily based upon a balance between various powers, e.g. Russia, Turkey, the US and the EU. Even though it is positively perceived,<sup>18</sup> the EU, then, is only one among many Azerbaijani partners. Unlike Georgia and Armenia, Azerbaijan does not want to become a member and therefore has fewer incentives to cooperate (even though membership is clearly distinct from the ENP). Financial support is also less attractive to Azerbaijan; the country has indeed become an aid donor. The ENP is therefore considered both as a means to maintain a balanced diplomacy and to raise the country's living standards up to European ones.

These elements are well reflected in the ENP implementation which can be described as contrasted. On the one hand, no or limited progress has been made in those areas where the EU's and Azerbaijan's interests and values diverge. This applies to the rule of law, good governance and human rights,<sup>19</sup> but also to areas such as public procurement under which equal opportunities for foreign and domestic suppliers are not ensured in Azerbaijan. On the other hand, there are positive developments in the areas where interests converge, such as energy. The country's application to the WTO is also undoubtedly a driver for legal convergence; however, limited progress has been made in areas such as agriculture and overall enforcement of approximated legislation remains weak.

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17 The GDP grew by 34.5% in 2006, 11% in 2008 and 9.3% in 2009.

18 Cf. opinion polls available at: [http://www.enpi-info.eu/main.php?id=158&id\\_type=3](http://www.enpi-info.eu/main.php?id=158&id_type=3).

19 It should be noted, however, that civil society is actively engaged in the relationship with the EU.

Owing to weak incentives, Azerbaijan's record in ENP implementation thus appears much poorer than its neighbours'. Except for the mechanisms set up under the PCA, the country also lacks an institutional coordination scheme for ENP implementation. While negotiations are open for an association agreement with the EU, there is no such prospect for DCFTA as far as Azerbaijan is not a WTO member. ENP implementation, like the overall EU-Azerbaijan relations, thus seems to be driven by the country's pragmatic and realist position.



### 3.3 Georgia

Since the Rose revolution, Georgia has repeatedly expressed its intention to join Euro-Atlantic organizations. Such Westernization strategy has been pushed forward along with ambitious domestic reforms towards a market economy and democratisation. The August 2008 war and the Eastern Partnership have given a new impetus to the country's aim of gaining EU membership.<sup>20</sup>

Overall, as compared to the early 2000's, Georgia has made significant progress in the reform process, even though important setbacks have also been noted.

However, whereas Georgia is widely considered as a frontrunner in the South Caucasus, both the ENP implementation and the corresponding institutional framework also display serious deficiencies. Those originate both in weak capacities and in a lack of political commitment stemming from different visions and priorities of reforms.

#### **Progress in ENP Implementation**

Georgia's progress in ENP implementation can be assessed as uneven. Since 2004, the country has made substantial progress in respecting human rights, fighting corruption and improving the business environment. The country ranks 12<sup>th</sup> in the World Bank's *Doing Business 2011 Report*.

At the same time, these achievements are fragile and reforms need to be consolidated. Political life is highly personalised, and political parties have developed around leaders rather than clear political platforms. Since 2007, Georgia has gone through a period of political turmoil characterised by growing tensions between the authorities and the opposition which culminated in major crises, especially in Autumn 2007 when, following

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<sup>20</sup> See e.g. the speech by Foreign Affairs Ministry G. Vashadze, New York University, 15 April 2010, [http://www.mfa.gov.ge/index.php?lang\\_id=ENG&sec\\_id=50&info\\_id=13048](http://www.mfa.gov.ge/index.php?lang_id=ENG&sec_id=50&info_id=13048).

massive demonstration after constitutional change, the excessive use of force by authorities, the introduction of a state of emergency and the closure of independent TV station Imedi raised serious concerns about the democratisation process. As far as economy is concerned, it has been hit by Russian embargo and more recently by the August 2008 conflict and the world crisis. Moreover, substantial efforts are needed to reduce poverty, affecting approximately 28% of the population.

ENP implementation has been a chaotic rather than linear process. Recent progress has been noted in the judiciary reform (previously affected by policy shifts) and in the democratisation process (e.g. 2010 local elections). Much remains to be done on social standards (either labour or health standards). The same holds true in the area of sanitary and phyto-sanitary standards, where the enforcement of legislation is problematic. To sum up, ENP implementation has lagged behind in those areas which were not at the top of the government's reform priorities.

### **Institutional Set-up and Coordination**

In line with its foreign policy agenda, Georgia has appointed a State Minister responsible for Euro-Atlantic integration. The Office of the State Minister on European and Euro-Atlantic Integration is responsible for the overall coordination and monitoring of the European Neighbourhood Policy action plan implementation as well as EU assistance programmes. Within this office, two departments are dedicated, respectively, to EU integration and to EU assistance. The European Integration Coordination Department coordinates governmental bodies' activities in the field of European integration, including those under the ENP AP and the Eastern Partnership; it also provides assistance in the approximation of Georgian legislation to EU *acquis*. The EU Programmes Coordinating Department is in charge of coordinating with line Ministries and the EU for the preparation of assistance programmes; it also assists beneficiary institutions in accessing EU funds.

While the institutional framework for EU integration and ENP implementation is well developed, it is affected by weak administrative capacities and frequent staff turnover. Although progress has been made over the past two years, Georgia still needs to strengthen its administrative capacities for a more effective ENP implementation. To that purpose, the EC has allocated € million 7.2 for a “Twinning and Technical Assistance facility to the EU-Georgia ENP AP Implementation” which will support the institutional development of Georgian governmental bodies through cooperation with EU member states’ counterpart institutions.

Overall, while at the declarative level commitments to Europeanisation have ranked high, they have often fallen short at the time of implementation, for both high politics and low politics reasons. Georgia and the EU have sometimes put forward different priorities for the reform agenda, e.g. security vs. the rule of law. They also have different reform approaches. Clearly, Georgia has chosen a liberal approach based upon the US model, which sometimes contradicts the EU’s own approach and norms. Furthermore, ENP implementation has been affected by shifting policy priorities and by poor capacities.

Nevertheless, recent developments - the Eastern Partnership initiative, the Mobility partnership, the opening of negotiations for an association agreement and a possible DCFTA – constitute important incentives for Georgia to further progress in the reform process.

## **4. Conclusions and Recommendations**

Overall, the ENP undoubtedly represents a step forward in EU policy towards the South Caucasus, yet its implementation highlights major differences between the three countries and important weaknesses in all three of them. The Eastern Partnership addresses some of these weaknesses and it also significantly strengthens the EU's offer to South Caucasus countries, which is now fully in line with the perspectives proposed to the Western NIS.

In the present section we analyze a few lessons which can be drawn from policy implementation in the field and formulate corresponding recommendations with a view to enhancing further policy effectiveness.

### **4.1. An Individual Approach to Each South Caucasus Country**

Political, economic, social and diplomatic developments in the South Caucasus in the 2000's highlight both diverging trends and the persistence of tensions between the three countries. They also have different records in ENP implementation. However, as indicated in the first part of this paper, the EU has often considered South Caucasus as a region. The simultaneous conclusion of Action Plans (2006) and opening of negotiations for an Association Agreement (2010) are the best illustration of such approach.

The EU should avoid a one-size-fits-all approach to South Caucasus countries, pay increased attention to each country's specificity and primarily (although in no way exclusively) focus on its bilateral relations with Armenia, Georgia and Azerbaijan. This entails further differentiating ENP focus and tools based upon each country's concrete situation. This also entails examining the possibility of concluding different agreements.

At the same time, while a one-size-fits-all approach should be avoided, the EU should also take care of maintaining a common and consistent policy framework. To a large extent, the Eastern Partnership represents a

huge step forward in the right direction. It harmonizes the EU offer in the Eastern neighbourhood and thus opens for South Caucasus countries new opportunities which, previously, were *de facto* granted only to Ukraine and Moldova. The additional incentives proposed to partner countries under the Eastern Partnership bilateral track are likely to induce substantial progress in ENP implementation in those South Caucasus countries which have strong EU aspirations, but which were previously constrained by the poor incentives offered by the EU.

## 4.2. Targeted Regional Cooperation

While bilateral relations should form the basis of the EU's approach, most of the challenges faced by Georgia, Armenia and Azerbaijan are not limited to national borders and require regional solutions. This applies primarily but not exclusively to the unresolved conflicts. Issue areas such as transport or environment should also be addressed through regional cooperation mechanisms.

The EU is well placed to foster regional cooperation in the South Caucasus, owing to its own experience, its record in designing regional mechanisms and its being perceived positively across the region. It should:

- Foster regional projects as confidence-building measures to address indirectly the frozen conflicts and use the ENPI as an operational instrument to back up to political settlement process;
- Under such regional projects, focus as a first step on depoliticised/technical areas of common interest with a view to minimising tensions;
- Focus on drivers of change which play a critical role in the confidence-building process: local authorities, businesses, civil society;
- Encourage further the dialogue between South Caucasus countries under the Eastern Partnership multilateral track, be it under the thematic platforms, the flagship initiatives or the non-governmental initiatives.
- Study the possibility to reach out to Central Asia and the Middle-East
- Study the possibility to involve Turkey

### **4.3. Support to Good Governance, Democratisation and the Rule of Law**

Under the ENP, especially since the opening of negotiations for association agreements and with the perspective of DCFTA, trade-related issues, market and regulatory reform have become prominent in the EU's relations with all three Caucasus countries. This is evidenced by the percentage of funds dedicated to these issue areas under ENPI indicative programmes for each country. At the same time, those priorities identified when the ENP was launched, i.e. good governance and the rule of law, do not only remain valid; they still correspond to major challenges in the South Caucasus. The EU should:

- Clearly promote the understanding, in each partner country and at various levels, that good governance, democratisation and the rule of law are the basis of both the ENP and successful reforms,
- Develop policy dialogue with a view to ensuring that ENP/ ENPI priorities are taken aboard by partner countries.

#### **4.4 Strengthen the Link between the ENP and Domestic Reform Processes (Capacity-Building)**

In all partner countries (but even more so in the South Caucasus), ENP implementation has been affected by poor administrative capacities and weak institutional coordination. These issues are also central for the Eastern Partnership to be effective. In this context, the Comprehensive Institution-Building programmes foreseen under the Eastern Partnership are undoubtedly much needed. However, the focus on public administration reform and capacity-building should gradually be extended beyond those institutions which are central in the negotiation/implementation of Association Agreements/DCFTA. Overall, the ENP is still too often considered as part of foreign policy and there is little awareness of the fact that it offers an agenda for reform. In this context the EU should:

- Contribute to developing the understanding among partner countries' governments that the ENP and domestic reforms are closely interconnected and that ENP priorities should be incorporated in the daily work of partner countries' administrations,
- Under each ENP/ENPI priority areas, focus on institutional capacities, administration reform and capacity-building;
- Foster the development of monitoring systems within partner countries' governments to follow-up ENP implementation.



## 4.5 Find the Appropriate Mix in Assistance Modalities

The EU has a wide array of instruments at its disposal, especially under the ENPI. At the same time, it has recently concentrated on a few tools such as budget support and TAIEX. While these instruments undoubtedly bring an added value, they should be better combined with tools allowing for greater flexibility and targeting non-governmental actors. In particular, the EU should:

- Better take into account partner countries' preferences for specific aid modalities and combine them with ENP priorities;
- Continue its support to civil society through the EIDHR/NSA;
- Combine twinnings and budget support with project aid which has resulted in some success stories in the South Caucasus and which is better suited to some partner countries, e.g. Azerbaijan;
- Better take into account lessons learnt under previous assistance programmes and develop a culture of evaluation.

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## Annexes

### ANNEX 1. EU INDICATIVE COMMITMENT UNDER ENPI FOR SOUTH

#### CAUCASUS COUNTRIES (€ MILLIONS)

	<b>2007-2010</b>	<b>2011-2013</b>	<b>TOTAL</b>
<b>ARMENIA</b>	98.4	157	255.4
<b>AZERBAIJAN</b>	92	122.5	214.5
<b>GEORGIA</b>	120.4	180.29	300.69

## ANNEX 2. PRIORITY AREAS OF EU ASSISTANCE UNDER ENPI FOR SOUTH CAUCASUS COUNTRIES

### Armenia

NIP 2007-2010	NIP 2001-2013
<p><b>PRIORITY AREA 1: SUPPORT FOR STRENGTHENING OF DEMOCRATIC STRUCTURES AND GOOD GOVERNANCE</b></p> <p>Sub-priority 1.1: Rule of law and reform of the judiciary</p> <p>Sub-priority 1.2: Public administration reform, including local self government / public finance management / public internal financial control and External Audit/ combat of corruption</p> <p>Sub-priority 1.3: Human rights, fundamental freedoms, civil society, people-to-people contacts</p>	<p><b>PRIORITY AREA 1: DEMOCRATIC STRUCTURES AND GOOD GOVERNANCE</b></p> <p>Sub-priority 1.1: Democratic institutions, rule of law and reform of the judiciary</p> <p>Sub-priority 1.2: Public administration reform, including local government and e-governance, public finance management, the fight against corruption</p> <p>Sub-priority 1.3: Human rights and fundamental freedoms, civil society development</p>
<p><b>PRIORITY AREA 2: SUPPORT FOR REGULATORY REFORM AND ADMINISTRATIVE CAPACITY-BUILDING</b></p> <p>Sub-priority 2.1: Approximation of legislation, norms and standards (mainly based on National Program for PCA implementation and reflecting ENP Action Plan priorities)</p> <p>Sub-priority 2.2: Sector-specific regulatory aspects, including administrative capacity building</p>	<p><b>PRIORITY AREA 2: TRADE AND INVESTMENT, REGULATORY ALIGNMENT AND REFORM</b></p> <p>Sub-priority 2.1: Export and investment promotion, in particular through market and regulatory reform; preparations for a future deep and comprehensive FTA with the EU</p> <p>Sub-priority 2.2: Sector-specific regulatory alignment and reforms in line with PCA/ENP AP priorities</p>
<p><b>PRIORITY AREA 3: SUPPORT POVERTY REDUCTION EFFORTS</b></p> <p>Sub-priority 3.1: Education</p> <p>Sub-priority 3.2: Regional development and social services</p>	<p><b>PRIORITY AREA 3: SOCIO-ECONOMIC REFORM AND SUSTAINABLE DEVELOPMENT</b></p> <p>Sub-priority 3.1: Regional and rural development</p> <p>Sub-priority 3.2: Support to the development of infrastructure in the areas of transport, energy, environment, electronic communications</p> <p>Sub-priority 3.3: Human capital development, including education and science, social services</p>

## Azerbaïdjan

NIP 2007-2010	NIP 2001-2013
<p><b>PRIORITY AREA 1: SUPPORT FOR STRENGTHENING OF DEMOCRATIC STRUCTURES AND GOOD GOVERNANCE</b></p> <p>Sub-priority 1.1: Rule of law and reform of the judiciary</p> <p>Sub-priority 1.2: Public administration reform, including local self government / public finance management / public internal financial control and External Audit/ combat of corruption</p> <p>Sub-priority 1.3: Human rights, fundamental freedoms, civil society, people to people contacts</p>	<p><b>PRIORITY AREA 1: DEMOCRATIC STRUCTURES AND GOOD GOVERNANCE</b></p> <p>Sub-priority 1.1: Democratic institutions, rule of law and reform of the judiciary</p> <p>Sub-priority 1.2: Public administration reform, including local government, public finance management, the fight against corruption</p> <p>Sub-priority 1.3: Human rights and fundamental freedoms, civil society development</p>
<p><b>PRIORITY AREA 2: SUPPORT FOR REGULATORY REFORM AND ADMINISTRATIVE CAPACITY-BUILDING</b></p> <p>Sub-priority 2.1: Approximation of legislation, norms and standards (mainly based on National Program for PCA implementation and reflecting ENP Action Plan priorities)</p> <p>Sub-priority 2.2: Sector-specific regulatory aspects, including administrative capacity building</p>	<p><b>PRIORITY AREA 2: SOCIO-ECONOMIC REFORM AND SUSTAINABLE DEVELOPMENT, TRADE AND INVESTMENT, REGULATORY APPROXIMATION AND REFORM</b></p> <p>Sub-priority 2.1: Promoting trade and investment, in particular through market and regulatory reform, support to Azerbaijan's preparations for accession to the WTO and a possible future DCFTA with the EU</p> <p>Sub-priority 2.2: Diversification of Economy; regional and rural development</p> <p>Sub-priority 2.3: Environment and environmental governance</p> <p>Sub-priority 2.4: Human capital development, including education and training, public health</p>
<p><b>PRIORITY AREA 3: SUPPORT POVERTY REDUCTION EFFORTS</b></p> <p>Sub-priority 3.1: Education</p> <p>Sub-priority 3.2: Regional development and social services</p>	<p><b>PRIORITY AREA 3: SOCIO-ECONOMIC REFORM AND SUSTAINABLE DEVELOPMENT</b></p> <p>Sub-priority 3.1: Strengthening of energy security</p> <p>Sub-priority 3.2: Mobility and security, customs and integrated border management</p>

## Georgia

NIP 2007-2010	NIP 2001-2013
<p><b>PRIORITY AREA 1: SUPPORT FOR DEMOCRATIC DEVELOPMENT, RULE OF LAW AND GOVERNANCE</b></p> <p>Sub-priority 1.1: Democracy, human rights, civil society development</p> <p>Sub-priority 1.2: Rule of law and judicial reform</p> <p>Sub-priority 1.3: Good governance, public finance reform and administrative capacity building</p>	<p><b>PRIORITY AREA 1: DEMOCRATIC DEVELOPMENT, RULE OF LAW, GOOD GOVERNANCE</b></p> <p>Sub-priority 1.1: Media freedom, political pluralism, human rights, civil society development</p> <p>Sub-priority 1.2: Justice sector reform</p> <p>Sub-priority 1.3: Public finance management and public administration reform</p>
<p><b>PRIORITY AREA 2: SUPPORT FOR ECONOMIC DEVELOPMENT AND ENP AP IMPLEMENTATION</b></p> <p>Sub-priority 2.1: Promoting external trade and improving the investment climate</p> <p>Sub-priority 2.2: Supporting PCA/ENP AP implementation and regulatory reforms</p> <p>Sub-Priority 2.3: Education, including vocational education, science and people-to-people contacts/exchange</p>	<p><b>PRIORITY AREA 2: TRADE AND INVESTMENT, REGULATORY ALIGNMENT AND REFORM</b></p> <p>Sub-priority 2.1: Export and investment promotion, in particular through market and regulatory reform; preparations for a future deep and comprehensive FTA with the EU</p> <p>Sub-priority 2.2: Sector-specific regulatory alignment and reforms in line with PCA/ENP AP priorities</p>
<p><b>PRIORITY AREA 3: SUPPORT FOR POVERTY REDUCTION AND SOCIAL REFORMS</b></p> <p>Sub-priority 3.1: Strengthening social reforms in health and social protection</p> <p>Sub-priority 3.2: Rural and regional development</p>	<p><b>PRIORITY AREA 3: REGIONAL DEVELOPMENT, SUSTAINABLE ECONOMIC AND SOCIAL DEVELOPMENT, POVERTY REDUCTION</b></p> <p>Sub-priority 3.1: Social reforms and social protection</p> <p>Sub-priority 3.2: Regional development and sustainable development, including environmental protection</p> <p>Sub-priority 3.3: Education, skills development and mobility</p>
<p><b>PRIORITY AREA 4: SUPPORT FOR PEACEFUL SETTLEMENT OF GEORGIA'S INTERNAL CONFLICTS</b></p>	<p><b>PRIORITY AREA 4: SUPPORT FOR PEACEFUL SETTLEMENT OF CONFLICTS</b></p>

ANNEX 3. MAPS



## GEOPOLITICAL MAP OF CAUCASUS REGION







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