

European Union Foreign Affairs Journal

**eQuarterly for European Foreign, Foreign Trade, Development, Security
Policy, EU-Third Country Relations and Regional Integration (EUFAJ)**

N° 02– 2017

LIBERTAS

ISSN 2190-6122

Contents

Editorial	5
Hard Times for Soft Power: Germany's China Challenge	6
<i>Angela Stanzel</i>	
The Turkish Economy Today	19
The "Marshall Plan with Africa": Africa and Europe – A New Partnership for Development and Peace .	26
Women in Power - The Example of Latin America	60
<i>Carmen Aguilera Garcia</i>	
Statistics on Women in National Parliaments.....	68
Security Threats Caused by Climate Change - Case Study on the Republic of Moldova	75
<i>Gheorghe Racovita</i>	
Regional Geopolitical Changes and the Russian-Armenian Relations	89
<i>Lilit Vardanian</i>	

The Prospects of the EU–Armenia Partnership within the ENP Review: Is a Eurasian Economic Union - EU balance feasible?.....	95
<i>Aram Terzyan</i>	
Vive la France or what does the victory of Emmanuel Macron mean for Europe and Eastern Partnership Countries?	105
<i>Grisha Aghajanyan</i>	
The Consolidation of Inter-Institutional Cooperation and Communication Mechanism on CSDP-related Matters - Study on the Republic of Georgia	109
<i>George Niculescu, Grazvydas Jasutis, Kakha Gogolashvili</i>	
Public Administration Reform at the Local and Regional Level in the Eastern Partnership Countries: ..	123
Developments since 2012 in the Field of Decentralisation <i>Vyacheslav Tolkovanov, Juraj Nemec et al.</i>	
Salina Ulcinj: European natural treasure still threatened in Montenegro	242
Reviews.....	249

European Union Foreign Affairs Journal (EUFAJ)

eQuarterly for European Foreign, Foreign Trade, Development, Security Policy, EU-Third Country Relations and Regional Integration

ISSN: 2190-6122

Published by: LIBERTAS – Europäisches Institut GmbH, Lindenweg 37, 72414 Rangendingen, Germany

Phone: +49 7471 984996-0, fax +49 7471 984996-19, e-mail: eufaj@libertas-institut.com

Managing Director: Hans-Jürgen Zahorka

Registered: AG Stuttgart, HRB 243253, USt ID no.: DE811240129, Tax no.: 53 093 05327

Internet: www.eufaj.eu, www.libertas-institut.eu

Subscription Rate: Free. All previous EUFAJ issues can be downloaded free of charge on www.eufaj.eu.

Chief Editor: Hans-Jürgen Zahorka

Editors: Ofelya Sargsyan (*managing*), Frederic Labarre

Editorial Advisory Board:

Židas Daskalovski, Ph.D., CRPM Skopje, professor of political science, University of Bitola, Macedonia
Ioseb Kelenjeridze, Ph.D., professor, Dean of Legal, Humanities and Social Science Faculty, European University, Tbilisi, Georgia

Catherine Maia, Ph.D., professor of public international law, University of Porto (Portugal) and Science Po Paris (France); Director of Multipol, Geneva (Switzerland)

Pierre Menguy, president of Maison de l'Europe de la Seine, Le Havre/France, Member of Team Europe France

Sergey Metelev, Ph.D., professor of economy, Russian State University for Economy, Omsk, Russia

Saulius Nefas, Ph.D., professor of administrative science, Mykolas Romeros University, Vilnius/Lithuania

Martin Pontzen, Dr. rer. pol., Bundesbank Director, German Federal Bank, Frankfurt/Main, Germany

Viktor Yengibaryan, President of European Movement Armenia, Yerevan, Armenia

Assistant Editors:

Eka Meskhrikadze, Tbilisi, Georgia

Meerim Oboskanova, Winnipeg, Canada (previously Bishkek/Kyrgyzstan)

Tamara Vatsadze, Tbilisi, Georgia

All authors are responsible for their published texts. If no author is mentioned, the Chief Editor is responsible. All texts published under a name do not necessarily represent the view of the editors or Advisory Board members. EUFAJ is committed to European and international integration and to pluralism, different views and a public discussion.

Copyright: Copyright requests are welcome. Reprints of certain contributions are free of charge, for others a license fee may have to be negotiated. Please ask the publisher for copyright permission.

Proposal/example for quotation: EUFAJ [or: European Union Foreign Affairs Journal] 1-2015, then number of page (e.g. EUFAJ, 1-2015, 32).

Papers, articles, reports, contributions: should be sent to the Chief Editor by e-mail and as attachment in Word. Authors can decide themselves if they submit a scientific or more practical article (but without end notes). We reserve the right of adding annotations and comments. All contributions are requested in English language; abstracts in other languages are possible.

EUFAJ is published in English.

The EUFAJ Blog



- between our issues, for topical announcements and new publications:

<http://libertasblogs.wordpress.com>

With contributions on - well, the whole world! In English, but some posts also in French or German..

The blog counts more than 20.900 views from about 180 countries. If you follow this blog you will be alerted via e-mail once a new post has been published

EUFAJ in Facebook



<https://de-de.facebook.com/eufaj>

With news on activities, workshops, conferences, publications, pictures, people, cooperation partners - and the contents of the new EUFAJ issues. Complementary to the journal itself and the blog. For EUFAJ is far more than a journal. See all what is topical.

If you “Like” the page, you will be alerted via Facebook regularly.

EUFAJ in LinkedIn



EUFAJ is also on LinkedIn. Go to www.linkedin.com. Then write “EUFAJ” or “European Union Foreign Affairs Journal” into the search box (if you have access to LinkedIn). Also here, news are regularly spread. Welcome on LinkedIn!

Editorial

Dear readers,



It is difficult to determine the content of a Quarterly on EU Foreign Policy. Today's US foreign policy could be a permanent issue, But let us reduce the president to what he is, namely a more or less bizarre personality in politics. Being bizarre a bit is not too bad, but he would fit better into the office of a construction company, where he, in the US, can hire and fire and behave in an autocratic way, diving under all intellectual heights, being controlled only by his financiers. But he had one positive effect: He united and unites the Europeans like never seen since long time. And Europe needs this just now.

In this issue, we have published, among others, a contribution by a ECFR researcher on an aspect of the future of the European-Chinese relations, and the draft of a "Marshall Plan with Africa" by the German Ministry of Cooperation which might change Europe's Africa policy. But also the Eastern Partnership is again the subject of our contributions - this time with an interesting research about global climate change and the security situation e.g. in Moldova (this can be dedicated to the US President). But we have nothing on India, Putin's Russia, about trade, green economy (well, with the exception of an interesting aspect of Montenegro), energy, the new EU trade and development strategies, the BRICS countries' efforts, the Latin American reactions on the new US trade policy intentions, the Middle East, IS and terrorism, the Maghreb countries, even the Brexit etc. There are so many subjects to deal with - it is a permanent "mea culpa" if we omit anything. But we are not a daily or weekly, Which sometimes could make me mad.

With best regards,



Hans-Jürgen Zahorka

Hard Times for Soft Power: Germany's China Challenge

Angela Stanzel



Dr. Angela Stanzel joined the European Council on Foreign Relations (ECFR) as policy fellow for the Asia programme in 2014. Alongside EU-China relations her work focuses on China's foreign and security policy in East Asia and South Asia. The ECFR has offices in Berlin, London, Madrid, Paris, Rome, Sofia and Warsaw; she works from Berlin. The ECFR's Website is www.ecfr.eu.

Abstract

This paper makes an effort to analyse the changing nature of Germany's relationship with China, focusing on the increasing political and economic conflicts that have emerged in recent years. It takes in account Donald Trump's presidency and the United Kingdom's Brexit, both of which add to volatility and conflict. The quality of Germany's shifting attitude is remarkable given that, for many years, its relationship with China was thought to be special. It is significant because it indicates a major policy shift in the German-Chinese relationship, which will also play out in the European Union's China policy.

In recent years, the nature of German-Chinese relations has changed. The quality of this change is remarkable given that for many years, German-Chinese relations were thought to have no way to go but further upward.

However, the relationship has entered unfamiliar, stormy waters precisely when the Trump factor adds volatility to China's relationship with the United States, its most important political and economic partner.

The foundation of the so-called "special relationship" between Germany and China has never been political. Rather, it was their profitable economic exchange ever since the establishment of diplomatic relations in 1972. China's accession to the World Trade Organization (WTO) accelerated its economic rise, from which Germany also considerably benefitted. For a long time, China's strongest economic relationship with an EU member state has been with Germany. Around 5,000 German firms are currently operating and employing more than one million staff in China.¹ In 2016, German trade with China valued roughly €170 billion.

The better economic relations were between Germany and China, the better political relations became too, especially under the chancellorship of Gerhard Schröder (1998-2005). Chancellor Angela Merkel has been less captivated by China. She never minced words when she described what it had meant for her, as someone raised in Communist East Germany, to experience political freedom in a democratic country that values transparency and accountability in its political system. Nonetheless, under Merkel too, Germany's economic and political relations with China continued to expand.

Germany is the only European country to have a schedule of regular high-level government consultations with China: yearly meetings involving heads of government as well as the entire governments of both countries since 2011. Germany and China have what they call a "comprehensive strategic partnership" since 2014.

In total around 70 dialogue mechanisms for coordinating policies on the ministerial level exist today, including on the rule of law and human rights, and foreign, security, and financial policies. Cooperation in the international context and on global issues, however, has not evolved much so far.

While cooperation appears to have never been as close as today, the "special relationship" in turn has never seen as many difficulties as at present. Germany has become critical of China's policies and the relationship's future remains uncertain. At the very moment that the Germany's attitude towards China is undergoing deep-cutting changes, Donald Trump's presidency and Brexit add to the volatility and conflict.

¹ "German Business in China 2015", German Chamber of Commerce in China, Business Confidence Survey 2015, http://china.ahk.de/fileadmin/ahk_china/Marktinfo/Studies/2015_BCS_China_Report_EN.pdf

Germany's problems with China's new normal

While German-Chinese relations are expanding, existing political differences are becoming more distinctive and more likely to impact the decision-making process. Increasingly, ideological conflicts come out into the open that were disregarded before. This development is largely a consequence of China's "new normal:" a more assertive foreign policy and a turn to more authoritarian domestic policies since Xi Jinping became Secretary General of the Chinese Communist Party in 2012 and Chinese president in 2013. In addition, efforts to indigenize China's economy cloud the future of foreign investors, especially with their systematic pull on foreign technologies.

Germany's loss of soft power

German-Chinese relations include official meetings from the highest level of governments on down. But strong civil society engagement is also important because it has provided a bridge between the German public and the government. This bridge is important because large parts of Germany's civil society have always had a different special relationship with China than the government or business professionals. In particular, civil society has engaged China on human rights issues. This engagement manifests itself in the work of non-profit organizations, which include political foundations affiliated with political parties, and various aid organizations.

The approximately 200 German NGOs are the largest informal European presence in China with close contacts to local civil society entities, making them an integral part of Germany's efforts to build a foundation of trust for any kind of exchange. This made the establishment of bilateral rule of law and human rights dialogues possible in the first place. That engagement is one of Germany's strongest soft power tools in its relationship with China. Now, it appears Germany is losing that edge.

Germans are increasingly alarmed by China's efforts to exert stricter control over different aspects of Chinese civil society through the adoption of restrictive new laws at the cost of human rights and a pronounced anti-Western attitude.² These developments contradict impressions previously nurtured by German civil society organizations and the government that Beijing was gradually establishing a true rule of law system and was ready to cooperate with civil society in both China and abroad. Now, German NGOs are confronted with a sea-of change of an unprecedented dimension, which makes their status and work in China illegal. Last year, China passed a new law, which came into effect in January 2017, restricting the work of 7,000 foreign NGOs. Due to concerns raised by its NGOs, the German government has been addressing the

² For instance, in January 2015, China's education minister announced a ban on textbooks that promote "Western values" as well as on any criticism of the Communist Party's leadership.

issue continuously in its conversations with the Chinese government.³ The procedures require all foreign NGOs to be sponsored by a Chinese partner organization and to be then authorized by the Ministry of Public Security. The law implies scrutiny of the annual work plan and the budget of all foreign NGOs. Until successfully registered, foreign NGOs operate illegally in China.⁴

As a result, many German NGOs have temporarily frozen their operations or scaled them down to a minimum level. It is likely that most German NGOs may eventually be able to register thanks to high-level political intervention, but the scope of their work might end up being much more limited than in the past.

The NGO law de facto challenges Germany's instruments of soft power. Moreover, the overall turn-around of China's domestic politics seems to put into doubt the very *raison d'être* for Germany's heretofore active engagement policy.

Germany's engagement policy in doubt

Germany's doubts about Xi Jinping's authoritarian policies include China's increasingly assertive foreign policy. A major area of concern is China's maritime disputes in the East and South China Seas. In July 2016, the Permanent Court of Arbitration at The Hague, invoking the United Nations Convention on the Law of the Sea (UNCLOS), upon an appeal by the Philippines, ruled that China had violated international law by turning reefs and rocks in the South China Sea into "islands," all within their own Exclusive Economic Zones. China's refusal to comply with the Arbitration Court's award shows an intention to pursue its claims instead of respecting international law; this constitutes a first disassociation of China from international law in an area it formerly had subscribed to.

Germany perceives this departure as part of China's ambition to realize what Xi Jinping described ever since coming into power as the "China Dream"—the effort to "rejuvenate" China's power. China's ambition to be a global power should also be considered in the context of its US policies. Xi Jinping has been promoting a "new type of great power relationship" in which he sees China and the US in the G2 world Zbigniew Brzezinski once envisioned.

Beijing's ambition to be a global power has become visible in China's increased worldwide engagement, notably in the United Nations. Beijing has come to play a significant role, together with the US, to bring about the Paris Agreement on climate change in 2015. In addition, China offers its own solutions, a "Chinese solution," which is a term Xi first employed in October 2016

³ Bundestag, Kleine Anfrage, 28 July 2016, <http://dip21.bundestag.de/dip21/btd/18/092/1809289.pdf>.

⁴ Kai Strittmatter, Christoph Giesen, "Deutsche Stiftungen in China sind technisch illegal", *Süddeutsche Zeitung*, 13 March 2017, <http://www.sueddeutsche.de/politik/gesetze-in-china-deutsche-stiftungen-in-china-sind-technisch-illegal-1.3416071>.

to imply that China might have better solutions to regional or global problems than the United States or other powers. China has already offered such “solutions” of its own to improve global infrastructure and transportation, manifested in the “Belt and Road Initiative” and the establishment of the Asian Infrastructure Investment Bank (AIIB).

On the one hand, Germany has welcomed Beijing’s ambition to play a larger role in the global order as long as it is willing to be the “responsible stakeholder” Robert Zoellick famously demanded it to be in 2005. Germany therefore has made increasing efforts to engage China constructively in world affairs, such as the G20 or by joining and helping to shape the AIIB.

On the other hand, Germany is wary of Xi Jinping’s narratives and the role he envisages for China to play in a rules-based world order, which the Chinese government seems only selectively to support. Germany has a stake in a responsible China and an interest in its evolution into a country that supports the existing liberal and rules-based international order. It would be a challenging task for all should Beijing want to have a world order à la carte. In Berlin, China is yet not seen as really willing to punch its weight on the international stage equal to the country’s size and ambitions. Germany’s challenge is to find new ways to engage Xi Jinping’s China, which turns out to be increasingly difficult with Xi envisaging a different world.

Little wonder then that China’s new assertive posture has been visible in its dealings with Germany too. China is increasingly unwilling to discuss bilateral sensitive issues even in matters of concern for Germany. According to Reinhard Bütikofer, a German politician and member of the European Parliament, “Germany is not always treated like a partner by the new China”. An increasing majority of Germans also no longer feel that China is a trustworthy partner in the area of economic cooperation.

Economic and trade rifts

Like other EU member states and the US, Germany has become wary of China’s slowing reforms and removing opportunities for foreign firms in many cases. Instead of implementing reforms to open its markets to private and foreign investment, it appears that, to the contrary, China has introduced new policies that are likely to create further barriers for foreign companies operating on Chinese soil. But there is more pain in Germany’s case. This is mainly the direct result of German enterprises’ long-term engagement in China that have few equals among other industrialized nations (with the exception of, perhaps, Japan). German companies are increasingly concerned by China’s attempts to advance its own industrial policies at the cost of German know-how. Therefore, while German-Chinese trade and investment relations are still expanding, 2016 was also a year of strong reappraisal of their engagement in China by German companies.

German (and other European) carmakers are concerned, for instance, that the Chinese market will be made more difficult following a draft policy last September setting quotas for zero-emission vehicles.⁵ The current proposition would require eight percent of new car sales to be electric vehicles by 2018. For Germany's automobile industry, which sells more than four million cars in China, this will be a major obstacle. German industry in China is also concerned by the new Chinese cyber-security law adopted in November 2016, taking effect in June 2017, which introduces new protectionist measures for China's sphere of Internet. Under the new law, foreign firms will be increasingly scrutinized as subjects to national security reviews, and their technologies could be banned from the Chinese market. These developments have already taken their toll; among German firms operating abroad, only 37 percent of their investment targeted China in 2016, as compared to 45 percent in 2015, according to the German Chamber of Commerce.⁶

2016 was the first year Berlin truly became concerned over Chinese investments in Germany. Germany listed 58 Chinese acquisitions and most notably a sharp increase of transaction volume, a total of at least €11 billion in 2016, which is the total combined volume of the past ten years together. Chinese investment increasingly targets Germany's key future industry sectors, while investment in traditional sectors, such as real estate, is decreasing. This development is seen in the context of "Made in China 2025," a policy initiative to upgrade the Chinese industry by boosting innovation and domestic growth. The policy is meant to benefit from Germany's strategic initiative "Industry 4.0" project in particular. The worry is that China's distinctive focus on Germany's modern technologies will make China a major competitor in industries in which Germany has an edge.

China's takeovers of domestic companies are not only subject to debate within industry and government, but also among the public and the media. In February 2017, German business magazine *Wirtschaftswoche* reported on the results of an opinion poll, revealing that more than 60 percent of Germans supported the view that the government should impose restrictions on Chinese investment.⁷

The acquisition of industrial robot manufacturer KUKA by a Chinese firm further fueled the debate in 2016 on whether key technologies of Germany's "Industry 4.0" are sufficiently

⁵ "So will China mit Elektromobilität Weltmarktführer werden", *Süddeutsche Zeitung*, 30 October 2016, <http://www.sueddeutsche.de/wirtschaft/e-autos-deutsche-automobilhersteller-sind-entsetzt-ueber-chinesische-elektroquote-1.3228492-2>

⁶ Deutscher Industrie- und Handelskammertag (DIHK): Auslandsinvestitionen, <https://www.dihk.de/branchen/industrie/auslandsinvestitionen/auslandsinvestitionen>.

⁷ Bert Losse, "Allensbach Umfrage - Bundesbürger für Restriktionen gegen China", *Wirtschaftswoche*, 17 February 2017, <http://www.wiwo.de/politik/deutschland/allensbach-umfrage-bundesbuerger-fuer-restriktionen-gegen-china/19396620.html>.

protected against China's tech rush.⁸ Incidentally, while KUKA sold its US branch (Systems US-Aerospace-Business) at the beginning of 2017, in the case of semiconductor equipment supplier Aixtron the US blocked the deal in the end.

The lack of reciprocity and the risk of seeing Germany's technology siphoned off by a Chinese policy of targeted acquisitions have already impacted the thinking of government and large companies in Germany. This has triggered a change of Berlin's tone and dealings with China. Furthermore, Germany's doubts regarding the overall policy direction Xi's China have led the German government to re-examine its traditional China policy and its parameters.

Germany's China policy: The parameters are shifting

While the principles on which Germany's China policy rests have not changed, their parameters are shifting and the tone has changed. Chancellor Angela Merkel has become more openly outspoken in what she demands from China, with some in her government, such as former economics minister Sigmar Gabriel, signaling displeasure over some of China's economic, domestic and foreign policies.

While chancellor Merkel did address human rights issues during her visits in the past, the list of concerns she wants to discuss seems to grow with each visit. Last year when she visited China twice (to attend the annual government-to-government consultations, and for the G20 summit in Hangzhou) Merkel repeatedly addressed the controversial issue of China's maritime territorial claims in the South China Sea. She also reminded China that while Germany has always been an open investment market for Chinese businesses, reciprocity is expected from the Chinese side.

While Merkel did not object to China's KUKA acquisition, Gabriel much more bluntly pronounced his preference for a European buyer. German diplomats have become more outspoken on these issues too. German Ambassador Michael Clauss published an article in the *South China Morning Post* last October titled "Foreign investment in China is 'not a level playing field, but a one-way street'" and concluded "Unfortunately, reactions of our Chinese counterparts to our arguments on these issues often seem to give little cause for optimism".⁹

So far, China's responses to German criticism have remained cautious, reflecting China's interest in its trade with Germany and the belief that dependency is mutual. But Germany's shifting

⁸ See "Germany's turnabout on Chinese investment, Commentary, ECFR, 21 March 2017, http://www.ecfr.eu/article/commentary_germanys_turnabout_on_chinese_takeovers_7251.

⁹ "Foreign investment in China is 'not a level playing field, but a one-way street'", Interview with Michael Clauss, *South China Morning Post*, 28 October 2016, http://www.china.diplo.de/Vertretung/china/de/pr/2016/reden_bo/161111-scmp-pm.html?archive=3366876.

stance on Chinese investment and trade policies has not gone unnoticed. In reaction to such criticism, China's news agency *Xinhua* published a commentary headlined: "Time for Berlin to sober up from China-phobia paranoia".¹⁰ Gabriel again expressed concerns about Beijing's trade policies shortly before he visited China last November. He was received frostily: his meeting with China's National Development and Reform Commission was cancelled and the few Chinese media reports that were published on his visit accuse him of prejudices against China.

In addition to bilateral exchanges, Berlin's new concerns have been brought into multilateral fora. When Germany held the G7 presidency in 2015, G7 leaders agreed to send a "clear signal" expressing their concerns about the tensions in the East and South China Seas, opposing "the use of intimidation, coercion or force".¹¹ G7 leaders raised further concerns over the situation at their 2016 and 2017 summits. Germany also gave full support to the European Union's release of a statement urging all parties to the South China Sea dispute to pursue their claims "in accordance with international law."¹² Germany's shift within the EU has been most conspicuous – in a forum in which there had been doubts whether Merkel did not want to go it alone with China, successful as Germany was, Merkel's statements on China since 2016 have been endorsements of European unity.

Germany's shift within the EU

In 2016 Berlin gave full support to the European Union's decision to deny Market Economy Status to China - a central demand by China. 15 years after joining the WTO a key clause expired, entitling China to be treated as a market economy. But this description is not accurate, according to the EU (and also the United States). Berlin also advocated in a common position with Paris to revamp European trade defense instruments, an unprecedented decision for Germany whose global trade surplus is even larger than China's and therefore is generally against any kind of protectionist measures. Berlin has even pushed the debate on investment to the EU level by bringing its concerns forward in a joint letter to the European Commission together with Paris and Rome in February 2017.

Berlin strongly supported the EU's ambitious China Strategy of 2016, which stresses the need for China to tackle its economic issues and to adhere to international rules and norms. The latter

¹⁰ Zhu Dongyang, *Xinhua*, 28 October 2016, http://news.xinhuanet.com/english/2016-10/28/c_135787533.htm.

¹¹ Leader's Declaration at the G7 Summit 7-8 June 2015, https://www.bundesregierung.de/Content/EN/Anlagen/G7/2015-06-08-g7-abschluss-eng_en.pdf?blob=publicationFile&v=3.

¹² Declaration by the High Representative on behalf of the EU on Recent Developments in the South China Sea, European Council Press Release, 11 March 2016, <http://www.consilium.europa.eu/en/press/press-releases/2016/03/11-hr-declaration-on-bealf-of-eu-recent-developments-south-china-sea/>.

mainly meant UNCLOS. A Chinese scholar who reviewed the strategy noted, “the paper shows disappointment with Xi’s policies”.¹³

In addition, Germany remains one of only a handful of EU countries, which still continuously push for joint statements on human rights issues in China in multilateral fora. Such initiatives led by EU member states are rare. Last year’s joint Franco-German initiative to award a prize for human rights, among others, to a Chinese human rights lawyer (Wang Qiaoling), proved to be one of the few. Less than half of EU member states signed on to last year’s unprecedented joint statement issued to the UN Human Rights Council. At the beginning of 2017, Germany and ten other countries signed a letter addressing human rights violations such as torture of detained human rights lawyers in China. They intended to send a strong signal to Beijing – but in the end it was stopped by a veto by Hungary.¹⁴

Hungary and some other governments (Croatia, Greece, and Slovenia) also objected to including a direct reference to China in the EU’s statement on The Hague’s ruling over the South China Sea. At least in the case of Hungary it appears certain that its government has become much less willing to criticize Beijing. The reasons for this are assumed to be Beijing’s promises of large Chinese investments in these countries. Berlin has therefore become increasingly concerned about China’s strong-arm efforts to get what it wants from smaller partners in the EU.

In turn, China appears to have become increasingly concerned about the shifting political climate in Germany and the EU. This unease is even more prominent following Britain’s Brexit vote. Having left the Union, Great Britain will be strongly motivated to expand its economic partnership with China. The question is whether this will make up for losses to Britain incurred after China relinquishes the UK as currency hub and its gateway for EU investment. The fact that China will also lose the UK as a strong partner within the EU that advocates openness towards Chinese investment (the UK would not have supported an EU-wide debate on screening foreign investment, for instance) also means less interest in China accommodating British hopes.

The uncertainty Brexit created around China’s future relationship with the EU makes it almost imperative for Beijing to invest even more energy in its well-established and close bilateral relationship to Berlin – also in order to impact EU policy. Beijing has already planned (against all diplomatic protocol) to pay unprecedented two top-level bilateral visits to Berlin in 2017: a prime minister visit following the multilateral EU-China summit in May and a state visit by Xi following the - again - multilateral G20 summit in Hamburg in July. China’s efforts to strengthen

¹³ Drawing from interviews in Beijing, November 2016.

¹⁴ Kai Strittmatter, “Brief gegen die Grausamkeiten”, *Süddeutsche Zeitung*, 21 March 2017, <http://www.sueddeutsche.de/politik/china-brief-gegen-die-grausamkeiten-1.3429721>.

its relations with Germany have likely also been reinforced by the uncertainty about Donald Trump's future aims and strategies.

The US factor

Trump's election signals a possible turn to mercantilism and trade protection that far dwarfs German criticism of the lack of reform in China's economy. Several times Trump has lashed out at China, accusing Beijing of manipulating its currency and "killing" the United States on trade. Even if he has stopped attacking China in recent weeks, and may even work toward more American-Chinese cooperation on North Korea, Trump's mixed signals will leave China continuously fathoming his next moves for a long time to come.

Confronted with both the Brexit and US Trump presidency, Berlin might be tempted to invest even more in its bilateral relationship with China, but that remains to be seen. What is sure is that in Germany's China debate a new factor has gained in weight with the first notions of the new Trump administration's China policy. They have resulted in a certain degree of incertitude whether Germany and the EU will continue to pursue the same China strategy as the United States. The US under Trump has already parted with other Western countries on the human rights issue in China. As Canada's newspaper *Globe and Mail* revealed, the United States had declined to join the eleven EU countries at the Human Rights Council to sign the joint letter at the beginning of 2017.¹⁵ This is remarkable as international efforts to remind China of its human rights violations in past had most often been led by the United States.

In addition, America's new mercantilism contrasts with Germany's stance on free trade and open markets. Angela Merkel and liberal conservatives in Germany are traditionally wedded to the free trade positions and economic pragmatism that has also been a certain German tradition. Merkel has been on the forefront to defend global free trade, in particular this year during its G20 presidency. Prior to the meeting in Baden-Baden in March, Germany advocated a common line of the G20 leaders stressing the importance of global free trade. This year, however, the US was no longer willing to reaffirm its commitment to global free trade. The US also withdrew from its climate change commitments, threatening to reverse the most positive outcome of the last two years' summits, the agreement on climate change.

Germany is concerned to be losing its strongest ally in engaging China; concerns, which touch upon the overall role Trump's America will play in the rules-based world order. As a February poll revealed, only 22 percent of Germans perceive the US as a trustworthy partner, down from

¹⁵ Nathan Vanderklippe, "Canada, 10 other countries call out China for torturing human rights lawyers", *Globe and Mail*, 20 March 2017, <http://www.theglobeandmail.com/news/world/canada-10-other-countries-call-out-china-for-torturing-human-rights-lawyers/article34346186/>.

59 percent last year before the presidential election – a record low.¹⁶ In addition, 67 percent of the German public believes that Trump’s trade policies will weaken the German economy.

Meanwhile, China is turning itself into the new advocate of global free trade. Notably during the last Davos meeting in 2017, Xi Jinping strongly spoke out for free trade and globalization. And as the US under the new Trump presidency is looking to exit from the climate change agreement, China might play an even more important role to lead on fulfilling the targets set. By opposing Germany’s free trade call in particular, Trump has brought Germany and China much closer together than before, at least symbolically.

This development is bound to impact the German debate. A tougher China policy would constitute a major policy shift and so it depends on whether German society will arrive at a new consensus, supporting it. This discussion might well play a role in Germany’s US policy after this year’s elections should the new Trump administration pursue a confrontational China policy – but also should he try to be forthcoming and to accommodate China at the cost of others. Particularly on economic and trade issues Germany might find itself divided, with some inclined to side with the US, its traditional ally, and some with China, its new sidekick in defending global free trade.

Current trends indicate that large parts of German society maintain no illusion that China quickly evolves towards an open market economy, and will want to demand reciprocity or otherwise protect Germany’s market. Trump may find many Germans agreeing with his call for more protectionist trade policies. “Trump’s call for more reciprocity and “equal opportunity” is plausible and legitimate in the case of China,” Stefan Fröhlich, a German international relations professor wrote last year.¹⁷

Others within Germany’s policy elites will want to continue to rely on economic interdependence with China to counter America’s mercantilism. Trump’s trade protectionism threatens Germany’s interests indirectly, through its China relationship. The German economy would suffer if trade with China became hostage to a conflict with the US. Germany would be faced with either protectionist barriers going up generally, or with an attempt by China to make up for its losses with the US by exporting still more to Europe. But Trump’s turn would also threaten Germany directly: Trump’s trade adviser Peter Navarro accused Germany for using the Euro to exploit the US.

¹⁶ ARD Deutschlandtrend February 2017, Infratest dimap, <https://www.infratest-dimap.de/umfragen-analysen/bundesweit/ard-deutschlandtrend/2017/februar/>.

¹⁷ Stefan Fröhlich, “Germany cannot replace the US but Europe can live with Trump”, Centre for Transatlantic Relations, February 2017, <https://transatlanticrelations.org/publication/germany-cannot-replace-us-europe-can-live-trump-stefan-frohlich/>

Trump has put Germany and China into the same boat. This might lead to even closer German-Chinese relations, all bilateral problems notwithstanding. The debate on whether national laws on foreign investment in Germany should be more restrictive, for instance, might in the end come to nothing. The free traders, in particular large parts of Germany's industry, want the German market to remain open and will likely object to protectionist policies, even more so now, confronted with the Trump phenomenon.

The outcome of the debate is unclear as of yet. During the New Silk Road summit in May, the German government openly disagreed with China's version of "free and inclusive trade." Germany's economic minister Brigitte Zypries called upon China to include guarantees on free trade and fair competition in a final statement on trade, according to German media.¹⁸ She was unsuccessful, and consequently Germany, France, the UK, and other European countries (even Hungary) did not sign on. China's recent pledges to defend free trade, as they have yet to be met, in effect so far have backfired.

While as trading partners Germany and China could be confronted with the same challenges, Berlin currently does not see China as a replacement for the US as a partner in defending global free trade. The US probably will remain—or so it is hoped—an indispensable ally of Germany in the rules-based order, and of Western values. But Germany will also not follow a Trump administration's incalculable moves, least of all its push against multilateral rules and alliances in favor of ad hoc bargaining.

Germany's conclusion

If anything, the uncertainty regarding Trump's next moves on China seems to have reinforced Germany's intention to more clearly define its interests towards China and the region as a whole. German ministries and the Chancellery are increasingly aligned on re-evaluating their traditional policy of engaging China and re-thinking Germany's overall role in Asia as a whole.

Gabriel amplified the shift on investment and trade relations with China in his former capacity as economic minister. Presently, as foreign minister, he plans to revamp Germany's Asia policy. Soon after taking office at the end of March he created an "Asia Department" for the first time ever at the foreign ministry. Acknowledging Asia to be a key player in the new world order, Gabriel wants to intensify relations with Asian countries and for his ministry to take a more strategic approach towards the region. He aims to focus on trade agreements while also stressing the importance of free trade as well as adherence to social standards. He previously stated that "Today, we must acknowledge that Asian countries are not only trading partners, but have long

¹⁸ "68 Länder wollen Seidenstrasse fördern", *Die Zeit*, 15 May 2017, <http://www.zeit.de/wirtschaft/2017-05/neue-seidenstrasse-china-wirtschaft-kooperationsabkommen>

since become competitors.”¹⁹ When he says that, his audience understands that he speaks about China most of all.

Gabriel’s own “pivot to Asia” is also to be seen in the context of the new US administration’s trade policies as an attempt to leverage the US withdrawal from the Trans-Pacific Partnership (TPP) so as to negotiate its own agreements. Gabriel’s ambition to strengthen Germany’s trade relations beyond China in Asia could indicate a trend towards a policy push to diversify Germany’s economic partnerships and to reduce its dependency on China.

Lastly, Germany’s conclusion about its relationship with China and Trump’s future policies is seemingly that it needs to align itself even closer with its EU allies. Intriguingly, the election of Trump, and probably also Brexit, has evoked more sympathy for EU unity in Germany’s public opinion. A notable majority of 80 percent of Germans believes that the European Union needs to be more unified in response to Trump.²⁰

In an era of increasing divergences and potential fragmentation within Europe, the EU also needs to achieve a newly, and better, balanced China policy. Some compromises on Germany’s direct interests may be necessary in order for the EU to arrive at a new consensus among member states. To firm up European China policy, member states need to work more to dispel the perception by China that it will gain from bilateral bargaining with some member states what it cannot gain at the EU level. They have to convince China that it must make concessions at the Union level. This will not be easy for Germany when its own budget and financial policies are criticized at Europe’s periphery by member states that look forward to Chinese investments and loans. Nevertheless, the release of the EU’s China strategy in 2016 also illustrates that it is possible to formulate a common strategy collectively, while China, with its divide and rule strategy, maintains several layers of multi- and bilateral relations with the EU and its member states.

Based on recent developments Germany is likely to continue to push for a tough EU policy towards China. For Berlin to do so without risking a potential slide towards conflict with China, and at the same time directly coordinating with the European Commission and member states, will be challenging. However, if managed successfully, Germany’s lead on the EU’s China policy could in fact become an example of coordination and unity.

¹⁹ Speech by Foreign Minister Sigmar Gabriel on Egon Bahr’s Tutzing speech, Federal Foreign Office, 15 March 2017, http://www.auswaertiges-amt.de/EN/Infoservice/Presse/Reden/2017/170315_BM_Rede_Egon_Bahr.html?nn=479796.

²⁰ ARD Deutschlandtrend, February 2017

The Turkish Economy Today

A Case Study from the EU Candidate & Potential Candidate Countries' Economic Quarterly (CCEQ) in the 1st Quarter 2017

In view of Turkish foreign policy - towards Russia, the European Union, the Middle East etc. - with all its facets, the economic situation of the country is often mentioned but not discussed in detail. It is often neglected also towards the constitutional changes, the evident autocratic reign of Erdogan, as well as his shrill expressions which sound strange, to put it mildly, for Europeans. In this context, we publish an extract of a paper by the relevant services of the EU Commission,

Overview²¹

- In Turkey, the economy slowed markedly in 2016 with consumption expenditures the main driver of growth and in the context of sharply lower revenues from tourism.
- In Turkey, in 2016, the labour market softened in line with a slowing economy with employment growth decelerating to 2.2% from 2.5% in 2015 and the unemployment rate rising to 11.1% from 10.5%. Youth unemployment has been rising to even higher levels than in 2015
- In Turkey, the current account deficit remained sizeable at 3.8% of GDP in 2016 largely due to the sharp contraction of tourism income offsetting favourable impacts of the oil price fall
- In Turkey, annual CPI inflation marginally increased to 7.8% in 2016 up from 7.7% in 2015 on the back of the depreciation of the lira and expectations for increasing inflation levels, still significantly above the official 5% target.
- In Turkey, annual credit growth decelerated to 16.1% in 2016 from 20.7% in 2015, while the NPL ratio stood at 3.4%, increasing slightly from 3.1% in 2015.
- In Turkey, the general government balance switched from a surplus of 1.3% of GDP in 2015 to a deficit of 0.9% in 2016 as the government implemented fiscal stimulus to counteract the economic slowdown. Following the recent revision of 2015 GDP data, the general government debt declined from 27.5% in 2015 to 26.4% of GDP in 2016.

²¹ This document was written by the staff of the Directorate General for Economic and Financial Affairs, Directorate D for International Economic and Financial Relations and Global Governance, Unit D1 – Candidate and Pre-Candidate Countries, European Economy Technical Papers Nr. 016, European Commission, Directorate-General for Economic and Financial Affairs Contact: Uwe.Stamm@ec.europa.eu, 2017.

Candidate and potential candidate countries: Summary table

	2012 2013 2014 2015 2016					ECFIN 2017 Winter forecast		Q3 16 Q4 16 Q1 17			Jan 17 Feb 17 Mar 17				
						2017	2018								
Gross domestic product (in real terms, annual % change)															
Albania	1.4	1.0	1.8	2.6	3.5	3.5	3.6	3.1	4.0	:	N.A.	N.A.	N.A.		
The former Yugoslav Republic of Macedonia	-0.5	2.7	3.5	3.8	2.4	3.2	3.6	2.0	2.4	:	N.A.	N.A.	N.A.		
Montenegro	-2.7	3.5	1.8	3.4	2.5	3.7	3.1	2.4	3.4	:	N.A.	N.A.	N.A.		
Serbia	-1.0	2.6	-1.8	0.8	2.8	3.0	3.3	2.8	2.5	:	N.A.	N.A.	N.A.		
Turkey	4.8	8.5	5.2	6.1	2.9	2.8	3.2	-1.3	3.5	:	N.A.	N.A.	N.A.		
Bosnia and Herzegovina	-0.9	2.4	1.4	3.2	2.7	:	:	2.4	3.3	:	N.A.	N.A.	N.A.		
Kosovo*	2.8	3.4	1.2	4.1	3.4	:	:	3.8	3.0	:	N.A.	N.A.	N.A.		
Unemployment															
Albania	13.8	16.4	17.9	17.5	15.6	14.5	13.4	15.2	14.5	:	N.A.	N.A.	N.A.		
The former Yugoslav Republic of Macedonia	31.0	29.0	28.0	26.1	23.7	23.2	22.0	23.4	23.1	:	N.A.	N.A.	N.A.		
Montenegro	19.7	19.5	18.0	17.6	17.8	17.4	17.1	16.9	17.5	:	N.A.	N.A.	N.A.		
Serbia	23.9	22.1	19.2	17.7	15.3	14.3	12.6	13.8	13.0	:	N.A.	N.A.	N.A.		
Turkey	N.A.	N.A.	10.1	10.5	11.1	11.2	11.5	11.4	12.4	:	:	:	:		
Bosnia and Herzegovina	28.0	27.5	27.5	27.7	25.4	:	:	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.		
Kosovo*	30.9	30.0	35.3	32.9	:	:	:	27.5	N.A.	N.A.	N.A.	N.A.	N.A.		
Current account balance (% of GDP)**															
Albania	-10.2	-10.9	-12.9	-10.8	-9.6	-13.1	-12.8	-11.0	-9.4	:	N.A.	N.A.	N.A.		
The former Yugoslav Republic of Macedonia	-3.2	-1.6	-0.5	-2.1	-3.2	-1.7	-1.6	-3.3	-3.1	:	N.A.	N.A.	N.A.		
Montenegro	-18.5	-14.5	-15.2	-13.3	-18.9	-22.7	-23.4	-18.7	-18.9	:	N.A.	N.A.	N.A.		
Serbia	-11.6	-8.1	-6.0	-4.7	-4.0	-4.2	-4.2	-4.2	-4.0	:	N.A.	N.A.	N.A.		
Turkey	-5.5	-7.8	-5.0	-3.8	-3.8	-4.3	-4.9	-3.8	-3.8	:	N.A.	N.A.	N.A.		
Bosnia and Herzegovina	-8.7	-5.3	-7.3	-5.5	:	:	:	-4.5	:	:	N.A.	N.A.	N.A.		
Kosovo*	-5.8	-3.4	-6.9	-8.6	-9.4	:	:	-10.0	-9.4	:	N.A.	N.A.	N.A.		
Inflation (Consumer price index, annual % change)															
Albania	2.0	1.9	1.6	1.9	1.3	2.2	2.6	1.9	1.9	0.7	2.8	2.2	1.2		
The former Yugoslav Republic of Macedonia	3.3	2.8	-0.3	-0.3	-0.2	0.9	2.4	-0.1	-0.1	:	0.6	0.2	:		
Montenegro (HICP)	4.0	1.8	-0.5	1.4	0.1	1.4	2.1	-0.4	0.7	0.5	2.1	2.5	0.3		
Serbia	7.3	7.9	2.1	1.4	1.1	2.4	3.3	1.0	1.5	:	2.4	3.2	:		
Turkey	8.9	7.5	8.9	7.7	7.8	8.0	7.6	8.0	7.6	10.2	9.2	10.1	11.3		
Bosnia and Herzegovina	2.0	-0.1	-0.9	-1.0	-1.1	:	:	-1.1	-0.4	:	0.7	1.2	:		
Kosovo*	2.5	1.8	0.4	-0.5	0.3	:	:	0.2	1.1	:	1.7	1.7	:		
General government balance (% of GDP)															
Albania	-3.4	-5.0	-5.2	-4.1	-1.8	-2.2	-1.7	:	0.9	:	N.A.	N.A.	N.A.		
The former Yugoslav Republic of Macedonia	-3.8	-3.8	-4.2	-3.4	-2.6	-3.2	-3.0	-1.4	-4.4	:	N.A.	N.A.	N.A.		
Montenegro	-5.7	-5.2	-2.9	-8.4	-3.6	-6.6	-6.0	-0.7	-3.6	:	:	:	:		
Serbia	-6.8	-5.5	-6.6	-3.7	-1.4	-1.2	-1.0	1.3	-4.6	:	N.A.	N.A.	N.A.		
Turkey	-0.4	0.1	0.1	1.3	-0.9	-2.0	-1.8	-0.4	-1.0	:	N.A.	N.A.	N.A.		
Bosnia and Herzegovina	-2.0	-2.2	-2.0	0.7	:	:	:	:	:	:	N.A.	N.A.	N.A.		
Kosovo*	-2.6	-3.1	-2.2	-2.0	-1.2	:	:	:	:	:	N.A.	N.A.	N.A.		

This designation is without prejudice to positions on status, and is in line with UNSCR 1244 and the ICJ Opinion on the Kosovo Declaration of Independence, ECFIN forecast, winter 2017. Q figures refer to a 4 quarters moving average.

Key developments

The Turkish government submitted the Economic Reform Programme (ERP) for 2017-2019 to the European Commission on 7 February and made it available on line subsequently. It projects an increase of GDP growth to 4.4% in 2017 and to 5% in the following two years. According to the programme, annual average inflation will decline from 7.2% in 2017 to 5.9% in 2019, the unemployment rate from 10.2% to 9.8%, and the current account deficit from 4.2% to 3.5% of GDP by 2019. The general government budget deficit is projected to remain relatively low decreasing from 1.7% of GDP in 2017 to 1.0% in 2019. The ERP's economic figures do not include the revision of the national accounts methodology on 12 December by Turkstat.

Real Sector

In the fourth quarter, real GDP increased by 3.5% year-on-year and by 3.8% quarter-on-quarter (seasonally and calendar adjusted), according to Turkstat's revised methodology. Growth figures have also been revised for the second (5.3% year-on-year instead of 4.5% reported in December 2016) and the third quarter (-1.3% year-on-year instead of -1.8%). The growth of the economy over the full 2016 is estimated to have been 2.9% year-on-year, which is a significantly lower growth rate than the year before (6.1%). In the fourth quarter, output in industry reported the strongest growth (+7.2% year-on-year) outpacing the construction sector (+3.7%). Relatively weak performance was seen in the agriculture (+1.3% year-on-year) and services sector (+1.8%). The low growth of valued added in the services sector is remarkable given the strong growth in household consumption in the fourth quarter. Over the full year, construction was the best performing sector (+7.2% year-on-year) whereas output declined in the agriculture (-4.1%) and the services sector (-0.8%).

In the fourth quarter, household consumption increased by 5.7% year-on-year. Foreign trade still contributed negatively to growth although exports of goods and services displayed growth (+2.3% year-on-year in 2016 Q4) after the strong decrease in the third quarter (limited revision). Imports grew at a higher rate (+3.3% year-on-year in 2016 Q4). Gross fixed capital formation was up by 2.0% year-on-year. Notably, reported figures for the second and third quarter were also significantly revised. The most notable revision being government consumption registering +5.6% year-on-year instead of the earlier reported +23.8% year-on-year in the third quarter. Overall, GDP estimates were revised upwards for these two quarters. Retail sales continued their slide in 2017, decreasing in January by 2.0% year-on-year. Food registered a small surplus and

non-food decreased with the only non-food item registering an increase being medical goods and cosmetic. Consumer sentiment was essentially flat during the first quarter of 2017 but 3.4 pps higher than at the end of 2016. The consumer sentiment probably benefited from the VAT rate reductions on durable goods and labour demand stimulus.

Business confidence also stabilized with the PMI manufacturing increasing from 47.8 in December 2016 to 52.3 in March 2017. After dipping at 87.5 in January, service confidence rose throughout the first quarter to stand at 96.9 in March (EC/Turkstat measure). Employment expectations rose particularly strong from 93.7 in January to 104.6 in March; some 4 pps higher than in December and 5 pps higher than in January 2016. Industrial production grew by 1.4% year-on-year in the first two months of 2017.

Labour market

In parallel to the economic slowdown during 2016, the labour market softened. During 2016, the unemployment rate rose to 12.9% at the end of 2016 from 11.0% at the end of 2015. Youth unemployment registered the largest increase from 19.2% in December 2015 to 24.0% in December 2016 with a particularly strong increase in the female youth unemployment rate from 20.7% to 28.8%. The unemployment rate averaged 11.1% over the full year 2016 for the 15-64 age group and 20.8% for the 15-24 age group. The labour force increased by 3.0% year-on-year in December 2016 and employment grew by 0.3% year-on-year. Hourly labour costs rose a modest 0.8% quarter-on-quarter in the fourth quarter of 2016. The annual change in labour costs was much higher at 18.5% as a consequence of the strong rise in the first quarter brought about by the rise in the minimum wage. Services and mining-quarrying saw a decrease in labour costs in the fourth quarter after having had the largest increase in the first quarter whereas construction and manufacturing witnessed a further increase after registering a more moderate increase in the first quarter.

External sector

In January 2017, the current account recorded a deficit of USD 2.8 billion, bringing the 12-month rolling deficit to USD 33.2 billion (about 4.6% of GDP). The increase in the current account deficit is mainly attributable to a worsening of the trade deficit in goods, with the rise in imports outpacing the rise in exports, and a significant decline in exports of trade in services related tourism (incl transport). Net investment in Turkey increased by USD 179 million in January 2017 compared to January 2016 reaching USD 3.5 bn with a notable increase in portfolio investments thanks to a placement of foreign currency bonds by the Turkish government of USD 2 bn. Foreign currency reserve assets of the central bank fell by USD 2.1 bn as a sale of reserve securities was not matched by an increase in foreign currency and deposits.

Monetary developments

Headline inflation registered double digit figures in both February (+10.1% year-on-year) and March (+11.3%). The central bank governor indicated on 9 February 2017 that he expects end-of-year inflation to be 8% year-on-year. This would still be significantly above the 5% target and would also exceed the 7% upper band for a fourth year in a row. The Turkish central bank increased the interest rate on its late liquidity window on 16 March. In its press release it pointed to "cost-push pressures" and "the volatility in food prices" as a reason for raising what has now become the most-watched, but previously not-gauged, interest rate by 75 basis points.

Financial sector

Equity prices have generally increased during the first quarter with the Borsa Istanbul 100 Index gaining 14.2% quarter-on-quarter. Bank lending to the corporate sector increased by 22.5% year-on-year and consumer loans (including credit cards) increased by 10.5% in the first two months of 2017. Although this was significantly higher than loan growth in 2016, it is at the lower end of loan growth over a longer history. Loan growth was in particular strong in the tourism sector (+33 % year-on-year) and construction sector (+30 % year-on-year). Loans to the manufacturing sector grew by 16 % year-on-year in January and February. Growth in non-performing loans was particularly strong in the manufacturing sector during this period with a year-on-year increase of 42% (NPL ratio 3.7%) The non-performing loans in the tourism sector, suffering from the drop in tourist arrivals, grew by 28% year-on-year (NPL ratio 2.3%). Deposits grew by 19% year-on-year in the first three months with foreign currency deposits growing faster than lira deposits. The loan-to-deposit ratio stood at 122 % in February. Bank profits rose by 86 % y.o.y in the first two months of 2017 supported by an increase of net interest income by 29 % year-on-year, a base effect, changes in macro-prudential regulation, and an acceleration of loan growth.

Fiscal developments

Fitch downgraded Turkey's Long-Term Foreign Currency Rating to 'BB+' from 'BBB-' on 27 January 2017, referring to long standing external vulnerabilities. The central government posted a budget surplus of TRY 11.4 bn in January 2017 owing to a stronger increase in revenues (+25.8% year-on-year) than in expenditures (+11.3%). The government has hinted it will prolong the cuts on VAT rates on white goods, furniture and housing. The cost of the existing measures is estimated by the ministry of Finance to be TRY 1 bn.

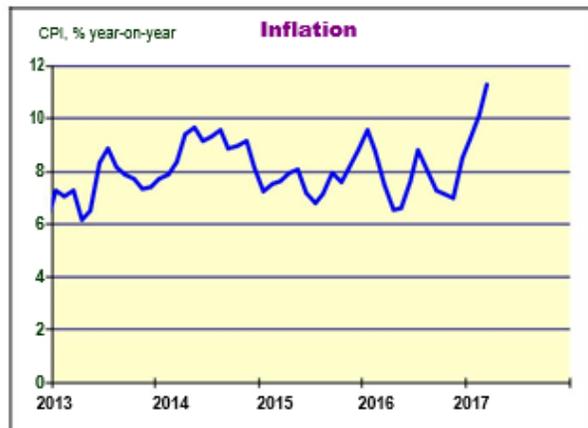
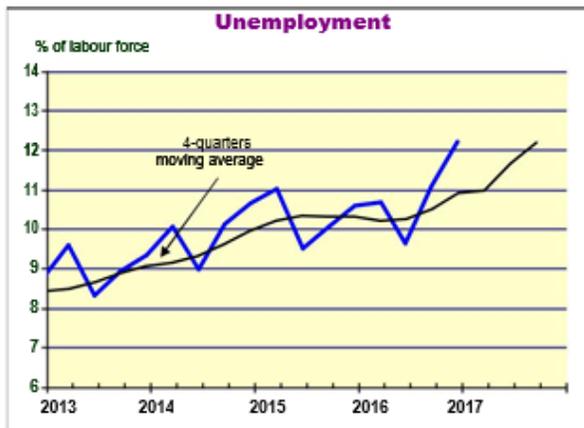
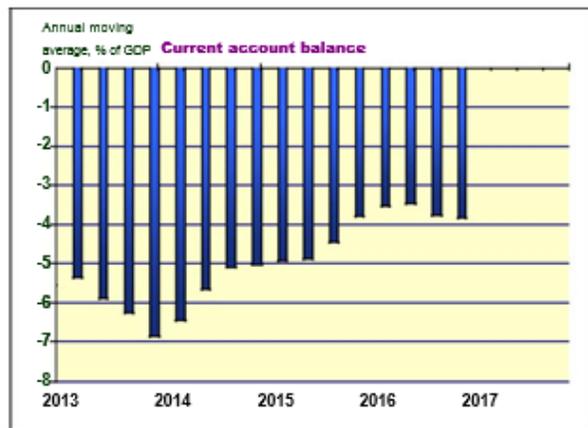
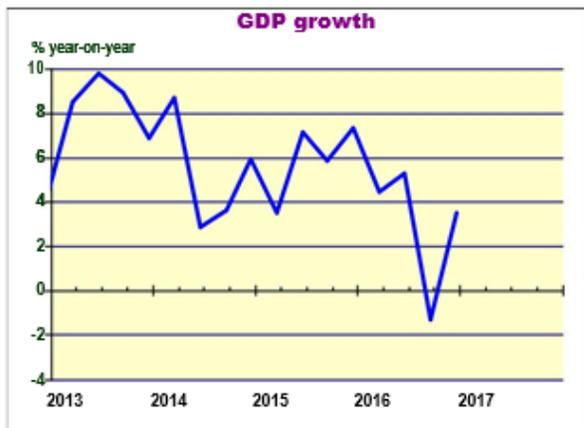
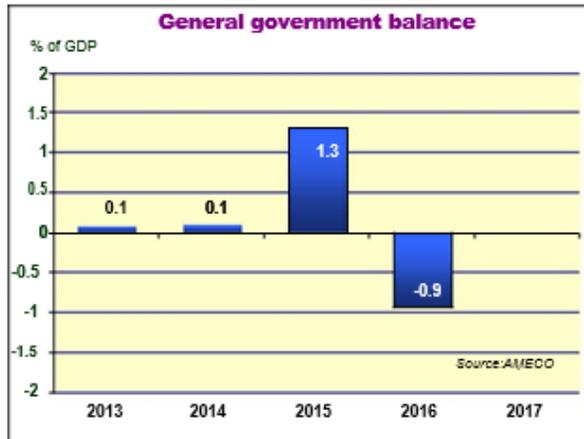
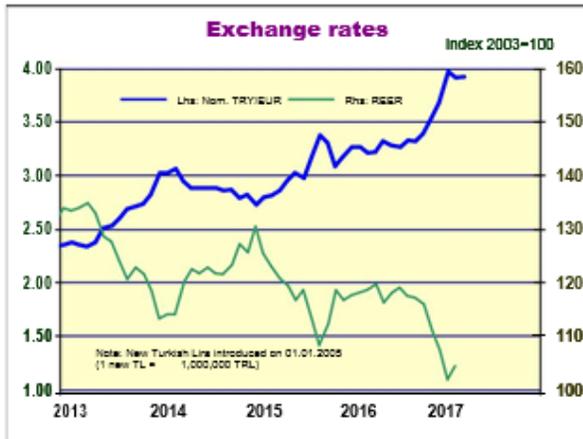
Table

		2012	2013	2014	2015	2016	ECFIN 2017		Q3 16	Q4 16	Q1 17	Jan 17	Feb 17	Mar 17
							2017	2018						
1 Real sector														
Industrial confidence ^{1.1}	B alance	106.3	108.1	107.1	104.0	105.2	:	:	106.0	101.3	103.5	97.0	105.3	108.1
Industrial production ^{1.2}	Ann. % ch	2.4	3.5	3.5	2.9	1.8	:	:	-1.7	2.1	:	2.6	:	:
Gross domestic product ^{1.3}	Ann. % ch	4.8	8.5	5.2	6.1	2.9	2.8	3.2	-1.3	3.5	:	N.A.	N.A.	N.A.
Private consumption ^{1.4}	Ann. % ch	3.2	8.0	2.9	5.4	2.3	3.5	4.0	-1.7	5.7	:	N.A.	N.A.	N.A.
Gross fixed capital formation ^{1.5}	Ann. % ch	2.7	13.8	5.1	9.2	3.0	-1.4	0.0	0.5	2.0	:	N.A.	N.A.	N.A.
Construction index ^{1.6}	Ann. % ch	34.9	16.4	38.7	-9.3	15.4	:	:	-5.6	21.9	:	N.A.	N.A.	N.A.
Retail sales ^{1.7}	Ann. % ch	5.2	4.1	3.9	3.6	0.7	:	:	-0.7	-1.7	:	-2.0	-4.4	:
2 Labour market														
Unemployment ^{2.1}	%	N.A.	N.A.	10.1	10.5	11.1	11.2	11.5	11.4	12.4	:	:	:	:
Employment ^{2.2}	Ann. % ch	N.A.	N.A.	N.A.	2.5	2.2	2.2	2.7	1.3	1.3	:	:	:	:
Wages ^{2.3}	Ann. % ch	11.5	12.4	14.2	14.9	:	7.1	9.3	19.0	:	:	:	:	:
3 External sector														
Exports of goods ^{3.1}	Ann. % ch	13.0	-0.4	3.8	-8.7	-0.9	:	:	-3.4	4.6	:	18.0	-1.9	:
Imports of goods ^{3.2}	Ann. % ch	-1.8	6.4	-3.8	-14.4	-4.2	:	:	-6.0	2.9	:	15.9	1.6	:
Trade balance* ^{3.3}	% of GDP	-7.5	-8.4	-8.8	-5.6	-4.8	-5.7	-5.9	-4.9	-4.8	:	N.A.	N.A.	N.A.
Exports goods and services ^{3.4}	% of GDP	23.7	22.3	23.8	23.3	22.1	:	:	22.1	22.1	:	N.A.	N.A.	N.A.
Imports goods and services ^{3.5}	% of GDP	28.6	28.1	27.6	26.0	25.0	:	:	25.0	25.0	:	N.A.	N.A.	N.A.
Current account balance* ^{3.6}	% of GDP	-5.5	-7.8	-5.0	-3.8	-3.8	-4.3	-4.9	-3.8	-3.8	:	N.A.	N.A.	N.A.
Direct investment (FDI, net)* ^{3.7}	% of GDP	1.5	1.3	1.4	2.0	1.4	:	:	1.5	1.4	:	N.A.	N.A.	N.A.
International reserves ^{3.8}	bil EUR	104.8	107.9	115.0	117.8	122.9	:	:	123.4	122.9	:	124.4	:	:
Int. reserves / months imp ^{3.9}	Ratio	6.8	6.8	7.6	7.6	8.2	:	:	8.3	8.2	:	8.2	:	:
4 Monetary developments														
CPI ^{4.1}	Ann. % ch	8.9	7.5	8.9	7.7	7.8	8.0	7.6	8.0	7.6	10.2	9.2	10.1	11.3
Producer prices ^{4.2}	Ann. % ch	6.1	4.5	10.2	5.3	4.3	:	:	2.9	6.4	15.0	13.7	15.4	16.1
Food prices ^{4.3}	Ann. % ch	8.4	9.1	12.6	11.1	5.8	:	:	6.7	4.8	9.7	7.8	8.7	12.5
M4 ^{4.4}	Ann. % ch	9.0	18.5	16.4	17.5	12.5	:	:	8.8	14.0	:	18.2	14.6	:
Exchange rate TRY/EUR ^{4.5}	Value	2.31	2.53	2.91	3.02	3.34	:	:	3.31	3.54	3.93	3.97	3.91	3.92
Nominal eff. exchange rate ^{4.6}	Index	84.14	78.87	69.40	64.20	59.10	:	:	59.63	55.40	:	48.89	49.74	:
5 Financial indicators														
Interest rate (3 months) ^{5.1}	% p.a.	8.44	6.60	9.84	10.48	9.88	:	:	9.11	9.11	10.92	10.18	11.00	11.57
Interest rate, long term ^{5.2}	% p.a.	8.47	7.77	9.18	9.30	10.19	:	:	9.67	10.67	:	11.36	:	:
Stock markets ^{5.3}	Index	63 731	77 977	75 190	80 662	77 222	:	:	77 247	76 726	:	80 897	88 084	:
Credit grow th ^{5.4}	Ann. % ch	18.6	33.4	19.4	20.7	16.1	:	:	8.3	16.1	:	18.9	18.2	:
Deposit grow th ^{5.5}	Ann. % ch	10.8	20.4	18.1	18.4	13.8	:	:	10.2	13.8	19.0	20.1	18.4	18.6
Non-performing loans ^{5.6}	% total	3.0	3.0	3.0	3.1	3.4	:	:	3.4	3.5	3.4	3.3	3.4	3.4
6 Fiscal developments														
General government balance ^{6.1}	% of GDP	-0.4	0.1	0.1	1.3	-0.9	-2.0	-1.8	-0.4	-1.0	:	N.A.	N.A.	N.A.
General government debt ^{6.2}	% of GDP	32.6	31.3	28.6	27.5	26.4	31.2	30.8	:	:	:	N.A.	N.A.	N.A.

f: ECFIN forecast Winter 2017

* Q figures refer to a 4 quarters moving average.

Charts



The "Marshall Plan with Africa": Africa and Europe – A New Partnership for Development and Peace



The EU is on the (long and cumbersome) way to redefine its Africa policy. There are numerous initiatives, there was the G20 Summit in Hamburg on Africa, and many talk about the famous "Marshall Plan" with Africa. Originally, this plan was intended after WWII by the former US Secretary of State Marshall for the reconstruction of Europe, and the new, democratic Germany still today knows and

praises this Plan. So the German Ministry of Economic Cooperation uses for now this name. As also many do not know exactly what the new Marshall Plan intends, we herewith republish it in English language. It was an initiative of the (courageous) Minister Gerd Müller, not even adopted by the Cabinet - it was just a paper to be discussed. There are good chances that the EU will realise this plan somehow. At the same time, it is a checklist for opportunities for EU Member States, but also for African governments.

Contents

Africa and Europe – A new partnership for development and peace

10 starting points for a Marshall Plan with Africa

Chapter 1: Africa – Europe's partner continent

- Chapter 1.1: Cooperation based on values and interests
- Chapter 1.2: Africa has tremendous assets
- Chapter 1.3: The continent of opportunity
- Chapter 1.4: Build-ing on African ideas and structures

Chapter 2: The essence of the Marshall Plan

- Chapter 2.1: New forms of cooperation – reform partnerships
- Chapter 2.2: New rules of cooperation
- Chapter 2.3: A new dimension of financing

Chapter 3: The pillars of the Marshall Plan

- Pillar 1: Economic activity, trade and employment
- Pillar 2: Peace, security and stability
- Pillar 3: Democracy, rule of law and human rights

Chapter 4: The foundations of the Marshall Plan

- Chapter 4.1: Food and agriculture
- Chapter 4.2: Protecting natural resources
- Chapter 4.3: Energy and infrastructure
- Chapter 4.4: Health, education and social protection

Chapter 5: Outlook

In my view, the humanity of the world can be measured against the fate of Africa.

Former German President Horst Köhler in his 2004 inaugural address



“What happens in Africa impacts on its relations with the world? Sustainable growth and development therefore requires peace, security and stability. And they require the unity of the African continent. Peace is the greatest weapon for development.”

Nelson Mandela, 6 April 2000, London School of Economics

Africa and Europe – A new partnership for development and peace

Africa and Europe are neighbouring continents. We are bound together by a shared history – and we are responsible for determining the course of our shared future. How successfully we manage the major challenges that lie ahead will decide not only the future and the fate of Africa – both its people and its natural environment – but also the future of Europe. And indeed these challenges can be tackled successfully – by taking our cooperation to a new dimension that benefits both continents.

In 2017, both Germany and the European Union are turning the spotlight on Africa. Germany is making the continent a focus of its presidency of the G20. And the EU is working on a new Africa strategy. The 28 member states want to redefine the basis for cooperation between the EU and Africa by replacing the Cotonou Agreement with a new partnership agreement. It is time now to find new solutions to new challenges. This paper is a living document. It identifies where there is potential, where there are problems and what could be the solutions. It aims to spark discussion, stimulate ideas and get all political and social groups involved. It is an open invitation to everyone to get on board in analysing the situation and finding solutions. Then we can forge a new partnership for learning and development.

There is not ONE solution, ONE plan, ONE best way of responding to the challenges that Africa faces. They are, of course, not totally comparable with the challenges Europe faced after World War II. But they require the same mobilisation of effort.

This Marshall Plan is also an expression of our will and of our optimism that we can truly find a path to peace and development in our cooperation between Europe and Africa. It must be an overarching and integrated strategy of the European Union and its member states and the states of the African Union. The focus will be on fair trade, more private investment, more bottom-up economic development, more entrepreneurial spirit and, above all, more jobs and employment.

African ownership must be strengthened and the days of "aid" and of "donors and recipients" put behind us. The EU and its member states want to engage in a partnership between equals. That means reaching a new agreement on political, economic, social and cultural cooperation. Our starting point will be the African Union's Agenda 2063.

Our aim is an Africa that is both prosperous and at peace, where development benefits all and is powered by the African people. We want African solutions to African challenges.

As we enter this key year for Africa, we call on all our African partners, all experts in civil society – from business, research and science, the media, churches, business associations – and all those engaged in the various policy fields that are vital to the success of the Marshall Plan. We invite you to join in the discussion on these suggestions and solutions. Help us move them forward. We plan to stage a number of special events and invite everyone to engage in an online dialogue.

10 starting points for a Marshall Plan with Africa

1. **We need a new pact on the future between Europe and Africa** – Africa's population is set to double by 2050. It will then be home to 20 per cent of all people in the world. Ensuring that hundreds of millions of young Africans have enough food, energy and jobs and that their natural resources are protected presents massive challenges but also opportunities. European countries in particular can play a role in tackling these massive challenges by offering their knowledge, innovations and technological advances and getting directly involved.
2. **Africa needs African solutions** – The founding of the African Union (AU) and launching of the New Partnership for Africa's Development (NEPAD) were encouraging expressions of Africa's desire to make a fresh start. And reform-minded politicians have outlined Africa's own vision of the continent's future in the AU's Agenda 2063. Germany and Europe must now listen to what African countries are saying and bring a new quality and a new dimension to their cooperation with Africa. We need to move away from the donor-recipient mentality that has predominated for many decades and shift towards an economic partnership based on initiative and ownership. Africa is Europe's partner – not only on matters of economic cooperation and development policy but also in such key policy areas as trade, finance, the environment, agriculture, economics, foreign affairs and security.
3. **Prioritising jobs and opportunities for young people** – It is vital that Africa's young people can see a future for themselves in Africa. The average age in Africa is 18. Soon Africa's population will top 2 billion. That means that 20 million new jobs will be needed each year, in both urban and rural settings. Developing the necessary economic structures and creating new employment and training opportunities will be the central challenge. Africa's young people also need contact and interaction with Europe. Europe must develop a strategy that allows for legal migration whilst combating irregular migration and people smuggling.
4. **Investment in entrepreneurship** – It's not the governments that will create all the long-term employment opportunities that are needed, it's the private sector. So it's not subsidies that Africa needs so much as more private investment. That means creating an attractive environment within Africa itself. But it also means developing new instruments for mobilising and safeguarding investments. That will be topped off by proposals for corporate tax incentives and new investment opportunities, such as Africa funds or infrastructure bonds.

5. **Value creation not exploitation** – Africa must be more than the continent of raw materials. The Marshall Plan is powered by a new kind of economic policy – one focused on economic diversification, the establishment of production chains, targeted support for agriculture and small and medium-sized businesses, enhanced status for trades and crafts and thus the creation of a new SME sector. Europe needs to support this by offering improved access to the EU single market and dismantling trade barriers.
6. **Demanding the right political environment and supporting its development** – Sustainable economic development is reliant on the rule of law, on both men and women enjoying political participation and on efficient and non-corrupt administrative structures. Everyone should benefit from economic progress in a country, not just the elites. That is something to be supported and also demanded on a daily basis.
7. **Reform partnerships, not a blanket approach** – The members of the African Union have committed to specific reforms in their Agenda 2063. We will be taking Africa's commitments seriously and will step up our development cooperation with those partners who implement reforms aimed at good governance, protection of human rights and economic development.
8. **Equitable global structures and institutions** – Reforms in Africa must also be matched by reforms in Europe and at global level. The main areas are fair trade, combating illicit financial flows and putting a stop to arms sales to areas in crisis. New forms of political cooperation also demand closer cooperation between European and African institutions. That means a permanent seat for the African nations on the United Nations Security Council and an enhanced role in all international organisations and negotiations, such as the World Trade Organization (WTO).
9. **ODA cannot provide all the answers** – A lot has been achieved with Official Development Assistance, [ODA]. Yet it cannot cope with the challenges of an entirely new dimension we are facing. ODA should instead serve more to facilitate and promote private investment. African countries themselves must also mobilise considerably more domestic revenues, for example in the form of higher tax receipts.
10. **We will leave no one behind** – Germany will deliver on its shared responsibility for the least developed countries. The Marshall Plan highlights people's basic needs: food security, water, energy, infrastructure, digitalisation, health care and access to education – particularly for women and girls. We need to acknowledge the opportunities and challenges presented by urbanisation. And, just as much, we need to harness the potential of rural development and agriculture.

Africa is a continent with its own very distinct history and culture. Three times the size of Europe and 85 times the size of Germany, it consists of 54 countries and is home to 3,000 ethnic groups and communities, 3,000 languages and countless religious faiths. Africa is the cradle of humankind – Africa is in all of us.

Africa and Europe are neighbours. The distance between Sicily and Tunisia is a mere 145 kilometres, and it is only 14 kilometres between the Spanish coast and Morocco. We are not only united by our geographical proximity but also by history and culture. At the Berlin Conference of 1885, the continent was split up and dividing lines were drawn with a ruler, without taking account of the peoples' history, tradition, culture and right to self-determination. What followed was an era of suppression, paternalism, humiliation and exploitation.

This has caused and continues to cause many conflicts and wars. The age of slavery was one of the low points in the relations between the western world and Africa and has had a lasting impact. Even today, the wealth of industrialised countries is, in part, based on the unchecked exploitation of the people and resources of the African continent. Learning from this history today means assuming responsibility for a common future.

Chapter 1.1: Cooperation based on values and interests

Our cooperation with Africa is based on values and guided by common interests.

“Human dignity shall be inviolable.”²²

This principle applies to all people, also in Africa. It is a fundamental belief rooted in part in our tradition of Christian values and in Europe's humanist heritage. It means that there is a moral obligation to defend human rights, freedom, solidarity, and the rule of law and the integrity of creation.

A Marshall Plan with Africa also symbolises achievement and mutual respect. It is guided by the interests of Africa and Europe. In the long term and as neighbours, we can either prosper together or suffer together.

²² Article 1, paragraph 1, first sentence of the German Basic Law (German constitution)

Chapter 1.2: Africa has tremendous assets

Africa is a rich continent. It has vast agricultural and land resources and thus the potential to feed all the people living on the continent. Poverty, hunger, malnutrition and want could be overcome in just a decade. An Africa without hunger is possible.

Moreover, Africa is home to 15 per cent of global oil reserves, 40 per cent of gold reserves, 80 per cent of platinum metal reserves and has the largest expanse of agricultural land in the world (AfDB, 2015). In the last few decades there have also been some positive developments: the gross domestic product has increased fivefold since 1990, child and maternal mortality has been reduced by half, and 80 per cent of all children today attend primary school. The people in Africa have taken on a great deal: almost one third of the world's refugees, i.e. 20 million people, have found shelter in Africa (UNHCR, 2015). Africa has tremendous assets. In addition to its richness in resources and young population, it boasts cultural diversity, entrepreneurial spirit, innovative power and great untapped potential in the areas of renewables and agriculture.

A recent McKinsey study makes concrete forecasts for 2025 (McKinsey Global Institute: Lions on the Move II, 2016): a doubling of manufacturing output, 2.1 trillion US dollars in household consumption and 3.5 billion dollars in business spending.

The continent's cultural and religious diversity are also important resources. Churches and faith communities have always played a pivotal role in providing social services, especially in the areas of education and health. They reach people even in places where no public institutions or systems exist. In countries where the opposition or civil society are weak, religious representatives are often the only ones to raise their voice and expose corruption and social injustice.

Many of these assets are still not being used. There are reasons for this, and we must address them openly. In many African countries, corrupt elites still have too much influence. Elites who prefer to channel their money abroad instead of investing it locally, who decide to sell their arable land and fisheries instead of using them to feed their own population, who let multinationals exploit the country's natural resources without creating domestic value chains.

Large sections of the African population are suffering from a political culture that does not define "government" as a duty to serve the common good but as the right to help yourself. This deprives the youth of Africa of their future. In addition, women and minorities are often excluded although the skills and abilities of all people are needed. No society can afford not to use the potential of half its population. The women of Africa hold the key to the continent's future in their hands. They must also be able to use that key.

But international corporations are also falling short in some areas, namely with regard to meeting local environmental and social standards and compliance regulations. This has resulted in Africa losing more than one trillion US dollars in the last 50 years that could have been used for

sustainable development, with illicit financial flows currently amounting to 50 billion US dollars per year. 60 per cent of losses are due to aggressive tax avoidance by multinational corporations (Final Report of the High Level Panel on Illicit Financial Flows from Africa of the AU/UN, 2015).

In addition, Europe's policy on Africa was for decades often guided by its own short-term economic and trade interests. There was no consistent, targeted or "joined-up" policy, and the required structure for implementation was not in place.

Africa is rich in resources:

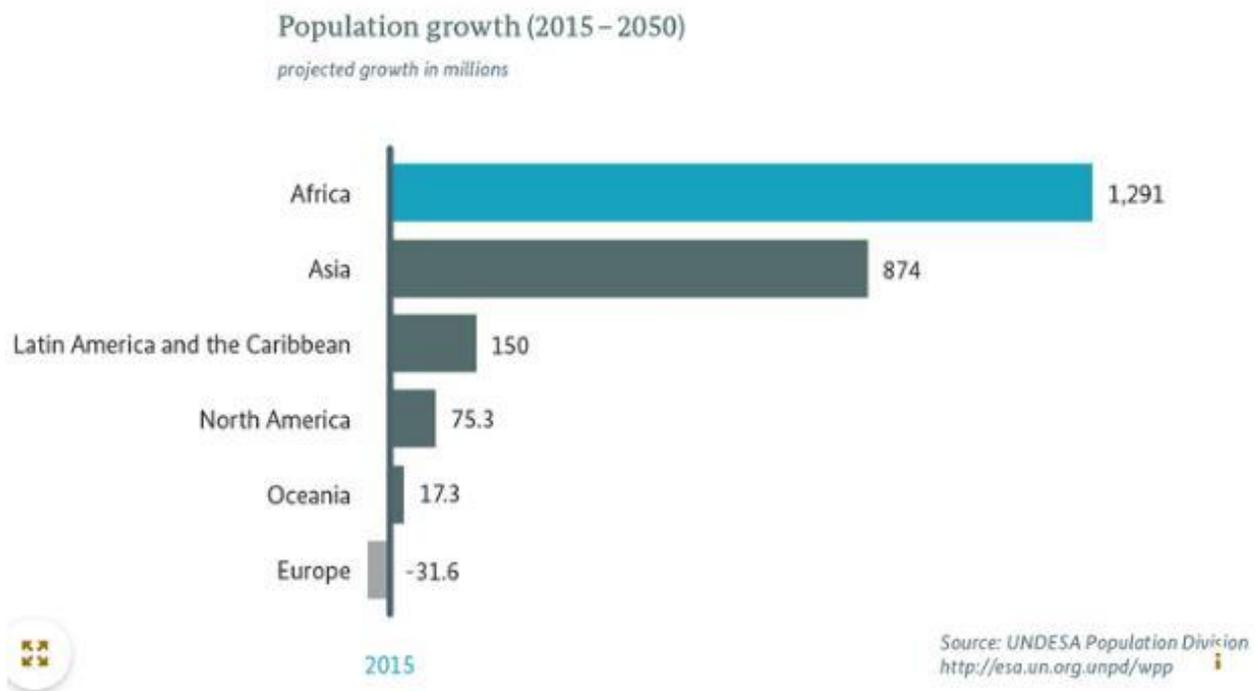


Chapter 1.3: The continent of opportunity

Notwithstanding all the conflicts and problems, Africa is also a continent of opportunity, dynamic development and youth. Half of the African population of 1.2 billion is under the age of 25. Africa's population is set to double by 2050 and this dynamic population growth is both a challenge and an opportunity. The dynamic power of a young society should be a driver of economic development. For this to happen, Africa's youth need to have access to education and training. Africa's dynamic population growth is also an epochal challenge, for instance with regard to food security and environmental and climate protection.

Young people in Africa know what opportunities are available to young people in Europe. Quite rightly, they are demanding the same opportunities for themselves. That is why all measures must be judged by the question of whether they give young people new prospects for a better future. We thus need to shift the focus of our cooperation and prioritise the three-pronged approach of education, training and employment.

The most important question that must be answered by a Marshall Plan is: How can 20 million new jobs be created that give young people prospects for their future without destroying the environment?



Chapter 1.4: Building on African ideas and structures

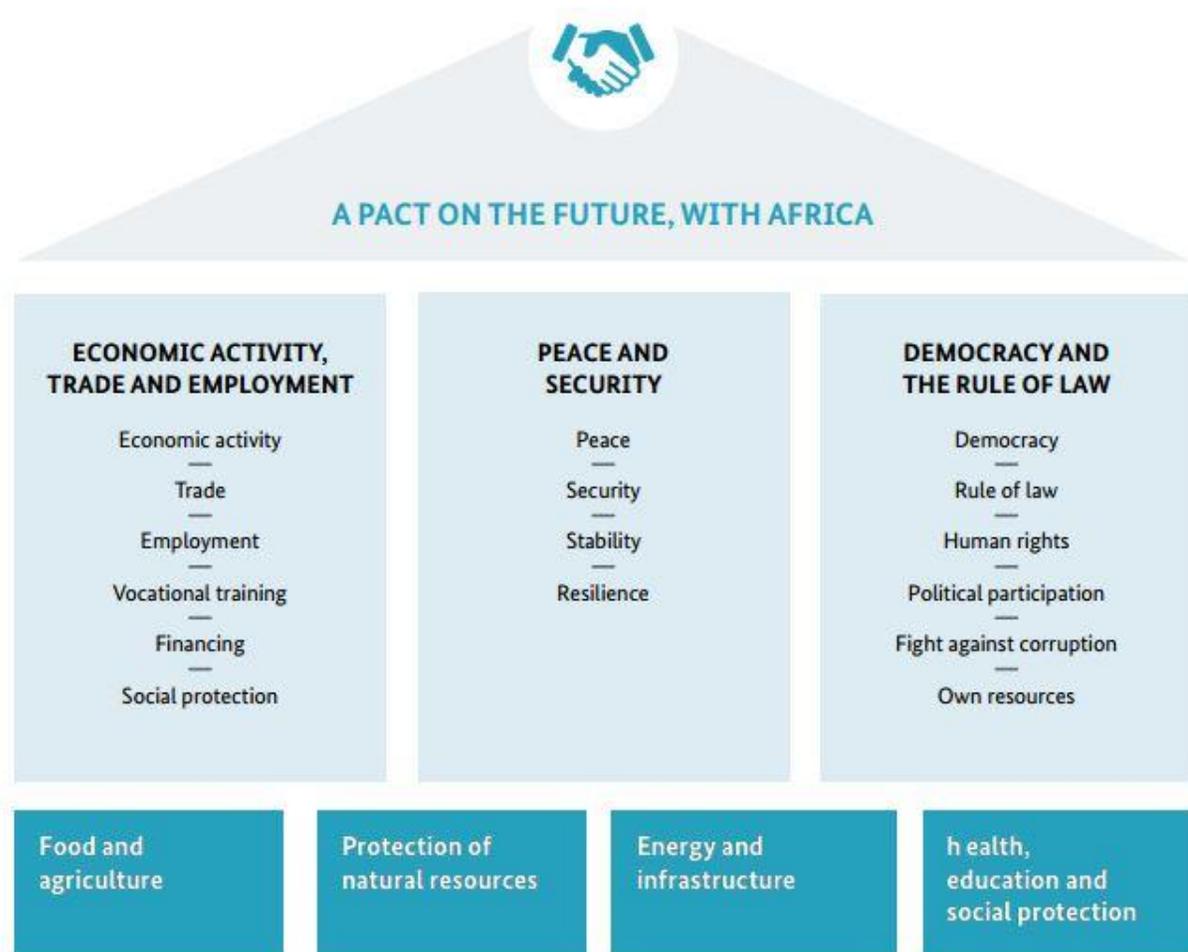
Africa has already laid important foundations:

- The African Union (AU) brings almost all African countries round one table and, in this way, strengthens cooperation on the continent. With its peace and security architecture and the African Standby Force, the AU has demonstrated its capacity for effective action.
- With the Agenda 2063, it has adopted a clear strategy for promoting sustainable development on the continent. An implementation plan defines the goals for the next ten years. Africa's policymakers have vowed to support democracy, the rule of law and economic reforms. They realise that they need to create value in their own countries – by taking the initiative and promoting economic development whilst fighting corruption at the same time.
- Several countries have embarked on a course of reform in recent years, like for example Algeria, Benin, Botswana, Egypt, Ghana, Mauritius, Morocco, Namibia, Senegal, South Africa, Togo and Tunisia (Transformation Index BTI, 2016).

The Marshall Plan takes Africa at its word. It is designed to be a common response by all partners to these African initiatives and structures – a European offer to support the African continent in promoting development of a new dimension. The Plan is rounded off by new concepts of institutional cooperation and well-coordinated policies on foreign affairs, development, trade, economics, security, agriculture, climate, environment and migration.

Chapter 2: The essence of the Marshall Plan

The Marshall Plan rests on three pillars, contains more than 100 ideas for reform and is centred round the key issues for development:



In all areas, our focus is on providing far more support to women and girls – both as a cross-cutting priority issue and as a separate priority area in its own right – and on strengthening education and training offers for the young generation.

Through targeted and cross-sectoral initiatives, we want to use the opportunities of digitalisation in all areas of life. We want to develop digital infrastructures and invest in people’s abilities and skills. Our goal is to promote the fair and open development of a digitalised world.

Chapter 2.1: New forms of cooperation – reform partnerships

We need a paradigm shift in the cooperation with our African partners. We must move away from the concept of donor and recipient countries, and focus more on joint economic cooperation instead. In the financing of projects, we need to develop a common, international strategy and take a coordinated approach. We do not have to do everything differently. But we do need to do many things more effectively, quickly and consistently.

We are taking African governments at their word. This means that in future we will intensify our cooperation with countries that are reform-oriented and have proven their will to reform, above all by ensuring reliability, the rule of law and the political participation of all their citizens.

Together with other European and international players we want to forge incentive-based reform partnerships with the reform champions among African states, thereby creating incentives for faster, sustainable development. We will therefore make the instruments of development policy more flexible so we can respond to political changes more quickly and effectively. We want to move away from the blanket approach to development cooperation and provide targeted support to reform-minded countries. Of course, we will also continue to take our share of responsibility for the least developed countries.

Chapter 2.2: New rules of cooperation

In a globalised world, Africa's development also depends on international rules and institutions. Our African partners need fair opportunities. This requires changes, in Germany, Europe and worldwide:

- Put an end to harmful exports to Africa; move from free trade to fair trade, promote economic structures and establish local value chains
- Comply with international environmental and social standards
- Eliminate international tax havens; stop illicit financial flows from Africa – for example by exerting pressure on international financial markets and banks
- Restrict exports of arms – especially small arms and light weapons – to Africa
- Put pressure on governments that finance religious extremism in Africa, thereby destabilising entire regions

In Germany and Europe, we must also harmonise our policies and instruments more effectively. Here, Germany can lead the way. And for this we need a coherent Africa policy. Introducing an annual "Federal Government Report on Africa Policy" can be a first step in this regard. This report could take up and merge the different ministries' strategies for Africa.

The original Marshall Plan was an offer to Europe – today's Marshall Plan is an offer by Europe for joint action with Africa. That means putting an end to individual countries doing their own thing in Africa and instead joining forces within Europe. We need a pan-European effort.

The Post-Cotonou process presents the EU with the unique opportunity to overhaul its policy for Africa as of 2020 in terms of both institutions and agreements. It also offers the potential to ambitiously drive forward the agenda of trade agreements with Africa.

A flexible framework agreement could be used, above all, to develop a sustainable, politically strengthened partnership with Africa.

Regional integration in the Mediterranean region is an essential factor for growth, economic development and employment in the countries of North Africa. We want to build on the cooperation with the Union of the Mediterranean, which was founded in 2008, and the G7 Deauville Partnership with the Arab transition countries and grow them into a strategic partnership. The Union of the Mediterranean must become a driving force for regional integration so as to further boost foreign investment, employment and trade.

Therefore, Africa should also be high on the Brussels agenda. Regular meetings between the African Union and the European Union are a step in the right direction. But they are not enough. We need long-term and sustainable ties between the AU and the EU. The EU-Africa Summit in the autumn of 2017 must mark a historic turning point in the relations between the two continents and usher in an institutional realignment to be completed by 2020.

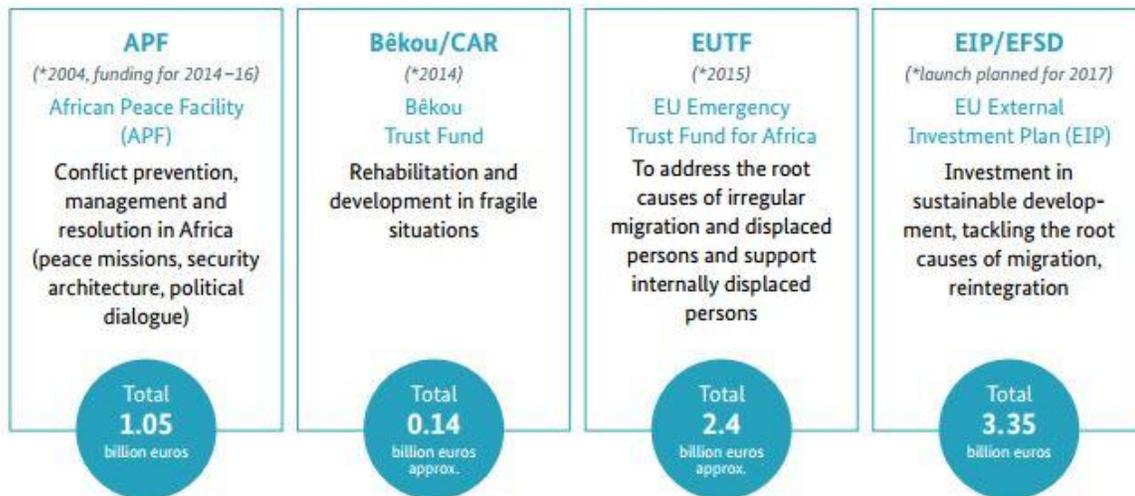
We need an EU Commissioner for Africa, who ensures a coherent policy on Africa. Until his or her appointment to the new EU Commission in 2019/2020, an "Africa Council" chaired by the High Representative could be established, composed of all Commissioners currently responsible for Africa. The Africa Council would be tasked with continuously reviewing all EU measures in terms of their development benefits for Africa.

At a time when a proposal for the new European Consensus on Development is being discussed, the EU must strengthen its development cooperation with Africa and ensure that it is dovetailed closely with EU external action instruments.

In the short term, we can also use existing instruments to significantly expand our partnership with Africa, namely the EU Trust Fund for Africa, the EU External Investment Plan, the financing instruments of the European Investment Bank and the EU Migration Partnerships.

At the same time, we must stop speaking on behalf of Africa. Africa can speak for itself. That is why Africa should gain a permanent seat on the UN Security Council and be represented in other international organisations in a way that reflects its increased importance.

EU-financed funds and facilities in Africa



Source: BMZ As at: November 2016

Chapter 2.3: A new dimension of financing

In 2015, ODA (Official Development Assistance) for Africa amounted to more than 50 billion euros globally. Of course, we need more ODA funds to meet the current challenges. In view of the investment volume of over 600 billion US dollars per year required to implement the UN Sustainable Development Goals (SDGs) in Africa (Economic Development in Africa Report 2016, UNCTAD), relying on ODA funds alone cannot be the solution. It is important, therefore, to take a three-pronged approach to financing:

- Mobilise own financial resources in African countries and strengthen their capacity to generate own revenues
- Boost private investment and mobilise private capital using new support instruments and investment products
- Use ODA funds to leverage private investment

It is hard to explain why the tax ratio in the poorest African countries should still be below 17 per cent when it stands at an average 35 per cent in OECD countries, or why education budgets are chronically underfinanced in many African countries despite them selling their natural resources.

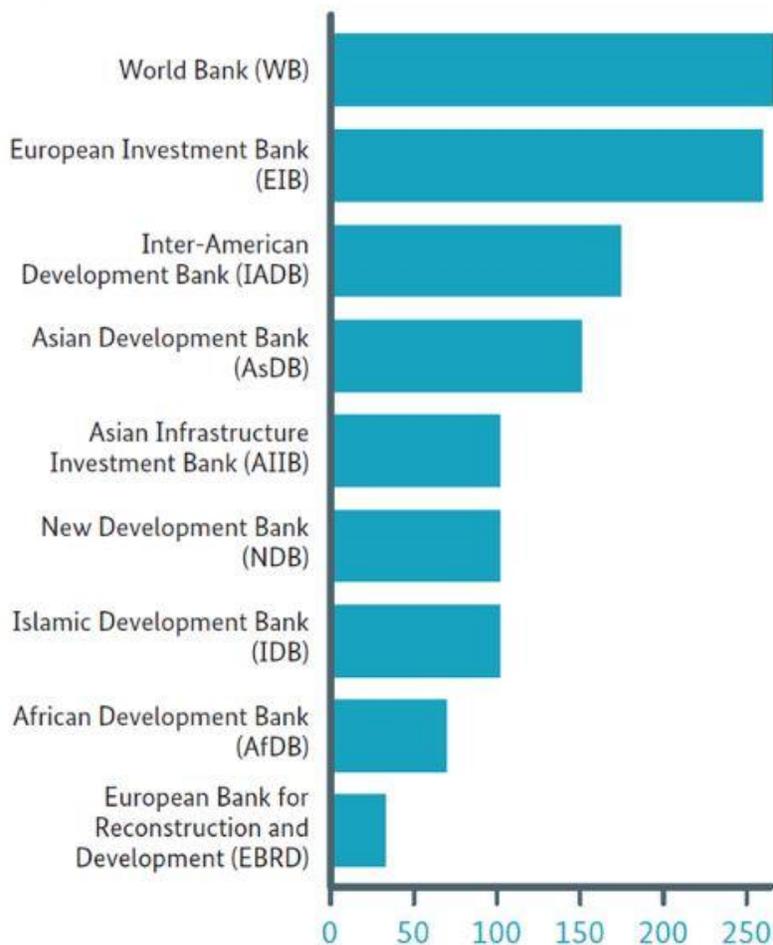
The crucial factor is to mobilise the private sector to a greater extent. If Germany and other donors, and also the multilateral development banks, support suitable funds, it will reduce the risks faced by investors significantly. In this way, public funding can be used to directly boost private investment in Africa. Every euro of tax revenue can leverage many more euros in private

capital. And then investing becomes attractive even for large institutional investors such as insurance companies or pension funds.

ODA funds can also be used for guarantee instruments – similar to the covering of exports by Hermes guarantees – to protect private investments (ODA-financed guarantee instrument). The World Bank already has a Multilateral Guarantee Agency, which could expand its activities in Africa if donors made the necessary commitments. Moreover, we must ensure that investments in Africa are no longer exposed to currency risks. We thus need to ensure a better hedging of local currency risks, for instance through the Currency Exchange Fund. Together with the World Bank, the International Monetary Fund and the regional development banks, Germany will launch an initiative during its G20 Presidency to boost private investment in Africa.

In addition, existing instruments need to be coordinated and managed better. This is also something we are already working on with the World Bank. The structures of the EU External Investment Plan can be the basis for a pan-European investment initiative.

Capital stock of development banks *in billion US dollars*



Source: Banks' annual reports

Chapter 3: The pillars of the Marshall Plan

Pillar 1: Economic activity, trade and employment

Where are we now? Where do we want to go?

Over 50 million young people in Africa are in precarious employment. Youth unemployment there stands at 50 per cent (OECD, 2016). The continent needs some 20 million new jobs each year (IMF, 2016).

There are still far too few training opportunities for young people. And often the training on offer does not match the needs of the private sector. Africa needs many more training opportunities, the status of crafts and trades must be raised and technical and vocational education and training must be made available to all. That also means giving the agricultural sector a more modern image as an attractive area to work in. We need to explore new ways of developing structures for small and medium-sized enterprises. At present, not enough value is added to local resources, trade areas are too small and there is a lack of business initiative and industry.

The declining demand for commodities has meant a slowdown in gross domestic product growth for many African countries. That shows just how dependent Africa is on those commodities. Now it needs to focus more on economic diversification. Africa is not well integrated into the world economy, offers an insecure environment for private investment and some countries face a growing risk of remaining permanently in debt.

Yet there are signs of hope. According to the World Bank, net flows of capital to sub-Saharan Africa have more than trebled since 2000, particularly in stable and well-governed countries where conditions are conducive to development. Local financial systems are emerging in many countries, meaning that businesses can find funding locally.

The World Bank's 'Doing Business Index' points to a general improvement in the business climate in sub-Saharan Africa since 2010. And Africa also now has innovation clusters, such as Kenya's Silicon Savannah, which is at the heart of the continent's high-tech boom.

Resource wealth, fertile soils, a growing SME sector – these are just some of Africa's greatest assets. But its greatest asset remains its young people. By 2035, Africa will have the largest potential workforce in the world (Mo Ibrahim Foundation, 2013). It is critical that it use those assets to generate a demographic dividend.

As the world's last untapped market – and one that is right on Europe's doorstep – Africa holds great opportunities, not least for the German private sector.

Our vision can already be found in the AU strategy: "a prosperous Africa based on inclusive growth and sustainable development".

What needs to happen?

Africa

- Improve the environment for doing business (including climate for investment and innovation)
- Develop stable and inclusive financial systems
- Promote intra-African trade (AU and regional organisations)
- Achieve rapid and successful conclusion of negotiations on a Continental Free Trade Area (CFTA)
- Introduce protective tariffs to provide partial and temporary protection of domestic markets against global competition
- Expand technical and vocational education and training and focus more on the needs of the local labour market
- Ratify the WTO Trade Facilitation Agreement

Germany

- Launch an alliance for jobs and vocational training for African's youth in collaboration with the German private sector and international partners (ILO, AfDB etc.)
- Collaborate with various ministries to put together a package of investment incentives for businesses:
 - conclude pro-development double taxation agreements with more African countries
 - create tax incentives for investment in Africa
 - better dovetail the German Ministry for Economic Affairs' business promotion instruments with German development policy
- Expand the network for advising German businesses in Africa
- Support the private sector in establishing sustainable supply chains, for example "no-deforestation" supply chains for soya and palm oil and "fair supply chains" for cocoa, coffee and bananas
- Support African financial markets and financial service providers (for example through local currency funds or acceptance of currency risks or guarantees)
- Use Official Development Assistance (ODA) to mobilise private capital to boost employment
- Develop risk transfer mechanisms (e.g. credit and loan guarantee schemes) and expand such mechanisms (create a new ODA-financed guarantee scheme)
- Create new investment products (funds and bonds) for private investors
- Found a digitalisation centre for African business in collaboration with African partners

Internationally

- Support an economic and energy partnership between the EU and North Africa (e.g. promoting renewable energies, research cooperation and infrastructure partnerships)
- Expand political and economic cooperation within the Union for the Mediterranean
- Conclude and implement pro-development trade and economic partnership agreements
- Support the European External Investment Plan, using it to achieve the goals and focuses of this Marshall Plan
- Continue integration into and opening of the EU single market
- Promote local value chains
- Support the African private sector in satisfying EU quality standards so as to be able to realise their export potential and use the opening of the EU single market to create more value within Africa
- Review existing investment agreements with African countries and update them in a way that boosts development
- Promote value creation within Africa (for example using the local workforce for infrastructure projects)
- Provide information on and promote legal migration opportunities to the EU for the purposes of specialist training
- Support private investors in preparing funding-ready projects
- Prevent development banks from crowding out private capital and mobilise private capital instead
- Deploy Official Development Assistance (ODA) only when projects are not suited to private funding
- Prevent the foreign exchange risks involved in dollar or euro loans from placing excessive strain on partner countries' budgets; more loans in local currency from development banks

Pillar 2: Peace, security and stability

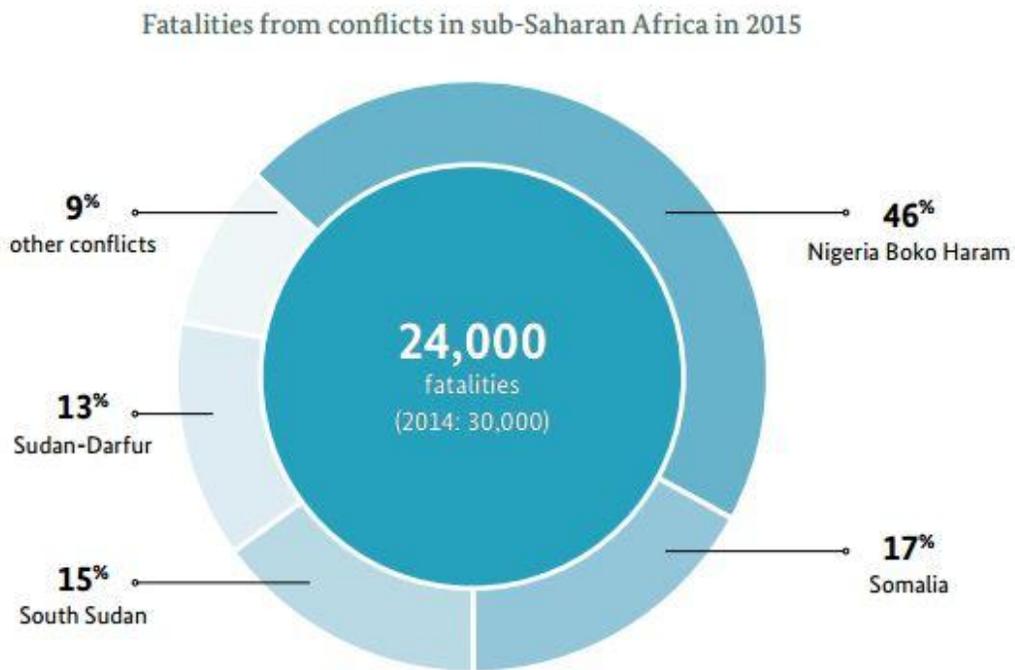
Where are we now? Where do we want to go?

Peace and security are key to development and economic growth. War and violence can destroy in just a few weeks what has been built up over many years. In 2015, they resulted in the forced displacement of some 20 million people (UNHCR, 2016). No one wants to invest in an area where shots are being fired. Conflicts often arise out of competition for commodities. That makes Africa's resource wealth both a blessing and a curse. This is compounded by the growing threat posed by violent extremism, often fuelled by ostensibly religious convictions.

The African Union identified peace and security as central aims in its Constitutive Act and it reconfirmed that commitment in its Agenda 2063. It has established a peace and security architecture that encompasses a Peace and Security Council for Africa, an early warning mechanism and the African Standby Force. These institutions, and Africa's crisis diplomacy, have already helped Africa to contain many violent conflicts.

And yet, compared with its military capacities, Africa's civil capacities remain underdeveloped. What is lacking is a joined-up approach, human resources, administrative capacities and appropriate staff training. That means that more support is needed. The aim is for Africa, the African Union and its regional organisations to be capable of resolving conflicts and crises themselves.

Our vision has already been formulated in the AU strategy: "a peaceful and secure Africa".



Source: International Institute for Strategic Studies (IISS), www.iiiss.org

What needs to happen?

Africa

- Expand the security architecture of the AU and African regional organisations
- Provide substantial contributions to ensure funding for an African peace and security policy
- Strengthen civilian oversight exercised by the national authorities responsible for security

Germany

- Boost prevention: continue support for the establishment of African security structures, particularly mediation, early warning systems and peace consolidation
- Systematically implement the German government's forthcoming "Guidelines on Crisis Engagement and Peacebuilding" in Africa
- Develop proposals for security partnerships
- Launch an enable and enhance initiative to improve skills of security forces

Internationally

- Propose an "EU-Africa Peace and Security Partnership" for the 2017 EU-Africa Summit
- Continue the EU's African Peace Facility until 2020, mobilising funding from sources other than the European Development Fund and systematically increasing the share devoted to building civil capacities
- After 2020, establish a dedicated EU funding instrument to expand military capacities and fund peace operations
- Achieve effective and reliable burden-sharing between the AU and the United Nations on funding African-led peace operations
- Launch a diplomatic conflict resolution initiative
- Take a broader and more substantial approach in post-conflict situations that includes economic and employment aspects so as to generate a faster peace dividend
- Support faith communities in their peace-promoting role
- Expand the International Partnership on Religion and Sustainable Development
- Cease arms exports to crisis areas and improve controls of small arms trade

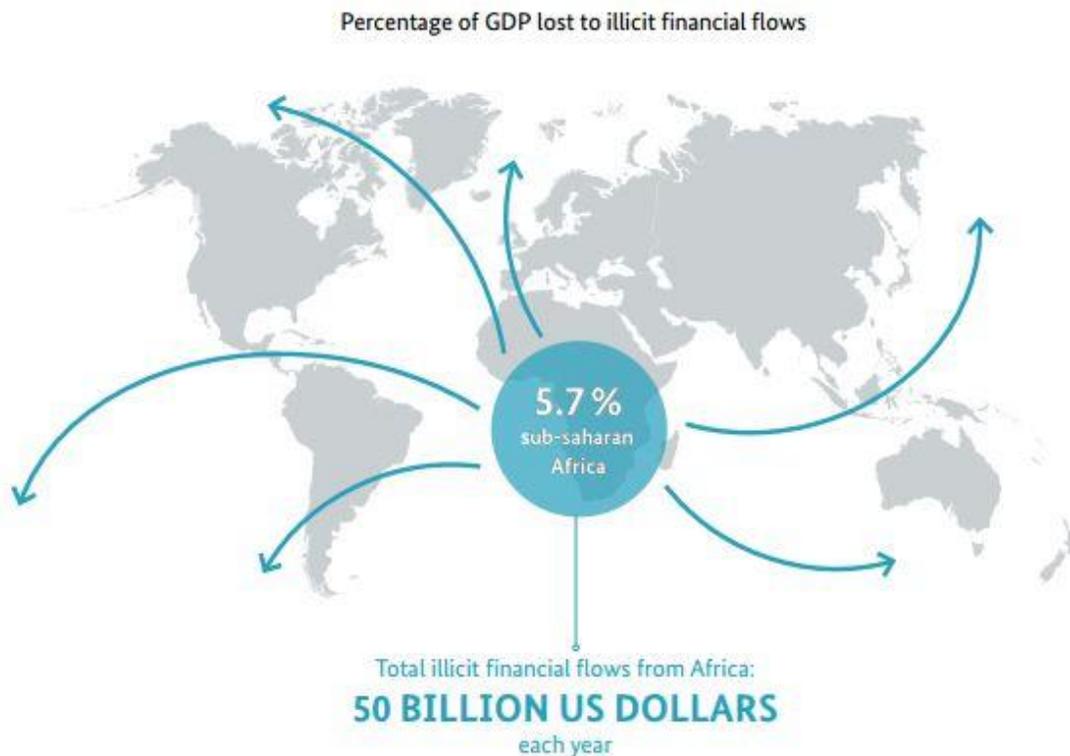
Pillar 3: Democracy, rule of law and human rights

Where are we now? Where do we want to go?

It is the state's job to put in place the right conditions to attract private investment. That also ensures that such investments benefit all the people in a country, not just the elites. Many people in Africa are suffering from inadequacies in the rule of law, exclusion from the political process, inefficient administrative structures and corruption. Every year, Africa loses over 50 billion US dollars through illicit financial flows, draining those countries' economies of vital capital (Final Report of the High Level Panel on Illicit Financial Flows from Africa of the AU/UN, 2015).

That is equal to flows of Official Development Assistance. Trust in government institutions is lower in Africa than anywhere else in the world. Of course, there are other, more positive examples. Rwanda, for instance, has made great strides in its fight against corruption, thanks in part to Germany's support on modernising local administrative structures and building up monitoring systems together with civil society.

The aim is "an Africa of good governance, democracy, respect for human rights, justice and the rule of law". (Agenda 2063)



Source : United Nations, 2016

What needs to happen?

Africa

- All African governments implement the AU Charter on Democracy, Elections and Governance and the UN Convention against Corruption
- All African states support the African Court on Human and Peoples' Rights
- Permit submission of individual complaints to African Court on Human and Peoples' Rights
- Ensure poor sections of the population also have access to independent courts
- Strengthen legal certainty and the fight against impunity
- Modernise administrative structures (efficiency, transparency, accountability)
- Cut red tape – particularly for the registration of new businesses
- Recruit civil servants based on aptitude, performance and skills
- Pay civil servants competitive wages so as to prevent corruption
- Strengthen transparency in the extractive sector and in public procurement
- Establish systems of civil records and land registers
- Strengthen property rights
- Ensure civil society is able to develop freely
- Repeal laws banning NGOs
- Enforce human rights for all, including minorities
- Further develop the African Peer Review Mechanism for the implementation of the Agenda 2063
- Use the AU Assembly to discuss progress on the Agenda 2063
- Implement Addis Ababa Action Agenda:
 - increase tax ratio
 - broaden tax base
 - improve revenue administration
 - close tax loopholes

Germany

- Tie Official Development Assistance to progress on the goals of Agenda 2063 (reform partnerships)
- Make our development cooperation instruments more flexible
- Shorten the planning and implementation phase of development interventions
- Create new incentive systems to mobilise counterpart funds (e.g. providing more official development funding when countries generate more tax revenues)
- Talk straight with those opposed to reform rather than showing diplomatic restraint

- Provide more support to young elites growing into positions of authority through political foundations; expand the German-African Youth Initiative into a type of a ERASMUS programme with Africa and promote youth exchange

Internationally

- Stop illicit financial flows and aggressive tax avoidance and evasion
- Increase automatic exchange of information on tax matters
- Implement the G20/OECD action plan on base erosion and profit shifting by multinationals
- Ensure and monitor adherence to international standards on corporate sustainability, transparency and tax honesty; increase application of UN Global Compact in Africa
- G20 commit to design activities in Africa in a way that promotes rule of law and transparency and ensures that value is created in Africa, particularly through use of domestic workforce
- Make it easier in particular for scientists, artists, journalists and human rights activists to obtain visas
- Expand the Extractive Industries Transparency Initiative (EITI) and the G7 CONNEX Initiative, which provides advice on contract negotiations
- Assist African countries in mobilising financial resources of their own; extend the Addis Tax Initiative to other countries
- Launch an international investment drive for e-governance and/or digitalisation of administrative processes – with Africa, international donors and technology companies

Chapter 4: The foundations of the Marshall Plan

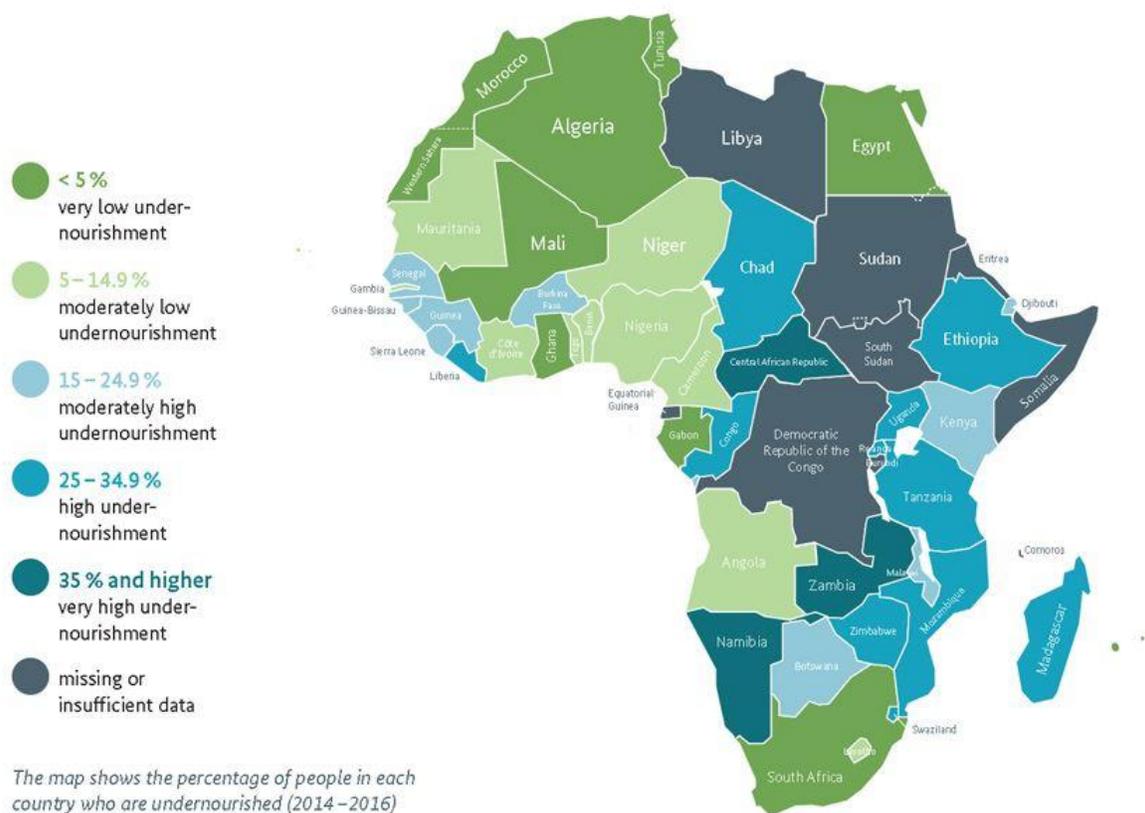
Chapter 4.1: Food and agriculture

Where are we now? Where do we want to go?

Africa could feed itself. But instead, it is spending an annual 35 billion US dollars on food imports (AfDB, 2016). More than 232 million people in sub-Saharan Africa (UN/WFP, 2016), almost one in four, are still suffering from hunger. Africa is still the only continent where the absolute number of chronically malnourished children is rising. They are at risk of becoming a "lost generation". Investing in food programmes, particularly for pregnant women, mothers and small children, is the most important investment in the future.

The main cause of hunger is poverty. And poverty has a predominantly rural face. Investment in agriculture has been a neglected topic for far too long. Precious foreign currency has to be spent

unnecessarily on meeting people's basic needs. The agricultural sector, which employs some 70 per cent of the entire economically active population, accounts for just 30 per cent of added value.



The designations employed and the presentation of material in the maps do not imply the expression of any opinion whatsoever on the part of the BMZ concerning the legal or constitutional status of any country, territory or sea area, or concerning their frontiers or the delimitation of frontiers. Source: FAO, IFAD and WFP 2015.

The productivity of African agriculture can in fact be increased dramatically simply by providing better education, training and advice and easy access to agricultural research findings.

There is a need for:

- technical innovation (e.g. better seeds, animal hygiene, storage and processing technology),
- organisational innovations (e.g. strengthening producer groups and farmers' organisations) and
- systemic innovations (e.g. establishing business models, marketing and sales structures).

More than 315 million smallholders also need:

- easy access to agricultural financial services (e.g. to loans for agricultural inputs and to insurance),
- infrastructure expansion; it must be ensured that Africa's rural areas are connected to its growing cities since this is necessary to expand intra-African trade and
- a reform of land rights; this is of key importance for the future of small farmers and also essential for ensuring fair participation in growing added value.

It is the rural areas that will determine Africa's future. These areas must not lose out to globalisation. Progress in individual countries must not be undermined by unchecked and uncontrolled market forces or by distortions to the market through agricultural subsidies. Financial investments in agricultural markets should be made transparent and subject to regulation. Speculation in times of looming global food price crises must be banned.

At the same time, African countries need to take advantage of the trade policy options available to them to protect their markets and develop a competitive agricultural and food sector. Dependencies must be reduced, independence must be strengthened. Agreeing on tariff- and quota-free market access for all least developed countries is one way to support this process.

Globalisation means all our lives impact on others' lives. The way agricultural products are produced and consumed significantly influences the ecological and social conditions in Africa. Most cocoa farmers still live below the poverty line. Their earnings amount to merely 6 per cent of the cocoa price. Moreover, it is scandalous that children are still employed in the production of cocoa. Therefore, we urgently need to find new ways to develop agricultural value chains that are sustainable and to improve the working and living conditions of the local population. Multi-stakeholder forums such as the German Initiative on Sustainable Cocoa are an important first step. Our consumption habits, too, must change. Information and education play a pivotal role in achieving this. We need credible environmental and social labels so that ethical and environmentally sound supply chains can be recognised immediately by everyone.

The goal is an Africa with "modern agriculture for increased production, productivity and value addition (that) contributes to farmer and national prosperity and Africa's collective food security". (Agenda 2063)

What needs to happen?

Africa

- Launch targeted programmes to improve food security, especially for pregnant women, mothers and children
- Use at least 10 per cent of public spending for innovation-oriented agriculture
- Improve access to advisory services and training, means of production and capital

- Establish well-functioning systems of agricultural financing
- Strengthen intra-African agricultural trade by improving infrastructure and dismantling trade barriers
- Implement a sustainable agricultural policy and, particularly for women, establish secure land rights
- Use the options available to protect African markets so as to allow Africa's own agricultural sector to develop

Germany

- Expand the programmes being implemented under our ONEWORLD – No Hunger Initiative, including Green Innovation Centres, and enhance their structural impact in African countries
- Further strengthen development cooperation programmes aimed at developing rural areas
- Intensify public research in the field of agriculture and breeding and give small family farms better access to high-quality seeds
- Modernise agriculture in Africa by applying adapted technologies for smallholders
- Further promote the establishment of sustainable agricultural supply chains by
 - setting up multi-stakeholder forums (example: Initiative on Sustainable Cocoa)
 - promoting credible environmental and social labels in the agricultural sector
 - supporting partner countries in meeting quality standards

Internationally

- Afford Africa better access to EU markets and enable African countries to use protection mechanisms to develop their own agricultural sector
- Abolish all trade-distorting agricultural subsidies at WTO level
- Strengthen international investment programmes such as the Global Agriculture Food Security Programme (GAFSP) and programmes to fight malnutrition
- Promote youth employment in rural areas and agricultural innovations through greater commitment by the G20
- Protect the African fisheries sector by concluding fair fisheries agreements and taking more resolute action to combat illegal fishing
- Call for better cooperation between international organisations for food and agriculture (especially FAO, IFAD, WFP, World Bank, CGIAR)

Chapter 4.2: Protecting natural resources

Where are we now? Where do we want to go?

Africa is the continent most at threat from climate change. Seven of the world's ten countries that are at greatest risk are in Africa. In the last 25 years, the number of weather-related disasters such as floods or droughts has doubled. This has once again been dramatically illustrated in large parts of eastern and southern Africa by the El Niño phenomenon.

Climate change puts essential sources of livelihood such as farmland, water supply, ecosystems and supply infrastructure at risk. Africa already has the highest drought-induced mortality rates of any region in the world. Climate change thus also increases the risk of conflict over natural resources (such as land or water) and, as a consequence, places migratory pressure on the continent.

The United Nations Environment Programme has calculated that natural resources account for up to 50 per cent of gross domestic product in many African countries. Moreover, the maritime regions that lie off many African countries are affected by overfishing. Population growth will greatly increase pressure on Africa's ecosystems in the next few decades.

At the same time, African states are actually subsidising the over-exploitation of resources in their countries. In sub-Saharan Africa, subsidies for fossil fuels alone amount to 21 billion US dollars (Africa Progress Report, 2015) per year. Reducing subsidies and introducing environmental taxes and pollution charges would enable African countries to not only create favourable overall conditions for a robust and viable economy but also generate additional funds for development.

Africa's biodiversity and ecosystems are precious assets that need to be protected, both to increase resilience to climate change and to boost economic activity and employment. Existing forest areas must be preserved as carbon sinks and for ensuring rainfall distribution, which is vital to the agricultural sector and for energy generation. Using environmentally sound technologies would make African products more competitive and also be an important factor in environmental and climate protection.

Our goal is a green, resilient and sustainable Africa whose "unique natural endowments, (...) environment and ecosystems, including its wildlife and wild lands are healthy, valued and protected, with climate resilient economies and communities". (Agenda 2063).

For this to happen, Africa itself must take responsibility for the protection and sustainable use of the natural resources that form the very basis of its future economic activity and prosperity.

What needs to happen?

Africa

- Adapt agriculture better to climate change, for instance through
 - better erosion control and conservation agriculture
 - changes in crop rotations and more efficient water use
 - diversification of agricultural production
 - restoration of soil fertility
- Create more natural and marine protected areas and manage these more effectively
- Conclude an anti-poaching agreement

Germany

- Support African partner countries in fulfilling their national obligations under the Paris climate agreement, for example:
 - Provide individual advice in designing and implementing climate change mitigation and adaptation measures
 - Lend support in mobilising own funding and targeted financial support
 - Mobilise private investment, for instance to promote climate-friendly agriculture, forestry, afforestation, industry, energy generation and energy efficiency

Internationally

- Specifically promote technology transfer and environmentally friendly investments
- Swiftly implement international agreements to reduce carbon emissions
- Support African countries in establishing true-cost pricing in the consumption of goods and resources (e.g. by establishing ecological tax systems and eliminating harmful subsidies)
- Make available additional capital for climate risk insurance
- Further expand the African Risk Capacity drought insurance scheme (develop new insurance products and take on new members)
- Expand initiatives for reforestation (e.g. in the Sahara region) and the protection of tropical forests

Chapter 4.3: Energy and infrastructure

Where are we now? Where do we want to go?

Deficiencies in infrastructure sap growth in Africa by 2 per cent a year (UN Economic Commission for Africa, 2015). This applies to both the transport infrastructure and to energy and water supply. According to UN estimates, this adds up to 40 per cent to the price of African goods on the world market. The International Energy Agency states that only around 32 per cent of the population in sub-Saharan Africa has access to electricity, and only half of the population has access to clean water. Reliable, 24-hour water and energy supply is essential for businesses.

The "sun continent" Africa has the potential to significantly expand its energy supply system using renewable energies, without having to take any detour via environmentally harmful technologies. And it can make this system viable, sustainable and affordable right from the start. The necessary technologies to generate solar, water, wind, biomass and geothermal energy are available. If the general political framework is right, it will be easy to attract investors. It will thus be possible to give 90 per cent of the African population reliable access to energy by 2030.

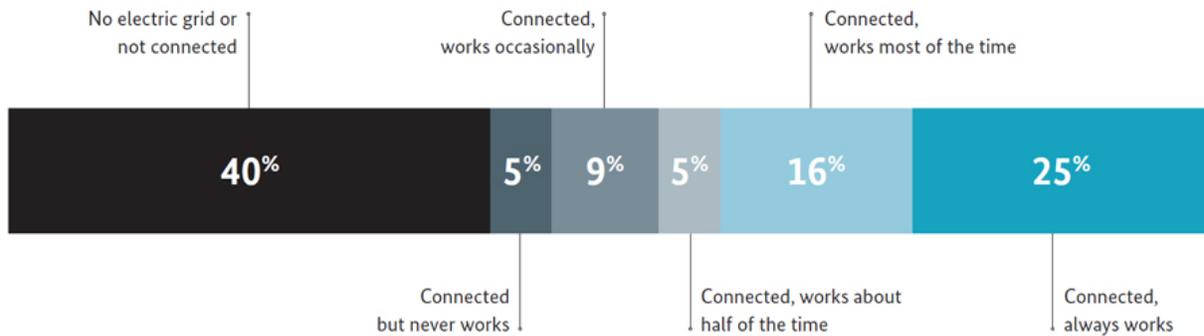
Off-grid energy solutions can be used to provide quick and effective supply to rural areas. This creates jobs and paves the way for local value chains. Diesel generators must be replaced with highly efficient solar, wind, biomass and water energy. Private sector models and initiatives at municipal level can be used to obtain the necessary long-term funding. For example, village communities can set up cooperatives to build their own renewable energy plants, which they then manage themselves.

In addition to the need to develop rural areas, there is also urgent need for action in Africa's rapidly growing cities. The existing infrastructure cannot cope with the influx of people. They live in precarious conditions without any access to energy or water, sanitation or sustainable mobility concepts. The economic potential of cities is being wasted.

The need for investment is huge; according to the African Union, 360 billion US dollars will be required between now and 2040. These deficits cannot be overcome without using African countries' private capital and own resources. Financing is not the only bottleneck; preparing funding-ready projects is the real challenge. When the overall conditions are right (as was the case with mobile communications), investment gaps can be closed quickly.

Our goal is to have a high-quality energy, transport, water and ICT infrastructure in conurbations ("New Urban Agenda") and in rural areas across the whole continent "to support Africa's accelerated integration and growth, technological transformation, trade and development". (Agenda 2063)

One important pillar is the continental Programme for Infrastructure Development in Africa (PIDA).



Source: 2014/2015 Afrobarometer Survey

image: BMZ

Access to electricity in Africa (Afrobarometer Survey, 2014/2015)

What needs to happen?

Africa

- Turn to capital markets to mobilise financial resources for infrastructure and use them for sustainable rural and urban development
- Consistently focus energy policy on expanding renewables and creating a needs-based energy mix
- Establish off-grid energy structures in rural regions through private sector investment, municipalities and/or cooperatives
- Secure access to local energy supply by means of digital payment systems

Germany

- Support the development of funding-ready infrastructure projects and share experience of Germany's energy transition so as to promote the expansion of renewable energies in Africa
- Raise private capital for modernising and transforming the energy sector, focusing it on renewable energies
- Expand incentive systems for establishing decentralised energy solutions in rural areas through municipalities, private investment and local cooperatives
- Forge technology and energy partnerships

- Cooperate with 40 African cities so as to harness the potential of Africa's rapid urbanisation and scale up city partnerships

Internationally

- Implement and expand G20 infrastructure initiatives with Africa
- Concentrate development bank financing in the energy sector on renewable energies

Chapter 4.4: Health, education and social protection

Where are we now? Where do we want to go?

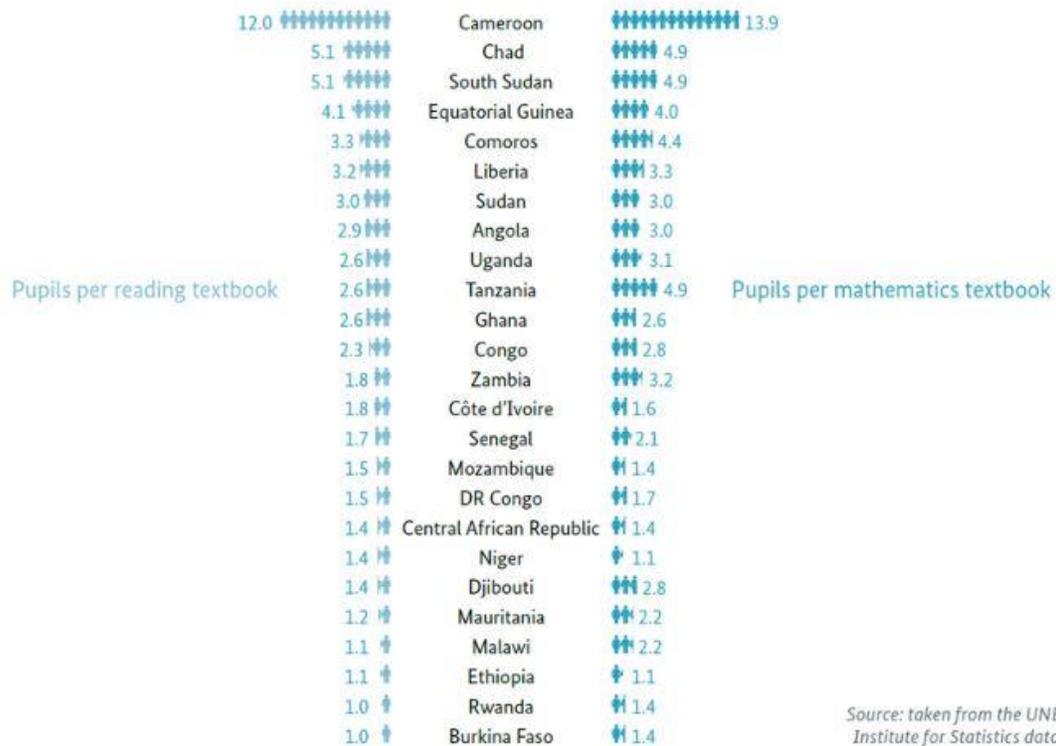
One of the central elements of public welfare system services is to provide citizens with health care, education and social protection. African states must live up to that responsibility.

But in Africa, there is a lack of infrastructure, facilities and equipment and, above all, skilled professionals and administrative staff to provide education and basic health care services. Too many children still cannot read or write when they leave school, and girls in particular drop out of school too often. Education is key for developing the future. Family planning, a decrease in child mortality rates and education opportunities are essential in curbing population growth.

These sectors are also important economic factors and provide jobs for millions of people. Innovative digital solutions are economically attractive and make it possible to provide education and health care (such as e-health solutions) to people living in remote areas. In addition, Africa needs well-functioning social protection systems. They directly help to reduce poverty and inequality and allow people to realise their productive potential. More than three in four people in Africa still have no social protection.

Our goal is an Africa that "will be amongst the best performers in global quality of life measures," for instance through the provision of basic services in the areas of education and health, and whose "human capital will be fully developed as its most precious resource". (Agenda 2063)

In many countries, pupils have to share books:



Source: taken from the UNESCO Institute for Statistics database

image: BMZ

In many countries, pupils have to share books.

What needs to happen?

Africa

- Make available sufficient funding for education (15 to 20 per cent of national budgets) and health (15 per cent) and ensure access for women and girls; finally implement the NEPAD strategy for education and health
- Improve education systems (especially administration, teacher training, building of schools)
- Make sure that higher education reflects the needs and demands of the labour market
- Introduce dual vocational training systems and establish vocational training schemes for crafts and trades
- Ensure early and comprehensive sex education
- Scale up investments in social protection and establish comprehensive social protection systems, which may include social transfers and employment measures

Germany

- Use the opportunities offered by digitalisation for education (e.g. open license learning and teaching materials, e-learning, massive open online courses)
- Significantly intensify economic cooperation with Africa and the number of scholarships available with the goal of mutual learning
- Enlarge BMZ initiatives for the training of skilled health workers and training on family planning and maternal health
- Realise 500 clinic partnerships in collaboration with the business sector
- Expand innovative solutions for social protection with the private financial and insurance sector
- Support the private sector in the field of risk coverage
- Develop reinsurance options for social protection systems and make available start-up financing
- Leverage partner countries' loans and own funds for social protection

Internationally

- Strengthen the Global Partnership for Education so as to promote effective coordination and place a greater emphasis on basic education in the poorest countries
- Promote digital education for women and girls and also relevant job opportunities and move this issue forward within the G20 (#Eskills4girls initiative)
- Increase member states' assessed contributions to the WHO by at least 10 per cent
- Ensure that international pharmaceutical groups charge fair prices for essential drugs
- Develop and expand innovative approaches for the health sector in collaboration with the private sector
- Recognise more clearly within the G20 the importance of social protection systems as instruments to cushion the effects of crises in developing countries (economy, migration, climate) and implement the recommendations of the G20 on that issue

Chapter 5: Outlook

Germany is the birthplace of the social market economy. Public welfare, human dignity and responsibility are the fundamental values we hold. As a member of the European Union, we have ourselves experienced how regional integration and the opening of markets foster prosperity, peace and security. Drawing on the experience of our German and European success story, we want to support the African countries in implementing their Agenda 2063.

To that end, we will take the proposals of the Marshall Plan and

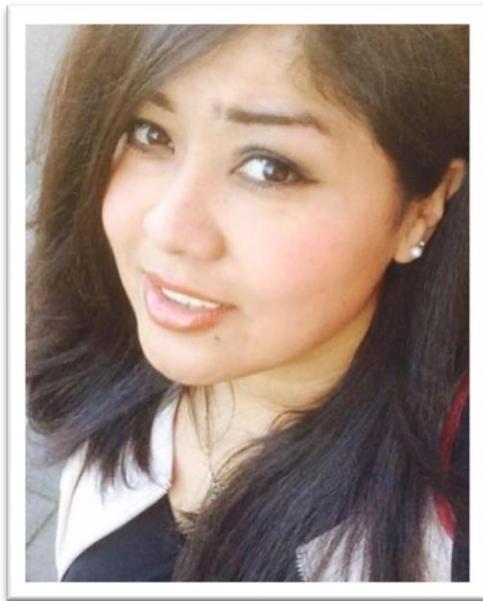
- discuss and develop them further with our African partners;
- link them with existing and new approaches at the EU level;
- address them in our consultations with other donor countries;
- develop them further with civil society, academia and the business sector in Africa and in Europe.

Based on the results of these consultations, we will submit concrete proposals for decision during the German G20 presidency at the G20 summit in July and subsequently at the EU-Africa Summit in November 2017.

We want to work with Africa and Europe, the international community and all reform-minded stakeholders from civil society and the business sector. With them, we want to shape the future, in the spirit of the international community's pact on the world's future, namely the 2030 Agenda, and of the Paris agreement on climate change. We will use 2017, this year when so much focus will be on Africa, as an opportunity to initiate a new and lasting partnership with the continent.

Women in Power - The Example of Latin America

Carmen Aguilera Garcia



Carmen Aguilera Garcia is a freelance journalist from Honduras, living in the Köln/Bonn area in Germany, studying at UNED in Madrid/Spain. The article is based on a blog, which was enlarged and enriched for EUFAJ: <https://libertasblogs.wordpress.com/2017/04/20/women-in-power-the-case-of-latin-america/>. She writes also for Deutsche Welle, Spanish papers and Central American news portals.

Women Power in international politics and economy is a rather new subject. Discussions are held only since several years about it²³. As of January 2017, the global participation rate of women in national-level parliaments is 23.3%. A number of countries are exploring measures that may increase women's participation in government at all levels, from the local to the national. It is, too, necessary for gender parity in our legislation, at least an interim quota for women (as e.g. in boards of big companies). This notion of women's empowerment is rooted in the human capabilities approach in female representatives, not only to advance women's rights, but also to advance in national legislatures.

²³ On Women in Power in the Eastern Partnership states (Armenia, Azerbaijan, Belarus, Georgia, Moldova and Ukraine) see the publication of the study: "Women in Power and Decision-Making in the Eastern Partnership Countries", EUFAJ 2/2016, p. 64, <http://www.libertas-institut.com/wp-content/uploads/2016/06/EUFAJ-2-2016.pdf>

The latest figures of *women in national parliaments* (only single or lower chambers) of the Americas - as per 1.1.2017, and out of 193 countries indicate that Bolivia is first, with global rank 2 and 53 % (99 out of 130 seats), Cuba is global 3rd, with 48,9% (299/612), Nicaragua global 5th, with 45,7% (42/92) and Mexico global 8th, with 42,6% (213/500). The next one is Ecuador, global rank 11, with 41,6% (57/137), and Argentina, global rank 16, with 38,9% (100/257). To mention another continent: Then comes Germany, with global rank 23, 37%, and 233/630, Six other EU Member States come before this rank.

The following ranks of Latin America are interesting and tell a lot:

27. Costa Rica - 35,1% (29/57)

33. Grenada - 33,3% (5/15)

36. El Salvador - 32,1% (37/94)

38. Guyana - 31,9% (22/68)

43. Trinidad & Tobago - 31,0% (13/42)

54. Peru - 27,6% (36/130)

59. Dominican Republic - 26,8% (51/190)

[then comes as 62. Canada, with 26,3%, and 33/128)

63. Honduras - 25,8% (32/128)

64. Suriname - 25,5 (12/51)

66. Dominica - 25,0% (8/32)

83. Venezuela - 22,2% (39/167)

93. Uruguay - 20,2% (20/99)

[... and as no. 104. come the USA: with 19,1% and 83/436 in the House of Representatives, and in the Senate with 21%, and 21/100]

106. Colombia - 18,7% (30/166)

107. Panama - 18,3% (13/71)

113. Jamaica - 17,5% (11/63)

... (then some small Caribbean island states)

128. Chile - 15,8% (19/120)

133. Paraguay - 13,8% (11/80)

140. Guatemala - 12,7% (20/158)

154. Brazil - 10,7% (55/513)

... and at the very end:

183. Belize - 3,2% (1/32)

187. Haiti - 2,6% (3/117)

This is an extract from the tables of the Interparliamentary Union; <http://www.ipu.org/wmn-e/arc/classif010117.htm>, which is reproduced at the end of these lines. From the same source one can learn that, in the regional distribution, the Americas have quite a high score of 28,3% women in parliamentary assemblies (but the

top are the Nordic countries, with 41,7%), still a bit ahead of Europe-OSCE countries, with 26,4%. However, the EU states alone are a bit better.

And in the regional parliamentary assemblies there are only 21,6% in the Central American Parliament (led by Nicaragua, El Salvador and Honduras with 7, 6 and 5 M.P's); in the European Parliament however the comparable figure is 35,2%, with 259 out of 736 seats held by women.

Women in the labour force

About 100 million women are in Latin America's labour force, Labour participation of women in Latin American has increased from 49.2 per cent in 2000 to 52.9 per cent in 2010, and seven of ten working women are in the services sector, where working conditions can be precarious. Of those in the services sector, 64.6% do not have a working contract.

The same applies to the 34.8% of those working in commerce. Despite significant progress over the past decades, gender equality remains a challenge in Latin America, where women study more often than men, but earn less.

In our policies that have in theory reduced inequality and promote the inclusion of more women at the workplace in conditions of equality, women entrepreneurs and micro-entrepreneurs are promoted. This must include more education and training to improve the school-to-work transitions, childcare, division of labour in families, increased social security and respect for labour rights, among others.²⁴

It is better now, but not sufficient

One example of Central American countries is Honduras - my home country. With a quarter of woman Members of Parliament, there is at the moment neither equality of payment nor a breathtaking share of women in parliamentary power. But Honduran women ask each day more to require their part of living in the political space. With a share of more than 50% of the entire population, they want to have more than 26% of the participation quote in the parliament. In Latin American politics, women's work is not always recognized.

In Honduras, the law on equal opportunities for women had set a quota of 40%, which cannot be reached. According to Suyapa Martinez of the NGO Education Centre for Women this is a radicalizing problem in political participation. It's just that feminism is not equal everywhere. On 25 January 1955, the Decree of recognition of rights for women in the general election in Honduras to vote was issued during the administration of Julio Lozano.

²⁴ http://www.ilo.org/global/about-the-ilo/newsroom/comment-analysis/WCMS_237488/lang--en/index.htm

A year later in 1956 for the first time a woman was elected as a member of the Congress of Guatemala. In the year 1999, of the 960 candidates only 133 women or 11.3% were elected in Guatemala, in Costa Rica 19.3% and El Salvador 16.7%. Peru has a single chamber of 130 congress members, of which 36 are women. This represents 27.7%, which places Peru on post 54 in the global list of women's participation in politics. Today the percentage in the parliaments of Costa Rica is 35% and of El Salvador 32% - a certain progress of course. But still far away from a 50% representation.

The IPU (UIP) documents on women's participation in parliaments of 193 countries indicate that, globally, about 23.4 percent of lawmakers are women. In other words, less than a quarter. Election law experts say in this context that mechanisms in the electoral law are not the simple solution.

Machismo

In women power we have in Central America, in Honduras, Berta Cáceres, she was environmental and human rights activist - she fought for human rights and for a better environment. She only wanted a better life for everyone. What causes machismo? In some companies women are paid less than men and they still have to face sexual harassment. If they lose their job, they do not get any compensation at all. Women are – generally speaking – very often victims of discrimination in Honduras. And Berta Cáceres was killed. Why?

Other example in Honduras: 20 years ago, in Honduras a daughter of peasants had no right to education and could go to school. She had to stay at home, she had to make *tortillas*, because she is a woman and women must stay at home. This is machismo. We as women have of course the right to better social development. The question of the forthcoming years was: Only because you are a man, have you the right to go to a school, and why I as a woman not?

Other example in the whole of Latin America: Father thinks that because you are a man, you need more money and with this we produced inequality for women. This is Machismo.

Or when women have no right to comment social or political events. This happens very often. Women have to be submissive. "I have not the right to talk!" - this is very often the case.

Machismo in our current Policy includes another example: the populism machista.

This kind of Populist Machismo which of course advocates the subordination of women, does not exist in other varieties of populism. But it has appeared on several occasions for example in

Argentina with ex-president Carlos Menem. Menem said he defined himself as “half libertine”. He said that it is normal for a man to have extramarital affairs.²⁵

Women presidents

Argentine

In the executive, the governments, it is interesting; there were some women even in Latin America. For instance a woman who was the first spouse of an Argentine President. At that time, in the 1950s/1960s women had not really political rights. Women like Alicia Moreau de Justo, Julieta Lanteri, Dellepiane Elvira Rawson and others had unsuccessfully claimed the recognition of political rights for women. In general, the dominant male culture considered a lack of femininity which a woman should prevent to comment or make policy. Evita Martínez de Perón, was the first woman to reach the Presidency of Argentina, and assumed the position of President after the death of her spouse, President Juan Domingo Perón. So did Cristina Kirchner of Argentina. Alone and without succeeding their spouses these two women would have never been presidents. By the way, also the only female presidents of Guyana and Panama were the successors of their husband presidents.

However, Cristina Kirchner in Argentina, lawyer and politician, who served as President of Argentina from October 2007 to 2015, was the first woman re-elected to the office. Ideologically a Peronist and social democrat, she was a member of the Justicialist Party, with her political approach being characterised as Kirchnerism.

Brasil

Dilma Rousseff, who served as President of Brasil from January 2011 being the first lady to hold the position of top leader in the policies of Brasil and following the steps of Lidia Gueiler Tejada (1979), Michelle Bachelet (2006) and Cristina Fernández de Kirchner (2007), had been the fourth women elect as president in Latin America.

In 2014, during the presidential elections, the President Dilma Rousseff supported the criminalization of homophobia, citing the "high rate" of acts of violence against homosexuals in the country. She launched also the "Light for All" program, “*Luz para Todos*”. Rousseff had proposed to accelerate the access to electricity, which had a deadline of 2015, suggesting that 1.4 million rural households would get electricity access. She argued that it was a social

²⁵ <https://www.opendemocracy.net/democraciabierta/federico-fincheslstein/trump-y-el-populismo-machista>, in the Latin America edition of Open Democracy, 3.10.2016 (acceded 20.5.2017)

inclusion goal that should be a part of *Fome Zero* (Zero Hunger) and that it was not possible to assume that such a program would provide a financial return.

And not to forget that she was forced to resign amid a lot of machismo arguments.²⁶ Her successor Temar who was among the drivers of the impeachment proceedings against her is now himself accused of being involved in corruption cases.

Laura Chinchilla is the first President in the history of Costa Rica, Michelle Bachelet Jeria was President of the Republic of Chile from 2006 to 2010, Mireya Elisa Moscoso Rodríguez, in 1999 won the presidential elections in Panama. Janet Jagan Rosemberg became first woman President in the history of Guyana. Rosalía Arteaga Serrano was the first woman in the history of Ecuador in the positions of President and Vice President. Violeta Barrios Chamorra was President of Nicaragua and Lidia Gueiler Tejada was interim President of Bolivia.

Finally, Rigoberta Menchú Tum should not be forgotten. She has become a figure in indigenous political parties and ran for President of Guatemala in 2007 and 2011 and has dedicated her life to publicizing the rights of Guatemala's indigenous feminists during and after the Guatemalan Civil War (1960–1996), and to promoting indigenous rights in the country. She was later rewarded with the Peace Nobel Prize.

Economic Power

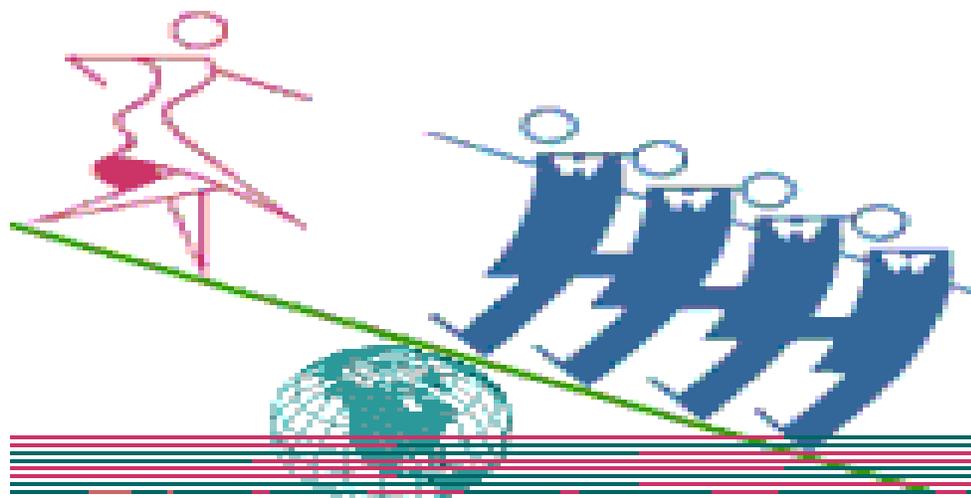
Women are even less present in positions of economic power. They represent 9 per cent of members of the boards of central banks, 15 per cent of members of the governing bodies of trade unions and 10 per cent of members of the governing bodies of employers' organisations. Women in the boards of companies registered on the stock exchange are less than 15 per cent. Ukraine, for example, stands out as the only Eastern Partnership country with two women Presidents and two women Vice-Presidents in two of its organisations representing workers.

In a legislation, executive political institutions, political parties, public administration we need not violence and harassment against women. Their share in them remains insufficient. Women in power roles of leadership are very important for actions for equality, development and peace.

Our object is a better the change developments and measures in women's and men's participation in power structures, in the single, lower houses of the national, federal Parliaments; promote a balanced participation in political elections (policy). As well as in the local assemblies. There is also a need to change women's representation in Central Banks, economic ministries, employers' confederations, labor unions, and of course among the entrepreneurs. This requires education and skills for women leaders - the contrary what they could expect only

²⁶ see detailed CVs of these women, in Spanish, under <http://www.adnpolitico.com/2012/2012/02/06/las-presidentas-de-america-latina>

10, 20, 30 years ago. Slowly, the situation improves, as we know it also from the EU. But very slowly.



The role of the EU - and what the European Parliament could do

The EU has a certain role for Latin America. Europeans are not engaged the same way as Trump's United States. There is a general striving in Europe for equal salaries and the fight against violence and trafficking of women. As well it is important that a significant majority of women does not feel discriminated against because of their gender.

Also the European Parliament has a specialised permanent committee on gender issues where everything can be discussed. Parliamentary committees exercise a certain pressure, perhaps their attempt to legitimise themselves, on themselves to deliver results. In my opinion, **the European Union and above all its Parliament should "export" more knowhow about this committee and the work it does to Latin America. This should be included into the agendas of the relevant delegations of the European Parliament. It should start with questions on education and above all women entrepreneurs and start-ups.**

Women's Rights and Gender Equality discuss interesting topics for decision making processes in EU member states. the gender pay gap requires more than passing laws and legislation or introducing the quota system; it is rather about creating a culture of equality and opportunity in western democracies, above all in the European Union, as at present not much can be expected by the US President (who seems to be more specialised on "pussy grabbing").

A better solution would be the implementation of the integration of the gender perspective into every stage of policy processes not only in the European Union, but also in Latin America. It could start with discriminations and inequalities in the labor market. The European Commission follows the dual approach of specific initiatives and gender mainstreaming. Gender mainstreaming is the integration of the gender perspective.²⁷



Another interesting data collection has been done by the World Bank, with a table on the proportion of seats held by women in national parliaments (%)²⁸

What has to be done in Latin America? The continent needs action plans and roadmaps for Zero Discrimination against women in economic and social life at the workplace. There should be more references to equal value, as prescribed in Article 157 Treaty of the Functioning of the European Union (TFEU) or of relevant UN employment documents

Every person has the right to live without discrimination. Also women in our political leadership on all levels. Women's rights must be understood and accepted also by men, like evident facts, so that nobody has to discuss them anymore. The voices of conscience will not be silenced. And also the women of Latin America have the right for their best future and their best perspective.

²⁷ See for instance for this approach http://ec.europa.eu/justice/gender-equality/tools/index_en.htm

²⁸ <http://data.worldbank.org/indicator/SG.GEN.PARL.ZS?locations=HN>

Statistics on Women in National Parliaments

These are some statistical data on the seats and the percentage of women in national parliaments by 1st January 2017, 193 countries are classified by descending order of the percentage of women in lower or single house. Source: Interparliamentary Union, <http://www.ipu.org/wmn-e/arc/classif010117.htm>

WORLD CLASSIFICATION									
Rank	Country	Lower or single House				Upper House or Senate			
		Elections	Seats*	Women	% W	Elections	Seats*	Women	% W
1	Rwanda	16.09.2013	80	49	61.3%	26.09.2011	26	10	38.5%
2	Bolivia	12.10.2014	130	69	53.1%	12.10.2014	36	17	47.2%
3	Cuba	03.02.2013	612	299	48.9%	---	---	---	---
4	Iceland	29.10.2016	63	30	47.6%	---	---	---	---
5	Nicaragua	06.11.2016	92	42	45.7%	---	---	---	---
6	Sweden	14.09.2014	349	152	43.6%	---	---	---	---
7	Senegal	01.07.2012	150	64	42.7%	---	---	---	---
8	Mexico	07.06.2015	500	213	42.6%	01.07.2012	128	47	36.7%
9	Finland	19.04.2015	200	84	42.0%	---	---	---	---
"	South Africa	07.05.2014	398	167	42.0%	21.05.2014	54	19	35.2%
11	Ecuador	17.02.2013	137	57	41.6%	---	---	---	---
12	Namibia	29.11.2014	104	43	41.3%	08.12.2015	42	10	23.8%
13	Mozambique	15.10.2014	250	99	39.6%	---	---	---	---
"	Norway	09.09.2013	169	67	39.6%	---	---	---	---
15	Spain	26.06.2016	350	137	39.1%	26.06.2016	266	101	38.0%
16	Argentina	25.10.2015	257	100	38.9%	25.10.2015	72	30	41.7%
17	Ethiopia	24.05.2015	547	212	38.8%	05.10.2015	153	49	32.0%
18	Timor-Leste	07.07.2012	65	25	38.5%	---	---	---	---
19	Angola	31.08.2012	220	84	38.2%	---	---	---	---
20	Belgium	25.05.2014	150	57	38.0%	03.07.2014	60	30	50.0%
"	Netherlands	12.09.2012	150	57	38.0%	26.05.2015	75	26	34.7%
22	Denmark	18.06.2015	179	67	37.4%	---	---	---	---

23	Germany	22.09.2013	630	233	37.0%	N.A.	69	27	39.1%
24	Slovenia	13.07.2014	90	33	36.7%	20.11.2012	40	3	7.5%
25	Burundi	29.06.2015	121	44	36.4%	24.07.2015	43	18	41.9%
"	United Republic of Tanzania	25.10.2015	393	143	36.4%	---	---	---	---
27	Costa Rica	02.02.2014	57	20	35.1%	---	---	---	---
28	Portugal	04.10.2015	230	80	34.8%	---	---	---	---
29	Belarus	11.09.2016	110	38	34.5%	30.08.2012	56	17	30.4%
30	Serbia	24.04.2016	250	86	34.4%	---	---	---	---
31	Uganda	18.02.2016	449	154	34.3%	---	---	---	---
32	New Zealand	20.09.2014	120	41	34.2%	---	---	---	---
33	Grenada	19.02.2013	15	5	33.3%	27.03.2013	13	2	15.4%
34	Zimbabwe	31.07.2013	270	88	32.6%	31.07.2013	80	38	47.5%
35	Switzerland	18.10.2015	200	65	32.5%	23.10.2011	46	7	15.2%
36	Andorra	01.03.2015	28	9	32.1%	---	---	---	---
"	El Salvador	01.03.2015	84	27	32.1%	---	---	---	---
38	Guyana	11.05.2015	69	22	31.9%	---	---	---	---
39	The F.Y.R. of Macedonia	11.12.2016	120	38	31.7%	---	---	---	---
40	Algeria	10.05.2012	462	146	31.6%	29.12.2015	143	10	7.0%
41	Tunisia	26.10.2014	217	68	31.3%	---	---	---	---
42	Cameroon	30.09.2013	180	56	31.1%	14.04.2013	100	20	20.0%
43	Italy	24.02.2013	630	195	31.0%	24.02.2013	320	91	28.4%
"	Trinidad and Tobago	07.09.2015	42	13	31.0%	23.09.2015	31	9	29.0%
45	Austria	29.09.2013	183	56	30.6%	N.A.	61	19	31.1%
46	Sudan	13.04.2015	426	130	30.5%	01.06.2015	54	19	35.2%
47	United Kingdom	07.05.2015	650	195	30.0%	N.A.	809	209	25.8%
48	Nepal	19.11.2013	595	176	29.6%	---	---	---	---
49	Philippines	09.05.2016	292	86	29.5%	09.05.2016	24	6	25.0%
50	Australia	02.07.2016	150	43	28.7%	02.07.2016	76	31	40.8%
51	South Sudan	04.08.2016	383	109	28.5%	05.08.2011	50	6	12.0%
52	Luxembourg	20.10.2013	60	17	28.3%	---	---	---	---
53	Poland	25.10.2015	460	129	28.0%	25.10.2015	100	14	14.0%
54	Afghanistan	18.09.2010	249	69	27.7%	10.01.2015	68	21	30.9%
"	Peru	10.04.2016	130	36	27.7%	---	---	---	---
56	Israel	17.03.2015	120	33	27.5%	---	---	---	---
"	Lao People's Democratic Republic	20.03.2016	149	41	27.5%	---	---	---	---
58	Kazakhstan	20.03.2016	107	29	27.1%	01.10.2014	47	3	6.4%

59	Dominican Republic	15.05.2016	190	51	26.8%	15.05.2016	32	3	9.4%
60	Estonia	01.03.2015	101	27	26.7%	---	---	---	---
"	Viet Nam	22.05.2016	494	132	26.7%	---	---	---	---
62	Canada	19.10.2015	335	88	26.3%	N.A.	100	43	43.0%
63	France	10.06.2012	577	149	25.8%	28.09.2014	348	95	27.3%
"	Honduras	24.11.2013	128	33	25.8%	---	---	---	---
"	Turkmenistan	15.12.2013	124	32	25.8%	---	---	---	---
66	Suriname	24.05.2015	51	13	25.5%	---	---	---	---
67	Iraq	30.04.2014	328	83	25.3%	---	---	---	---
68	Mauritania	23.11.2013	147	37	25.2%	08.11.2009	56	8	14.3%
69	Dominica	08.12.2014	32	8	25.0%	---	---	---	---
"	Lesotho	28.02.2015	120	30	25.0%	26.03.2015	33	8	24.2%
71	Somalia	23.10.2016	264	64	24.2%	N.A.	53	12	22.6%
72	Equatorial Guinea	26.05.2013	100	24	24.0%	26.05.2013	70	11	15.7%
73	Singapore	11.09.2015	101	24	23.8%	---	---	---	---
74	China	05.03.2013	2949	699	23.7%	---	---	---	---
75	Cabo Verde	20.03.2016	72	17	23.6%	---	---	---	---
76	Montenegro	16.10.2016	81	19	23.5%	---	---	---	---
77	San Marino	20.11.2016	60	14	23.3%	---	---	---	---
78	Albania	23.06.2013	140	32	22.9%	---	---	---	---
79	Republic of Moldova	30.11.2014	101	23	22.8%	---	---	---	---
80	Ireland	26.02.2016	158	35	22.2%	25.04.2016	60	18	30.0%
"	Venezuela (Bolivarian Republic of)	06.12.2015	167	37	22.2%	---	---	---	---
82	Eritrea	01.02.1994	150	33	22.0%	---	---	---	---
83	Guinea	28.09.2013	114	25	21.9%	---	---	---	---
84	Bosnia and Herzegovina	12.10.2014	42	9	21.4%	29.01.2015	15	2	13.3%
85	Lithuania	09.10.2016	141	30	21.3%	---	---	---	---
86	Seychelles	08.09.2016	33	7	21.2%	---	---	---	---
87	Monaco	10.02.2013	24	5	20.8%	---	---	---	---
88	Romania	11.12.2016	329	68	20.7%	11.12.2016	136	20	14.7%
89	Pakistan	11.05.2013	340	70	20.6%	05.03.2015	104	19	18.3%
90	Morocco	07.10.2016	395	81	20.5%	02.10.2015	120	14	11.7%
91	Bangladesh	05.01.2014	350	71	20.3%	---	---	---	---
"	Cambodia	28.07.2013	123	25	20.3%	29.01.2012	61	9	14.8%
93	Uruguay	26.10.2014	99	20	20.2%	26.10.2014	31	9	29.0%
94	Czech Republic	25.10.2013	200	40	20.0%	07.10.2016	80	15	18.8%

"	Slovakia	05.03.2016	150	30	20.0%	---	---	---	---
"	United Arab Emirates	24.09.2011	40	8	20.0%	---	---	---	---
97	Croatia	11.09.2016	151	30	19.9%	---	---	---	---
"	Saudi Arabia	02.12.2016	151	30	19.9%	---	---	---	---
99	Indonesia	09.04.2014	560	111	19.8%	---	---	---	---
100	Kenya	04.03.2013	350	68	19.4%	04.03.2013	68	18	26.5%
101	Bulgaria	05.10.2014	240	46	19.2%	---	---	---	---
"	Kyrgyzstan	04.10.2015	120	23	19.2%	---	---	---	---
"	Madagascar	20.12.2013	151	29	19.2%	29.12.2015	63	13	20.6%
104	United States of America	08.11.2016	435	83	19.1%	08.11.2016	100	21	21.0%
105	Tajikistan	01.03.2015	63	12	19.0%	27.03.2015	32	7	21.9%
106	Colombia	09.03.2014	166	31	18.7%	09.03.2014	102	22	21.6%
107	Greece	20.09.2015	300	55	18.3%	---	---	---	---
"	Panama	04.05.2014	71	13	18.3%	---	---	---	---
109	Sao Tome and Principe	12.10.2014	55	10	18.2%	---	---	---	---
110	Zambia	11.08.2016	167	30	18.0%	---	---	---	---
111	Cyprus	22.05.2016	56	10	17.9%	---	---	---	---
112	Togo	25.07.2013	91	16	17.6%	---	---	---	---
113	Jamaica	22.02.2016	63	11	17.5%	10.03.2016	21	5	23.8%
114	Gabon	17.12.2011	117	20	17.1%	13.12.2014	102	18	17.6%
"	Mongolia	29.06.2016	76	13	17.1%	---	---	---	---
116	Niger	21.02.2016	171	29	17.0%	---	---	---	---
"	Republic of Korea	13.04.2016	300	51	17.0%	---	---	---	---
118	Azerbaijan	01.11.2015	125	21	16.8%	---	---	---	---
119	Barbados	21.02.2013	30	5	16.7%	06.03.2013	21	5	23.8%
"	Malawi	20.05.2014	192	32	16.7%	---	---	---	---
"	Saint Lucia	06.06.2016	18	3	16.7%	05.01.2012	11	3	27.3%
122	Democratic People's Republic of Korea	09.03.2014	687	112	16.3%	---	---	---	---
123	Fiji	17.09.2014	50	8	16.0%	---	---	---	---
"	Georgia	08.10.2016	150	24	16.0%	---	---	---	---
"	Latvia	04.10.2014	100	16	16.0%	---	---	---	---
"	Libya	25.06.2014	188	30	16.0%	---	---	---	---
"	Uzbekistan	21.12.2014	150	24	16.0%	13.01.2015	100	17	17.0%
128	Chile	17.11.2013	120	19	15.8%	17.11.2013	38	6	15.8%
"	Russian Federation	18.09.2016	450	71	15.8%	N.A.	170	29	17.1%
130	Jordan	20.09.2016	130	20	15.4%	27.09.2016	65	10	15.4%

131	Egypt	17.10.2015	596	89	14.9%	---	---	---	---
"	Turkey	01.11.2015	550	82	14.9%	---	---	---	---
133	Paraguay	21.04.2013	80	11	13.8%	21.04.2013	45	9	20.0%
134	Guinea-Bissau	13.04.2014	102	14	13.7%	---	---	---	---
135	Saint Kitts and Nevis	16.02.2015	15	2	13.3%	---	---	---	---
136	Bahamas	07.05.2012	38	5	13.2%	23.05.2012	16	4	25.0%
"	Syrian Arab Republic	13.04.2016	250	33	13.2%	---	---	---	---
138	Saint Vincent and the Grenadines	09.12.2015	23	3	13.0%	---	---	---	---
139	Chad	13.02.2011	188	24	12.8%	---	---	---	---
140	Ghana	07.12.2016	275	35	12.7%	---	---	---	---
"	Guatemala	06.09.2015	158	20	12.7%	---	---	---	---
142	Malta	09.03.2013	72	9	12.5%	---	---	---	---
"	Palau	01.11.2016	16	2	12.5%	01.11.2016	13	2	15.4%
144	Sierra Leone	17.11.2012	121	15	12.4%	---	---	---	---
145	Liberia	11.10.2011	73	9	12.3%	20.12.2014	30	3	10.0%
"	Ukraine	26.10.2014	423	52	12.3%	---	---	---	---
147	Liechtenstein	03.02.2013	25	3	12.0%	---	---	---	---
148	India	07.04.2014	542	64	11.8%	21.03.2016	245	27	11.0%
149	Mauritius	10.12.2014	69	8	11.6%	---	---	---	---
150	Cote d'Ivoire	18.12.2016	253	29	11.5%	---	---	---	---
151	Antigua and Barbuda	12.06.2014	18	2	11.1%	25.06.2014	17	5	29.4%
152	Burkina Faso	29.11.2015	127	14	11.0%	---	---	---	---
153	Djibouti	22.02.2013	65	7	10.8%	---	---	---	---
154	Brazil	05.10.2014	513	55	10.7%	05.10.2014	81	12	14.8%
155	Nauru	09.07.2016	19	2	10.5%	---	---	---	---
156	Malaysia	05.05.2013	222	23	10.4%	N.A.	68	15	22.1%
157	Myanmar	08.11.2015	433	44	10.2%	08.11.2015	221	23	10.4%
158	Hungary	06.04.2014	199	20	10.1%	---	---	---	---
159	Samoa	04.03.2016	50	5	10.0%	---	---	---	---
160	Armenia	06.05.2012	131	13	9.9%	---	---	---	---
161	Botswana	24.10.2014	63	6	9.5%	---	---	---	---
162	Gambia	29.03.2012	53	5	9.4%	---	---	---	---
163	Japan	14.12.2014	475	44	9.3%	10.07.2016	242	50	20.7%
164	Brunei Darussalam	05.03.2016	33	3	9.1%	---	---	---	---
"	Marshall Islands	16.11.2015	33	3	9.1%	---	---	---	---
166	Democratic Republic of the Congo	28.11.2011	492	44	8.9%	19.01.2007	108	5	4.6%

167	Mali	24.11.2013	147	13	8.8%	---	---	---	---
168	Central African Republic	14.02.2016	140	12	8.6%	---	---	---	---
169	Bhutan	13.07.2013	47	4	8.5%	23.04.2013	25	2	8.0%
170	Bahrain	22.11.2014	40	3	7.5%	07.12.2014	40	9	22.5%
171	Congo	15.07.2012	136	10	7.4%	12.10.2014	72	14	19.4%
172	Benin	26.04.2015	83	6	7.2%	---	---	---	---
173	Tuvalu	31.03.2015	15	1	6.7%	---	---	---	---
174	Kiribati	30.12.2015	46	3	6.5%	---	---	---	---
175	Swaziland	20.09.2013	65	4	6.2%	30.10.2013	30	10	33.3%
176	Comoros	25.01.2015	33	2	6.1%	---	---	---	---
177	Iran (Islamic Republic of)	26.02.2016	289	17	5.9%	---	---	---	---
"	Maldives	22.03.2014	85	5	5.9%	---	---	---	---
179	Sri Lanka	17.08.2015	225	13	5.8%	---	---	---	---
180	Nigeria	28.03.2015	360	20	5.6%	28.03.2015	108	7	6.5%
181	Thailand	07.08.2014	247	12	4.9%	---	---	---	---
182	Tonga	27.11.2014	26	1	3.8%	---	---	---	---
183	Belize	07.03.2012	32	1	3.1%	21.03.2012	13	4	30.8%
"	Kuwait	26.11.2016	65	2	3.1%	---	---	---	---
"	Lebanon	07.06.2009	128	4	3.1%	---	---	---	---
186	Papua New Guinea	23.06.2012	111	3	2.7%	---	---	---	---
187	Haiti	09.08.2015	117	3	2.6%	20.11.2016	22	0	0.0%
188	Solomon Islands	19.11.2014	50	1	2.0%	---	---	---	---
189	Oman	25.10.2015	85	1	1.2%	07.11.2015	85	14	16.5%
190	Micronesia (Federated States of)	03.03.2015	14	0	0.0%	---	---	---	---
"	Qatar	01.07.2013	35	0	0.0%	---	---	---	---
"	Vanuatu	22.01.2016	52	0	0.0%	---	---	---	---
"	Yemen	27.04.2003	275	0	0.0%	28.04.2001	111	2	1.8%



Présentation

Multipol est un réseau international et interdisciplinaire de chercheurs et d'experts en droit international et relations internationales, provenant de milieux professionnels tels que la justice internationale, la diplomatie multilatérale et bilatérale, la recherche et la formation, la fonction publique internationale.

Sa première et principale réalisation est le site <http://reseau-multipol.blogspot.com> plateforme d'échanges, d'analyses et d'informations en temps réel sur l'actualité internationale. Ce nouveau media se positionne ainsi entre les publications journalistiques, qui manquent parfois de recul et de données précises sur les événements de la scène internationale, et les publications scientifiques, qui paraissent dans un délai souvent tardif.

Multipol est né à Genève, durant l'été 2006, de la rencontre de passionnés de relations internationales. Le réseau est régi par une association de droit suisse, apolitique, non religieuse et à but non lucratif. Il est composé d'une vingtaine de membres spécialisés dans les différentes branches des relations internationales (droit international, science politique, géopolitique, économie internationale, géostratégie, etc.).

Objectifs

Animer un réseau de chercheurs et de professionnels issus de cultures, de nationalités, de localisations, de formations et d'environnements professionnels différents.

- Proposer un support d'information innovant, rigoureux et gratuit, offrant à la fois des analyses de fond et des brèves d'actualité internationale, publiés par des chercheurs et des experts en relations internationales.
- Permettre aux membres de ce réseau de publier leurs analyses et les informations dont ils disposent dans un délai très court, et susciter des commentaires pertinents de la part des autres membres du réseau et des lecteurs.
- Organiser des colloques visant à diffuser la connaissance du droit et des relations internationales.
- Établir des liens avec des institutions et organismes poursuivant des buts analogues ou voisins.
- Proposer l'expertise scientifique des membres du réseau.

Contacteur MULTIPOL: contact.multipol@gmail.com

Security Threats Caused by Climate Change

- Case Study on the Republic of Moldova

Gheorghe Racovita

Gheorge Racovita is a researcher in the agro-ecological field at State Agricultural University of Moldova (Universitatea Agrara de Stat din Moldova), UASM, and an expert in the security sector, He lives in Chisinau, Republic of Moldova. His e-mail: gheorghe003@yahoo.com.

Abstract

This article contribute to the academic, political and security dialogue on the conceptualization of security threats created by climate change, which have as initial cause global warming. As the world's states understand and perceive differently these type of security threats, the research was focused on the regional consequences of climate change, especially temperature and precipitation variations, and the impact of these perturbations on the food security of the Republic of Moldova, as part of overall state security.

The definition of the main system phenomena in terms of succession of extreme meteorological events in time and space was based on the principles of organization and functioning of agroecosystems of strategic crops as key elements for ensuring food security.

The research carried out under the conditions of drought recorded in 2012 on the territory of the Republic of Moldova show that the phenomena of the fall of agroecosystems of strategic crops underlying the safety of food security fall into the category of security threats created by climate change with cumulative effects for the whole defense and security system at national or international level.

The effects of food security crisis and social stress caused by catastrophic meteorological events turn the farmers' community into a critical mass having predispositions for protesting, which can be easily attracted into radical and extremist actions with destabilizing effects on the general security environment.

The problems from the agro-industrial sector, due to irreparable changes in the environment and climate, generate sufficient provocative, manipulative and propagandistic substance to transform the processes of expressing the constitutional rights of citizens into hybrid security

risks and threats, with destabilizing potential that may overcome the national defense and security capabilities of developing states or community of states, being in a dynamic process of association or dissociation.

Contents

- Introduction**
- I. Climate change in the security field**
- II. The relationship: draught and agroeco-systemic instability as generator of food security threats. Case study on the Republic of Moldova**
- III. The effect of cascade caused by the collapse of agroeco systems**
 - 3.1 The economic collapse*
 - 3.2 The geo political intervention*
 - 3.3 The stress and social tensions*
 - 3.4 Agricultural community – potential for hybrid security threats and government crisis*
- IV. Conclusions**
- Bibliography**

Introduction

Climate change, caused by global warming phenomenon, leads to cataclysms, disasters and biotic and abiotic catastrophes. As a result, the natural hazards and risks, which directly and indirectly lead to the deepening of state of insecurity in the vital domains of contemporary society, are changing in intensity and frequency with effects unknown to future generations.

In such circumstances, the security environment in the last decade has become complex and constantly transformable. The transfer of climate risks in the security field is one of great responsibility, as the need appears for experts in the field to have a plenary understanding of these issues, with the proper involvement of institutions from national defense and security system.

The way security risks and threats created by climate change will be understood will depend on the structure of academic, political and security dialogue and the elimination of possible misconceptions and erroneous perceptions at all levels.[1]

The scientific community and analysis centers are identifying that the relationship between extreme weather changes and the security environment is questionable, being understood as an amplification of existing security vulnerabilities rather than their generation.

At the same time, some natural calamities are altered in dynamics and intensity by human activities, some of which are the result of processes to strengthen security and defense

capabilities of states or state communities, such as nuclear weapons tests. The negative environmental impact of this kind of factors cannot be appreciated due to restrictions of scientific communities concerned with climate change prevention.

Environmental crises generate preconditions for cooperation between the components of the national security and defense system and the ensemble of legislative, governmental and intergovernmental bodies, research institutions, economic bodies and national or international public organizations with ecological and protection responsibilities and competences in the environment field and simple citizens who are directly and indirectly affected by the global warming phenomenon.

From this perspective, of understanding and awareness of direct and indirect implications of extreme climate risks for the security environment, there is a need for more clarifications, with identification of reference objects for both levels and interconceptual relationships.

I. Climate change in the security field

Global warming and climate change are among the top issues discussed by climate, environmental, economic and political experts. Since 2000, [9] the topic of global warming and the consequences of this phenomenon is on the agenda of security experts, focusing on analyzing the risks and security threats induced by climate change.

This approach can be quite difficult, as the world's states understand and perceive differently the risks and security threats induced by climate change. Security perceptions depend on negative weather phenomena that occur in different geo-climatic areas with a potential risk or threat to national and international security systems.

Nonetheless, the need appears to take into account the fact, that the risks and threats related to security have as a key element the undermining of fundamental rights of states or national systems of security. Also, there is a special understanding of the security sensors in regards to the transposition into facts of the objectives that come from the strategies having an anti-statehood nature, also anti-governmental or military one. [1]

From the perspective of the studied approach, the analysis of risk factors and security threats created by climate change is interconnected with the structure, status and resilience capacity to extreme weather conditions of natural antropogenic systems. Different territorial area are subject to certain elements of extreme weather conditions and thus will have different levels of perception of the risk factors by the individual and society, which are directly proportional with the connection of the person and the community to the natural basis necessary for their existence, which is affected by global warming and negative climate events.

An vivid example from this perspective is the principles of organization and functioning of agro systems created by the man through the transformation of natural eco systems from a certain territory, in order to ensure food base, consumption needs, as well as social and economic ones. The man creates agro systems and thus modifies significantly in the desired perspective the natural existing ones, as is the case of pastures, or creating in a planned manner eco systems

which are not found in nature, as is the case of crops or structures for intensive breeding of animals. The man creates and destroys agro systems as units of production of the portions of useful biomass as agro and food products, depending on economic interests and the ones related to meeting the criteria of security and food safety. [6]

Through his actions of simplifying the structure and normal functions of the eco system, the man creates a state of insecurity in the agro system. The traits of instability from the agro system are controlled by the man through investments of energy, information and mass. Nevertheless, the controlled instability gains a nature of risk for food safety, which will depend on the volume of the investment in assuring the equilibrium of functioning and organization of the agro system.

Extreme climate events which are caused by global warming create an additional degree of instability in the agro ecosystem, increasing even more the risks for food security. The succession of extreme climate events in time and space, as is draught or processes of aridity, can cause major dysfunctions or even lead to the functional collapse of agro systems of certain crops from a certain territory.

The phenomenon of collapse of agro systems of certain strategic crops which are the basis of the agro food system become a direct threat to food security and the general state of security.

In terminology related to security, this means the cause of a cascade effect, described in The Synthesis Report (SYR) of the IPCC Fifth Assessment Report (AR5) [5], which have a leading point events of draught, dysfunctions of the agro systems, the lack or shortage of agro food products, increase of prices, social unrest, protests, community destabilization, government crises, collapse of governments with the probability of state or inter-state conflicts.

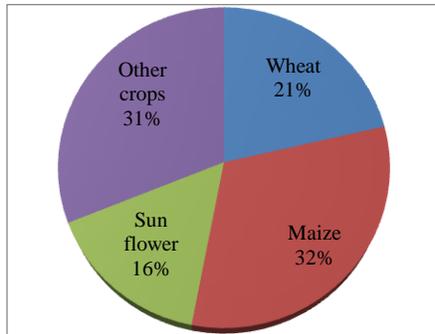
II. The relationship: draught and agroeco-systemic instability as generator of food security threats. Case study on the Republic of Moldova

Regional expressions of climate abnormalities which have as cause global warming cause the fall of agro systems in the conditions of severe draught which is recorded periodically on the territory of the Republic of Moldova, which affect the security environment and the food sovereignty of the country.

The agrosystems constitute 75% from the territory of the Republic of Moldova[8], adapted depending on the system of the crops planted by the agricultural communities.

Diagram 1

Seeding surface on crops [14]



The bioproductivity of agrosystems from the national geographic perimeter, assessed through the index of average harvest of the main crops [2], is variable from year to year, being influenced by negative conditions, among which the draught has the highest risk factor.

According to data from the National Bureau of Statistics, the agricultural system is influenced by three main strategic crops: wheat, corn and sunflower. As shown in diagram 1, from the total of 1,8 million hectares of arable land, an approximate of 70% is distributed among the mentioned crops.

The structural status and the functionality of the agro systems of these three crops has a strategic importance for the food security level of the individual, the community and the country, as well as meeting the needs of society for agro-food products and the assurance of economic well being and social one of farmers, consumers from rural and urban areas.

Table 1

Indicators of countries of the bio-climate potential [24]

Countries with similar indicators	Bio climate potential points	PBC of countries compared with that of RM%
Moldova	144	100
Bulgaria	173	120
Ungaria	157	109
Austria	144	100
Olanda	135	94
Germania	133	92
România	133	92
Polonia	130	90
Ucraina	130	90

The quantitative and qualitative value of the fraction of the biomass which can be produced in the agrosystem of one or another crop is due to the common action of essential resources of biosphere: climate, soil, water and the variations of crops grown.

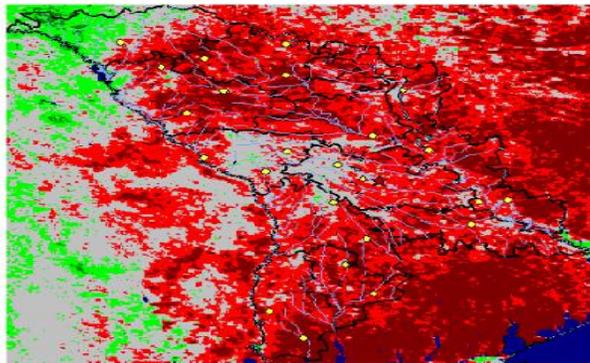
The Republic of Moldova has a significant bio-climate potential for the development of agriculture. According to the data presented in table 1, the bioproductivity of agrosystems from the national geographic territory is similar to the one of Austria.

The soils of the country, predominantly cernoziom, which have a quota of 78% from the surface of agricultural land, is characterized by a high level of natural fertility. [3]

A diminishing factor in this is the variation of temperature and humidity, which from the operational perspective, expressed in time and space, cause the phenomenon of draught.

Image 1

Moldova, the second decade of January, 2007[8]



During 1990-2011 on the territory of the country there were recorded 10 years (1990, 1992, 1994, 1996, 1999, 2000, 2001, 2003, 2007, 2011, 2012, 2015) with draught of different intensity, which led to a decrease of harvest, generating a state of food insecurity country wise.

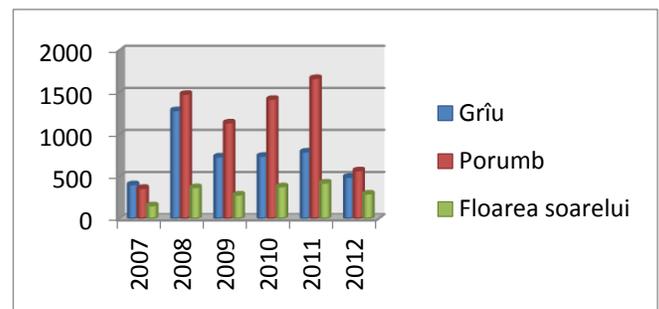
The catastrophic draught from 2007 affected more than 80% from the territory of the country (image 1), being the most serious draught from the entire period of instrumental measuring [13].

According to the main agro climate indicators, this draught surpassed the one from 1946.

The degree of threat to the food security as result of the collapse of the agrosystems can be assessed also from the perspective of data of the global harvest of strategic crops which form the basis of the national agro industrial system. From diagram 2, we can see that under the conditions of catastrophic draught from the summer of 2007, the global harvest of the main strategic crops was diminished significantly in comparison with the favorable agricultural years. Decreased levels of harvest reaching levels of threat for food security were recorded also in 2012.

Diagram 2

Global harvest crops, thousand of tones, [14]



Diminishing levels of crops are due to dysfunctions from the mentioned agrosystems, which react differently to negative elements of the environment. The research in the field of the productivity of agrosystems of wheat, corn and sunflower, in the pedo-climate conditions from 2012, from the research field nr. 14 of the Pedology and Agrochemistry Institute „Nicolae Dimo”, have shown different levels of dysfunctions shown through the termination in development of crops, indicators of premature ripening and a reduced harvest on the unit of surface.

Agrocenoses of sunflower



Agrocenoses of corn



Image 2 shows the photo captions of the agrocenoses of sun flower and corn in the conditions of draught from 2012.

As it is noticed, the variations in temperature and the lack of precipitations led to a reduction of productivity of agrocenoses of sunflower, a harvest of 14 q/ha being obtained. Under the same conditions, the agrocenoses of corn was terminated in its development, and the value of the fraction of biomass useful for food consumption was zero.

The phenomenon of diminishing of productivity or the collapse of agrosystems is expressed as a direct threat for the food security created by climate change, causing cumulative effects of cascade on the entire territory of agro-industrial field, with negative consequences on the general security situation.

III. The effect of cascade caused by the collapse of agroeco systems

3.1 The economic collapse

The impact of the draught from 2007 on the units of agro food production caused damage to the national economy in the sum of more than 1 billion dollars. In 2012, the extreme climate events led to a loss of 1,0 – 1,5 billion lei. The increase of prices for feed crops caused a chain increase of price of produce of animal origin – milk, meat, eggs, etc. Also, due to a reduction of feed crops, approximately a reduction of 15-20% was recorded in livestock – pigs, cattle and poultry. Next to decrease of production volume, a decrease in available work places was recorded in the rural space. [4] [11]

Extreme draughts, as the ones from 2007 and 2012, have expressed themselves as a threat to the security of the Republic of Moldova, because the negative effects of the draught generated

a lack of balance in the food sector, and the agro industrial field of production and processing being in incapability of assuring the necessary consumption level for the population.

So, the fall of agro-systems as central units of production under the influence of negative climate conditions affected both the food security, as well as the food sovereignty of the Republic of Moldova, the authorities being imposed to request international assistance in order to replace the lack of food sector balance and diminish the negative consequences of the draught.

3.2 The geo political intervention

The functional disorders of the agro food system caused by the fall of the agro systems in conditions of draught led to a deficit of primary agro food products and caused a crisis of food security.

The replacement of deficit in the conditions of agro-system collapse of strategic crops in the agricultural year 2007 was possible only due to external factors, through the assistance of states which have such reserves or from the specialized international bodies.

The authorities from that period requested 350.000 tons of wheat, 89.000 tons of potatoes, 85.000 of diary and other produce from the food ones necessary to prevent an insufficiency of produce and to assure a minimum of food security. [16]

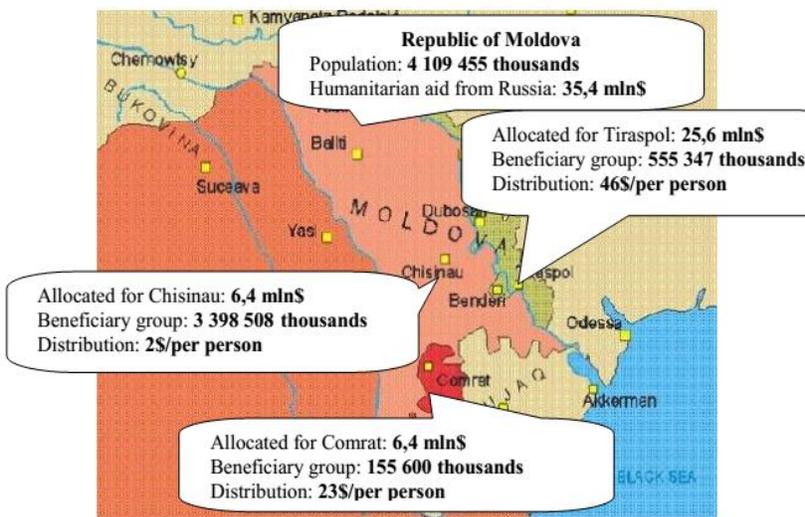
The humanitarian aid provided to Moldova in conditions of crisis of food security from 2007 was intended for the assurance of primary consumption products, as well as had the goal to reinstate the functionality of agro systems of strategic crops for the following agricultural year, provided in the shape of financial assistance, as well as produce – food products, seeds and fuel.

From the perspective of security approach, in the context of provision of humanitarian help, a specific issue was noticed, which is a result of interference in regional geopolitics. So, USA, Western countries, Member States of EU, Romania, UK, Greece and a series of international organizations have provided the aid in a uniform manner on the entire territory of the country, being applied the system of direct provision of aid to the persons affected by the draught.

The US Government, through the US Embassy in Chisinau, distributed 518 tons of wheat seeds and 100 tons of barley seeds for a group of beneficiaries of 1539 small farmers. UNDP Moldova distributed aid of approximately 20 thousands ton to 500 families of farmers, in the shape of humanitarian parcels, wheat seeds, fertilizers and diesel fuel. [17]

Romania provided the Republic of Moldova with 3 tons of wheat flour, 400 tones of sugar, ten tones of powdered milk, 24 tones of meat cans, 16 tones of liver pate and 40000 liters of refined sunflower oil. [24]

Figure 2 The humanitarian aid provided by the Russian Federation, equivalent to a sum of 34,5 million dollars, had a geopolitical nature to it, being distributed unequally, based on external politics interests towards certain regions in the Republic of Moldova. Image 3 shows the way in which this aid was distributed. The biggest amount of aid was provided to the rayons controlled by the separatist regime from Tiraspol, region entitled conventionally Transnistria, supported by Moscow, where until present there are Russian military forces.



The volume of provisions was of 25,6 million dollars from the total sum of 35,4 million. The resources were envisaged also as additions to the pensions or compensations for the population in the region, which according to the data from 2007 constitutes a number of 555 347 inhabitants. [19] [20]

Another part of the humanitarian aid was provided to the Autonomous Territorial Region of Gagauzia, in the sum of 3,5 million dollars, the region having a population of 155 600 citizens. [21]

The rest, 6,3 million dollars from the humanitarian aid provided by the Russian Federation was designated to other localities affected by the draught, where approximately 3 554 108 persons live. [222]

As one can notice, the crisis situation of food security was utilized by the Russian Federation in order to support and favor the communities where the accent is placed on influencing the social and political situation from the Republic of Moldova at regional level. The Moldovan authorities from that period accepted the formula proposed by Russia, who have favored in an obvious manner the separatist regime from Tiraspol, being interested in the part of aid of 6,3 million dollars, which was allocated directly to the governmental authorities and redistributed with the scope of obtaining a social and political capital.

Due to the fact that at international level there is no leadership body of coordinating the security environment in relation to food, and the WFO is a consultative body, the governments are the responsible authorities for ensuring the food security at the level of individual and community on the national territory. The problem of food security of each country is a component of the sovereignty of that country. [6]

3.3 The stress and social tensions

The dysfunctions from the agro system expressed through a reduction of production potential or drop in functionality of these aspects in the conditions of extreme draught, generates various levels of stress for the majority of social groups.

Social stress is obvious in the active periods of the draught, but becomes a threat in the phases of post action of the draught, caused by tensions in the context of the agricultural products market, which reacts via an increase of prices for wheat, corn and other basic crops.

A former CIA director as well as the winner of Nobel Prize Thomas Şelling think that „global warming can destabilize any type of current life form, with a high certainty of creating new conflicts and to deepen existing conflicts. The climate changes which are essential ones and the increase of temperature with 2,6 C towards 2040 can generate extraordinary changes in society and military conflicts in the fight for resources, including nuclear ones. The apocalyptic scenario of events, which presumes increase of temperature to 5,6 C towards 2100, will lead to unthinkable problems for society on global level” [10]

In the case of the Republic of Moldova, the agricultural sector employs over 40% of the economically active population and continues to be one of the main economic activities and resources of essential income for an important part of the citizens.

Photo 2

The massive protest in April 2009, Chişinau, Moldova



The social effects of the catastrophic draught from 2007 have generated a situation of social stress expressed through the unrest of the majority of population. The deficient administration of the food security crisis, the humanitarian aid being provided on political reasoning, have conditioned an atmosphere of anti-governmental feeling. Even if 2008 was a year with high harvest for strategic crops, nonetheless the population faced a food shortage and increased prices for the main agro food products.

Being a pre-electoral year, the social effects of the draught in 2007 and the post action of these during the year 2008, have contributed essentially to the predisposal of the protesting vibes

among the young population, which worsened during the electoral period in 2009, in the context of unrest of population towards the governmental authorities during that period.

The situation of social stress, produced by negative climate events, has amplified the atmosphere of unrest among the population, which mobilized and materialized in the context of protests from April 2009, putting on fire the Presidential Building and the Parliament of the Republic of Moldova.

The negative climate events from 2012 provoked a crisis of food security, and the effects of social stress were diminished due to the measures undertaken by the authorities for the efficient administration of the effects of the draught.

3.4. Agricultural community – potential for hybrid security threats and government crisis

Nonetheless, the agricultural community still remain suspicious to climate change expressed at regional and national level. Periodically, the representatives from the agro industrial sphere are attracted by mass actions, with a major potential for destabilization, becoming like this a force of pressure in comparison with governmental factors.

This phenomenon can overpass certain limits and cause governmental crisis. It is hard to conceptualize what methods and means can be applied in the case of agricultural equipment, which eventually could block national routes, international highways or administrative premises.

Photo 3

Protest of farmers, 15 April 2015, blockade of national routes[15]



In conditions of crisis situations related to food security created by climate change, there are sufficient provocative elements, also manipulating and propagandistic ones, in order to transform the process of expressing constitutional rights of the citizens, into risks and hybrid security threats, with a potential of destabilizing the situation, which can overcome national capacities of defense and security of some developing states.

Farmers protest in Brussels, September 2015 [23]

European farmers protest in Brussels with tractors



Picture: Rex / submitted by the author

Young dairy farmers use a giant slingshot to throw flares to the EU Parliament and the police on the second day of a protest



Picture: Olivier Vin/AFP / subm. by the author

The protesting potential expressed by the community of farmers represents a provocation for the security structures and the law enforcement bodies from developed states. An example are the protests of the farmers from the EU countries from September 2015 in Brussels as they led to violent actions and collisions with the police, as show in photo 4.

Under the conditions of an existing potential interest of instigating these masses, the risk persists that a peaceful protest to transform into radical action with an evolution of threatening the security and having a destabilizing impact hard to predict or to asses.

IV. Conclusions

Security policies of different states from different geographical areas can offer an assessment of the categories of threats created by climate changes, which are not specific to the field of security or defense, with a strategic objective to act preventively, similar to conditions of existence of a force or factors which proffers classical security threats.

It becomes necessary for state institutions from the field of defense and security to channel their resources towards solving the problems generated by risks and security threats created by climate change, before these risks generate the radicalization of social components, and as a consequence to create violent state and interstate conflicts.

The perspectives of assuring an environment of stabile security, under the influence of climate change, especially complex ones from the perspective of force, frequency, impose profound actions and deep assessment and analysis through the perspective of operational criteria for security. A special focus needs to be placed towards the factors and forces which are

cumulative in the system, some of which, under the influence of interested persons or even upon the intervention of special services trained in this respect, can have a hybrid evolution of threat.

The fund of indicators of food security at national level needs to include aspects related to structure, principles of organization and functioning of main agro systems of crops that form the basis of national agro food system.

In light of taking decisions for preventing and mitigating food security risks created by climate change which impact the general security status, a fundamental role is designated to knowing the effects of social stress caused by severe climate events in time and areas, as for example draught, floods or storms, as well as stages of expression, also latent stages of action.

Bibliography

1. Amenințări la adresa securității http://cssas.unap.ro/ro/pdf_studii/riscuri_si_amenintari_actualitate_si_perspectiva.pdf (last view February 2017)
2. Andrieș S. Optimizarea regimurilor nutritive ale solurilor și productivitatea plantelor de cultură. Chișinău: Pontos 2005 14p
3. Cerbari, V. Monitoringul calității solurilor Republicii Moldova. Chișinău: Pontos, 2010. p. 24-25.
4. Climate change and food security: risks and responses <http://www.fao.org/3/a-i5188e.pdf>, (last view January 2017)
5. Climate Change 2014 Synthesis Report https://www.ipcc.ch/pdf/assessment-report/ar5/syr/AR5_SYR_FINAL_All_Topics.pdf pp 51-52 (last view February 2017)
6. Coste I., Borza I. Ecologie și protecția mediului, Timișoara 2003, Eurobit, pp. 99-103
7. European Commission, Climate Change and International Security. Paper from the High Representative Javier Solana and the European Commission to the European Council, 2008, S113/08;
8. Evaluarea situației privind agricultura și dezvoltarea rurală în țările parteneriatului estic <http://www.fao.org/docrep/field/009/aq675ro/aq675ro.pdf> pp11. (last view December 2016)
9. Mobjörk M., Gustafsson M.-Th., Sonnsjö H., Baalen S., Dellmuth L.-M. and Bremberg N., Climate-related security risks Towards an integrated approach <https://www.sipri.org/sites/default/files/Climate-related-security-risks.pdf>
10. National Security and the Threat of Climate Change, CNA Corporation, Alexandria, 2007, <http://securityandclimate.cna.org> (last view December 2016).
11. Strategia de Adaptare a Climei http://cnspl.md/wp-content/uploads/2015/04/HG_1009_2014_.pdf (last view Jan. 2017)
12. Seceta 2012 https://ince.md/uploads/files/1345125689_seceta-2012.pdf (last view January 2017)
13. http://www.meteo.md/mold/art_seceta2011.htm
14. http://statbank.statistica.md/pxweb/pxweb/ro/40%20Statistica%20economica/40%20Statistica%20economica_16%20AGR_AGR020/AGR020100.px/table/tableViewLayout1/?rxid=b2ff27d7-0b96-43c9-934b-42e1a2a9a774 (last view February 2017)

15. <http://agrintel.ro/32824/noi-proteste-ale-fermierilor-din-moldova-drumuri-blocate-de-tractoare-timp-de-mai-multe-ore/> (last view January 2017)
16. <http://unimedia.info/stiri/-1711.html> (last view February 2017)
17. <http://www.zdg.md/172/special/> (last view March 2017)
18. <http://www.ziare.com/international/stiri-externe/romania-va-da-ajutoare-de-6-6-milioane-lei-pentru-republica-moldova-120250> (last view March 2017)
19. <http://www.allmoldova.com/ro/news/federaia-rus-a-acordat-moldovei-i-transnistriei-care-au-fost-afectate-de-secet-asisten-n-valoare-de-40-mil-dolari>; (last view March 2017)
20. <https://ro.wikipedia.org/wiki/Transnistria> (last view March 2017)
21. <http://gagauzia.md/pageview.php?l=ro&idc=408> (last view January 2017)
22. <http://statbank.statistica.md/> (last view March 2017)
23. <http://www.telegraph.co.uk/news/picturegalleries/worldnews/9706213/Dairy-farmers-spray-milk-at-the-European-Parliament-in-Brussels.html?frame=2411150> (last view April 2017)
24. Шашко Д. Агроклиматические ресурсы Ленинград Гидрометеоиздат 1985, 154 p

Regional Geopolitical Changes and the Russian-Armenian Relations

Lilit Vardanian



The author is a Ph.D student at the French Institute of Geopolitics (IFG), Université de Paris VIII. She published this viewpoint on 13.6.2017 on REPAIR, a project website with support of the French région Rhone-Alpes, the Fondation Calouste Gulbenkian and YERKIREUROPE, see also under <http://repairfuture.net> REPAIR is an Armeno-Turkish platform publishing different viewpoints from a constructive position. This project aims to debate the Armenian-Turkish issues by allowing various players in the Turkish, Armenian and Armenian Diaspora civil societies to voice their standpoints.

In the last five years, Armenia has experienced major upheavals both in its political life and in the geopolitics around its borders. During that time, the country has gone through periods of socio-political turmoil, changes in its constitution and political regime, the hosting of thousands of Armenians from Syria as war refugees, the commemoration of the Centenary of the Armenian Genocide, the redirecting of its strategic foreign priorities and the rekindling of the Nagorno-Karabakh war. Let us try to explore mutual representations and to review the stakes at work today in Armenia’s relations with its oldest strategic ally, Russia.

Representations of Armenian-Russian relations

In spite of choosing a multidirectional or so-called “complementary” foreign policy, Armenia is almost always considered and presented by the international community as a loyal “satellite” of Russia. However, that labelling, much disliked by Armenians themselves—as indeed by any post-Soviet country similarly tagged—is very simplistic and shows a profound lack of understanding of what is at stake in Russian-Armenian relations.

Without running through the whole history of cultural ties between the two countries, let us say that in contrast to their South-Caucasus neighbours, Armenians have never felt hostile towards Russians despite some controversial periods in their common history.

On the contrary, the image of “savior Russia” has long been rooted in Armenian minds. To this day, Russia and its military bases in Armenia are still presented as the only safeguard of the country’s security, in particular opposite militaristic Azerbaijan, which has cast Armenians as an enemy, and an increasingly nationalist Turkish regime, more intolerant and unpredictable than ever.

This type of representations is often based on the assumption that the little Republic of Armenia having no natural resources, it is of no real interest to Western countries—not even as a transit zone along the South Eurasian corridor since its Eastern and Western borders are closed by the Turkish and Azeri blockade—whereas Armenia is more valued along the North-South axis, i.e. for Iranian and Russian interests.



In the light of Russia-Western world confrontations, one could see here a resurgence of the South-Caucasian “geopolitical cross” which had lost in importance after the “relaunch” of Russian-American relations of 2010 and the relative opening of Iran. But that view is often contradicted by supporters of a breakup with Russia, a country they accuse, sometimes with blind anger, of being responsible for the Armenian “misery.” They generally blame Armenian authorities for compromising the future of their

country by leaving it “open to the greed” of Russia, in particular when it comes to the sale of strategic national companies to Russians, such as ArmRus Gazprom, now Gazprom Armenia. They insist that integration with European structures, as did Georgia, would be a much better solution for Armenian interests.

It should be noted however that these two conflicting views are now minority standpoints for, among the people as well as the political and intellectual elites of Armenia, there is an overwhelming national desire and will to develop balanced political and economic foreign ties. And as regards the bleak socio-economic situation of the country, if the Turkish-Azerbaijani

blockade does play a part in it, Armenian nationals are also well aware of the inner political issues that cripple their country's economics and drive some of them to emigrate.

Deterioration of Russia's protective image

This nuanced set of representations is in part the result of the deterioration of Russia's protective image among Armenians. An active segment of the new generation, in Armenia as well as in the Diaspora, has already drawn some wisdom from Armenian history by moving beyond the past of persecutions and genocide to claim for reparations and for a strong Armenia. Patriotic, smart and multilingual, they are demanding citizens who will not stand being disappointed. However, Moscow has often neglected that generation as it has preferred to work exclusively with the authorities, using all the economic and political levers at hand. Consequently, the frequent street demonstrations that rocked Yerevan in the last years have often been interpreted by Russian experts as provocations by Western NGOs trying to prepare a "color" revolution as in Georgia and Ukraine. But although the workings of those demonstrations are still difficult to analyze, reducing them to Western provocations as most Russian experts bluntly do shows their refusal to understand the problems of the country.

The greatest disappointment came from the arms sales and strategic partnership of Russia with Azerbaijan. As President Serzh Sargsyan aptly summed it up, being attacked by Russian weapons posed a psychological problem to an Armenian soldier. On their part, Russians tried to reassure Armenians by presenting three major arguments: that it was only business, that with its S-300 missiles, Armenia will keep its strategic edge, and that Russia will be able to better control the use of this armament since it will be in charge of its maintenance and supply. It was only after the introduction of those weapons during the Nagorno-Karabakh war in April 2016 that a debate emerged in Russia to reassess the goals and effects of that sale.

Another tragic event that happened in January 2015 has even further damaged the image of Russia: the mass murder of the Avetisyan family by Valeri Permyakov, a serviceman from the 102nd Russian military base in Gyumri. The massacre triggered spontaneous demonstrations in Yerevan and Gyumri demanding that the murderer be tried in Armenia. Consequently, the Russian military base of Gyumri found itself in the limelight—when its lease had been renewed during President Dmitry Medvedev's State visit in August 2010, to last until 2044, although the terms of the contract make it clear that the Russian military forces in the country are there only to defend the security of Armenia and not of Nagorno-Karabakh. The ambiguity lies at the heart of the Collective Security Treaty Organization (CSTO), the armed body of the Commonwealth of Independent States (CIS), of which Armenia is a member with Russia, Belarus, Kazakhstan, Tajikistan and Kyrgyzstan. But although supposed to warrant the security of its members against the attacks of other countries, the CSTO often remains silent in front of the repeated Azerbaijani shelling of Armenian villages such as the many provocations of 2014 and 2015. It was not until

late December 2016, after an Azerbaijani attempt at trespassing into Chinari (Tavush Province), that former Secretary General of CSTO Nikolai Bordyuzha, in that position since 2003, issued a communiqué that condemned the aggression. The clear-cut, long-awaited statement which was hailed by Yerevan, was finally only issued at the very end of his long term in office.

Then, Bordyuzha's succession generated a deep crisis within the CSTO. It was decided that, like the presidency of the organization, the position of Secretary General should also be rotating in order to let member countries alternate in that capacity. After the decision was implemented in January 2017, Armenia, coming first by alphabetical order, was to be the first country to fill that position. Armenia's former Minister of Defence, Seyran Ohanyan, was even rumored to be appointed, which he later denied. But the lack of consensus about an Armenian appointment can be explained by the staunch opposition of Belarus and Kazakhstan, due to the very close relations of Presidents Lukashenko and Nazarbayev with Azeri President Ilham Aliyev. Although they are partners with Armenia within the Eurasian Economic Union, the two countries keep triggering open hostilities with Armenia—such as Belarus's decision to extradite Israeli-Russian blogger Alexander Lapshin to Azerbaijan—and making declarations of friendship to Azerbaijan, which is not a member of those strategic alliances. This generates indignation in Armenia and questions the eligibility to such coalitions of countries which Russia largely initiated.

In front of this situation, some voices rose in Russia to call the authorities and experts for caution. Essentially coming from Russian foundations and organizations in the public diplomatic field (*The Gorchakov Fund, Creative Diplomacy*), these specialists are actively working in Armenia and becoming increasingly aware of the real challenge that sooner or later Russia will have to face. However, following a persuasion tactic, which is still a far cry from the soft power described by Joseph Nye, the message that Moscow is trying to bring across is that post-Soviet societies share the same traditional values with Russian society and have a common history, not only from the times of the USSR but going back to the Czarist Empire. This clearly shows a will to cultivate a sense of belonging to the “Russian world” among post-Soviet societies by underlining their difference with the “Western world” in order to prevent their shifting towards “rival propaganda.”

The stakes of the Armenian membership in the Eurasian Economic Union (EAEU)

Thus, the accumulation of the above-mentioned factors has damaged Armenia's trust in Russia, with unforeseen consequences in the long run. Paradoxically, popular consciousness is adjusting to these disappointments. Displaying pragmatism, the authorities are trying to maneuver within the limit of what is possible to ensure the country's security and development. In 2013, Armenia had made a pragmatic and strategic choice by refusing to sign the Association agreement with

the European Union as part of the Eastern partnership, favouring instead economic integration with Eurasian structures.

Today, looking back on those events and in particular on developments in Ukraine, we observe that that choice probably was the best solution to come out positively of the delicate situation Armenia was in at the end of 2013, caught as she was in its conflicts of interests and contradictory claims between Russians and Westerners. The situation seemed all the more absurd that Russia and the EU accused each other of not leaving signatory countries any alternative options. Thus, European officials would talk about the pressure exerted by Moscow on Armenian and Ukrainian leaders to pull them towards economic integration of Eurasian structures. To which Moscow replied that it had to protect its own market and local producers. In fact, at the time, the Kremlin and its Eurasian partners feared that cheaper European products would swamp the market of the soon-to-be Eurasian Economic Union via Ukraine and Armenia, if the latter two countries signed the Association Agreement with the EU. But although this seems quite logical, there was much more at stake for Russia than its economic interests: it was above all about preventing Western encroachment into its vital space.

Indeed, the emblematic side of Russian representations of post-soviet space, which includes South Caucasus, is often underestimated at the expense of its vested economic and security interests. However, the constant search for Russian identity after the fall of the USSR and its yearning to recover the former might of the Czarist Empire and the Soviet Union are just as important in defining Russian geopolitical choices as are its need for a strong economy and security. We should remember that at the beginning of his first presidential mandate, in 2000, Vladimir Putin's main concern was the recognition of the status of Russia as a great power—that it should be respected and considered as an equal by world powers.

This ran counter to the “Western-prone” stance of Boris Yeltsin's first administration, who had favoured a rapprochement with NATO and the United States. The Community of Independent States (CIS) had found itself subjected to the primary goal of the new Russian power: to join the “civilized nations” of the world. But that exclusive westward orientation had not produced the desired result. Not only was Russia no longer considered a power as in the Soviet era, but to make things worse, it was brushed aside in the political and economic processing of the post-Soviet era. So Moscow quickly revised its strategy by placing the “foreign periphery” at the heart of its external policy. Stepping up these claims to power even further, Vladimir Putin and the Russian authorities later opted for the concept of Eurasian power in order to underline the double identity of Russia, both European and Asian.

In contrast with the years 2000 to 2008 when the Kremlin was trying to assert its status by opposing the great Western political trends and advertising itself as a viable alternative to American power, today, the Kremlin is proud of its achievements on the international scene and

sells itself as one of the poles in a multipolar world. And the first demonstration of that power was displayed in South Caucasus, upon its military intervention in Georgia in August 2008. Since then, Russia has also multiplied Armenian-Azerbaijani talks under its aegis, along with the works of the Minsk group. The annexing of Crimea, the adoption of counter-sanctions against European countries and the United States as well as its military engagement in Syria also participate in that logic of demonstration of power.

After the fall of the USSR and its declaration of independence, Armenia has always sought as much as possible to balance out its political economic and military relations between Russia, the EU, the United States and Iran. But the geopolitical turbulence of South Caucasus and the demands made by Moscow to express “loyalty” did not leave Yerevan much room for maneuver and imposed choices in foreign policy dictated primarily by the country’s security concerns. As a result of this inextricable situation compounded by the hazardous treatment reserved by Russian policy, Armenia’s trust in its traditional strategic ally has gradually deteriorated, creating a major challenge for Russia itself.

The Prospects of the EU–Armenia Partnership within the ENP Review: Is a Eurasian Economic Union - EU balance feasible?

Aram Terzyan



Dr. Aram Terzyan obtained his PhD in 2014 and currently holds the position of Assistant Professor at Yerevan State University in Yerevan/Armenia. His professional experience includes academic and policy-oriented research and teaching in Armenia, Belgium and Romania. He has published widely on EU neighborhood and energy policy-related issues, and has taught undergraduate and graduate courses on political psychology, conflict management, energy security and EU foreign policy. His e-mail: a.terzyan@ysu.am

Abstract

Armenia's puzzling decision to join the Russian - led Eurasian Economic Union (EEU), seems to devastatingly obstruct its long-desired profound rapprochement with the European Union. According to widely held views the path to the Eurasian Economic Union was predetermined for Armenia, given Russia's increasing assertiveness towards the EU in the wake of Association Agreements profound advancement (Popescu, 2013; Terzyan, 2016). Notwithstanding recent ups and downs, the European Neighbourhood Policy (ENP) review and the European Council's decision on granting mandate to the European Commission and the High Representative to open negotiations on a new, legally binding and overarching agreement with Armenia in late 2015, seems to breathe new life into EU-Armenia scaled down partnership.

This paper scrutinizes the prospects of the EU-Armenia further partnership in the face of Armenia's membership in the EEU and ensuing dire constraints. It delves into the possibilities offered by the ENP review in terms of boosting EU – Armenia partnership. The study relies on a discourse analysis of the relevant speeches, statements of Armenia's foreign policy-makers, as well as appropriate official documents. In turn, interviews with relevant officials from the European Commission are used to examine the prospects of the EU-Armenia partnership from the 'norm-sender' EU's perspective. The paper concludes that a major breakthrough in bilateral 'edited' partnership cannot

be expected anytime soon due to Armenia's large-scale Eurasian integration along with ensuing constraints on achieving a Russian-European balance.

Keywords: Armenia; European Union; ENP review; new framework.

* * *

The ENP review and its implications for EU – Armenia partnership

The ENP review, inaugurated on November 18, 2015, has seemingly breathed new life into the waxed and waned partnerships between the EU and its neighbours. Evidently, one of the core constraints that the EU has encountered is essentially on how to foster fulfilment of commitments by neighbours assumed within the ENP, as a recipe for applying its vision of a prosperous, secure and stable neighbourhood. Recent studies have been quite critical of the ENP review, contending that “the new ENP represents little more than an elegantly crafted fig leaf that purports to be a strategic approach to the EU’s outer periphery, but masks an inclination towards a more hard-nosed *Realpolitik*” (Blockmans, 2015). Basically, the ENP review does not put forward a profoundly enhanced package, capable of producing a major breakthrough on the EU’s neighbourhood policy. It is often viewed as a candid admission of the EU’s modest influence on its neighbours which, in a sense, heralds a shift from an idealistic value driven foreign policy to a classical, pragmatic one (Kostanyan, 2016).

One might rightly point out that the EU has suffered from ‘expectation – capability’ gaps and its toolbox proved largely impracticable in its volatile neighbourhood. The EU Commissioner for European Neighbourhood Policy & Enlargement Negotiations, Johannes Hahn, aptly noted that the most formidable challenge for the EU is to mitigate volatility in the EU’s neighbourhood and stabilize it, given that it has degenerated from a ring of friends to one of fire or volcano (Hahn, 2015).

A question arises on how the key provisions of the reviewed ENP would translate into concrete commitments in the EU- Armenia partnership.

In essence, the European Council’s decision on granting mandate to the European Commission and the High Representative to open negotiations on a new, legally binding and overarching agreement with Armenia seemed to breathe new life into waning partnership, plagued with Armenia’s membership in the EEU (Eeas.europa.eu, 2015b).

Remarkably, negotiations on **the Comprehensive and Enhanced Partnership Agreement, which will replace the current EU-Armenia Partnership and Cooperation Agreement**, were successfully concluded on 26 February 2017. It will be followed by the necessary procedural steps designed to enable the initialing and signature of the agreement. In this regard the president of the European Council Donald Tusk emphasized the importance of stronger

cooperation in sectors such as energy, transport and the environment, for new opportunities in trade and investments, and for increased mobility. Pointing to the commitment to shared values such as democracy, human rights, and the rule of law, which underpin the new agreement and the future cooperation, he expressed hope that the scope of cooperation could be further expanded (Consilium.europa.eu, 2017).

Clearly, boosting the partnership is considerably contingent on Armenia's ability at skillful balancing of the European and Eurasian paths, which might significantly suffer from the escalation of the EU-Russia relations, as well as the EU's ability to identify an ingenious framework of further partnership. Nevertheless, it is premature to jump to far-reaching conclusions and claim that Armenia's further European integration has reached an impasse. The launch of negotiations between the EU and Armenia on a new overarching framework for the deepening of their bilateral relations on December 7, 2015 engenders moderate optimism. Armenia's foreign minister, Edward Nalbandian expressed confidence that the new framework opens a new promising page in the Armenia-EU mutually beneficial relations (MFA.am, 2015).

One of the core questions to be addressed is identifying the extent to which Armenia's commitments assumed within the EEU are compatible with the new framework of the EU-Armenia partnership and the application of the reviewed ENP provisions.

Can Armenia achieve an EU – EEU balance?

The reviewed ENP places pronounced emphasis on stabilization as its main political priority, striving to spread the EU's model of stability, built on democracy, human rights and the rule of law and economic openness into its turbulent neighbourhood. Therefore, it commits the EU to do more in terms of promoting democratic reforms in its neighbourhood, deeming vibrant civil society and independent justice system crucial to economic and social stability (Europa.eu, 2015).

An EU official from the External Action Service (EU diplomatic service) pointed out in an interview that democracy promotion and related democratic reforms are pivotal to elevating a neighbour's status for the EU and boosting the partnership. Moreover, the lack of democratic reforms is viewed as a red-line for the EU, namely, it interferes with all other areas of cooperation (Interview with EU official 1, 2015)²⁹. Putting aside the fact that this approach has not so far influenced EU's partnership particularly with Azerbaijan, the question remains whether the EU is endowed with the capacity to further foster democratic reforms in Armenia. A close scrutiny of ENP reports on Armenia demonstrates that democratic reforms in the country tend to be cosmetic and stylistic, rather than substantive and thorough.

²⁹ Note: Several EU officials provided valuable insights, but asked not to be cited in an attributable way because they are currently in service.

Overall, there is a tendency in ENP progress reports on Armenia to emphasize limited progress in implementing the ENP Action Plan, with some efforts to establish deep and sustainable democracy and put sound macroeconomic policies and structural reforms in place, which however have not yielded tangible results. The shortcomings pertaining to fight against corruption, fair trial, human rights protection remain largely unaddressed. The formula is simple: related *reforms* were developed but *not put in practice* (europa.eu, 2014). Not surprisingly, the ENP reports on Armenia markedly stress the necessity of heading into the enforcement and implementation stage when it comes to democratic legislative reforms.

Extensive evidence prompts to posit that substantial democratic reforms are incompatible with the basic philosophy of Armenia's ruling elite. Evidently, the latter would stop at nothing to cling to power and therefore, would resist against any substantial reform that could challenge its power.

Remarkably, the opposition Heritage Party Vice-Chairman, Armen Martirosyan, contends that Armenia's ruling elite's strive for retaining power has been pivotal to opting for EEU, given Kremlin's guarantees that it would be safe within the Russian-led union (News.am, 2014). As noted earlier, there is a tendency in Armenia's President Serzh Sargsyan's discourse to deem Armenia's choice of Eurasian Economic Union essential for shielding Armenia from dire scenarios, facing Ukraine. One could argue that Russia possesses appropriate tools for injecting volatility into Armenia, thus fundamentally constraining the application of alternative, i.e. non-Russian foreign policy options.

A quick glance at the reviewed ENP indicates that economic and social development has been put at the heart of the EU's contribution to stabilising the neighbourhood and building partnerships. In terms of economic development and modernization, the reviewed ENP stresses the necessity of advancing a new generation of public administrators 'capable of delivering effective and inclusive economic management and sustainable social outcomes' (Europa.eu, 2015). Admittedly, the EU has an ample toolbox to promote capacity building and open up new training opportunities for public administrators. On a more fundamental level, a question remains: whether and to what extent the EU-backed measures would suffice to foster substantial democratic reforms in the public administration sphere and, more specifically, fight against corruption.

ENP and World Bank reports point to acute shortcomings in the country, stemming chiefly from poor governance and widespread corruption, which militate against the business climate and hobble economic development. World Bank findings expose harassment by tax and customs officials and ubiquitous corruption among them. "Economic activity in the country is also hampered by a lack of competition, which translates into de facto business monopolies, owned by government-linked entrepreneurs" (Asbarez.com, 2015).

Ample evidence suggests that the EU has proved incapable to convey its liberal market economy spirit to Armenia and to improve the business climate so as to make it conducive to economic modernisation and entrepreneurship, small and medium business advancement.

The exclusion of Deep and Comprehensive Free Trade Area (DCFTA) that would envisage a preferential trade relationship between the European Union and Armenia, foreseeing a removal of import (and export, if applicable) duties on trade in goods between the parties, tremendously impairs the EU's transformative economic power in Armenia.

Even though the EU's "Generalised Scheme of Preferences" (GSP) allows Armenia to pay less or no duties on its exports to the EU³⁰ (EC.europa.eu, 2016), Armenia's heavy commitments assumed within the EEU leave little space for substantial compliance with the EU market rules and profound reinforcement of economic cooperation.

Article 4 of the treaty on the EEU envisages the creation of a common market of goods, labour and services (Treaty on the EEU 2014, art. 4). Moreover, article 5 commits member states to carry out economic policy in strict compliance with the goals and principles of the EEU (Treaty on the EEU 2014, art. 5). According to article 25, there is a common regime of trade of goods with third parties (Treaty on the EEU 2014, art. 25). All these stipulations lead to conclude, that Armenia is extremely constrained to boost trade and broader economic cooperation with the EU.

Admittedly, even though the EU-backed measures have influenced cosmetic institutional reforms, they fall short of addressing acute challenges, pertained to the fight against corruption and the widespread crackdown on small and medium business. A close scrutiny of the bigger picture leads to contend that the EU's reform-oriented initiatives are welcomed by Armenian political and economic leadership insofar as they do not challenge deep-rooted foundations of broadly centralized and monopolized political and economic establishments.

Unsurprisingly, the EU officials from the External Action Service, expressed doubts about tangible outcomes in the EU-Armenia economic cooperation, noting that mostly non-preferential access to the EU market coupled with reinforcing Eurasian constraints on Armenia's economy render a number of EU's economic tools impracticable *vis-à-vis* Armenia³¹. One could argue that it is premature to draw any far-reaching conclusions, given that over time, various issue pertaining to trade-related matters could be addressed trilaterally between the EU, Armenia and Russia.

Within the measures designed to stimulate economic development and enhance stability, the reviewed ENP places marked emphasis particularly on youth employment and employability.

³⁰ In 2013, the EU launched a new, revised system of GSP+ which entered into force on 1 January 2014. GSP+ is a scheme that rewards developing countries that show a credible commitment to implementing those conventions by granting duty reductions on exports to the EU on some 6,000 tariff lines (66% of the EU common customs tariff).

³¹ Interviews with EEAS-related officials from September 2015 to February 2016.

Improving employability and promoting knowledge-based economic growth envisages reinforcing struggle against brain-drain and even promoting incentive schemes for well-educated people to return to their home country. Whereas irregular migration and large-scale brain-drain remains one of the most monumental challenges facing Armenia. Clearly, the economic disarray³² has inflicted severe hardships on the Armenian population, forcing them to flee the country. A recent study exposes alarming trends of migration outflows. More precisely, in the intracensus period of 2001 and 2011, the resident population fell from 3.2 to 3.0 million persons. The annual net migration balance passed instead from -23,100 in 1995-2001 to -32,000 in 2002-2011 (Migrationpolicycentre.eu, 2013). Not surprisingly, today the Armenian population of Russia estimates 2.5 million according to various surveys, and Russia ranks as the first country in terms of labour migration from Armenia (Aleksanyan, 2015). Given that Armenia's membership in EEU eliminates visa-related-barriers and thus facilitates the free movement of Armenian labour force, massive outflow of Armenian population to Russia seems bound to continue.

While Armenia's most influential partner, Russia, does not oppose irregular migration, the EU's tools would inexorably fall short of producing any tangible result. As noted earlier, tackling migration and youth employment-related issues is deemed essential for translating the ENP's vision of economic development and stabilization into reality.

The reviewed ENP gives great weight to energy cooperation both as a security measure (energy sovereignty) and as a means to sustainable economic development. Noting that energy is key to the stable development and resilience of the partners themselves, it commits the EU to strengthen its energy dialogue with neighbourhood countries in energy security, energy market reforms and the promotion of sustainable energy (Europa.eu, 2015).

Since Armenia has no significance to the EU as an energy supplier or a transit country, European policy has chiefly focused on sustainable energy development and resilience-related matters. There is a tendency in ENP reports for the emphasis to be placed on power plant closure without proposing any alternative. It merely stresses the necessity of a new power plant that would comply with the latest international safety standards (Europa.eu, 2014). However, the EU has been quite active in supporting the safe operation of Medzamor nuclear power plant until its full decommissioning in 1990 with more than €60 million. Besides, in order to facilitate energy exchanges between Armenia and Georgia and diversification of available energy sources, it has embarked on the creation of a transmission network in Ayrum (Mediamax.am, 2015).

A question arises of whether the EU is endowed with the capacity to enhance Armenia's energy resilience and to boost energy cooperation. It is worth noting that Armenia's commitments assumed within the EEU in the field of energy leave little to no space for the EU's energy strategy for Armenia. More precisely, the treaty on the EEU commits its members to carry out

³² According to various reports, poverty rate in Armenia rose from 17.4% in 2008 to 32% in 2013

coordinated energy policy with regards to the development of common electricity, gas and oil (Treaty on the EEU 2014, art. 79, 81, 83, 84). It is worth noting that in 2013, the governments of Armenia and Russia signed an agreement which granted Gazprom exclusive rights for gas supply and distribution in Armenia by 2044, rendering it the 100% shareholder of the country's gas industry (Rferl.org, 2013). The deal further plunged Armenia's energy sector into the orbit of Russian state-run companies.

Given the reinforcement of 'Eurasian' constraints coupled with Gazprom's dominance in Armenia's energy sector, the EU's measures strike as far from being sufficient in addressing issues pertaining to Armenia's energy diversification and enhancing resilience against Russia. In sum, notwithstanding the great weight given to energy cooperation, energy is one of the most closed and 'Russified' sectors in Armenia, which is bound to further deepen due to Eurasian integration.

The similar set of problems applies to the partnership in the field of transport and connectivity. The reviewed ENP finds cooperation on transport connectivity and telecommunications crucial to the economic development of partners, which can foster dialogue and serve as a catalyst for regional co-operation between them (Europa.eu, 2015).

Therefore, the EU commits itself to extend the core Trans-European Transport Network (TEN-T) to the Eastern partners and promote the necessary investment in this extended network. This ambitious goal and promising incentives would smoothly resonate with Armenia's political leadership if the latter had more freedom to carry out transport and connectivity-related policy. More specifically, article 86 of the treaty on the EEU stipulates that "the Union carries out coordinated transport policy, with the view to ensure economic development, step by step and consistent formation of common transport area based on the principles of competition, openness, security, reliability, availability and sustainability" (Treaty on the EEU 2014, art. 86). Admittedly, the strong emphasis on common transport policy within the EEU militates against Armenia's profound advances towards the European realm of transport and connectivity.

The reviewed ENP's emphasis on conflict prevention, crisis management, stabilization and regional cooperation leads to presume that the EU would reinforce its engagement in conflict settlement in its turbulent neighbourhood. A question remains, namely whether the enhanced ENP package would offer something tangible to break the logjam on Nagorno-Karabakh conflict. As previously noted, in the initial stages of the EU's neighbourhood policy, Armenia's political leadership was quite optimistic about the EU's capacity to challenge the status quo in the 'frozen' conflict. Indeed, the EU has never qualified for direct involvement in conflict settlement, limiting its role to supporting OSCE Minsk Group.

EU officials from the External Action Service were somewhat ambivalent about the breadth and depth of the EU's possible contribution to conflict resolution. An official stated in the interview that, in principle, the EU might strengthen the emphasis on conflict settlement and put it forward

in new frameworks of the EU-Armenia and EU-Azerbaijan partnerships (Interview with official 1, 2015).

Meanwhile, other officials expressed doubts on the feasibility of the EU's direct engagement with the conflict settlement. Overall, they implicitly stated that direct involvement could result in taking sides, which would inevitably hinder the advancement of bilateral partnerships either with Armenia or with Azerbaijan. Besides, the EU tends to put faith in the viability of the OSCE Minsk Group platform³³.

Remarkably, the recent escalation of Nagorno-Karabakh war in April 2016, which resulted in dozens of casualties, did not induce the EU to engage in alleviating the crisis. Empirical evidence based on interviews with EU officials suggests that the EU's activities in conflict settlement will not considerably move beyond the flowery statements about the necessity of its peaceful settlement and indirect measures.

Finally, one last point that deserves emphasis is related to the public perceptions of the EU and its activities across the Armenian population. Obviously, public support is essential for enhancing the effectiveness of the EU's reform-oriented initiatives and boosting the EU-Armenia partnership. Meanwhile, recent public opinion surveys show that around 30 percent of respondents are fully ignorant of the EU and even deem Armenia to be an EU member state (Galstyan, 2015, p. 215). Clearly, they do not distinguish the EU from the Council of Europe. One could argue that notwithstanding the EU's effort to stimulate development and promote reforms in Armenia, its activities do not get sufficient visibility.

When asked whether the EU is capable to address the widespread ignorance prevalent about itself and its activities across the Armenian population, a EU official from the External Action Service noted that the EU focuses on substance rather than style. Besides, highlighting the EU-backed reforms and its transformative power may well provoke pro-Russian circles ardently striving to portray Russia as Armenia's sole 'friend' and indispensable partner (Interview with official 2, 2016).

Conclusion

Even though the ENP review and the launch of a new framework of the EU-Armenia partnership engenders moderate optimism, in practice, a major breakthrough cannot be expected anytime soon. Regarding the stabilization in the volatile neighbourhood as the reviewed ENP's main political priority, the EU links it to democracy, good governance promotion and economic and social development stimulation. More precisely, democratic reforms in a neighbouring partner are deemed pivotal to boosting partnership with the EU. The EU's reform-oriented initiatives are

³³ Interviews with EEAS officials from September 2015 to February 2016.

welcomed by the Armenian political leadership insofar as they do not challenge deep-rooted foundations of the broadly centralized and monopolized political and economic establishments.

Furthermore, a close scrutiny of Armenia's commitments assumed within the EEU indicates that there is little to no space for boosting economic cooperation as well as cooperation in the fields of energy, transport and connectivity. Besides, the reviewed ENP's emphasis on conflict prevention and stabilization does not proscribe the EU's direct involvement in the Nagorno-Karabakh conflict settlement. Overall, a major breakthrough in the EU-Armenia 'edited' partnership cannot be expected anytime soon due to the following constraints: Armenia's lower expectations from the EU in terms of its capacity to tackle with traditional security challenges facing the country; lack of powerful incentives among Armenia's authoritarian leadership to fulfill democratic reforms and comply with EU rules; reinforcing 'Russian' constraints on Armenia, which move far beyond mere economic integration within the EEU.

Bibliography

Aleksanyan, A. (2015). Labor Migration of Armenians into Russia: Problems and Prospects. *Mir Rossii*, 24(2), pp.113-115.

Asbarez.com. (2015). World Bank Sees Further Improvement of Armenia's Business Climate. Available at: <http://asbarez.com/141167/world-bank-sees-further-improvement-of-armenias-business-climate/> [Accessed 4 Feb. 2016].

Blockmans, S. (2015). The 2015 ENP Review: A Policy in Suspended Animation. CEPS Commentary, p.1. Available at: <https://www.ceps.eu/system/files/SB%20ENP%20Review%20CEPS%20Commentary.pdf> [Accessed 5 Feb. 2016].

Consilium.europa.eu. (2017). Remarks by President Donald Tusk after his meeting with President of Armenia Serzh Sargsyan. Available at: <http://www.consilium.europa.eu/en/press/press-releases/2017/02/27-tusk-meeting-president-armenia-sargsyan/> [Accessed 19 Mar. 2017].

EC.europa.eu. (2016). Generalised Scheme of Preferences (GSP). Available at: <http://ec.europa.eu/trade/policy/countries-and-regions/development/generalised-scheme-of-preferences/> [Accessed 13 Apr. 2016].

Eeas.europa.eu. (2015b). Opening of Negotiations of a Framework Agreement with Armenia (13/10/2015). Available at: http://eeas.europa.eu/delegations/armenia/press_corner/all_news/news/2015/2015_10_13_en.htm [Accessed 19 Feb. 2016].

Europa.eu. (2014). ENP Country Progress Report 2014 – Armenia. Available at: http://europa.eu/rapid/press-release_MEMO-15-4689_en.htm [Accessed 12 Feb. 2016].

Europa.eu. (2015). European Commission and EEAS, Review of the European Neighbourhood Policy. Available at: http://ec.europa.eu/enlargement/neighbourhood/consultation/index_en.htm [Accessed 9 Feb. 2016].

Galstyan, N., 2015. How to Deal with Armenia's Geopolitical Trilemma? Examining Public Opinion. In: P. Bajor and K. Schöll-Mazurek, ed. Eastern Chessboard. Geopolitical Determinants and Challenges in Eastern Europe and the South Caucasus. Kraków: KsięgarniaAkademicka, pp. 209-221.

Hahn, J. (2015). The 2015 ENP Review: How Different is the Policy Now? at Centre for European Policy Studies

Interview with an External Action Service (EEAS) official 1, Brussels, 3 December 2015.

Interview with an EEAS official 2, Brussels, 15 January 2016

Kostanyan, H. (2016). The European Neighbourhood Policy Reviewed: Shifting from Value-Driven to Classical Foreign Policy. Institutionally blind? International organisations and human rights abuses in the former Soviet Union, [online] pp.17 -20. Available at: <http://fpc.org.uk/fsblob/1740.pdf> [Accessed 12 Apr. 2016].

Mediamax.am. (2015). Traian Hristea: Relations with the EU: What Do They Mean for Armenians? Available at: <http://www.mediamax.am/en/news/foreignpolicy/15014/> [Accessed 21 Mar. 2016].

MFA.am. (2015). Edward Nalbandian and Federica Mogherini Announced the Launch of Negotiations on Armenia-European Union Framework Agreement. Available at: http://www.mfa.am/en/press-releases/item/2015/12/07/min_armeu_hrvp/ [Accessed 7 Mar. 2016].

Popescu, N. (2013). Behind – and Beyond – Armenia's Choice. ISS.europa.eu. Available at: http://www.iss.europa.eu/uploads/media/Alert_35_Armenia_U-turn.pdf [Accessed 12 Nov. 2015].

Rferl.org. (2013). Armenian Lawmakers Ratify Controversial Russian Gas Deal Amid Protests. Available at: <http://www.rferl.org/content/armenia-russia-gas-deal/25209474.html> [Accessed 20 Jan. 2016].

Terzyan, A. (2016) The Evolution of the European Union's Conception in the Foreign Policy Discourse of Armenia: Implications for U-turn and the Path Beyond the Association Agreement, Eastern Journal of European Studies, Volume 7, Issue 2, pp. 165-184.

Treaty on the Eurasian Economic Union (2014) (Astana, 29 May 2014).

Vive la France or what does the victory of Emmanuel Macron mean for Europe and Eastern Partnership Countries?

Grisha Aghajanyan

From a student to Rothschild banker, to civil servant, to the victory as President of the Republic of France. At the age of just 39 Macron is France's youngest leader since French emperor Napoleon Bonaparte, who took power at age 35. The newly elected president defeated³⁴ Marine Le Pen of the far-right Front National with more than 66 per cent of the vote, in the second round of the elections in May 2017.

French presidential election: Official result



Emmanuel Macron
En Marche
66.06%



Marine Le Pen
National Front
33.94%

Source: French interior ministry

BBC NEWS

³⁴ Elections results France 2017

<http://www.interieur.gouv.fr/Espace-presse/Les-communiqués/Resultats-globaux-du-second-tour-de-l-election-du-President-de-la-Republique-2017>

The victory of Emmanuel Macron was greeted with joy and claps in Brussels, the “heart” of European Union. Congratulations started coming in³⁵. President of the European Council Donald Tusk praised French voters “for choosing Liberty, Equality and Fraternity over tyranny of fake news”. President of the European Commission Jean-Claude Juncker was similarly overenthusiastic, congratulating Macron on having a parallel view on Europe to his own. When Emmanuel Macron walked³⁶ to give his victory speech in front of the Louvre, "Ode to Joy", the European anthem, was played in the background. The new French president wants³⁷ comprehensive reform of the EU, particularly of the euro zone. Mr. Macron wants a common fiscal policy, a joint finance minister, a euro zone debt instrument, and completion of the banking union. Macron is a liberal centrist, pro-business and a strong supporter of the European Union, in contrast³⁸ to his opponent Marine Le Pen.

For EU leaders, a victory for Le Pen would have endangered the survival of their entire project. She campaigned to leave the euro, and to hold a referendum in France on remaining a member of the EU. Macron’s victory represents a break from the populist wave that has swept across Europe. Since United Kingdom’s Brexit referendum on 23.6.2016 and US President Donald Trump’s election on 8.11.2016³⁹ last year, populism has posed an existential threat to the European Union. The United States and France share similar feelings of dispossession. It may be based on tensions about identity, with Mexican immigrants and the language issue, the few but conspicuous Muslim immigrants, viewed as threats. In France, with the largest percentage of Muslims of all EU countries except Bulgaria, the prospect of another wave of Muslim newcomers, combined with an immediate terrorist threat, has tipped public opinion against immigration. A major issue for the less educated French is what jobs and acquired benefits they might keep as the digital economy takes control.

³⁵ World leaders congratulate Macron on victory as EU breathes sigh of relief

<https://www.theguardian.com/world/2017/may/07/theresa-may-congratulates-macron-on-victory-as-eu-breathes-sigh-of-relief>

³⁶ EU anthem 'Ode to Joy' plays as Macron arrives at victory rally

<https://www.youtube.com/watch?v=j2Ey1fjHSws>

³⁷ Macron pledges ‘profound’ EU reforms on first official visit to Berlin

<http://www.france24.com/en/20170515-macron-first-visit-merkel-france-germany-profound-european-union-reforms>

³⁸ 'I am the anti-Merkel': Marine Le Pen on Brexit, EU, Putin and Nato - BBC Newsnight

<https://www.youtube.com/watch?v=SeEHQhARESU>

³⁹ although he had 3 million of votes less, but the particular traditional federalist system, the state-to-state count and the indirect electoral system brought this result

Fulfilling the promise of change will not be easy for Macron. Like Britain and the US, France remains deeply divided between those who favour a liberal, open society and those who look for closed politics and borders, between supporters of European and global integration and proponents of nationalism and protectionism⁴⁰.

Though Macron's victory does not mean that the populist threat has been eliminated, it does show that such forces can be restricted. And the fact that populism has been contained in France bodes well for other European countries. Austria, the Netherlands⁴¹, Bulgaria and now France have all voted for pro-European leaders, rather than narrow-minded populists.

In the September 2017 elections of Germany Angela Merkel is still likely⁴² to be the next leader. The likeliest alternative, Martin Schulz, is as passionate as Merkel about the EU. Moreover, the "Alternative for Germany", the right-wing populist AfD which had been elected into several German regional parliaments (Landtage) has a decreasing level in all opinion surveys.

But analysts say⁴³ the power of nationalistic appeals that oppose globalization, the European Union and liberal immigration policies should not be underestimated. Whether Macron and other European leaders can kill the populist movement will depend on their ability to address the concerns that have given rise to anti-establishment atmosphere: weak economic growth and high unemployment blamed on globalization and the overflow of migrants entering Europe. Above all, the new US President and his populist policies have contributed largely to unite the Europeans.

Armenian perspective

Macron's victory in the French presidential election in terms of Armenian viewpoint can be perceived on two levels: European and international influence, and impact on the Armenian-French relations. Of course, these two dimensions are also significantly correlated, which is

⁴⁰ Has Populism Peaked? <https://www.project-syndicate.org/commentary/macron-france-victory-challenge-by-philippe-legrain-2017-05>

⁴¹ European relief as mainstream triumphs: <http://www.bbc.com/news/world-europe-39297355>

⁴² Merkel comeback continues as she wins big in regional elections:

<http://www.telegraph.co.uk/news/2017/05/07/merkel-comeback-continues-wins-big-regional-elections-copy>

⁴³ Emmanuel Macron's win in France shows Europe's populism is down, but not out

<https://www.usatoday.com/story/news/world/2017/05/08/emmanuel-macron-win-shows-european-populism-down-but-not-out/101421284>

reflected in Armenia's President's congratulatory address⁴⁴, in which he speaks about the great importance of the role of France in the process of Armenia getting closer to the European family.

Being a supporter of the EU, Macron's victory can be perceived important for two reasons, France's support to Armenia in European integration, particularly in the context of the forthcoming signing of the new agreement between the EU and Armenia, as well as France's greater involvement in Armenia's economy.

France's involvement in the Artsakh (Nagorno-Karabakh) conflict as one of the three co-chairs of the Minsk Group is also very vital. For Armenia and a lasting peace in Artsakh, it is of great significance that Emmanuel Macron remains faithful and advances the agenda that François Hollande actively defended after the 2016 April four-day war. Here, we talk about the introduction of international mechanisms for sustaining peace and security which was on François Hollande's agenda. It is important to note that maintaining peace and stability in the Armenian-Azerbaijani and Artsakh-Azerbaijan border is not only important for the conflicting parties but also for the international security system and precisely for the European security. Both countries, Armenia and Azerbaijan, are member states of the Eastern Partnership of the EU, and both are also part of the EU's Neighbourhood Policy. Another important issue is the way that Macron's being a euro-atlantist will try to contain Russia in general and particularly in the South Caucasus region, which would certainly have implications on Armenian interests.

⁴⁴ President Serzh Sargsyan congratulated the newly elected President of France Emmanuel Macron <http://www.president.am/en/congratulatory/item/2017/05/07/President-Serzh-Sargsyan-sent-a-congratulation-message-to-the-new-elected-President-of-France>

The Consolidation of Inter-Institutional Cooperation and Communication Mechanism on CSDP-related Matters

Case Study: Republic of Georgia⁴⁵

*This study on Georgia was drafted by a Study Team (ST) under the leadership of **George Vlad Niculescu** (a former Romanian civil servant of the Ministry of Defence, NATO collaborator and now working a. o. for the Brussels-based European Geopolitical Forum, who has a special expertise in security policy issues), and composed of **Grazvydas Jasutis**, Senior International Expert (formerly in the defence planning staff of the Lithuanian Ministry of Defence, and later, as Ph.D. also teaching in Geneva, now being hired by European Union Monitoring Mission - EUMM - in Georgia, where he is Advisor for South Ossetia issues), and **Kakha Gogolashvili**, National Expert for Georgia, Director European Affairs for the prestigious Tbilisi think tank GFSIS (Georgian Foundation of Strategic and International Studies), a former diplomat who recently finished his term as chair of the Civil Society Forum of Georgia within the Eastern Partnership.*

Executive Summary

The European Neighbourhood Policy (ENP) Review, and the Work Programme on 2014-2017 of the Platform 1 of the Eastern Partnership have provided a new impetus to cooperation with partners on matters related to the CSDP⁴⁶. This is to be achieved -on a case by case basis- by promoting the participation of partner countries in CSDP missions and operations, in EU Battlegroups, and via their association to relevant programmes and agencies such as the European Defence Agency and the European Security and Defence College.

⁴⁵ This is a public study report, prepared under the EU Commission's HiQSTEP Project (Short term high quality studies to support activities under the Eastern Partnership) and submitted to the public in March 2017. The findings, conclusions and interpretations expressed in this document are those of the authors alone and should in no way be taken to reflect the policies or opinions of the European Commission. This study is also published on the Commission's website <https://europa.eu/capacity4dev/>.

⁴⁶ Common Security and Defence Policy of the EU

Georgia (GE) has been one of the most committed EU partners in the framework of the Eastern Partnership. In this capacity, GE signed and is currently implementing an Association Agreement with the EU.

In this context, the HiQSTEP project has commissioned a study on the “Consolidation of Inter-Institutional Cooperation and Communication Mechanism on CSDP-related matters: Case Studies Georgia and Republic of Moldova” that was implemented by an international Study Team (ST).

Over the last years, GE strived to tighten its ties with the EU on CSDP. However, it faced significant challenges in promoting participation in CSDP operations, missions and other CSDP-related activities, in three main areas: inter-institutional cooperation, public communication, and expanding CSDP and other defence and security cooperation.

In light of the findings of a fact-finding study-trip, and an expanded desk review, consolidated with the feedback received during the validation study trip to Tbilisi, the ST has proposed a draft Individual Implementation Action Plan for GE. This Action Plan included concrete recommendations to:

- Create a national data base of experts who might participate in CSDP missions and operations;
- Enhance inter-institutional communication in case there is an invitation to participate in a CSDP operation and mission;
- Complement the Framework Agreement (FA) with the EU on participation in EU crisis management operations with bi- or multi-lateral supporting agreements;
- Identify ways to co-finance participation in CSDP operations and missions;
- Establish clear procedures for staff selection, deployment in, and return from, CSDP civilian missions;
- Develop a sound education and training system in the field of CSDP;
- Enhance public communication on CSDP in line with EU Member States’ best practices;
- Build-up/ strengthen the platform for dialogue with civil society and the media related to participation in EU-led crisis management, and, more generally, raise public awareness on CSDP cooperation;
- Enable representatives of the private sector to engage in CSDP missions and operations.

The ST has also proposed an outline for an EaP Model for Partner’s Participation in CSDP, which might help regional countries to develop policy options to promote their participation in CSDP, while ensuring efficient cooperation and communication among stakeholder-institutions and with the public and civil society on CSDP-related matters and activities.

Abbreviations and acronyms

AA	Association Agreement
CFSP	Common Foreign and Security Policy
CSDP	Common Defence and Security Policy
E&T	Education & Training/ Capacity Building
EUD	Delegation of the European Union
EUGS	EU Global Strategy on foreign and security policy
EUMM	EU Monitoring Mission
EUMS	EU Member States
EUPST	EU Police Services Training Consortium
FA	Framework Agreement on Participation in EU Crisis Management Operations
FSR	Final Study Report
HiQSTEP	High Quality Studies for the Eastern Partnership
IR	Inception Study Report
IRR	Interim Study Report
MFA	Ministry of Foreign Affairs
MIA	Ministry of Interior Affairs
MoD	Ministry of Defence
MoFin	Ministry of Finance
PCDCB	Process of Capability Development and Capacity Building
PSR	Public Study Report
RTC	Regional Training Centre
NSC	National Security Council
SSCMC	State Security and Crisis Management Council
SSS	State Security Service
ST	Study Team
TEU	Treaty of the European Union
TFEU	Treaty on the Functioning of the European Union

Country codes

GE	Georgia
MD	Moldova

The Launch and Implementation of the Study

In early 2016, the HiQSTEP project has commissioned, upon the initiative of Georgia and Moldova, a study on the “Consolidation of Inter-Institutional Cooperation and Communication Mechanism on CSDP-related matters” to support activities under Platform 1 of the Eastern Partnership. The two countries actively participated in the preparation and approval of its specific Terms of Reference (TOR).

The main goal of this study was “to develop policy options and policies with a view to promote participation of Georgia in CSDP missions while ensuring efficient cooperation and

communication among stakeholder-institutions, and with the civil society on CSDP-related matters and activities.”

At the beginning of April 2016, the ST prepared an Inception Study Report (IR) that summarised its assignments, described the detailed methodology for research, introduced a number of indicators/ criteria for evaluation, assessed the risks, and proposed solutions to manage those risks. On April 12, the stakeholders of the CSDP Study discussed the IR during a joint meeting held in Brussels, at the EC/DG Near, with the participation of all members of the ST. A number of amendments were proposed, and the most concrete were included in the final version of the IR. Eventually, on April 20, 2016, the amended IR has been approved by the stakeholders via a silent procedure.

At the end of June 2016, the ST prepared two separate Interim Reports (IRRs) -one for GE and the other for MD- that described the implementation of the study from April to June, presented the main findings of the fact-finding study trips of May-June, and outlined the next steps in the implementation of the Study, until the end of November. On July 14, 2016 the stakeholders of the CSDP Study discussed and approved the IRRs in two separate Interim Study meetings, held in Brussels at the EC/DG NEAR.

The IRR for GE concluded, and the stakeholders agreed, to focus further research on the following tasks:

1. Re-examine the legal framework on the secondment of civilian and military personnel to CSDP missions and operations with a view to developing proposals aimed to adjust the existing procedures and mechanisms for selection, secondment and post-arrival procedures according to EUMS best practices.
2. Provide advice in the process of creation of national experts’ pool for CSDP missions and operations. This should include guidance on best practices from EUMS on establishing, managing and sustaining national experts’ pool. New legal acts might have to be introduced at governmental level in support of creating of the pool.
3. Explore various options for increasing EU financial support to enhancing GE participation in CSDP operations and missions.
4. Provide a package of recommendations focused on training and education. There is a need to review existing capacities in the field. An idea of creating new training facilities which would meet national and regional needs could be further explored.
5. Issue specific recommendations on establishing a private-public partnership to enhance GE participation in CSDP missions and operations by enabling representatives of the private sector to engage in CSDP missions and operations.
6. Advise on further enhancing public communication on CSDP. There is a need for a comprehensive public awareness raising campaign with regard to Georgia’s participation to the CSDP (including targeting Georgians who live in remote areas or who belong to ethnic minorities).

7. Provide advice and information on hybrid threats and on possibilities of cooperation with different EU agencies and institutions to counter them (for example, ENISA, INTCEN, the EU cell for intelligence).

After the Interim Study meeting, the CSDP ST expanded the desk review with questionnaire-based interviews with EU experts from 10 different organizations involved in CSDP (including EEAS/CMPD, EEAS/CPCC, EEAS/Foreign Policy Instrument/ Instrument contributing to Stability and Peace, EEAS/Stratcom Task Force, the EU Military Staff, European Security and Defence College, the EU Police Services Training Consortium, EU Institute for Security Studies, European Defence Agency, and the EaP Trust Fund for CSDP), and drafted and consolidated the Final Study Report (FSR) for GE, while focusing its efforts on updating, and implementing the tasks described in the IRR. On 30 October-3 November 2016, the ST has conducted a validation study trip to GE aiming to: update the findings on progress on CSDP (legal, policy, capabilities, communication, deployment plans); and to discuss with local authorities and with the civil society the initial recommendations, prior to finalizing the study, as to their content, level of priority (high, medium, low), and assistance needs for implementation. The Final Study Report (FSR) was then discussed with the stakeholders on 23 January 2017.

Conclusions and Recommendations for Follow-up

Georgia has been, aside Moldova, one of the most committed EU partners in the framework of the Eastern Partnership. GE has signed, and it is currently implementing an Association Agreement with the EU. GE government and civil society have repeatedly expressed their high interest and strong commitment for expanding and enhancing their cooperation with the EU in the area of CSDP. Extensive research conducted in Central and East European countries has shown that establishing sound inter-institutional cooperation, and public communication frameworks and mechanisms are crucial for both expanding and enhancing partners' involvement in CSDP missions and operations, and for their closer association with related European programmes and agencies.

Over the last years, Georgia undertook significant steps towards tightening its ties with the EU in the area of CSDP:

- In November 2013, a Framework Agreement for the participation of Georgia in EU crisis management operations was signed;
- In June 2014, the EU and Georgia signed an Association Agreement (AA), which laid down a strengthened framework for enhanced political dialogue on all areas of mutual interest, allowing the development of closer political relations. The AA is the legal framework underpinning the intensified dialogue and cooperation between Georgia and the EU, and is promoting their gradual convergence on foreign and security policies, including on CSDP.

- To enhance inter-institutional coordination at the national level, the Government of Georgia decided in 2014 to establish an Inter-agency Working Group on CSDP matters, led by the State Security and Crisis Management Council (SSCMC), and composed of representatives of the Ministry of Foreign Affairs, Ministry of Defence, the State Ministry for European and Euro-Atlantic Integration, Ministry of Finance, Ministry of Interior Affairs, Ministry of Justice and the State Security Service (SSS). It is worth noting that, under the auspices of the Inter-agency Working Group, two fundamental documents were agreed: a governmental decree “On approving the rules for the participation of Georgia in the EU Civilian Crisis Management Operations”, and another decree “On approving the rules and conditions for the reimbursement of social guarantees and secondment costs of the personnel participating in the EU Civilian Crisis Management Operations”.
- In January 2015, the Government of Georgia adopted the 2015 National Action Plan (NAP) for the Implementation of the Association Agreement Georgia, which is seeking, inter alia, to facilitate and ensure Georgia’s participation in CSDP missions and operations, as well as in related trainings and consultations. This issue was further referred in the 2016 NAP, adopted in March 2016.
- In June 2016, the Georgian Foreign Minister, and EU’s High Representative for Foreign and Security Policy signed the Agreement between Georgia and the European Union on Security Procedures for Exchanging and Protecting Classified Information.

In this context, the CSDP Study Team has presented the following recommendations:

- Prepare a new Law on Secondment to enable substantial contributions to the implementation of CSDP.
- Finalize all the procedures needed for the entry in to force of the Agreement between Georgia and the European Union on Security Procedures for Exchanging and Protecting Classified Information.
- Amend the Law referring to Georgia’s participation in peacekeeping operations, as appropriate.
- Prepare Terms of Reference for the Commission for Selection of seconded personnel.
- Create a pool of national experts for CSDP missions and operations.
- Conduct bilateral and multilateral discussions with EU Member States to explore opportunities for financial support.
- Designate an agency responsible for training candidates for CSDP missions and operations.
- Develop relations with the European Security and Defence College and the EU Police Services Training Consortium.
- Request access to the Goalkeeper program.
- Establish a regional CSDP training centre.

- Explore the necessity to join the EU battle groups.
- Approve the Communication Strategy on Georgia’s EU and NATO Membership for 2017-2020.
- Organize comprehensive public awareness campaigns with regard to Georgia’s participation in CSDP.
- Deepen cooperation with the East STRATCOM Task Force on addressing the on-going Russian disinformation campaigns in GE.
- Continue informal staff talks with the European Defence Agency (EDA) to discuss the potential value added and possible mutual benefits of GE concluding an Administrative Arrangement with the EDA.
- Establish private-public partnership to enable better contributions to CSDP missions and operations.

Consequently, the ST proposed the following draft Individual Implementation Action Plan:

Draft Individual Implementation Action Plan for Georgia

No	Recommendation	Implementing agency	Priority	Resources	Timeframe
1	Preparation of a new Law on Secondment	MFA, SSCMC, Research study team	High	Visibility workshop	
2.	Finalize all the procedures needed for the entry in to force of the Agreement Between Georgia and the European Union on Security Procedures for Exchanging and Protecting Classified Information	SSSG	High		
3.	Amendment of the Law referring to Georgia’s participation in peacekeeping operations.	MOD, MFA, SSCMC	Low		
4.	Preparation of Terms of Reference for the Commission for Selection of seconded personnel	MFA, SSCMC, Research study team	Medium		

No	Recommendation	Implementing agency	Priority	Resources	Timeframe
5.	Creation of a pool of national experts and forces for CSDP missions and operations	Government, Parliament, SSCMC, MFA, Line ministries, SSS	High	Visibility workshop	
6.	Conduct bilateral and multilateral discussions with EUMS to explore opportunities for financial support	Government, Parliament, CSDP WG, EEAS/CMPD, EEAS/EUMS, EaP Trust Fund	Medium	GE resources for bilateral and multi-lateral meetings EaP TF funding	
7.	Designation of the agency responsible for training candidates for CSDP missions and operations.	CSDP WG	High	Visibility workshop	
8.	Develop relations with the ESDC and the EUPST Consortium	Designated agency, CSDP WG, MoD, MIA, ESDC, EUPST, EEAS/CMPD, EaP Trust Fund	Medium	EU funding, EaP TF funding	
9.	Request access to Goalkeeper program	CSDP WG, EEAS/CMPD	Low		
10.	Organize tailored training on completing CSDP application forms and preparation for interviews	Designated agency, CSDP WG, EEAS/CPCC	Medium	EU funding	
11.	Establish regional CSDP training centre	Prime minister's office, MIA, MFA, SSCMC, MoE, MoFin	Medium	Visibility workshop. Burden sharing by government and EU/EUMS, subject to separate agreement.	

No	Recommendation	Implementing agency	Priority	Resources	Timeframe
12.	Explore the necessity to join EU battle groups	MOD, CSDP WG, MoD, EEAS/EUMS, FN Battlegroup	Low		
13.	Approve the Communication Strategy on Georgia's EU and NATO Membership for 2017-2020	Government, The Office of the State Minister on European and Euro-Atlantic Integration, CSDP WG	Medium		
14.	Organize comprehensive public awareness campaigns with regard to Georgia's participation in CSDP	The Office of the State Minister on European and Euro-Atlantic Integration Government, CSDP WG, Line ministries, EEAS/STRATCOM Civil Society	Medium	GE resources along with materials provided by EU EU funding	
15.	Deepen cooperation with the East STRATCOM TaskForce on addressing the on-going Russian disinformation campaigns in GE	CSDP WG, Line ministries, SSS, EEAS/STRATCOM East, Civil Society	High	EU funding	
16.	Continue informal staff talks with the European Defence Agency (EDA) to discuss the potential value added and possible mutual benefits of GE concluding an Administrative Arrangement with the EDA.	CSDP WG, MoD, EDA	High		
17.	Establish private-public partnership to enable better contributions to CSDP missions and operations.	MFA, MOD, SSCMC, Research study team	Medium	Visibility workshop	

During the validation study trip, the ST was re-assured by the deputy secretary of the SSCMC that he intended to organize, in early 2017, a meeting of the CSDP Inter-agency working group, in deputy ministers format, to assess the recommendations included in the above draft Individual Implementation Action Plan, and to set clear tasks, responsibilities, and timelines for each recommendation they intended to implement. The ST will be available to further support the

implementation of this Action Plan, including by possibly organizing in 2017 up to two “visibility workshops” to present the study results to specialized audience and diplomats, and to discuss with them the way ahead, particularly in some of the areas deemed of high and medium priority.

The Prospects and Possible Shape of an Eastern Partnership Model for Partners’ Participation in CSDP

The CSDP Study TOR tasked the ST to “assess the prospects and possible shape of an Eastern Partnership (EaP) Model for partners’ participation in CSDP”.

An EaP Model could only add value by promoting a practical approach to partners’ participation in CSDP. A practical approach would involve, on the one hand, greater flexibility of the model which should be adaptable to the individual needs and circumstances of interested countries. On the other hand, dedicated advisory teams and capacity building programs should support its adaptation to the individual needs of each interested regional country. In addition, this Model may become a regional resource for increasing the effectiveness and efficiency of relevant international assistance by the EU institutions, and the EUMS.

The EaP Model for Partner’s Participation in CSDP should aim at helping regional countries to develop policy options to promote their participation in CSDP, while ensuring efficient cooperation and communication among stakeholder-institutions and with the public and civil society on CSDP-related matters and activities. To this end, the EaP Partners should strive to meet four standard-objectives (SO):

SO-1) Develop, review and implement legislation fully compatible with the Framework Agreements on Partners’ participation in EU crisis management operations.

That would entail that their national legislations should provide:

- the legal basis and general principles for participation in international missions, while explicitly referring to commitments under the “treaties concluded with the EU”;
- the decision making on the deployment and the withdrawal of military personnel, as well as the procedures for transfer of authority for military contingents assigned to an international operation or mission;
- the intra-governmental decision making on the secondment of civilian personnel to, and withdrawal from, an international mission;
- requirements for the selection, E&T, and registration of the personnel proposed to participate in civilian missions;
- the status, rights and obligations of the seconded staff;
- guarantees for social protection of the deployed staff;

- a broad framework for handling the related financial and logistical aspects;
- procedures for the secondment of individual experts from the private sector.

SO-2) Develop and implement effective and transparent national policies, plans, capabilities, as well as management mechanisms.

That would entail:

- Developing a National Policy Document on the Selection, Education and Training, Deployment, and Return of Seconded Personnel for Civilian Missions providing for the requirements and procedures for the secondment of personnel to be applied across relevant governmental institutions;
- Defining the level of ambition for capabilities to support EU-led operations and missions by establishing a national pool of CSDP experts and forces;
- Developing and implementing policies, structures, as well as financial and logistic arrangements to facilitate covering the costs of participation in CSDP operations and missions;
- Developing a sound E&T/capacity building system in the field of CSDP;
- Developing and implementing policies, structures, as well as inter-institutional, and international arrangements to streamline the information flow related to the Calls for Contribution to CSDP operations and missions;

SO-3) Enhance the involvement of non-institutional actors, including the civil society, the media, and individual experts, in policy formulation and implementation, as well as in explaining to the wider public the interests, practical benefits, and expected outcomes of increasing participation in CSDP activities.

That would entail:

- Setting up/maintaining an effective organization for public and strategic communications on European Integration, including branches in all line ministries, EU Information and Documentation Centres, and an operational mechanism for cooperation and coordination with the civil society, and the media;
- Drafting and approving National Public Communication and Information Strategies on European Integration on the medium term, as well as Annual Action Plans for the implementation of this strategy;
- Planning and conducting periodic public information campaigns on CSDP matters;

- Facilitating the education and training/capacity building on CSDP of journalists, researchers, academics, and other experts of the civil society;
- Setting up Public-Private Partnerships (PPP) to engage private capital and civil society in decision-making and cost-sharing in three areas:

Private sector contributions to CSDP missions.

- Developing training capabilities. For instance, private capital and expertise could help the Government to set up CSDP training centres which could serve for capacity building for both private and governmental experts.
- Developing strategic communication, i.e. civil society could play a key role in adapting and implementing the strategy of communication, and in facilitating reaching out to ethnic minorities and to local communities who live in remote areas.

SO-4) Develop, contribute to, and implement practical supporting mechanisms for cooperation between interested EU institutions, the EUMS, and the EaP states (such as the existing EaP Trust Fund for CSDP). This would entail:

- A Process of Capability Development and Capacity Building (PCDCB) aiming to help EaP countries to meet the four Standard Objectives through fostering and promoting dialogue, exchange of experience and practical cooperation at both institutional and non-institutional levels. At the institutional level, this process could involve relevant public institutions in formats with variable geometry enabling project/issue-oriented participation of Eastern Partners while avoiding political sensitivities against some neighbours, for example Azerbaijan vs. Armenia. At non-institutional level, participation of the relevant civil society organizations, media, and academic institutions should be envisaged, while appropriate exchanges and coordination with the institutional level should be maintained. The CSDP Regional Training Centre could offer institutional support to the PCDCB.
- A CSDP Regional Training Centre (RTC) would develop EaP professional expertise required to address the specific needs of CSDP missions and operations, and the development and implementation of related policies, procedures, and capabilities. Closer cooperation with the European Security and Defence College (ESDC) and with the EUMS education and training institutions could open the way for the international accreditation of this RTC. Courses should use English as the main language, and include modules on: CFSP and CSDP– history, structures, procedures; crisis management in CSDP missions and operations; mechanisms for funding; gender and human rights; cyber security; terrorism; hybrid threats; strategic communication. It is axiomatic that EUMS would need to be supportive of this Centre, and may provide appropriate funding and other assistance. This RTC should present guarantees that the existing training capacity

for Eastern Partners would be enhanced by a sound process of curriculum and content development. In addition to developing CSDP expertise, the Regional Training Centre could also offer expert advice to those Eastern Partners who would undertake efforts to adapt the EaP model on CSDP to their individual needs and circumstances, as well as research capabilities on regional security and defence affairs.

- The Public-Private-Civil Partnerships would expand the PPPs at national level (suggested under SO-3) into a multilateral Eastern Partnership framework with a view to creating regional synergies and exchanges of information.
- The EaP Trust Fund for CSDP Civilian & Military Capabilities Development and Deployment would be built upon the existing EaP Trust Fund for CSDP with a view to further support Eastern Partners' participation in CSDP E&T activities, as well as personnel contributions to military operations. The membership of the Trust Fund should be broadened, and its mandate should be extended to cover also costs for personnel contributions to civilian missions, as well as logistic, deployment, and other costs related to Eastern Partners' participation in CSDP operations and missions.

EAP MODEL ON CSDP – Strategy Chart



Setting up practical EaP cooperation on CSDP would require:

- a good blueprint, which could be provided by the EaP Model;

- political will and support from regional countries;
- an appropriate legal basis providing cooperation mechanisms which would allow effective resources pooling and capabilities sharing;
- practical projects supported by international donors aiming at supporting the development of regional capability and capacity building.

While talking to the relevant public authorities and civil societies in GE and MD, the ST noted mutual interests, and common assistance needs related to the consolidation of their inter-agency cooperation, and public communication mechanisms on CSDP-related matters. These interests and assistance needs may enable an active bilateral dialogue and concrete cooperation between GE and MD in areas such as:

- updating national legislation, and the inter-institutional regulatory framework to enable increased civilian participation;
- education and training;
- strategies for public communication;
- effective responses to hybrid, cyber and terrorist threats.

EURONATUR EUROPEAN UNION
Naturschutz ohne Grenzen

Selt über 25 Jahren verbinden wir europaweit Menschen und Natur über Ländergrenzen hinweg. Gerne informieren wir Sie über unsere Projekte.

Sabine Günther
 Telefon +49 (0) 7732/92 72-17
 sabine.guenther@euronatur.org
 www.euronatur.org

EUROPEAN UNION
 DZG
 Naturschutz
 Europa

Public Administration Reform at the Local and Regional Level in the Eastern Partnership Countries: Developments since 2012 in the Field of Decentralisation⁴⁷

The present study has been implemented by the team under the leadership of Dr Vyacheslav Tolkovanov, Study Team Leader, and composed of Dr Juraj Nemec, Senior International Expert and the following national experts: Valentina Gevorgyan (Armenia), Samir Aliyev (Azerbaijan), Miroslav Kobasa (Belarus), Nelly Dolidze (Georgia), Angela Cascaval (Moldova) and Nataliya Kyrychenko (Ukraine). The overall supervision, quality check and management have been carried out by Przemysław Musiałkowski, Team Leader of the HiQSTEP Project. Sincere thanks go to the national stakeholders in all six countries who provided information through interviews and responses to questionnaires. This study is also published on the Commission's website <https://europa.eu/capacity4dev/>.

Preface

This final study report on “Public Administration Reform at the Local and Regional Level in the Eastern Partnership Countries: developments since 2012 in the field of decentralisation and recommendations for the future” is part of the Project ‘Short term high quality studies to support activities under the Eastern Partnership – HiQSTEP, EuropeAid/132574/C/SER/Multi’. The present study has been carried out to support the activities of Platform 1 – “Democracy, Good Governance and Stability” – of the Eastern Partnership.

In this regard, it is important to note that promoting good governance and decentralisation reform implementation have been identified as a priority area by the EaP Platform 1 “Democracy, Good Governance and Stability” Work Programme for the period of 2014-2017. The DG NEAR and DG Regio are the driving forces in cooperation with EaP Countries on this theme.

⁴⁷ The findings, conclusions and interpretations expressed in this document are those of the authors alone and should in no way be taken to reflect the policies or opinions of the European Commission. .

Contents

- 1 Background, Purpose and organisation of the Study
 - 1.1 Description of the assignment, objectives and expected results
 - 1.2 Methods
 - 1.3 Collection and analysis of the information for the study
- 2 Assessing the Progress in Lsg Development and Par Implementation on Local Level after 2012: Comparative Analysis
 - 2.1 Compliance with the principles of the ECLSG and development of the LSG system according to the European principles of good governance
 - 2.2 Progress made in the EaP Countries since 2012 in the area of improvement of legal and institutional framework for local democracy
 - 2.3 Progress made in the EaP Countries since 2012 in the area of the development of the capacities of local authorities in human resources
 - 2.4 Progress made in the EaP Countries since 2012 in the area of fiscal decentralisation
 - 2.5 Evaluation of the level and the scope of the implementation of public administration reform on local level
- 3 Overview of the Situation in EAP Countries
 - 3.1 Armenia
 - 3.2 Azerbaijan
 - 3.3 Belarus
 - 3.4 Georgia
 - 3.5 Moldova
 - 3.6 Ukraine
- 4 Main Conclusions and Recommendations
 - 4.1 Main EaP ‘regional’ issues
 - 4.2 EaP countries’ specific issues
- 5 References and Bibliography

Abbreviations and acronyms

ATU	Administrative Territorial Units
CSF	Civil Society Forum
CORLEAP	Conference of Regional and Local Authorities for the Eastern Partnership
CoE	Congress of Local and Regional Authorities of the Council of Europe Congress
CoE	Council of Europe
EU	European Union
EaP	Eastern Partnership
ECLSG	European Charter of Local Self-Government
EUD	Delegation of the European Union

GG	Good Governance
HiQSTEP	High Quality Studies for the Eastern Partnership
LA	Local Authorities
LSG	Local Self-Government
LG	Local Government
OECD	Organisation for Economic Cooperation Development
PAR	Public Administration Reform
RG	Regional Government
SIGMA	Joint Initiative of the OECD and the EU, principally financed by the EU
STL	Study Team Leader

Country codes

AM	Armenia
AZ	Azerbaijan
BY	Belarus
GE	Georgia
MD	Moldova
UA	Ukraine

1. Background, Purpose and Organisation of the Study

In accordance with the approved Terms of Reference and the Inception Report, this Study is focused on the theme of the public administration reform on local and regional levels in the Eastern Partnership countries (developments after 2012 in the field of decentralisation and recommendations for the future).

Today, all EaP Countries are facing an urgent need to implement large-scale decentralisation reforms. Decentralisation in these countries can be viewed as a part of a wider public administration reform, which requires re-distribution of tasks, competences, and resources at central, regional, and local levels. In particular, this means the transfer of wider responsibilities, competencies, and resources from the state to the local self-government (LSG) authorities, in line with the SIGMA/OECD revised Principles of Public Administration⁴⁸, provisions of the European Charter of Local Self-Government⁴⁹ as well as the Council of Europe Strategy for Innovation and Good Governance on Local Level and its 12 Principles for Good Governance on Local Level.

⁴⁸ It is important to note that SIGMA/OECD is currently adjusting the Principles of Public Administration developed for the Enlargement countries to the Neighbourhood context.

⁴⁹ <http://www.coe.int/en/web/conventions/full-list/-/conventions/treaty/122>

A well-functioning public administration is necessary for democratic governance. It also directly impacts upon governments' ability to provide public services and to foster competitiveness and growth.

Public administration reform should lead to enhanced transparency, accountability and effectiveness and ensure a greater focus on the needs of citizens and business. An adequately managed and professional civil service, better policy planning and co-ordination, sound administrative procedures and improved public financial management are of fundamental importance for the functioning of the state and for implementing the reforms required for integration with the EU. Countries have to increase their efforts to improve their public administrations at all levels on the basis of national strategies. A strong political commitment is needed to steer the reform process, in particular at local and regional levels.

Various legal acts in the area of local self-government which have been adopted at different times since dissolution of the former Soviet Union and the proclamation of Independence of the mentioned countries are based on different ideologies and, as a consequence, are not internally harmonised. In order to resolve these contradictions, there is a necessity for a comprehensive decentralisation strategy and a local government reform, which would include harmonisation of all relevant legislation, in particular constitutional amendments. Impact of decentralisation reform on regional development processes could be also evaluated in those EaP Countries where regional level of government exists.

Undoubtedly, the successful implementation of PAR at local level will facilitate more effective modernisation in EaP Countries, further realisation of other (sector) reforms, and development of co-operation with international and European institutions, especially the European Union.

It is important to note that the territorial-administrative system which was formed mainly during the Soviet period is quite complex. Therefore, the administrative territorial reform (ATR) should create the necessary institutional and legal basis for improvement of the structure of public administration, creating a more consistent local government system (based on local units with enhanced size and role), and eventually reinforcing decentralisation in EaP countries. The ATR can also resolve the anomalies (of status, territory, role, functions etc) of the administrative and territorial units. This should substantially improve the efficiency of the existing system of public power in terms of resource distribution, accountability and efficiency of services. The decentralisation reform could also contribute to the separation between LSG and State functions, and minimise interference of State bodies in LSG affairs. All these actions are important for ensuring the implementation of the SIGMA/OECD revised Principles of Public Administration.

At the same time, the transfer of new competences to LSG bodies should be supported by the transfer of additional resources (human and financial). A major impediment to the development of LSG in EaP Countries remains its financial weakness. In addition to vertical imbalances in revenue allocation, the level of own resources and especially of local taxation is low and

resources are increasingly unequal among local budgets along with increasing regional disparities. There is also a need to provide local self-government units with a stronger financial basis, especially through the granting of new tax powers. In conjunction with the accomplished or ongoing administrative territorial reforms (ATR) and the revision of the allocation of functions between State bodies and local authorities, a review of the present state grants and equalisation system is needed. Fiscal decentralisation represents the core issue for ensuring a sustainable economic and democratic development in all EaP Countries.

1.1. Description of the assignment, objectives and expected results

This study should contribute to deepening of local and regional democracy in the Eastern Partnership Countries, further implementation of public administration reform on local level, ensuring good governance standards, promoting better local and regional economic development in the mentioned countries.

The approved Inception Report defined the following specific objectives:

- To take stock of the developments in EaP region in the field of PAR at local and regional levels after 2012;
- To identify dimensions which can be analysed and compared in a cross-country perspective (which the Study Team understands as taking into account THE SIGMA/OECD European Principles of Public Administration⁵⁰, the provisions of the European Charter of Local Self-Government as well as the Council of Europe Strategy for Innovation and Good Governance on Local Level and its 12 Principles for Good Governance on Local Level ad its);
- To present the findings of the analysis in the context of the EU best practices;
- To formulate recommendations for the further work of the EaP Platform 1 “Democracy, Good Governance and Stability” and its Public Administration Reform Panel, the Sub-group on Local Government and Public Administration Reform of the EaP Civil Society Forum, European institutions as well as the relevant authorities of the EaP Countries (based on the results of the analysis).

Taking into account the particular importance of some issues of the LSG development and PAR implementation on local level, the Study also focused on the following specific objectives:

- To diagnose and to analyse the progress made in the EaP Countries since 2012 in the area of the financial decentralisation (in particular, development of inter-budgetary relations, reducing vertical and horizontal imbalances, strengthening LSG budget autonomy, improvement of the budget management etc.). Progress made in the implementation of

⁵⁰ It is important to note that SIGMA/OECD is currently adjusting the Principles of Public Administration developed for the Enlargement countries to the Neighbourhood context.

the recommendations on fiscal decentralisation formulated in 2012 by the Sub-group for Local Government and Public Administration Reform of EaP Civil Society Forum has been used as one of the assessment criteria;

- To diagnose and analyse the progress made in the EaP Countries since 2012 in the area of improvement of legal and institutional framework for local democracy (including optimisation of the administrative and territorial structure, clear division of the competences between different levels of public power etc.), development of the system of decentralised governance consistent with the principles of the European Charter of Local Self-Government;
- To diagnose and to analyse the progress made in the EaP Countries since 2012 in the area of development of the capacities of local authorities in human resources in order to fulfil more effectively their functions/powers and to improve the quality of the services to be delivered to the citizens.

1.2. Methods

The methods used are both qualitative and quantitative. A qualitative analysis served as a basis for three chapters delivering comparative analysis of the progress in all six EaP Countries in the areas of fiscal decentralisation, institutional framework for local democracy and human resources on local level.

A quantitative analysis was used to deliver chapters evaluating (benchmarking) the quality of local governance, reform capacity and the level of implementation of recommendations that countries received in the area of fiscal decentralisation from the Sub-group for Local Government and Public Administration Reform of the Civil Society Forum. The main source for this quantitative analysis was the questionnaires filled by important stakeholders in all six countries. The questionnaire prepared for this study is based on the principles of the ECLSG, the Council of Europe Strategy for Innovation and Good Governance on Local Level and the revised version of the SIGMA/OECD Principles of Public Administration (which was approved in November 2014). The reference documents create legal and institutional framework for European benchmarking in the field of local and regional democracy.

The mentioned questionnaire allows also assessing the scope and the progress of the on-going or planned PAR on local level in EaP Countries. In line with the revised European principles of good governance, PAR should require to the following key pre-conditions:

- the leadership of public administration reform is established and the strategic framework provides the basis for implementing prioritised and sequenced reform activities aligned with the Government's financial circumstances;

- public administration reform management enables guiding and steering reforms, determines the accountability for implementation and ensures the professional administration needed for reform implementation;
- strong public support for PAR implementation.

In order to complete the analysis on fiscal (financial) decentralisation in EaP countries, an additional questionnaire (Annex III) was elaborated in order to assess the level of the implementation of the recommendations on fiscal decentralisation which were provided by Local Government and Public Administration Reform Sub-Group of the Working Group 1 Democracy and Human Rights of the Civil Society Forum for Eastern Partnership in 2012⁵¹.

The Study Team proposed a set of the indicators (including recommendations of the Council of Europe Congress of Local and Regional Authorities, CORLEAP, OECD, other European and international organisations on decentralisation, PAR on local level in EaP countries) in order to evaluate possible gaps between the SIGMA/OECD Principles of Public Administration, best practices in the field of LSG development and the country situation, existence or not of reforms aimed at introducing/enhancing decentralisation in the reference period.

The mentioned questionnaires (Annexes I and III) are targeted at the assessment of the development of local and regional democracy in the EaP countries, in particular making use of Likert scale. The format of the proposed Likert scale was composed of five following levels: 1) strongly disagree; 2) disagree; 3) neither agree nor disagree; 4) agree; 5) strongly agree.

1.3. Collection and analysis of the information for the study

The Study Team members collected the necessary information through desk review from open sources divided into two groups:

1. Primary sources of information (national statistical Data, decisions and other official documents of national governments, other information which could be received from representatives of national authorities of EaP countries);
2. Secondary sources of information (documents provided by the national associations of local and regional authorities, Country representatives to Council of Europe Congress of Local and Regional Authorities as well as representatives to CORLEAP, Country representatives to EaP Civil Society forum, NGOs, international donor organisations analytical and independent reports, media reports, documents/reports of other international organisations, local and international and "think tanks", NGOs etc).

The study was implemented in the following partly overlapping stages:

⁵¹ Subgroup of WG1 on Local Government and Public Administration Reform, Proposal for CORLEAP of 17.09.2012, Annex: State of Fiscal Decentralisation in Eastern Partnership Countries.

- Desk review, based on Annex II, was mostly done by international experts in cooperation with national experts. A detailed fiche on LSG development was prepared for each EaP country;
- Distribution of questionnaires (Annexes I and III) to key stakeholders, collection of the necessary information and its analysis;
- Identification of the possible gaps and main problems;
- Clarification of the identified problems and gaps, through additional interviews and meetings with key experts and national stakeholders in order to validate the results of the desk review, to precise and to highlight (possible) recommendations;
- Finalisation of the recommendations.

Questionnaires were distributed mainly via email. Information collection in the EaP Countries was facilitated by the local experts who organised some additional meetings and/or interviews with national stakeholders. Moreover, the Study Team Leader travelled to Georgia for a two-day mission (on 21-24 October 2015) in order to participate in the interviews with the main national stakeholders, and to meet with the key experts to validate the results of the desk review and to discuss possible recommendations. Questionnaires were addressed to the following target groups in the EaP Countries:

1. Representatives of the national authorities (Government, Parliament, Administration of the President, key ministries dealing with the decentralisation/ PAR issues, in particular Ministry of Finance, Ministry of Regional Development, Ministry of Economy etc.);
2. Representatives of the national associations of local and regional authorities;
3. At least 3-5 representatives of local and/or regional authorities (mayors, presidents and/or members of local and/or regional councils, others);
4. Country representatives to the Council of Europe Congress of Local and Regional Authorities and to CORLEAP;
5. Country representatives to the Civil Society Forum, NGOs, international donor organisations dealing with the issues of decentralisation, as well as independent experts, members of other European advisory and experts' groups (task forces) on decentralisation and local self-government issues were contacted as secondary sources of information.

In Armenia the Study Team invited 18 officials/institutions to complete the questionnaires and received answers (completed forms) from the following institutions/persons:

- Ministry of Finance, Head of the Budgetary Process Organisation Division, Mr. Armen Manukyan;

- National Assembly Standing Committee on Territorial Administration and Local Self-Government, Member of Parliament and Committee Member, Mr. Artsvik Minasyan;
- CORLEAP member and Mayor of Kapan (Syunik marz), Mr. Ashot Hayrapetyan;
- Mayor of Tumanyan (Lori marz), Mr. Levon Zavaryan;
- Mayor of Dilijan (Tavush marz), Mr. Armen Santrosyan;
- Association of Municipal Councillors of Armenia, Deputy President, Mr. Artak Petrosyan;
- Member of Expert Group on the European Charter on Local Self-Government, Community Finance Officers Association (CFOA) Deputy Chairman, Mr. David Tumanyan;
- Urban Foundation for Sustainable Development Program Director, CoE expert and trainer, Mrs. Armine Tukhikyan;
- International Centre for Human Development (ICHD) Executive Director, Mr. Armen Galstyan.

At the same time, other Armenian stakeholders (in particular, Administration of the President, Ministry of Territorial Administration and Emergency Situations as well as representatives of some local authorities) did not respond to the questionnaires.

In Georgia the Study Team invited 12 institutions (state entities and national association of local authorities) to complete the questionnaires. Due to low response rate of the originally identified interlocutors the following stakeholders have been contacted:

- Mr. Irakli Melashvili, Deputy Head of Department for Relations with Regions and Local Self-Government Units, State Chancellery of Georgia;
- Mr. Giorgi Tsakadze, Head of Local Self-Government and Regional Policy Department, Ministry of Regional Development and Infrastructure of Georgia;
- Mr. David Melua, Executive Director, National Association of Local Authorities in Georgia;
- Mrs. Mariam Davitashvili, Sr. Specialist, the Centre for Effective Governance System & Territorial Arrangement Reform (MRDI);
- Mr. Gela Kiladze, Deputy Chairman, Lanchkhuti City Hall;
- Mr. George Kopadze, Mayor, Akhaltsikhe City Hall;
- Mr. Paata Jachvliani, Head of Administration, Tbilisi Municipality City Hall;
- Mr. Levan Tevzaia, Head of Financial Department, Tbilisi Municipality City Hall;
- Mr. Davit Tchanturia, Deputy Head of Financial Department, Tbilisi Municipality City Hall;
- Mr. Guja Makalatia, Deputy Head of Legal Department, Tbilisi Municipality City Hall.

Individual meetings of the Study Team members were also conducted with Mr. Irakli Melashvili, Mrs. Mariam Davitashvili, Mr. Paata Jachvliani, Mr. Levan Tevzaia, Mr. Davit Tchanturia, and Mr. Guja Makalatia.

In Moldova the Study Team invited 14 national officials/representatives of the main stakeholders, experts dealing with the issues of decentralisation and public administration reform to answer to the questionnaire. 11 replies were received from:

- Mr. Curie Tap, Deputy Chairman of the Parliamentary Commission "Committee for public administration and regional development";
- Mr. Sergio Claus, Deputy General Secretary of the Government ;
- Mr. Iconic Ion Vaile, Head of the Direction of administrative territorial units budgets within of General Direction of Budget Synthesis, Ministry of Finance;
- Mrs. Maria Sundial, Deputy Chief of the Directorate for Public Property Management, the. Agency for Public Property, Ministry of Economy;
- Mr. Darin Andros, Head of Directorate for policy and regional cooperation, Ministry of Construction and Regional Development;
- Mr. Viorel Furdui, Executive Director of the National Congress of Local Authorities;
- Mrs. Liliana Tincu, City hall of Ungheni city;
- Mr. Grigore Policinski, President of the Dubasari district;
- Mrs. Tatiana Badan, Mayor of village Selemet, Cimislia district;
- Mr. Ghenadie Ivascenco, Joint Integrated Local Development Programme, UNDP;
- Mr. Viorel Soltan, Director, Center for Health Policies and Studies.

In Ukraine the questionnaires were sent to 16 officials/institutions (state bodies, LSG bodies, national associations of local and regional authorities), Ukrainian members to CoE Congress, CORLEAP and other persons dealing with the issues of decentralisation and public administration). Five stakeholders refrained from responding (Ministry of Regional Development, Construction, Housing and Municipal Economy of Ukraine; Ukrainian Association of Oblast and Rayon Councils as well as three representatives of local/regional authorities) while the following eleven stakeholders sent their replies:

- Administration of the President of Ukraine (Department on LSG and Decentralisation Issues);
- Parliament of Ukraine (Parliamentary Committee on State Building, Regional Development and Local Self-Government Issues);
- Ministry of Finance of Ukraine (only Annex I);
- State Centre for Adaptation of Ukrainian Civil Service to EU Standards (in charge of coordination of the activities within EaP Platform I);
- Institute on Public Administration and Local Self-Government Issues of the National Academy of Public Administration under the President of Ukraine;

- Mrs. Nataliya Romanova, Vice-President of the Council of Europe Congress of Local and Regional Authorities, member of the Ukrainian delegation to CORLEAP, member of Chernigiv rayon council;
- Mr. Volodymyr Udovychenko, President of Ukrainian Club of Mayors, member of the Council of Europe Congress of Local and Regional Authorities, Head of Kyiv Region Reforms' Office;
- Ukrainian Association of Cities and Communities (only Annex I);
- City of Ukrainka and Association of Small Cities of Ukraine responded by one letter (Annexes I and III) which was signed by Mr Pavlo Kozyrev, President of this Association and Mayor of the city of Ukrainka;
- Mr. Serhiy Mazur, Mayor of the city of Balta;
- The Ukrainian Association of Village and Settlement Councils provided 3 different answers (completed Annexes I and III) from its 3 members - Mr Hrygoriy Rudiuk, Mayor of the settlement of Novoboriv, Mr Leonid Kucheriaviy, and Mayor of the settlement of Demyriv and Mr. Yuriy Shylo, Mayor of the village of Davydiv.

Taking into account the fact that the national administrations in Belarus and Azerbaijan provided very limited information in response to the questionnaire⁵², a group of independent experts and professionals have been mobilised by the Study Team in order to collect the information and to contribute to the preparation of the final report.

2. Assessing The Progress In LSG Development And Par Implementation On Local Level After 2012: Comparative Analysis

The development of local democracy in EaP Countries is closely monitored by many international institutions, in particular by the European Union, the Council of Europe and its Congress of Local and Regional Authorities. Thus, the CoE Congress carried out monitoring visits to all EaP Countries (except Belarus which is not a member of the Council of Europe) and provided them with important recommendations just before or at the very beginning of our reference period 2012-2015. The European Union supports democratic changes in the region by several EaP activities, with focus on promoting implementation of the SIGMA/OECD revised Principles of Public Administration (reliability and predictability openness and transparency, accountability, efficiency and effectiveness), including through Conference of Regional and Local Authorities for the Eastern Partnership (CORLEAP) which is the EU platform that offers an opportunity to discuss the contribution by cities and regions in the development of the Eastern Partnership. The World Bank is mainly involved in public finance reforms (for example

⁵² Only the civil service agency of Azerbaijan responded to the questionnaire within the limits of their competence. In Belarus the Ministry of Foreign Affairs was very cooperative however the responses they managed to receive from other state authorities were rather general and not very informative.

implementation of medium term performance based budgeting). Initiative on Fiscal Decentralisation was formulated in 2012 by the Sub-group for Local Government and Public Administration Reform of the Civil Society Forum which drafted a short assessment of fiscal decentralisation efforts in EaP Countries (as of 2012) and a set of policy recommendations.

Analytical materials of above mentioned (and other) bodies clearly indicate that the self-government situation significantly differs across the EaP Countries and that Belarus represents a special case, as it has not signed the ECLSG.

The first major difference is the fact that two-level (regional and local) self-government systems exist in Belarus, Moldova and Ukraine (in Belarus and Ukraine the regional bodies do not have real responsibilities and resources) and one-level systems are in place in Armenia, Azerbaijan and Georgia. Due to this, the core focus of our analysis is the local self-government.

The differences in the progress of local democracy in the EaP region can be documented by main recommendations addressed to the EaP Countries by different international organisations at the beginning of our evaluation period. However, the fact that Armenia, Azerbaijan, Georgia, Moldova, Ukraine signed and ratified the ECLSG represents significant formal and legal stimulus (the Charter is the source of domestic law) for important changes in the LSG systems and for the application of the European Principles of Good Governance on local level.

Progress made in the implementation of the recommendations formulated in 2012 can summarised as follows:

Armenia is still in an early phase of developing its local democracy. The Country was encouraged to better implement the principle of subsidiarity; to allow the local authorities to regulate and manage a substantial share of public affairs under their own responsibility and in the interest of the local population; to amalgamate LSG structure; to mitigate the over-centralisation of public administration; to ensure that local authorities enjoy full and exclusive powers; to clarify mandatory and delegated powers and to establish a fully-fledged local finance system.

Up to now Azerbaijan is even some steps behind. The country was urged to recognise municipalities as decentralised institutions exercising part of the overall functions of the State; reconsider substantially and clarify the division of tasks and powers between parallel structures of local public administration; transferring the most important local public competences to democratically and politically accountable municipalities and to establish local public finance system, especially by allocating sustainable financial resources to municipalities; commensurate with their competences.

Belarus started to establish the new local self-government system already in 1991, i.e. when it still formed part of the USSR. According to the Law "On the Basic of the Local Self-government and Local Economic Management in BSSR", the authority at local level was delegated from the Communist Party bodies and executive committees to the Councils, which created real

prerequisites for the local government development. However, since 1994 the process of real local self-government formation and development in Belarus stopped. Elected councils have - to a large extent - only “representative” function. Most of local services are still financed and delivered via state structures – regional and local executive committees. In 2012 Civil Society Forum for Eastern Partnership (see footnote 1 above) formulated a number of the recommendations to Belarus regarding fiscal decentralisation and introduction of three-level budgetary system instead of the existing four-level budgetary system. Unfortunately, these recommendations were mostly disregarded by the Belarus authorities and did not lead to any reform.

Georgia was expected to undertake additional institutional and legislative changes to improve local autonomy and accountability and to progress in the area of fiscal decentralisation, especially via enhancing the financial capacity of local governments and improving the financial equalisation procedure.

Moldova was the most progressive EaP country in 2012 from the point of view of legal and institutional base for local democracy. The main issue for the country was further progress of fiscal decentralisation and removing overlaps of powers and responsibilities between different levels of self-governments but also between central government and local authorities.

Ukraine slowed down the decentralisation during V. Yanukovich’s period (February 2010 – February 2014) and was requested to equip local authorities with real competence in the substantial share of public affairs; to address a too high territorial fragmentation and to reinforce the financial autonomy of local authorities. After “Euromaidan” and V. Yanukovich’s departure the new Ukrainian Government and the democratic parliamentary coalition in the Verkhovna Rada proclaimed the decentralisation reform as a key priority of their political agenda.

The fact that in 2012 the six EaP Countries were at very different levels of the development of local and regional democracy means that the scale and contents of reforms undertaken between 2012 and 2015 should differ. The main issues for Georgia, Moldova and Ukraine are connected with improving legal environment and developing of fiscal decentralisation, while Armenia is expected to focus on effective implementation of the existing legislation (local government system in Armenia highly depends on central government) and Azerbaijan and Belarus are very much only at the start.

2.1. Compliance with the principles of the ECLSG and development of the LSG system according to the European principles of good governance

The Article 2 of the European Charter of Local Self-Government stipulates that the principle of local self-government shall be recognised in the domestic legislation, and where practicable in the constitution. In this regard, the ECLSG creates itself an excellent benchmark for measuring

the level and the scope of the decentralisation in the countries that have already signed and ratified this main European legal instrument in the field of LSG.

In this context, it has to be noted that Azerbaijan signed the European Charter of Local Self-Government in December 2001, and ratified it by a law that entered into force on 1st August 2002. Azerbaijan declared itself not bound by Article 4(3), 7(2), 9(5), 9(6) and 10(3) of the Charter. However, Azerbaijan has not signed the Additional Protocol to the European Charter of Local Self-Government on the right to participate in the affairs of a local authority (CETS № 207). In its Recommendation 126 (2003)⁵³ and 326 (2012) the Council of Europe Congress of Local and Regional Authorities stated that “the powers and responsibilities of Azerbaijan’s municipalities are very limited, failing to account for any substantial share of public affairs as stipulated in the European Charter of Local Self-Government”, but since then no change has occurred in the legislation. Moreover, the powers of municipalities were further minimised by the Decree of the President of Azerbaijan of 6 June 2012.

We have to remind that Armenia signed the European Charter of Local Self-Government (hereinafter "the Charter") on 11 May 2001 and ratified it on 25 January 2002; it entered into force in respect of Armenia on 1 May 2002. At the same time, Armenia stated that it does not consider itself bound by Articles 5, 6, 7(2) and 10(3) of the Charter. Armenia also ratified the Additional Protocol to the ECLSG on the right to participate in the affairs of a local authority (CETS № 207) on 13 May 2013 with entry into force on 1 September 2013.

Moldova signed the European Charter of Local Self-Government on 2 May 1996 and ratified it on 2 October 1997 (without any reservations or declarations). The Charter came into force in the territory of the Republic of Moldova on 1st February 1998. On the other hand, Moldova did not yet sign the Additional Protocol to the European Charter of Local Self-Government on the right to participate in the affairs of a local authority.

Georgia signed the European Charter of Local Self-Government on 26 October 2004 and ratified it on 8 December 2004 with entry into force on 1st April 2005 (with “reservations” on Article 4 paragraph 6, Article 5, Article 6 paragraph 2, Article 9 paragraph 6 and Article 10 paragraphs 2 and 3). When ratifying the ECLSG Georgia declared that “till the restoration of full jurisdiction of Georgia on the territories of Abkhazia and Tskhinvali Region, Georgia declines its responsibility for performing obligations under the paragraphs of the European Charter of Local Self-Government listed [in its declaration regarding Article 12] in such territories”. However Georgia has not yet signed the Additional Protocol to the European Charter of Local Self-Government on the right to participate in the affairs of a local authority.

Ukraine signed the European Charter of Local Self-Government on 6 November 1996 and ratified it in 1997, without any reservations, with entry into force on 1st January 1998. Ukraine

⁵³ Recommendation 126 (2003)1 the Council of Europe Congress of Local and Regional Authorities // <https://wcd.coe.int/ViewDoc.jsp?id=1982467>

signed in 2011 and ratified in 2014 the Additional Protocol to the European Charter of Local Self-Government on the right to participate in the affairs of a local authority.

At the same time, it is important to note that Belarus is the only EaP Country that did not sign or ratify the European Charter of Local Self-Government. Besides, certain provisions of the Belarusian Constitution and the national legislation contradict to the provisions of the ECLSG and the European Principles of Good Governance. Neither Belarus' public authorities nor international experts have carried out any official judicial analysis of Belarusian constitutional and legislative norms for the purpose of evaluating their compliance with the principles of the European Charter of Local Self-Government.

However, unofficial analysis of the provisions of the current legislation in force in Belarus was conducted by the NGO "Lev Sapieha Foundation". According to this analysis, 30% of cases (10 Charter principles) show non-compliance of the norms of the Belarusian legislation with the standards and provisions of the European Charter of Local Self-Government. This non-compliance with the provisions of the ECLSG, in particular, relates to the concept of local self-government (Article 3), the scope of its competence (PP.2, 4 and 5 of Article 4), compliance of administrative structures and resources with the tasks of LSG bodies (paragraph 1 of Article 6), administrative supervision over their activities (paragraph 3 of Article 8), sources for financing the LSG bodies activity (pp. 2, 5 and 7, Article 9) as well as the right of the local authorities to the association (p.2 Article 10).

As it has been already mentioned, the ECLSG creates a solid legal framework for functioning of local self-government systems in all European countries. It represents an excellent tool for assessment and comparison of the current situation of the functioning of LG/ RG in EaP Countries. In this context, the set of indicators was proposed (Annex 1) in order to assess – benchmark the progress of all EaP Countries in developing good local governance after 2012. As already described, the results are based on opinions of the main stakeholders, responding to the project questionnaires (see introduction) – the maximum possible value is 5⁵⁴.

The general overview of the perception of progress by respondents is provided in Table 1 and Figure 1 (the data should be used mainly for checking the progress, from the point of view of inter-country comparison they might be biased by different expectations of respondents - especially responses from Moldova are much less optimistic for some sub-areas compared to Ukraine, marks for Armenia seem to be relatively too high). The data indicate stagnation in Armenia, Azerbaijan and Belarus, limited progress in Moldova and Ukraine (however in both

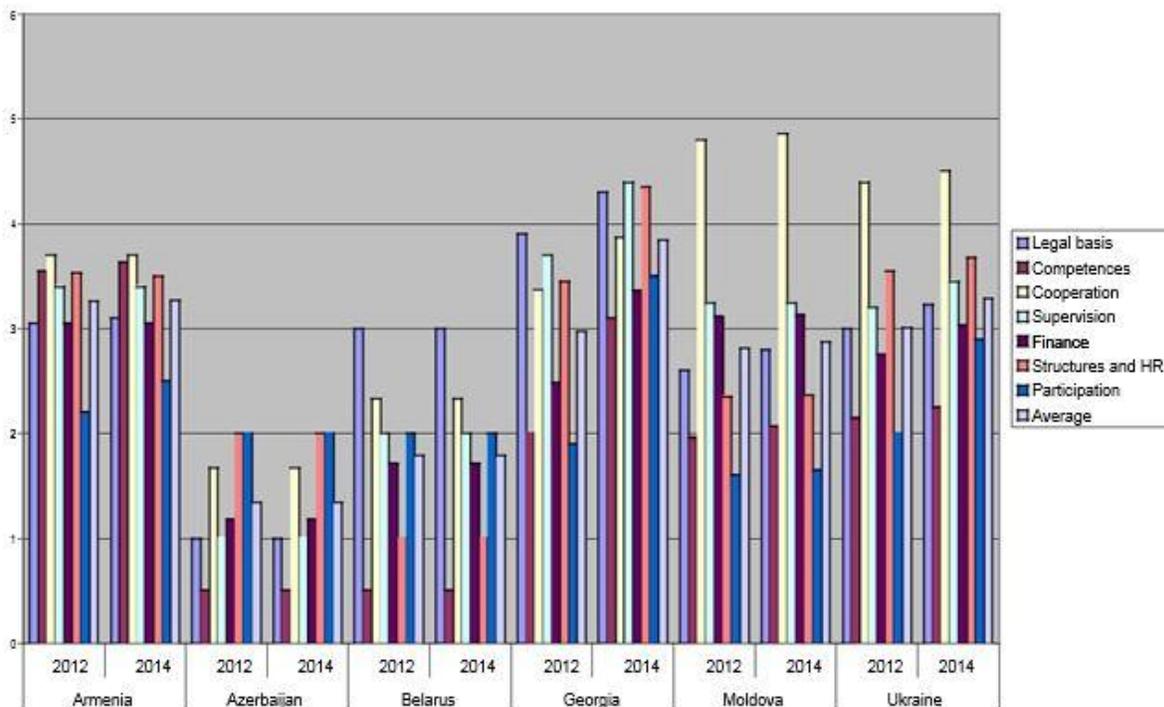
⁵⁴ If data are not available, or the question non-relevant, "n.a." is used. Azerbaijan has one autonomous region (Nakhichevan), but we do not count it as regional self-government. Georgia has the office of governors as "semi-regional" institution and we also do not include this level in the analysis, the same concerns the Republic of Adjara. In Moldova, under law, "rayons" have the status of the second tier of local authorities. But in fact, based on their structures, real functions and competencies carried out - they are deconcentrated branches of central administration. However, we do include this level in our analysis.

countries many aspects improved very recently – most reforms are in force from 2015) and large improvements for Georgia, as the result of implementation of new LSG Code.

Table 1: Perception of 2012-2014 developments in the main areas

	Armenia		Azerbaijan		Belarus		Georgia		Moldova		Ukraine	
	2012	2014	2012	2014	2012	2014	2012	2014	2012	2014	2012	2014
Legal basis	3	3.1	1	1	3	3	3.9	4.3	2.6	2.8	3	3.23
Competences	3.5	3.6	0.5	0.5	0.5	0.5	2.0	3.1	1.96	2.07	2.15	2.25
Cooperation	3.7	3.7	1.7	1.67	2.33	2.33	3.37	3.87	4.8	4.86	4.4	4.5
Supervision	3.4	3.4	1	1	2	2	3.7	4.4	3.24	3.24	3.2	3.45
Finance	3	3	1.2	1.18	1.71	1.71	2.48	3.36	3.11	3.13	2.75	3.03
Structures and HR	3.5	3.5	2	2	1	1	3.45	4.35	2.35	2.36	3.55	3.68
Participation	2.2	2.5	2	2	2	2	1.9	3.5	1.6	1.65	2	2.9
Average	3.2	3.8	1.34	1.34	1.79	1.79	2.97	3.84	2.81	2.87	3.01	3.29

Figure 1: Perception of 2012-2014 developments in the main areas



In the following text we provide data per eight selected areas as the situation is perceived by the selected respondents. We have to stress that in many countries especially government representatives tended to be more positive than the real situation (this fact can be confirmed by detailed examination of answers) and it is also visible that some respondents were not able to understand some detailed questions. Despite of this, we feel that the data collected provide interesting picture of developments.

Table 2 benchmarks the situation with regard to quality of the legal basis for self-governments. It indicates, in particular, that several contradictions exist in legal systems of EaP Countries, which make it difficult for local and regional to fully assume and fulfil their responsibilities.

Questions:

1. Are the basic powers and responsibilities of LSG are defined by the Constitution?
2. Are the basic powers and responsibilities of RSG are defined by the Constitution?
3. Are the basic powers and responsibilities of LSG are “well” described by the national legislation?
4. Are the basic powers and responsibilities of RSG are “well” described by the national legislation?
5. Are you aware of the cases of contradiction between any provisions of different legal (normative) acts regulating LSG activities?
6. Are you aware of the cases of contradiction between any provisions of different legal (normative) acts regulating RSG activities?

Table 2: Legal basis for LSG

Q	Armenia		Azerbaijan		Belarus		Georgia		Moldova		Ukraine	
	2012	2014	2012	2014	2012	2014	2012	2014	2012	2014	2012	2014
1	3.1	3.2	1	1	3	3	3.9	4.3	2.6	2.8	3	3.3
2	n.a.	n.a.	n.a.	n.a.	2	2	n.a.	n.a.	2.2	2.2	2.7	3
3	3	3	1	1	2	2	3.3	3.4	3.3	3.4	3.2	3.4
4	n.a.	n.a.	n.a.	n.a.	2	2	n.a.	n.a.	2.55	2.55	3.1	3.2
5	yes	yes	yes	yes	yes	yes	yes	yes	yes	yes	yes	yes
6	n.a.	n.a.	n.a.	n.a.	yes	yes	n.a.	n.a.	yes	yes	yes	yes
Aver.	3.05	3.1	1	1	2.25	2.25	3.6	3.85	2.66	2.74	3.0	3.23

Table 3 benchmarks the situation with regard to the competences of self-governments. The Study Team feels that the answers to Question 4 are too positive for Ukraine – formally the law does not provide the LG/RG with full discretion in the execution of their responsibilities. Responses also indicate that there are several important practical barriers limiting the right of SGs to execute their full responsibility for local development with full discretion.

Questions:

1. Can LSGs formally execute their full responsibility for local development with full discretion?
2. Can RSGs formally execute their full responsibility for local (regional) development with full discretion (what is not prohibited is allowed principle)?
3. Are there any important practical barriers limiting the right of LSGs to execute their full responsibility for local development with full discretion?
4. Are there any important practical barriers limiting the right of RSGs to execute their full responsibility for local development with full discretion?

Table 3: The scope of competences of LSG/ RSG

Q	Armenia		Azerbaijan		Belarus		Georgia		Moldova		Ukraine	
	2012	2014	2012	2014	2012	2014	2012	2014	2012	2014	2012	2014
1	3.1	3.25	1	1	1	1	2.0	3.6	2.6	2.7	3.1	3.3
2	n.a.	n.a.	n.a.	n.a.	1	1	n.a.	n.a.	2.12	2.25	2.6	2.7
3	4	4	0	0	0	0	2.0	2.6	1.55	1.66	1.5	1.6
4	n.a.	n.a.	n.a.	n.a.	0	0	n.a.	n.a.	1.55	1.66	1.4	1.4
Aver.	3.55	3.63	0.5	0.5	0.5	0.5	2.0	3.1	1.96	2.07	2.15	2.25

Table 4 benchmarks the freedom of entering into various forms of co-operation and association. Data indicate that, except for Belarus and Azerbaijan, the situation is relatively positive.

Questions:

1. Can LSGs freely associate with other local authorities within the country?
2. Can RSGs freely associate with other local authorities within the country?
3. Can LSGs be members of international associations of local authorities?
4. Can RSGs be members of international associations of local and regional authorities?

5. Can LSGs freely cooperate with other local authorities outside the country?
6. Can RSGs freely cooperate with other local authorities outside the country?

Table 4: The level of freedom of LSG/ RSG for cooperation (associating) with other LSG/ RSG

Q	Armenia		Azerbaijan		Belarus		Georgia		Moldova		Ukraine	
	2012	2014	2012	2014	2012	2014	2012	2014	2012	2014	2012	2014
1	2.8	2.8	2	2	3	3	3.3	4.4	4.2	4.6	4.5	4.7
2	n.a.	n.a.	n.a.	n.a.	3	3	n.a.	n.a.	4.77	4.77	4.5	4.7
3	4	4	1	1	2	2	3.7	4.3	5	5	4.4	4.5
4	n.a.	n.a.	n.a.	n.a.	2	2	n.a.	n.a.	5	5	4.3	4.4
5	4.3	4.3	2	2	2	2	3.1	3.9	4.8	4.8	4.3	4.4
6	n.a.	n.a.	n.a.	n.a.	2	2	n.a.	n.a.	5	5	4.3	4.4
Aver.	3.7	3.7	1.67	1.67	2.33	2.33	3.37	3.87	4.8	4.86	4.4	4.5

Table 5 benchmarks the situation with regard to appropriateness of supervision of SGs from the central level. Georgia seems to be the only country where some issues persist but after adoption of the new LSG code they are marginal.

Questions:

1. Is the system of administrative supervision of LSGs in compliance with the principles of the European Charter of Local Self-Government?
2. Is the system of administrative supervision of RSGs in compliance with the principles of European Charter of Local Self-Government?
3. Do LSGs have the right of recourse to a judicial remedy in order to secure free exercise of their powers and respect for the principles of local self-government which are fixed in the constitution or domestic legislation?
4. Do RSGs have the right of recourse to a judicial remedy in order to secure free exercise of their powers and respect for the principles of local self-government which are fixed in the constitution or domestic legislation?

Table 5: Control (supervision) over the activity of local and regional authorities

Q	Armenia		Azerbaijan		Belarus		Georgia		Moldova		Ukraine	
	2012	2014	2012	2014	2012	2014	2012	2014	2012	2014	2012	2014
1	2.8	2.8	1	1	2	2	3.3	4.1	3.22	3.22	3.3	3.5
2	n.a.	n.a.	n.a.	n.a.	2	2	n.a.	n.a.	3.37	3.37	3.3	3.5
3	4	4	1	1	2	2	4.1	4.7	3.5	3.5	3.1	3.4
4	n.a.	n.a.	n.a.	n.a.	2	2	n.a.	n.a.	2.87	2.87	3.1	3.4
Aver.	3.4	3.4	1	1	2	2	3.7	4.4	3.24	3.24	3.2	3.45

Table 6 describes the most difficult area – the achieved level of fiscal decentralisation. It is clearly visible that for most criteria the marks are rather low. SGs also in most decentralized countries in the EaP region suffer from lack of own finance and limited financial freedom to operate.

Questions:

1. Can LSGs freely use their own financial resources?
2. Can RSGs freely use their own financial resources?
3. Are LSGs financial resources adequate (well related) to the list of their responsibilities provided by the national legislation?
4. Are RSGs financial resources adequate (well related) to the list of their responsibilities provided by the national legislation?
5. Please, assess the scope of the financial resources of local authorities, which derive from local taxes and charges.
6. Can LSGs independently set the rate of local taxes?
7. Can RSGs independently set the rate of local (regional) taxes?
8. Can LSGs independently set the rate of local fees and charges?
9. Can RSGs independently set the rate of local (regional) fees and charges?
10. Can LSGs freely manage their financial resources?
11. Can RSGs freely manage their financial resources?
12. Does the equalisation system on local level effectively react to the needs of horizontal and vertical equalisation?
13. Does the equalisation system on regional level effectively react to the needs of horizontal and vertical equalisation?

14. Is equalisation system (LSG level) transparent and understandable?
15. Is equalisation system (RSG level) transparent and understandable?
16. Do LSGs have full and free access to national capital markets?
17. Do RSGs have full and free access to national capital markets?
18. Do LSGs have full and free competence to realize capital expenditures?
19. Do RSGs have full and free competence to realize capital expenditures?
20. Is there the system of regular benchmarking for processes and results on LSG level?
21. Is there the system of regular benchmarking for processes and results on RSG level?

Table 6: Level of financial (fiscal) autonomy of LSG/ RSG

Q	Armenia		Azerbaijan		Belarus		Georgia		Moldova		Ukraine	
	2012	2014	2012	2014	2012	2014	2012	2014	2012	2014	2012	2014
1	3.6	3.6	1	1	1	1	3.1	4.1	3.5	3.7	2.5	2.9
2	n.a.	n.a.	n.a.	n.a.	1	1	n.a.	n.a.	3.14	3.42	2.5	2.9
3	2.6	2.6	1	1	1	1	2.0	3.1	1.3	1.6	2.7	3.1
4	n.a.	n.a.	n.a.	n.a.	1	1	n.a.	n.a.	1.8	2.1	2.8	3.2
5	2	2	2	2	1	1	1.9	2.9	1.88	2.0	1.8	2
6	4.3	4.3	1	1	3	3	2.8	3.3	4	4.5	3.7	3.9
7	n.a.	n.a.	n.a.	n.a.	3	3	n.a.	n.a.	2.57	4	0	0
8	3.7	3.7	1	1	3	3	3.1	3.9	4.4	4.4	3.9	4
9	n.a.	n.a.	n.a.	n.a.	3	3	n.a.	n.a.	3	3	0	0
10	4.3	4.3	2	2	1	1	3.0	4.1	3.4	3.4	3.7	3.8
11	n.a.	n.a.	n.a.	n.a.	1	1	n.a.	n.a.	3	3	3.6	3.6
12	2	2	1	1	2	2	2.1	3.0	3.2	3.2	2.7	3
13	n.a.	n.a.	n.a.	n.a.	2	2	n.a.	n.a.	3	3	2.9	3
14	3.5	3.5	2	2	2	2	2.9	3.6	3.3	3.3	3.1	3.2
15	n.a.	n.a.	n.a.	n.a.	2	2	n.a.	n.a.	3.1	3.1	3.1	3.3
16	2	2	1	1	2	2	2.6	3.3	2.8	2.8	2.8	2.8
17	n.a.	n.a.	n.a.	n.a.	2	2	n.a.	n.a.	3	3	2.3	2.3
18	3.6	3.6	1	1	1	1	2.3	3.4	3	3	3.0	3.2
19	n.a.	n.a.	n.a.	n.a.	1	1	n.a.	n.a.	3.3	3.3	2.9	3.0
20	2	2	0	0	1	1	1.5	2.3	2.9	2.9	3.5	3.7
21	n.a.	n.a.	0	0	1	1	n.a.	n.a.	3	3	3.3	3.9
Aver.	3.05	3.05	1.18	1.18	1.71	1.71	2.48	3.36	3.11	3.13	2.75	3.03

Table 7 benchmarks the situation with regard to the freedom to set own administrative structures and to manage human resources.

Questions:

1. Do local communities have elected regional councils/ their executive bodies?
2. Do regions have elected local councils/ their executive bodies?
3. Do LSGs have full freedom to determine their own internal administrative structures in order to adapt them to local needs and ensure effective management?
4. Do RSGs have full freedom to determine their own internal administrative structures in order to adapt them to local needs and ensure effective management?
5. Are human resources of LSGs sufficient for fulfilment of their competences, which are defined by the national legislation?
6. Are human resources of RSGs sufficient for fulfilment of their competences, which are defined by the national legislation?
7. Do LSGs have full freedom for recruitment and management of their personnel?
8. Do RSGs have full freedom for recruitment and management of their personnel?
9. Do LSGs have full freedom for rewarding of their personnel and compensating elected representatives for their work?
10. Do RSGs have full freedom for rewarding of their personnel and compensating elected representatives for their work?

Table 7: Administrative structures and the human resources

Q	Armenia		Azerbaijan		Belarus		Georgia		Moldova		Ukraine	
	2012	2014	2012	2014	2012	2014	2012	2014	2012	2014	2012	2014
1	yes	yes	partly	partly	yes	yes	yes	yes	yes	Yes	yes	yes
2	n.a.	n.a.	n.a.	n.a.	yes	yes	n.a.	n.a.	yes	Yes	no	no
3	n.a.	n.a.	1	1	0	0	4	4.8	1.2	1.2	3.4	3.6
4	n.a.	n.a.	n.a.	n.a.	0	0	n.a.	n.a.	1.2	1.2	2.7	2.8
5	3.8	3.8	2	2	2	2	2.3	3.3	1	1	3.3	3.4
6	n.a.	n.a.	n.a.	n.a.	2	2	n.a.	n.a.	1.7	1.7	3.5	3.7

7	4	4	3	3	0	0	4	4.7	4.4	4.4	4.4	4.5
8	n.a.	n.a.	n.a.	n.a.	0	0	n.a.	n.a.	4	4	4.1	4.4
9	3.8	3.7	2	2	2	2	3.5	4.7	3.3	3.4	3.5	3.5
10	n.a.	n.a.	n.a.	n.a.	2	2	n.a.	n.a.	2	2	3.5	3.5
Aver.	3.53	3.5	2	2	1	1	3.45	4.35	2.35	2.36	3.55	3.68

Table 8 indicates that in most countries the central level can change self-government borders and this also happens in reality.

Questions:

1. Are there the cases of LSGs boundaries changes without proper consultations with relevant local authorities and/ or citizens?
2. Are there the cases of RSGs boundaries changes without proper consultations with relevant local authorities and/ or citizens?

Table 8: Level of protection of local authorities' boundaries

Q	Armenia		Azerbaijan		Belarus		Georgia		Moldova		Ukraine	
	2012	2014	2012	2014	2012	2014	2012	2014	2012	2014	2012	2014
1	no	yes	yes	yes	yes	yes	no	no	yes	No	no	no
2	n.a.	n.a.	n.a.	n.a.	yes	yes	n.a.	n.a.	no	No	no	no

Table 9 clearly documents one of region specific issues – rather limited citizen participation on local and regional self-government level. Its positive message is that – also because of the new LSG code – the situation in Georgia started to improve.

Questions (average is calculated only from Q 5 and 6):

1. Please, indicate the percentage of citizens' participation in last local (regional elections)? Please, indicate the date of the organisation of last local/ regional elections.
2. Please, provide the information about the number of local and regional referenda which were organized.

3. Are you aware of other forms of citizens' participation in local public life?
4. Please, provide (estimate) the information about number on consultations with the citizens which were organized by local authorities.
5. Please, provide (estimate) the information about number on consultations with the citizens which were organized by regional authorities.
6. According to your opinion, what is the level of the citizen participation in local public life?
7. According to your opinion, what is the level of the citizen participation in regional public life?

Table 9: Level of citizens' participation in decision-making process

Q	Armenia		Azerbaijan		Belarus		Georgia		Moldova		Ukraine	
	2012	2015	2012	2014	2012	2014	2012	2014	2012	2015	2010	2014
1	n.a.	298 -599	n.a.	38.93	n.a.	n.a.	n.a.	42	n.a.	48.95	49.71	x
2	0	0	0	0	n.a.	n.a.	0	0	2	1	n.a.	n.a.
3	yes	yes	yes	yes	n.a.	n.a.	yes	yes	Yes	yes	yes	yes
4	n.a.	n.a.	0	5000	n.a.	n.a.	300	400	n.a.	n.a.	n.a.	n.a.
5	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
6	2..2	2.5	2	2	2	2	1.9	3.5	1.8	1.9	2.3	3.3
7	n.a.	n.a.	n.a.	n.a.	2	2	n.a.	n.a.	1.4	1.4	1.7	2.5
Aver	2.2	2.5	2	2	2	2	1.9	3.5	1.6	1.65	2	2.9

55, 56

2.2. Progress made in the EaP Countries since 2012 in the area of improvement of legal and institutional framework for local democracy

Based on internal plans and international advices and recommendations, all EaP Countries were expected to undertake important legislative changes during the reference period. In some Countries such changes were expected to represent major fundamental steps forward (Armenia, Azerbaijan, Belarus), while in other Countries they referred to graduate improvements to the existing situation, where most important principles of local democracy were already respected.

⁵⁵ Council elections in Aghavnadzor municipality

⁵⁶ Mayors elections in 15 municipalities

Armenia was expected to review the legislation in order to better implement the principle of subsidiarity and to allow the local authorities to regulate and manage a substantial share of public affairs under their own responsibility and in the interest of the local population.

Azerbaijan's main task was to review the law on the status of municipalities with the aim of recognising municipalities as decentralised institutions exercising part of the overall functions of the State.

For Belarus real steps towards decentralisation were and still are expected, in particular the establishment of functional local self-governments, equipped with real competences and resources to execute all local responsibilities.

Possible improvements in Georgia were linked to better incorporation of the principle of subsidiarity into the Georgian Constitution; another crucial task was enhancing the financial capacity of local governments.

For Moldova the core expected tasks were connected mainly with improvement of the fiscal decentralisation parameters.

Concerning Ukraine, the issues were: granting local authorities a competence over a substantial share of public affairs and increasing the capacity of local authorities to act by addressing the issues of fragmentation and also by transferring the competences of the administrations in districts (rayons) and regions (oblasts) to elected representatives in order to establish an administration under their responsibility.

Some of the expected changes materialised, some are still pending. In the following text we first start with two countries that undertook massive legislative changes between 2012 and the end of 2015 with the aim to improve the legal and institutional framework for local democracy – Georgia and Ukraine.

Concerning other countries, very important progressive developments are also visible in Armenia and in Moldova. Azerbaijan and Belarus – which need major changes – did not change much.

After several years of “stagnation” the current Ukrainian Government re-started the process of improving the local democracy and the functioning of self-governments. On 1 April 2014 the Government of Ukraine approved (by its Regulation № 333-p) the new concept of the reform of LSG and territorial organisation of the authorities in Ukraine. Significant efforts are connected with changes to the Constitution in regard of decentralisation. The proposed changes passed the first reading in the Parliament in August 2015.

At the same time, the Parliament of Ukraine adopted in June 2014 the Law on Inter-municipal Cooperation and in February 2015 – the Law on Voluntary Merger of the Territorial Communities (hromadas). The process of voluntary merges was promoted by very strong

financial incentives (close to cancelling of all transfers to very small municipalities, if they do not decide to merge). In such environment the voluntary amalgamation process started quite actively. As a result 159 merged municipalities representing 794 cities, settlement and village councils participated in municipal elections in October 2015. Changes implemented since the end of 2014 also mean that most of competences that were transferred to central government in the past, now returned or are in the process of returning to the LSG level. There is an intention to transfer some other functions of the central government to municipalities, for example in the area of construction permits.

In the end of 2015 the Parliament of Ukraine adopted the new Law on Civil Service. This law will influence the functioning of the central government level, but is expected to have positive impact also on local level. This law is also expected to help depoliticise the civil service - there will be a difference between political and administrative positions.

Important changes are connected also with fiscal decentralisation – described in details in the following part. With this the most important unaddressed legislative issue is the situation on district and regional level - there exist elected district and regional councils which, being in theory bodies of local self-government, do not possess any real power neither financially nor organisationally (they do not have any executive bodies responsible for them).

In Georgia, in the fall of 2012, the Ministry of Regional Development and Infrastructure (MRDI) received a request to elaborate measures for the self-governance reform. The Government of Georgia considered decentralisation to be a key prerequisite for establishing democratic institutions in the country.

A working group had been established under the MRDI to start developing appropriate legal acts (Council of Advisors for Development of Self-governance and Regional Policy consisting of over 70 experts and representatives of the civil society organisations, lawyers and economists). In 2013, the Government of Georgia also adopted a document on “Key Principles of the Strategy for Decentralisation and Development of Self-governance of the Government of Georgia for 2013-2014” which was developed with the support of the Council of Europe.

In autumn of 2013, the draft Organic Law containing the Local Self-Government Code of Georgia was consulted with major local and international stakeholders. After incorporating most of suggestions the law was submitted to the Parliament and was approved on 5 February 2014. It represents obvious progress and a step towards decentralisation. The approval of new LSG Code leads to important changes in many specific laws which are still in the process of finalisation. The country also started to prepare the new Constitution, however this process seems to be too far from its end – LSG are represented in the committee responsible for the preparation of constitutional changes.

Overall, in 2013-2014, the Government of Georgia developed and introduced a number of legal acts aimed at improving local self-governance milieu. In March 2014, the government issues a decree (Decree № 515) on Separation of Municipalities and Establishment of Self-Governing Communities – Municipalities. In May 2014, the MRDI introduced the Resolution № 363 on Rules for Redistribution of Property and Responsibilities between the Municipalities. In June 2014, the Government of Georgia approved the Resolution № 384 on Approving Interim Rules for Redistribution of Budgets, Budget Incomes and Payments to the End of 2014 for New Municipalities Created in accordance with Article 152 of the Organic Law of Georgia on the Local Self-Government Code.

In Armenia the LSG law has been amended in line with the signed Additional Protocol to the ECLSG on the right to participate in the affairs of a local authority (changes entered into force in September 2013). These amendments are aimed at strengthening citizen participation in local self-government and enhancing the transparency of the work of LSG bodies. The amended law also introduces a new provision for citizen participation in local affairs, which allows members of the local community to initiate the inclusion of issues in the agenda of the local community bodies, as of age sixteen. The law defines the obligations of members of the municipal council with respect to interaction, public meetings and discussions with population, as well as the procedures for citizen participation in LSG.

Since 2013 the Ministry of Territorial Administration initiated Community Enlargement process in Armenia. In 2014 this Ministry was merged with the Ministry of Emergency Situations, which resulted in a delay in the implementation of decentralisation reform, with a specific focus on community consolidation process. As this report is being written (2015) the Community Enlargement Process has been in process of implementation in three regions (marzes).

The public authorities are going to implement the Constitutional reform, aimed to turn Armenia into a parliamentary republic. The draft amendments to the Constitution include also some provisions on powers and responsibilities of local authorities. The Government foresees organising a referendum in early December 2015, to initiate this reform.

In Moldova the recent governments explicitly acknowledged that decentralisation represents a key topic for the country reform agenda. The Prime Minister leads the reform through the “Parity Commission on Decentralisation” and its working groups. A Special Parliamentary Commission on Decentralisation has also been created.

Thanks to such high level commitment and intensive reform agenda many changes happened. In 2013 the following amendments have been performed in the LSG Law № 436:

- on the organisation of the working sessions of local councils (Art. 13);

- on the introduction (in the list of the "basic competences of local councils") of the new competence to creation of a position of the Community mediator in the Roma populated localities (Art. 14, point "y");
- on early termination of the counsellor's mandate in the cases of the absence without good reason during three consecutive meetings of the council (Art. 24);
- on introduction of the new competence of the mayors concerning the registration of the trolleybuses, cyclo-motors, other machines used for construction or agriculture works, which are not subject of the registration (Art. 29, point l).

In the period of 2012-2015, the local public authorities of the second level received the additional competence on the maintenance of primary schools and primary-kindergartens schools, gymnasiums and high schools, institutions of secondary vocational education, boarding schools and boarding school with special regime, other institutions in the field of education which serve the people of the district.

On 5 April 2012, after an extensive consultation progress, the Parliament adopted the Law № 68 on the National Decentralisation Strategy for 2012-2015. This Strategy is the main policy document in the domain of local public administration, which determines the national mechanisms in the field of decentralisation and assurance of an authentic local autonomy for the local public administration authorities. The Strategy establishes concrete objectives and tasks connected with further improvement of local democracy in the country to be achieved by different bodies (no major legislative changes are necessary). Following the adoption of the Strategy, working groups for decentralisation were established in all ministries in order to manage different issues connected with the intended reform.

The National Decentralisation Strategy also provides for three main building blocks of financial decentralisation: strengthening of the revenues of local authorities; reforming the system of transfers and shared taxes; and strengthening the autonomy and financial management at local level. By consequence, the Law № 267 of 1 November 2013 introduced the amendments in the Law № 397-XV of 16 October 2003 «On Local Public Finances» and the Tax Code dated from 24 April 1997.

In Azerbaijan, according to the development concept "Azerbaijan 2020: a Vision to the Future", the national government has no intention of strengthening the institutions of local self-government by 2020; let alone implementing major decentralisation reforms. However, during the evaluated period the issue of fragmentation was addressed. The Law on Establishment of New Municipalities through Merging Municipalities in the Republic of Azerbaijan was adopted on 30 May 2014. According to the new law 204 municipalities are merged into 94 new municipalities, thus reducing the total number by 110 municipalities. This process of the municipal consolidated is planned to be further continued in the next period.

Minor changes were also introduced in the area of local finance – see 2.3 below. Thus, the “core” local government bodies are Azerbaijan’s local executive bodies, which are directly subordinated to the central authorities – local self-government structures have only minor functions (they are to large extend only representative bodies).

Historically, Belarus was the first one in the region to create real prerequisites for the local government development back in the Soviet times: the Law on the Basis of the Local Self-government and Local Economic Management in Belarusian Soviet Socialistic Republic was adopted in 1991. However, since 1994 the process of real local self-government formation and development in Belarus stopped. The current Law on Local Governance and Self-governance in the Republic of Belarus entered into force on 4 January 2010. It allocates the most important local powers and authorities to (state) executive committees and the role of local, district and regional elected bodies is rather limited. No visible changes during the period 2012-2015 can be reported.

2.3. Progress made in the EaP Countries since 2012 in the area of the development of the capacities of local authorities in human resources

The issue of capacities of local authorities in human resources has several dimensions. In this report we try to focus on following issues – quality and quantity of LSG administrative staff, the freedom of elected LSG bodies to organise and manage their human resources and the level of compliance of human resources management on local level with the core principles of the civil /public service (main civil service principles should be in appropriate way adapted and effective also on LSG level)⁵⁷. The main characteristics of the changes in the area of human resources capacities of self-governments in the EaP region are presented herein on a country-by-country basis. The collected data reveal many⁵⁸ open problems that exist.

In Armenia, all existing data show that the key problem which was not addressed during the evaluated period is the very low availability of qualified professionals at the local level resulting from very unattractive salaries offered to them. The freedom of municipalities to establish their own proper administrative structures is provided by the law (see below), but effectively blocked by the financial constraints, which translate to very low salary levels. Thus, many open vacancies

⁵⁷ Civil service development as part of programmes for the reform of the public administration, existence of a legal basis for the civil service order to promote the principles of legal certainty, legal accountability and legal predictability of the civil service, existence of central structures for the management, co-ordination and control of civil service, system of open competition for civil service positions, system of standardized examinations and candidate selection, system for the protection of employment in the civil service, system for the training of civil servants, system for the evaluation of civil servants, system for the remuneration and general reward of civil servants, system of rights and obligations (like restriction of political and economic/professional rights of civil servants, application of codes of ethics, systems of wealth declaration, and system of internal discipline).

⁵⁸ This part does not deal with the situation of elected officials on local level – this issue is covered by other report, prepared by the Council of Europe simultaneously with this report – the study Roles and responsibilities of mayors and local councillors in the Eastern Partnerships Countries.

for qualified positions in municipalities remain vacant. The Law on Local Self-Government determines the basic organisational structures of the communities. The Chief of the Community exercises local executive power through a staff consisting of a deputy chief, heads of divisions and public servants of the local community. Since the Chief of the Community implements human resources policies, appoints the staff, and exercises his/her powers through municipal staff – including that of the community's budgetary, administrative and commercial and non-commercial entities - it is the Chief, rather than the local council, who manages and directs the entire organisational structure of the local community. The Law on Municipal Civil Service was adopted in 2004 (with further amendments in 2008 and in 2013). It established the legislative basis for the legal status of public servants working for local authorities. A recent legislative development to strengthen capacity of local servants is that according to the amendment to the Law on LSG (2013) it was made possible for community servants to put a subject on the agenda of the council session. The national Government, assisted by several international organisations and NGOs, supports the organisation of training activities for public servants of communities.

To summarise, one may argue that the framework is very much appropriate, but Armenia still needs improvement in the staffing of local communities. The efficiency of local government personnel is sharply criticised by NGO representatives and other stakeholders. It is a widespread opinion that a number of local communities do not operate under appropriate working conditions. In particular, rural communities lack effective administrative structures and professional staff. The development of the capacities of local authorities in human resources aimed at improving the quality of municipal services remains the area yet to be put into the central focus.

In 2015 there were 1607 municipalities in Azerbaijan with 15,682 elected persons and 16,000 municipality servants. The local councils have the formal right to hire staff and to establish LSG office. However, this is effectively blocked by the insufficient local financial resources - the law defines the maximum proportion of salary costs to total LSG costs and in reality most municipalities do not even have enough resources to cover prescribed salaries to elected representatives (see page 61 for more details). This difficult situation remained stable for the entire evaluated period.

Formally, the legislation establishing and regulating the State civil service system (for civil servants at central level) and the municipal civil service system (for municipal staff) comply with a large extend with the general principles. A few minor legislative changes were introduced in this area, i.e.:

- the requirements on municipal staff in terms of public accountability were enshrined within the law on ‘Status of Municipalities’ dated 28 October 2014,
- admission procedures to the municipal civil service improved following the amendment to the law on ‘Municipal Service’ dated 13 February 2015. Municipality employees are

now hired based on competitive aptitude tests rather than by the chairman of the council (as it was the case before),

- the law on Ethical Rules of Municipality Servants was adopted on 28 April, 2015.

In Belarus elected LSGs – because of limited competences - do not have resources to establish real municipal offices, linked to self-government structures. The LSG paid staff consists of three persons (chairperson of the council, main specialist and a driver) on regional and district level and there is no paid staff on the lowest level. In 2015 the local councils had only 270 civil servants (1.4 % from the total number of the civil servants working in public authorities on local/ regional level) and 398 other employees (1.6 % from the total number of the employees working in public authorities on local/ regional level). This situation did not change during 2012-2015.

In Georgia a mayor has a formal right to establish the necessary local administrative structures and to manage local staff; however this right is partly limited by some central regulations and fiscal constraints. The fact that working as permanent staff on LSG level is relatively popular in the country indicates that salaries (at senior-level positions) and status of local civil servants is not a major problem (Georgia is one of the top ranking countries in the world with the highest number of students enrolled in public administration programmes compared to the number of inhabitants).

The Law on Civil Service (Article 16) stipulates basic principles and requirements of the civil service, which also apply to local self-government servants. However, the fact that many local employees have the status of civil servant did not prevent cases of massive dismissals that took place in 2012 and 2014 at the local level. Many new staff was subsequently hired as interim civil servants, in order to dodge on competition. It is obvious that the lack of financial incentives and instability (rapid changes in the structures, complete dependence on the immediate supervisor, and the absence of knowledge transfer system) impedes the establishment of highly qualified service on a local level.

The legal changes in this area during the evaluated period are mainly connected with approval of the new LSG Code and consequent development of fiscal decentralisation. The small specific issue regarding financial autonomy is that, acknowledging moderate qualification of local servants, the government of Georgia legally obliged all municipalities to allocate at least 1 percent of their salary funds for training and capacity building actions.

In Moldova the level of freedom of LSGs to determine their own internal administrative structures in order to adapt them to local needs and to ensure effective management did not see any improvement during the 2012-2014 period. The right of mayors to establish the necessary administrative structures is not fully respected both in the legislation and in practice. Although mayors can form executive bodies, the staff and the number of public servants are endorsed by the State Chancellery and by the District Finance Department of the Ministry of Finance. In such conditions local authorities can hire any extra personnel that may be necessary only if they have

sufficient financial resources to pay an additional salary – which however only happens in large cities. The conditions for human resources management on self-government level did not change during 2012-2014. However, the fiscal decentralisation measures undertaken in 2015 seem to positively affect human resources – mainly because they provide extra resources and by this more freedom in hiring and managing local staff.

The Civil Service Law of Moldova of 2008 (158/2008) regulates the civil service and sets out its vertical and horizontal scope – and applies also to self-government level. Article 37 of the Civil Service Law obliges civil servants to update their skills, setting a threshold of 40 training hours per year. Public authorities have to commit 2% of their payroll to training.

In Ukraine the total number of servants of local self-governance bodies in 2014 was 84,548 (without information on AR Crimea, city of Sevastopol and occupied territories of Luhansk and Donetsk oblasts). In 2012 there were 98,117 servants of local self-governance bodies. More than 75% of the total numbers of servants in LSG bodies are women. Local elected bodies possess the necessary freedom in human resources management on LSG level; however it should be noted that the salary level for public servants is quite low and not competitive. The level of staff turnover has been quite high - around 10% in the last couple of years.

The Law on the Service in Local Self-Governments (2001) regulates legal, financial and social conditions of citizens during the performance of their service (in positions that are not elected) in local self-government (especially the procedure of appointment, ranks and categories, general salary and retirement benefit conditions). This legal base did not change during 2012-2015.

2.4. Progress made in the EaP Countries since 2012 in the area of fiscal decentralisation

Fiscal decentralisation is often quoted as one of the main problems hampering not only economic and democratic development at local and regional level but also the economic development of entire countries. In particular, the Initiative on Fiscal Decentralisation was formulated in 2012 by the Sub-group for Local Government and Public Administration Reform of the Civil Society Forum which stated: “Fiscal decentralisation remains a difficult political issue, which might be perceived as a long-term objective”⁵⁹. It was accompanied by a short assessment of fiscal decentralisation efforts in EaP Countries (as of 2012) and a set of policy recommendations. This assessment was taken as a baseline by the experts and the mentioned recommendations served as indicators to evaluate progress in the field of fiscal decentralisation in the EaP Countries.

Existing data indicate that at the beginning of the evaluated period, in 2012, the level of fiscal decentralisation was significantly differentiated within our sample. For example, from the point

⁵⁹ Initiative on Fiscal Decentralisation // The Sub-group for Local Government and Public Administration Reform of the Civil Society Forum, available at: <http://eap-csf.eu/en/working-groups/wg1-democracy-human-rights/resources/initiative-on-fiscal-decentralisation>

of view of adequate financial resources, the only country in the region spending about one third of public expenditure through local authorities was Moldova, followed by Ukraine with a bit less. However, because of the low economic performance of the country, this percentage in its absolute value is not sufficient to cover the expected own and delegated responsibilities. On the opposite side we find Belarus and Azerbaijan. The total local government revenues in Azerbaijan are less than 0.14 per cent of the consolidated state budget and local governments spend about 1 per cent. The available data on Belarus are misleading because only very small part of the claimed local expenditures is managed by local self-government – most of local resources are spent through de-concentrated state bodies, the executive committees. The most visible progress from the point of view of fiscal decentralisation has been observed in Ukraine (recently) and Georgia, but also in Moldova. The responses also indicate that some standard mechanisms are still missing – namely accrual accounting and cost centre based financial management. Countries are motivated to implement programme performance budgeting, however this may not lead to progress, if too complicated schemes will be “inserted” to the LSG system on a top-down principle (as experience from Armenia or other developing countries clearly document).

Ukraine, between 2012 and the end of 2014 did not carry out serious changes that would improve the financial situation of local and regional authorities. However, in the end of 2014 massive changes started, especially when the Parliament adopted amendments to the Budget and Tax Codes. The key innovations are as follows: increasing financial resources of local authorities through the introduction of new local taxes and increasing their share in some state taxes; providing local authorities with significantly enhanced freedom in regulation and administration of local taxes and their administration; modernisation of the equalisation system has been changed dramatically by the introduction of a new formula of horizontal equalisation system based on local revenues; decentralisation of the local budgets planning system; creation of the legal basis for amalgamation of the local communities; distribution of the state subsidies according to the objective criteria; introducing the principles of formula-based calculation of grants according to introduced sectoral service delivery standards (for services guaranteed by the state) and their financing norms per user etc.

Very interesting is also the issue of the fiscal motivation for amalgamation of very fragmented local government structure. For small local authorities, for example villages that do not intend to merge, the new tax and budget system are very unfavourable which a clear incentive for voluntary mergers is.

Some results of these changes are already palpable. According to the National Reform Council, in the first half of 2015 local budgets increased by 37% in comparison to the same period of 2014. According to information provided by the Association of Cities of Ukraine (and its analytical centre) own resources of local budgets increased by three times; the number of subsidized local budgets decreased from 96% in 2014 to 74% in 2015; the number of local

budgets-donors increased from 3.7% to 15.2% over the same period. Moreover, 182 cities are now entitled to carry out foreign borrowing (previously only 16 cities could do this).

The progress in Georgia is connected with the new Organic Law of Georgia: Local Self-Government Code, which was developed in accordance with the Key Principles of the Strategy for Decentralisation and Development of Self-governance of the Government of Georgia for 2013-2014 and adopted by the Parliament of Georgia 5 February 2014. In the area of fiscal decentralisation the new law (and amendments of other laws) addressed some existing gaps, but not all existing problems of local financial management. In particular, it enhanced the rights of municipalities to manage local taxation and announced a much more transparent system of fiscal equalization. It also foresees to increase own local resources by providing municipalities with shared tax revenues – however this step has still not been fully implemented as the adoption of relevant legal amendments kept on being postponed. On the other hand, the freedom of municipalities to borrow and invest is still very limited.

Moldova is a specific case – formally the legal environment in the area of fiscal decentralisation is almost (or may be fully) in compliance with ECLSG principles – Congress recommendations are more or less connected only with the request to enlarge local resources (what is very difficult to implement in the time of fiscal austerity).

In this situation major changes are not necessary and small improvements that have been made are appreciated, in particular:

- Amendments to the Tax Code (Law No. 47 from 27. 03. 2014) which granted to local authorities the right to independently establish the administration mechanisms to manage four local taxes: spatial planning tax (for farmers), tax on dog owners, tax for parking and salubrity tax);
- Amendments to the Fiscal Code (Law No. 71 of 04.12.2015) extended the taxable base of tax for publicity devices with panels for advertising or publicity used by entrepreneurs for their own purposes.
- Amendments to the Law on Public Finances and Fiscal Responsibility (Law No. 181 of 25 July 2015) further increased the freedom of self-governments to manage their own finance and provided specific motivation for extra local revenues.

According to the respondents all these changes significantly improved the situation of LSG in 2015. The key steps forward are as follows:

- From 1 January 2015, the new system of the administrative and territorial units (ATU) budgets formation is fully implemented throughout the country (896 ATU of first tier and 35 ATU of second tier), and the local authorities have full freedom to dispose of the financial resources (own income, transfers with general destination and shares from personal income tax) according to percentage shares established by the Law regarding local public finances. Direct relations between the state budget and ATU budgets of the

first tier are fully ensured along with implementation of the new system of formation of ATU budgets in all ATU;

- According to the new system of ATU budgets formation transfers of general destination are allocated directly, based on a formula distinctive for ATU of first and the second tier. The system of allocation is based on a set of basic indicators which approximates both local fiscal capacity and the needs of local public services: fiscal capacity per capita (CFL), population and surface of ATU. These indicators reflect both the ability to generate financial resources, and the need for public services of local public administration. Calculation of transfers of general destination is based on data from the last year for which exist the final budget execution and official data regarding population and area. Standards for breakdown of the duties and state taxes are established by law for different types of budgets of administrative-territorial units;
- The new system aims at stimulating local governments' own revenue collection through two mechanisms. Firstly the local authorities' expenditures are limited only by the level of income obtained and not by a value estimated at the central level as in the old system. So, if more revenue is collected there are more possibilities to address existing problems at local level, a stimulus that did not work in the old system. Secondly, in calculation of fiscal capacity per capita indicator only revenue from the income tax of individuals (IVPF) is used, apart from the own revenues of an ATU. In this way the better collection of own revenues do not influence the equalisation amounts received by the ATU, which is another important stimulus;
- The new budgeting system has a number of advantages and opportunities, such as: predictability for strategic planning, stability, transparency (including by exclusion of breakdowns from IVPJ as income source, which is distributed heterogeneous at the territorial level, and also, sensitive to the variations of the economic conjuncture); political exclusion and the human factor in calculating transfers; increased interest of local authorities to develop their local fiscal base and improve the collection of local taxes and duties; the possibility of allocating costs in line with local priorities.

Some improvements are also visible in Armenia. A draft Law on Local Duties and Fees is currently discussed within the Government but there is no defined and clear date for its submission to the National Assembly for adoption. The same applies to a draft Law on Financial Equalisation. There is no improvement with regard to a model of subventions, which was recommended by the CSF Subgroup in 2012t. The mechanism for conditional transfers is not defined.

Referring to investments framework, a model of alternative grants for community development (Territorial Development Foundation, TDF) has been established which aims at providing grants to municipalities for the implementation of their development projects.

Concerning the remaining two countries – Azerbaijan and Belarus, assessment was made on the basis of the information received from local independent experts as only very limited

information was obtained from the authorities. We can argue that there no progress during 2012 – 2015 in Belarus, where effective local public finances do not exist, revenues and expenditures of self-government budgets are marginal, as most of local services are paid directly by de-concentrated state bodies. No improvements were observed during the reference period despite some promises that were made.

A very limited number of steps have been taken since 2012 in favour of fiscal decentralisation in Azerbaijan. Although there were a series of steps in the direction of increasing financial capacity of local self-government institutions, it was limited to legislative improvements and failed to provide additional funding sources for municipalities. Although the tax revenues of local and regional authorities in 2012–2014 increased by 42% (from 75.9 million to 116.5 million EUR) the level of these revenues is still quite low: for Azerbaijan’s only region (Nakhchivan AR) with the population of 440,000 the per capita revenue (without allocations from the state budget) is 160 EUR; per capita budget revenue at local level is only 5 EUR while per capita revenue of the state budget is about 2038 EUR. At that time, the proportion of the central government’s revenues made up by local tax revenues increased from 0.45% to 0.6%. The municipalities’ own sources of income in the share of state budget revenues also rose from 0.18% to 0.24%.

Given some changes that occurred at the level of legislation in Azerbaijan, there are four important amendments worth specifying here:

1. On 20 June 2014, the personal property tax base was improved through changes to the tax legislation and the Law on Municipalities. The property tax used to be based on the “inventory value of buildings” in the past while now, starting from 2015, the property taxation will be calculated per square meter of the building surface. According to the calculation of the Center for Support to Economic Initiatives (SEI), the new amendment will increase the tax income 8-10 fold and add 55-70 million AZN (58-74 million EUR) to local budgets.
2. On 20 June 2014, the criteria for unconditional financial aid (state transfer) were improved by amendments to the law on Budget System of the Republic of Azerbaijan. Until now, the unconditional financial aid had been provided based on two criteria. From now on, the calculation of the aid limit will be based on a more complex set of criteria which include the population and area of a municipality; its weight in the formation of the country’s financial resources, revenues, and expenditures of municipalities; geographical location of a municipality, e.g. its proximity to the front line, high mountain areas; living standards of local people, and the socio-economic projects being implemented in the area.
3. On 30 June 2014, allocation mechanisms of conditional financial aid were improved by making amendments to the Law on Municipalities. The new law makes it possible to allocate additional subventions from the state budget to local budgets for implementation of projects in the fields of local social protection, environment, economic and social

development programmes, as well as financing additional competencies of municipalities granted to them by the law and handed over by the executive committees.

4. An amendment has been introduced to the law on Local Taxes and Payments in order to improve transparency – thus as of 1 January 2015, the municipalities are forbidden to collect local taxes and payments in cash.

Azerbaijani legislation also enshrines the right of municipalities to independently determine their spending priorities. However, due to the lack of exceptional power of municipalities, these rights have proved impossible to exercise in practice.

It has to be noted that in 2012 all EaP Countries received the set of individual recommendations provided by the Sub-group for Local Government and Public Administration Reform of EaP Civil Society Forum. In the following text we indicate the opinion of the respondents to the questionnaires about the progress to implement these recommendations. First we provide a summary table with scores achieved for each recommendation which followed by comments on the most important changes.

Table 10: General score on the implementation by EaP Countries of the recommendations on fiscal decentralisation formulated in 2012 by the Sub-group for Local Government and Public Administration Reform of EaP Civil Society Forum (0-5 scale)

EaP Country	Number of the recommendations received by respective EaP country	Average score of the implementation of the recommendations
Armenia	6	1.8
Azerbaijan	10	0.2
Belarus	5	0.4
Georgia	8	3.4
Moldova	12	2.4
Ukraine	6	2.9

Armenia received six recommendations. Little progress has been made in their implementation. Thus, the Parliament did not approve the new version of the law on Financial Equalisation which was supposed to take into account LSG fiscal capacities and financial needs. Implementation of the recommendation concerning a need to create the necessary conditions for involving municipalities in capital market (in particular, by preparation and approval of the draft law on Municipal Bonds, introducing the necessary amendments to the existing laws on Local Self

Government and on Budgetary System in order to allow municipalities to receive loans from commercial banks) is not encouraged by the Government or by the Parliament.

The Government did not develop and introduce a model of subventions (targeted transfers from state to local budgets) which would be based on priorities defined by the Government, and would introduced tender procedure for applicants based on transparency principle. The mechanism for conditional transfers is still not defined. However, as already mentioned, a model of alternative grants for community development (Territorial Development Foundation, TDF) has been established which aims at providing grants to municipalities for the implementation of their development projects. This is a positive development, which will, hopefully, help communities to acquire alternative funding. As for the state grants there is no mechanism defined up to now.

Some small steps forward are also mentioned by the respondents in the area of local taxation (draft law in preparation). However, according to their opinion proposed changes will have little or no impact on local public finance.

According to the response by the national expert in Azerbaijan the only progress observed is a slight improvement of tax management mechanisms. At the same time, the Government did not make any serious efforts in order to respond to other recommendations in the field of the fiscal and financial decentralisation expressed by the EaP CSF in 2012, in particular:

- The Parliament did not define more precisely the standards reflecting the status of a municipality as a local government body.
- LG bodies did not obtain any exclusive powers. The Government did not implement the reform aimed at more clear division of competences between municipalities and local government bodies.
- Municipalities did not receive sustainable funding sources in order to carry out their responsibilities.
- The Government and the Parliament did not adopt any decision concerning (possible) application of the shared tax system.
- The Parliament did not create the necessary legal background for the application of a minimum budget provision mechanism (in order to achieve the principle of formulation of financial resources appropriate to the competencies of municipalities).
- Public authorities did not succeed to improve tax management mechanisms (for using current tax resources more efficiently).
- The Government did not succeed to improve the mechanisms of allocation of transfers to municipalities (in order to avoid unconditional transfers, to ensure conditional transfers and to increase the volume of transfers from central to local budgets).
- A draft special law on the Status of the city of Baku was not approved by the Parliament.

Belarus hasn't met the most of the recommendations put forward in 2012 in the sphere of fiscal decentralisation. According to the response from the independent experts, there is very small

progress concerning the improvements of fiscal and budgetary rules in the country. For the rest of questions there is no progress after 2012.

The opinion of the respondents in Georgia the level of implementation of the recommendations is very high. For most of them (improving the distribution of public funds across different budgets, decreasing the dependence of LSGs on the transfers received from the central budget, reviewing the main principles of distribution of tax and non-tax revenues between national and local budgets, approving decisions concerning possible reallocation of a part of income tax in favour of local budgets, introducing objective indicators in order to evaluate the transfer policy, improvement of transfer policy and developing the legislative procedure for obtaining loan by LSGs) the “marks” are really high – above 3.5. On average the respondents are very happy with the changes introduced after the adoption of the new LSG Code. The only less evaluated issue was the suggestion to improve the equalisation transfer formula where the score is only 2.2. According to respondents no changes took place between 2012 and 2014. Nowadays, the Government applies the same transfer formula as it was used in 2012 (although, the Government works with the World Bank and other international organisations in order to improve existing formula within the framework of an on-going project).

Moldova reports some progress on all recommendations addressed to the country to improve local finance. As already indicated in this report, changes implemented in 2014 and in force from 2015 represent a major step forward. This is visible also from the evaluation of progress by our respondents. According to their evaluation the most important steps forward are:

- reconsidering the concept of local budgeting which should transform them into independent budgets of local authorities at all levels (score 3.75)
- realising a gradual transition to direct and stable inter-budgetary relations between state budget and LSG budgets at level I (score 3.75)
- implementation of modern budgeting methods and technologies, including programme-based budgeting and performance-based budgeting (score: 3.85).

The areas with a moderate progress are: introduction of multi-annual budgeting (2.5); attribution on a permanent basis of the corresponding sources of revenues to each level of the budgetary system (2.37); promotion of efficient administration of local taxation (3.0); improvement of the fiscal incentives system combined with elaboration and implementation of concrete mechanisms stimulate economic agents’ to pay local taxes timely (2.75). A rather limited progress is connected with following tasks: improvement of the normative framework for local borrowing (1.0); elaboration of a methodology for impartial evaluation of ATU fiscal base and optimisation of tax rates and taxes collected by LPA in order to increase public revenues in local budgets (1.5); extension of a local fiscal base (2.12); evaluation of fiscal capacities of particular territories (ATU) through evaluation of their economic potential based on realistic fiscal forecasts and identification of the amount of the transfers for budgetary levelling (1.28) and

introduction of a practice of elaboration of Medium-Term Economic Frame MTEF at least to the level of ATU at rayon centres (1.5).

Also Ukrainian respondents report several positive steps from the point of improving a fiscal decentralisation system. Ongoing sectoral reforms support - at least to some extent - the implementation of fiscal decentralisation (3.0); performance-based budgeting approach for the local budgets was implemented for large municipalities (3.2); the legal base for a creation of mechanisms that would make it possible to combine the resources of local budgets within a framework of financial-organisational cooperation at the local level improved (3.7).

Some progress was achieved with regard to improvement of inter-budgetary relations between LSGs and state authorities in order to optimise the distribution of powers to make expenditures and to improve the procedure for transfers' distribution (2.6). However, very small steps forward are also visible in bridging the gap between the responsibilities of LSGs and their financial resources (2.0) as well as developing and introducing a system to offset losses of local budgets that result from the state tax remissions (1.2).

2.5. Evaluation of the level and the scope of implementation of public administration reform on a local level

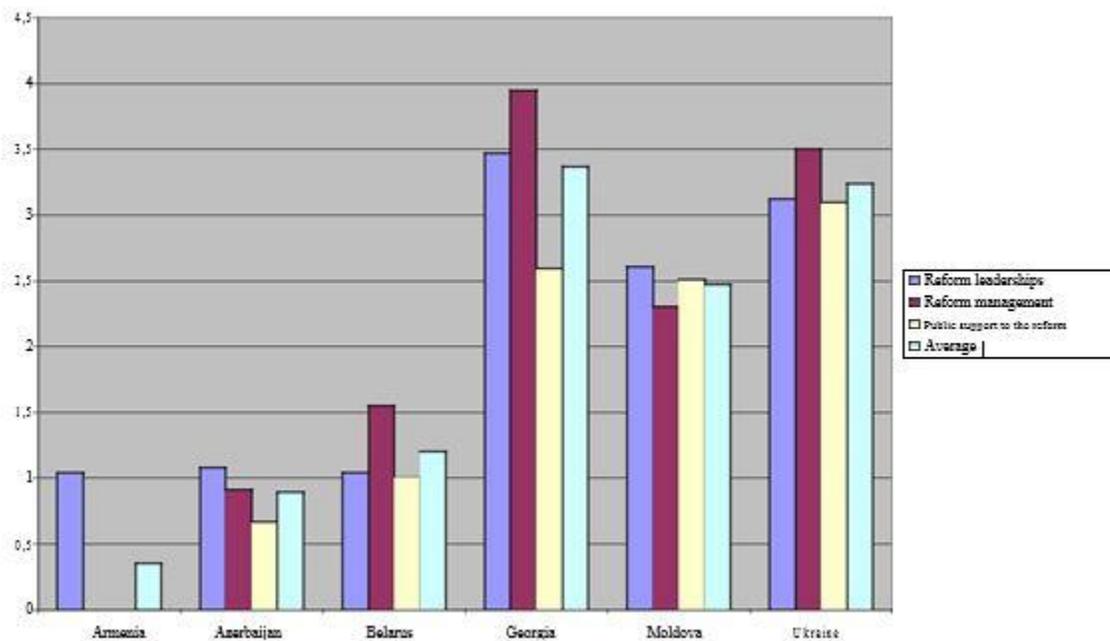
This part (quantitative analysis) is also based on perceptions of the respondents to the questionnaires. We benchmark the current situation, as perceived by respondents to questionnaires, according to the main pre-conditions for successful local government reforms, as defined in the Inception report on the base of existing international knowledge.

The general overview is provided in Table 10 and Figure 2. The data indicates that in Armenia, Azerbaijan and Belarus the capacities for reform (and as written above also will to reform) are rather limited. The main weaknesses seem to be citizens' support and consensus.

Table 11: Local public administration reform capacities in the EaP region

	Armenia	Azerbaijan	Belarus	Georgia	Moldova	Ukraine
Reform leaderships	1.04	1.08	1.04	3.47	2.61	3.12
Reform management	0	0.91	1.55	3.95	2.3	3.5
Public support to the reform	0	0.67	1	2.59	2.51	3.1
Average	0.35	0.89	1.2	3.37	2.47	3.24

Figure 2: Local public administration reform capacities in the EaP region



In the following text we proceed with individual evaluations – using spider-web diagrammes to illustrate the status of various indicators and criteria in each country. We do not create figures for Armenia, Azerbaijan and Belarus, as the data available do not permit that.

Georgia

The capacities to continue self-government reforms in Georgia are evaluated by the national stakeholders and the pool of local and international experts relatively very high (Figures 3 – 6). The weakest element from the point of view of the quality of the reform agenda is the level of the involvement of stakeholders (however, especially during the last few months the co-operation between government and NALAG significantly improved). Citizens' support to the reform is also very limited.

Figure 3: Quality of reform agenda: Georgia

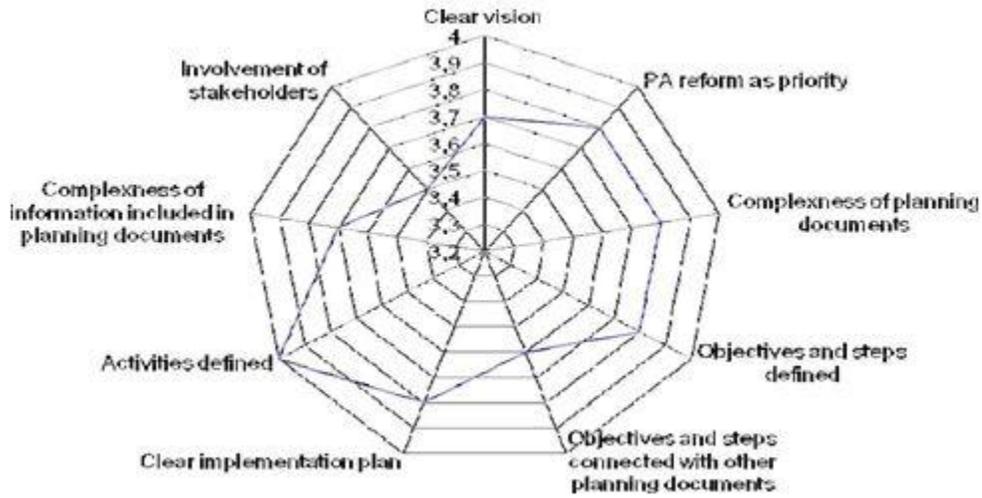


Figure 4: Reform implementation and resources: Georgia

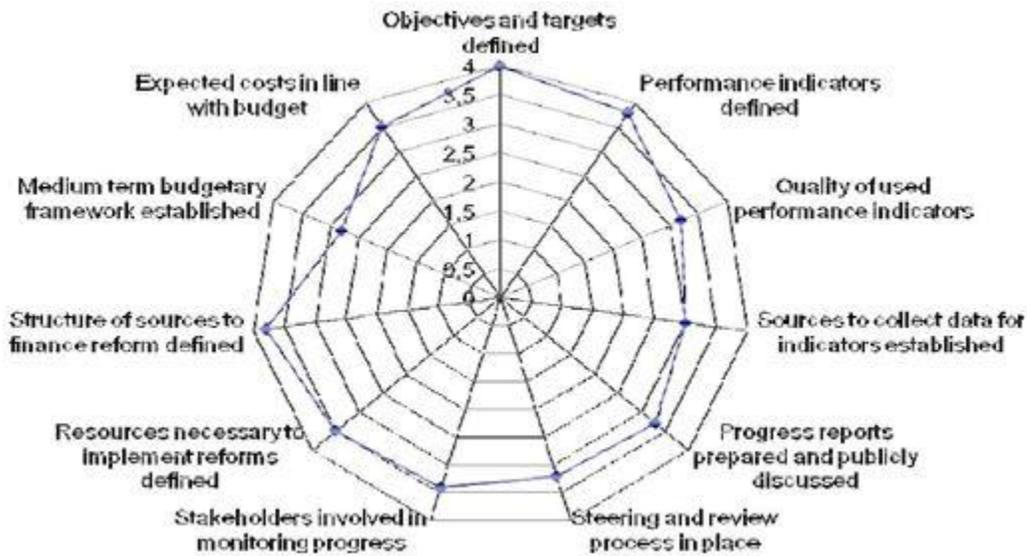


Figure 5: Reform management: Georgia

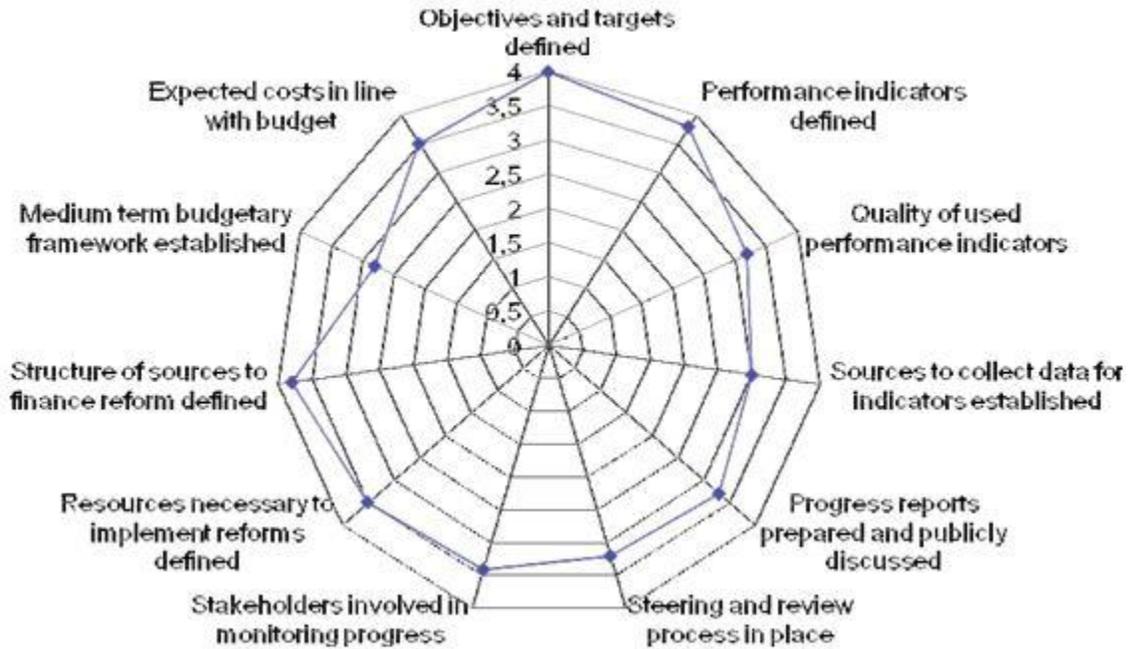


Figure 6: Public support to the reform: Georgia



Moldova

In Moldova, stakeholders and experts are less positive, especially on reform implementation dimension (Figures 7 – 10). For example they do not feel that the expected costs of the reform are included in the budget. The reform is supported by LSGs but not so much by other stakeholders.

Figure 7: Quality of reform agenda: Moldova



Figure 8: Reform implementation and resources: Moldova

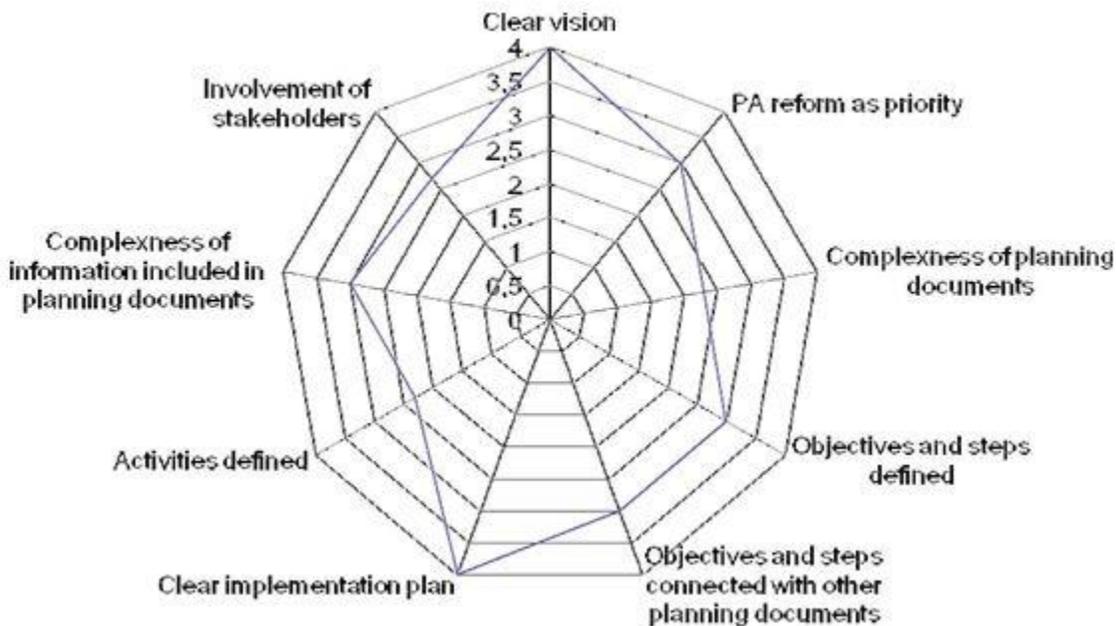


Figure 9: Reform management: Moldova

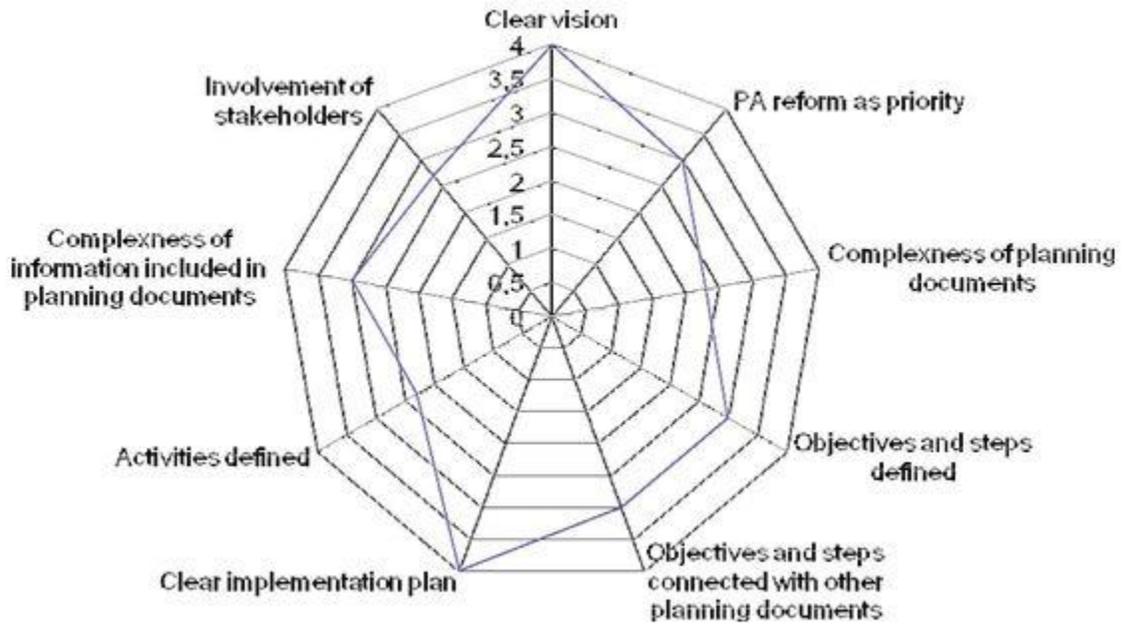
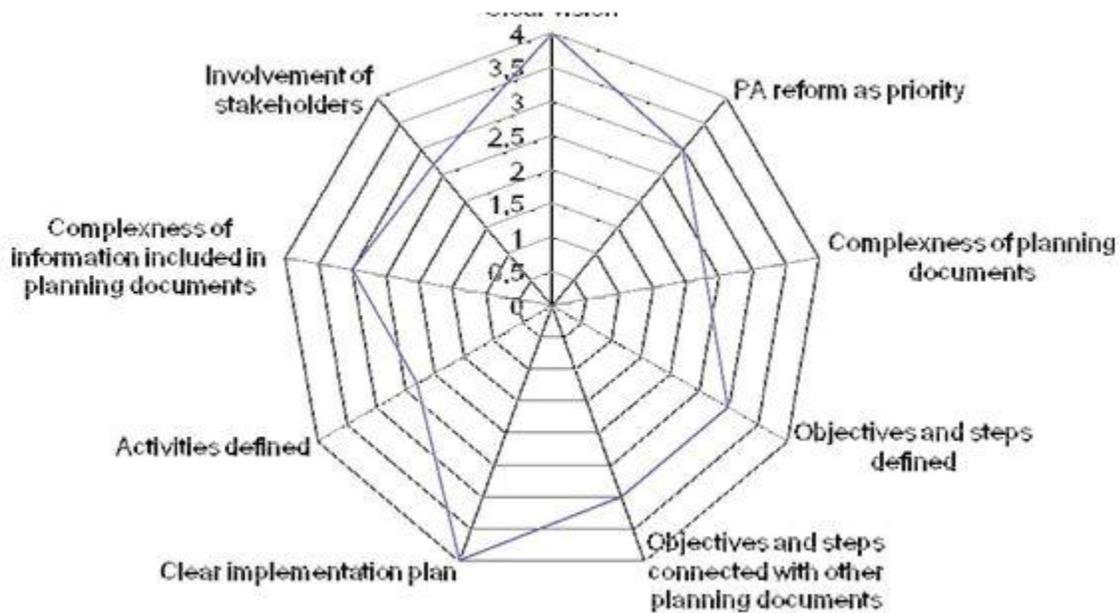


Figure 10: Public support to the reform: Moldova



Ukraine

The Ukrainian stakeholders as well as the experts are very positive when evaluating the reform capacities, which may be due to the major reforms that have been initiated shortly before this evaluation. Almost all evaluations are higher than 3, the reform is supported by most LSGs.

Figure: 11 Quality of reform agenda: Ukraine

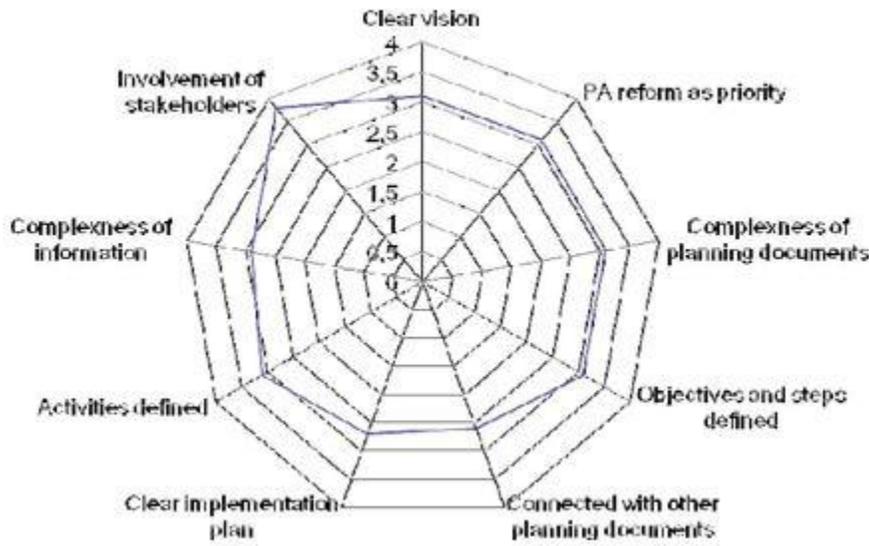


Figure 12: Reform implementation and resources: Ukraine

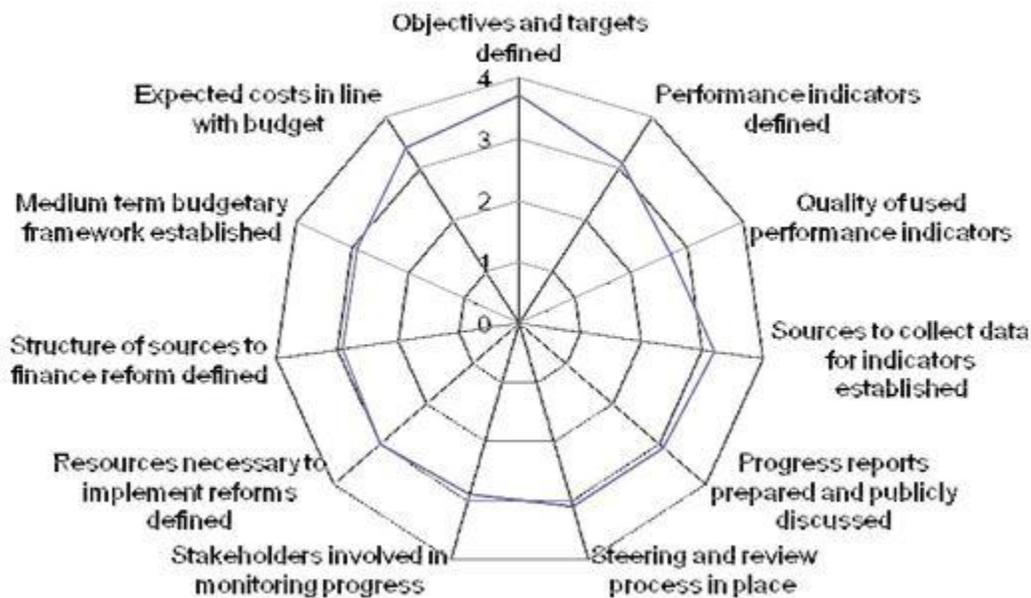
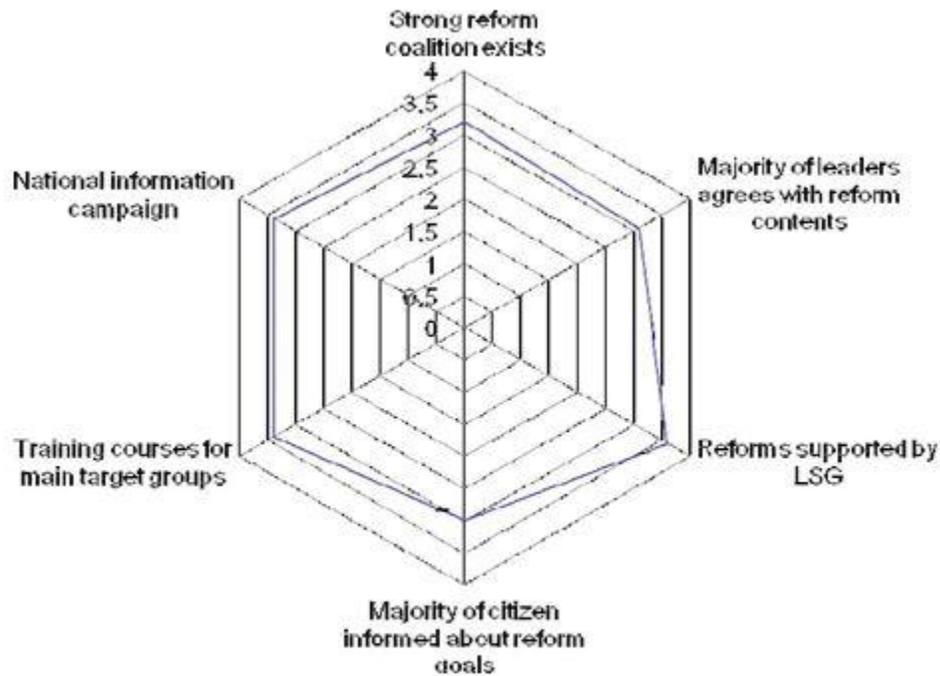


Figure 13: Reform management: Ukraine



Figure 14: Public support to the reform: Ukraine



3. Overview Of The Situation In Eap Countries

3.1.Armenia

The Republic of Armenia is composed of administrative-territorial units, called marzes (regions), while the local self-government in the country is exercised only on the level of communities.

The territory of Armenia is divided into ten marzes, namely Aragatsotn, Ararat, Armavir, Gegharquniq, Lori, Kotayq, Shirak, Syuniq, Vayots Dzor and Tavush. Marzes are not a separate level of governance. Marzpets (regional governors) represent the central government in the regions and implement state policies. They are appointed by the decisions of the Government and are validated by the President of the Republic. Marzpets are mainly called to coordinate the development and implementation of marz development plans. However, marzpetarans (territorial administrations), which appointed rather than elected, do not have their budgets, and spend budgetary resources in certain areas within the marz (money received from the central government)⁶⁰.

According to the Constitution of the Republic (Chapter 7 on Local Self-Government, Article 104) the local self-government shall be exercised in the communities. The local self-governance is the right and power of the community to resolve, on its own responsibility, issues of local significance aimed at the welfare of the inhabitants in accordance with the Constitution and the national legislation. There are 915 communities, divided into 49 urban and 866 rural communities in the country (villages represent around 94% of municipalities). Each urban and rural community consists of one or more settlements within one common territory. There are 1000 settlements in Armenia.

The capital city Yerevan is a community, with a special status, and is composed of 12 districts. LSG bodies of a community are its Mayor and a Council. They are elected for 4 years (after amendments to the Constitution in 2005). Every marz has a regional Council, which is an advisory body composed of marzpet and heads of communities (of a given marz). Similarly, the Council of Yerevan is composed of heads of 12 districts and Mayor. Councils play a limited role in terms of power and influencing decisions.

The Law on Local Self-Government determines the basic organisational structure of the communities. The municipal representative body is the Council of Aldermen, which is elected directly for a four-year mandate. This representative body has 5 to 21 members depending on the number of local electors. The local council may establish permanent and ad hoc committees to assist it in its work. The Chief of the Community exercises local executive power. He or she is not a member of the local council (with the exception of the Yerevan City Council) and cannot simultaneously hold any state office or position. The Community Chief exercises his/her authority through a staff consisting of a deputy chief, heads of division, and t public servants of

⁶⁰ USAID and Counterpart Armenia, “Republic of Armenia Strategy Paper on Further Development of Local Self-Government and Decentralization of Power”

the local community. Since the Community Chief implements human resources policies, appoints staff, and exercises his/her powers through municipal staff, – including that of the community's budgetary, administrative and commercial and non-commercial entities - it is the Chief, rather than the local council, who manages and directs the entire organisational structure of the local community. With a view to assisting local authorities to establish their internal structure and working methods, central government issued an advisory paper on “Model Regulation of the Community Council”, which sets out to clarify the procedure to be followed at meetings of the local council or other institutions.

One of the main changes after 2012 was the ratification by Armenia of the Additional Protocol to the European Charter of Local Self-Government on the right to participate in the affairs of a local authority (CETS No. 207) on 13 May 2013. It entered into force on 1 September 2013 and the necessary new legislation was adopted immediately.

These amendments are aimed at strengthening citizens' participation in local self-government and enhancing the transparency of work of local self-government bodies. The amended law also introduces a new provision for citizen's participation in local affairs, which allows inhabitants of the local community to initiate the inclusion of issues in the agenda of the Avagani (assembly) of the local community, as of age sixteen. The law defines the obligations of members of the Avagani with respect to interaction, public meetings and discussions with the population, as well as specific procedures for citizens' participation in local self-government.

The Law on Introduction of Changes and Additions in the Law on Local Self-government entered into force on 19 June 2013 and its objectives included enhancing transparency and publicity of the operations implemented by local self-government bodies, as well as legally reinforced participation of citizens in local government.

At the same time, the existence of numerous small and weak municipalities is considered by many experts as a structural problem, creating imbalance between local authorities and limiting the service delivery capacity of municipalities. In this regard, in 2013 the Ministry of Territorial Administration initiated the community enlargement process in Armenia. In 2014 this Ministry was merged with the Ministry of Emergency Situations, which resulted in a delay in the implementation of decentralisation reform, with a specific focus on community consolidation process. As this report is being written (2015) the Community Enlargement Process has been in process of implementation in three regions (marzes).

It is important to note that ideas and approaches to municipal amalgamation have been broadly discussed since 2011, when the Government produced the Community Enlargement and Establishment of Intercommunity Unions Concept Paper. A specific governmental programme on amalgamation was developed and presented to the Parliament. Speaking of the costs that the current reform might entail, in 2012 the Turpanjian Center for Policy Analysis (TCPA) produced an estimation of direct and indirect costs and benefits related to a possible consolidation of

communities. The study⁶¹ shows that community consolidation would be beneficial from the economic efficiency point of view.

According to the Ministry of Territorial Administration (2014) the principles of Community Enlargement and Formation of Intercommunity Associations include economic feasibility, facilities and accessibility, availability of human resources, LSGs' autonomy, improvement of citizen participation and transport services, optimised governance structure, enlarged delegated powers, equal access to natural resources, availability of at least one large settlement, efficient and targeted use of community and state owned land, as well as private land plots.⁶²

The following standards are also taken into consideration for the mentioned reform: availability of a common administrative border, with the centre of the community having a) central location, b) at least 3,000 of residents, and c) some minimal infrastructure.¹⁶ Cultural aspect in the process of reform should also be taken into consideration, including amalgamation based on mentality and compatibility of the local population, to ensure cultural consolidation within the newly formed community. Notwithstanding governmental intention to promote consolidation reform for effective operation of communities there are, however some concerns based on which the reform might entail serious negative socio-economic consequences.

According to the national legislation, Armenian communities are free to form associations and intercommunity unions. There are few examples of concrete and productive cooperation between communities. Nevertheless, further development of inter-municipal cooperation is complicated by a number of reasons, in particular underdeveloped infrastructure between the regions/communities, low public awareness, lack of citizen participation, complexity of the reform planning process etc.⁶³

At the same time, the Council of Europe Congress of Local and Regional Authorities drew attention in its Recommendation 351 (2014) on Local Democracy in Armenia⁶⁴ to other points of concern, in particular:

- local authorities take part in service delivery only to a limited extent and they do not regulate and manage “a substantial share of public affairs under their own responsibility” (Article 3.1 of the Charter);
- the existence of numerous small and weak municipalities continues to be a structural problem, creating imbalance between local authorities and limiting the service delivery capacity of municipalities;

⁶¹ Turpanjian Center for Policy Analysis, “Estimation of Direct and Indirect Costs and Benefits Related to Consolidation of Communities of the Republic of Armenia”

⁶² Terteryan, “Experience of Armenia in Implementing Municipal Amalgamation Reform”

⁶³ Terteryan, “Experience of Armenia in Implementing Municipal Amalgamation Reform.”

⁶⁴ The Council of Europe. “Congress of Local and Regional Authorities Local Democracy in Armenia.”/ https://wcd.coe.int/ViewDoc.jsp?id=2170873&Site=COE#P657_87169.

- the weak capacity of community councils in the exercise of their initiatives with regard to all matters relating to their competences (Article 4.2 of the Charter);
- local authorities play a very limited role and in practice do not have always full and exclusive powers, with local government bodies serving more as agents for the central government, than as autonomous actors of local public administration (Article 4.4 of the Charter);
- the own tasks and delegated powers of local authorities while defined in law are not applied in practice (Article 4.5 of the Charter);
- the absence of a formal mechanism of consultation between central government and local authorities on decision making process relating to all matters which concern them directly (Article 4.6 of the Charter);
- the supervisory powers of central government extend not only to a review of the legality of the local community's action, but also to the economic and financial aspects of local government matters, in contradiction to the Charter provisions (Article 8.2 of the Charter);
- local communities have limited own resources (Article 9.1 of the Charter).

In this regard, it is important to note that the sources from which Armenian community budgets are generated include taxes and duties, subsidies from central government, local duties and fees (collected by local authorities), land and property taxes, revenue from the sale of community property. At the same time, local authorities cannot impose real local taxes or determine the rate within reasonable limits set by law (this situation is not in conformity with Article 9.3 of the European Charter of Local Self-Government).

The main laws regulating the financial system of the local self-government in Armenia include the Law on the Budgetary System (1997), the Law on Local Duties and Fees (1997), and the Law on Financial Equalisation (1998). Both the Constitution and the national legislation provide guarantees for local-self-government autonomy and operation of financial matters. The fiscal relationship between central and local governments is characterised with central government trying to: a) reduce financial disparities between communities to help them better implement their mandates; b) allocate subventions (ear-marked grants) to communities; c) allocate budgetary credits and loans to community budgets.⁶⁵

However, there are some gaps between legislation and practice because of the lack of the financial capacities of LSG bodies. The fact of Armenian communities being small requires huge amount of resources for maintenance, which, communities find difficult to generate. Most of the municipalities have 80-90% spending on administration, which means that there is not much left to be spent on services attached to LG.

⁶⁵ Tumanyan, *Local Self-Government in Armenia* (2011) Book 5, 5.

Besides, the mandatory and delegated responsibilities of the LSGs have priority in execution. However, due to lack of resources they have little chance of performing duties other than their mandatory powers. Communities are heavily dependent on state budget transfers. Their revenues are generated locally, through collection of fees and taxes as well as from State sources, including subsidies and subventions.

The Law on Financial Equalisation stipulates the procedure according to which subsidies are distributed among communities. The size of the community is a determinant factor in calculating subsidies for the communities. According to the mentioned Law on Financial Equalisation, the State helps reduce the difference in the costs for the communities, thus promoting a better community operation and development. However, the equalisation works only for the communities with population under 300.⁶⁶ We can conclude that the financial equalisation mechanisms are not appropriate as regards the fiscal capacities and financial needs of the Armenian communities (contrary to Article 9.5 of the European Charter of Local Self-Government).

In Armenia, there are three local taxes defined by law: land tax, property tax and hotel tax. Local authorities have the right to define over the hotel tax only. The rates for land and property tax are defined by law. Local authorities do not have the right to set their own rates, but can waive them under special circumstances with the decision of Council. The share of centrally established taxes (PIT and CIT) that has to be transferred to local budget is still not defined by law. Each year the rate is being set to zero percent. Now the draft law on local duties and fees was prepared. It is discussed and is circulated among the national institutions. However, there is no defined and clear date for it to be submitted to the national Parliament for adoption.

The existing institutional arrangements are not sufficient to form sustainable communities. These depend heavily on state subsidies. Institutional sustainability depends on the financial sustainability. Dependency on allocations from the state budget limits communities' independence and a sustainable institutional growth.

However, since 2012, the Government of Armenia started to finance implementation of capital projects in Marzes and communities from its reserve fund. These funds are channelled through marzpetarans and directed at construction or renovation of social infrastructures, roads, and housing. For the purposes of addressing a number of urgent issues in the communities in 2013, the reserve fund of the government was used to allocate 7.4 billion AMD to Marzes to implement capital investment projects (in 2011-2014 four urgent projects were implemented at the value of 40.1 billion AMD). In 2013, incremental 1.3 million AMD were allocated to marzpetarans to implement capital investment projects.

⁶⁶ Tumanyan, *Local Self-Government in Armenia* (2011) Book 5, 5.

The lack of human resources on the local level in terms of availability of relevant professionals remains one of the key problems for effective municipal management in many Armenian communities. The Law on Municipal Civil Service has been adopted in 2004 (with the amendments in 2008 and in 2013). It established the legislative basis for the legal status of public servants working for local authorities. A recent legislative development to strengthen capacity of local servants is that according to the amendment to the Law on LSG (2013) it was made possible for community servants to put a subject on the agenda of the council session. Despite serious efforts and numerous actions undertaken by the national Government (with the support of several international organisations and NGOs) for the organisation of the training not only for public servants of communities, but also for mayors and local councillors, Armenia still needs improvement in the staffing of local communities. The efficiency of local government personnel is still sharply criticised by NGO representatives and other stakeholders. It is a widespread opinion that a number of local communities do not operate under appropriate working conditions.⁶⁷ In particular, rural communities lack effective administrative structures and professional staff.

Currently, the Executive and Legislative powers in Armenia are in the process of implementing a Constitutional reform, aimed to turn Armenia into a parliamentary republic. The process is controversial, unwelcomed by the citizens and seems to be supported only by the ruling party. A debate whether the changes are actually relevant today is going on and fuelled with criticism and general dissatisfaction. The draft amendments to the Constitution devote only a few words to powers and responsibilities of local authorities. The Government foresees organising a referendum by the end of 2015 to initiate the reform whereas there is a growing enthusiasm by civic activists to oppose that change. Currently, the only reform that is being implemented in the framework of decentralisation is the implementation of the Community Consolidation and the Forming of the Intercommunity Unions Concept. Armenia is undergoing a community consolidation reform by virtue of which bigger communities are to be established in the near future. The consolidation is considered to be a precondition for decentralisation process: the Government is expressed the view that it is not possible to delegate powers to the weak communities. It remains to be seen how the changes initiated by the Government, including constitutional and local, are going to progress.

3.2. Azerbaijan

Republic of Azerbaijan is a unitary state. The Constitution of Azerbaijan was adopted in 1995 and amended in 2002 and 2009. According to Article 11 of the Constitution: "the territory of the Azerbaijan Republic is sole, inviolable and indivisible". Apart from the Nakhchivan Autonomous Republic, there are no other autonomous regions in Azerbaijan. As mentioned in

⁶⁷ The Council of Europe. "Congress of Local and Regional Authorities Local Democracy in Armenia." https://wcd.coe.int/ViewDoc.jsp?id=2170873&Site=COE#P657_87169

Article 134 (I and II) of the Constitution, “(the) Nakhchivan Autonomous Republic is the autonomous state within the Azerbaijan Republic. The Nakhchivan Autonomous Republic is an integral part of the Azerbaijan Republic.”.

The Constitution of Azerbaijan recognises local self-government in Section 4 (which includes Chapter IX on Municipalities), which contains provisions on the organisation and scope of responsibility of municipalities and on guarantees of their independence. A separate chapter (Chapter VIII) is devoted to the Nakhchivan Autonomous Republic and comprises provisions on its constitutional status, its highest authorities and the division of powers between them. According to Article 124 and Chapter IX of the Constitution, local government is carried out by both local executive authorities and state bodies and municipalities. Local executive bodies are run by chief executives who are appointed and dismissed by the President of Azerbaijan, who also determines the powers of these bodies. Members of municipal councils are directly elected by the citizens, but the chairs of these councils are elected by the council members (indirect election). According to Article 1 of the Law on the Status of Municipalities “local self-government in the Republic of Azerbaijan is a system of managing the citizens’ activity that grants to its citizens the ability to resolve important local issues independently and freely (...)”. According to Article 2(2), municipalities are constituted by bodies that are established by municipalities to deal with local issues within their powers and are not part of the system of state bodies.

The Constitution does not define local self-government and merely refers to it as being “carried out by municipalities”, which are elected bodies (Art. 142(I) and (II)). In particular, it does not regulate local self-government in Section 3 on State Power, which implies that municipalities are not included among the public authorities exercising state power. It does not define municipalities as institutions forming part of the overall public administration. Accordingly, the relevant provisions do not include the main components of the Charter’s definition of local self-government since they enshrine neither the right of local authorities to regulate and manage local public affairs nor the concept of the interest of the local population.

At the same time, the implementation of the European Charter of Local Self-Government is complicated by the on-going Nagorno-Karabakh conflict between Azerbaijan and Armenia.

It is important to note that the administrative-territorial division of Azerbaijan has essentially been retained from the Soviet era and consists of villages, settlements, regions and cities. Municipalities are established in villages, settlements or cities, rather than on a regional basis. Each municipality acts as an independent juridical entity, with neither horizontal nor vertical subordination. Cities may be divided into administrative territorial units, in which case each unit comprises a separate municipality. Only two cities are divided into districts (Baku and Ganja). In these cities, district or settlement bodies of local executive authority are subordinated to the city executive authority.

The Law on Establishment of new municipalities through merging municipalities in the Republic of Azerbaijan was adopted on 30 May 2014. According to the new law 204 municipalities are merged and 94 new municipalities are established. Thus, 110 municipalities are abolished. This process of the municipal consolidated should be further continued.

It has to be noted that the tasks and the functions of municipalities are determined by the Constitution, the Law on the Status of Municipalities and some other legal instruments. In its Recommendation № 326 (2012) of the Council of Europe Congress of Local and Regional Authorities of the Council of Europe underlines that, as a result of imprecise division of competencies and responsibilities between municipalities and local executive committees, the vast majority of local public services are delivered by local executive bodies of the state administration, which is directly subordinate to the central government authorities. This division of powers and duties leads to an ineffective local administration and, in the absence of local democratic scrutiny, result in a serious democratic deficit. The Congress Recommendation also points out that the functions of local governments are typically not full and exclusive, since municipalities and local executive authorities carry out many parallel functions.

At the same time, no serious steps have been taken by the national Government towards fulfilling the principles of the European Charter of Local Self-Government and the Council of Europe Congress recommendations. The processes of regulating the local self-governance system in Azerbaijan are aimed at reinforcing the trend towards greater centralisation of the authority of Azerbaijan's local executive bodies, which are directly subordinated to the central government authorities, instead of drawing up and implementing comprehensive decentralisation reforms.

The functions and the scope of powers vested in the heads of the local executive bodies appointed by the President have been extended. The Regulation) regarding local executive authorities were approved by the Decree of the President of the Republic of Azerbaijan № 648 of 6 June 2012. Under this Decree local government authorities are established by the President of Azerbaijan and run the executive branch on site. Their heads were entitled not only to form their regional divisions and establish a legal entity, but also guide the activities of state-funded agencies and departments of the central bodies of executive power. Local bodies of executive power create organisations that manage housing and communal services, operation of housing fund and household waste disposal. They are funded from the state budget and other sources. Heads of these bodies are appointed by the President and have no right to hold elective office and engage in commercial activities, as well as receive wage supplements. Their deputies are appointed by the Presidential Administration, excluding the local executive authorities of Baku, where the country's President retained this right, and the Nakhchivan Autonomous Republic, where such powers were granted to the Supreme Council of the autonomy. People with dual citizenship are banned from positions of heads of local executive authorities. Local executive authorities and their heads have authority over all areas of state activity, including law enforcement, issues of security and civil defence.

Furthermore, analysis of the Regulations on Local Executive Authorities is paving the way for the following outcomes:

- Contrary to Azerbaijani society's expectations, as well as those of international organisations, the processes in Azerbaijan are aimed at reinforcing the trend towards greater centralisation of the authority of Azerbaijan's local executive bodies of the state administration, which are directly subordinated to the central government authorities, instead of drawing up and implementing comprehensive decentralisation reforms;
- Local executive authorities manage and deliver local matters, including the most important public services;
- Local executive authorities in most cases are empowered to supervise the activities of other organisations (private enterprises or municipalities), in addition to delivering public services;
- Delivery of the most important local matters, including public services, by the local executive bodies of the state administration, which are directly subordinate to the central government authorities and chief executives under the regulations regarding local executive authorities, contradicts the principle of subsidiarity laid down by Article 4 of the European Charter of Local Self Government.

Changes have been made to the legislation with in order to reinforce the administration of local executive authorities. According to amendments to the law on Territorial structure and administrative territorial division of 12 June 2012, local executive authorities that are in administrative units the territory of which is not divided into regions/rayons, settlements and villages will have new territory executive powers and will shape new administrative districts. That is, administrative districts will be created in the territory of cities lacking division of region/rayons (for example, Mingachevir, Sumqayıt, Shirvan, Naftalan and Nakhchivan cities), as well as city districts (for example, Baku's Narimanov, Yasamal, Nesimi, Ganja's Kapaz and Nizami districts). The population of each new territory executive body should not be less than 20,000. However, there is an exception here: if the population within a city without regional division is less than 20,000 it is allowed to establish one regional executive authority in that territory.

The Government claims that these changes are meant to push power closer to local communities. However, this approach fails to comply with the European Charter of Local Self Government, since the Charter states that bodies elected through citizens' voting are closer to the population than to appointed structures. The newly established administrative units will be formed like structures of central executive power and representatives will be appointed by the heads of the local executive bodies assigned to manage them. This means that several executive bodies and administrative districts will exist in the above administrative units within each area of municipal administration.

In the light of this variety of international and local calls and initiatives to eliminate the parallelism within the local self-governance system, in particular to transfer local public competences to municipalities in rural areas, the existing highly centralised system will bring increasing supervision and domination by local executive authorities over municipalities, as well as further weakening of the activities of local self-governments.

The rising cost of oil in the world market occurring in parallel with the increase in Azerbaijan's oil production has positively impacted the country's financial potential within a short period of time. In accordance to the Development Concept "Azerbaijan 2020: outlook for the future"⁶⁸, the extensive production and export of natural resources gave an impetus to economic growth. In 2011, the real GDP tripled in comparison to 2003. In 2011, Azerbaijan accounted for over 70 per cent of the added value generated in the South Caucasus, thus becoming a regional leader.

However, the central government, despite having profited from growing oil revenues, has not been interested in sharing that wealth with local governments. And contrary to the public's expectations, centralisation has gained a firm foothold within the country. Although certain decentralisation trends were observed in the early 2000s, the process started to reverse during the middle of the last decade, when the central government took back a number of the authorities it had previously transferred to local governments.

Monitoring of the current situation in Azerbaijan shows that financial decentralisation reforms in the country are not expected any time soon. According to the mentioned Development Concept "Azerbaijan 2020: A Vision to the Future", the national Government has no intention of strengthening the institutions of local self-government by 2020, let alone implementing decentralisation reforms. The priorities of the Government are mostly focused on the following issues: the development of an economic model based on effective state governance and mature market relations; improving the structure of the economy, developing the non-oil sector; supporting a scientific potential and innovative activity; modernisation of the transport infrastructure; development of information and communication technologies and transition to a knowledge-based society; development of the human capital and social spheres.

When assessing the level of fiscal decentralisation in Azerbaijan, we need to consider three levels of budget system: the central government budget (state budget), the Nakhchivan Autonomous Republic (NAR) budget and the local (municipal) budget. The central budget plays a crucial role as the biggest funding source in all state-led economic activities and investment projects in the country. The role of the budgets of NAR and municipalities remain insignificant.

Although not stipulated by the law, the budget of the NAR corresponds to the definition of "regional budget" applied in separate countries. According to Article 28 of the Law on Budget System, the budget of the NAR is formed by state taxes and other fees, as provided in the Tax

⁶⁸ Development Concept "Azerbaijan 2020: outlook for the future" //

http://www.undp.org/content/dam/azerbaijan/docs/sustain_development/AZ_Vision2020_government_draft_en.pdf

Code, as well as by interest and fines that are calculated over those taxes and fees. The budget of the NAR for next year shall be approved by the Supreme Mejlis of the NAR.

Municipal budgets are enshrined within the legislation as ‘local budgets’ and they differ from the state budget and the NAR budget in terms of their source of income. According to the tax law, local authority budgets are formed from four taxes and up to seven non-tax revenues. Following the reunification in 2014, the number of municipalities in the country has dropped to 1607 from 1717, and the overall budget for all municipalities in the country is now 49.1 million AZN (51.7 million EUR).⁶⁹

Evaluating the various indicators of fiscal decentralisation proves that the central government, unlike the regional and local governments, seems to have a lot in terms of both authority and financial resources. Studies also show that a very limited number of steps have been taken in favour of fiscal decentralisation in Azerbaijan since 2012. Although there was a series of steps in the direction of increasing financial capacity of local self-government institutions, it was limited to legislative improvements and failed to provide additional funding sources for municipalities. Given some changes that occurred at the level of legislation in Azerbaijan, there are four important amendments worth specifying here:

On 20 June 2014, the tax base of the physical entities’ property was improved through changes made to the Tax Code on and to the Law on Local Taxes and Fees. If the property tax was depended on the “inventory value of buildings” in the past, starting from 2015, the property taxation will be calculated per square meter of the building area. According to the calculation of Centre For Support For Economic Initiatives (SEI), the new amendment will increase the tax income 8-10 fold and add 55-70 million AZN (58-74 million EUR) to the local budget.

On 20 June 2014, the criteria for unconditional financial aid (state transfer) were improved by making amendments to the law on “Budget System” of the Republic of Azerbaijan. Until now, the unconditional financial aid had been provided based on two criteria. From now on, the calculation of the aid limit will include the population of the municipality; its weight in the formation of the country’s financial resources, revenues, and expenditures of municipalities; geographical location of municipalities, e.g. proximity of the settlement to the front line and high mountain areas; the living standards of local people, and the socio-economic projects being implemented in the area.

On 30 June 2014, mechanisms of allocation of conditional financial aid were improved by making amendments to the Law on Municipalities. The new law considers allocating additional subventions from the state budget to the local budgets for implementation of projects in the fields of local social protection, environment, economic and social development programmes, as well

⁶⁹ Statistical bulletin on ‘Execution of Municipality Budgets’. January - December 2014, State Statistical Committee, Baku, 2015

as financing additional authorities of municipalities granted to them by the law and handed over by the executive committees.

A new amendment has been introduced to the law on Local Taxes and Payments for the purpose of improving transparency, and from 1 January 2015, the municipalities are forbidden to collect local taxes and payments in cash.

Azerbaijani legislation also enshrines the right of municipalities to determine independently their spending priorities. However, as a result of the lack of exceptional power of municipalities, these rights have proved impossible to exercise in practice. In contrast, the scope of the NAR's authorities as defined by the Constitution is more precise, and it holds the right to allocate any expenses necessary for implementation of its plans.

Table 12: Main quantitative indicators outlining the level of expenditure decentralisation in Azerbaijan⁷⁰

Indicators	2012	2013	2014
Budget spending of <u>Nakhchivan</u> AR (million EUR)	296.3	308.1	369.0
Local budget spending (million EUR)	34.8	43.8	51.7
Aggregate spending amount of local and regional budgets (million EUR)	331.1	351.9	420.7
Shares of local and provincial budgets in state budget spending (%)	2.0	2.0	2.14
Spending shares of local and regional budget (% of GDP)	0.56	0.66	0.68

Note: Average annual status of AZN against EUR in 2012, 2013 and 2014. Year 2012 - 1 EUR=1.03 AZN, Year 2013 – 1 EUR = 1.08, Year 2014 – 1 EUR=0.95. Source: State Statistical Committee.

As Table 12 clearly shows, the local and regional government share of the total central government expenditure and GDP is very low. Although there was slight growth between 2012 and 2014, overall local and regional government expenses have remained modest.

⁷⁰ The table reflects the expenses breakdown of the state budget, the local budgets and the NAR's budget between 2012 and 2014 based on official data (www.budget.az) that were compiled and analysed by national expert in Azerbaijan

According to the Tax Code of the Republic of Azerbaijan, there are nine state taxes (tax on the income of physical persons, tax on the profit of legal entities, value added tax, excise tax; property tax levied from legal persons, land use tax levied from legal persons, road fund taxes, mineral royalty tax, simplified tax) and the taxes of autonomy republic are the state taxes levied in the NAR. Moreover, this Code has not established exclusive responsibilities for NAR with respect to regulation of tax rates and determination of tax base. The law recognises certain limited responsibilities entrusted to local governments in the field of local tax regulation. For example, municipalities can make decisions on complete or partial tax release or decrease of tax levels for certain categories of taxes paid by taxpayer in their areas subject to the Tax Code. Nevertheless, municipalities have no autonomy to adjust tax base and introduce new taxes. Consequently, the income opportunities of local governments are very slim. In contrast to expenses, the authorities of local and regional governments in local tax regulation are broad.

Table 13: Main indicators outlining the revenue decentralisation in Azerbaijan⁷¹

Indicators	2012	2013	2014
Total budget revenue of NAR (million EUR)	296.3	308.1	369.0
Total local (municipal) budget revenue (million EUR)	34.8	43.8	51.7
Local (municipal) and regional budget revenue (of Nakhchivan AR) (million EUR)	331.1	351.9	420.7
Local and regional budget amount without allocations from the state budget (million EUR)	75.9	89.9	116.5
Revenue shares of local and regional budgets in the state budget without allocations from the state budget (%)	0.45	0.50	0.60
Shares of local and regional budget revenue in GDP without allocations from state budget (%)	0.14	0.17	0.19
Revenue share of municipalities in state budget without allocations from the state budget (%)	0.18	0.22	0.24

⁷¹ The table reflects the expenses breakdown of the state budget, the local budgets and the NAR's budget between 2012 and 2014 based on official data (www.budget.az) that were compiled and analysed by the national expert in Azerbaijan

As Table 13 shows, the tax revenues of local and regional authorities in 2012–2014 increased by 42% from 75.9 million to 116.5 million EUR. At that time, the proportion of the central government’s revenues made up by local tax revenues increased from 0.45% to 0.6%. The municipalities’ own sources of income (not including state transfers) in the share of state budget revenues also raised from 0.18% to 0.24%.

In Azerbaijan, the intergovernmental transfer system is weak. The Law on Budget System envisages transfers of special funds (“targeted funds”) and general-purpose funds to the budget of NAR and to local budgets. However, only general-purpose transfers are practiced. The purpose of transfers to NAR is to prevent budget deficit and to balance revenue and expenditure. The purpose of transfers with respect to local budgets is uncertain as a whole. The Law on Budget System only states that in calculating the maximum level of subsidies, the number of population living in that municipal area may be taken into consideration. One of the challenges is that there are no precise and real legal mechanisms, guidelines and frames for distribution of transfers to local budget from central budget, in particular how municipalities can apply for these subsidies. At present, Azerbaijan not only faces the problem of unsatisfactory transparency in the calculation and distribution mechanisms of transfers, but also with insufficient amount of central government transfers to local and provisional budgets.

Table 14: Main indicators outlining the dynamics of local and regional budget transfers in Azerbaijan⁷²

Indicators	2012	2013	2014
Subventions to NAR allocated from the state budget (million EUR)	250.6	257.1	298.6
As 0% of share of transfers in the budget of NAR allocated from the state budget	84.6	83.5	80.9
Subventions to local budgets allocated from the state budget (million EUR)	4.6	4.8	5.5
As 0% of share of transfers in local budgets allocated from the state budget	13.1	11.2	10.6
Total transfers to local (municipal) and regional budgets allocated from the state budget (million EUR)	255.2	261.9	304.1
As 0% of share of total transfers in local and regional budgets allocated from the state budget	77.1	74.5	72.3

⁷² The table reflects the expenses breakdown of the state budget, the local budgets and the NAR’s budget between 2012 and 2014 based on official data that were compiled and analysed by the author // www.budget.az

As indicated in the table above, the share of transfers in recent years has decreased the NAR's budget revenues, although its share of state financial aid remains higher than 80%. The NAR's per capita tax revenues totalled just 151 manats (159 EUR) in 2014, while the total figure (per capita tax revenue) across the country exceeded 900 manats (950 EUR) in that year. The amount of the funds that the State allocates to local budgets is generally low. The amount of transfers from local budgets for 2012–2014 has been estimated at around 5 million EUR, while the state budget revenues increased by 2.6 billion EUR (from 16.6 bn to 19.4 bn) during that period. Further, the increase in financial aid to municipalities in 2012–2014 was just 0.5 million EUR compared with 25.6 million EUR in the NAR.

Despite the indication within the state legislation, conditional transfer to local budgets has not happened. According to Article 11.14 of the law on the Budget System, municipalities that want to claim financial aid from the state budget (including for a specific purpose) must submit their application to the relevant executive authority justifying the amount of financial assistance before 1 May of the current year. But there are no clear principles and criteria within the legal framework for obtaining aid. Moreover, the use of transferred amount and purpose also remain unclear. Whereas in the past municipalities applied regularly to receive conditional financial aid, in recent years the number of such applications has diminished significantly. Municipalities have been involved in the implementation of state's programmes. However, they have not received any conditional financial aid in their 15 years of operation in the country. In addition to this, a shared tax system, being one of the key financial aid system widely used in most of European countries, is not used in Azerbaijan and national law excludes any legal norms and mechanisms regarding the application of a shared tax system.

Even though there is a real need in municipalities, local authorities do not have effective mechanisms of access to credit, which is one of the key contributing factors of municipalities' weak financial capacity in Azerbaijan. The municipalities' lack of payment capacity and inability to afford their current expenses do prevent them from being indebted, on the one hand, while, on the other, financial institutions and lending agencies are not interested in granting credits to these institutions of weak potential. Besides, municipalities are not commercial entities, so they are not permitted to take out loans on commercial terms. However, given that the purpose of any such loan is to create public services, there should be mechanisms for lending to municipalities under favourable conditions.

Concerning the development of local authorities' capacities in human resources, it has to be noted that in 2012 there were initiatives with regard to increasing the number of responsibilities allocated to municipalities in order to improve their ability to provide public services. Article 6 of the law on Public Service, enacted under the Decree of the President dated 14 March 2012, states: 'In addition to NGOs, legal and physical entities, municipalities are also supported to deliver public services to persons who need social care.' Municipalities are empowered to appeal to the relevant executive authority of the state administration for delivery of public services

within the interest, and with the consent, of the persons (families) living under difficult conditions.

The law also gives rights to the state bodies to implement state orders in the field of public services. However, according to these rules, social services are commissioned through competition, and here the state body act as a client, while municipalities, physical and legal entities, as well as the NGOs act as executing agencies. Tender rules set and conditions for bidders may bar some municipalities from participating even in the bidding process. Under these conditions, a bidder must be fully or partially qualified to deliver social services, as well as have proven competence, technical background and financial capacity, adequate personnel and management skills in order to secure the execution of the contract, and he/she should not have any unpaid or delayed tax or other outstanding payment commitments. The problem is that the applicable legislation does not determine social services commissioning as an exclusive competence of municipalities, which concerns NGOs, private entities and municipalities equally. Although public services have been transferred to municipalities, the law does not define mechanisms for allocating financial resources from the state budget to municipalities for the purpose of delivering these services.

One of the ways of strengthening local self-government institutions in Azerbaijan is to launch capacity-building and proper training programmes for members of municipal staff, in order to improve the quality of their daily administrative work. Different training programmes are currently conducted by state institutions and NGOs (local and international) to improve administrative potential of municipalities. At present, there are 1607 municipalities with 15,682 elected persons and 16,000 municipality servants.

Training courses for members of municipal staff are conducted at the Academy of Public Administration under the President of the Republic of Azerbaijan and at the Academy of Justice under the Ministry of Justice. Training courses organised for municipal council members and employees aimed at enhancing their knowledge and skills should be highly appreciated, regardless of who conducts them. However, the scope and quality of these courses are important. Studies show that the scope of such courses is significantly limited, and they are based on traditional teaching methodology. There is still a need to develop a specific training programme based on the needs of municipality staff.

At the same time, the Government's focus in recent years has been on strengthening control over municipal council members and staff, along with increasing their accountability and transparency, in particular:

- Increased accountability requirements from municipal staff (the requirements on municipal staff in terms of public accountability were enshrined within the law on Status of Municipalities dated 28 October 2014. According to the amendment to the law,

municipality staff should report to the public and ensure awareness about its activity through announcements, bulletins, local media, the Internet and other means);

- Suspension of municipal council members' authorities (in accordance to the amendments to the law on Status of Municipalities dated 28 October 2014, municipal members who do not comply with legislation are subject to suspension of their authorities ahead of time by the Central Election Committee or by the court);
- Improved admission procedures to the municipal civil service (following the amendment to the law on Municipal Service dated 13 February 2015, municipal civil service recruitment procedures have been tightened up. Municipality employees are now considered eligible for work not by the chairman directly, but through a competition on the basis of assessment. In addition, there are now a number of restrictions on the admission process, such as relating to family ties, for example;
- Ethical rules adopted for municipal servants. The law on Ethical Rules of Municipality Servants was adopted on 28 April 2015, with the purpose of improving the image of local self-government institutions and municipal staff, developing the effectiveness and transparency of local government actions, widening citizens' impact on municipal activities, preventing corruption within municipalities and avoiding conflicts of interest between municipal servants and others.

It should also be noted that the number of the elected municipal representatives receiving regular pay has been limited. In accordance with Article 15 of the law, only a certain number of municipal council members can be paid on a regular basis during their term of office (only two elected council members in a council consisting of five to seven members; three in a council of nine to eleven members; four in a council of thirteen to fifteen; and five in a council of seventeen to nineteen). This means that, at best, only one-third of the elected municipal council members can be regularly paid by the local self-governance institution. If municipal council members have no other job and the regular paid seats are taken, then those municipal council members are entitled to register as unemployed.

3.3. Belarus

The Republic of Belarus has only seen minor progress in the sphere of self-government since 2012. The Government has not taken any significant action to approximate to European standards and reform the existing public administration system on local level. The European Charter of Local Self-Government has still not been signed and ratified; the previous recommendations of European institutions (including the EaP Civil Society Forum's recommendations on fiscal decentralisation of 2012) are mostly not acceptable.

The model of "sub-national government" existing since 1994 has not undergone any major changes, and the state vertical local government (executive committees) has only got stronger.

The existing legislation reproduces in practice the obsolete schemes and patterns of the Soviet period e based on state theory of local self-government applied since decades.

The Constitution of the Republic of Belarus of 15 March 1994 (with the amendments introduced after the national referenda of 24 November 1996 and 17 October 2004) defines in Section V (Articles 117-124) the principles of public governance at the local level, which foresee the existence of two types of local authorities, namely:

- Local government - which refers to local executive and administrative authorities directly subordinated and accountable to the President of the Republic of Belarus;
- Local self-government - which refers to local Councils of Deputies elected by citizens every four years.

The Constitution provides for vertical hierarchical structure for both executive authorities and Councils as it introduces such concepts as superior executive and administrative authorities and superior representative bodies (Art. 122). The highest levels of power for executive and administrative authorities are the President of the Republic of Belarus and the national Government, and the highest level of power for representative bodies is the Council of the Republic of the National Assembly of the Republic of Belarus.

The concepts, which are used in practice by many European states, such as "municipality", "community" and "local community" are entirely missing from the national legislation. In the global practice it is the community that has the right to organize local communities, delegating part of its rights to the elected Council. In the Republic of Belarus, there is no community as an entity, being the subject of local self-governance. It is replaced by the term "administrative-territorial unit".

On 7 January 2012 the Law of № 346 – 3 (with the amendments approved on 31 December 2014) on the Administrative and Territorial Organisation of the Republic of Belarus was adopted in the new edition. The law defines targets and principles of the administrative and territorial division, the structure of the State and its parts. Article 1 of the law defines 'administrative-territorial unit' as a part of the Republic of Belarus (district, region, village council, city, settlement), within which local Councils of Deputies, local executive and administrative bodies are formed and operate in accordance with the procedure established by the legislation.

At the same time, the Presidential Decree № 128 of 17 March 2014 on Some Issues Related to the Change in the Administrative-Territorial Organisation of the Republic of Belarus contains provisions, which define the order of formation, reorganisation, liquidation of local Councils of deputies, local and administrative bodies and solutions of other issues related to the change in the administrative-territorial device of the Republic of Belarus.

It should be noted that the administrative division of the Republic of Belarus in 6 regions and the city of republican subordination Minsk has remained unchanged since 1960. The division of

regions into districts has been the same since 1966 (excepting Dribin district which was created in 1989). Over the years of state sovereignty of the Republic of Belarus, there has been a change only in the number of cities of regional and district subordination, township and rural Councils.

At the same time, the period from 2010 to 2014 witnessed a considerable change in the number of administrative-territorial units, mostly at the primary territorial level. 128 rural Councils and 128 rural executive committees (9.9% of the total), 37 township Councils and 37 township executive committees (66.1% of the total) were phased out. At the basic territorial level, 2 city Councils and 2 municipal executive committees (16.7% of the total) were eliminated. During the period from April 2010 to March 2014 the total number of administrative-territorial units decreased by 167 units (11.2%) - from 1495 to 1328.

It is important to note that the regions significantly vary in size, environmental and demographic conditions, production and socioeconomic potential, as well as the established settlement system. The districts (rayons) and the rural Councils in each region vary considerably both in terms of population and area. With the average size of one district being 1.76 thousand sq. km, 10 regions cover the territory of up to 1 thousand sq. km., and 15 - more than 2.5 thousand sq. km.

The current system of administrative-territorial units of the basic level (districts and cities of regional subordination) and primary level (rural Councils) does not correspond to the optimal size determined by the formation of market relations, enhancement of social focus on governance, increasing role of scientific and technical progress and educational level of the population, as well as the development of democratic processes at local level. In this regard, further improvement of the administrative and territorial organisation of the country should be considered as one of the main priorities for the implementation of the public administration reform on local level.

As it has been already mentioned, there are two co-existing independent systems of local government in each administrative-territorial unit: local self-government system and the system of local governance. The elected local representative bodies (local councils of deputies) are accountable to citizens and responsible to them. The Councils of Deputies do not have their own executive bodies. Bodies of local government (executive committees) are formed by higher government bodies; they are accountable to them and remain under their control. Both representative and executive local authorities are included in the system of state power.

The Law on Local Government and Self-Government in the Republic of Belarus assigns general and exclusive competences devoted to local councils. It also contains a description of features of the competence of local councils at various territorial levels. In accordance to the national legislation and the Constitution of the Republic of Belarus, the local Councils of Deputies within the limits of their competence approve local budgets and performance reports, approve socio-economic development programmes of the territory under their jurisdiction, determine the procedure governing the management and disposal of municipal property, impose local taxes and

fees (tax on the ownership of dogs, resort fee and a charge from purveyors) and call local referenda. These powers are enshrined in the Constitution and are within the exclusive competence of the local councils. However, in practice, these powers become a formality, since the major role in addressing the above mentioned issues is played by local executive committees. Besides, the local Councils of Deputies do not have the authority to influence the appointment of employees of the executive committees, and have very limited supervisory powers in relation to the activities of local executive committees.

The Constitution and the Election Code determine that the local Councils of Deputies shall be elected for the period of four years at three territorial levels: primary (settlement and village councils, Council of Deputies of a city of district (rayon) subordination), basic (Councils of Deputies of a district and cities of regional subordination), regional (regional Councils and Minsk city Council of Deputies). The Electoral Code specifies the minimum and maximum numbers of the deputies in Councils on each territorial level. Thus, there may be from 11 to 15 deputies in a rural Council on primary level, from 15 to 25 deputies in the township and city Council. On basic level, the number may go from 25 to 40 in district and city Council, whereas on the regional level there can be from 40 to 60 deputies in regional (oblast) Councils and Minsk city Council.

The exact number of deputies for each Council is determined by a decision of the Council adopted at the session, held in accordance with the law, within a period of not later than 4 months before the date of the next election. A decision of the council sets the number of electoral districts within the territory under the jurisdiction of the council. Due to the fact that the Belarusian elections to local Councils are held by a majority system in single-member constituencies, the number of districts on the territory of the Council corresponds to the future number of deputies in the Council.

The total number of deputies in local Councils is steadily declining from election to election. Thus, in the result of election of 2 March 2003, 23,469 deputies were elected. On 14 January 2007 the number of the elected deputies was 22,639. The last election was held on 23 March, 2014. In accordance with the official data of the Central Electoral Commission on Elections and National Referendums, 18,809 deputies were elected to 1,328 local Councils, including 14,118 deputies to 1,193 Councils at primary level, 4,279 deputies to 128 Councils at basic level and 412 deputies to 7 Councils at regional level. Thus, the overall numbers of deputies of local Councils in 2014 decreased by 11.6% in comparison with 2010 and by 19.9% in comparison with 2003 (see Table 15 below).

Table 15: Number of deputies of local Councils and their distribution by territorial levels

Level of representation	Number of deputies							
	2003 Number (%)	2007 Number (%)	% in 2007 (compared to 2003)	2010 Number (%)	% in 2010 (compared to 2007)	2014 Number (%)	% in 2014 (compared to 2010)	% in 2014 (compared to 2003)
Regional level	398 (1.7%)	415 (1.8%)	104.3	415 (1.9%)	100	412 (2.2%)	99.3	103.5
Basic level	4 719 (20.1%)	4 649 (20.5%)	98.5	4 535 (21.3%)	97.6	4 279 (22.7%)	94.4	90.7
Primary level	18 352 (78.2%)	17 575 (77.6%)	95.8	16 338 (76.7%)	93.0	14 118 (75.1%)	86.4	76.9
Total number of deputies of local Councils	23 469 100%	22 639 100%	96.5	21 288 100%	94.0	18 809 100%	88.4	80.1

The above mentioned change in the number of deputies is connected with considerable diminution of the total number of local Councils of Deputies (in 2003 1,672 local Councils were formed, in 2007 - 1,581 local Councils, in 2010 – 1,495 local Councils and in 2014 – only 1,328 local Councils). It is important to note that the presidents of local Councils as well as the specialists of these Councils are considered to be civil servants. They perform their duties on regular basis. The staff members of local authorities have the status of the State civil servants.

At the end of 2011, in accordance with the official statistics, there were 70,612 persons engaged in the state government system, of whom 29,670 (42%) worked on local and regional levels; 56,232 persons had the status of civil servants, of whom 22,785 of them worked on local and regional levels (40.5%).

The majority of the civil servants (22,512 people or 98.8% from the total number) worked in local executive committees (de-concentrated State bodies) and only 273 people (1.2 %) worked in local Councils. In 2015 the local Councils had only 270 civil servants (1.4 % from the total number of the civil servants working in public authorities on local/ regional level) and 398 other employees (1.6 % from the total number of the employees working in public authorities on local/regional level).

Table 16: Number of employees and civil servants in local government

Category	Number of employees and civil servants							
	2012 Number (%)	2013 Number (%)	% in 2013 compared to 2012	2014 Number (%)	% in 2014 compare d to 2013	on 01 July 2015	% in 2015 compared to 2014	% in 2015 compared to 2012
Staff members of local Councils of Deputies, executive committees and administrative agencies	29 670 (100%)	29 009 (100%)	97.8	25 401 (100%)	87.6	24 646 (100%)	97.0	83.1
including civil servants	22 785 (76.8%)	22 703 (78.3%)	99.7	19 211 (75.6%)	84.6	19 220 (78.0%)	100.1	84.4
Employees in the local executive committees and administrative agencies	29 264 (98.6%)	28 603 (98.6%)	97.7	25 012 (98.5%)	87.5	24 248 (98.4%)	97.0	82.9
including civil servants in the local executive committees and administrative agencies	22 512 (98.8%)	22 430 (98.8%)	99.6	18 949 (98.6%)	84.5	18 950 (98.6%)	100.0	84.2
Total number of employees in the local Councils of Deputies	406 (1.4%)	406 (1.4%)	100.0	389 (1.5%)	95.8	398 (1.6%)	102.3	98.0
including civil servants in the local Councils of Deputies	273 (1.2%)	273 (1.2%)	100.0	262 (1.4%)	96.0	270 (1.4%)	103.1	98.9

It should be noted that the proportion of women elected in the local Councils of Deputies is always high. In 2003, women accounted for 44.4% of deputies of local councils, in 2007 - 45.7%, in 2010 - 45.5% and in 2014 - 46.3% from the total number of the members of local Councils.

At the same time, 86.4% of employees had higher education at the end of 2011, 89.5% - at the end of 2013, and 91.6% - in the mid of 2015. However, it should be noted that this growth rate is

not only the reflection of an improving educational level of the employees. It is also connected with partial reduction of the personnel in local governing bodies, including those servants who had no higher education. Our analysis shows that the number of civil servants decreased from 19,697 to 17,609 for the given period.

Table 17: The distribution of the local civil servants by education and sex

		Number of local civil servants								
Date		2012 (on 01.11.2011)			2014 (on 01.11.2013)			2015 (on 01.07.2015)		
Education of local civil servant	Total	Women / Men		Total	Women / Men		Total	Women / Men		
		No. of	percent		No. of	percent		No. of	percent	
Higher education	19 697 86.4%	13 750 5 947	69.8 30.2	17 202 89.5%	12 366 4 836	71.9 28.1	17 609 91.6%	12 828 4 781	72.8 27.2	
Secondary special education	2 736 12.0%	2 501 235	91.4 8.6	1 794 9.3%	1 643 151	91.6 8.4	1 460 7.6%	1 339 121	91.7 8.3	
Do not have a higher and secondary special education	352 1.5%	336 16	95.5 4.5	215 1.1%	208 7	96.7 3.3	151 0.8%	149 2	98.7 1.3	
Total civil servants	22 785 100%	16 587 6 198	72.8 27.2	19 211 100%	14 217 4 994	74.0 26.0	19 220 100%	14 316 4 904	74.5 25.5	

However, figures about the high educational level of servants taken alone say little about their professionalism in the local government, their knowledge of specific subjects of local importance and methods of solving various issues, their style and quality of work.

Belarus currently lacks coherent and comprehensive education and training for local elected representatives, civil servants and/or citizens who decided to work in local government bodies. In spite of the needs for experienced managers and professionals on local and regional levels, the Ministry of Education has excluded the subject “Municipal Law” from university curricula. At the same time, some Universities introduced Master program on “State Administration”. The Academy of Public Administration under the President of the Republic of Belarus is also trying to fill the existing gaps by offering short-term training sessions for local officials. However,

these activities are not sufficient; they do not allow responding to all LGs needs in the field of the organisation of training of their staff.

Article 59 of the Law on Local Government and Self-Government sets out the organisation of supervision (control) over the activity of local authorities. In accordance to the mentioned Article, higher representative and executive bodies of both local (councils and executive committees), and central government (the National Assembly and the Government) have the right to cancel decisions taken at a lower level.

The President can also cancel and suspend the decisions of lower-level local governments. The same practice is applied to orders of heads of representative and executive local authorities. In accordance with the mentioned Law (Part 2, Article 59), bills and regulations adopted by local authorities are subject to legal review. However, this procedure is carried out by structural units of these same local authorities or their parent bodies. Supervision over the activities of local government and self-government is also carried out by the prosecutor's office (at national, regional, district and municipal levels).

It has to be noted that public finance management is still one of the most closed and conservative spheres in Belarus. During the period of 2012-2015, no significant action was taken regarding fiscal decentralisation. The principle of subsidiarity is still not implemented at regional and local levels. Fiscal capacity and autonomy of local authorities in decision-making process remain rather limited. Local budgets are perceived as vertical components of the state budget system, they are strongly subordinated to the central budget.

The degree of the centralisation in the local financial management remains very high. The consequences of this centralised policy are the following: insignificance of local taxes, lack of local fiscal autonomy, chronic shortage of own incomes in comparison with the local expenditures. Belarus is still far from achieving successful financial decentralisation regarding the assignment of revenues and expenditures, financial equalisation, municipal loans, asset management, local financial autonomy and tax authorities.

The Budget Code of Belarus is largely based on the idea of strict state regulation in the financial and budgetary areas at all levels of state and local authorities. The Code leaves little freedom to local authorities in financial and budget planning and uses a regulatory approach in the assessment of budgetary needs of municipalities. The State renders financial assistance in this case only to those municipalities, the income of which is insufficient to cover the expenses planned by the government. On the one hand, such a system deprives successful municipalities of the incentives to increase budget revenues, on the other – it generates dependency among financially weak municipalities.

The State exercises control not only over the legitimacy of budget spending, but also over “reasonableness” of expenses of the local authorities. Almost all transfers from higher levels of

the budget system are targeted and cannot be used by local authorities for any other purpose, even when due to the effective work of the local authorities the target has been achieved at lower costs than initially planned.

The Budget Code pays little attention to local budgets. It is explained by the fact that the concept of subordination of all levels of the government, applied in Belarus, includes local authorities in the central government system. In this regard, all the rules that determine the order of the central government in the financial and fiscal areas apply to local self-governments, and this eliminates the need for special regulation of these entities under the Budget Code.

Up to now expenditure functions of local authorities at primary level are extremely limited, and the main expenditure assignments are concentrated at the higher levels of governance. The vast majority of local government expenditures are concentrated on oblast (regional) level. Moreover, expenditure assignment system in Belarus has not been formed; differentiation of assignments has not been fully developed and fixed in the legislation. Over the last 10-15 years the number of local taxes and fees in local budgets has been significantly reduced. The share of these taxes was reduced from 10 per cent to 3 per cent in t local budgets. Besides, the local authorities cannot regulate tax rates and determine tax base independently. Nowadays mobile taxes are dominating in the structure of local budgets. They are profit tax (PT), personal income tax (PIT), tax on incomes and other taxes which depend upon an economic environment in the region. It creates big budgetary risks and instability for local budgets' formation.

Among all EaP Countries Belarus strongly lags behind the countries with advanced tools and methods of financial equalisation as it still has no transparent formula for horizontal equalisation which would allow for measuring the transfers for local government objectively.

In Belarus the communal property is a subtype of state property. It can be confiscated and redistributed by the central and higher-level authorities in an administrative procedure. In accordance with Article 13 of the Constitution, “Mineral resources, waters and forests are the exclusive property of the State. Agricultural land is owned by the State.”

During the period of 2012-2015 there has been little progress in financial (budgeting) decentralisation in Belarus. The World Bank point out in its Public Financial Management Performance Report that the sub-national governments (SNGs) derive revenue from three main sources⁷³:

- Shared national taxes are the largest financing item and contribute roughly 60% of sub-national revenue;
- Transfers from the central government, including both block and earmarked grants, make up another 35%;

⁷³ Report № 89737-BY on Republic of Belarus: Public expenditure and financial accountability (PEFA) // Public Financial Management Performance Report// June 2014. Europe and Central Asia Region, the World Bank

- The remaining 5% come from own-source taxes and non-tax revenue.

All significant tax bases, including VAT, personal income tax, property taxes and CIT, remain under the control of the central government, but the revenue is shared with oblast governments, that in turn share these revenues with the districts (rayons) and rayon subordinate towns.

The Budget Code sets out a formula for allocating transfers which is, however, not implemented in practice due to its complexity and high demands on data. The formula was simplified but is still in its pilot phase and is being run concurrently with the existing system. The existing state financial management system remains centralised, very conservative and closed for general public.

3.4. Georgia

Georgia is a democratic republic with a population of around 4.45 million inhabitants. The country suffered from the armed conflict in 2008 that broke out between Georgia and the breakaway regions, South Ossetia and Abkhazia, supported by the Russian Federation. There were 236,000 displaced persons (from Abkhazia and South Ossetia) according to 2012 figures given by the Internal Displacement Monitoring Centre. It has to be noted that EU and most UN Member States do not recognise the existence of either South Ossetia or Abkhazia as independent entities, and consider them to be under Georgian sovereignty. Their status is defined by the Law on the Occupied Territories.

The country is administratively divided into 2 autonomous republics (avtonomiuri respublika), 9 regions (mkhare) and 69 local government units (municipaliteti), including 64 municipalities and 5 self-governing cities - the capital city Tbilisi, which has a special status, Rustavi (industrial city adjacent to Tbilisi), Kutaisi (city now hosting the national Parliament), Batumi and Poti (two Black Sea ports). The municipalities consist of three organs: the Council (Sakrebulo) is its representative and by function the legislative organ; the City Hall (Gamageoba) is the local administration and is headed by a Mayor (Gamagebeli) who is its executive organ.

Since 2012 the Government of Georgia considers decentralisation as one of key priorities of its political agenda. Thus, a working group had been established under the Ministry of Regional Development and Infrastructure (MRDI) in order to prepare the appropriate decentralisation legal acts. On 27 November 2012, the MRDI issued the order № 117/N aimed at creating the Council of Advisors for Development of Self-governance and Regional Policy (consisting of over 70 experts and representatives of the civil society organisations, lawyers, economists, etc.) to implement decentralisation process. In 2013, the Government of Georgia also adopted a document on Key Principles of the Strategy for Decentralisation and Development of Self-

governance of the Government of Georgia for 2013-2014⁷⁴ which was developed with the support of the European institutions.

In September 2013, the Government of Georgia submitted to the Parliament a draft Organic Law containing Local Self-Government Code that was developed in accordance with the Key Principles of the Strategy for Decentralisation and Development of Self-governance of the Government of Georgia for 2013-2014. This law was adopted by the Parliament on 5 February 2014 and differs significantly from the original⁷⁵. Some original Articles and provisions widely supported by civil society organisations and experts (e.g. those related to citizens' participation matters) were either changed or removed. Despite these limitations, the adoption of the Local Self-Government Code was an obvious progress and a step towards decentralisation.

The Code combined several legal acts that used to regulate local self-governance matters. Its enactment led to repealing the following laws:

- The Organic Law of Georgia on the Local Self-Government;
- The Law of Georgia on the State Supervision over Activities of Local Authorities;
- The Law of Georgia on the Capital of Georgia - Tbilisi;
- The Law of Georgia on the Property of a Self-Governing Unit.

The Local Self-Government Code comprises of eight sections, 22 chapters and 197 Articles. Section I (Local Self-Government) incorporates chapters on General Provisions, Administrative - Territorial Organisation of Local Self-Government, and Powers of Municipality. The Section II (Municipal Bodies) includes chapters on Representative Body of Municipality, Executive Body of the Municipality, and Administrative-legal acts of municipality and its officials. The chapters of the Section III (Tbilisi – the Capital City of Georgia) stipulate the Status of the Capital City, Representative Bodies of Tbilisi Municipalities, Executive Body of Tbilisi Self-Government (system of executive bodies of Tbilisi self-government), and Territorial Body of Tbilisi City Hall – Tbilisi District Gamgeoba. The Section IV covers matters on the Participation of Citizens in Implementation of Local Self-Governance. The Section V (Budget of Municipalities and Economic Fundamentals) contain chapters on Budget of Municipalities, Municipal Property, Creation of property of Municipality, and Privatisation of Municipal property and transfer under rights of use. The Section VI (State supervision and auditing of activities of Municipal Bodies. Direct state governance) stipulates aspects of the State Supervision of Activities of Municipal Bodies, Audit of Activities of Municipal bodies, and Direct State Governance; Dissolution,

⁷⁴ <http://static.mrdi.gov.ge/529dd6a60cf276b73b39d87d.pdf>

⁷⁵ Provisions related to the selection of public self-governance body in the villages were deleted from the final version of the code. The first attempt to introduce this system under a separate law failed in May 2013 as an author of the bill of code parliamentary committee on regional policy and self-governance (E. Tripolski, G. Zhorzholiani) withdrew the bill. It was decided to incorporate the law in the new Self-Government Code. However, G. Zhorzholiani took out the question from an agenda. Instead, an article was added to transitional provisions according to which the government was to submit a bill on additional civil engagement mechanisms to the Parliament by the end of 2014” http://www.osgf.ge/files/2015/Publication/local_democracy_development_report_english_final_2.pdf

Suspension of activities and Early Termination of authorities of Municipal Council and Gamgebeli/Mayor. The Section VII (Regional Advisory Council) includes chapter on Status and Authority of Regional Advisory Council. And finally, the Section VIII (Transitional and Conclusive provisions) presents transitional and conclusive provisions that clarify matters pertaining to local self-government elections and terms of office, territorial optimisation of municipalities, measures to be implemented to enforce present, separation of revenues between budgets, training of local public officials, transitional period of validity of legal acts, and so forth.

The most significant reform under the new LSG Code was the direct election of mayors (gamgebelis) granting them greater legitimacy. The Code also highlights the optimisation initiative, pointing out that to ensure management optimisation; a municipality can be divided into administrative units. Territory of an administrative unit covers one or several settlements within the self-governing community. In a self-governing city administrative unit is a part of a settlement. Local NGOs report that “optimisation has not taken place even in the self-governing cities. Pilot optimisation programmes have not been implemented. The reform was limited to the separation of cities from municipalities. Both governmental entities (the city and the municipality) remain in their former centres, which undermines the process of territorial optimisation. Whether the optimisation process is completed or not will depend on the political will of the Government”⁷⁶.

The provisions of the Code regulate the creation and authority of Regional Advisory Councils (RAC) at regional levels. The Regional Advisory Council consists of Mayors (Gamgebelis) of all relevant municipalities, chairman of the Municipal Council and deputy chairman of the Municipal Council. They are authorized to:

- Review projects, programmes and cost-estimates that are going to be implemented by the state on their relevant territory upon a recommendation of the state trustee - the Governor;
- Review the social-economic development strategy of the territory of the Governor’s authority;
- Develop recommendations for the state trustee - the Governor - in the process of elaborating and implementing the respective territory development plans.

It is important to note that these Councils do not possess any public function and are merely consultative bodies to the Governor of a province. Overall, in 2013-2014, the Government of Georgia developed and introduced a number of legal acts aimed at improving self-governance milieu. Thus: in March 2014, the Government issues the Decree № 515 on Separation of Municipalities and Establishment of Self-Governing Communities – Municipalities; in May 2014, the MRDI introduced the Resolution № 363 on Rules for Redistribution of Property and

⁷⁶ “Two Years in Government: Georgian Dream’s Performance Review”, ISFED, May 2015

Responsibilities between Municipalities; in June 2014, the Government of Georgia approved the Resolution № 384 on Approving Interim Rules for Redistribution of Budgets, Budget Incomes and Payments to the End of 2014 for New Municipalities Created in accordance with Article 152 of the Organic Law of Georgia on the Local Self-Government Code.

In July 2014, the Government also enacted the Law on Civil Safety which liquidated, as of 10 January 2015, all emergency management agencies, fire brigades and/or rescue services operating under the management of local self-governing authorities. The Local Self-Government Code brought important improvements in the field of fiscal/financial decentralisation. Thus, it authorises municipalities to:

- Prepare and submit draft budgets to the Municipal Council for approval as well as draft amendments to the budget; ensure fulfilment of the approved budget within their competence;
- Pursuant to the Budgetary Code of Georgia, based on the rules set by the Municipal Council make decision on allocation of funds between budgeting classification items and codes of the spending institution without introducing changes to the approved budget of the self-government unit;
- Take loans (on behalf of the municipality and by the consent of the Municipal Council), in accordance with the Code and other legislative acts of Georgia.

The Local Self-Government Code defines the following forms of transfers to local budgets:

- equalisation transfer which is a sum allocated to a municipal budget from the state budget;
- capital transfers are defined as transfers from one budget to another for the purpose of implementation of a targeted capital project, which is related to the increase of the non-financial assets of the transfer recipient;
- targeted transfers are made from one budget to another for the purpose of financial support of the delegated powers. Capital and targeted transfers are: from the state budget to a municipal budget; and from the budget of an Autonomous Republic to the relevant municipal budget;
- special transfers are allocated from the state budget, or from the budget of an Autonomous Republic to a municipal budget for the elimination of consequences (damages) of natural calamities, environmental or other disasters, hostilities, epidemics and other emergencies, as well as for the implementation of other measures by the municipality.

Revenues from the equalisation transfer are used by the municipality at its own discretion, in order to exercise its authorities. It is noteworthy that municipalities getting equalisation transfers from central budget are obliged to consult with the Ministry of Finance on spending scope and priorities. The government developed a system to evaluate projects submitted by municipalities (infrastructure project have higher priority), although there is no benchmarking mechanism

against performance and results, just technical certification procedures for physical infrastructure projects. The recipients reported that whenever municipalities are sending projects to the MRDI, the ministry has always the right and power to decide which projects are to be financed.

Activities of Governors and of regional administrations are financed from the central budget. Regions receive funds from delegated transfers, Village Development Fund, Regional Development Fund, the Reserve Fund, and Municipal Development Fund and from subsidies. Regional authorities are composed of employees that are paid from the central budget and dispose with the funds for the development for municipalities. Regions are included in the system of financial equalisation and can use other funds and bank loans.

A report produced in May 2015 by a group of NGOs indicates that despite the Local Self-Government Code determines types of properties to be transferred under local governance ownership; the Government of Georgia had not started any property transfers to municipalities so far. Moreover, the public is unaware of mechanisms be used by the government to implement the shared income tax system.

The Law on Civil Service⁷⁷ (Article 16) stipulates the basic requirements for local self-government servants. Any citizen of Georgia, who has completed secondary school, reached 18 years and knows the state language of Georgia can enter the local self-government service. Education requirements vary depending on position and grade. According to the Government's Decree № 143 of February 2014, secondary education is a minimum requirement for positions of specialists and other lower grade positions. The same Decree stipulates additional qualification requirements which can be set by the heads of agencies or their supervisors. Thus, upon the restructuring of an agency resulting in a reduction of staff, the head of the agency can introduce by a normative act additional qualification requirements applicable to civil servants of this agency.

Besides, Transparency International⁷⁸ and International Society for Fair Election and Democracy (ISFED) produced a report on the cases of massive dismissals of civil servants that took place in 2012 and 2014⁷⁹ at the central and local levels. ISFED stated that new staff had been hired as interim civil servants, in order to dodge on competition. As a result, the Government developed guidelines for holding competitions to regulate hiring practices. Nevertheless, further legislation improvements are still necessary to create an independent and impartial public administration system. According to the Law on Civil Service⁸⁰, a public competition on a vacant civil service position is announced on the webpage administered by the Civil Service Bureau and – facultative - in an official printing body. Candidates are given 10 days from the publishing date to submit all

⁷⁷ http://csb.gov.ge/uploads/Law-of-Georgia-on-Civil_Service.pdf

⁷⁸ <http://www.transparency.ge/en/post/general-announcement/dismissals-civil-servants-tbilisi-city-hall-allegedly-political-grounds>

⁷⁹ <http://www.isfed.ge/main/900/eng/>

⁸⁰ http://csb.gov.ge/uploads/Law-of-Georgia-on-Civil_Service.pdf

relevant documents. Based on a decision of the President of Georgia or local self-government agency, a competition can be announced to fill certain positions within the agency, except the cases covered by Article 30 of the Code. At the same time, the following groups of civil servants can be appointed without competition:

- a) Civil servants, appointed or elected by the President, the Parliament, the Chairman of the Parliament or the Prime Minister;
- b) Civil servants elected by the supreme representative bodies of the Autonomous Republics of Abkhazia and Adjara;
- c) Deputy Ministers, assistants and advisors to the Minister;
- d) Temporary substitutes;
- e) Temporarily acting civil servants;
- f) Acting officials for the position that should be filled only through competition;
- g) Civil servants – in case of promotion;
- h) Civil servants – in case of transfer to another structural subdivision of the agency if the positions have the same requirements⁸¹.

In the Georgian Civil Service, individual employment contracts are signed in accordance with the requirements of the Labour Code of Georgia, which may result in a possibility of non-equal remuneration between civil servants and public employees contracted by the labour legislation⁸².

A maximum amount of fee for sakrebulo officials is determined under the resolution of the Government of Georgia. According to 2014 data, official fee for sakrebulo chairpersons was 2 650 GEL per month (compared to national average wage of around 930 GEL in 2015), for deputy chairpersons - 1 700 GEL per month and for chairpersons of sakrebulo commission and factions – 1350 GEL. In addition, as noted earlier, expenses related to discharging of official powers of sakrebulo municipal council members are compensated under the regulations of sakrebulo. As demonstrated by official records requested by ISFED, such expenses are often compensated for sakrebulo officials⁸³. Compensations of expenses related to the work of a sakrebulo member have the following two key components:

- for attending sakrebulo meetings and participating in the work of sakrebulo agencies; and
- for meetings in constituencies and executing orders of sakrebulo and sakrebulo chairperson.

In some municipalities only a total monthly amount of compensation is provided, without segregated amounts for meeting in constituencies or executing orders of sakrebulo chairperson or any other responsibilities. In some cases, the amount for compensation is excessively segregated – for instance, Kareli municipality is the only with extremely narrow compensation regulations. For instance, regulations provide specific amounts for compensating sakrebulo members for

⁸¹ http://csb.gov.ge/uploads/Law-of-Georgia-on-Civil_Service.pdf

⁸² <https://idfi.ge/public/migrated/uploadedFiles/files/Remuneration%20of%20civil%20servants.pdf>

⁸³ <http://www.isfed.ge/main/790/eng/>

attending meetings. These amounts differ depending on meeting venues. In particular, member of sakrebulo receives 100 GEL for attending sakrebulo meetings and participating in commissions; 250 GEL for meeting constituents, which is further narrowed down to 100 GEL for a meeting within the premises of Kareli municipality, 50 GEL for a field meeting (no more than three meetings per month) and 50 GEL for meeting persons accountable to sakrebulo.

In case of self-governing cities (in accordance to Article 9 of Tbilisi sakrebulo Regulations), sakrebulo member receives total of 1700 GEL per month for his/her work, including: chairpersons of sakrebulo factions can provide compensation for faction members for their contributions to the work of the faction with maximum amount of 300 GEL; sakrebulo members receive 700 GEL for their work in commissions and remaining 700 GEL can be provided as compensation by sakrebulo chairperson for individual sakrebulo members for attending meetings, participating in discussions and executing orders, in each individual case⁸⁴.

It is obvious that lack of financial incentives and instability (rapid changes in the structures, complete dependence on an immediate supervisor, and the absence of knowledge transfer system) impedes the establishment of highly qualified service on a local level. Acknowledging moderate qualification of local servants the government of Georgia legally obliged all municipalities to allocate at least 1 percent of their salary funds for training and capacity building actions.

3.5. Moldova

Moldova proclaimed its independence from the USSR on 27 August 1991. According to the Constitution of 29 July 1994, the Republic of Moldova is a sovereign, independent, unitary and indivisible State. At the same time, the problem of Transnistria region still remains a sensitive issue.

The Government of Moldova explicitly acknowledges that decentralisation represents an essential item on the State reform agenda. The goal is to provide quality services to women and men equitably – including the rights of persons from vulnerable groups – through building autonomous and democratic local governments, able to manage efficiently their responsibilities.

Nowadays, based on the recent amendments to the Law № 764 of 27 February 2001 “On the Organisation of Local Government in the Republic of Moldova (which were introduced in the period of 2012-2013), Moldova is divided into:

- 873 first-tier administrative units: 823 communes (1384 villages in the frame of the communes); 50 towns (32 district residence towns and 18 towns);

⁸⁴ <http://www.isfed.ge/main/790/eng>

- 35 second-tier administrative units: 2 Municipalities (Chisinau and Bălți); 32 Rayons and Districts; 1 Autonomous Territorial Unit (Gagauzia).

Article 4 of the mentioned Law has changed the status of Chisinau and Bălți municipalities. It stipulates that "Administrative-territorial organisation of the Republic of Moldova is done on two levels: villages (communes), sectors and cities (municipalities) constitute the first level; districts (rayons), Chisinau and Bălți municipality constitute the second level". The legal framework of the Autonomous Territorial Unit of Gagauzia (ATU of Gagauzia) is governed by Article 111 of the Constitution and by Law No. 344-XIII of 23 December 1994 on the special legal status of Gagauzia (Gagauz-Yeri) and other statutory instruments of the People's Assembly of Gagauzia (Halc Topluşu), which must not be incompatible with the Constitution and the laws of the Republic of Moldova.

It has to be noted that the procedure of organisation and functioning of governments in territorial and administrative units is established and regulated by the Law № 436 of 28 December 2006 on Local Public Administration. Thus, the mentioned Law № 436 stipulates the following:

1. Local public authorities through which is performed local autonomy in villages (communes), towns (municipalities) are local councils, as deliberative authorities, and mayors as executive authorities;
2. Local public authorities through whom local autonomy in districts (rayons) is realised are the district councils, as deliberative authorities, and district chairmen as executive authorities;
3. The local councils of first and second levels and mayors are elected under the Electoral Code (Article 5).

In 2013 the following amendments have been introduced to the Law № 436:

- on the organisation of the working sessions of local councils (Art. 13);
- on the introduction (in the list of the "basic competences of local councils") of the new competence on the creation of the position of the Community mediator in compactly or mixed localities populated by the Gypsies (Art. 14, point "y");
- on early termination of the counsellor's mandate in the cases of the absence without good reason during three consecutive meetings of the council (Art. 24);
- on introduction of the new competence of the mayors concerning the registration of the trolleybuses, cyclo-motors, other machines used for construction or agriculture works, which are not subject of the registration (Art. 29, point l).

In 2012 the Chapter VII "Public administration of Bălți municipality" was also completed by the following Articles: Article 591 "The public administration authorities of Bălți municipality"; Article 592 "Coordination of the public administration authorities' activities of Bălți municipality"; Article 593 "Convocation of Bălți Municipal Council".

In the period of 2012-2015 the local public authorities of the second level received additional competence on the maintenance of primary schools and primary-kindergartens schools, gymnasiums and high schools, institutions of secondary vocational education, boarding schools and boarding school with special regime, other institutions in the field of education which serve the people of the district, and the methodical activity, other activities in the field.

As for regional development, the Law № 438 of 28 December 2006 on regional development in the Republic of Moldova defines the Development Region as a territorial-functional unit, which represents the planning, evaluation and implementation framework for the regional development policy. The country was divided by the mentioned Law into six development regions (North, Centre, South, Autonomous Territorial Unit of Gagauzia, Chisinau Municipality and Transnistria) which are not considered as administrative regions (Article 3 of the Law № 438). Article 8 of the mentioned Law stipulates that the Regional Development Agency is constituted within each development region. It is a legal entity which operates according to its Regulation.

The National Decentralisation Strategy which was approved by the Law № 68 dated 5 April 2012 represents an essential document for LSG reform realisation. The Strategy establishes the main objectives for further decentralisation of the power in line with the principles of the European Charter of Local Self-government. In the framework of the Strategy implementation, the methodology on local public administration capacities estimation was prepared in order to concretize the material, human and financial capabilities of the local authorities for the fulfilment of their responsibilities. The Strategy institutional framework was also established in order to allow the realisation of the following actions:

- Approval of the nomenclature of the competences of the LPAs of the first and the second tiers;
- Creation of the Intercommunity (Inter-municipal) Cooperation mechanism (by the decision of the Government № 549 of 07/09/2014);
- Formation of working groups in the ministries to deal with sectoral decentralisation;
- Technical assistance and/or advice in the preparation of policy documents on sectoral decentralisation by the Ministry of Health, Education, Environment and the Ministry of Labour, Social Protection and Family;
- Development of a methodology for implementation of Gender Equality and Human Rights Principles in Local Development Policies as well as application of these principles in practice;
- Adoption on 3 July 2015 by the Parliament of the Law № 131 on Public Procurement (it should come into force from 1st May 2016). This law is targeted at the harmonisation of the national legislation with the European Commission Directive. 18/2004/ EC as well as at the implementation of the commitments fixed in the Association Agreement and the Agreement on Free Trade Area between Moldova and the European Union;

- Adoption by the national Parliament on 7 December 2013 of the Law № 204 amending the Law № 121-XVI of 4 May 2007 on the Management and Privatisation of Public Property in order to approve the mechanism for delimitation of public property, including fields and stocktaking of public property, and to insure clear and predictable transfer of ownership;
- Approval by the decision of the Government № 476 of 04 July 2012 of the standard procedures and conditions for selecting private partners in the realisation of public-private partnership projects;
- Creation of a governmental portal on vacant public jobs – www.cariere.gov.md (by the decision of the Government № 1022 of 16 December 2013) in order to improve transparency and facilitate citizens' access to public positions in all public authorities, including LSG bodies.

The National Decentralisation Strategy also provides for three main building blocks of financial decentralisation: strengthening of the revenues of local authorities; reforming the system of transfers and shared taxes; and strengthening the autonomy and financial management at local level. By consequence, the Law № 267 of 1 November 2013 introduced the amendments in the Law № 397-XV of 16 October 2003 «On Local Public Finances» and the Tax Code dated from 24 April 1997.

It has to be noted that according to the existing legislation framework, Moldova is a unitary State with two levels of government. Sub-national governments consist of 38 middle-tier jurisdictions (rayons), excluding Transnistria, and almost one thousands of local governmental units (villages, municipalities, cities, and communes). Each sub-national government has a separate operational and capital budget documents.

These budget documents are aggregated at the national level into the State Budget and the Social Fund (in the general governmental accounts). Sub-national spending is funded mostly by transfers/block grants from the central government⁸⁵. The following legislative acts were approved after 2012 in order to improve the budget system and the budget process in the Republic of Moldova are:

1. Law № 181 of 25 July 2014 “on Public Finance and Fiscal Responsibility;
2. Law of 2 December 2014 amending ding the Law № 847-XIII of 24 May 1996 on Budgetary System and Budgetary Process and the Law № 397-XV of 16 October 2003 o Local Public Finances;
3. Law of 12 February 2014 amending ding the Law № 489-XIV of 08 July 1999 on State System of Social Insurance and the Law № 1585-XIII of 27 February 1998 on Payment of the Compulsory Health Insurance;

⁸⁵ Boris Morozov “Republic of Moldova: 20 years of independence and experiments with public finance system“

4. Law № 267 of 1 November 2013 amending the Law № 397-XV of 16 October 2003 on Local Public Finances and the Fiscal Code № 1163-XIII of 24 April 1997. This law introduced a new system of drafting the local budgets, applicable in all administrative-territorial units since 1 January 2015⁸⁶;
5. Law № 47 of 27 March 2014 amending the Tax Code № 1163-XIII of 24 April 1997 in order to grant to local authorities the right to independently establish mechanisms to administer four local taxes: spatial planning tax (for farmers), tax on dog owners, parking tax and salubrity tax);
6. Law № 71 of 04 December 2015 amending the Fiscal Code in order to extend the taxable base of some taxes, including the tax on publicity and publicity devices;
7. Amendments in the Law № 419-XVI of 22 December 2006 concerning public sector debts and introducing State guarantees as of 1 April 2015 in order to ensure better coordination of the LGs activities with the Ministry of Finance with regard to foreign credits from international financial institutions;
8. Law on Public Finances and Fiscal Responsibility № 181 of 25 July 2015, which determines the legal framework of public finances (fiscal principles and rules; the budget calendar; budgeting process; rights and responsibilities in public financing etc.).

According to this Law, local executive authorities of all levels have to prepare appropriate drafts of their respective local budgets including indicators achieved in the last two budget years, expected results for the current budget year, a budget proposal for the next fiscal year and estimations for the following two years. To implement this law the following new rules have also been legislated:

- Methodological norms of the cash execution of the budgets of the national public budget through the treasury system of the Ministry of Finance (Order of the Minister of Finance № 65 of 15 May 2015);
- Plan of accounts in the budgetary system and Methodological norms on accounting and financial reporting in the budgetary system (Order of the Minister of Finance № 66 of 15 May 2015).

⁸⁶ http://www.mfa.gov.md/data/9386/file_502127_0.pdf

Table 18: Percentage of own LG/RG revenues (without and with shared taxes) from total revenues in 2012 and in 2014

	without shared taxes, %		with shared taxes, %	
	2012	2014	2012	2014
own LG revenues from total revenues	25	17	48	31
own RG revenues from total revenues	9	8	48	32
	2012		2014	
earmarked grants to total amount of grants LGs	1		2	
earmarked grants to total amount of grants RGs	0.4		1	

Enforcement of the above mentioned legislation was reinforced by the creation of a new Financial Management Information System at the Ministry of Finance (FMISMF); which integrates a set of financial management tools in order to enhance efficiency and transparency of financial management process and public expenditure control as well as to streamline the budget planning processes at all budget levels.

As it has been already underlined, the new system of the ATU budgets formation which was introduced in Moldova since 1 January 2015. Moldova created 896 ATU of the first tier and 35 ATU of the second tier. By consequence, the local authorities have full freedom to administer their financial resources (own income, transfers with general destination and breakdowns from individual's income tax) according to the percentage shares established by the Law "on Local Public Finances".

The new system is aimed at stimulating local governments' own revenue collection through two mechanisms. Firstly, the local authorities' expenditures are limited only by the level of income actually obtained and not that estimated at the central level (as it was the case in the past). Thus, the more revenue local authorities collect the more additional possibilities to spend for local development they have. Secondly, fiscal capacity per capita indicator is only calculated based on the revenue from individual income tax. Therefore, improved collection of own revenues does not influence the equalisation amounts received by the ATU, which creates an additional reason for local authorities to use the new formula. However, the experts observed several important gaps remaining after the introduction of the new system and in particular the lack of financial support for covering the needs in the social and cultural fields.

Now, the Government and the Ministry of Finance support the organisation of extensive training for public authorities at central and local levels on the application of the new FMIS budget planning for the 2016 – 2018 period. A new training methodology focuses on the provision of additional skills necessary the ATUs of the second level to develop and to approve their budgets on the basis of financial management tools and performance indicators in 2015; and for the ATUs of the first level – in 2016.

Last municipal elections were held in Moldova in June 2015. Thus, 898 mayors, 1,116 district councillors and 10,564 village/municipal/city councillors have been elected.

According to the Law № 239 of 13 November 2008 on Transparency in Decision Making Process, (Article 11), consultations with citizens, organisations and other stakeholders have to be ensured by the relevant public authority responsible for the organisation of the decision making process through: public debates, public hearings, referendum, requests for experts' opinions, creation of permanent or⁸⁷ ad-hoc working groups with the participation of the civil society representatives” .

In 2012 the Government adopted the Regulation № 188 of 03.04.2012 on Official Internet Web Sites of Public Administration Authorities. In 2014 80% of local authorities of the second level had official web sites but only 7 % of local authorities of the basic level (mainly cities – rayon's centres) had them. "Open Government Index 2015" Report underlines that Moldova has a specific law in the field of information, consultation and citizens' participation in public life. At the same time, only 44% of the population is aware of this legislation that guarantees access to public information held by the authorities.

The legal status of local public service is regulated by the following legislative acts:

- the Civil Service Law № 158 of 2008 that regulates the civil service and sets out its vertical and horizontal scope;
- the Code of Conduct for Public Servants (Law № 25) of 22 February 2008;
- Law № 793 of 10 February 2000 on Administrative Litigation;
- Law № 317 of 18 July 2003 regarding normative acts of the Government and other authorities of central and local public administration;
- Law № 435 of 28 December 2006 on Administrative Decentralisation ”;
- Law № 436 of 28 December 2006 on Local Public Administration”.

According to the data which was collected and analyzed by the local expert, the total number of civil service employees represented 42,764 in 2014 which was a slight increase compared to 41,568 in 2012.

⁸⁷ <http://lex.justice.md/md/329849/>

Table 19: Breakdown of local civil servants by sex

	2012		2014	
	men	women	men	women
Total functions and positions / employees	22203	19365	23351	19413
	53.4%	46.6%	54.6%	45.4%
Civil servants	14740	13857	14874	19096
	51.5 %	48.5%	43.8%	56.2%
Local civil servants	5068	2808	5030	2747
	65.5 %	49.4 %	64.7 %	35.3 %

The mentioned Civil Service Law contains two Articles (37 and 38) regulating the issues of civil servants professional development. Article 37 of the Civil Service Law obliges civil servants to update their skills, setting a threshold of 40 training hours per year. Public authorities have to commit 2% of their payroll to training. Article 38 grants specific rights to civil servants to attend the training courses.

At the same time, the number civil servants undergoing training in 2014 decreased by 54.5% compared to 2012.

According to SIGMA’s 2012 peer review⁸⁸, the training objectives are achieved once a civil servant receives at least 40 training hours per year. However, the data collected by the local expert from open sources indicate that this objective is still not achieved for many civil servants, in particular at local level.

The Study Team observe little positive changes in 2015 with the implementation of the first stage of local public finance reform.

3.6. Ukraine

The Constitution of Ukraine (1996) and the 1997 Law on Local Self-Government are based on a distinction between “local communities” (hromada – citizens of village, town, city) and “administrative and territorial units”. In 2014 11,520 local councils represented 27,210 villages and settlements; around 200 villages and towns were integrated into 64 city councils of regional (oblast) significance and about 1,000 were integrated into city councils of district (rayon) and republic significance. The Constitution of Ukraine defines 24 oblasts as well as the Autonomous

⁸⁸ <http://www.sigmaxweb.org/publications/ParradoDiezS-CS-Professionalisation-Nov2014.pdf>

Republic of Crimea, the cities Kyiv and Sevastopol which have a special status. The status of the city of Kyiv is regulated by the Law on the Capital of Ukraine – the Hero-city Kyiv which was adopted in 1999. The city is divided into 10 districts (rayons) and its population is about 2.63 million inhabitants.

It should also be noted that since 2014 the territory of the Autonomous Republic of Crimea and the city of Sevastopol are occupied by the Russian Federation while parts of the territories of Donetsk and Luhansk regions are occupied by separatist organisations – “Donetsk Popular Republic” and “Luhansk Popular Republic”.

The recent armed conflict in the Eastern Ukraine had a very negative impact on social and economic situation of the whole country. According to the United Nations Office for the Coordination of Humanitarian Affairs (OCHA), the number of documented deaths caused by the war was at least 8,050 as of August 2015, 2,500 of them being civilians⁸⁹. By April 2015, the war had caused at least 1.3 million people to become internally displaced within Ukraine. In addition, more than 800,000 people had fled Ukraine.

Administrative and territorial division of Ukraine is characterized by a number of problems. Ukraine with its nearly 28,000 municipalities is one of the most fragmented countries in Europe⁹⁰. This fragmentation leads to decreasing financial autonomy, low quality of public services in small municipalities, lack of possibility to manage issues of local significance of municipalities etc. As a result residents of small communities do not have access to high-quality services in their communities and have to address their needs to district/city authorities or higher.

There is lack of clear differentiation between concepts of local communities (hromada) as a social term and as a part of administrative and territorial division of the state⁹¹. According to Article 140 of the Constitution a local community (hromada) is defined as “residents of a village or a voluntary association of residents of several villages into one village community, residents of a settlement, and of a city”. According to this Article residents of each of the 28,000 settlements can establish a municipality. There is no clear procedure to do that but during the last years, despite the decreasing population of Ukrainian, the number of local councils increased. At the same time this legal confusion leads to another problem: lack of ubiquity of local self-governance.

We have to stress that the current administrative and territorial division of Ukraine is not well structured. ATUs have a number of enclaves and exclaves, territory of one unit can contain territories of smaller units where local councils are functioning as well. This situation leads to

⁸⁹ "Humanitarian Bulletin Ukraine". OCHA (1, 01 - 31 August 2015). August 2015

⁹⁰ Tolkovanov Vyacheslav, Intermunicipal Cooperation as a Modern Tool for Local Self-Government Development in Ukraine. // Actes du colloque "Vivre et travailler dans les espaces a faible densite", les 29-30 novembre 2012, IADT, Clermont-Ferrand, pp. 223-227

⁹¹ Tolkovanov Vyacheslav “La mise en oeuvre du nouveau systeme de l’autonomie locale en Ukraine”. These de doctorat (droit public), Universite Robert Schuman de Strasbourg III, 2006, 405 p.

overlapping of functions and competences of different levels of local self-government, misusing of local resources, conflicts etc. Both municipal and district (rayon) levels have huge disproportions in terms of population and territories. For example, the population of the smallest Ukrainian district is around 7 thousand, and that of the biggest district is more than 180 thousand. The same situation exists at municipal level. This causes disproportions in quality of public services that residents of different territorial units of the same level can expect. In addition, the costs of services with lower quality are dramatically higher. Moreover, 92% of rural territorial communities have populations below 3,000 inhabitants and almost 11% communities – below 500 inhabitants.

It should also be noted that after “Euromaidan” and Yanukovich’s departure in February 2014 decentralisation became a high priority topic on political agenda of the new Government and the democratic coalition in the Verkhovna Rada (Parliament of Ukraine). Thus, on 1 April 2014 the Government approved by its Regulation № 333-p a new Concept of the Reform of LSG and of Territorial Organisation of Authority in Ukraine.

This Concept should be realised in two stages. At the first stage (2014) it was planned to:

- create legal framework for voluntary amalgamation of territorial communities with State support foreseen for 5 years and aimed at developing infrastructure and transport accessibility;
- regulate the legal framework of the administrative and territorial division (structure);
- model administrative-territorial units in regions and finalise proposals of a new administrative and territorial system;
- ensure constitutional basis for the establishment of executive bodies of oblast (region) and rayon (district) councils and to distribute competences of LSG bodies and local State administrations;
- organize information and awareness raising campaign about the reform of LSG and territorial organisation of power;
- form (in legal terms) LSG bodies on the new territorial basis.

These objectives were achieved only partly (creation of the legal framework for the amalgamation of the territorial communities and creation on its basis of 159 new amalgamated communities; adoption in the first reading of the amendments to the Constitution of Ukraine in the part referring to the decentralisation of power, information and public awareness campaign about LSG reform).

At the second stage (2015-2017) it is planned to:

- unify and standardise administrative and social services to be delivered to population by LSG bodies in accordance with the principle of maximum services accessibility, and ensure the legal framework for its adequate funding;

- hold local elections based on the reformed system of LSG bodies;
- ensure institutional re-organisation of LSG bodies according to the new territorial basis and competences;
- improve the system of territorial planning and provide newly established communities with territorial planning schemes and general plans.

Significant efforts were undertaken by different stakeholders (in particular the President, the Government and the Parliament) to prepare the necessary amendments to the Constitution with regard to the decentralisation of power.

On 31 August 2015 the Parliament passed in the first reading, by 265 to 226 majority, the draft law № 2217 on Amendments to the Constitution of Ukraine in Terms of Decentralisation of Power. The draft had been previously seen by the Constitutional Court which ruled on 31 July 2015 that it was consistent with the Constitution of Ukraine and not aimed at liquidation of Ukraine's independence or violation of its territorial integrity. However to change the Constitution at least 300 votes necessary.

According to its explanatory note, the draft amends certain provisions of the Constitution in terms of administrative and territorial structure. In particular, it reads that the territory of Ukraine is divided into communities, being primary units in the system of administrative and territorial structure of Ukraine. Also, the draft provides for separation of powers in the system of local self-governments and their executive bodies at different levels based on the principle of subsidiarity, which corresponds to the principles of the European Charter of Local Self-Government. It provides for the establishment of local self-government executive bodies within communities, being accountable to community councils. Community chairman presides at council meetings and heads the community local self-government executive body. District councils and regional councils in their turn elect corresponding chairmen from among their members, to head the executive committee.

Material and financial scope of local self-government is introduced. In particular, it is determined that such a scope comprises land, movable and immovable property, natural resources, and other objects being in the communal property of a territorial community; local taxes and fees, some state taxes and other revenues of local budgets. In order to ensure that local authorities comply with the Constitution and laws of Ukraine the institute of prefects is introduced. According to the bill, a prefect is appointed and dismissed by the President of Ukraine upon a submission by the Cabinet of Ministers.

On 17 June 2014 the Parliament adopted the Law № 1508-VII “on Cooperation of the Territorial Communities which determines a legal basis of Inter-municipal Cooperation (IMC), principles, forms, mechanisms of such cooperation, its stimulation, financing and control. This Law determines the cooperation between territorial communities as relations between two or more territorial communities, which are performed on a contract basis in the forms determined by the

Law for the purpose of ensuring social, economic and cultural development of the territories, improvement of the quality of services delivering to the population on the basis of common interests and the purposes, effective implementation by LSG bodies of the competences determined by the law. The Law foresees five main forms of IMC (Article 4), i.e.:

- delegation of one or several tasks to one cooperating entity by other cooperating entities, together with a transfer of appropriate resources;
- implementation of joint projects, which entails coordination of cooperating entities and accumulation of resources by them for a specified period of time, with the objective of joint implementation of appropriate measures;
- joint financing of municipal-owned companies, institutions, organisations and infrastructural objects, by the cooperating entities;
- creation of joint municipal companies, institutions and organisations by cooperating entities;
- creation of joint management bodies by cooperating entities, for joint execution of the authority determined by law.

According to the information from the Ministry of Regional Development, Construction, Housing and Municipal Economy of Ukraine, by the end of 2015 thirty one IMC projects have already passed the procedure of official registration and were included in the relevant State Register (managed by the Ministry)⁹².

On 5 February 2015 the Parliament adopted the Law on the Voluntary Amalgamation of the Territorial Communities. According to this Law, perspective plans of municipalities' amalgamation were developed and adopted. Despite of sceptical vision that municipalities would not initiate voluntary amalgamation, the process has started quite actively. As a result, 159 merged municipalities representing 794 former hromadas were formed by October 2015. The New LSG bodies of these communities were elected in the last local elections of 25 October 2015.

This relative success of amalgamation and IMC can certainly be attributed to a number of incentives foreseen in the tax and budget codes and other legislation. For example, Article 24-1 of the Budget Code in force since January 2015 completes the provisions on the regional development fund offering additional resources to support economic development projects, which should further convince municipalities that are reluctant to envisage mergers or co-operation. The new legislation also includes measures aimed at sparing the sensitivities of the smallest local authorities and maintaining a fine coverage of the territory through the creation of authorities with 'starosta'⁹³ status.

⁹² www.minregion.gov.ua

⁹³ Starostas are former mayors of the territorial communities which were amalgamated. They are integrated now in the system of executive power of the new amalgamated communities under the authority of the new elected Mayors.

Concerning the distribution of the competences, it should be noted that own competences and responsibilities of LSG bodies are fixed by Article 26 of the Law on Local Self-Government dating back to 1997. The system for allocating powers is fairly complex. It makes a distinction between the different organs of authority (council, executive body, mayor) and between its own and delegated powers. The list of competences is quite significant but the Ukrainian legislation does not ensure the principle of subsidiarity: local authorities can execute only those functions prescribed directly by legislation.

In accordance with Article 19 of the Constitutional bodies of state power and bodies of local self-government and their officials are obliged to act only on the grounds, within the limits of authority, and in a manner envisaged by the Constitution and other laws. Article 144 of the Constitution proclaims that the rights of local self-government are protected by judicial procedure. At the same time, the Constitution stipulates that local authorities can address issues of local significance but the definition of the latter or explanation of what is covered by that notion do not exist in the Ukrainian legislation. This situation does not correspond to Article 4 of the European Charter of Local Self-Governance that proclaims the following: “Local authorities shall, within the limits of the law, have full discretion to exercise their initiative with regard to any matter which is not excluded from their competence nor assigned to any other authority”.

It is important to note that the Ukrainian Constitution of 1996 does not define clearly the notion of regional self-government. At the same time, oblasts (regions) and rayons (districts) councils are included in local self-government system; they represent common interests of local (city, village, settlement) communities. There are rayon and oblast councils which, being in theory bodies of local self-government, do not possess any real power neither financially nor organisationally (they do not have their executive bodies responsible to them). As a result, they are totally dependent on the State local administrations. Besides, the oblast and rayon councils can delegate some of their powers to bodies representing the State – local state administrations – in accordance with the Constitution and the national legislation. In this case, local state administrations are accountable to rayon and oblast councils. These arrangements made the system very confusing.

To make the picture even more complex there are some contradictions between provisions of different normative acts regulating LGs activities. In particular, there are contradiction between basic law on Local Self-Government and sectoral legislation, i.e. legislation on land, construction, architecture and other issues. In addition, a number of practical barriers exist limiting the right of local authorities to execute their full responsibility for local development with full discretion, in particular a lack of professional and experienced staff, a weak financial base of local communities and weak capacities of local governments to execute their functions. Also the absence of a clear division of the competences between State authorities and the LSG bodies is observed, which may give rise to overlapping or duplication in the exercise of powers.

From 2012 till the end of 2014 the financial situation of local and regional authorities did not see any serious changes. A number of problems in local finance system of Ukraine were identified by interviewed representatives that are similar to those existing in previous years. The revenues of local budgets were quite significant and represented 7.1% (2012) and 6.5% (2014) of GDP (without inter-budgetary transfers). But taking into account that GDP per capita in Ukraine is quite low the respective revenues of the local budgets cannot cover the needs of local communities. More than a half of local budgets expenditures (56.4% in 2014) consist of transfers from the state budget. This dependence of local budgets on state authorities grew during the last several years. However, the local authorities interviewed underlined that these financial resources did not cover all delegated competences of local authorities; around 20% of public services are underfunded.

The structure of local budgets consists of own taxes and charges, share of state taxes and inter-budgetary transfers. The key role in the structure of local earnings is played by personal income tax that represented more than 60% of all revenues (without inter-budgetary transfers). At the same time it should be mentioned that rural areas and small communities did not benefit from this tax as it is only gathered in the communities where the taxed persons worked. Thus, only big and developed communities could receive significant share of financial resources from personal income tax.

During the 2012-2014 period, the share of own taxes in the revenues of local budget increased very slowly; it is represented only 8% of revenues of local budgets in 2014 (without inter-budgetary transfers). In 2012 there was an attempt to introduce new property tax as local one though it would concern only a small part of private physical persons property, in addition it was not foreseen that local authorities could influence the share of the tax. The equalisation system was not transparent enough.

The overall situation of local revenues system was characterised by a number of restrictions and limits imposed by the national legislation and the central Government. Local authorities did not have enough competences to regulate and administer even local taxes. The administration of taxes itself was complicated and resource-consuming. Moreover, making use of own resources was problematic for the LSG as these resources were administrated by the central treasury. This situation led to significant delays in payment of local expenditures. At the same time local authorities did not have the right to open bank accounts in private or state banks even for own taxes and charges. Access to capital was limited.

Nevertheless, the situation started to change considerably since 2014. By the adoption of the new Budget and Tax Codes in December 2014, a considerable progress has been achieved in the area of financial decentralisation. The key innovations are the following:

Increasing of financial resources of local authorities through establishment of new local taxes and increasing share of state taxes:

- Property tax is introduced for residential and/or non-residential property. Local communities have the right to decide on property tax rates and tax relief at their discretion in relation to location (zoning) and other criteria. Tax rate may not exceed 2% of the minimal wage per square metre (24 UAH per square meter, from December 2015 – 26 UAH). In 2014, local budgets received 45 million UAH from property tax. In 2015, tax revenue is expected to amount to 400 million UAH (around 14 million EUR);
- Local increment for excise tax is introduced for retail companies that trade in excisable goods. The tax is paid into local budgets, where retail outlets selling excisable goods are located. The rate is 5% of the value of excisable goods (with VAT) starting from 1 January 2015 irrespective of whether local councils adopted relevant decisions, because the Tax Code sets a single rate of 5%. In 2015 the Ministry of Finance expects local budgets to receive about 8.1 billion UAH of excise tax;
- 60% of personal income tax will stay in cities of regional significance, districts and merged communities, 15% - in the regions, and only 25% will go to the state budget;
- 10% of profit tax will stay in the regions.

Competences of local authorities to regulate of and administer local taxes were enhanced. For example, local authorities are now authorised to increase/decrease tax rate (property tax), they can open bank accounts in banks (not only in the state treasury) to gather local taxes and charges etc. Land tax has become a local tax, local authorities received the right to regulate its rate, introduce exceptions in the borders of their settlements and beyond.

The equalisation system has changed dramatically. A new formula of horizontal equalisation system based on local revenues has been introduced. Both poor and rich communities receive incentives for development. Poor communities (with revenues below 90% of country's average) will receive 80% compensation of the expenditures to cover their needs through subsidies. Communities with revenues from 90% to 110% of country's average will not be subject to either compensation or deduction. And communities that earn more than 110% of country's average will be a subject to deduction of 50% of the excess.

Local budgets planning system has been decentralised: local authorities are now fully responsible for their budget planning instead of having local earnings and expenditures planned by the Ministry of Finance.

Incentives for mergers of local communities were introduced. Merged communities have the same taxes as cities of oblast significance; in addition they will have direct relations with state budgets (instead of rayon budgets). System of state subsidies is distributed according to objective criteria. Responsibility of ministries for sectoral development was increased by introduction of sectoral grants for education, healthcare, training of regular labour force and social system.

The principles of formula-based calculation of grants according to introduced sectoral service delivery standards (for services guaranteed by the state) and their financing norms per user were

introduced. Though until the list of services is not approved and standards are not developed in social sectors (for example, education, health etc.) the principle cannot be fully implemented.

At the same time, for small local authorities, for example villages that do not intend to merge the new tax and budget system is less favourable. But this step was made by the Government to stimulate administrative and territorial reform in the country and introduce incentives for merging.

According to the National Reform Council information, as a result of the legal changes in the first half of 2015 local budgets have increased by 37% in comparison to the same period of 2014. According to information of the analytical centre of the Association of Cities of Ukraine own resources of local budgets increased threefold; the number of subsidized local budgets decreased from 96% in 2014 to 74% in 2015; the number of local budgets-donors increased from 3.7% to 15.2%. Also 182 cities received the right to carry out foreign borrowing (previously only 16 cities could do this).

In conjunction with fiscal decentralisation reform, the Government and the Parliament started to implement new basis for regional development policy. Thus, the Law on Principles of Regional Policy № 156-VIII was adopted on 5 February 2015. It defines the main legal, economic, social, environmental, humanitarian and organisational principles of the state regional policy. According to the Law, the state regional policy is determined by a number of strategic documents, i.e.:

- State Strategy for Regional Development of Ukraine which is developed in the long term perspective (7 years) and is approved by a decision of the Government;
- Regional development strategies which are prepared by the State (oblast and rayon) administrations for the duration of the state strategy of regional development. These documents should define objectives, priorities and main problems of socio-economic development of the respective regions as well as stages and mechanisms of their implementation; monitoring and evaluation system implementation;
- Action Plan on the Implementation of the State Strategy of Regional Development of Ukraine as well as actions plans for the realisation of the regional strategies.

Among other important decisions on regional development, we have to stress the following:

- Resolution № 195 of the Cabinet of Ministers of Ukraine "Using Resources of the State Regional Development Fund in 2015" of 18 March 2015;
- Resolution № 196 of the Cabinet of Ministers of Ukraine "Certain Issues of the State Fund of Regional Development for 2016" of 18 March 2015.

It is important to note that the Ministry of Regional Development, Construction, Housing and Municipal Economy of Ukraine as the key authority for the implementation of the decentralisation reform demonstrates strong will to introduce project-based approach concerning the financing of regional projects in connection with the approved regional strategies and development priorities of the respective territories. The possibility to interfere in the distribution

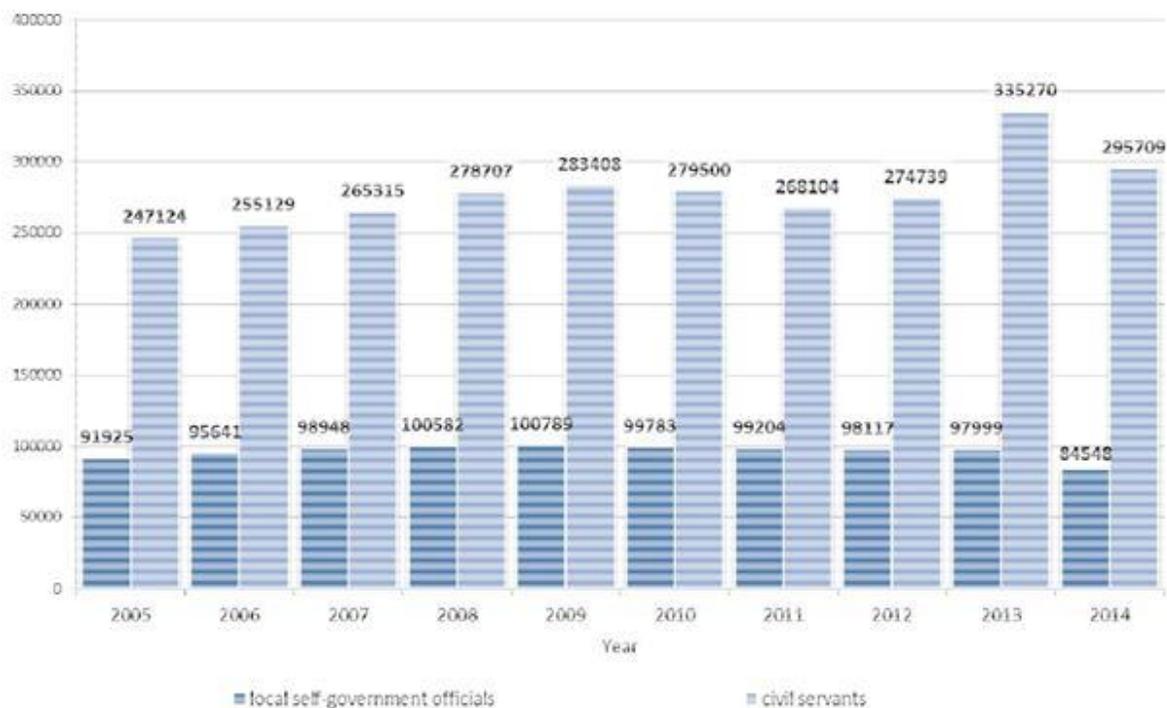
of funds by the Government is totally limited; there is no possibility to distribute funds among regions voluntarily. In addition, some schemes were introduced that is devoted to invest more funds to under-developed regions. The Government decided to use the Fund to support merged communities as well as further realisation of IMC projects. In 2015 the Fund amounts to 3 billion UAH; it is planned that in 2016 it will amount to 4.7 billion UAH.

That status of local civil servants is regulated by the Law on Service in LSG Bodies of 2001 and is in principle similar to the general civil service, while taking into account some specific features and the structure of local self-governance bodies. In both cases public service is a professional activity that should be conducted without political interference. The numbers of civil servants of LSG bodies are determined by the apparatus of the relevant council and its executive bodies. All other workers of public sector, including education, health sectors, police etc. are not a part of the service of local self-governance bodies. The total number of servants of local self-governance bodies in 2014 was 84,548 (without information on AR Crimea, city of Sevastopol and occupied territories of Luhansk and Donetsk oblasts). At the same time, as Figure 15 shows, the total number of the State civil servants amounts to 295,709. During the last years the number of servants has slightly decreased. In accordance with the Figure 16, women working in the State civil service and the service in LSG bodies (red colour) represented in 2014 75 % (285 243 persons) of the total number (380257) of the civil servants (green colour), and men (blue colour) – only 25 % (95 014 persons).

The Constitution of Ukraine (Article 38) recognises equal rights of all citizens to join the state and local self-government civil service. At the same time, as the Figure 16 shows, more than 75% of total numbers of servants in local self-governance bodies are women.

The Law on Service in LSG Bodies regulates legal, financial and social conditions of the holders of not elected positions in local self-government bodies (procedure of appointment, ranks and categories, general salary and retirement conditions). It also stipulates the scope of authority for the officials of local self-governments and legal protection during the service in local self-governments. However, there is no sufficient control mechanism over local self-governments to check the local normative act concerning civil service for compliance with the Law on Service in LSG Bodies.

Figure 15: Dynamics of the total numbers of the State civil servants and local civil servants⁹⁴



The procedure of selection and appointment of servants in local self-governance bodies are based on an open competition. However, this procedure is quite complicated and lengthy especially taking into account anticorruption requirements and checks before appointment of selected public servant. Because of that combined with low prestige of public service and uncompetitive conditions the number applicants is very limited. At the same time there are cases of corruption and abuse of power in the process of recruitment.

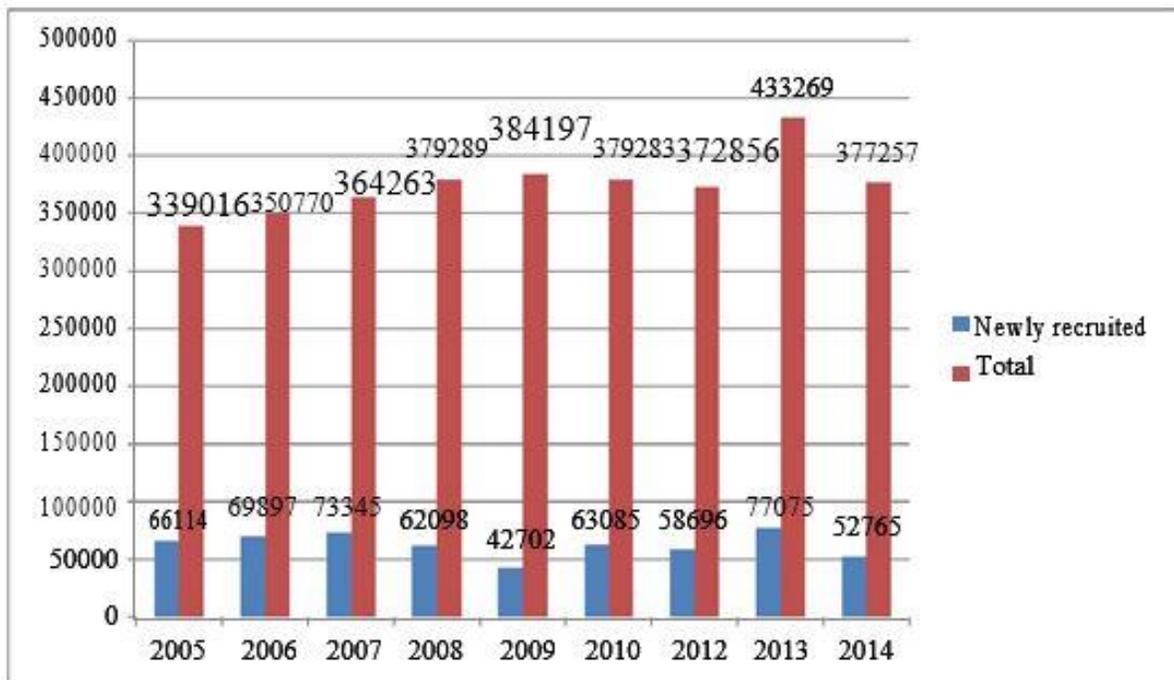
In 2014 only 57% of local servants were recruited on the basis of competition. Promotions through unjustified managerial decisions and under political pressure are not uncommon. As a consequence, the proportion of management staff is already too high (26 % in 2014) vis-à-vis the number of specialists (74 %) at central and local bodies of state executive power. In local self-government the proportion is even higher (42% to 58 % in 2012).

⁹⁴ Source: Civil Service in Figures – 2015. National Agency on Civil Service of Ukraine, Kyiv, 2015

Figure 16: Breakdown of the State civil servants and local civil servants in LSG bodies by sex⁹⁵



Figure 17. Number of the recruited State civil servants and local civil servants from 2005 till 2014⁹⁶

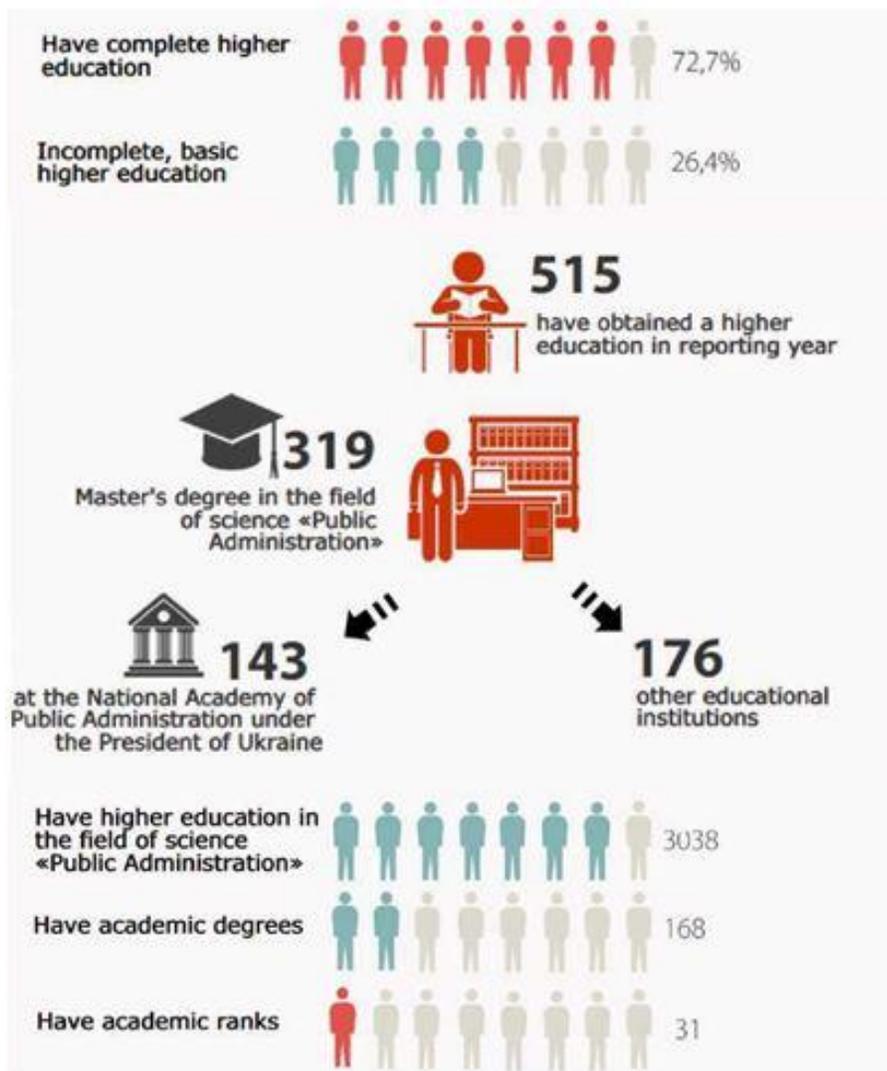


⁹⁵ idem

⁹⁶ Civil Service in Figures – 2015. National Agency on Civil Service of Ukraine. Kyiv, 2015. Detailed data for 2011 were not published.

According to the relevant programmes that are financed mostly from the state budget but also partly from local budgets public servants have to increase their competence through the national training system. The system is coordinated by the National Agency on Civil Service as well as the National Academy of Public Administration under the President of Ukraine. Public servants can increase their competence only in state-owned institutions⁹⁷. In 2014 around 8,000 local civil servants participated in such training.

Figure 18: Education level of the local civil servants⁹⁸

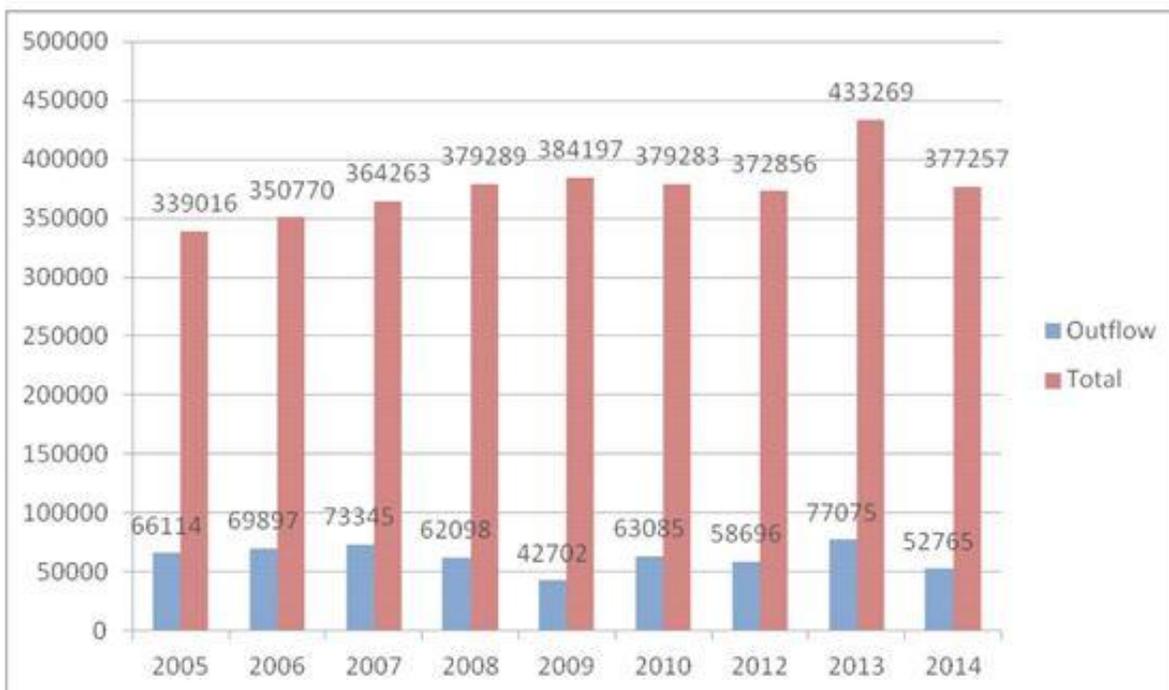


⁹⁷ Tolkovanov Vyacheslav, Innovative Tools for Improvement of the National Training System of Ukrainian Civil Servants and Local Self-Government Officials// Scientific Journal of Petro Mohyla University. Mykolaiv, № 169, 2012, p. 7-11

⁹⁸ Civil Service in Figures – 2015. National Agency on Civil Service of Ukraine. Kyiv, 2015 // www.nads.gov.ua

It should be noted that the salary level for public servants is quite low and in general is not competitive. The level of staff turn-over is quite high and fluctuated at around 10% in last couple of years (Figure 19)⁹⁹.

Figure 19: General number of the resigned State civil servants and the local civil servants from 2005 till 2014¹⁰⁰



All these and other problems require a modernisation of the national legislation on public civil service (State civil service and service in LSG bodies)¹⁰¹. In this regard, the Parliament approved in November 2015 the new Law on Civil Service, which aims at improving the functioning of the State administration, but is also expected to have positive impact on the service in LSG bodies. According to this Law, top civil service appointments will no longer be divided between political parties under a quota system, but will be made via transparent competition - a special commission will first vet candidates before the Cabinet makes the final decision. The commission will consist of social activists, along with representatives of the Parliament, the President, the Government, the head of the National Anti-Corruption Bureau, and members of

⁹⁹ Civil Service in Figures – 2015. National Agency on Civil Service of Ukraine. Kyiv, 2015 // www.nads.gov.ua

¹⁰⁰ Civil Service in Figures – 2015. National Agency on Civil Service of Ukraine. Kyiv, 2015. Detailed data for 2011 were not published.

¹⁰¹ Tolkovanov Vyacheslav, Public Administration Reform in Ukraine: main objectives, current status and problems to be solved// Public Policy and Economic Development: scientific journal. - Mykolaiv, 2011, № 2, p. 5-12

trade unions. The law is also expected to help depoliticise the civil service - there will be a difference between political and administrative positions.

This Law will enter into force on 1 May 2016 and the respective amendments to the Law on Service in LSG Bodies should be prepared meanwhile.

4. Main Conclusions And Recommendations

It is important to note that all EaP (except Belarus) suffered from armed conflicts since the dissolution of the USSR in 1991. These conflicts have not been fully solved, which creates serious problems for the organisation of an effective government system in particular regions/territories of the respective EaP countries. This report (as well as other analytical materials) indicates that the self-government situation and progress in the realisation of the public administration reform differs significantly across EaP countries.

However, there are also some other common problems that can be addressed and discussed on the Eastern Partnership forum. Strong local government should be seen as a key element in efforts to ensure stability and sustainable development of the EaP region and be recognised as such by all state bodies. National debates on the benefit of decentralised government should be stimulated. Comprehensive decentralisation strategies should be developed in all EaP countries, based on a clear definition of the role of local and regional governments shared by all main stakeholders (national Government, Parliament, local authorities, national associations etc.). In this regard, two sets of recommendations – general and country specific- are herewith proposed by the Study Team.

4.1. Main EaP ‘regional’ issues

The data in the Table 1 and Figure 1 clearly indicate that there are many common problems in the region; the most important of them are discussed below.

- 4.1.1. Optimum size of LSGs is being debated in the EaP Countries in the context of the necessary and/or ongoing reforms. At this moment the situation differs significantly across countries. Georgia implemented an important administrative and territorial reform a few years ago; Ukraine is going to realise an important amalgamation process of its territorial communities; at the same time Belarus is still the example of a country with much amalgamated LSGs. There is no optimum size of LSGs, but too small or too big units may be counterproductive both in terms of the quality of local democracy and in terms of economies of scale. In this connection one of topics that could be covered by the PAR

Panel would be a comprehensive discussion about pros and cons of amalgamation versus fragmentation – such a discussion should lead to evidence based national decisions. This

discussion should also address the issue of inter-municipal co-operation. In this regard, it will be important to collect, to analyse and to disseminate best national practices in the field of IMC development.

4.1.2. Another debated issue is that of regional self-government. It exists formally in three countries (Belarus, Moldova and Ukraine) but the functionality and also institutional protection of this level is rather limited.

4.1.3. Concerning the legal basis for LSG most countries should still improve the constitutional protection of LSGs, make a clearer distinction between own and delegated responsibilities in the national legislation and harmonise legal framework regulating LSG level. The following specific objectives should be taken into consideration while drafting/amending the national legislation:

- to reduce overlapping responsibilities and vest, whenever possible, the local authorities with exclusive tasks;
- to increase decentralisation of the responsibilities in the provision of utilities and basic social services on local level;
- to fix clear boundaries to the mandatory tasks/competences; to introduce clear standards in service provision, which shall be consistent with the resources available.

It is also recommended to conduct an in-depth analysis of the local government legal framework in order to identify the possible internal inconsistencies and to prepare the necessary amendments to the basic and sectoral legislation as well as to plan legislative reforms in a rational and comprehensive manner and introduce them with timely implementation measures.

It is also evident that the improvement and further development of the legislative framework as well as the realisation of the capacity-building programmes for local and regional authorities are two main priorities for the implementation of the PAR on local level in all EaP countries and might addressed by the Eastern Partnership PAR Panel.

4.1.4. Training is one of the key elements in building a modern public service at the local level. In this regard, it will be necessary to offer an appropriate support (legislative, financial, institutional, technical etc.) for the development of National Training Strategies based on comprehensive Training Needs Analysis in collaboration with all main stakeholders. The realisation of the National Training Strategy should help develop training priorities and standardised curricula in core topics, to assist training providers in raising their standards and co-ordinating their approaches, to ensure provision of sufficient qualified trainers, to develop training capacity within each local authority, to increase national and local resources devoted to training, to ensure longer-term sustainability in the provision of training etc. At the same time, development of the new training activities should be realised in parallel with the

improvement of the legislative framework and strengthening the financial basis of local authorities.

The above could be supported and/or complemented by capacity-building programmes. Local public services can be improved by learning from best practice and by using techniques like fundamental performance reviews. The community participation can be improved through networking. Performance management programmes can be used to introduce the discipline of continuous improvement in service delivery. It would also be important to assess the leadership and strategic management in each local authority as well as to introduce models and standards for the effective management of the human resources.

- 4.1.5. Good governance is not just about managing better. It is about opening up new opportunities, reaching out more widely and deeply within the community, working with businesses and NGOs, cooperating with neighbouring local authorities to tackle common challenges, tackling poverty and unemployment, working across traditional boundaries. Managing such a complex institution, sustaining high standards and dealing with an ever-changing environment requires high levels of stamina and skill. This is why all EaP will require an effective leadership for further realisation of PAR on local level and decentralisation process implementation¹⁰².

Success of the implementation of the public administration reform will depend fundamentally on public trust. Without broad confidence of the public in the integrity of those they elect to represent them, and of those employed to deliver services to them, democratic institutions will falter. Ultimately, democracy will fail in societies that do not maintain reasonable standards of ethical behaviour at all levels of public life; the result will be that people become disempowered and poorer¹⁰³. In this regard, it is recommended to pay high attention to the issue related to the development of public ethical standards and an effective fight against corruption.

- 4.1.6. In all countries the right of LSGs to execute their full responsibilities for local development with full discretion is partly or very limited by the national legislation and even more so by bad practices. This is why the main practical barriers should be discussed and on such base the relevant solutions should be prepared.

- 4.1.7. Another general issue is the control and supervision. Solutions adopted in the EaP region differ from country to country and the practice can be improved everywhere

¹⁰² Modern Leadership for Modern Government. Council of Europe Centre of Expertise for Local Self-Government Reform, Strasbourg, 2013//

<https://wcd.coe.int/com.instranet.InstraServlet?command=com.instranet.CmdBlobGet&InstranetImage=2751082&SecMode=1&DocId=1991708&Usage=2>

¹⁰³ Public Ethics Benchmark. Council of Europe Centre of Expertise for Local Self-Government Reform, Strasbourg, 2009 //

<https://wcd.coe.int/com.instranet.InstraServlet?command=com.instranet.CmdBlobGet&InstranetImage=2564758&SecMode=1&DocId=1910774&Usage=2>

(the system of external audit, internal control and legality checks for own responsibilities should somehow exist everywhere). What is really lacking are effective performance auditing/ control.

4.1.8. The area where many possible improvements can be proposed is the level of fiscal decentralisation. LSGs and RSGs competences and resources shall be balanced, costs of delegated responsibilities fully covered by the state. The quality of local financial management is very basic (most respondents did not understand the notions like accrual accounting or cost centre – full costs accounting), benchmarking is not regular and its results are not publicly known. Medium term budgeting is introduced in most countries, however its performance dimension is not well implemented (the schemes introduced are too complicated and very badly executed – too many and inappropriate indicators, targets not properly measure and results not used to improve). LSGs and RSGs shall also be trained for public procurement (however, for all countries the priority is to improve public procurement systems, switching from compliance based to value for money based processes and evaluations).

4.1.9. The evident issue is the “quality” of local democracy. All stakeholders involved should be motivated and allowed to become real local actors, promoting genuine local democracy. A deeper understanding of local democracy and community participation is needed by both the public authorities at all levels and the citizens. At the same time, in all EaP Countries there are insufficient mechanisms for citizens’ participation in local public life; the role of civil society is also undervalued. In this regard, the following is recommended:

- to support the organisation of local and regional forums to develop a common understanding of democratic participation among local authorities, political parties, NGOs and the media;
- to encourage local authorities to establish active communication policies, tailored to their community’s needs and expectations;
- to invite local authorities to work closely with civil society institutions in order to deliver more effective services for the citizens;
- to promote civic education in schools and universities and through local cultural events in a way that fosters participation;
- to support the more dynamic NGOs, especially those active in promoting the participation of women and youth in local politics and

decision-making and in developing mutual understanding within multi-ethnic communities¹⁰⁴.

4.1.10. Further development of transfrontier cooperation should represent a core priority for all EaP Countries. In this regard, it is recommended to ratify not only the Council of Europe's European Outline Convention on Transfrontier Co-operation between Territorial Communities or Authorities (ETS 106, known as the Madrid Convention)¹⁰⁵ but also its three Additional Protocols. It is also recommended to remove legal and administrative obstacles to cross-border cooperation as well as to accelerate the process of the creation of the new Euroregions.

4.2. EaP countries' specific issues

4.2.1. Taking into account the analysis of the situation in Armenia and the progress made with regard to previous recommendations in the field of decentralisation, the following is herewith recommended:

1. To improve checks and balances between the central government, regional administration units (marzpetarans) and local communities. Under the current system of strong state control of marzpetarans, there is a risk of regional administrations' withstanding from the responsibility for any mismanagement (whether on behalf of their own or local communities). In other words, if something goes wrong, regional administrations have a capacity to find a scapegoat and lay the responsibility on communities. This is a serious problem that can be addressed by strengthening the system of checks and balances between the three layers, which will contribute to greater responsibility on behalf of each party.¹⁰⁶ Marzpetarans' financial (and full) dependence on central government is yet another pillar, requiring attention in order to achieve a transparent and a better operating environment;
2. To adopt a new Law on Fiscal Decentralisation;
3. To develop capacities of local authorities for fundraising. Apart from central government funds receipt, it is important to consider developing capacities, as well as providing opportunities to local authorities for alternative funding. As the analysis of the situation shows, financial resources of local communities seem to be dramatically restricted.

¹⁰⁴ Toolkit on Local Government Capacity-Building Programmes. Council of Europe, Strasbourg, 2011

//

<https://wcd.coe.int/com.instranet.InstraServlet?command=com.instranet.CmdBlobGet&InstranetImage=2565163&SecMode=1&DocId=1910750&Usage=2>

¹⁰⁵ <https://rm.coe.int/CoERMPublicCommonSearchServices/DisplayDCTMContent?documentId=0900001680078b0>

^c

¹⁰⁶ Also, a better communication mechanism in place will contribute to democratic communication circulation (among the three parties) and checks and balances.

However it remains to be important to develop local authorities' capacities in order for them to realise their competences defined by the national legislation;

4. To reinforce citizens' engagement in the policy making related to their communities. Although some progress has been made by local NGOs and international organisations, strengthening of citizen participation should always remain in the central focus of stakeholders. Assessment and monitoring of the decentralisation reform implementation by citizens should serve as an important area for engagement;
5. To review the national legislation in order to better implement the principle of subsidiarity and to allow the local authorities to regulate and manage a substantial share of public affairs under their own responsibility and in the interest of the local population; to ensure that local authorities enjoy full and exclusive powers, as autonomous actors of local public administration, and do not have these powers undermined by the central authorities;
6. To develop and implement new training programmes for local officials and elected representatives in order to increase the level of their professional competences;
7. To continue developing inter-municipal co-operation as an important stage for the improvement of the existing organisation of territorial governance and the preparation of the administrative and territorial reform;
8. To specifically focus on implementing each of the recommendations formulated by the EaP CSF Sub-group for Local Government and PAR in 2012. Armenia's progress in following these recommendations is minimal, whereas their implementation is vital for the development of the system of local self-governance and is directly linked to the development of legal and institutional framework. It will hardly be possible to implement any further steps, without having these recommendations followed in the first place.

4.2.2. Concerning the situation in Azerbaijan, the following blocks of activities are recommended:

1. Status and competence of municipalities:
 - 1.1. The legislation should provide for the norms defining the status of municipalities;
 - 1.2. In line with the principles of the European Charter of Local Self-Government, the exceptional responsibilities should be assigned to municipalities and the clear-cut division of responsibilities between local state executive bodies and municipalities should be provided.
2. Financial potential of the municipalities:
 - 2.1. Municipalities should be provided with sustainable financial sources so that they can carry out their responsibilities, and possibilities of the application of shared taxes system should be considered by making changes to the legislation;

- 2.2. Taxation mechanisms should be improved so that municipalities can make efficient use of the existing tax sources¹⁰⁷;
- 2.3. Current mechanisms of transfers from the state budget to municipalities should be improved: conditional transfers along with unconditional ones should be provided and the amount of transfers should be increased considerably;
- 2.4. Effective mechanisms should be developed to give municipality's access to credits on favourable terms; an establishment of various funds supporting the development of municipalities should be promoted.
3. Administrative supervision over the activity of the municipalities:
 - 3.1. Provisions instituting mechanisms of supervision over municipalities that contradict the principles of the European Charter of Local Self-Government should be removed from the legislation;
 - 3.2. Administrative supervision over municipalities should be carried out only to ensure the compliance of municipalities with laws and constitution and should not be used as a means of pressure on them.
4. Relations between the municipalities and the local state executive committees:
 - 4.1. A precise division of responsibilities between municipalities and the local state bodies should be introduced through a special legislative act or amendments to the existing legislation;
 - 4.2. As one of the components of removing the overlap of responsibilities in local governance, the local executive bodies should be abolished and their respective responsibilities be transferred to municipalities.
5. Property provision and inviolability of the municipalities:
 - 5.1. The state authorities should implement the law on Property Transfer to Municipal Ownership of 2000 according to which the state is supposed to provide all the municipalities with administrative buildings in a short time;
 - 5.2. The authorities should finalise the documentation of municipal property, especially of municipal lands located in the capital.¹⁰⁸
6. National associations of local authorities:
 - 6.1. Associations should be accepted as equal partners of the central government in the processes of developing state policy on local self-governance and effective legal mechanisms for such a partnership should be designed;

¹⁰⁷ "As the determination of the inventory value of real estate causes an increase in administrative costs, municipalities face difficulty with collection of physical entity property tax. Therefore, we propose to establish simplified procedures in the legislation for the calculation of physical entity property tax Annual Report on the administrative supervision exercised over local governments" (2012), from deputy justice minister Vilayat Zahirov's speech in a parliamentary (Milli Mejlis) debate.

¹⁰⁸ "Failure to issue documents to some municipalities approving their right to lands causes concerns: out of 1718 municipalities, only 1128 have documents approving their property rights, while only 1454 have been through soil consistency/earth structure so far. Relevant government bodies have been notified accordingly". "Annual Report on the administrative supervision exercised over local governments" (2012), from deputy justice minister Vilayat Zahirov's speech in a parliamentary (Milli Mejlis) debate.

- 6.2. In order to ensure the regular consultations between central government and municipalities, a consultative body should be established on a permanent (as well as public) basis;
- 6.3. Real basis should be created for national municipal associations to operate independently;
- 6.4. Associations should be held accountable before member municipalities and build their operations on the basis of transparency and accountability principles.
7. Status, working conditions and benefits of elected personnel and servants of municipalities:
 - 7.1. Sustainability of salaries and benefits to the elected members of municipal councils serving on a professional basis during their term of office should be guaranteed;
 - 7.2. The core principles of municipal service should be reflected in the law and municipal servants should be defined;
 - 7.3. The law should outline the hiring conditions to municipal service and specify the time when the status of municipal servant is granted.
8. Experienced and qualified municipal personnel:
 - 8.1. A training system of municipal staff should be established with improved curriculum and accreditation of training programmes should be carried out;
 - 8.2. Re-training courses should be provided if needed. Therefore, municipal associations and relevant state authorities should develop a mechanism to accurately and constantly assess these needs;
 - 8.3. A national strategy of retraining and enhancing the skills of municipal staff should be worked out: regional training and education centres should be established.
9. Status of Baku as the capital city and formation of the City Council:
 - 9.1. Legal barriers for the establishment of a single municipality in Baku city should be removed and a special law should be adopted to regulate the complex relations around the status of Baku city;
 - 9.2. The Election Code should outline the terms of elections to the City Council of Baku City specifying the number of elected persons depending on the type of local self-governance and representation norms of administrative units within the territory of the capital city;
 - 9.3. The law should also clearly divide the responsibilities between Baku Municipality, which should be created, and Baku City Executive Committee and regulate their relations and coordination with other state bodies;
 - 9.4. Baku Municipality should be provided with the necessary funding sources to fulfil its duties and operate effectively.
10. Organisation of regional administration in Azerbaijan:

- 10.1. To initiate a discussion regarding a transition to regional administration and possibilities of adapting the existing local governance to regionalisation for the purpose of a more efficient local self-governance in Azerbaijan.
11. Public participation and accountability:
- 11.1. Provisions on public participation and accountability in the existing legislative acts should be made more concrete and accurate and effective mechanisms of their application should be developed with a clearer focus;
- 11.2. Mechanisms of penalties in case of a breach of principles of accountability and public participation should be made more precise;
- 11.3. Recommendations formulated by the EaP CSF Sub-group for Local Government and PAR in 2012 should be fully implemented by the national authorities of Azerbaijan.
- 4.2.3. The existing local self-government system in Belarus has no opportunities to fulfil its goals of self-governance in compliance with ECLSG and the European Principles of Good Governance on Local Level. The reasons for this conclusion are the following:
- An analysis of the existing legal and institutional framework of local democracy reveals a significant deviation from the principles and norms of the European Charter of Local Self-Government: the national legislation on local self-government ignores the principle of subsidiarity; local councils are included in the system of state bodies; there is no concept of "community" as a source of self-government and its main subject; local councils do not have their executive and administrative bodies; there is a lack of financial and economic basis of local self-government, etc.;
 - Any progress in the sphere of financial decentralisation is not tangible as yet and the recommendations made in 2012 by the Sub-group on the Reform of Local self-Government and Public Administration of the EaP Civil Society Forum have been practically ignored;
 - The ongoing optimisation of ATU does not include any legally binding instruments or clear conceptual approaches and, as a result, its objectives are not transparent and understandable;
 - The evaluation of local authorities' capacities in the field of human resources proves its failure and inefficiency;
 - An analysis of the forms and procedures of citizens' participation in the preparation, adoption and execution of decisions of local authorities reveals imperfections of direct democracy instruments; absence of appropriate conditions required for citizen participation and excessive complexity of the proposed legal arrangements.

In this situation, a set of comprehensive and comprehensible measures should be adopted in order to ensure further LSG reform in Belarus in compliance with the provisions of the ECLSG

and the European Principles of Good Governance. The Study Team recommends in particular the following:

1. Preparation and adoption of the Concept of LSG Development in the Republic of Belarus:
 - 1.1. A draft Concept of LSG Development in the Republic of Belarus should be prepared in accordance to the ECLSG principles as well as a Road Map for its implementation;
 - 1.2. A public debate on the Concept should be initiated with the participation of all main stakeholders, public authorities on all levels, representatives of the scientific and educational institutions, political parties, public associations, trade unions and citizens;
 - 1.3. The Concept should be translated into a Law which should then be adopted.
2. Preparation to the ratification of the ECLSG by the Republic of Belarus:
 - 2.1. An official invitation should be addressed by the relevant authorities of Belarus to European experts to analyse the national legislation and its compliance with the principles of ECLSG;
 - 2.2. The text of the European Charter of Local Self-Government and its commentary should be officially translated into the official language of the Republic of Belarus;
 - 2.3. A number of the national, regional and local seminars for the representatives of the different target groups should be organised in order to present the results of the work of the European experts as well as to highlight the main provisions of the ECLSG and the European Principles of Good Governance;
 - 2.4. The authorities of Belarus should define which Articles and specific principles of the ECLSG the country would intend to commit to and implement.
3. Improvement and further development of the national legislation in accordance with the principles of the European Charter of Local Self-Government:
 - 3.1. Working groups should be created (with the participation of the national and the international experts) in order to prepare new legislative acts aimed at the realisation of the decentralisation reform in Belarus;
 - 3.2. The Parliament should adopt the new version of the basic Law on LSG as well as other important pieces of national legislation related to the decentralisation process, implementation of the PAR on local levels and rationalisation of the administrative and territorial organisation of the country;
 - 3.3. Recommendations formulated by the EaP CSF Sub-group for Local Government and PAR in 2012 should be fully implemented by the national authorities of Belarus.
4. Implementation of measures to ensure further stability of the democratic local self-government system in Belarus:
 - 4.1. Democratic local elections should be organised in accordance with the new legislation on local elections;
 - 4.2. A new National Association of Local Authorities should be created and its institutional capacity reinforced;

- 4.3. A National Training Strategy for civil servants, local elected representatives and other categories of the specialists working in the sphere of LSG development should be developed and implemented;
- 4.4. Criteria for evaluation of the effectiveness of activities of local councils and their members should be developed and applied;
- 4.5. A principle of transparency and openness in the work of public local authorities should be introduced and applied; different forms of direct democracy and citizens' participation in local public life should be promoted.

4.2.4. With regard to Georgia, the following is herewith recommended:

1. Amendments should be prepared as necessary to the Local Self-Government Code to ensure complete delimitation of municipality competences;
2. Legal framework supporting diverse forms of public participation mechanisms in self-governance should continue being developed;
3. Mechanisms (including shared income tax systems mechanisms) ensuring sustainability of financial independence and fiscal decentralisation of self-governing entities should be developed and enforced. These mechanisms should also be reflected in the relevant strategies and the policy papers;
4. Citizens' participation in local public life should be reinforced and a public awareness on decision making in budget preparation (including public awareness on shared income tax systems mechanisms) should be developed;
5. Rules and the procedures (including management and usage procedures) of transferring property under the ownership of local governance entities should be developed;
6. Internal business processes should be improved to ensure a timely provision of information in hard copies and in e-document formats;
7. To Human capacities of local authorities should continue being developed in order to improve the quality of municipal services to citizens;
8. Transparency of staff appraisal and HR management practices of self-governing bodies should be enhanced, thus allowing any interested party to monitor staff attestation and hiring processes;
9. A cooperation with the donor community should be continued to improve the existing transfer system (including transfer formula);
10. A proper incentive scheme should be developed to attract highly qualified workforce into civil service at local level and to reduce complete dependence on political climate change.

4.2.5. Based on the analysis of LSG development and progress in the realisation of PAR in Moldova, it can be stated that during the period of 2012-2014 years a number of significant reforms and improvements have been launched. At the same time, due to

the last parliamentary and local elections PAR implementation process after 2014 was slowed. In this context the following is recommended:

1. The existing discrepancy between the “general” legislation in the field of LSG and the sector-specific legislation should be streamlined by means of harmonisation of the latter with the new Law on Local Public Administration and with other legislative acts enhancing decentralisation
2. Institutional and financial capacities of the ATU (excepting the municipalities of Bălți and Chisinau) of the second tier should be consolidated in particular by means of identification of new sources of RGs own revenues and elaboration of new mechanisms for improvement of local taxes and revenues collection.
3. Institutional capacities of public authorities at all levels to implement the National Decentralisation Strategy should be strengthened, in particular through:
 - strengthening the capacities of sector ministries and motivating their staff to initiate and to promote further decentralisation reforms in all sectors;
 - promoting Inter-municipal Cooperation to reduce problems created by the existing territorial fragmentation;
 - reinforcing the interagency coordination, including all ministries, government agencies, local authorities and their associations which are involved in the implementation of the decentralisation reform process.

4.2.6. With regard to Ukraine the Study Team would like to encourage its authorities to continue the on-going decentralisation reform. It wishes to recommend in particular the following:

1. A completions of the constitutional reform in its part relating to the decentralisation of power should be treated as a priority objective;
2. Territorial boundaries of local self-governance bodies and executive power should be defined in order to reinforce the three-tier system of administrative and territorial structure (with 27 regions, 120-150 rayons, 1500-1800 local communities);
3. A clear division of competences should be set between the local self-governance bodies of different levels (hromada, rayon and oblast). At the same time, the competences which are the most vital for peoples’ life should be transferred to the levels closest to the people following the principle of subsidiarity;
4. A clear division of competences should be set between the LSG bodies and local state administration bodies. The latter should transfer most of their competences to local self-governance bodies and retain only control functions;
5. The fiscal decentralisation reform should be continued with a particular focus on the implementing each of the recommendations formulated by the EaP CSF Sub-group for Local Government and PAR in 2012;

6. The accountability of LSG bodies to the citizens of the respective hromadas should be reinforced. People will become aware that the quality of the local power operation will depend on their voting. So the quality of life will depend on the residents themselves;
7. Standards for services delivery and its financing should be developed with particular focus on education, health, and other social services. Full implementation of these standards into the state transfers/subsidies mechanisms will ensure consistent access to public services throughout the whole territory of Ukraine. This step will stimulate optimisation of social infrastructure, spending resources for increasing quality of services instead of maintenance of public utilities;
8. A more transparent framework for local budgets should be established. Increasing of local funds should be accompanied by enhancing mechanism of public control and supervision over utilisation of these funds. Local authorities have to be accountable to local communities especially in terms of planning, implementation and reporting on spending of local finances;
9. Awareness of the citizens of the decentralisation reform, its objectives and the main results should be enhanced and promoted;
10. Further development of IMC as an important stage for further amalgamation of the communities (hromadas) should be continued. At the same time, the process of amalgamation of the communities should be further supported by the central government. In this regard, the dialogue with the newly elected mayors and local elected representatives should be reinforced; awareness raising campaigns among mayors based on success-stories and peer-to-peer approach may be also used;
11. The autonomy of LSG bodies to manage their own human resources within the framework provided by the relevant laws should be further guaranteed. At the same time, proper control mechanisms of compliance with the provisions of law should be established. The new Law on Service in LSG Bodies should be finalised and adopted. Its quick implementation should be a priority for further realisation of the decentralisation reform in Ukraine;
12. The delegated powers and competences should be fully financed by the central government, introduction of new privileges and bonuses should be accompanied by respective financial resources to the local budgets.

5. References and Bibliography

Access to Public Information in Georgia Information Report № 6 October 2013 – December 2014, Institute for Development of Freedom of Information, available at: <http://www.osgf.ge/files/2015/Publication/OPD-ENG-29-01-2015.pdf>

Civil Service in Figures – 2015. National Agency on Civil Service of Ukraine, Kyiv, 2015, available at: www.nads.gov.ua

Civil Service Council of the Republic of Armenia, Statistical data, available at:

<http://www.csc.am/%D5%BF%D5%A5%D5%B2%D5%A5%D5%AF%D5%A1%D5%BF%D5%BE%D5%B8%D6%82%D5%A9%D5%B5%D5%B8%D6%82%D5%B6/%D5%BE%D5%AB%D5%B3%D5%A1%D5%AF%D5%A1%D5%A3%D6%80%D5%B8%D6%82%D5%A9%D5%B5%D5%B8%D6%82%D5%B6>

Congress of Local and Regional Authorities of the Council of Europe, Situation of Local Democracy, Armenia, available at:

<https://wcd.coe.int/com.instranet.InstraServlet?command=com.instranet.CmdBlobGet&InstranetImage=2295286&ecMode=1&DocId=2017274&Usage=2>

Council of Europe. Additional Protocol to the European Charter of Local Self-Government on the Right to participate in the Affairs of a Local Authority, 2009, available at:

<https://rm.coe.int/CoERMPublicCommonSearchServices/DisplayDCTMContent?documentId=090000168008482a>

Council of Europe Congress of Local and Regional Authorities, Report on Local Democracy in Armenia, available at: https://wcd.coe.int/ViewDoc.jsp?id=2170873&Site=COE#P657_87169

Council of Europe Congress of Local and Regional Authorities, Explanatory Memorandum on Local and Regional Democracy in Azerbaijan, 2013, available at: www.wcd.coe.int/ViewDoc.jsp?id=1982467

Decentralisation , Region Development, Spatial Planning Aspects and Policy Milestones for Georgia , David Melua, NALAG, 2013, available at: <http://nala.ge/uploads/files/5321986a5aefd.pdf>

Deputies of Local Councils: about Legal Bases of Local Self-government in Belarus / Handbook, under the general editorship Miroslav Kobasa, 2010, available at: <http://www.sapieha.org>

Development Concept “Azerbaijan 2020: outlook for the future” //

http://www.undp.org/content/dam/azerbaijan/docs/sustain_development/AZ_Vision2020_government_draft_en.pdf

European Charter of Local Self-Government: Standing Conference of Local and Regional Authorities of Europe, Strasbourg, 1985, available at: <http://www.coe.int>

Initiative on Fiscal Decentralisation // The Sub-group for Local Government and Public Administration Reform of the Civil Society Forum, available at: <http://eap-csf.eu/en/working-groups/wg1-democracy-human-rights/resources/initiative-on-fiscal-decentralisation>

Humanitarian Bulletin Ukraine. OCHA, № 1, 01 - 31 August 2015

Key Principles of the Strategy for Decentralisation and Development of Self-governance of the Government of Georgia for 2013-2014”. Government of Georgia, 2013

Kobasa Miroslav, Local Self-Government in Belarus: How to Shift Myth to Reality / Policy paper, 2012, available at: <http://www.sapieha.org>

Local democracy in Armenia: Call to Government, Union of Communities of Armenia, Communities Finance Officers Association, Association of Municipal Councillors, 2014, available at:

<https://wcd.coe.int/com.instranet.InstraServlet?command=com.instranet.CmdBlobGet&InstranetImage=2679289&ecMode=1&DocId=2231676&Usage=2>

European Union Foreign Affairs Journal – N° 2 – 2017

Local government reform in Armenia: challenges and prospects for success, Master's thesis, American University of Armenia, available at: <http://dspace.aua.am/xmlui/handle/123456789/606>

Local Self-Government in Belarus and Other Countries (Questions and Answers) / Textbook, under the general editorship Mikhail Chudakov, 2005, available at: <http://www.sapieha.org>

Local Self-Governance in Georgia, 1991-2014, OSGF, available at:
http://www.osgf.ge/files/2015/Publication/local_democracy_development_report_english_final_2.pdf

Modern Leadership for Modern Government. Council of Europe Centre of Expertise for Local Self-Government Reform, Strasbourg, 2013//
<https://wcd.coe.int/com.instranet.InstraServlet?command=com.instranet.CmdBlobGet&InstranetImage=2751082&ecMode=1&DocId=1991708&Usage=2>

Morozov Boris, Republic of Moldova: 20 years of independence and experiments with public finance system. Chisinau, 2012

National Human Development Report in the Republic of Belarus (UNDP, 2015, Executive Summary) /
<http://www.by.undp.org/content>

New Local Self-Government Code: Overview of the main novelties, TI, March 2014, available at:
<http://www.transparency.ge/en/blog/new-local-self-government-code-overview-main-novelties>

Plisko Mikhail, Forms of Citizens Participation in the Implementation of the Local Self-Government / Brochure, 2014, available at: <http://www.sapieha.org>

Public Ethics Benchmark. Council of Europe Centre of Expertise for Local Self-Government Reform, Strasbourg, 2009 //
<https://wcd.coe.int/com.instranet.InstraServlet?command=com.instranet.CmdBlobGet&InstranetImage=2564758&ecMode=1&DocId=1910774&Usage=2>

Recommendation 126 (2003)1 the Council of Europe Congress of Local and Regional Authorities. Strasbourg, 2013, available at: <https://wcd.coe.int/ViewDoc.jsp?id=1982467>

Report № 89737-BY on Republic of Belarus: Public expenditure and financial accountability (PEFA) // Public Financial Management Performance Report // June 2014. Europe and Central Asia Region, the World Bank

Report on the implementation of the Law "On Public Function and Status of Civil Servant in the Republic of Moldova", 2014

Report № 89737-BY on Republic of Belarus: Public Expenditure and Financial Accountability (PEFA) // Public Financial Management Performance Report // June 2014. Europe and Central Asia Region, the World Bank, available at: <http://www.worldbank.org/external>

SIGMA's 2012 peer review/ Recommendation on the development of the civil service in Moldova, available at: <http://www.sigmaweb.org/publications/ParradoDiezS-CS-Professionalisation-Nov2014.pdf>

Society for Fair Election and Democracy (ISFED) Report on the situation in Georgia, 2014, available at: <http://www.transparency.ge/en/post/general-announcement/dismissals-civil-servants-tbilisi-city-hall-allegedly-political-grounds>

Sokol Dmitriy, Public Finance or Finances to the Public / Brochure, 2013, available at: <http://www.sapieha.org>

European Union Foreign Affairs Journal – N° 2 – 2017

Statistical bulletin on 'Execution of Municipality Budgets'. January - December 2014, State Statistical Committee, Baku, 2015

Terteryan, Vache. "Experience of Armenia in Implementing Municipal Amalgamation Reform." Kiev, Ukraine, 2014, available at: <http://www.coe.int/t/dgap/localdemocracy/news/2014/kiev2509/PPT-TERTERYAN.pdf>

Tolkovanov Vyacheslav, Innovative Tools for Improvement of the National Training System of Ukrainian Civil Servants and Local Self-Government Officials// Scientific Journal of Petro Mohyla University. Mykolaiv, № 169, 2012, p. 7-11

Tolkovanov Vyacheslav, Intermunicipal Cooperation as a Modern Tool for Local Self-Government Development in Ukraine. // Actes du colloque "Vivre et travailler dans les espaces a faible densite", les 29-30 novembre 2012, IADT, Clermont-Ferrand, pp. 223-227

Tolkovanov Vyacheslav "La mise en oeuvre du nouveau systeme de l'autonomie locale en Ukraine". These de doctorat (droit public), Universite Robert Schuman de Strasbourg III, 2006, 405 p.

Tolkovanov Vyacheslav, Public Administration Reform in Ukraine: main objectives, current status and problems to be solved// Public Policy and Economic Development: scientific journal. - Mykolaiv, 2011, № 2, p. 5-12

Tolkovanov Vyacheslav, Tools for Ensuring Good Governance at Local and Regional Levels. PhD Thesis in Public Administration. - Zaporizhia, 2013, 436 p.

Toolkit on Local Government Capacity-Building Programmes. Council of Europe, Strasbourg, 2011 // <https://wcd.coe.int/com.instranet.InstraServlet?command=com.instranet.CmdBlobGet&InstranetImage=2565163&SecMode=1&DocId=1910750&Usage=2>

Transparency International Report on the situation in Georgia, 2012, available at: <http://www.transparency.ge/en/post/general-announcement/dismissals-civil-servants-tbilisi-city-hall-allegedly-political-grounds>

Tumanyan David, Local Self-Government in Armenia (2011) Book 5. Yerevan, Armenia, 2012, available at: <http://cfoa.am/wp-content/uploads/2012/03/Pages-from-cfoa-maket-2012-2.pdf>.

Turpanjian Center for Policy Analysis. "Estimation of Direct and Indirect Costs and Benefits Related to Consolidation of Communities of the Republic of Armenia." Yerevan, Armenia: American University of Armenia, 2013, available at: http://tcpa.aua.am/files/2012/07/TCPA-for-Counterpart_Cost-Benefit-Final-Report_ENG.pdf

Two Years in Government: Georgian Dream's Performance Review, May 2015, ISFED, Transparency International Georgia

USAID and Counterpart Armenia. "Republic of Armenia Strategy Paper On Further Development of Local Self-Government and Decentralisation of Power," 2012, available at: <http://program.counterpart.org/Armenia/wp-content/uploads/2012/11/Decentralisation - strategy-final-Eng-exec-summary.pdf>.

Zavadski Andrej, Belarus and the European Union: Opportunities for Mutually Beneficial Cooperation in the Field of Local Self-government / Brochure, 2012, available at: <http://www.sapieha.org>

Zavadski Andrej, On the Accession of the Republic of Belarus to the European Charter of Local Self-government / Brochure, 2013, available at: <http://www.sapieha.org>



Journal of Liberty and International Affairs is a triannual (3 issues per year), open-access and internationally peer-reviewed journal devoted to the study of liberty and international affairs, published by the Institute for Research and European Studies – Bitola, Macedonia. The primary intention is to offer academic and public debate on liberty and international affairs in all their aspects. This journal predominantly treats the topics of interest of political sciences, international relations and international law, but also seeks to provide a quality interdisciplinary platform of debate for scholars and researchers on complementary disciplines, including social sciences and economics. The content of the journal is based on pure academic research, with a tendency to achieve the highest standards of research and publishing. Along with articles within the regular scope of the journal, each issue will include a thematic bloc in order to promote the aforementioned function and to address the complex and delicate topics concerning the liberty and international affairs, in a more focused manner.

The journal benefits from the contribution of its International Advisory Committee composed of experienced, agile and dedicated scholars and researchers.



Journal of Liberty and International Affairs is identified by an International Standard Serial Number (ISSN) and each its article carries a Universal Decimal Classification number, which serves as a unique article identifier. The publisher and the journal have registered deposit policy with SHERPA/RoMEO. This is an open access journal according to Directory of Open Access Journals (DOAJ). All the articles are freely available online upon publication. They are published under the liberal Creative Commons Attribution 3.0 Unported License (CC-BY). The author holds the copyright and retains publishing rights without restrictions. Articles that have been accepted, will be published on the website of the journal, and may be distributed to other online repositories. In

order to provide visibility of the published work, the journal is indexed and abstracted in multiple academic repositories and search engines. The journal editors share announcements, news and related articles about the topic of the journal on Facebook, Twitter and LinkedIn.

Journal of Liberty and International Affairs is oriented towards a wide audience of interested fellow specialists, geared towards informing policy-makers and social workers, and to engage students. It is opened to any researchers, regardless of their geographical origin, race, nationality, ideological affiliation, religion or gender, as long as they have an adequate manuscript. The editorial team encourages both established and early career researchers and doctoral students to take part in this journal in order to stimulate a greater exchange of ideas and knowledge.

Please send all articles, essays, reviews, documents and enquiries to:

Journal of Liberty and International Affairs

eISSN 1857-9760 | UDC 327

www.e-jlia.com



Submission Mail:
contact@e-jlia.com

Go to journal website:



European Union Foreign Affairs Journal – N° 2 – 2017

www.eufaj.eu, eufaj@libertas-institut.com

LIBERTAS

239

Books in International Politics and Economy



Sergei Metelev, Mirosław M. Murat & Vladimir Lizunov: Economic Security Policy of the Russian Federation - LIBERTAS - Europäisches Institut GmbH, Rangendingen (Germany), March 2016, 74 p.; ISBN 978-3-946119-84-5 (Print), 15,00 EUR; ISBN 978-3-946119-81-4 (pdf), 4,99 EUR; ISBN 978-3-946119-82-1 (epub), 4,99 EUR; ISBN 978-3-946119-83-8 (MobiPocket), 4,99 EUR.

Sergej Metelev & Svetlana Efimova (Eds.): The Development of Tourism: The Case of Siberia and the Omsk Region - LIBERTAS Paper 82, LIBERTAS - Europäisches Institut GmbH, Rangendingen (Germany), March 2016, 96 p.; ISBN 978-3-946119-77-7 (Print), 15,00 EUR; ISBN 978-3-946119-78-4 (pdf), 4,99 EUR; ISBN 978-3-946119-79-1 (epub), 4,99 EUR; ISBN 978-3-946119-80-7 (MobiPocket), 4,99 EUR.

Ofelya Sargsyan & Hans-Jürgen Zahorka: Organisation for Security and Cooperation in Europe (OSCE): Idea, History, Challenges (with documents) - LIBERTAS Paper 81, Rangendingen (Germany), December 2015, 112 p.; Print version: ISBN 978-3-946119-73-9 (15,00 EUR); eBook/PDF: 4,99 EUR.

Ofelya Sargsyan: Selected EU Foreign Policy Areas and Instruments - LIBERTAS Paper 80, Rangendingen (Germany), July 2015, 148 p.; e-book: ISBN 978-3-946119-02-09(4,49 EUR). Print version: ISBN 978-3-946119-00-5 (15,00 EUR).

Sergey Metelev (Ed.): IV. Manyakinskie Readings: Contemporary Challenges and National Security - Past, Present, Future. Dedicated to the 70th Anniversary of the Victory and the End of World War II. / IV Маньякинские Чтения: «Проблемы и Обеспечение Национальной Безопасности: Прошлое, Настоящее, Будущее» (Посвящается 70-летию победы и 70-летию окончания Второй Мировой Войны) (in Russian language) - Omsk / Rangendingen, April 2011; 612 pages; eBook: ISBN 978-3-937642-54-7 (25,00 EUR).

Sourajit Aiyer: Flying with the Winged Elephant - Niche Opportunities for Global Businesses that May Emerge in India - LIBERTAS Paper 79, Rangendingen (Germany), October 2014, 104 pages; eBook: ISBN 978-3-946119-14-2 (9,99 EUR). Print version: ISBN 978-3-937642-54-3 (15,00 EUR).

Ofelya Sargsyan: Pleading For Armenia's Accession To The European Union - Rangendingen (Germany), March 2014, 228 pages; eBook: ISBN 978-3-946119-04-3 (9,99 EUR). Print version/Paperback: ISBN 978-3-937642-50-5 (19,99 EUR).

Gohar Yeranyan: Acemoglu's Model and the Reality - Dynamics of Economic and Political Power in the Former Soviet Union Countries - LIBERTAS Paper 78, Rangendingen (Germany), October 2013, 48 pages; eBook: ISBN 978-3-946119-13-5 (4,99 EUR). Print version: 978-3-937642-46-8 (15,00 EUR).

Morsal Rahiq: Zur Funktion von Rating-Agenturen. Die Marktmacht der „Großen Drei“ – Ihre Fehler in der Vergangenheit und eine europäische Lösung (in German language) - LIBERTAS Paper 73, Rangendingen, Januar 2013, 65 Seiten; eBook: ISBN 978-3-946119-12-8 (9,99 EUR). Print version: ISBN 978-3-937642-26-0 (15,00 EUR).

Gulnaz Baiturova: Local Traditions in Kyrgyzstan and the Rule of Law - LIBERTAS Paper 77, Rangendingen (Germany), July 2013, 81 pages; eBook: ISBN 978-3-946119-10-4 (9,99 EUR). Print version: ISBN 978-3-937642-43-7 (15,00 EUR).

=====

The eBook prices for PDF versions (via the publisher) or for Amazon/Kindle or other eBook versions are equal.

For a more comprehensive look please consult our Book Shop on www.libertas-institut.eu. You can send all orders directly to verlag@libertas-institut.com, or go to every bookshop (print versions only), or you can go also to Amazon (Kindle) or any other eBook distributor, for print and/or electronic versions.

More books about international politics, conflicts & economy

LIBERTAS

Erick Behar Villegas / Thomas Schwartz (Hrsg.): Interkulturelles Management im deutsch-französischen Umfeld - Theoretische und empirische Beiträge (in German language). Mit Beiträgen von: Benjamin Ammon, Andreas Fischl, Fabienne Gloger, Sarah Gräbel, Bruno Hartig, Mai Tram Ho, Denis Jeanson, Efflam Jestin, Léo Maksud, Florian Schnitzler, Miriam Schumacher, Thomas Schwartz, Erick Behar Villegas - Rangendingen, Oktober 2012, 406 pages; eBook: ISBN 978-3-946119-07-4 (14,99 EUR). Print version: ISBN 978-3-937642-17-8 (29,80 EUR).

Didem Ekinci: Russia and the Balkans after the Cold War - LIBERTAS Paper 76, Rangendingen, May 2013, 110 pages; eBook: ISBN 978-3-946119-09-8 (9,99 EUR). Print version: ISBN 978-3-937642-40-6 (15,00 EUR).

Anna S. Gevorgyan: Landlocked States – Economic and Transit Problems, International Law and the Case of Armenia - Libertas Paper 75, Rangendingen, January 2013, 62 pages; eBook: ISBN 978-3-946119-11-1 (9,99 EUR). Print version: ISBN 978-3-937642-32-1 (15,00 EUR).

Sergei E. Metelev: Aspects of Russian Society - A Siberian Economic Point of View: Essays on Demographic Development, Migration, Regions, Corruption, Europe - Rangendingen 2012; 86 pages; eBook: ISBN 978-3-937642-31-4, (9,51 EUR). Print version: ISBN 978-3-937642-18-5, (15,00 EUR).

Zhidas Daskalovski and Marija Risteska (Editors): The Macedonian Question: 20 Years of Political Struggle into European Integration Structures - Rangendingen 2012; 94 pages; eBook: ISBN 978-3-937642-22-2 (9,99 EUR). Print version: ISBN 978-3-937642-23-9 (15,00 EUR).

Monika Mochtarova: Verschiebung der Machtbalancen und die indonesische Haltung zum Westen. Das Beispiel der Literaturzeitschrift „Horison“ als Spiegelbild der Gesellschaft (1966-1996) – Ein Beitrag zum europäisch-islamischen Dialog und zur Etablierten- und Außenseitertheorie von Norbert Elias (in German language) - Rangendingen 2011, 274 pages; eBook: ISBN 978-3-946119-15-9, (9,99 EUR). Print version: ISBN 978-3-937642-20-8 (58,00 EUR).

Franziska Wender, André Moll: Qualitätsmanagement für den Mittelstand – Das Excellence-Modell der European Foundation for Quality Management (EFQM) (in German language) - Rangendingen 2009; 147 pages; eBook: ISBN 978-3-946119-19-7 (14,99 EUR). Print version: ISBN 978-3-937642-07-9 (24,95 EUR).

Wolfgang Köhler: Bretonisch und Französisch im Süd-Finistère – Ein facettenreicher Sprachkonflikt (in German language) - Rangendingen 2009, 218 pages; eBook: ISBN 978-3-946119-03-6 (14,99 EUR). Print version: ISBN 978-3-937642-09-3 (40,00 EUR).

Terry, Patrick: US-Iran Relations in International Law since 1979: Hostages, Oil Platforms, Nuclear Weapons and the Use of Force.- Libertas Paper 70; Rangendingen 2009; 87 pages; eBook: ISBN 978-3-946119-23-4 (9,99 EUR). Print version: ISBN 978-3-937642-08-6 (15,00 EUR).

Dea Elibegova (ed.): Georgian Minorities - Roma, Qists, Assyrians, Ezids. With contributions by Dea Elibegova, Meqa Khangoshvili, Sergey Osipov, Eka Bitkash, Dimitri Pirbari - Libertas Paper 72; Rangendingen 2009; 56 pages; eBook: ISBN 978-3-946119-21-0 (9,99 EUR). Print version: ISBN 978-3-937642-10-9 (15,00 EUR).

=====

The eBook prices for PDF versions (via the publisher) or for Amazon/Kindle or other eBook versions are equal.

For a more comprehensive look please consult our Book Shop on www.libertas-institut.eu. You can send all orders directly to verlag@libertas-institut.com, or go to every bookshop (print versions only), or you can go also to Amazon (Kindle) or any other eBook distributor, for print and/or electronic versions.

Salina Ulcinj: European natural treasure still threatened in Montenegro

The NGO CZIP (Centar za zaštitu i proučavanje ptica Crne Gore / Center for Bird Protection and Research of Montenegro) from Montenegro in cooperation with EuroNatur and BirdLife hosted in mid-April 2017 the 3rd International Conference on the Protection of the Salina Ulcinj in Montenegro's capital Podgorica. The Salina Ulcinj is one of the most important resting, breeding and hibernation areas for migratory birds on the eastern Adriatic coast. The about 80 participants included the ambassadors of the EU, Germany, Greece and Poland to Montenegro, the mayor of Ulcinj, representatives of the competent Ministry of Sustainable Development and Tourism as well as a range of national and international experts. Already during the 1st International Conference on the Protection of the Salina Ulcinj in April 2015, *those responsible in Montenegro promised that the saline would soon be declared a protected area. However, there has been no progress whatsoever since then. On the contrary, the Salina Ulcinj has experienced severe deterioration over the past two years.*



Even as breeding site the Salina Ulcinj is of international importance, for example for flamingos which an average European mainly sees only in TV or a zoo. © CZIP

While the European Commission and the European Parliament keep emphasizing for years that they expect the Montenegrin government to get active and protect the Salina Ulcinj, the international nature conservationists cannot spot any progress. *“The process of declaring the Salina Ulcinj a nature reserve is a never-ending story of announcements and unrealized promises,”* criticizes EuroNatur CEO Gabriel Schwaderer at the 3rd International Conference on the Protection of the Salina Ulcinj. *“The statements by the representatives of the competent Ministry of Sustainable Development and Tourism have been very disappointing. They made clear that an international conservation status based on the Ramsar Convention is not an option for them. At the same time they did not give any timeline for declaring the site a protected area according to national law.”*

On the conference it was often considered that the competent ministry continues to play for time. It became obvious during the conference that one cannot expect the site to receive protection in autumn 2017, when an EU-financed study on the conservation of the Salina Ulcinj will be published. The ministry stated at the time of the conference that it would then commission further studies, particularly on water management. However, they refused to give a timeline even on enquiry. On the same day, during official meetings with EU Commissioner Vella and the European Parliament’s committee dealing with the relations to Montenegro, the competent minister Pavle Radulović again announced that the Salina Ulcinj would soon be declared a protected area.

By prominent observers to the conference in Podgorica the question has been raised if the Montenegrin government lacks the political will or even lacks the power to declare the Salina Ulcinj a protected area. Therefore Montenegro’s Prime Minister Duško Marković has been urged to finally put the protection of the Salina Ulcinj at the top of his own agenda.

What is Ulcinj Salina in Montenegro?

The following text is a compilation by CZIP.

Location

Ulcinj Salina is located in the outermost southern part of Montenegro and covers approximately 14.5 km² of salty basins. It has been built in the region with the largest number of clear sky days and the most sunshine on the Adriatic - 2,567 hours - and the largest number of tropical days in ex-Yugoslavia. Hence, this is an ideal place for a saltpan, which in this case based its salt production exclusively on evaporation. The Salina is 1 km of air distance from the city of Ulcinj and the same distance from the border with Albania. There used to be Zogajsko blato, "Zogaj mudflats" ("zog" meaning "bird" in Albanian) in the area of the present Salina, a wetland with brackish water, which began to be significantly influenced by anthropogenic infrastructural intervention in the late

1830s. Today it is an artificial, human-managed system, where the rhythm of filling and emptying the basins with sea water, the water level and salinity are all predetermined.

Hydro-regulation of the Zogaj mudflats began in 1913, when the Port Milena drainage channel was dug. The oldest saltpans were built in the period 1926-1934. Until the middle of the 20th century, the Salina was gradually upgraded. At the beginning of the 1980s it was extended by 60 percent and today covers approximately 1,492 ha. Thus, the Ulcinj Salina was created from the sea and represents a "cultural lagoon". The saltpan basins are surrounded by channels that drain the nearby swamps and depressions, not allowing its water to be mixed with the water from the Salina, taking the water into the Port Milena channel and thereafter into the sea.

The Salina is separated from the sea by the Brijeg od mora village and Velika plaža beach, and from the Bojana River by channels and dikes against floods. It is an important part of the Lake Skadar and Bojana River watershed system. The area covers 1,000 km². The area of the saltpans under shallow salt water is 1,383 ha (92.2%). Dikes, dividers and channels take up 109 ha (7.8%). The Ulcinj Salina is among the most important bird areas on the Adriatic. These important areas include: Beach Velika plaža, Ada Bojana Island, the Šasko and Skadar Lake and Velipoja in Albania. The Ulcinj Salina is one of the largest and newest saltpans in the Mediterranean.

Coordinates

19°18'5,71" E

41°55'25,14" N

Why in Ulcinj?

In the early 20th century, the Government of the Kingdom of Yugoslavia ordered the exploration of the territory with the aim of finding the optimal location for the construction of a saltpan. Research from Ankaran (today's Slovenia) to Ulcinj was performed by Guido Grisogono and Ante Koludrović. After six years of work, they selected the Zogaj mudflats, the place where the present Ulcinj Salina is located. The territory of the Zogaj mudflats swamp was significantly reduced, and today only fragments remain.

Salt production

The Ulcinj Salina is filled with sea water. At the beginning of April, strong pumps (3,000 l/sec) start drawing water and sea organisms in all their development stages. The water is pumped into shallow basins with an average depth of 20-30 cm. The water, which still has the same salinity as sea water, is transferred from basin to basin mainly by gravitation. From its entry to the saltpans until crystallisation, the water travels several dozen kilometers, and under the influence of the sun and

strong winds it evaporates. From the initial 3.8 g/l of salt, it reaches 235 g/l of salt at the end of production (i.e. in crystallisation basins). After this, the salt production basins remain dry and are prepared for the next season. One third of the Salina is always under water. Those basins are not included in the production process, which thus enables the proliferation of life in the waters of this lagoon. The Salina has a production capacity of 30,000 tons of salt annually. Salt is made of plain sea water, sun and wind. It is collected manually and is of high quality. The Ulcinj Salina is the best example of the synergy of economic production and nature protection in ecological Montenegro.

How to arrive

By car: from Podgorica 85 km, from Budva 68 km, from Skadar (Albania) via Sukobin 40 km

Flora and vegetation

The vegetation around the Ulcinj Salina does not vary significantly from the vegetation described in the chapter on the Tivat Salina, but the habitats are much larger. Currently, 114 plant species have been described. Besides open fields of halophytes (60 ha), there are more than 8 ha of Phragmites reed beds. Tamarisks and other woody species cover 13 ha of dikes. One of the basins in the Ulcinj Salina is not active and it represents a real museum of halophyte and wetland vegetation.

The dikes are no less interesting: meadows of orchids in the spring, mostly *Ophrys bertolonii* and *Orchis laxiflora*, give way to xenomorphic vegetation during hot summer days. Halophyte communities are very interesting due to their acclimatisation to rather severe physiological conditions of brackish soil and water. *Salicornia herbacea* is the dominant species in the *Salicornietum herbaceae* community, together with *Sueda maritima*, *Limonium angustifolium* and *Atriplex portulacoides*.

The presence of *Salsola soda* and *Atriplex prostrata* is also important. In addition, the *Arthrocnemetum fruticosi* community is also sometimes recorded. Vegetation growing in the sludge of the Ulcinj Salina is mostly present in channels where the water and ground salinity is much lower. This vegetation changes with the seasons, and starts with *Narcissus tazetta* and *Romulea bulbocodium*. Later, these give way to *Avena barbata*, *Phragmites communis*, *Carex* sp., *Tripholium nigricens* and others.

Reeds are present in channels and the group of basins where the salinity of the water is the same or twice as salty as the sea water. They are rather aggressive and have expanded more and more over the years. *Tamarix africana*, *Juncus acutus* and *Juncus maritimus* grow adjacent to the reeds. *Beta vulgaris* ssp. *maritima* is a species which in Montenegro lives only in the Ulcinj Salina. Ruderal vegetation is dominant on dikes as an indicator of human presence, grass cutting and continuous grazing.

Fish

Ulcinj Salina is a closed system; thus, there is no way that fish from the surrounding channels can get into the basins. Their presence is possible only if they can cross the dikes between basins, only possible for eel, or if they come directly from the sea by pumping: the powerful pumps filling the basins with sea water usually pump in eggs, larvae, or the progeny of sea organisms. Any longer organism is chopped up by the pumps' propellers. This occurs in April, when the production process starts, with the pumping of hundreds of thousands of cubic meters of sea water. Animals brought in by the pumps develop in the basins till June, when the water rapidly starts heating and the oxygen in the water falls. Some species, such as eel, dig into the sludge and wait for the first favourable situation for further development, while others perish or remain on the surface of the water where they become an easy catch for thousands of birds.

Depending on the water salinity in some basins, 23 fish species have been recorded so far. In basins where the salinity is the same as the sea water, which cover a large part of the salt pans, the following economically important fish species are recorded: various species of mullet (Mugilidae: *Liza ramada*, *Liza saliens*, *Liza aurata*, *Chelon labrosus*, *Mugil cephalus*), eel (Anguillidae: *Anguilla anguilla*), European seabass (Moronidae: *Dicentrarchus labrax*), and Atherinidae and Cyprinodontidae. These species are dominant by abundance. It is likely that the sea water pumped into the basins contains other coastal fish species. As salinity increases (beyond 100‰) in basins and channels, only eels and killifish (*Aphanius fasciatus*) can be found. With further increases in salinity, only killifish (*Aphanius fasciatus*) remain. For a short time they can survive salinity over 250‰. Thus, they may also be found in basins where crystallisation of salt begins.

Amphibians and reptiles

12 species of amphibians and 28 species of reptiles survive in hot summer conditions of the Ulcinj Salina. Amphibians barely survive in salty or fresh water channels, where they are an easy catch for numerous birds. The surrounding brackish swamps are thus an ideal habitat for them. At the opposite extreme, reptiles have their empire in the Ulcinj Salina: numerous birds make their nests and hatch their eggs along the dikes. Along with numerous insects these make ideal food for the reptiles – unless they are eaten by birds themselves. It is possible to hide in the high grass and the numerous stone walls or cavities in the dikes. The largest number of species of both groups registered in the dikes of Ulcinj Salina is vulnerable, endangered or critically endangered species according to IUCN standards.

Birds

If we were seeking for the most exclusive habitat for bird watching in the Adriatic, the Balkans or even the whole Mediterranean, the Ulcinj Salina would definitely be at the top of the list. Currently 241 bird species have been registered in this "cultural lagoon", which is 50% of the total bird species registered in Europe. In the wider region, there are habitats where the number of registered

birds is even higher, but what makes the Ulcinj Salina special is the quality of species and their number. The number of birds using the Ulcinj Salina basins for breeding, wintering or resting during spring or autumn migration exceeds the threshold of 1% of the total global bird population. Amazingly, an area of 15 km² hosts 3% of the total global population of the Dalmatian Pelican (*Pelecanus crispus*), 3% of the global population of the Black Tailed Godwit (*Limosa limosa*) and the same percentage of the Spotted Redshank (*Tringa erythropus*)!

55 bird species breed in the Ulcinj Salina. Almost half of the registered breeding pairs of aquatic birds in the whole region breed here. 70 of the registered bird species in this area are of special protection interest on the level of the European Union and are included in Annex I of the Birds Directive. Results of the IWC winter bird census, which has been performed since 1999 in the Ulcinj Salina, showed the presence of 20,000 birds every year, regardless of whether the basins are empty or full of water. Outside the production season, the dikes are subject to erosion as a result of waves; therefore the water is pumped out. In some dry winters, this makes the birds concentrate on a few basins and the scenes are exceptional to behold.

However, the most beautiful season in the Ulcinj Salina is spring: early migration brings large and dense flocks of ducks: the Garganey (*Anas querquedula*) comes in the largest numbers, up to 1,200 birds per hour. It is very tired from the flight over the Adriatic and lands on this rich breeding place to renew its energy before continuing its journey north.

Its relative the Teal (*Anas crecca*) is also exhausted from the long flight. It joins the flocks of Pintail (*Anas acuta*) and Wigeon (*Anas penelope*) which have spent the winter in the Ulcinj Salina and survived the bullets of local hunters. Thousands of Waders also come, very tired. Their flocks are smaller but that does not reduce interest in their protection: most of them have unfavourable protection status and their number is declining faster than other groups of birds, primarily due to loss of habitat.

Tens of thousands of swallows use the Ulcinj Salina as a resting place on their trip back from Africa: the tamarisk trees are small for these lively birds and thus they land and rest on dikes. It sometimes happens that the whole dike becomes black from the Barn Swallow (*Hirundo rustica*) and House Martin (*Delichon urbica*). The Whinchat (*Saxicola rubetra*), Yellow Wagtail (*Motacila flava*), Flycatcher (*Muscicapa striata*) and Meadow Pipit (*Anthus pratensis*) come in flocks of 10,000 birds a day!

In spring, the Ulcinj Salina is a transitory station for more than 40,000 migrating birds a day. Exceptional conditions in spring soon give way to the heat of the summer. The struggle to raise the nestlings and later on, their preparations for migrating to warmer wintering places continue. The situation is highly dynamic.

In autumn, the majority of our nesting birds are getting ready for the journey south, while tired birds from Siberia and Northern Europe will enjoy the Mediterranean winter, rainy but with few frosts, although they will also need to survive tempestuous cold winds from the surrounding mountains.

Medicinal mud, salt and tourism

The anaerobic conditions of the mud in the Ulcinj Salina basins have created large stocks of medicinal mud. Preliminary assessments have shown its high quality, primarily for the healing of arthritis and skin diseases. Together with sea salt, produced by wind and sun from the pure sea water and unpolluted air that blows in summer from the sea and in winter from unpopulated and clean mountains, it makes the Ulcinj Salina a heaven for the development of eco- and medicinal tourism. Tourists are welcomed at the Info Centre of the Salina Museum at the entrance of the Ulcinj Salina. There are viewpoints, towers and paths 3.9 and 17.6 km long, from which numerous bird flocks can be seen.

It is the best example of connecting economic production and nature protection in Montenegro and an excellent opportunity for nature watching in vivo.

Nature protection

The first act on the protection of the Ulcinj Salina was adopted in 1984, when all hunting was banned by the decision of the Workers Council. Several years later, the Ulcinj Salina became the first Important Bird Area (IBA) in Montenegro and afterwards became an Emerald site under the Bern Convention. The Ulcinj Salina will soon be listed on the Ramsar List of Wetlands of International Importance, primarily as a bird site. It is the first private nature park in Montenegro. Currently we are advocating for its national protection as Monument of Nature (Study on protection is in the process of public debate).

More or less Europe?

Christian D. Falkowski: Europe for us. Why we need Europe (in German version: *Europa für uns. Warum wir Europa brauchen*). Baden-Baden/Germany 2011, Nomos Verlag. 226 pages (in German: 240 p.); 19,90 EUR. ISBN (English) 978-3-8329-6710-9, (German) 978-3-8329-6615-7



Of course more. But one after the other: There are few books which increase their actuality value even when they are some years old. While this book which appeared in German as well as in English language with Nomos might have been considered as being too futuristic in the year of its appearance date, it was confirmed in the course of time by topical events - events which were not all too positive for the European Union.

The author is an economic engineer and has more than 35 years international professional experience, at the end of his career as EU civil servant as Director for the External Service of the EU Commission (today changed into the EEAS), where he was active for the sector strategies of development cooperation and later as head of the world-wider more than 140 EU representations with more than 4500 staff. He was the first EU Ambassador in

Islamabad/Pakistan and led the European Commission Delegations in Jordan, Yemen and Egypt. He participated in important negotiations for the EU, e.g. regional and environment cooperation talks between Israel, Egypt, Jordan and the Palestinians, but also in many other countries. In this context he was also co-responsible for the evacuation of refugees from Iraq and Jordan in one of the largest humanitarian missions of the EU ever, during the 1st Iraq War.

The author of these lines met him the first time in Islamabad, Pakistan, in the late 1980s, where he was a good contrast to national civil servant-like ambassadors and had a very special hands-on approach, while mastering theoretical and highly-political discussions as well. Now he is member of Team Europe in Germany, an expert pool of the EU Commission, DG Communication, and is often asked for lectures about the future of the EU and its common foreign policy.

The EU belongs to the "West", indeed, but this is not a geographical expression - it is based on values prevailing from the different (r)evolutions in Europe and America. It is evident that individual European states lose their significance in a new multi-polar world.

Many of those fighting now populism and nationalism as well as the re-nationalisation in the EU should have read this booklet in earlier years already - it is as short as possible as it is authored not by a social scientist (although he has also a background in these disciplines) but by a scientist with sensitivity for different functions, vectors etc., for the interwovenness of policymaking. The author foresaw even the migration waves which appeared later, and constitute a problem like a growing world population, global warming, or the loss of biodiversity. One needs to possess a global overview, and this not only in the triangle between Russia - USA - EU but also concerning the whole developing world and new rising players like the BRICS countries, to define a future role for Europe.

It is the voluntary bundling of national sovereignty within the EU - which at present is under threat by Brexit, by populists, by some governments in South Eastern Europe - which has created a common space for democracy, freedom and human rights. For the Member States - and beyond these! The EU has a role of security, freedom and prosperity, and it is the driving force for attempts for sustainable growth as well.

But the author always lets appear a social approach of the EU, which should make and keep it attractive towards the outside, being always a Social Democrat from Germany. This reflects in Germany a all-partisan consensus, as in several EU Member States, too. At the same time, Falkowski explains the role of decentralised structures to improve European integration. All in all a very constructive piece for thought today, and readers will cheer the author for his farsighted views, and they will see that the EU has been, is and remains the task of the century.

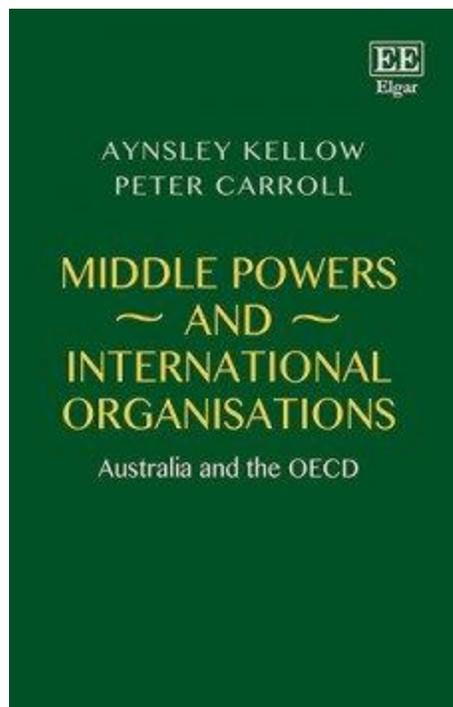
Hans-Jürgen Zahorka

Australia as a "Middle Power" and Trade Challenges Ahead

Aynsley Kellow / Peter Carroll: Middle Powers and International Organisations. Australia and the OECD. Cheltenham/UK 2017, Edward Elgar Publishing, 391 pages, 100.00 GBP (Hardback)/90,00 GBP (eBook), Hardback ISBN 978-1-78811-063-1, eBook ISBN 978-1-78811-064-8. www.e-elgar.com

The interest of this book lies in a new role in trade policy of Australia, as a de facto "ally" of the Europeans in Asia, and oriented very much towards the Europeans. This happens in a time when

this country may have to react to Trump-mode changed US trade policies. At the same time, the country is very much concerned of the probably forthcoming Brexit and might have to ask themselves if they should stick to the EU as considerable trade partner of mutual reliability, or to the UK, former motherland in a colonial past.



It has been written by Aynsley Kellow, Professor, School of Social Sciences, University of Tasmania, Australia and Peter Carroll, Professor, Tasmanian School of Business and Economics, University of Tasmania and Crawford School of Public Policy, Australian National University.

This book provides a unique examination of how a middle power uses international organisations to achieve greater global influence. The authors focus on the OECD, ‘the rich man’s club’ of most of the world’s wealthiest nations. It demonstrates how the decision by Australia to apply for membership was a long drawn out process, delayed by political factors. Eventually agreement was reached with assurances that membership would provide access to valuable and timely policy-related information, especially in relation to international trade and finance. In addition, membership would potentially increase influence by providing greater access to its powerful member states at an

earlier stage in their policy discussions and agreements.

On gaining membership, Australia found that the OECD’s comparative research and policy development activities, across a wide range of areas and issues, were a valuable source for policy learning which, in turn, helped the ongoing maintenance and further building of policy capacity in the country.

This detailed study of how a nation state engages with an international organisation will be a great source of insight and information for scholars and advanced students of international relations and public policy. It will also be a valuable resource for policymakers and practitioners working in the field.

‘This book is a tour de force. It helps us understand international organisations and their member states. It casts fresh light on the OECD. It reveals how middle powers like Australia manoeuvre on the world stage, and it traces the evolution of key global public policies, from taxation to the environment. It does this seamlessly, with grace and economy, drawing on rich archival materials (from the UK, the US, Australia and the OECD), and extensive interviews.’, wrote Leslie A. Pal, Carleton University, Canada. Among the chapters there are e.g, Australia,

International Organisations and Foreign Policy, A Search for Access and Influence, Organising the Relationship with the OECD, Trade and Agriculture: developing an effective strategy, The Development Assistance Committee: a slowly declining priority, An extensive involvement: the Treasury Portfolio and the OECD, Australia and OECD Tax Work, The OECD's Work on the Environment, Australia and the OECD work on Education, A Leading Role for Australia: Health work at the OECD, as well as Australia's Role in Organisational Maintenance, Reform, and Adaptation. Now, as Australia and the EU are preparing a new Free Trade Agreement, like Canada, Korea, Singapore etc. have it already, the book might have an enhanced significance.

EUF AJ

Diaspora is not equal to Diaspora - The Armenians in Germany



André Fleck: Machtfaktor Diaspora? Armenische Interessenvertretung in Deutschland (*Diaspora as Power Element? The Armenian Lobby in Germany; in German language*). Münster/Germany 2014, LIT Verlag, 377 pages, 34,00 EUR. ISBN 978-3-643-12762-4



This interesting Ph.D. dissertation project at the Technical University of Dresden, Philosophic Faculty, covers a subject which until present has never been investigated scientifically. The Armenian diaspora includes more Armenians outside of the country than within - a result of the Genocide 1915 as well as of the brain drain of the last decades. This leaves, of course, the question why this brain drain could not be stopped by the more or less democratically elected governments after independence in the beginning of the 1990s. The author

examines at first the objective and theoretical background for his thesis, and the design of his investigations, for which he included numerous interviews among e.g. the Central Council of the Armenians in Germany. Although this body - the author did not cover this particular issue - has, in the best Armenian tradition, "more opinions than members" they always agree on some central issues, like e.g. the Genocide which is indeed one of the main subjects of the book. Indeed, some year after appearance, the German parliament (Bundestag) accepted and adopted a resolution recognising the Genocide of the Armenians by Turkey 100 years ago.

The author has opted for a coalition advocacy approach in analyzing the activities of the Armenians in Germany. It is interesting e.g. that the Armenian diaspora in France has obtained quite a high profile influence on policymaking, as there is an Armenian population, well

integrated, in France of several times the size of the one in Germany (which is also very well integrated). But while the French diaspora is more or less average population, with a tendency to intellectual professions, the German one which came only during the last years of Soviet Union and later from Armenia, in contrast to the French one which appeared after 1915 and forthcoming years, tends to very many intellectuals - researchers, medical, social science and artistic professions.

How Armenian diaspora structures in Germany organise their work and how they follow their objectives is in the focus of this book. It takes into account the close (historical) German-Turkish relations as well as the high number of Turkish population in Germany, which is the biggest part of any foreign citizens. Around 30 experts including MPs, journalists, scientists etc. had been interviewed, besides an analysis of motions for a resolution by parliamentary groups. The author also reviews the interactions between the protagonists of the Armenians in Germany. They do not seem to cooperate too much in a European context. The diaspora is, as the author describes it, in Germany not a unified, powerful movement working in a multilevel landscape, and it not homogenous. But the deficit in common strategy issues, grassroots participation and financial independence seems to be balanced by armenophile German scientists, with whom together political bodies could be approached.

A very interesting quasi-insider book, which closes an important gap - especially in view of the Genocide Resolution of the German Bundestag, and its wide implications into the Turkish-German relations in the recent past, including the recently decided departure of the anti-IS coalition's German reconnaissance Tornado aircraft from the Turkish airbase of Incirlik to Jordan, and the imprisonment of two journalists of German citizenship in Turkey, which cannot be recognized as the rule of law in Turkey is not any more the rule of law of the European Union, but more or less of the Osman empire in the late 19th century.

Hans-Jürgen Zahorka



LIBERTAS – Europäisches Institut GmbH

www.libertas-institut.eu

ACTIVE IN: Aachen - Aberystwyth - Accra – Aix-en-Provence – Albstadt-Tailfingen - Almaty - Andorra la Vella - Arajadzor - Askaran - Astana – Athens – Atlanta – Augsburg – Aygestan - Bad Bergzabern - Bad Honnef - Bad Königshofen – Bad Kreuznach - Bad Marienberg - Bad Urach - Baia Mare – Baku – Bakuriani - Banff – Banja Luka - Bar - Baume-les-Dames - Beijing – Belize City – Belmopan - Beograd - Berlin – Bern – Biberach – Bilbao - Birmingham - Bishkek - Bisingen - Bitola – Bled - Böblingen – Bönnigheim – Bochum - Bonn – Bordeaux - Bregenz - Brest, Belarus - Brest, Finistère - Bridgetown – Brno - Bruxelles – Bucharest – Budapest – Cádiz - Cairo – Calgary – Calw - Cape Town - Cardiff - Castries – Catania – Chemnitz – Chicago – Chisinau - Chita – Clermont-Ferrand – Copenhagen – Coventry - Corozal - Crailsheim – Dangriga - Dinkelsbühl – Dinsk - Dresden - Dublin – Düsseldorf - Durban - Dzakhshat - Edmonton – Ekaterinburg - Elabuga – El Djadida - Erbach - Erfurt - Eschborn – Essen - Feldkirch – Flensburg - Frankenthal - Frankfurt/Main – Frankfurt (Oder) – Freiburg/Breisgau – Freudenstadt - Fort-de-France – Füssen - Gärtringen - Genève – Gibraltar– Gizeh - Gjakovë - Glasgow – Glauchau - Gomel - Graz – Guangdong - Gudauri – Gulistan - Hamburg - Hannover – Heidelberg – Helsinki – Heraklion - Hildesheim - Holle-Grasdorf - Hongkong – Hoyerswerda - Hull - Indianapolis – Innsbruck – Islamabad – Istanbul – Jerez de la Frontera - Johannesburg – Karaganda – Karlsruhe - Kasha-Suu - Katowice – Kiev – Klaipeda - Koblenz - Köln - Königstein/Taunus - Köpenick - Kragujevac - Kuala Lumpur – Küstrin-Kietz – Kutaisi - Lahore – Lahr – Lauenburg - Leer - Leipzig – Lille – Limoges - Linz – Lissabon – Ljubljana – Loffenau - London – Los Angeles – Ludwigsburg - Luxemburg – Lyon – Madrid – Manchester – Marbella – Maribo/Lolland - Maribor – Marseille – Meerane - Merseburg - Milano – Minneapolis – Минск – Miskolc – Minden - Mogilev - Monte Carlo – Montreal – Москва – Mostar - München – Murcia - Nagold - Nancy – Nanjing – Naumburg - Neuss – Nürnberg - Nukuz - Oberhausen – Oberkirch - Ohrid - Oldenburg/Holstein - Omsk - Oslo – Osnabrück – Ottawa – Padova – Palanga - Paris – Peshawar – Pforzheim – Pfronten – Pittsburgh – Podgorica - Poghosagomer - Pogradec - Porta Westfalica - Port Louis – Potsdam - Praha – Pretoria - Prishtinë – Quebec – Quimper – Ravensburg – Regen - Regensburg - Rendsburg – Reutlingen - Reutte - Riga – Roma – Rostock – Saarbrücken - Salzburg – San Francisco - Sarajevo – Satu Mare – Saugau – Schlüchtern - Seelow - Shanghai - Sindelfingen – Skopje – Slubice – Sofia – Sopot – Spruce Grove - Stadtkyll – St. Anton - Stara Zagora - Stepanakert - St. George’s – St. Helier – St. Paul - Strasbourg – Straubing - Strausberg - Strumica - Stuttgart – Suceava – Taipei – Tallinn – Tashkent - Tbilisi – Telavi – Tetovo - Thessaloniki – Tirana - Tiraspol - Torino – Toulouse – Trebnitz - Trento – Trieste – Tulln - Тюмень – Überlingen - Ulm – Ustin/Labem – Vaduz – Valletta – Vancouver – Vank - Venezia – Villingen-Schwenningen - Vicenza - Villamartin - Vilnius – Vitebsk - Waren/Müritz - Washington D.C. - Weiden - Weingarten - Wesseling – Wien – Wilhelmshaven - Winterthur - Wuppertal - Yerevan – Zenica - Zürich – Zwickau - **RANGENDINGEN**