

# Otwarta Europa Open Europe

Warsaw, December 2011

analiza

Fundacji Batorego

policy brief

Batory Foundation

## Supporting development of the Eastern Partnership countries: should we offer more?

### Difficult partnership in times of crisis

The Eastern Partnership (EaP) is the flagship initiative of the Polish Presidency of the Council of the European Union. Largely thanks to efforts of Poland it has been promoted as one of the fundamental paradigms the EU uses to shape and describe its external relations. The EaP initiative has been reflected in the European Commission and the EU Council documents and addressed by the EU politicians on numerous occasions. The project is especially significant, since it has been launched in a difficult period, when global economic crisis, serious financial difficulties of several Eurozone countries and the Arab Spring divert the EU's attention from its eastern neighbours. Meanwhile, these neighbours do not seem particularly interested in Europe in its current shape; they seem to be even less attracted by the European offer, tailored to these difficult times. This is why to expect that the Eastern Partnership will bring – even in the medium term – intended results, such as rapprochement of Eastern and Western part of the continent, seem overly optimistic.

Results of the implementation of the Eastern Partnership objectives contained in the Prague Declaration from May 7, 2009, to date are not conclusive. Initial goals were very ambitious, but they did not match the political and economic climate in Europe and in the world six months after the collapse of Lehman Brothers Bank. The main goal of the Eastern Partnership was “to create the necessary conditions to accelerate political association and further economic integration between the European Union and interested partner countries.”<sup>1</sup> It is of no fault of the authors nor the signatories of the Declaration that instead of improving, these conditions deteriorate as a result of worldwide economic difficulties and the crisis in the Eurozone as well as problems with implementation of good governance in the Eastern



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<sup>1</sup> Joint Declaration of the Prague Eastern Partnership Summit, Prague, 7 May 2009.

Partnership countries. Therefore the relationship has not yet been brought to “a new level”, as it was planned by the leaders of the EU and the EaP during their meeting in Prague in 2009.

We have to bear in mind that apart from its merits, the Eastern Partnership project had certain construction flaws. Above all, partner countries were not sure of its value added in comparison to the state of affairs before 2009. For instance, according to the Prague Declaration, the initiative was to serve as a foundation for negotiating association agreements with the European Union. Only these agreements, from the very beginning, were negotiated outside the EaP framework and e.g. Ukraine had started the negotiation process even before the EaP was launched. Moreover, association agreement negotiations are initiated only with those countries, which are ready to take on considerable commitments towards the European Union. Implementation of such agreements create favourable conditions for the EU investments and capital inflow as well as access to new technologies, but it guarantees neither prosperity nor the civilisation leap. Such a leap requires a range of conditions to be fulfilled first. One of them is increased inflow of funds, which might enable the elimination of the long-standing technological and civilisational backwardness, as it could be observed in Poland after the launch of developmental programmes funded from the EU budget for 2007–2014, which had been very generous to our country.

And herein lies the key issue. **The success of the Eastern Partnership depends for the most part on the availability of financial resources, both commercial and aid, in this case coming mainly from the EU. Without increasing the volume of these funds significantly, it will be extremely difficult for Eastern Europe to reach the quality of life comparable to Western European and to bring about the civilisation leap.** Meanwhile, the subject of financing development of the EaP countries is dismissed in press and many academic publications as secondary to such opportunities offered by the EaP, as association with the EU, visa liberalisation or participation in EU programmes and

agencies. **The volume of funds, including aid, is just one aspect of the problem. Another is making programmes and projects effective and ensuring that the EU action genuinely supports positive tendencies in the countries of Eastern Europe, especially in the area of economic and social development, the state of democracy, respect for human rights and good governance.** This in turn, depends not only on the volume of the EU assistance, but mainly on the comprehensive action and impact of the EU on these countries in all areas of their relations.

### No increase in aid volume

It is currently believed, especially in Poland, that the EU allocated more money to its southern neighbours (i.e. North African and Middle Eastern countries) than to the eastern ones, including the EaP countries. Comparing the volume of the Official Development Assistance of the EU for southern and eastern neighbours would not be entirely correct from the methodological point of view due to differences in the scale. The Eastern Partnership consists of only six countries with total population of 75 million, while total population of the ten countries of North Africa and the Middle East receiving the EU assistance (including Turkey, excluding Israel) amounts to almost 280 million. In 2009 the EaP countries received from the EU (through Community channels, without bilateral assistance from the 27 Member States) 500m USD in aid, while the countries of the southern neighbourhood received 2150m USD. This means an average of 6.5 USD per person in an EaP country and 7.8 USD per person in North Africa or the Middle East<sup>2</sup>. Relative differences are therefore not considerable, especially if disproportion in the quality of life and the scale of poverty in both regions are to be taken into consideration.

Is there a chance for the increase in aid volume for the EU neighbours, especially those in the East, in the next EU budgetary period (2014–2020)? At the moment it is difficult to remain optimistic in this respect. Undoubtedly now, when the EU is desperately trying to find

<sup>2</sup> OECD: [www.oecd.org](http://www.oecd.org).

extra funding for saving one of the member states from bankruptcy, nobody wants to increase the volume of the EU assistance for eastern neighbours, especially since they are not the poorest countries in the world and in dire need of European support. Unlike North African countries recently, they are not regarded in Europe as a threat or a source of optimism. It is perhaps worth mentioning that new Member States, that were in favour of bringing eastern neighbours into the EU, are no more likely to contribute more money for this purpose than older EU Members. A closer look at figures concerning EU development assistance reveals that Poland, being the country that together with Sweden initiated the idea of Eastern Partnership, is among the least generous donors of development aid in the entire European Union. We do support eastern neighbours, but the volume of our assistance is significantly lower than aid given by even poorer among western Member States, so often criticised by us for the lack of interest in the Eastern part of the continent. Our assistance for Ukraine in 2009 (12m USD) was smaller than assistance contributed in 2009 by Portugal (four times smaller and not much wealthier than Poland) to Bosnia and Herzegovina, which from the point of view of

Portuguese foreign policy is of no great importance. In the same year Germany allocated to Ukraine 109m USD. The view that the Eastern Partnership is a clever project conceived by Poland to be paid off by Brussels is an unofficial, but wide-spread opinion among western diplomats and officials in Brussels.

### Everyone equally poor?

**We have to come to terms with the idea that the volume of the EU financial assistance for the eastern countries will not increase in the nearest future.** It does not mean, however, that the EU is excused from reflecting upon the shape of its assistance offer for the six eastern neighbours included in the EaP, also with regard to the new financial perspective 2014–2020. If the EU assistance cannot be increased, it should undoubtedly become more effective and its volume should be better correlated with the level of development and the scale of poverty, social challenges, the state of democracy and good governance as well as the access of each EaP country to sources of commercial and assistance development funding. **Optimization of the support for the EU neighbours seems to be the imperative of the moment.**

**Table 1 – Basic data on development, quality of governance and remittance to Eastern Partnership countries.**

Country	Population in 2009 (million)	HDI rank in 2010	GNP (PPP) in 2008 (per capita in USD thousands)	EIU Democracy index rank in 2010	EIU Democracy index score in 2010	Net private flows to the country in 2009
Armenia	3.1	76	5.5	109	4.09	17
Azerbaijan	8.8	67	8.7	135	3.15	500
Belarus	9.7	61	12.9	130	3.34	216
Georgia	4.3	74	4.9	103	4.59	47
Moldova	3.6	99	3.2	66	6.33	12
Ukraine	46.0	69	6.5	67	6.30	255

Source: Compilation based on data from the OECD, UN and EIU.

In order to form some idea about the optimal volume of development assistance from the EU for the EaP, it is necessary to examine their basic development indicators. Development differences between particular EaP countries are significant, as presented in Table 1 and the level of development measured by the Human Development Index is an excellent illustration of this phenomenon. The country with the lowest HDI among the EaP states is Moldova (ranking 99 in 2010), while the highest occur in Belarus and Ukraine (61 and 68 respectively.) Certain correlation with data on national product can be observed. PNB *per capita* (measured according to purchasing power parity, PPP) is lowest in Moldova and amounts to 3 200 USD, whereas in Belarus it is 12 000 USD, although these data do not reflect the fallout of the 2011 economic crisis in the country.

Moreover, countries of the Eastern Europe have significant difficulties with democracy and key aspects of governance, such as accountability of authorities, political stability, government effectiveness, quality of legislation, the rule of law and control of corruption.<sup>3</sup> Only two of the EaP countries (Ukraine and Moldova) has been classified by the Economist Intelligence Unit as democracies, albeit “flawed”, another two (Georgia and Armenia) as hybrid regimes and the remaining two (including Belarus) were categorised as authoritarian regimes.<sup>4</sup> In the list prepared by *Freedom House* only Ukraine is categorised as a free country; Moldova, Georgia and Armenia are partly free and Belarus is “not free”.<sup>5</sup> Corruption is yet another problem, especially in Ukraine (ranking at #153 in the *Transparency International* Corruption Perception Index in 2009). Finally, the level of development of institutions, procedures and systems and the quality of policy implementation measured among others by the World Bank (*Country Policy and Institutional Assessment – CPIA*) is relatively low. In this last

respect only Armenia and Georgia turn out slightly better.

When we consider financial assistance as complementary and driving force of development, it is worth to mention the availability of commercial (non-assistance) i.e. private funds (foreign investments, remittances from migrants, etc.) which can be used to accelerate the development of the EaP countries. Certain Eastern Partnership countries are marked by a relatively high indicator of net remittance (notably Azerbaijan, Ukraine and Belarus), while the same indicator for others is either neutral or negative; and the outflow of money potentially increases necessity for Official Development Assistance for these countries, especially in the face of global financial crisis.<sup>6</sup>

Only after having examined all data presented above should we attempt to analyse to what extent the EaP countries are or should be beneficiaries of international assistance. All of them are officially categorised by the OECD Development Assistance Committee as ODA recipients. Generally, however, they are not really dependant on foreign assistance, none of them, with the possible exception of Georgia, belong to generously supported *aid darlings*. But the volume of received aid varies greatly between them. In the case of the EaP, Georgia has the highest aid to GNP ratio (7.0% in 2008), the ratio is slightly lower in Moldova (4.5%) and Armenia (2.4%). In Ukraine and Belarus ODA amounts to only 0.3% and 0.2% GNP respectively. Another fact that must be taken into consideration is that the EU is not the most significant donor in every EaP state. For instance, the EU assistance (from the EU institutions only, excluding bilateral aid from Member States) for Georgia amounted in 2009 to 141m USD, while assistance received from the US was 342m USD. The US is ahead of the EU also when it comes to aid for Azerbaijan (41m compared to 13m USD) and Armenia (88m to 28m USD).

<sup>3</sup> cf. *Worldwide Governance Indicators*, <http://info.worldbank.org/governance/wgi/index.asp>.

<sup>4</sup> *The Economist Intelligence Unit's Index of Democracy 2008*, <http://graphics.eiu.com/PDF/Democracy%20Index%202008.pdf>.

<sup>5</sup> <http://www.freedomhouse.org/template.cfm?page=363&year=2010>.

<sup>6</sup> OECD: <http://www.oecd.org>.

Table 2 – Volume of global development assistance for the Eastern Partnership countries

Country	Global ODA in 2008 (USD million)	Global ODA in 2008 (as % of GNP)	Global ODA in 2008 (USD per capita)
Armenia	303	2.4	98.3
Azerbaijan	235	0.6	27.1
Belarus	110	0.2	11.4
Georgia	888	7.0	203.6
Moldova	298	4.5	82.3
Ukraine	618	0.3	13.3

Source: Compilation based on data from the OECD and the European Commission

What can be concluded from these figures? First of all, they reveal differences between countries participating in the Eastern Partnership initiative, which means that each requires an individual approach. Secondly, these countries are characterised by relatively low quality of life, considerable social challenges and development needs (including the area of democratic institutions and procedures) that are being resolved by local authorities with the support from foreign partners and by using reliable, tried-and-tested standards of good governance. Donor community (including the European Union) should however – regardless of its internal problems – conduct a thorough analysis of how, to what extent and with which instruments it wants to support development of these countries.

As it has been already mentioned, the European Union (institutions as well as Member States) is involved in all countries of the region, but its aid presence is most significant in Ukraine, Belarus, Moldova and Georgia. Most generous donors of assistance for the EaP countries among Member States are Germany, France and Sweden followed by Great Britain and Poland. It is worth remembering that Poland ranks among 10 biggest donors of financial support for only two countries in the region: we place 2<sup>nd</sup> in the case of Belarus and 10<sup>th</sup> in the case of Ukraine.<sup>7</sup> Once again we have to emphasise that the EaP countries are not priorities for the EU donors, even as generous as Germany, Denmark or Sweden. None of the EaP countries belongs to 10 most important recipients of development assistance in any of

the EU states, which is also a member of the OECD Development Assistance Committee (DAC) and as such, required to publish complete data on provided development assistance. It is partly due to the fact that the EaP countries are (with the exception of Ukraine) fairly small countries. The situation is quite different when we consider assistance provided by community institutions (above all, by the European Commission): in this respect Ukraine is one of the priorities for the EU (ranked 9<sup>th</sup> in 2009).<sup>8</sup>

Table 3 – Assistance from the EU institutions for the Eastern Partnership countries

Country	ODA from the EU institutions in 2010 (€ million)	ODA from the EU institutions in 2010 (€ per capita)
Armenia	30.94	9.98
Azerbaijan	7.00	0.80
Belarus	11.36	1.17
Georgia	80.68	18.76
Moldova	104.10	28.91
Ukraine	114.62	2.49

Source: Annual Report 2011 on the European Community's Development and External Assistance Policies and their Implementation in 2010, European Commission, Brussels 2010.

The question is, whether the EU assistance for the EaP countries is sufficient and proportionate to their needs? A direct answer is not pos-

<sup>7</sup> cf. *Aid at a glance by recipient*, <http://www.oecd.org>.

<sup>8</sup> *Aid Statistics, Donor Aid Charts*, [http://www.oecd.org/countrylist/0,3349,en\\_2649\\_34447\\_1783495\\_1\\_1\\_1\\_1,00.html](http://www.oecd.org/countrylist/0,3349,en_2649_34447_1783495_1_1_1_1,00.html).

sible, since it depends on too many variable initial premises. But it may serve as a point of departure for further discussion on the future of European assistance for the region. Assuming that development aid is to be used to eliminate poverty and achieve remaining Millennium Development Goals, and considering limited financial resources, the EaP countries are undoubtedly not in the most urgent need of these funds. The quality of life in these countries remain significantly lower than among OECD members but is still higher than in many developing countries, for instance in certain post-soviet Central Asian states. With national product *per capita* as a criterion, the EaP would surely lose the battle for EU assistance with African or South Asian countries. Despite the crisis, the EaP countries can still apply for non-assistance funds, mainly in the form of direct investments. They should also effectively activate their own income, for instance by improving tax collection efficiency. This is where the crucial problem occurs. The quality of governance, as well as corruption and oligarchisation of life in these countries severely limits their access to open, free market economy. Apart from countries rich in natural deposits (Azerbaijan) or these, which have taken certain steps towards improving standards of services for investors and fighting corruption (Georgia), most of the EaP states are not the preferred destination for private capital inflow. Trade volume is far from optimum as well. Hence the expectations for the increase European aid.

### How can we help our Eastern neighbours?

If there is no possibility of increasing European assistance for the EaP countries, the EU, including Poland, should do its utmost to maximise the impact of every euro spent in Eastern Europe. And there is still much to be done in this area. Possible solutions are related to policy and practices of development assistance as well as the relations between assistance action and other spheres of the EU involvement in Eastern Europe.

When it comes to assistance as such, it must become more effective and therefore must

be managed differently than it has been done so far. The policy of conditions, including the “more for more, less for less” approach suggested in the new Eastern Neighbourhood Policy concept<sup>9</sup> should be maintained as a principle, but not applied in an overly dogmatic or automatic fashion. Smaller involvement of the government or parliament of an EaP country in implementation of principles of democracy and good governance should not result in the long term in an increase in percentage of people living below the poverty threshold or dying of AIDS. Low quality of governance in the EaP countries should not be judged too rashly and result in redirecting all assistance immediately to civic society organisations. Opinions to this effect emerged after recent events in North Africa. There can be no doubt that in both regions the proportion of assistance allocated to civic society institutions should be greater. However, we have to bear in mind that NGOs cannot replace government in their fundamental tasks and what strengthens the EaP countries is close cooperation between donor and recipient governments and a chance for exercising aid management. What is clear however, is that we cannot allow donors to give up on local institutions (both governmental and NGOs) in order to create their own assistance agencies employing best albeit low-paid local experts.

All of the Eastern Partnership countries need to intensify overall efforts towards creating a long-term strategic vision of sustainable development. In many of them (Georgia or Moldova for instance) there is no long-term strategy for socio-economic development or it exists only on paper. Promotion should be based on *democratic ownership* principle, which means establishing a development strategy based on comprehensive democratic dialogue involving entire society, including NGOs, local authorities, business associations, academia and, of course, the parliament and the government. Only such a process might enable a development strategy for the country to

<sup>9</sup> A new response to a changing Neighbourhood. Joint Communication to the European Parliament, the Council, the European Social and Economic Committee and the Committee of the Regions, Brussels, 25/05/2011 COM(2011)303.

become an effective instrument for cooperation with aid donors and for strengthening the accountability of authorities.

EU donors must also increase coordination and harmonisation of assistance efforts in the EaP countries. Assistance action must be based on commonly accepted principles and procedures. It means establishing agreements on assistance programmes, fundraising and implementation of development programmes. Donors should also increase transparency and predictability of financial aid. A situation, when Polish government cannot give e.g. the Ambassador of Moldova a precise answer concerning the amount of Polish assistance for his country for the next 2-3 years must not occur. It is equally unthinkable that information on numerous projects financed by Poland does not reach authorities of the country, where they are being carried out. Equally important are such seemingly trivial issues as whether local institutions and human resources are involved in the realisation of projects and assistance programmes or are they being “imported” from wealthier countries.

Issues presented above are but a selection of elements of an extremely complex programme of improving effectiveness of international development aid that has been in the process of worldwide implementation since 2005 (when the Paris Declaration on Aid Effectiveness was signed), although it advances very slowly and with much difficulty. The programme should find wide application within the European Neighbourhood Policy even though, as we know, ENP it is not strictly limited to sending international assistance to the EU’s neighbours.

But what will become crucial question of development perspective of the EaP countries is not only whether EU development aid turns out to be effective, but also to what extent the EU can assure that its overall influence on the EaP is positive, and not negative. The most important issue being the certainty that EU policies and other (non-assistance) action do not undermine objectives of cooperation for development. And ideally – ensuring that they would support these objectives. Meanwhile, representatives from Eastern European coun-

tries complain behind the scenes that even new Member States, despite development assistance and their formal support for the EaP countries in the international arena, block within the EU solutions favourable for their eastern partners. It is therefore necessary to include in the relations between the EU and the EaP the concept of Policy Coherence for Development (PCD).

Ensuring complete policy coherence for development is not feasible. Ensuring even partial coherence is an extremely challenging task, since it requires modifying internal policies of donor countries and threatening interests of many social groups, which is very difficult politically-wise. It also means the necessity to solve legal issues (boundaries of jurisdiction) as well as problems concerning organisation (multiple decision makers and procedures), economy (conflict of economic interests) and finance (drawing coherent financial framework.)<sup>10</sup>

Nevertheless, it is crucial that all fundamental decisions taken by a developed country are taken with full consideration for their potential impact on less developed countries.<sup>11</sup> It is therefore necessary to identify areas in which action of the EU (and Member States, including Poland) influence the situation in the EaP countries, where inconsistencies may potentially occur, which of them are in fact conflicts of interests and which stem simply from the lack of orientation on the part of decision makers. It seems that areas where interests of the EU can damage interests of the EaP countries most are agriculture, trade, migration and transport policies.

## Conclusions

The European Union is in a serious political and economic internal crisis. External relations, even with its immediate neighbours, are being

<sup>10</sup> cf. P. Bagiński, *Spójność polityki na rzecz rozwoju jako element reformy światowego systemu pomocowego* (in): K. Czaplicka (ed.) *Wyzwania międzynarodowej współpracy na rzecz rozwoju*, Oficyna Wydawnicza ASPRA – JR, Warszawa 2007/2008.

<sup>11</sup> *Managing Aid: Practices of DAC Member Countries*, OECD, Paris 2004, p. 17.

pushed to the background. Even a rough analysis of the place of the EaP countries in European cooperation for development indicates clearly that the best case scenario means maintaining the *status quo*. Development assistance for the Eastern Partnership countries will not be increased. On the contrary, a decrease in volume may well be expected in the next years should aid cuts throughout Member States continue or democratic standards in Eastern European countries further deteriorate. Countries of the region are not poor enough to qualify for urgent and increased financial assistance and they have not done anything to merit a reward for their efforts (as North African countries recently have). It has to be noted, however, that countries which are quickly trying to introduce reforms and integrate with the EU (like Moldova) or implement certain elements of good governance (like Georgia) are naturally more generously supported by donors both from within and without the EU. Others, including strongly authoritarian states are, for obvious reasons, rather omitted by donors. The change in aid volume might be possible only in the case of sudden deterioration of democracy, human rights and good governance standards among “top students” or quite the opposite – in the case of democratisation of the political system in Belarus. It is worth to mention that in September 2011, during the last Eastern Partnership Summit in Warsaw, Polish Prime Minister Donald Tusk promised Belarus a new aid package for the modernisation of the country, provided that political prisoners are released and rehabilitated and free election is organised.

Current and future EU assistance for the EaP countries is and will be closely linked to the situation in the EU and in the EaP countries. But its current volume does not guarantee civilisation progress in the EaP or bringing the quality of life closer to the level of even new EU Member States. The EaP countries (with the possible exception of Moldova and Georgia) have no choice but to mobilise their own or foreign private capital (which would prove to be extremely difficult considering problems with good governance) or to reach out to other donors, like Russia or China, with all resulting consequences, both economic and political.

The European Union should however offer the Eastern Partnership countries something more. It should treat the region as an opportunity to fairly easily increase the effectiveness of its development aid. It should significantly intensify the use of local resources and agencies, coordinate its projects and assistance programmes, decentralise their management, etc. It should also pay more attention to all areas of EU action (especially trade, agriculture, transport, migration and visa policy) and examine in which of them its activities may damage the region. Then – if possible – carry out an appropriate revision of its policies. This appears to be a difficult task, but its implications may reach far beyond any outcome of even a very significant increase in the volume of development assistance.

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