

Regional Policy and Regional Development: Euro-Atlantic Support to Eastern Partnership Countries

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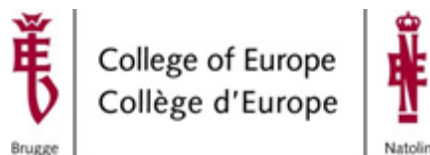
{ About: }

Warsaw Euro-Atlantic Summer Academy (WEASA) is an educational programme for the up-and-coming policy analysts, experts, advisers, civil servants, private sector/NGO professionals and journalists from the Eastern Partnership region (i.e. Armenia, Azerbaijan, Belarus, Georgia, Moldova and Ukraine).

WEASA was founded to present the political, social and economic foundations of modern democracies in the European Union and the transatlantic community and further promote the values of freedom, pluralism and peace.

WEASA goes in line with the Eastern Partnership initiative that aims at accelerating political association, deepening economic integration, enhancing mobility of citizens and strengthening sectoral cooperation between the European Union and the Eastern Europe.

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Euro-Atlantic support to Eastern Partnership countries on Regional Policy and Development: Introduction

Hrant Kostanyan

Years 2015–2016 witnessed rising levels of instability and complexity in the Eastern Partnership region caused by both internal and external factors. In this environment, both the Quadrennial Review (QDDR 2015) and the review of the European Neighbourhood Policy (ENP) (Commission 2015b) declare the promotion of regional cooperation as one of priorities of their respective development assistance activities.

The Ukraine crisis has not abated and continues to threaten the country's statehood and development, while the government has been attempting to push through reforms. There is increasing concerns regarding the Moldova's pro-European orientation, especially following the recent presidential elections, which were won by pro-Russian Igor Dodon. Georgia, while nominally still following the pro-Western course, has seen an economic deterioration and internal political tensions, often along the lines of increasing presence of pro-Russian interest groups.

With the aim of balancing its membership of the Eurasian Economic Union, Armenia is actively negotiating a new framework agreement with the EU. While Azerbaijan is adjusting to the drop in oil prices, the EU adopted a mandate for the European Commission to negotiate a comprehensive agreement with the Republic of Azerbaijan. Moreover, there are concerns about human rights situation in Azerbaijan. Belarus oscillates, uncomfortably, between its relations with Russia and cautious attempts to improve the relations with the EU. Following the recent parliamentary election, the EU has lifted most of its sanctions against Belarus.

Georgia, Moldova and Ukraine are on course to implement the Association Agreements and DCFTAs while Armenia and Belarus are members of the Eurasian Economic Union and Azerbaijan remains unaligned.

The above challenges notwithstanding, to varying degrees Eastern Partnership countries have continued on their respective paths to economic development and political reforms. The 2015 Eastern Partnership Riga Summit confirmed that “enabling functioning market economies, improving macroeconomic stability and the business environment, as well as enhancing interconnectivity (...) and people-to-people contacts open new prospects for cooperation, contributing also to trade, growth and competitiveness” (Commission 2015a).

2015, the year preceding WEASA 2016, was a pivotal year regarding the design and formation of the European and US policies and instruments that EaP could benefit from. In August 2015, the Quadrennial Diplomacy and Development Review was published, and set the priorities for the US diplomatic and development agenda for the next 5 years. In November 2015, the European Neighbourhood Policy Review was unveiled, delineating changes in EU's policies towards Europe's neighbouring countries and regions, including the Eastern Partnership.

It is in the strategic and current interests of the Euro-Atlantic community to support the EaP countries in their strife for peace, security, maintenance of sovereignty and continuing their paths towards successful democratic transition. For the sake of regional stability and development, none of the 6 EaP countries should be left behind as far as support is concerned, even if the modalities and intensity of this support might differ due to its "tailor made" character.

Some priority areas outlined in the two reviews coincide (e.g. economic growth, regional development, democratization, good governance, trade, security, conflict prevention or mitigation). As for providing their support to the partner countries, both policy reviews have underlined the priority of cooperation with civil societies and officials involved in local governance. Whilst central governments remain the key partners, the role of grassroots organizations as well as local communities and network organizations is going to grow. Therefore, there is a need to develop human capital also at the local level.

Against this backdrop, the Warsaw Euro-Atlantic Summer Academy (WEASA) 2016 – co-organized by the College of Europe Natolin Campus, the German Marshall Fund of the United States and the Polish-American Freedom Foundation – was devoted to the issue of "Regional Policy and Development: Euro-Atlantic Support to Eastern Partnership Countries (Dialogue on the New Architecture)". Both the ENP Review and the Quadrennial Review declare the promotion of regional cooperation as one of the priorities of their respective development assistance activities.

Further enhancement of regional policies and development in the Eastern Partnership countries will strengthen their economic growth, develop trade, deepen the economic cooperation, investment in infrastructure including transport, reaching out to disadvantaged areas and setting up communication channels between national, regional and local authorities. Moreover, well-developed contacts and constant communication between the neighbouring countries help to prevent the unexpected rise of tensions of different nature.

Regional development and cross-border programmes of external

support, while having a great potential for impacts in many fields and sectors listed above, can also face challenges as they involve multiple, geographically spread locations and multiple stakeholders from different levels of government in multi-country programmes. Understanding such type of programmes enhances the ability to successfully design and implement them in the future, thus contributing to economic and social development of the respective countries.

This volume is one of the WEASA 2016 follow-up activities and focuses on enhancing the alumni intellectual potential. The volume consists of five policy-oriented articles authored by the participants and lecturers of WEASA 2016.

While analysing public consultation process of the 2015 review of the ENP, Frédéric Schwandt argues that despite the introduction of concepts such as “stabilisation” and “differentiation”, the ENP is likely to balance between the EU’s values and interests.

The development dimension of the ENP is rather specific and is a mix of elements of the Lomé and the enlargement model of EU aid. In her contribution, Fabienne Bossuyt sketches the EU’s ENP-related aid instruments and modalities focusing, in particular, on the assistance provided under the European Neighbourhood Instrument (ENI). One of the main forms of the EU’s support to the neighbourhood countries is channelled through cross-border cooperation. Based on the ideas of cross border cooperation in Europe, Rafał Sadowski analyses the EU cross-border cooperation approaches and modalities in relation to Eastern Partnership countries.

Taking into account consequences of the conflict, Inna Semenenko proposes a strategy for Luhansk regional development. She proposes to focus on the agricultural sector, chemical and petrochemical industry, energy security and restoration of infrastructure. In order to stimulate local democracy by properly exercising local self-governance principles, Archil Zhorzholiani argues for a need to reform the majoritarian system of Georgian Parliament. Development is a challenge especially in the areas where there is an ongoing military action.

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Lessons from Jean Monnet and Thomas Hobbes: the 2015 review of the European Neighbourhood Policy and the Common Foreign and Security Policy

Frédéric Schwandt

Abstract

This paper describes the 2015 review of the European Neighbourhood Policy, in particular its public consultation process and the main changes of the policy. It argues that the ENP review formed part of a more general coming of age of the EU's self-perception in foreign policy matters. It explains the review's underlying concept of 'stabilisation' and describes how 'differentiation' could be applied in practice. The paper concludes that policymakers will likely be guided by an approach where both values and interests guide EU action.

In 2003, a paper called 'Wider Europe' presented the vision of a shared space of stability, prosperity, and security in the countries bordering the Member States of the European Union in the East and in the South. The EU had just enlarged to 25 Member States and, leading by the power of its example, it would propose 'everything but institutions' in order to create a 'ring of friends' and to 'avoid drawing new dividing lines in Europe'.

For over a decade the European Neighbourhood Policy (ENP) would be the cornerstone of EU external action in the region. Through this policy the EU applied the method that it knew best, which ensured its own success and peacefully united countries recovering from authoritarian rule and war: incremental reform steps, applied in small quantities but consistently and thoroughly, leading to positive spill-over effects, and ultimately to market integration and harmonisation of standards.

Thus, the ENP became a proto EU foreign policy pursued towards partner countries closest to the EU.¹ The Lisbon Treaty even codified a 'special relationship with neighbouring countries, aiming to establish an area of prosperity and good neighbourliness, founded on the values of the Union and characterised by close and peaceful relations based on cooperation' (Art. 8 TEU).

However, while the Lisbon Treaty abandoned the pillar structure of the EU and introduced, notably, the 'double-hattedness' of the High

¹ With the exception of candidate countries, EEA countries and Switzerland, for which different frameworks apply.

Representative and Vice President of the Commission, the ENP and the Common Foreign and Security Policy (CFSP) were de facto followed in parallel, as two distinct policies.

This changed in 2015. The 'ring of friends' was now a 'ring of fire' and arguably the ENP had become one of the most criticised policies of the EU: an abstract, highly technical policy run by experts, a neighbourhood which was 'in shambles', and a policy that needed a 'reset' as crisis had become 'the new normal'. The European Commission and EU Member States agreed and asked for a review of the policy – the second revision after the 2011 review following the events of the Arab Spring.

Consulting stakeholders

A public consultation (European Commission 2015) was organised by the European External Action Service (EEAS) and the Commission's newly created DG NEAR. Over 250 contributions were received by a large variety of stakeholders, including Member States, partner countries, civil society, academia and think tanks, business, and the public at large. This was probably the first time a foreign policy matter had been submitted to an EU wide public consultation.

In April 2015, a first set of Council Conclusions on the ENP review stated that *'[t]he ENP is key for both the EU's Common Foreign and Security Policy and other areas of the EU's external action. The neighbourhood is a strategic priority and a fundamental interest for the EU'* (Council 2015).

It is worth looking at the Council's words in detail.

For the first time in more than ten years of implementing the policy it was clearly spelled out – if proof thereof was needed – that the ENP was a *foreign policy* of the EU, combining elements of both CFSP and EU external action. The neighbourhood is referred to as a strategic priority and a fundamental interest for the EU. This represents a significant shift in discourse when compared to the original policy. The projection of soft power of the earlier years ('friends', 'avoid dividing lines') shifted towards a leaner approach also based on self-interest ('strategic', 'interests').

How did this happen?

The results of the public consultation on ENP review were in many aspects remarkable. As part of the consultation two 'existential' questions were submitted to stakeholders: (1) should the policy be scrapped altogether? and (2), should the policy be split into two policies for the East and the South, respectively?

Surprisingly, very few stakeholders argued for the policy to be abandoned. No Member State and no partner country put forth such a position. On the contrary: partner countries that had repeatedly expressed scepticism towards closer engagement with the EU over preceding years were among the most eager respondents to the consultation. Not having a relation with the EU was an option that no partner country was ready to consider. Quite the contrary, as all of them sought closer relations with the EU – but in different ways.

Regarding the other ‘existential’ question, surprisingly few stakeholders argued for a ‘split’ of the policy. This was unexpected following years of discourse on the ENP being too EU-centric and following controversy over the very term of ‘neighbourhood’ – considered by many to be condescending towards partner countries. Most stakeholders agreed that keeping the policy together had merit.

Indeed the ENP is not only a foreign policy but above all *it reflects internal EU dynamics*, including the geographic situation of Member States and historical ties with neighbouring countries. A common neighbourhood policy is crucial for the unity and effectiveness of EU action in the region. However unintuitive the bundling of the EU’s resources allocated to the East and to the South may seem, few have objected to the premise that several neighbourhood policies would yield different, less convincing results.

A newly found focus on interests?

A state, and be it a present-day EU Member State, will quite naturally tend to its national interest in foreign policy matters. For the EU however, being a post-modern political construction still in development, it is not a natural thing to say that, yes, it does have interests abroad and that, yes, it will pursue those interests.

In that sense the ENP review formed part of a more general coming of age of the EU’s self-perception. It is hardly a coincidence that the EU’s stance in the world was given a broader overhaul almost in parallel, the result of which was published one year later through the Global Strategy. Following the bitter lessons of having to put the EU’s soft power into perspective both at home and abroad, it became clear that applying the Monnet method in an increasingly Hobbesian environment was in many cases a dead-end.

A new paradigm was needed. Against the bleak picture of conflict, rising extremism and terrorism, it was not difficult to determine that the top priority for the years to come should be stabilisation of the neighbourhood. This, however, is more complex a concept than it may seem.

First, the new maxim of 'stabilisation' contrasts with the original mantra of 'stability, prosperity, and security' in the region. Moreover, in the 2011 review, Europe's perceived proximity to leaders in neighbourhood countries where the Arab Spring had made a strong impact was a major point of criticism.

How can a renewed focus on stabilisation work in this context? If we concede that the functionalist logic of step-by-step reform goals risks becoming redundant in a situation of conflict or even war, then the logical conclusion is that we must take a step back and *stabilise that situation in order to create the political, economic, and security environment that will allow reforms to take place*. This applies a fortiori when considering that some reforms, in particular the far reaching ones, carry costs in the short term that require a society and an economy to be resilient enough to offset these costs. Stabilisation, therefore, needs to be seen as an enabling factor creating the conditions for reforms to take place, once possible. The reviewed ENP adopted stabilisation as its main objective for the years to come, as a precondition for the EU's reform agenda.

In addition, the review also acknowledged for the first time that not all partners aspire to EU rules and standards. The original ENP worked on the assumption that all partners were interested in some form of 'approximation' with EU norms. Over the years some partners have expressed their clear willingness and ability to work as closely as possible with the EU, while others have chosen a different path. The principle of 'differentiation' – i.e. of designing a regional policy sufficiently flexible to accommodate individual situations – was part of the ENP's DNA from the very beginning. However, the concept was difficult to apply over the years, also due to resource constraints on the European side.

Applying differentiation will mean, in practice, that the relations between the EU and partners will become more complex. Instead of offering one model of engagement based mostly on the EU acquis, relations with partners² will in future reflect the depth and the breadth of cooperation and jointly agreed reform objectives. Some partners will benefit from extensive cooperation formats such as the Association Agreements and Deep and Comprehensive Free Trade Areas concluded with some partners in the East. Others will prefer a much more focused relationship under older Action Plans or newly developed Partnership Priorities – policy documents which are intended to inform cooperation and EU support for the years to come. The EU's action in the region will become more 'à la carte' in order to account for the diversity of choices in the neighbourhood.

2 Georgia, the Republic of Moldova, and Ukraine.

In this context it has become increasingly evident that the EU is not the only game in town, and the review recognised that the EU's leverage in the region was often limited. It is therefore not surprising that some neighbourhood partners perceive the need to pursue a multi-vector diplomacy that also accounts for other factors in the wider region. This development is not necessarily to be frowned upon. In some cases, partners seizing opportunities extended to them can contribute to the overall objectives of the EU in the region. In this respect the EU leads by example – could there be a stronger expression of soft power than emphasising that partners have to make their own sovereign choices in the region?

Thus the review focused on stabilisation, building on tailor made arrangements with partner countries that should express the interests and needs of both sides, thereby increasing the ownership of the policy by partners themselves. A Joint Communication by the High Representative and the Commission of November 2015 (Commission 2015) as well as a second set of Council conclusions of December 2015 (Council 2015) present these proposals in detail.

Balancing values and interests

One further policy shift needs to be pointed out. Since its beginning, the ENP has been a value-driven policy and its focus on reforms naturally included efforts to improve democracy, the rule of law and fundamental freedoms. This has not changed. However, the review's proposals on an interest-based foreign policy and tailor-made partnerships not only based on EU rules and standards raised questions as regards the policy's focus on values. This, of course, had to be seen in the context of a largely deteriorating human rights record in many neighbourhood countries.

Like the discussion on differentiation, the debate on 'values versus interests' is as old as the ENP itself. It is underpinned by the perception of the EU's role as a normative, transformative power. Reform processes, however, require full ownership by neighbourhood partners – and the EU's ability to leverage reform processes is strongly conditioned by the willingness and ability of local elites to engage with a genuine agenda for change.

Following the 2011 review of the ENP, a slogan as simple as 'more for more' became one of the major trademarks of the policy. However, its initial meaning – as enshrined in the regulation on the European Neighbourhood Instrument – i.e. 'more financial support in exchange for more reforms' quickly became subject to misinterpretation.

The expression was indeed so simple that 'more of anything' could become the condition for 'more of anything else'. As interpretations diverged, the expression often antagonised partners and Member States, and it was soon used by a multitude of stakeholders in a variety of ways ('less for less'). The review reframed the initial expression by bringing it back to its original meaning: the closely defined context of the ENI regulation. Nonetheless, what was meant to serve as a tool of persuasion under the 'incentive-based approach' has *de facto* become an acknowledgment of reform processes successfully carried out, thereby limiting the leverage it was intended to create.

The reviewed policy thus continues to apply the incentive-based approach which builds on the willingness and ability of partners to reform. The review also strongly emphasises the EU's continued commitment to universal values. The difficulty for policy makers naturally lies in overcoming the dichotomy of 'values vs interests', working towards an approach where 'values and interests' guide EU action. Readers of the classics are likely to agree that this is indeed a dilemma as old as the concept of foreign policy itself.

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Development cooperation and the European Neighbourhood Policy³

Fabienne Bossuyt

Abstract

This policy paper focuses on the development cooperation dimension of the European Neighbourhood Policy (ENP). It starts with contextualization of the EU's assistance under the ENP, which – as will be shown – brings together elements of the Lomé model and the enlargement model of EU aid. Next, it outlines the aid instruments that the EU uses to provide assistance to the ENP countries. This is followed by an overview of the different aid modalities. The remainder of the paper gives an overview of the assistance provided under the European Neighbourhood Instrument (ENI) and the different programmes through which the funding is offered.

Between development and enlargement

The European Union (EU)'s aid to its Eastern and Southern neighbourhood has increased significantly in the past 15 years. In 2014, more than 20 per cent of the Official Development Aid (ODA) granted by the EU institutions went to the 16 ENP countries, compared to 16 per cent in 2007 and 11 per cent in 2000.⁴ Since the EU is in principle committed to prioritizing the least-developed countries (see e.g. European Commission 2011), developmentalists have criticized this trend: as the ENP countries are obviously of key interest to the EU, they see this steady increase in aid spending as an indication of the securitization of the EU's development policy.

Lomé model	Enlargement model
Interaction between trade and aid, in view of economic development	Focus on exporting the 'acquis communautaire'
Poverty is addressed by providing trade and aid benefits	Facilitating transition from communist system towards liberal democracy and market-oriented economy
Lomé light in MENA region since 1970s	Enlargement light in former Soviet countries since 1991
ENPI/ENI since 2007: Combines typical enlargement assistance modalities (Twinning, SIGMA & TAIEX) with typical development aid modalities (grants, budget support and loans)	

³ This paper is based on the book chapter 'Aid in the European Neighbourhood Policy', which is due to appear in the Routledge Handbook on the ENP (edited by Tobias Schumacher et al.). I am grateful for the input of Hrant Kostanyan, Jan Orbie and Bruno Vandecasteele, who co-authored that chapter with me.

⁴ Data are retrieved from the OECD-DAC database, available at <https://stats.oecd.org>.

Two 'models' of EU aid exist (Table 1). Each of them has a distinctive background and finality as originated in the history of European integration. On the one hand, the 'Lomé model' focuses on the interaction between trade and aid, with the purpose of economic development. The idea behind the Lomé model is that poverty should be addressed by providing exclusive trade and aid benefits. This model was originally designed for the EU's aid to the countries of the African, Caribbean and Pacific (ACP) group. The ACP countries received preferential access to the European market, and the European Development Fund (EDF) provided aid that was exclusively targeted to these countries.

Interestingly, the EU applied a 'light version' of this Lomé model to the EU's southern neighbourhood partner countries. In the 1970s, the EU concluded a series of preferential trade agreements with the Maghreb and Mashreq countries as part of the EU's Global Mediterranean Policy (Mishalani et al. 1981). This was accompanied with financial assistance aimed mostly at supporting economic development. The special relationship with the Southern Mediterranean countries was reinvigorated in 1995 with the Euro-Mediterranean Partnership, also known as "Barcelona Process", which included an economic and financial partnership involving preferential free trade agreements as well as additional funding through the MEDA (Mesures d'accompagnement) programme, then a newly-established fund exclusively for the Southern Mediterranean region. The fund was targeted explicitly at instigating liberal economic reform and integrating the countries economically with Europe, premised on the idea that economic development is the key driver of poverty reduction (see e.g. Holden 2008).

On the other hand, there is the 'enlargement model', which focuses on extending the EU *acquis* towards the neighbourhood countries. It finds its origins in the process that led up to the 2004/2007 'big bang' enlargement of the EU. Following the dissolution of the Soviet Union in 1991, the EU extended the already existing assistance programmes 'Poland and Hungary Assistance for Restructuring their Economies' (PHARE) to those countries in Central and Eastern Europe that were likely to join the EU in the medium-to-long term. The main purpose was to facilitate the transition from communist systems towards democratic and market-oriented economies. This would be done by integrating these countries into the economic and political space of the EU. For the (other) countries of the former Soviet Union, the EU established the 'Technical Assistance to the Commonwealth of Independent States' (TACIS) programme. TACIS can be seen as a 'light' version of the enlargement/PHARE model, aimed at facilitating political and economic transition based on the EU's model without, however, providing a prospect of membership to the EU.

With the launch of the ENP in 2004 bringing together the EU's Southern and Eastern neighbours under one umbrella framework, also

the financial instruments were merged. The European Neighbourhood and Partnership Instrument (ENPI) – as well as its successor, the European Neighbourhood Instrument (ENI) – encompasses elements of both ‘Southern development’ and ‘enlargement acquis’ models, although the latter clearly became dominant. Indeed, the basic thrust of the ENP is ‘enlargement without institutions’ (Kelley 2006), which implies a focus on exporting the EU acquis with a view to integration in the European economic and political space, ultimately fostering regional stability and avoiding new dividing lines.

The merger of both ‘models’ within ENPI/ENI is also clearly visible at the level of the instrument’s aid modalities in the fact that it relies both on typical enlargement assistance modalities, in particular Twinning, SIGMA⁵ and TAIEX⁶, and on typical development aid modalities, namely project-based grants, budget support and concessional loans.

Instruments

Most of the EU’s aid allocated to the ENP countries comes from the European Neighbourhood Instrument (ENI)⁷, which is exclusively used for the 16 ENP countries. For the period 2014-2020, the ENI has been allocated EUR 15.433 billion (2013). This is a further increase compared to the EUR 12 billion allocated through the ENPI to ENP countries in the period 2007-2013, which was already a 32 per cent increase compared to the TACIS and MEDA aid provided to these countries between 2000 and 2006 (European Commission 2014).

Funding through the ENI covers four categories of assistance: bilateral assistance for ENP countries, regional assistance to the Southern and Eastern Neighbourhood, neighbourhood-wide programmes and Cross Border Cooperation Programmes (see more below).

Next to ENI, ENP countries are also eligible for funding from several other EU external assistance instruments. It concerns mostly the European Instrument for Democracy and Human Rights (EIDHR), the Civil Society Organisations and Local Authorities (CSO/LA) programme, the Instrument contributing to Stability and Peace (IcSP) and the European Endowment for Democracy.

The most widely used of these is the EIDHR, although its overall budget is relatively limited. The EIDHR is the EU’s specific tool for providing financial support to civil society actors engaged in issues

5 SIGMA stands for ‘Support for Improvement in Governance and Management’

6 TAIEX stands for ‘Technical Assistance and Information Exchange instrument’.

7 In 2014, the European Neighbourhood Instrument (ENI) succeeded the European Neighbourhood and Partnership Instrument (ENPI), which was operational from 2007 until 2013.

of human rights and democratic development. Unlike the EU's other international cooperation instruments, EIDHR operates without the need for consent from the target countries' governments. The EIDHR funds are disbursed mainly through calls for proposals initiated by the European Commission's headquarters – at global level for (cross) regional macro-projects – and by EU delegations – at local level for micro-projects (called Country-Based Support Schemes). A portion of the funds is distributed without calls for proposals, inter alia, for election observation, but also for individual grants to human rights activists in the countries where they are under most pressure.

In terms of allocations at country level, the EU tends to prioritize countries where the impact of the EIDHR activities has more chances of success, which means that more authoritarian countries are allocated less funding than more open countries. When it comes to the focus of the projects, research on EIDHR has shown that most of the funding goes to projects centered on relatively uncontroversial issues such as women's and children's rights (Bicchi and Voltolini 2013).

Unlike EIDHR, the European Endowment for Democracy is an independent private law foundation funded mostly by EU member states. It provides grants to pro-democratic individuals and organizations in the ENP countries: NGOs, movements, activists, young leaders, independent media, and journalists. Grants have been awarded, for instance, to the European Radio for Belarus (Euroradio) and to a group of local youth organizations in Azerbaijan for organizing trainings to foster critical thinking and empowerment among Azerbaijan's youth.

The CSO/LA programme, in turn, is a thematic programme of the Development Cooperation Instrument. It provides support to civil society and local authorities, among others in ENP countries, to strengthen their contributions towards reinforced governance, accountability and inclusive policy-making.

Finally, the Instrument contributing to Stability and Peace aims at preventing and responding to crises and creating a safe and stable environment in partner countries. With this instrument, the EU funded, for instance, the 'Media for Peace-building in Palestine' project, which sought to contribute to the promotion of a culture of tolerance, mutual trust and cohesiveness within the Palestinian society through a strengthened and competent media. The EU also used this instrument to provide support to the OSCE Special Monitoring Mission to Ukraine.

Aid modalities

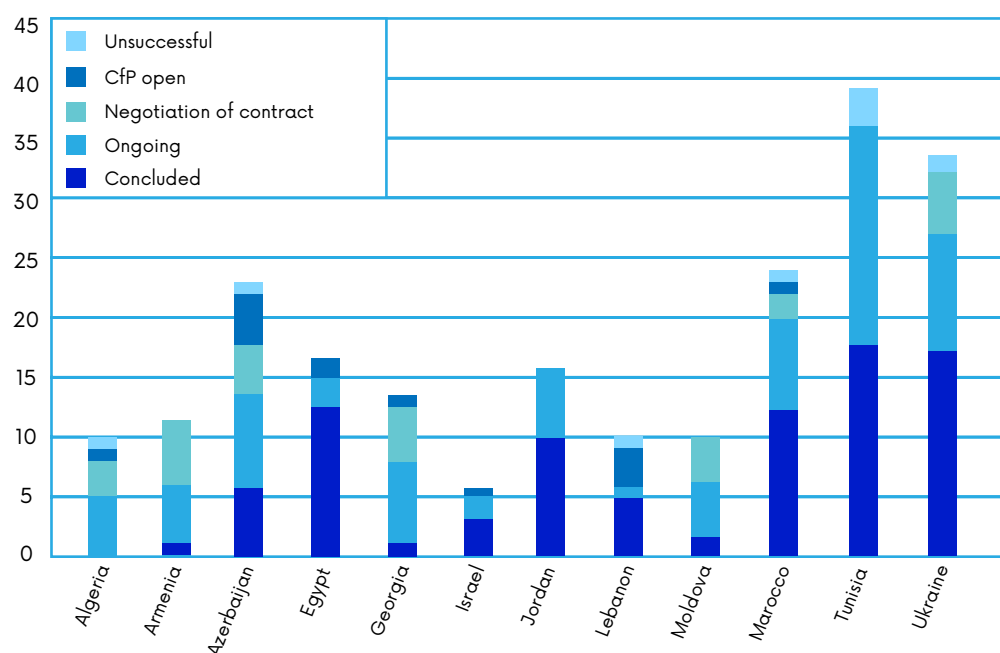
The EU relies on several aid modalities to disburse funds to the ENP countries. Most of the bilateral assistance under ENI – at least in absolute numbers – is provided through budget support, followed by technical

assistance. Budget support consists of direct financial transfers to the national treasury of the partner country to support reforms in specific sectors. The exact share varies strongly between the ENP countries in line with their different needs and changing situations. In the case of Moldova, for instance, over 50 per cent of the allocated funding in the period 2007-2011 was reserved for budget support and the other 50 per cent were for technical assistance projects (Ratzmann 2012). In Egypt, the EU has scaled down the use of budget support in recent years because the government has not met the general conditions (European Commission 2014). The European Commission argues that it uses budget support in order to give ownership to the countries and to “buy” reforms from the neighbouring governments. The counterargument is that once financial assistance enters into the budget it is very difficult to trace, which is problematic considering that many of the ENP countries are still faced with high levels of corruption.

A considerable share of the technical assistance is disbursed in the form of grants, i.e. donations provided to third parties (e.g. European NGO or local NGO) to carry out a project. Grants are usually provided through competitive calls for proposals. Since 2007, the EU also makes use of so-called blending mechanisms to provide assistance to the ENP region. Through the Neighbourhood Investment Facility, grants from the European Commission and the EU member states are ‘blended’ with loans from European Financial Institutions, especially the European Investment Bank and the European Bank for Reconstruction and Development.

For the ENP countries, technical assistance is also provided through specific capacity- and institution-building instruments for public administrations, namely Twinning, Technical Assistance and Information Exchange (TAIEX) and the Support for Improvement in Governance and Management (SIGMA).

Twinning was originally designed in 1998 to help candidate countries to acquire the necessary skills and experience to adopt, implement and enforce EU legislation. It brings together public sector expertise from EU member states and ENP countries with the aim of enhancing peer to peer activities. Figure 1 provides an overview of the number of Twinning projects that were launched in the ENP countries between 2005 and 2012.



Source: European Commission (2012)

TAIEX supports public administrations with regard to the approximation, application and enforcement of EU legislation, and facilitates the sharing of EU best practices. It is largely needs-driven and delivers tailor-made expertise to address issues at short notice. SIGMA, which is a joint initiative between the EU and the OECD, aims at strengthening public management. It is based on a team of 20 experts, which provides assistance in six key areas: strategic framework of public administration reform; policy development and co-ordination; public service and human resource management; accountability; service delivery; public financial management, public procurement and external audit.

Bilateral assistance under ENI

About 60 per cent of funding under EN(P)I is committed to bilateral assistance. About two thirds of ENPI/ENI funds have been committed to the ten Southern neighbourhood partner countries and one third to the six EaP countries. When calculated per capita (relative to the GDP/capita), the EU's funding for the two regions is roughly similar, with the EaP region slightly outnumbering the MENA region.

The EU's approach of bilateral aid allocation is incentive-based and differentiated. The former implies that ENP countries that demonstrate a genuine commitment to implementing reforms receive more funding from the EU. The latter implies that the EU tailors its assistance to the countries' contexts based on five specific criteria: (1) needs, such as level of development and population, (2) progress in political, economic and social reforms, (3) commitment to advancing democracy, (4) the level of cooperation with the EU and (5) absorption capacity of the

recipient country (European Union 2014). Therefore, within the Eastern and Southern neighbourhoods, there are substantial differences in the aid disbursements at country level and between sectors.

In 2014, Ukraine (EUR 490 million), Palestine (EUR 481 million) and Tunisia (EUR 452 million) received most aid from the EU. Other ENP countries were allocated only a fraction of these sums (e.g. Azerbaijan EUR 12 million, Belarus EUR 28 million). Calculated per capita, the top recipients in 2014 were Palestine (2.07% of GDP/capita), Moldova (1.08% of GDP/capita) and Georgia (0.59% of GDP/capita). This stands in sharp contrast with countries like Azerbaijan (0.01% of GDP/capita), Belarus (0.02% of GDP/capita), Egypt (0.03% of GDP/capita) and Libya (0.04% of GDP/capita).⁸

Looking at the sectors supported under bilateral ENI assistance, there are some differences between the Eastern and the Southern neighbourhood. For the Southern neighbourhood, the priority sectors are economy-related issues (including diversification, labour market, private sector), support for democracy, good governance and rule of law, and the energy sector. For the Eastern Partnership countries, the main sectors supported by the EU are the justice and police sectors, public administration reform, and regional/local development and agriculture. Most ENP countries receive bilateral assistance for civil society support, but the Eastern Partnership countries are allocated less funding for civil society support than the Southern Mediterranean countries, where this assistance amounts to approx. 20 per cent.

Other assistance under ENI

Regional assistance

Under ENI, the EU also supports regional programmes towards the Eastern and Southern neighbourhood, which are complementary to the bilateral policies. The multilateral framework of the EaP consists of four thematic platforms: (1) democracy, good governance and stability, (2) economic integration and convergence with EU policies, (3) energy security, and (4) contacts between people. The platforms aim at facilitating the exchange of views and best practices between the EU and ENP countries. To support the work of the platforms, the EaP offers the possibility to set up expert panels to discuss initiatives, projects and activities in depth and to report to their respective platforms. The expert panels also focus on the development and implementation of so-called Flagship Initiatives, which cover various areas, including small and medium size enterprises, energy, environment, prevention, preparedness and response to natural and man-made disasters, and integrated border management.

⁸ Data are retrieved from the OECD-DAC database, available at <https://stats.oecd.org>.

The UfM goes beyond the countries included in the ENP South and brings in Albania, Bosnia and Herzegovina, Mauritania, Monaco, Montenegro and Turkey. The members of the UfM meet in the 'Platform for Regional and Policy Dialogue' to conduct policy dialogue, exchange ideas and experiences, and to formulate priorities. The jointly identified strategic priority areas are (1) business development, (2) social and civil affairs, (3) higher education and research, (4) transport and urban development, (5) water and environment, and (6) energy and climate action.

Neighbourhood-wide assistance

Neighbourhood-wide assistance covers aid channelled through programmes that are most appropriate for and effectively implementable in the countries of the whole neighbourhood (EEAS and European Commission 2014a). The same neighbourhood-wide programmes are deployed to all countries participating in the ENP, but they can be adjusted; the subsidiarity principle is a prerequisite for programmes to be included in the neighbourhood-wide instrument, i.e. if the programme is best addressed at the regional level (South or East), then it is not delegated to the neighbourhood-wide instrument.

Neighbourhood-wide cooperation programmes include the administrative reform and institution-building tools Twinning and SIGMA, the Neighbourhood Investment Facility (NIF), which envisions sustainable and inclusive economic development and integration, and Erasmus+, which aims at improved student and academic mobility.

Aid for cross-border cooperation

Cross-border cooperation is part of both the ENP and EU-Russia cooperation. It aims to promote cross-border cooperation between EU member states, ENP countries and Russia (EEAS and European Commission 2014b). The cross-border cooperation programmes cover common land borders (e.g. Karelia/Russia, Estonia/Russia, Poland/Russia, Latvia/Lithuania/Belarus, Romania/Moldova, Romania/Ukraine, Poland/Belarus/Ukraine, Hungary/Slovakia/Romania/Ukraine), short sea crossings (Italy/Tunisia) and sea basins (Baltic Sea Region, Black Sea, Mediterranean Mid-Atlantic).

Conclusion

The neighbourhood has attracted a growing amount of EU aid, driven by the EU's increased interest in fostering regional stability and avoiding new dividing lines at its borders. The assistance that the EU provides to the ENP countries exhibits a unique combination of elements of the aid model that the EU uses for delivering aid to developing countries and the aid model it follows for supporting EU candidate countries. As such, a vast array of instruments is at the EU's disposal, allowing for

a wide diversity in terms of programmes, sectors and aid modalities. Nevertheless, the EU's assistance varies strongly between the 16 ENP countries, in line with the countries' domestic situation and needs, as well as their eagerness to implement reforms. This variation is likely to increase as some countries become closer associated with the EU while others show little desire of enhancing cooperation with the EU or are torn by internal strife and disarray.

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Cross-border cooperation in the EU's policy towards eastern neighbours

Rafał Sadowski

Abstract

Cross-border cooperation is one of the three major forms of the EU's direct support addressed to its neighbours in the Eastern Europe and South Mediterranean (the two others are bilateral and multilateral aid). For this purpose the EU has allocated over €1bn under the current financial perspective for the period of 2014-2020. The role of cross-border cooperation is especially important in the case of the EU's eastern neighbours covered by the Eastern Partnership initiative. In this case, direct neighbourhood over land border gives more opportunities to establish cooperation links at regional and local level between bordering regions. This paper aims at briefly presenting the idea of the cross-border cooperation in Europe and shows how the EU approaches this specific instrument of cooperation and how it is used in practice in building relations with the European eastern neighbours.

Why cross-border cooperation?

Cross-border cooperation, abbreviated to CBC, is an instrument for developing cooperation over national borders between adjacent regions at regional and local level. Its main aim is to stimulate regional development by overcoming obstacles posed by existence of state frontiers. Many of the border regions face challenges of economic and social development. In many countries regional GDP of border regions is smaller than that of central or capital regions. For example, GDP per inhabitant measured in purchasing power standards of Poland's central region Mazowieckie is at the level of 107 per cent of the EU's average, while in Lubelskie region, which is located at Poland's eastern border, it is only 47,5 per cent. Also in Slovakia, GDP PPP per capita of the capital region Bratislava amounts to 184 per cent of the EU's average, whereas in the eastern region of Vyhodne Slovensko it is only 52 per cent (Eurostat 2015). The same situation can also be observed in the EU's eastern neighbouring countries. For instance, in Ukraine, the richest regions are central with the capital region of Kyiv at the top, while the poorest in the whole country are these located in the west and south-west of the country, i.e. regions of Volyn, Zakarpattia and Chernivtsi (State Statistics Service of Ukraine 2015).

The peripheral character of border regions creates several obstacles for their development. These regions usually have more difficult access to goods and services than capital regions. This results in low levels of investments, underdeveloped public infrastructure, insufficient transport links and brain drain to central and/or capital regions. Border regions also face constraints caused by the existence of national borders, which create barriers for regional development resulting from socio-economic differences and different legal frameworks between adjacent border areas.

Underdevelopment of border regions is not only a challenge for local and regional actors and authorities. It also poses problems from the perspective of the whole European Union. Border regions located along the EU's eastern and southern frontiers are generally less developed and poorer than in the centre and north of the Union (the richest EU's regions are Inner-London, Luxembourg, Brussels-Capital, Hamburg). On the one hand, this creates a problem for sustainable regional development and cohesion inside the EU. On the other hand, the need for social and economic development of border regions is also important for reducing problems related to security and stability at the EU's external frontiers. Poverty and underdevelopment could be the factors undermining stability and increasing stimulus for crime, including cross-border crime.

The answer to these challenges has become the development of territorial cooperation. Territorial cooperation could be described as a horizontal cooperation at subnational or regional level between local communities and regions with the aim of reducing disparities between regions, strengthening cohesion and fostering local economic and social development. Cross-border cooperation is one of the three basic forms of territorial cooperation. The two others are: transnational cooperation and interregional cooperation. Territorial cooperation and cross-border cooperation have quite a long history in Europe. The first structure for cross-border cooperation was established on the German-Dutch borderland in 1958. Since then, CBC has been constantly developing and spreading all over the continent. It is applied not only in cooperation between regions of the EU member states, but also between the EU and its neighbours and even among non-EU states. Currently there are over 200 cross-border regions in Europe.

Territorial cooperation: forms and institutional structures

Main forms of territorial cooperation differ by their scale and character and are divided into cross-border, transnational and interregional cooperation.

Interregional cooperation refers to activities implemented at pan-European level. In practice, it relates to exchange of experience, knowledge and best practices between local and regional authorities. It could also concern itself with cooperation between non-neighbouring regions.

Transnational cooperation concerns joint initiatives, and involves local and regional authorities of several countries of a broader geographical region (e.g. the Baltic Sea, the Danube river, the Black Sea) in cooperation on very special issues, e.g. regional development and environmental protection.

Finally, cross-border cooperation refers to cooperation between adjacent border regions usually of two or three countries. The aim of such interaction is to foster the integrated regional development and deal with common challenges and problems for local communities. In practice, CBC takes the form of implementation of common initiatives, programmes and projects across borders, which serve the needs of regions and communities divided by a state border. CBC is the most widespread form of territorial cooperation and is characterised by the highest level of operational intensity compared to transnational and interregional cooperation.

Territorial entities involved in territorial cooperation form a cross-border region (CBR). CBR could be defined as a region with common geography, history, culture and economic potential, but divided by national borders.

Territorial cooperation, including cross-border cooperation, can take various forms of institutionalisation. The most widespread institutional structure of CBC is Euroregions. Euroregions are formed by local or regional territorial entities of adjacent regions of two or three countries. They have their own decision-making competencies and organisational structure with own administration and financial resources. Euroregions usually have permanent secretariat and administrative and expert staff. They can be established on various legal bases, i.e. 1) informal CBC agreement, 2) cross-border cooperation agreements, 3) according to private law as foundations or national associations, 4) according to public law based on international treaties. Euroregions do not create any new administrative level. They operate within competencies given to them by local or regional authorities which have established them. In their cross-border interactions, Euroregions involve various actors: citizens, politicians, officials, businesspeople, civil society activists. Activities undertaken by Euroregions should always be oriented towards cooperation across borders. They refer to development of long-term and strategic cooperation.

Over the last few years, the EU has developed a more advanced form of CBC institutionalisation, which is the European grouping of territorial cooperation (EGTC). Its main feature is its own legal personality, which allows operating within the same legal framework across national borders. EGTCs are established by local or regional authorities or other public bodies from different EU member states. The idea for establishing EGTC was to create the same legal environment for actors involved in the implementation of cross-border activities. One of the key problems for local entities engaged in CBC is a different legal environment applied on both sides of the national border. The main objective for EGTC is the implementation of territorial cooperation programmes and projects and management of the EU funds for this purpose. Currently, 55 EGTCs operate in the EU and further 12 are in the process of construction. The functioning of EGTC is governed by the EU law; therefore, since the *acquis communautaire* is not applied outside the EU in partner countries, the possibilities of EGTC application are very limited in cooperation between the EU and non-EU local actors.

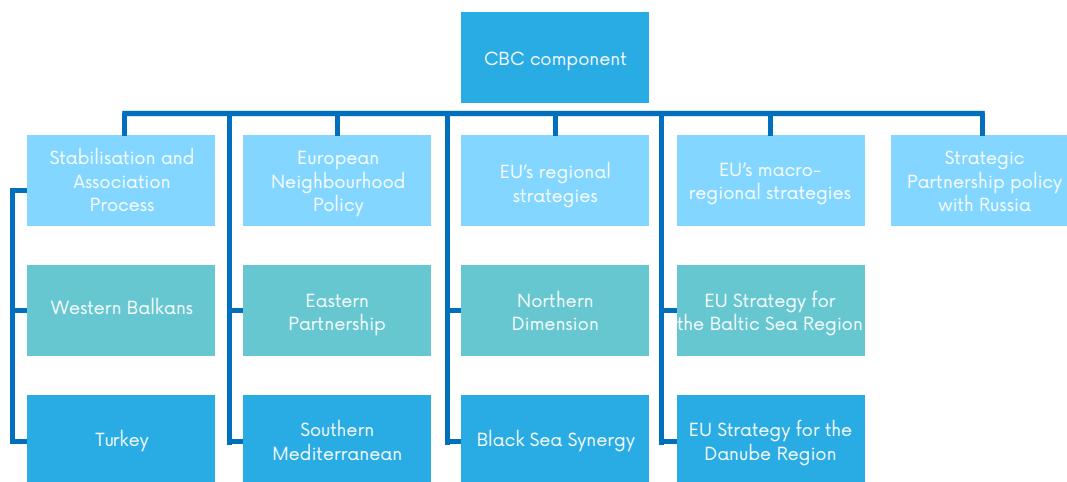
CBC in the EU's toolbox

A distinctive feature of cross-border cooperation is its functional character. The EU has always approached CBC as an instrument for implementation of its various policies, not as a primary goal of its actions. CBC plays an important role both in the intra-EU policies and in external actions; however, in both cases it is used with slightly different purposes. The aim of CBC within the EU is to foster integration and cohesion between EU Member States and to support regional development, which contributes to economic and social growth of the Union. This relates to achieving an overarching goal of building a strong and integrated European Union without internal divisions. Thus, CBC is a very important instrument applied in the Cohesion Policy and the European Territorial Cooperation goal, whose actions are financed from the European Regional and Development Fund.

In the case of EU's external policies, CBC is an instrument for reducing barriers dividing Europe and developing good and close relations with Union's direct neighbours in order to secure a stable neighbourhood. CBC is applied in actions towards two general groups of neighbours, i.e. those that are in the process of accession and those without membership perspective, but with whom the EU develops close and partnership relations. In the former case, the key purpose of CBC is to reduce social and economic gaps of accession countries with the Union and to prepare them to participate in EU's community policies, especially the territorial and cohesion policy. It relates to the Stabilisation and Association Process initiative concerning the Western Balkans and Turkey and its financial tool of Instrument for Pre Accession Assistance (IPA). In the latter case, the overall goal is to stimulate

regional development of border regions and to strengthen social and economic ties between the EU's and partner states' regions. It concerns European Neighbourhood Policy (with its regional dimensions of Eastern Partnership and Southern Mediterranean), the EU's macro-regional strategies (for the Black Sea region and the Danube region) and Strategic Partnership policy with Russia.

Application of CBC in the EU's activities towards its neighbours



Source: author's own elaboration based on relevant EU's legal acts

Eastern Partnership and CBC

The EU has been engaged in developing CBC with its eastern neighbours since the mid-90s. The first EU programme that supported CBC with its eastern neighbours was TACIS-CBC, which was set up in 1996 and then replaced by a more sophisticated European Neighbourhood and Partnership Instrument - ENPI-CBC in 2007. ENPI-CBC was replaced again by the European Neighbourhood Instrument - ENI-CBC in 2013.

Currently, the key political frameworks for EU's external actions towards its eastern neighbours are the European Neighbourhood Policy (ENP) and the Eastern Partnership initiative (EaP). The latter covers 6 countries, namely Armenia, Azerbaijan, Belarus, Georgia, Moldova and Ukraine. The ENP involves 16 of the EU's neighbours in the Eastern Europe, South Caucasus, Southern Mediterranean and the Middle East. The EU designed a specific financial tool in order to support implementation of the ENP and the EaP, and that is the European Neighbourhood Instrument (ENI). The EU's support through ENI consists of three main components: bilateral (up to 65 per cent of financial allocations), multi-country (up to 30 per cent of financial allocations) and cross-border (up to 5 per cent of financial allocations).

For the period of 2014-2020, for all ENI-CBC programmes in the eastern and southern neighbourhood, the EU has allocated from €489 million to €598 million (the final allocation will depend on the mid-term

review for 2018-2020). However, this sum is doubled by the ERDF funds, which finance participation of EU member states in CBC programmes with neighbours. As a result, total EU's financial resources available for CBC programmes amount to €1.2 billion. Of this sum, total contributions for the CBC programmes with the EaP states amount to €465 million.

ENI-CBC, which is a special component for financing cross-border cooperation, is operationally structured in 3 overarching strategic objectives and 11 more detailed thematic objectives. The general priority areas of CBC concern fostering economic and social development of border regions by improving the local level situation in good governance, public health, security, business cooperation, education, environmental protection and security.

ENI-CBC strategic objectives

- promotion of economic and social development in regions on both sides of common borders;
- tackling common challenges in environment, public health, safety and security;
- promotion of better conditions and modalities for ensuring the mobility of persons, goods and capital.

ENI-CBC thematic objectives

1. Business and SME development
2. Support to education, research, technological development and innovation
3. Promotion of local culture and preservation of historical heritage
4. Promotion of social inclusion and fight against poverty
5. Support to local and regional good governance
6. Environmental protection, and climate change mitigation and adaptation
7. Improvement of accessibility to the regions, development of sustainable and climate-proof transport and communication networks and systems
8. Common challenges in the field of safety and security
9. Promotion of and cooperation on sustainable energy and energy security
10. Promotion of border management border security and mobility
11. Other areas not listed above likely to have a substantial cross-border impact (case by case justification required)

Source: European Commission, European External Action Service, Programming of the European Neighbourhood Instrument (ENI) - 2014-2020, Programming document for EU support to ENI Cross-Border Cooperation (2014-2020).

CBC programmes are implemented by joint operational programmes. Each of joint operational programmes defines a set of objectives for common activities across border in a multiannual perspective. Currently, the EU finances the implementation of 12 land-border, 1 sea-crossing and 4 sea-basin programmes in the whole EU's neighbourhood. Of the above programmes, the EaP countries are covered by five land-border and two sea-basin programmes.

List of ENI-CBC Programmes involving EaP countries, 2014-2020

Land border programmes	Sea-crossing programme	Sea-basin programmes
Latvia/Lithuania/Belarus	Italy/Tunisia	Baltic Sea Region
Poland/Belarus/Ukraine		Black Sea
Hungary/Slovakia/Romania/Ukraine		Mediterranean
Romania/Moldova		Mid-Atlantic
Romania/Ukraine		

Source European Commission, European External Action Service, Programming of the European Neighbourhood Instrument (ENI) - 2014-2020, Programming document for EU support to ENI Cross-Border Cooperation (2014-2020).

CBC activities in practice

In practice, ENI-CBC projects concern a variety of very specific issues, relevant to the needs of local and regional communities that stimulate contacts and cooperation across borders.

An important area is the development of infrastructure at the local and regional level. A large part of projects refers to improving border infrastructure in order to facilitate people-to-people contacts across borders, e.g. improvement of the border-crossing transport infrastructure and equipment at border controls. Projects of this kind have been implemented along all the EU border with the EaP states. An example could be a project implemented on Lithuanian-Belarusian border, which aimed at adjusting facilities to the EU border management standards and ensuring more effective and reliable check and identification of travellers by installing the new mobile and stationary equipment and software at 12 border crossing points.

Another area of cross-border cooperation refers to the development of public infrastructure and cooperation in order to provide better services to local communities in various fields, e.g. health care, education, social inclusion, cultural cooperation. This can be illustrated by a project aimed at development of an alternative pre-school education system in rural communities in Poland-Ukrainian border regions. Another example is establishing cooperation between regional children hospitals in the Hungarian and Ukrainian border region area.

Strengthening public administration capacity at the local level is another important field, where CBC projects are implemented. A project designed to reinforce the administrative capacities of local authorities and bodies in the energy efficiency sector in the Black Sea region illustrates this point clearly. The project has been implemented by local authorities from Romania, Greece, Armenia, Moldova, Ukraine and Turkey, and has been financed by the Black Sea Basin ENI-CBC programme.

Moreover, CBC projects support the development of business activities, labour markets and small and medium enterprises at the local level. An example is a project with the purpose of establishing a sustainable network of organisations co-operating in the field of development of franchising, which should contribute to facilitating faster economic growth and business co-operation in Latvia-Lithuania-Belarus cross-border region. Many of the projects in all EU-EaP bordering regions are related to development of local tourism.

Another area of CBC concerns environmental protection and natural reserves management. Various projects dealing with these issues have been implemented in all ENI-CBC programmes. This can be seen, for example, in a project devoted to cross-border improvement of solid municipal waste management (i.e. sustainable municipal water management) in the Republic of Moldova, Romania and Ukraine.

And, finally, a very important area of cross-border cooperation is combating natural disasters and crime prevention. This kind of projects usually involve deepening cooperation and establishing close coordination of actions between responsible structures and services, i.e. firefighters, police, rescue and emergency services etc.

Conclusions

The EU applies cross-border cooperation as a useful instrument in the implementation of its various policies and strategies, including the European Neighbourhood Policy, which covers the countries of Eastern Europe, South Caucasus and Southern Mediterranean. For the EU, CBC is a very important tool used in building good and deep

relations with direct EU's neighbours, which aims to secure and stabilise the Union's close ring of partners and, at the same time, to overcome the barriers that hamper the daily lives of local communities in border regions. CBC programmes also aim at supporting local development in partner countries and enhance their opportunities to develop close cooperation links with the EU and EU's partners.

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{ Parliamentary Elections with Flavour of Local Elites }

Archil Zhorzholiani

Abstract

This article focuses on the way parliamentary elections are held in Georgia. The recent changes in the election code which were proposed to ensure a better territorial representation in the Parliament will not change the status quo. The system privileges local elites and usually works in favour of ruling parties. The citizens are either unaware of their majoritarian MP's activities in the parliament or lack confidence in their activities. The article provides possible scenarios for a change of this system.

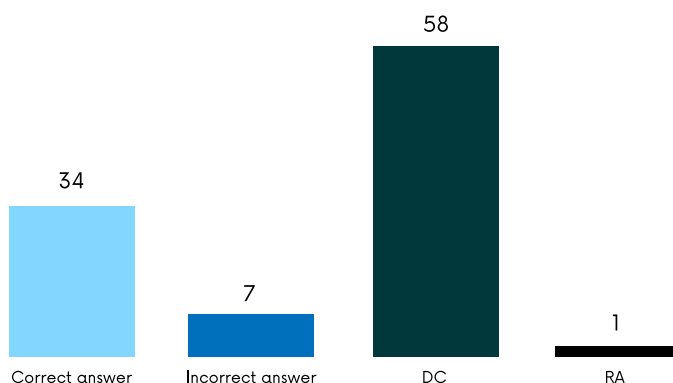
Parliamentary Elections in Georgia

On 8 October 2016, over 800 candidates ran for 73 majoritarian Member of Parliament (MP) seats in the parliament of Georgia (საქართველოს პარლამენტის 2016 წლის 8 ოქტომბრის არჩევნებისათვის რეგისტრირებული მაჟორიტარი კანდიდატები, 2016). Each seat represents a single-member district under majoritarian system where candidates have to win over 50 percent of votes in order to be an outright winner in the first round. The rest of the 77 seats were contested via proportional party-list system.

The majoritarian and proportional system has been in place in Georgia for over a decade but there has always been a debate regarding its change. Reasons argued for this change were various, but in general they were related to a biased majoritarian electoral system that usually functioned in favour of the ruling parties. By the end of 2015, amendments were made in the organic law on "Election Code of Georgia" (საქართველოს ორგანულ კანონში „საქართველოს საარჩევნო კოდექსი“ ცვლილების შეტანის შესახებ, 2015). However, this was considered insufficient and the process of legislative change encountered heated resistance from the opposition groups. The main request was to entirely abolish the majoritarian system as it was promised in the pre-election campaign of the current ruling party – the Georgian Dream. In response, the ruling coalition proposed modifying the electoral districts and relatively equalizing the number of voters in each district, as well as raising the threshold of winning votes from 30 to 50 percent for the candidates in the first round of elections. This proposal actually changed the boundaries of majoritarian electoral districts which previously coincided with the municipal borders in Georgia, encouraging

majoritarian MPs' intervention in the local affairs and negative effects over local self-governing (municipal) bodies. The Georgian Dream also gave promises to the voters related to the local authority competencies and later on exerted pressure on the local authorities to act according to their own priorities (International Society for Fair Elections and Democracy, 2013).

Who is your majoritarian member in the Parliament of Georgia? (q30)



Source: Thornton & Sichinava, 2015.

Although recent changes in the election code have modified electoral district boundaries in the majority of municipalities, it is still too early to predict whether this practice will be rectified. Based on these changes more electoral districts were introduced in the bigger cities (e.g. Tbilisi, Batumi, Kutaisi) and some less populated municipalities were merged into one electoral district.

Meanwhile, recent pre-election campaign ran again with the majoritarian candidates going around their districts, meeting potential voters and giving promises of various nature. At the polls, voters usually cast their votes by choosing a party and without knowing much about the majoritarian candidates. They merely select the same number on the voting paper for the majoritarian candidates as for the party. An opinion poll from 2015 conducted by the Caucasus Research and Resource Center (Thornton & Sichinava, 2015) proves this further.

58 per cent of respondents did not know who their majoritarian candidate in the Parliament was (Figure 1). 95 per cent of respondents stated that they had never addressed their MP or their office, and 97 per cent had never been contacted by their district majoritarian MP or their office since October 2012 elections (Ibid pp. 44-45). Not only the voters, but even fellow MPs rarely see some of their majoritarian colleagues in the parliament. In 2015, the Chairman of the Parliament publicly criticized his colleagues for their excessive absences from sessions and published a list of top ten MPs who rarely appeared at the office (უსუფაშვილმა 10 ყველაზე გამცდენი პარლამენტარი დაასახელა, 2015). Eight MPs on the list were majoritarian MPs.

Flavour of Elites

Majoritarian MPs' political background and backstage ties should be the subject of interest. Majoritarian MPs are usually perceived as

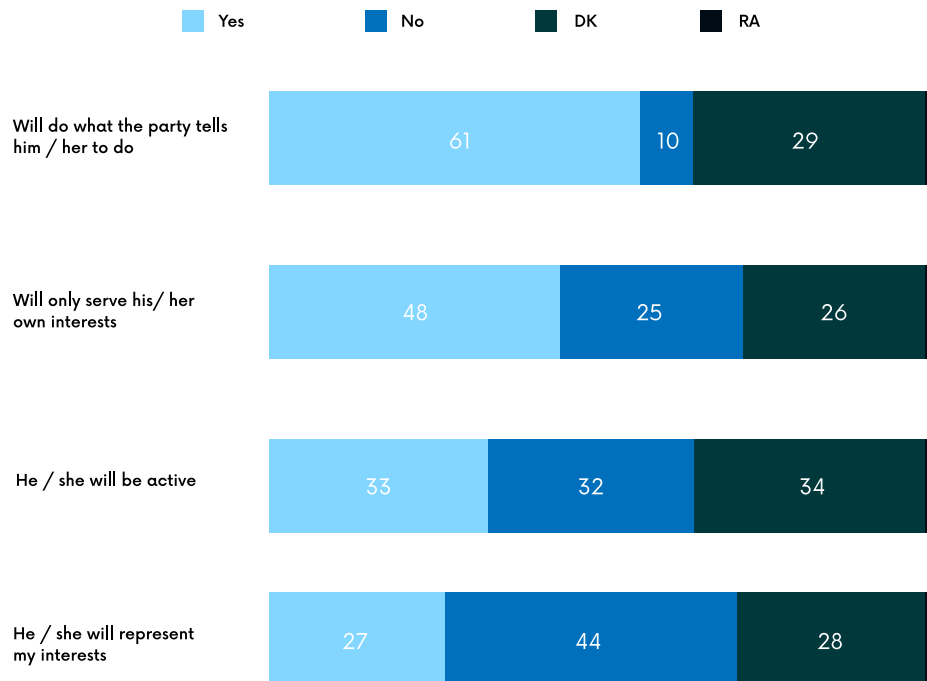
parties' "puppets" in the parliament. The voters rarely see them after the elections and they tend not to keep the promises they have made before being elected. The pre-election promises frequently refer to local issues that have to be handled by local governments rather than by MPs in the national parliament. Thus, these promises are empty from the very start. But the leading parties usually find nominations rather easily and these nominees are frequently representatives of local elites. These candidates usually advance their own interests more willingly than their constituency's. But at the same time they maintain their loyalty to the political force dominating in the parliament. Referring back to the list of parliamentary session absentees mentioned above, the top person on the list was a majoritarian MP from Bolnisi municipality. According to his official biography (პარლამენტარები, 2012) he managed Georgia's biggest mining company until 2008 before joining the parliament for the first term. Another majoritarian MP from the same list was actually elected to the parliament from Khobi municipality in 2012 with the backing of the former ruling party. However, later in the parliament his loyalty shifted towards the prevailing Georgian Dream coalition. This year he was re-nominated as a majoritarian candidate for the recent elections in the same district, but later on he recalled his nomination and announced his intention to return to the business activities (გოდერძიშვილი, 2016). Another prominent case is the MP number six from the same absentees list, a majoritarian MP from Tetritskaro municipality. This person is considered to be one of the most affluent individuals in Georgia. According to the Transparency International Georgia, he is the owner of the Georgian Industrial Group (one of the largest industrial groups in Georgia), owns an offshore company on Marshall Islands and is a shareholder of another offshore company in Cyprus (De Sloover & Huter, 2011). It has to be noted that he also changed his political loyalty after 2012 elections and stepped down as a member of the former ruling party.

Is the System Worth Keeping?

These are just three prominent cases from the former parliament who had as their voter base three rather poor and rural municipalities. If researched further, more cases of a similar type could certainly be identified. Even majoritarian MPs, who were a great deal more active in the parliament and were in good standing with the general public, have recognized disadvantages of the system. One of the majoritarian MPs stated: "I was a majoritarian MP and it was a really hard job. These people were addressing me on all issues, whether it was within my competence or not. But I carried on with adoption of new laws in the parliament..." (პროპორციული სიები მაჟორიტარულის ნაცვლად – გამოწვევა საარჩევნო სისტემის ცვლილებისთვის, 2015). Consequently, it seems logical that the population expresses growing distrust of politicians in the parliament (Figure 2). Though the voters elected individual MPs at the polls, the majority still thought that the MPs would not represent their interests

in the parliament and would pursue their personal interests as well as follow the party leadership's directives most of the time. This system leaves voters with no choice for the entire four years' term until they can elect new MPs again.

What do you expect from a Member of the Parliament (q31)



Source: Thornton & Sichinava, 2015.

Apart from the political standpoint, efficiency of this system raises certain questions as well. It is a fact that elections cost money and majoritarian system requires additional resources for all 73 electoral districts every four years (or sometimes for interim elections too). It seems inefficient to keep such a high number of unproductive MPs, with relatively high salaries, in the parliament for four years. Moreover, MPs are entitled to special pensions once they reach retirement age. There are 677 retired MPs that receive approximately 250 percent higher pension than a regular retiree in Georgia and this number is constantly increasing. It already costs Georgian taxpayers roughly EUR 1.8 million annually to pay pensions to the retired majoritarian MPs (ხარაზიშვილი, 2016).

Considering the level of trust of population in the parliament, the effectiveness of the institution and the prospects for change, it is logical to conclude that the entire system needs reforming. So why not start with the most redundant part of it, represented by the majoritarian system?

Change Is Needed - Recommendations

When adopting the recent changes in the election code, the ruling coalition pledged to support the abolishment of majoritarian system for 2020 elections. This will require a constitutional amendment with the support of at least 2/3 of MP votes in the parliament.

It is interesting to consider possible scenarios and prospective position of new majoritarian MPs in the parliament. These MPs are rather unlikely to be keen to abolish the system without any possible options for them to retain political influence. There can be several basic options for consideration:

- I. Possibly the best case scenario would be to abolish the majoritarian system altogether and, accordingly, decrease the total number of MPs in the parliament to 77 (total number of MPs - 73 Majoritarian MPs = 77 proportionally elected MPs);
- II. Another scenario could be the abolishment of the majoritarian system and converting the entire system into a proportional system while maintaining the current 150 seats in the parliament. This would still leave a higher chance for politicians to access the parliament. This model would have higher chances of gaining support from the majoritarian MPs;
- III. An introduction of regional proportional electoral system in parallel with the national proportional system is another option. It would merge several single-member majoritarian districts into regional districts and would allow parties to put up separate proportional lists of candidates corresponding to the number of amalgamated single-member districts. Compared to the first option above, this model would also have better chances of support from the majoritarian MPs, as it would still allow them to run for the parliament;
- IV. The last scenario is an introduction of a citizens' distrust mechanism, allowing a constituency to recall its majoritarian MP. But this would simply be a modification of the existing system without much impact on the entire parliamentary electoral structure.

The first three options may also have a significant positive impact on local (municipal) self-governing entities, as they would not have to deal with the claims of majoritarian MPs thereby further strengthening their discretion in local affairs and stimulating local democracy by properly exercising local self-governance principles.

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{ Updating strategy for Luhansk region development: changes and challenges in consequence of the armed conflict and occupation }

Inna Semenenko

Abstract

The Luhansk region has lost significant resources and capacities because of the partial occupation, antiterrorist operations and internal migration and has become one of the most vulnerable regions in Ukraine economically, socially and politically. The policy brief shows the main changes in the economic and social life of the region caused by the military conflict. The region adopted a 10 years development strategy. However, it needs a brand new strategy, which will take into account economic and political crisis, radical change of strategic foreign partners, transformation from an industrial region into an agricultural one; and constant tensions along the administrative line between the occupied areas and territories under Ukrainian authorities. The principal components of the strategy should include development of the agricultural sector, chemical and petrochemical industry, energy security support, infrastructure restoration and investments by international organizations and funds.

Introduction

The Luhansk region was one of the most industrially developed regions in Ukraine. It was in the top ten of the regions of Ukraine in terms of gross regional product (Valovoy vnutrennyy product 2016). The conflict, which started in Ukraine in 2013-2014, resulted in the split of the country and occupation of almost half of the region's territory. As a result, the Luhansk region lost whole industries, infrastructure facilities, investments, jobs, which negatively influenced the economy of the region itself and Ukraine as a whole. The social effects of the conflict were also significant and the living standards declined as a consequence of forced internal migration.

The occupation and antiterrorist operations are the main reasons behind the changes in the Luhansk region economy, production structure and social situation. These changes set new priorities in regional development, such as transformation of the region from an industrial into agricultural one, a change of strategic foreign partners, development of small and medium enterprises and entrepreneurship, restoration of damaged infrastructure and support of energy security. Thus, the Luhansk region needs a new development strategy, which will take into account the current situation.

Economic effects of the conflict

2014 was a crucial year for Ukraine and for the Luhansk region in particular because of the annexation of Crimea and the occupation of territories in the east of Ukraine. The Luhansk region has lost significant resources and capacities caused by occupation, antiterrorist operations and migration inside the country, and has become one of the most vulnerable - economically, socially and politically insecure regions in Ukraine.

The conflict has significantly affected the economy and social situation of the part of the Luhansk region which remains under the control of Kyiv. At present, about 45 per cent of the region's territory is under occupation which has affected its economic performance. The gross regional product decreased from 55,108 billion UAH in 2013 to 31,393 billion UAH in 2014 (this is a 54 per cent decrease in one year). In 2013 industrial production was 72,657 billion UAH and only 33,599 billion in 2014 (a 53.76 per cent decrease in one year). In 2015 the industrial output amounted only to 13-34 per cent of that of the 2014. Economic efficiency of business operations in Luhansk region decreased by 18.1 per cent in 2014 as compared with 2012. The number of operating enterprises has also decreased significantly (see table 1).

Table 1 – Change in the number of enterprises in the Luhansk region

Number of enterprises in the Luhansk region	2013	2014	Change
Total:	11385	3233	-72%
among them			
big	28	9	-68%
middle	660	252	-62%
small	10697	2972	-72%
Number of enterprises in the Luhansk region			
agriculture, forestry, fishery	1508	930	-38%
industry	1889	485	-74%
construction	1049	248	-76%
trade	3215	716	-78%
transport	6131	49	-76%

Source: Author's compilation based on Kilkist pidpryiemstv Luhanskoii oblasti za iih rozmiramy za vydamy ekonomichnoii diialnosti u 2013 and 2014.

According to the data, the total number of enterprises in the Luhansk region decreased in 2014 by 72 per cent over the previous year. The production sectors that suffered most were the industry, construction, trade and transport. Agriculture, forestry and fisheries suffered less: 62 per cent of enterprises continued to function in 2014, thus changing the production structure of the region's economy.

Social effects of the conflict

Eleven out of fourteen cities of oblast significance⁹ in the Luhansk region are currently not under the control of the Ukrainian government (Cabinet of Ministers of Ukraine 2014). The government, police, educational, medical, social and other institutions and organizations moved from the occupied territory to the cities and villages under the control of the Ukrainian government. These authorities and institutions often operate on the premises of local authorities, businesses, hospitals etc. with limited resources and capacities, which leads to conflicts between the local and internally displaced organizations.

The standard of living has declined as a result of forced internal migration. By 1 January 2016, about 250,000 internally displaced persons (IDPs) registered in the Luhansk region. At the same time, the available housing decreased more than threefold, from 55 mln m² in 2013 to 17.7 mln m² in 2014 (Zhytlovyi fond u Luhanskii oblasti 2016). The number of families and singles included in housing records decreased by more than five times, and the number of families and singles who received state funded accommodation in 2014 dropped to 56 from 650 in 2013 ((Zhytlovyi fond u Luhanskii oblasti 2016).

The inflation rate was 25,2% in 2014 and 38,8% in 2015 (Indeksy spozhyvchyh tsin na tovary ta poslугy 2016). Thus despite the nominal wages growth the real wages have been decreasing since 2014. By 1 January 2015, wage arrears grew by 825.7 per cent (compared to 1 January 2014) (Zaborgovanist iz vyplaty zarobitnoyi platy u 2000-2016 rokah 2016). In total wage arrears amounted to 364.561 million UAH, of which 301.9 million were by the enterprises, which operated on the occupied area (Zaborgovanist iz vyplaty zarobitnoyi platy u 2000-2016 rokah 2016). The real income of the population in 2014 amounted to 67.6% of the corresponding period of the previous year (Dohody naselennia Luhanskoi oblasti 2016).

⁹ Cities which due to their economic significance have the municipality statues as well as the statues of separate rayon within the oblast.

A new strategy for economic growth and development is needed

The occupation and antiterrorist operation are the main reasons behind the changes in the Luhansk region economy, social situation and other spheres. These changes set new priorities and benchmarks in regional development. The region has already had several strategies for its economic and social development (Luhansk Oblast State Administration 2016). One of them is the strategy for regional development covering the period until the year 2015, approved by the Luhansk Regional Council in 2008. In 2015, the new strategy for regional development, approved by the Cabinet of Ministers of Ukraine in 2014, replaced the previous one. However, the Luhansk region still needs a new strategy, one that would take into account the economic and political crisis, a radical change of strategic foreign partners, a transformation from an industrial region into an agricultural one, and constant tensions of social and political situation on the border between the occupied and Ukrainian territories and adjoining areas.

The new strategy should foster economic growth, which focuses initially on the development of the industries left on Ukrainian territories, and a restoration of infrastructure destroyed during the antiterrorist operation.

Before the conflict, the Luhansk region was an industrial region with Russia and other post-Soviet republics as the main strategic partners. The industries in the region included coal-mining, machine-building industry, metallurgy, construction material production, chemical industry, consumer goods manufacturing and food processing industry. The biggest plants, which belonged to these industries, and the majority of coal mines remained on the occupied territory. These industrial plants and factories formed a significant part of gross regional product and provided the population with jobs. The rest of the territory of the Luhansk region hosts mostly agricultural industry: farmlands, animal breeding, part of chemical industry and part of consumer goods manufacturing. Grain, leguminous crops, autumn sown cereal, sunflower, corn, vegetables and forage crops are grown on farmlands. Animal breeding includes great cattle, swine breeding, part of poultry industry, goat and sheep breeding. The chemical, petrochemical and consumer goods industries are located primarily near the three oblast cities located close to the border between the occupied and Ukrainian territories: Severodonetsk (which at present is the administrative centre of the Luhansk oblast), Lysychansk and Rubizhne. They are situated less than 40 km from the dividing line.

Agricultural sector

The strategy should address the main problems of the agricultural sector in the Luhansk region, i.e. the loss of commodity markets and

food processing industries, poor logistics and infrastructure for sale of agricultural products, devaluation of national currency and lack of credit facilities to farmers. The community markets and food processing industries remained on the occupied territories with higher population density. Transportation of agricultural produce to other regions is complicated considering the ruined roads and railway to the only elevator left in the region, as this increases the price of agricultural produce and forces the farmers to sell it at lower prices (Kostusieva 2016). Thus, the strategic objectives for development of agriculture in the region are to restore the roads and to build a railway to the elevator, to create and introduce special terms for crediting farmers and other favourable conditions to increase the quantity of small businesses in agriculture and food processing industry.

Strategic objectives for chemical and petrochemical industry

Development of chemical and petrochemical industry is also among priorities for the strategy, as the existing enterprises have already formed an oversize industrial hub, which can export unique goods to other regions in Ukraine and abroad, and provide a significant number of jobs. However, today the chemical and petrochemical plants operating in the Luhansk region under Kyiv's control are not working at full capacity. For example, PJSC AZOT OSTCHEM, one of the biggest chemical holdings in Ukrainethat produced chemical fertilizers and provided jobs for more than 6.5 thousand people in Severodonetsk, now works only several days a week, and produces only certain kinds of fertilizers (PrAT 2016). An oil-refining plant in Lysychansk that could provide 3000 jobs stands idle. The reasons for the downtime include an absence of energy resources, absence of transportation means for hazardous and explosive materials, the political situation and the conflict itself. The conflict has led to the destruction of infrastructure and lack of energy resources. The only railway line remaining in the region under Kyiv's control is used to carry passengers and cannot be used to transport hazardous and explosive chemical products. The proximity of the plants which produce hazardous materials to the area between the occupied and Ukrainian territories and the territory where military activities take place, is a threat to security of the plants' operations and to the safety of the local population. The conflict has also led to the backstairs influence of blocking the work of Lysychansk refining plant, as its owner is Rosneft, a Russian oil company.

Maximization of chemical and petrochemical processes utilization requires a stabilization of political situation in the country and assurance of energy security in the region. However, these are primarily the tasks of the government policy rather than regional policy, and should be part of a strategy for the whole country's development. In the long term, fulfillment of these tasks will, in its turn, attract investments into the region and contribute to its economic growth.

Energy security support and infrastructure restoration

Energy security of the Luhansk region is important not only for industry development, but also for the restoration of transport infrastructure and creation of new railways, roads, traffic intersections, energy and water supply, public transportation etc. Only one power plant is operating in the Luhansk region. This plant is situated in the combat zone – only 15 km from the occupied territories. It is not working at full capacity because of destructions, and provides energy supply for the whole Luhansk region, including the occupied territory. The capacities of the power plant are not enough to power new infrastructure such as high-speed rail system.

Restoration of the industrial, transport, market and social infrastructure is an important component of the strategy for the Luhansk region development. It contributes to an efficient functioning of production processes, market activity, quality of social services etc. Migration of people inside the region has increased the pressure on social infrastructure, such as hospital and educational establishments, which require additional space and finances. Local authorities, Pension and Social Funds, the Savings Bank of Ukraine and other institutions provide services not only for the local population, but also for the internally displaced persons. The size of the institutions and number of their personnel are not sufficient to successfully handle the number of people who need and require the services. Thus, the population needs creation of additional infrastructure and jobs.

Role of international organizations

A development strategy for the Luhansk region should also take into account the support for small enterprises and entrepreneurship, as small and medium size enterprises provide a significant part of the regional sales volume and employment for the local population and IDPs, and can quickly react to the changing demand by supplying new products and services to the market. Provision of financial resources and credits, vocational guidance and retraining, legal support, consulting and assistance are important elements of the policy. Educational establishments, government employment bureau and international organizations and funds provide some of these elements. International organizations and funds such as UNDP, IOM, Mercy Corps and USAID have already organized retraining courses and entrepreneurship counselling for IDPs and local population, and provided successful trainees with financial resources for opening own businesses.

Next to the unemployment, the main problems for the population are the lack of housing accommodations (for IDPs) and decrease of income (a significant part of which is spent on rent). There are no effective governmental programs in Ukraine that would foresee housing construction for IDPs. Such programs, together with mortgage programs, are important for regional development. They will prevent brain drain

or return to the occupied territory as a consequence of being unable to settle on the territory under Kyiv's control. Mortgage programs may attract government finances as well as resources from international donors.

International organizations and funds such as UNDP, USAID, IOM, Danish Refugee Council, Polish Center for International Aid, National Red Cross Society and others play a significant role in both economic and social development of the Luhansk region. They try to foster implementation of changes, directed to development of civil society, promoting European values, reforms and good governance support. Moreover, they share their international experience and teach new methodologies; they co-finance the restoration of destroyed facilities and creation of new businesses, hubs, associations etc., they work with people who suffered during the armed conflict. Additionally, international organizations and funds create jobs for the local population and IDPs inside these organizations and funds. Another important direction of work carried out by international organizations and funds consists of attempts for cohesion and reconciliation of local population and IDPs as well as settling conflicts between different population groups, building relationships and dialogues.

Conclusion

Thus, the strategy should solve the main problems for the Luhansk region development, which arose as a result of the occupation of a significant part of its territory and the antiterrorist operations. Peace and political stability are prerequisites for sustainable development of the region, and this is the key task for the Ukrainian government.

To sum up, the new strategy for the Luhansk region's development should include 8 elements:

- Development of capacities and potential industries remaining on the Ukrainian territory;
- Support for energy security of the Luhansk region;
- Prevention of further capital drain and infrastructure destruction;
- Putting into practice international experience, encouraging present activities and support of international funds and organizations;
- Development of the agricultural sector;
- Support for small enterprises and entrepreneurship;
- Contributing to the evolution of civil society institutions and increasing their role in business development;
- Settling conflicts of interests between central and local public authorities, public authorities and business, public authorities and civil society, civil society and business.

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