"Challenges and prospects of ENP implementation
For Georgia and its impact on country development"

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Introduction

The EU neighborhood policy (ENP) was introduced in 2003. The policy aims to create a Ring of Friends of the EU and to stimulate political stability and economic growth in the countries bordering the EU through socio-economic development, give access to EU internal market but without offering the prospect of future membership. In June 2004 the three South Caucasus countries - Georgia, Armenia and Azerbaijan, were included in Wider Neighbourhood Initiative of the EU. According to the EU and Georgian experts, this was one of the major implications of Rose revolution that raised expectations about the success of democracy in Georgia and its possible spillover effect on the neighborhood in the wider region.¹

Meanwhile the EU from the beginning has a number of economic, political and security objectives associated with the ENP. These include:

· A policy for limiting future membership of the EU
· Establishing an EU-centred economic zone
· Encouraging political reforms and improving regional security
· Enforcing EU policies on immigration
· Extending the EU’s political influence
· Strengthening links with energy suppliers

From this perspective inclusion of Georgia as well as other South Caucasus countries in ENP in “non-membership strategy” sounds logical, especially taking into account the fact that after the Turkey eventually would join the EU, there would be the direct border between South Caucasus countries and EU.

The hopes about prospects for Georgia’s further integration in the EU after its inclusion in ENP, between the decision-makers as well as general public has been increased. According to research of Strategic Research Center Georgia institute, 93% of the population wants Georgia to become an EU member, while only 32% know what the EU is³. However, not only the general public but also decision-makers has been overoptimistic, and simultaneously lack capacity to understand in full picture what Georgia needs to do in a way to became acceptable candidate for potential membership

¹ Archil Gegeshidze Georgia in the Wider Europe context: Bridging divergent interpretations, Tbilisi 2006, Georgian Foundation for Strategic and International studies.
² The Economist 25 June 2005 Meet the neighbours
³ Final report “Wider Europe: Perspectives from the South Caucasus”
position, as well as what the EU membership means at the end. It refers not only the political, but also social-economic dimensions of the EU policy.

**EU Georgia ENP Action Plan**

The country report prepared and recommendations for AP prepared by EU in 2005, gives impression to the government that they could themselves set up priorities. Simultaneously, the Georgia expects from EU the preferential treatment that would give them possibility to catch up with Moldova and Ukraine in terms of the progress under ENP. For this purposes they lobby heavily to have adoption of AP at the end of 2005, have three years plan. The current Georgian government saw the ENP rather as an instrument intensify the EU involvement in number of areas, but first of all of all conflict resolution.

The existing clear differences of understanding ENP Policy between Brussels and Georgia has been clarified during the first set of negotiation. While Brussels design the process, agenda and conditions for ENP AP, for government it becomes more and more clear that there is no perspectives for further membership.

However, when government comes with first draft of the AP (speaking frankly, that plan was poor, but actually it does not matter), the EU simply over take and start to design according to their views agenda and terms of ENP. The priorities of Georgia among other include the strengthening border monitoring capacity, simplification of visa procedures and workers regulation, consultations on Free Trade Agreement, as well as possibility to allow Georgia to dispose financial assistance at its own discretion. Among the goals that appears important for both sides is integration Georgia in transport and energy networks of the EU in order to fully utilize the country’s transit potential and ensure effective partnership in the areas of energy and transport between the EU and the states in the Black Sea and Caspian regions. In overall the attitude of government was to make funds available for the priorities they think is urgent to solve, intensively involve EU in conflict resolution and simultaneously increase the popularity between the citizens with the measures like simplification of visa procedures and so on.

While itself there was absolutely different vision of Brussels, what and how the ENP should address. The idea is that it would support Georgia to increase capacity for border security and etc, or enhance the conflict resolution peaceful process through some capacity building or investments, but at the end the EU itself would not intensify its involvement in conflict resolution. This type of attitude in Georgia has been identified as the unwillingness of EU to support conflict resolution.4

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4 It should be mentioned that number of International experts also share this view, “The EU, paradoxically, seems to be waiting for the security situation in the South Caucasus to become stabilised before engaging itself more effectively in the region. The region’s stabilisation is more a condition than an objective of European involvement. Indeed, Ms Ferrero-Waldner has clearly stated that it is the task of local political leaders to bring about regional stabilisation through conflict resolution, with local elites being responsible for identifying solutions to the settlement of conflicts. For its part, the local leadership, in particular the Georgian political elite, expects help from Brussels precisely in unblocking the negotiations on the
Comparing the draft ENP documents during the negotiations, same time it becomes clear that EU tries to push Georgia to have direct ownership and responsibility over the implementation of document, while government try to use ENP for funds attraction and share the same responsibility with EU.

However, there were also clear signs that itself EU has not been (or does not want to be) into position to understand peculiarities of Georgia in terms of existing problems in democratization, social-economic development and etc. This reveals by 2005 country report. According to it Georgia is quite well developed democratic country with huge prospects of economic development. In most of the cases the report lists the significant achievements of Georgia with regards of adoption of different Conventions (not exactly between 2003-2005), or laws that are almost compatible with EU and so on. But it does not really analyze the quality of the same law or its enforcement as well as ground problems in lives of ordinary citizens.

So at the end we got in situation when the Action plan document almost written by EC, includes number of positive long term goals, but still with lots of the deficiencies.

Overall the document is very general, difficult to implement and monitor. While the provisions in Economic liberalization or in number of the areas like Trade, transport, energy sanitary and phytosanitary chapters EC proposed number of clear achievable indicators and gives some directions e.g like “further develop the National Energy Regulatory Commission in line with the principles of the Electricity and Gas Directives 2003/54 and 2003/55”, the social acquis part is very general without even those directives. For example the poverty that represents the main headache for Georgia is just mentioned in number of the areas, with no clear targets how to reduce the poverty in next five years.

The major part that generally absent from the document is the answer to the question how to implement all those described measures?

ENP – How it would be implemented

Itself ENP through the ENPI is supposed to disburse up to 11 billion Euro for all eleven countries from 2007 till 2013. The number of bilateral agencies, like DFID, even considering to stop direct aid rather to add their sums to ENPI on going programs.

Till the end of the year European Investment Bank (EIB) mandate would be extended for South Caucasus. It is supposed that overall guaranted budget to EIB from EU for for external investment outside of the Europe would be up to the 33 bln Euros from 2007-

secessionist conflicts-. “Will Germany’s new initiative answer the aspirations of its “European neighbours?” http://www.caucaz.com/

5 World Bank, CPS, 2005

6 The financial envelope has been reduce from 15 bln Euros to 11 bln Euro.

7 The EIB –largest development bank in the World, with the amount of funding in EU and all other regions in the world, larger than WB
2013, where from around 5 bln Euro is supposed to be spend in Russia and South Caucasus. “In this region, the EIB should finance projects of significant interest to the EU in transport, energy, telecommunications and environmental infrastructure. Priority should be given to projects on extended major Trans European Network axes, projects with cross-border implications for one or more Member States and major projects favouring regional integration through increased connectivity.”

The EU is offering the money in exchange of reforms bringing countries closer to the Union’s political and economic models and access to single market. The EU association of chambers of commerce, Eurochambres, sees the ENP as complementing trade liberalization under WTO rules, and as a vehicle for providing economic incentives to promote policy changes in neighbour countries which would “foster economic reforms internally and alignment with EU rules and ways of doing business”

However, the experts often indicate that there could be not enough money for implementation of this ambiguous plan especially in terms of replication of social and environmental acquis, due to the fact that “even if the implementing instruments attach high priority to sustainable development and environmental objectives, actual implementation in these areas may be undermined by lack of awareness, weaknesses within environmental administrations, and competition with other priorities. Promoting access to information and building a strong civil society in ENP countries will help to ensure that sustainable development, environmental protection and good governance are not overtaken by short-term interests.”

Another problem is that EU itself has not been also on 100% sure, how it could achieve in all ENP countries the aim “to extend to this neighbouring region a set of principles, values and standards which define the very essence of the European Union”, as it was emphasized by President Prodi (2002). Yes, in theory the ENP gives almost unlimited opportunities to the countries neighbouring the EU, like Norway or Switzerland. They are not members of the EU but participate in many of its policies, for example the internal market and the border controls agreement Schengen. Coming from the logic that even for those countries the cooperation with EU is conditional, all other neighbor countries should also met those conditions. Hence the recognition of norms and legal standards has paramount importance, that would represent the huge pressure for the country like Georgia.

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8 granting a Community guarantee to the European Investment Bank against losses under loans and guarantees for projects outside the Community, proposal for a Council Decision, Brussels, 22.06.2006COM(2006) 324 final, 2006/0107 (CNS)
So practically the EU tries ensure the extension of European values within the ENP countries without offering the membership. The EU assumes that there is already number of incentives for Georgia (as well as other neighbor countries), as economic reform through liberalization, private sector development, and opening of markets to international trade and investment, falling under the political influence of EU, have access to EU’s internal market and direct financial incentive. 

For the time being those incentives has been considered enough incentives to closely involve the neighbors in ENP policy. But here we would put the question why those incentives would bring the country to support democratization processes, establish rule of law and protect human and political rights. In this context, it is assumed that harmonization of laws in parallel with the rapid liberalization and economic reform would bring the additional value. The recent researches show that after the decision that Bulgaria and Romania will join the EU in 2007, the progress on implementation of EU joining conditions fails significantly. This mainly involves problems of implementation of EU acquis communautaire in terms of increased democratization, transparency of decision-making, rule of law and etc.

It should be also noticed that itself the ENP policy document underlines that the issues promoting security, stability, democracy, gender, environment, human rights and social dialogue is part of the EU’s approach. However, if we look closely how those issues has been included in the policy (only through have lobbying by NGOs and Trade Unions) and the fact that ENPI has even lesser detailed how to address to some above mentioned issues, there is not quite high hope that economic acquis would be followed by social acquis.

These fears could be addressed by forthcoming German EU presidency that is expected to strengthen the European involvement in the South Caucasus. The German Government new federal initiative regarding the European policy towards the East could be solution of the problem.

One of the key elements of this new initiative, with the slightly pompous name “European neighbourhood policy +”, seems to be the distinction between “European neighbours” and “Europe’s neighbours”. European neighbours are meant to benefit from a more tangible integration within European structures, which whilst not including membership would not completely exclude it. Included in this initiative are Ukraine, Georgia, and Moldova. 

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12 When we are considering the impacts of the ENP, we should mainly look on impacts and experiences of EU-Mediterranean partnerships. A report from the Euromesco group criticises the assumption that political rights will develop as an automatic consequence of economic liberalisation: “An overview of the last ten years shows that reality lags far behind the aims, and that the causal and sequential link between economic reform and political liberalisation has failed to materialise. If there has been any progress in human development terms, it has been neither uniform nor sufficient to respond to the grave social problems of the region. Economic reforms have largely failed to encourage political reform. The Partnership failed to address seriously political issues, not only in the realm of security but also as regards human rights, not least because of the assumption of a causal sequential link to economic reform.” Euromesco. April 2005. Towards a Euro-Mediterranean Community of Democratic States, Towards a Euro-Mediterranean Community of Democratic States, http://www.euromesco.net/imgupload/barcelonaplus_eng.pdf
Moldova and the three countries of the South Caucasus – Armenia, Georgia and Azerbaijan –, as well as Belarus, provided the political conditions are opportune.13

**ENP implementation impact on Georgia**

Unfortunately, after the Rose Revolution government still are oriented on short-term actions (that one can understand with the amount of the problem that needs to be solved fast, but from another fact that it still tries to prove to its electorate how efficient they are) and somehow the long term perspectives is fall out from their vision.

Itself ENP AP should became the economic development agenda for Georgia, as for it’s implementation it is supposed that the Bunch of the money should go directly to and from the national budget in a way to implement the priorities underlined by the Action Plan. The EC also tries to increase coherence between priorities of ENP AP and other development aid. The EC tries to coordinate the International Financial Institutions to AP as the agenda and would screen project proposals compliance with ENP priorities.

Some elements of fast economic modernization that has been promoted under the Action Plan is already has been introduced. Due to the drastic changes of legislation already 85 per cent of the licensing laws have been abolished, including the ones for car safety, food, and industrial standards, all of which, allegedly, invited corruption. The environmental safeguards has been diminished. Like the list of the A categories of the projects that require the Environmental Impact assessment has been significantly reduced, and now resources (oil, gas, gold and etc.) extraction or agricultural farms does not require any assessments. The whole philosophy of this agenda is to reduce to a minimum State’s intervention through total liberalization and deregulation of Georgia’s economy. The government starts to elaborate the laws like law on state support on investments. It introduce the investment of special significance, for investments more than 5 mln USD (for mountainous areas it is 2 mln USD) which gives possibility to investor to get permission directly from government with minimal almost non requirements from the side state with regards of licensing, environmental impact assessments and so on.

The philosophy of fast reforms, emanating from the Office of the State Minister for Economic Reforms, is increasingly shared across the government. Anyway, the logic behind the idea of fast economic modernization is as follows: “Since the prospect of EU accession is not looming at all, we can’t wait with fast economic reforms. When the people are fed, we will take care of the environment and consumer protection issues. Compliance with the EU acquis is not a priority now.”14

The Action Plan underlines the priority and significance of the Georgia –EU cooperation in transport and energy sector. However, this cooperation could be transformed in the

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13 “Will Germany’s new initiative answer the aspirations of its “European neighbours?” http://www.caucaz.com
14 Archil Gegeshidze Georgia in the Wider Europe context: Bridging divergent interpretations, Tbilisi 2006, Georgian Foundation for Strategic and International studies.
projects and programs that could have irreversible impact on Georgia fragile environment and increase poverty. The Action plan underlines the potential of the Georgia as transit country as in transport as well as in energy sector, that includes Trans European Networks extension, strategic energy projects and high voltage transmission lines construction.

Of course in practice, especially in EU this type of the projects would not have irreversible impacts, due to the fact that safeguards s horizontal measures (EIA, SEA and etc) are working, countries have strategic planning system and so on. According to the ENP those safeguards in Georgia should be developed but the language of the Action Plan is rather vague and actually could be interpreted by the government as they want.

Another problematic area is the fact that Action plan, as well as the other EU documents\textsuperscript{15} does not really imply to the real economic and social problems existed within the country. E.g. Railway rehabilitation project in South Georgia with it’s possible extension to neighbor countries has not been identified by EC HLG.

Taking into account existing deficiencies of ENP Policy itself and EU-Georgia Action plan, the current attitude of Georgian Government towards the ENP process, the costs of harmonization with low further incentives, there is the danger that ENP EU-Georgia Action Plan would became another economic agenda with business as usually scenario.

\textsuperscript{15} ძველი პროექტის ტერიტორიაზე უფლება ჯგუფის ანგარიშში “მთავარი ქვეყნის-ექსპოზიცია საქართველოს ევროპულ კონალტორიათა გათავისუფალი ზონები კავშირის და ზემოვნების”, ასევე Proposal for a COUNCIL DECISION granting a Community guarantee to the European Investment Bank against losses under loans and guarantees for projects outside the Community, COM(2006) 324 final 2006/0107 (CNS),