



Институт за икономическа политика
Economic Policy Institute

Summer Seminar for Young Public Policy Professionals from Southeastern Europe and the Black Sea Region

Public Policy Challenges – European and Regional Dimensions

Written revised versions of the presentations delivered at the
XX Edition of the Summer Seminar for Young Public Policy
Professionals from Southeastern Europe and
the Black Sea Region, held in the period
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All comments regarding this publication are welcome to:

Economic Policy Institute
126 Vitosha Boulevard, fl. 6, unit 11
1463 Sofia
BULGARIA
Tel./Fax: (+359 2) 952 29 47
E-mail: epi@epi-bg.org

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LIST OF CONTRIBUTORS TO SUMMER SEMINAR 2019

Alexandre Revia

*Chairman, LEPL Public Private
Partnership Agency, Tbilisi
(SS2016 alumnus)*

Prof. András Inotai

*Honorary President
Economic Policy Institute, Budapest*

Boyko Blagoev

*Head of Communications
European Commission Representation
in Bulgaria*

Desislava Petrova

*Director "European Projects and
Programs"
Economic Policy Institute, Sofia*

Detlev Boeing

*SAA Coordination and Connectivity
Desk Officer Transport, Energy &
Environment
DG NEAR, European Commission,
Brussels*

Dragomir Belchev

*Finance Director
Economic Policy Institute, Sofia*

Prof. Dr. Eckart D. Stratenschulte

*Acting Chairman of the Board
German National Foundation, Berlin*

Emil Tsenkov, Ph.D.

*Security Program
Center for the Study of Democracy,
Sofia*

George Randelov

*Public Sector Director CEE MCE
Acting Country Manager Ukraine,
Georgia, Moldova, Microsoft*

Prof. Ingrid Shikova

*European Studies Department
Sofia University "St. Kliment
Ohridski"*

Mariana Trifonova

*Senior Analyst
Economic Policy Institute, Sofia*

Milena Andreeva

*Senior Expert
Protocol and Bilateral Cooperation
Directorate Ministry of Defence of
the Republic of Bulgaria
(SS2014 alumna)*

Ognian Zlatev

*Head of European Commission
Representation in Bulgaria, Sofia*

Paramjeet Berwal LL.M.

*Invited University Lecturer,
Researcher & PhD Candidate, Tbilisi
(SS2018 alumnus)*

Pavel Ivanov

*Executive Director
Institute for Public Administration,
Sofia
(SS2006 alumnus)*

Sebastian Schäffer

*Managing Director
Institute for the Danube Region and
Central Europe, Vienna*

Yasen Georgiev

*Executive Director
Economic Policy Institute, Sofia*

LIST OF PARTICIPANTS AT SUMMER SEMINAR 2019

Andrei Curararu

MOLDOVA
Consultant
Administration of the President of
Moldova

Anna Branets

UKRAINE
Project Assistant, CRISP

Anton Koretskyi

UKRAINE
Research Manager
STEPS Center of the National Academy
of Sciences of Ukraine

Bogdan Banjac

SERBIA
Advisor, Commissioner for Protection of
Equality of Serbia

Çiğdem Akin Yavuz

TURKEY
Expert on EU Affairs, Ministry of Foreign
Affairs

Daniela Ciornii

MOLDOVA
Ministry of Justice
Consultant, Legislation Drafting Division

Đorđe Kapralović

SERBIA
Legal Consultant for European
integration, Ministry of Justice

Elene Tskhomelidze

GEORGIA
Senior Specialist in Sector Economy and
Economic Policy Committee
Parliament of Georgia

Elvin Mejidov

AZERBAIJAN
PhD candidate
University of the German Federal Armed
Forces, Hamburg

Esma Yücel

TURKEY
Assistant Expert for EU Affairs
Ministry of Foreign Affairs- Directorate
for European Union Affairs

Filip Kresic

BOSNIA & HERZEGOVINA
Specialist in Division for EU Assistance
Coordination
Directorate for European Integration

Fuad Shahbazov

AZERBAIJAN
Senior Analyst, Center for Strategic
Communication

Hermine Katvalyan

ARMENIA
Deputy Head for the Department of
International Economic Integration
Prime Minister's office

Ivona Savicevic

MONTENEGRO
Advisor in Department for Foreign
Economic Relations, Ministry of
Economy of Montenegro

Jovana Bulatović

MONTENEGRO
Independent advisor for monitoring and
evaluation of public policies
Secretariat General of the Government
of Montenegro

Juli Lubonja

ALBANIA
Senior Economist, Macroeconomic
Analysis and Policies Directorate
Ministry of Finance and Economy

Kalina Trendafilova

BULGARIA
Government and Public Affairs Specialist
Solvay Bulgaria

Kenan Refael Aslanli

AZERBAIJAN
Senior Public Policy Analyst
Entrepreneurship Development
Foundation (EDF)

Lana Turashvili

GEORGIA
Specialist, Ministry of Internal Affairs of
Georgia

Marina Balta

CROATIA
Senior Expert Advisor
Ministry for Demography, Family, Youth
and Social Policy

Martin Janev

NORTH MACEDONIA
Associate in the Department for Support
of the Minister, Ministry of Defence

Meri Gogebashvili

GEORGIA
Leading Specialist
Parliament of Georgia

Nicolae Arnaut

MOLDOVA
Project Coordinator
FARM.ltd

Nino Nemsadze

GEORGIA
Senior Specialist
Committee on European Integration
Parliament of Georgia

Pande Dimoska

NORTH MACEDONIA
Associate – Analyst, Ministry of Defence
(Alumni Ambassador)

Rashad Hasanov

AZERBAIJAN
Deputy chairman of the Managing Board
“Spektr” Socio-Economic Researches and
Development Public Union

Shota Tkhelidze

GEORGIA
Analyst of European and Middle Eastern
Affairs
Georgian Public Broadcasting (GPB)

Stanimir Minkov

BULGARIA
Senior Expert, Administration of the
Council of Ministers

Vuk Petrović

SERBIA
Lawyer-Linguist, Ministry of European
Integration

Yuliia Ushchapovska

UKRAINE
Chief Specialist on Foreign Economic
Activities
Zhytomyr Regional State Administration

Zeljko Vukcevic

MONTENEGRO
Independent Consultant for Public Policy
Coordination, Secretariat-General of the
Government of Montenegro

PREFACE



Dear colleagues, partners and friends,

2019 is very important year in the development of the EPI's traditional Summer Seminar for Young Public Policy Professionals from Southeastern Europe and the Black Sea region, as it marked the 20th anniversary of our long-term regional project. Within the last two decades the Summer Seminar proved to be not only a well-known expert forum for discussions on different public policy issues and EU affairs, but also a highly reputable regional initiative, which is actively contributing to the successful cooperation and networking among young public policy experts from SEE and Black Sea countries.

The concept of organizing the Summer Seminar series dates back to 1998/1999 – right after the foundation of the Economic Policy Institute by its first chairperson – Dr. Ivanka Petkova, (1947 - 2011). The first Summer Seminar took place in 2000, initially supported by the Bertelsmann Foundation and the World Bank, and sought to meet the most visible and pressing challenges for Southeastern Europe (SEE) at that time – building administrative capacity for facing EU requirements as well as for preparing for EU negotiations and fostering regional cooperation. Back then its core target group featured young officials from public institutions from Bulgaria and Romania. Throughout the following years the Summer Seminar grew considerably both in geographical scope and participants' background. This could be best seen in the patterns of the XX Summer Seminar – after a rigorous selection process it gathered a talented pool of participants from 13 SEE and Black Sea countries. Thus, the overall alumni network of the initiative reached 592 people – many of them now on leading positions in public administrations, business and NGOs across SEE and the Black Sea. The group of participants in recent years includes not only emerging professionals from public administration structures but also experts from policy-oriented research centres in the above-mentioned countries, which adds another spin to the forum and value to the exchange of ideas and expertise.

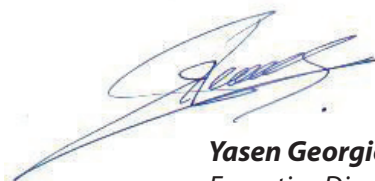
The 20th anniversary edition of the Summer Seminar entitled "Public Policy Challenges - European and Regional Dimensions" took place in the period June 3 – 7, 2019 in Albena complex (close to the city of Varna) – a symbolic location at the Bulgarian Black Sea coast for fostering regional cooperation between SEE and Black Sea countries. The 2019 edition of the Summer Seminar was made possible thanks to the kind financial support of the Hanns Seidel Foundation, the Black Sea Trust for Regional Cooperation, the Representation of the European Commission in Bulgaria, the Central European Initiative and the Austrian Embassy in Bulgaria.

Now it is my and my colleagues' immense pleasure to bring to your attention the current publication consisting of written and revised versions of some of the presentations and speeches delivered during the 2019 Summer Seminar. Traditionally, it features findings of an annual survey among Summer Seminars' participants and alumni - "Mapping of Public Policy Challenges in SEE and Black Sea Countries". The third edition of this tailor-made survey aims at capturing sentiment among the group of Summer Seminar experts on the current state of governance in their countries and is considered by EPI a bottom-up approach for examining current public policy challenges in SEE based on insiders' point of view as well as a unique excerpt of opinions from neighbouring EU Member States and non-EU Member States.

What is new in this year's Summer Seminar follow-up publication is that we pay special attention to the opinion pieces of participants in the Summer Seminar. In this regard, we included also a separate "Voices from the Black Sea" section within which three Black Sea participants in the XX Anniversary Summer Seminar were selected to prepare policy papers on current topics relevant to the agenda of the XX Anniversary Summer Seminar and thus to demonstrate their professional area in a more profound manner.

Last but not least, I would like to take this opportunity and once again express my gratitude to all supporting organizations that made the 2019 edition of the Summer Seminar possible, to all panellists who took the time to share their expertise with the participants, to the participants themselves for making the forum so thought-provoking and vibrant and of course to each and every member of the team of the Economic Policy Institute for continuously keeping the event such a highlight in the region of SEE and Black Sea.

By publishing this issue, both electronically and on a hard copy, and freely disseminating it to all participants, lecturers and stakeholders in SEE and Black Sea countries, we at EPI believe not only to actively contributing to the widening of beneficiaries' circle but also to improving the perceptions and understanding about South East Europe and the Black Sea region in general. I hope, you will enjoy the read!



Yasen Georgiev
Executive Director
Economic Policy Institute

INTRODUCTION



A unique initiative with the aim of understanding European developments mainly generated by the European Union and of fostering regional cooperation focusing on the Western Balkans and the Black Sea area celebrates its 20th anniversary. There have been very few projects which can be proud of such a long continuity in a rapidly changing and accelerating global, European and regional framework. Congratulations to all who over twenty years were organizing this event, as well as to all participants both as speakers and as young alumni and, last but not least, to the supporters of the project.

Looking back to two decades, the Summer Seminars have experienced previously unprecedented changes in the European landscape. Among many developments, it could witness and analyse the birth of the Euro; the so-called Eastern enlargement in three stages (2004, 2007, 2013); the EU's strategy towards the Western Balkan countries with accession perspective as well as the deep and comprehensive association agreements with several countries in the Eastern neighbourhood of the European integration.

The Summer Seminar 2019 takes place at a critical and most probably historical juncture of the European Union. First, the EU has been increasingly challenged by shifts in global power relations such as the questioning of the basic values of multilateral cooperation by the current US administration; the growing presence of China in the international commodity and capital markets, and the rapid rise of several emerging economies asking or fighting for a more active role in shaping the new global order of the 21st century. At the same time, new challenges, such as the critical deterioration of the physical environment of mankind, but also looming financial and economic crises, including trade wars and security-related issues, require a better and correct understanding of key trends, common actions and cooperation, as well as high-level responsibility from all global and regional players. In this context, the state of the mental environment is at least as important as that of our natural environment. For sustainable peace and security for the entire mankind, both of them have to be protected from further pollution and contamination.

Second, the European Union is facing a number of fundamental challenges. To be sure, the history of the European integration had been rich

of challenges, with policy answers that, in most cases, used to provide a new quality to the process of integration. However, the situation today is different for at least three reasons.

On the one hand, the number and weight of the current challenges is unique, starting from Brexit through competitiveness to the functioning of the Eurozone. On the other hand, consensus-finding among 28 member countries with different short- and longer-term priorities rooted in different historical developments and geopolitical conditions is increasingly difficult and seriously challenging the critical minimum of overarching cohesion. Finally, adequate and sustainable policy responses should be found in a rapidly shrinking timeframe available for consensus-building and successful and common implementation of agreed-on decisions.

Third, and just at this historical crossroads, the decision-making capacity of the EU seems to be temporarily blocked by institutional changes prescribed by the democratic rules of the organization. A few days before this Summer Seminar, European Parliamentary elections in all member countries took place. Agreement on key positions in the emerging institutional structure needed several weeks. Negotiations on the distribution of various portfolios among potential commissioners proposed by member countries are still going on. It is highly probable that the new Commission will not be able to start its work as of November 2nd. As a result, a number of important decisions may suffer partly substantial delay, including the management of a potential Brexit, relevant negotiations on the new multiannual financial framework (2021-2027) and a number of ongoing policy issues inherited from the outgoing Commission.

This is the overall framework in which both traditional areas of the Summer Seminars, namely Enlargement towards the Western Balkans and the future of Eastern partnership have to be embedded and discussed. At present and looking at the current fundamental problems and challenges of the European integration, both of them seem to be pushed somewhat into the background. At the same time, nobody denies the strategic importance of these regions for the EU, mainly for broadly interpreted security reasons (geopolitics, migration, economic ties, common European values, domestic and regional stability, etc.). I am very pleased that several papers of the volume address various elements of the relations between the EU and countries of both regions. Special attention has been given to the role of public policies in preparing for membership in the Western Balkan countries

and in further adjustment to EU requirements in selected neighbouring countries (still without the membership perspective).

Successful and in-depth cooperation is based on three conditions. First, the respective countries have to prove that they are ready to share the basic European values of democracy, such as the rule of law, media freedom, protection of national minorities and, last but not least, stable and independent, efficient and transparent institutions. Fighting corruption is definitely one of the most important activities. Second, the European Union has to pay more attention to the Western Balkan and Black Sea regions. Although negotiations with Serbia and Montenegro have started, full-fledged accession seems to be not on the agenda of the recently established Commission. Long-expected opening of official negotiations with Albania and North Macedonia have been repeatedly delayed, despite the serious and continuous efforts both countries had been undertaking over years to comply with the requirements set by Brussels. Still, the blocking minority among the member countries could prevent the initiatives and readiness of the Commission to start the negotiation process. Some countries consider that the EU has already been over-expanded and neither of the current intra-EU problems can be effectively managed. External and intra-EU challenges give priority to deepening instead of widening, although deepening and widening are not mutually exclusive (just the opposite, in critical times they could successfully accompany each other). Third, reluctance to further enlargement can partly be attributed to the antidemocratic tendencies that have been emerging in some (new) member countries. Ignoring the rule of law, undermining the independence of selected democratic institutions and the judiciary, seriously limiting the media freedom or widespread corruption fundamentally financed by EU transfers have definitely contributed to negative reactions to any further enlargement not only in official politics but also in part of the societies of various member countries. In sum, the responsibility of some member countries in delaying enlargement can hardly be ignored. No question that their return to the basic democratic rules would be a helpful instrument to convince reluctant or openly opposing decision-makers to change their current position.

Despite the lack of institutional breakthroughs, a situation which can be anticipated for the next period, it is imperative to keep the dialogue open and support all efforts of the Western Balkan and Black Sea countries to increasingly comply with the requirements of the EU. The necessity of a

successful adjustment process should be evaluated in a broader horizon than just the future of (institutional) relations with the European Union. Its basic value added is the consolidation of democracy, the development of a competitive economy and the emergence of an open-minded, (self-) responsible and future-oriented new generation with a high level of flexibility and adjustment capacity. Over 20 years, investment into the young generation of the respective regions had been a constant and high value-added endeavour of the Summer Seminars. Several hundreds of participants have become experts in EU-related issues and many of them occupy key positions in the respective countries. In addition, an international network could be created with broad dissemination potential. The value added of this network may become increasingly important in the next period full of global, European and regional challenges in order to understand the complexity, interdependence and interdisciplinary character of developments and to be able to find the right policy answers at the right time. I am sure that, similar to previous seminars, also this anniversary seminar will contribute to this basic goal.

Prof. András Inotai
Honorary President
Economic Policy Institute

ADDRESSES BY PARTNERS



Twenty years “Interregional Summer Seminar for Young Public Policy Professionals”, conducted and organized by the Bulgarian Economic Policy Institute, a long-term trust-worthy project-partner of Hanns-Seidel-Foundation’s Office in Sofia, is a meaningful event, which should be suitably appreciated. It means some successful realization of all former seminars in the last years with unbroken high acceptance of all relevant participants.

Moreover, this means some challenge and mandate, to continue our common summer school with such a shape and scope as having been taken place in Albena up to now: *My congratulation for the past time, my encouragement for the future!*

It has been meanwhile already a useful tradition for Hanns-Seidel-Office in Sofia, to cooperate with the Bulgarian Economic Policy Institute and its partners in the framework of the inter-regional Summer Seminar for Young Public Policy Professionals, gathering participants from public administrations and policy-oriented research centers of various countries of South-East-Europe and Black-Sea-Region.

Public policy challenges in European and regional dimensions are characterized by many similarities but also by largely different problems, which have to be debated and discussed. Furthermore, the special format of the seminars in Albena makes it possible to meet together in a relaxed atmosphere for enlarging knowledge about current issues and exchanging mutual experiences. In this respect, it is our aim at contributing to the promotion of good governance processes and intercultural dialogue. Not only the European Union but Europe as a whole needs unity based on common values, ideas and visions in terms of democracy, peace and development.

As one of the German political foundations, Hanns-Seidel-Foundation is guided by these very same principles. Our branch office in Sofia works at the intersection of politics and science. It is our task to make analysis of political interrelations, to create scientific basis for political, administrative and economic progress and to gather experts, multipliers and decision-makers for joint efforts.

Cross-border relations and interregional cooperation, as exemplified in our Albena seminars, have been permanently in the focus of project activities of Hanns-Seidel-Foundation (HSF). In relevance to that project-

approach, our Sofia office but also all the other HSF-branch offices in the area of my responsibility as “Regional director for South-East-Europe” are engaged among others in cross-border cooperation in the youth-sector, mainly on level of university-network as well as in cross-border cooperation by offering joint seminars for young diplomats and public professionals in the framework of foreign policy and neighbourhood relations.

Dr. Klaus Fiesinger

*Regional Director for South East Europe
Hanns-Seidel-Foundation*



Dear young public policy professionals,

Dear colleagues and guests,

I am delighted to be together with you today, joining the XX Summer Seminar for Young Public Policy Professionals from Southeastern Europe and the Black Sea Region. I have been joining the Economic Policy Institute for a few consecutive years in this summer program, and it has always been a very pleasant and enriching experience for me. Therefore, I would like to thank once again for the invitation to be part of your meeting.

European Union developments have been very high on the political debate lately, thanks to the European elections, which took place less than two weeks ago, but also because of the important meeting of the EU leaders in Sibiu on 9 May this year; and the exchanges around the withdrawal of the UK from the Union. Finally yet importantly, we have the annual assessment and recommendations of the Commission on the reforms carried out in the region of the Western Balkans and Turkey, which I am going to talk about today.

We all know that 2018 has become a pivotal year in the EU-Western Balkans relations with many milestones achieved. Important decisions about the future of the Western Balkans have been taken, in particular the Western Balkans strategy, adopted by the Commission in February 2018, the first EU-Western Balkans Summit in 15 years, in May last year in Sofia, resulting in the adoption of the Sofia Priority Agenda. The European perspective of the region is clear and unambiguous. The Western Balkans are considered a priority region for assistance and the Commission proposed an increase of 13% for the Instrument for Pre-accession Assistance (IPA) under the next MFF.

However, the Commission has been clear that this momentum is not guaranteed eternally. Tangible results have to be seen. The Commission abides by the principles of the Enlargement policy: quality before speed; strict conditionality on the basis of clearly defined criteria; progress based on individual merits of each country. Future member states need to fully and irrevocably respect the values and align with the principles of the Union. Further progress can only be achieved if countries give the utmost priority to tackling the weaknesses in key areas, such as the rule of law, fundamental

rights and the fight against corruption and organized crime.

Strengthening of the democratic institutions is also essential. This includes ensuring constructive dialogue across the political spectrum, notably within the parliaments. Public administration reform is paramount to strengthening governance at all levels. And here is an area where we all, the public servants, have a role to play.

Let me mention also the importance of the parliaments to be accountable, effective, transparent and accessible to citizens. Parliaments play a key role in the enlargement process, notably in ensuring high quality of the acquis alignment and in reaching out to stakeholders, civil society and citizens at large.

Countries must also step up efforts in the economic reform and must tackle unemployment. They must also work together on reconciliation, good neighbourly relations and regional cooperation. Pending bilateral issues must be settled in a binding way before accession.

So, against this background, what were the conclusions of the Commission on the progress made in the last year by the Western Balkan countries and Turkey:

First, it was confirmed that a credible enlargement policy is a geostrategic investment in peace, stability, security and economic growth in the whole of Europe. A firm and credible EU perspective for the Western Balkans remains essential to drive transformation, foster reconciliation, export stability to the region and promote EU values, norms and standards.

Albania and North Macedonia have embraced the opportunity and delivered on reforms, in particular in the areas identified as crucial by the Council in June 2018. In light of the significant progress achieved and the relevant conditions being met, the Commission recommended that the Council now opens accession negotiations with Albania and North Macedonia. High Representative Federica Mogherini has stated that "Albania and North Macedonia have shown a strong determination to advance the EU path and achieved results that are concrete and must be irreversible".

The Commission also issued its Opinion of Bosnia and Herzegovina's application for membership in the EU, together with an analytical report that reviews, for the first time, the situation in the country against all standards applicable to EU Member States. The Commission considers that negotiations for accession should be opened once Bosnia and Herzegovina has achieved the necessary degree of compliance with the membership crite-

ria and in particular the political criteria requiring stability of institutions, guaranteeing democracy and rule of law.

Bosnia and Herzegovina will need to fundamentally improve its legislative and institutional framework to ensure it meets a number of detailed priorities in the field of democracy, rule of law, fundamental rights and public administration reform. The Opinion – a roadmap for comprehensive reforms in these crucial areas – is a milestone in the EU-Bosnia and Herzegovina relations, providing new momentum to the country in its EU integration process.

As regards Turkey, the Commission once again stressed that it is a key partner for the EU and that dialogue and cooperation in essential areas of joint interest have continued. These include effective cooperation on migration and support for refugees. However, Turkey has continued to move further away from the EU, with serious backsliding in the areas of the rule of law and fundamental rights and through the weakening of effective checks and balances in the political system, brought forward by the entry into force of the constitutional amendment. In June 2018 the Council noted unanimously that Turkey's accession negotiations have therefore effectively come to a standstill and no further chapters can be considered for opening or closing.

It is now for the Council to consider the recommendations of the Commission and take decisions on the steps ahead. Efforts of all Western Balkan countries must continue. EU accession requires implementation of complex reforms in a challenging environment; it is an objective, which can only be achieved in the long term.

I would like to mention another important date in the eventful month of May this year – the Eastern Partnership 10th Anniversary that was celebrated in Brussels on 14 May.

On the occasion the President of the Commission, Mr. Jean-Claude Juncker stated that "The Eastern Partnership is fundamentally a future-oriented partnership for the citizens and with the citizens; firmly focussed on what is important for them. Together we are working towards stronger economies, stronger governance, stronger connectivity and stronger societies".

He added that "we have put in place ambitious Association Agreements and Deep and Comprehensive Free Trade Areas with Georgia, Moldova and Ukraine and citizens of these countries also benefit from visa free travel for

short stays in the EU. 125,000 loans have been provided to businesses in the Eastern Partnership, of which half are in local currency, and we have contributed to the creation of over 30,000 jobs in the region. And our trade has increased with each of the six Eastern Partnership countries, which together are the EU's 10th trading partner."

Dear young public policy professionals,

It is obvious to me that we can cooperate in many areas that are currently on the EU agenda. These include security and migration, increasing connectivity, energy, education, digitalization, to name a few.

The political challenges we face in Europe today, the need for continuous economic growth and the necessity to tackle security threats – are all topics to be explored and to be addressed not only on national and on European level, but have also regional dimensions and require international cooperation.

There is no doubt that the efforts of all of us are needed for a better European future. I would like to emphasise once again on your role as public servants and on how much your contribution is crucial. On one hand, by raising awareness about the EU and its achievements among citizens, you can contribute to building confidence both in the EU member states and in your respective countries. It is of utmost importance that citizens know the EU and why we need to continue to write and tell the story of Europe.

On the other hand, you can support needed reforms from the inside by bringing in your know-how, energy and motivation.

Allow me to conclude by once again thanking the Economic Policy Institute for bringing us all here today. On behalf of the European Commission, I wish you all success in your work and your future endeavours.

Thank you for your attention.

Ognian Zlatev

*Head of the Representation of the
European Commission in Bulgaria*

CHAPTER 1: POLITICAL, ECONOMIC AND SECURITY CHALLENGES ON THE EUROPEAN AND GLOBAL AGENDA

Europe in the 2020s: Reform, Redesign or Resign?



Prof. Dr. Eckart D. Stratenschulte

Acting Chairman of the Board, German National Foundation, Berlin

Eckart Stratenschulte is the Managing Chairman of the German National Foundation (Deutsche Nationalstiftung). Eckart D. Stratenschulte read sociology, political science and German studies at the University of Marburg. In 1975 he gained a degree (Diploma, M.A. equivalent) in sociology and also was awarded the first certificate which is required in order to teach German and Politics at grammar school (high school) level. After receiving his PhD (1978) and working as a lecturer at the Institute for Inter-European Studies in Berlin, he became Managing Director of the Institute in 1982. The mission of this Institute was to provide analysis of German and trans-European political issues.

In 1989 Dr. Stratenschulte took up a post as Head of Department responsible for the press and publications within the Office of the Governing Mayor of Berlin; from here he moved to become the Director and Member of the Managing Board of the European Academy Berlin in 1993. Since 1999 Dr. Stratenschulte has additionally held a lectureship in Political Science and Social Studies at the Free University (Freie Universität) of Berlin, the largest of Berlin's three universities. In 2005 Dr. Stratenschulte was appointed Professor for Political Science at the Free University of Berlin. He also teaches the Master course "European Studies", organised by the Free University and the Technical University of Berlin.

2017 Dr. Stratenschulte left the European Academy to become the Managing Chairman of the German National Foundation. Over the past 30 years he has published numerous articles dealing with European and German current affairs and about the Berlin situation; he is also the author of several books in this field. Prof. Stratenschulte has been awarded an Honorary Doctorate by the Taras Chevchenko University in Kiev, Ukraine, and honorary medals by the Presidents of Romania and Lithuania and the Foreign Minister of Bulgaria.

Writing about the European Union is a challenge these days. Immediately after you pushed the “send”-button the situation has changed once again.

This is particularly true for 2019 since the EU is in the middle of a restructuring process.

In May 2019 we had the elections to the European Parliament and the results are as follows:

1. The overall turnout was 8 per cent higher than in 2014 (50.6 % vs. 42.6 %) which shows that people are getting more interested in the EU. In Germany over 61 per cent of the voters went to the polls, a plus of over 13 per cent. But the turnout did not rise everywhere: in Bulgaria, for example, it dropped 3.2 per cent, to 32.6 %.
2. Since the United Kingdom did not manage to leave the EU by the deadline, the British got to vote, electing 73 MEPs. The EP therefore still has 751 members. Once Great Britain is out, the number of seats will be reduced to 705.
3. The informal grand coalition of the European People’s Party (EPP) and the Socialists/Social Democrats (S&D) has lost its majority. The parties organized themselves in seven different political groups. 53 MPs are not attached to any of these.
4. Far-right populists won about 150 to 170 seats. The “Identity and Democracy” group (with the German AfD) has 73 seats, the “European Conservatives and Reformists Group” (with 1 MEP from the German Family Party and 2 from the Bulgarian IMRO) has 62 seats, and the rest are non-attached MEPs (among them the 29 MEPs from the Brexit Party).
5. These results mean that, from a total of 580-600 Europe-friendly MEPs, 376 seats are required to form an absolute majority. Once the United Kingdom has left, a majority of 353 MEPs out of about 560 will be required. This might look difficult, but it is not impossible.

Immediately after the elections two different debates began.

The parties analysed the election results (in fact, the results of their respective parties) and started discussing what should be done over the next five years.

The heads of the parliamentary groups and the European Council began

to negotiate who should do it. This debate first focussed on the position of the President of the European Commission.

One aspect of this was the Spitzenkandidat principle. This means that the parliament should only vote for somebody who is running as the leading candidate for one of the party families. This is not covered in the Maastricht treaty, which says:

“Taking into account the elections to the European Parliament and after having held the appropriate consultations, the European Council, acting by a qualified majority, shall propose to the European Parliament a candidate for President of the Commission. This candidate shall be elected by the European Parliament by a majority of its component members.” (TEU 17(6))

The Spitzenkandidat principle worked in 2014 and the European Parliament wanted to stick with it because MEPs believed it could strengthen the parliament’s role and give the voters greater interest in the election process. But after the election the political parties could not agree on a Spitzenkandidat to put forward. The Conservatives saw themselves as the party with the most seats and asked for support for their top candidate Manfred Weber. The Social Democrats and the Liberals supported the principle (in the case of the Liberals: more or less) but wanted their own candidates to be nominated.

Most of the heads of state and governments were not fond of the idea at all. President Macron of France had openly questioned it. His argument: As long as there are no European lists and consequently not all citizens can vote for some of the candidates, the principle is useless. Indeed, only Germans – in fact, only Bavarians – could vote for the EPP candidate Manfred Weber, while only the Dutch could vote for Frans Timmermans (S&D).

Finally the head of states and governments nominated the German minister of defence, Ursula von der Leyen, a Conservative, unanimously – with the abstention of the German chancellor Angela Merkel. Her hands were tied by her coalition with the Social Democrats at home.

The European Parliament approved this suggestion with a narrow majority. After 50 years a German will be in the Commission’s driver’s seat again – and for the first time a woman.

The position of the President of the European Commission was only one part of the package, however.

European leaders also nominated a new president of the European Council, the liberal Prime Minister of Belgium Charles Michel; a new High Representative for Foreign and Security Policy, the socialist Foreign Minister of Spain Josip Borrell; and a new president of the European Central Bank, the former head of the International Monetary Fund, the French economist Christine Lagarde.

The parliament elected as its new president the Italian Social Democrat David Sassoli.

Except for the President of the European Parliament, all nominees will take office on November 1. In parallel with this, there is still the United Kingdom's – so far fruitless attempt to leave the Union. This is supposed to happen by October 31, 2019, at the latest.

So, the EU is in the process of defining what should be done and by whom.

Unfortunately, this does not leave room for the debate which really should be conducted and that is how it should be done. The EU does not lack goals, nor does it have a scarcity of skilled human resources. What it does lack is ideas for ways to achieve those goals.

This is why the European Commission launched its White Paper on the Future of Europe in March 2017. (European Commission: White Paper)

“This White Paper maps out the drivers of change in the next decade and presents a range of scenarios for how Europe could evolve by 2025. In doing so, it starts a debate that should help focus minds and find new answers to an old question:

“What future do we want for ourselves, for our children and for our Union?”(European Commission: White Paper, p.7)

The Commission outlined five scenarios:

- 1: Carrying on
- 2: Nothing but the Single Market
- 3: Those who want more do more
- 4: Doing less more efficiently
- 5: Doing more together

It is obvious that scenarios 1 and 5 are unrealistic. If they weren't, one would not need any scenarios at all.

The other three scenarios all mean a reduction, either in policy fields or in participants.

But why is this the case? The EU is an enormous success story and one could fill a whole book with the achievements of European integration.

Nevertheless the history of the EU also includes a series of setbacks which could fill a second book. Always, though – from the failed European Defence Community and the European Political Community in 1952/1954, the European Community for Nuclear Energy 1957/58 which never really blossomed, the crisis over the “policy of the empty chair” in 1965 and the withdrawal of Greenland from the European Community in 1985 to the Norwegian refusal to become a member in both 1973 and 1995 and the failure of the European Constitutional Treaty – always the EC/EU has found a way to develop further.

Today, however, the EU is not only facing new challenges, which happens all the time, but a different set of challenges. Four of them can be listed here.

1. The fundamental motive for the creation of the European Communities was safeguarding peace between member states – meaning between Germany and France – and securing democracy. After the experiences of two world wars and cruel dictatorships in Europe, the order of the day was to create a structure which would make war and oppression impossible.

But while the motive was deeply political, the approach to integration appeared to be quite technical. Coal and steel, agricultural products, technical rules and standards – these weren't things which greatly interested the public. Away from the public eye, these technicalities generated a network which always grew stronger – an “ever closer union”, as the Rome Treaties put it. There was a “permissive consensus” between the people and their leaders. The people did not understand what was happening in Brussels, but nor did they care. Therefore they permitted their governments to carry on.

In the meantime it became obvious to the public that the EU is much more than an assemblage of technical rules. The turning point, at least in Germany, was the introduction of the Euro in 1999. “Suddenly” the EU was taking away the Germans' most beloved child and the focal point of German post-war pride: the Deutschmark. The German public was assuaged with

further technical arguments, such as the abolition of exchange fees at borders and improved price comparisons while travelling in other countries.

For about ten years everything worked very well. But in 2009/2010 when the Euro crisis arose people realized that the EU is not a non-political technical structure but a highly politicised integration structure with far-reaching consequences for their everyday life.

Ever since then they have demanded to have their opinions heard. The Euro crisis gave birth to the populist movements – in Germany, in the Netherlands, in Finland, in Greece ... That the EU lacks transparency isn't news. But that's precisely what's being demanded today.

2. European integration is not a love affair between 27 or 28 states; it is the result of endless negotiations. You could define the EU as a negotiated negotiation system for conducting further negotiations. This system, known as the "Méthode Monnet", was and is quite successful, but it takes time and it requires secrecy.

As mentioned above, this secrecy is no longer accepted and, in the last few years, big decisions have had to be taken under extreme time pressure.

Decisions about billions of Euro had to be made over the weekend before 3 a.m. on Monday morning – because of the opening of the Tokyo Stock Exchange.

200,000 refugees arrived at European borders overnight. These situations did not allow for long negotiations. On the other hand, however, there is no institution or president with the capability and the authorization to take instant decisions. The EU lacks a "Rapid Response Centre".

3. The outstanding success of European integration in the past was due to deregulation - take the Single Market or Schengen, the abolition of internal border controls as examples. Now, though, the European Union is in a different situation. Liberalization has come to an end, the situation and people's expectations require new regulations. This is true for the Banking Union, but also for the social dimension of the EU.

The EU proclaimed far-reaching social goals. Article 3 (3) of the Treaty on European Union reads:

"The Union shall establish an internal market. It shall work for the sustainable development of Europe based on balanced economic growth and price stability,

a highly competitive social market economy, aiming at full employment and social progress, and a high level of protection and improvement of the quality of the environment. It shall promote scientific and technological advance.

It shall combat social exclusion and discrimination, and shall promote social justice and protection, equality between women and men, solidarity between generations and protection of the rights of the child.

It shall promote economic, social and territorial cohesion, and solidarity among Member States."(TEU 3(3))

The President of the European Commission raised expectations:

"Up until the elections of the European Parliament, we want to use the time for people to feel that Europe protects, empowers, defends them. For this very purpose, we have presented a roadmap with specific steps, which we want to implement before the summit in Sibiu, Romania this coming [May] where the Heads of State and Government will convene. With that, we will deliver tangible results for citizens before the European elections – be it by extending the protection of our common borders or by supporting those member states which still don't have the euro to become part of the Economic and Monetary Union." (Juncker 2018)

Until now, however, the EU has not delivered. Rather than narrowing, social and wealth gaps within and between member states have widened (World Economic Forum 2018). Establishing new rules and regulations beyond technical matters has proved to be more difficult than abolishing old ones.

4. Despite the many setbacks, however, the EC/EU was making progress and a majority of its citizens were reasonably optimistic as regards the future. This has now changed.

"(Our) evidence suggests that European citizens are deeply divided with regard to how they view society and their own economic position within it. We find a divide between those who are hopeful about society and their economic situation within it, and those who are fearful about these topics. Our findings suggest that within the European Union as a whole, 51 percent of the population is worried about the state of society while 49 percent is not. Similarly, 35 percent of people are economically anxious, while 65 percent are not." (de Vries/Hoffmann 2019: 7)

The EU lacks optimism. The consequence of this is not only that the “fearful” incline towards far-right parties to a greater extent¹, it also costs the EU in terms of both lost momentum and energy from its citizens.

To sum this up: the challenge for the EU is to restructure itself in a way such that it is able to make quick decisions on important matters, to connect the people into these decisions through greater transparency and to demonstrate positive outcomes in relation to social protection and thereby bring optimism back to the people.

“The old Europe of a market and a mania for rules encountered indifference or mild ridicule from its population, but that did not stand in the way of its progress. The new Europe of currency, power and borders sets loose larger public forces and counterforces, higher expectations and deeper distrust. In this new Europe, decisions are taken that are no longer always based on treaties or expertise but instead are a joint response to the needs of the moment, born out of clash of opinions. Precisely for that reason they require public justification and scrutability and have to be fought out on an open political stage.” (van Middelaar 2019: 483/6616)

Coming back to the Commission’s scenarios, it is clear that two of the three remaining ideas would not be able to achieve these goals. Limiting the Single Market (scenario 2) would either reinvent the EU as a pure Free Trade Zone or ignite a long debate about what would come under the aegis of the Single Market: social policy, environmental policy, climate protection?

A similar thing would happen with scenario 4. The principle of doing less but better is easy to agree on, but what would that “less” be? No foreign and security policy, no migration policy, no climate protection, no structural policy?

As a result, all the indications points towards scenario 3: Those who want to do more do more.

The Rome Declaration which the 27 heads of state and government (without the United Kingdom) passed on the occasion of the 60th anniversary of the signing of the Rome Treaties was already pointing in this direction:

“We will act together, at different paces and intensity where necessary, while moving in the same direction, as we have done in the past, in line with the

¹ “Fourth and finally, our evidence shows that those who are fearful are more likely to say that they feel close to populist-right or far-right parties.” (de Vries/Hoffmann 2019: 8)

Treaties and keeping the door open to those who want to join later.”(Council of the EU, Rome Declaration 2017)

Alongside conventional statements, the declaration offers an exit strategy for the current situation: different paces and intensity. Again, moving at different paces is not news for the EU because we already have that in many fields. As the treaty says, the Euro is the currency of the European Union (TEU 3(4)), but only 19 members are Euro countries. Schengen is part of the treaty, but only 22 EU countries (and a couple of third states) belong to it. The new element is “different intensity”.

The Commission’s plan was to decide all of this before the European elections so that afterwards the EU could make a fresh start.

Jean-Claude Juncker sketched it out in his foreword to the White Paper on the Future of Europe:

“But Rome must also be the start of a new chapter. There are important challenges ahead of us, for our security, for the well-being of our people, for the role that Europe will need to play in an increasingly multipolar world.

...

After a broad debate across our continent in the months to come, including the European Parliament, national Parliaments, local and regional authorities, and civil society at large, I will take these ideas forward and give my personal views on the future of Europe in my State of the Union speech in September 2017.

This should help the European Council draw first conclusions by the end of the year and decide on a course of action to be rolled out in time for the European Parliament elections in June 2019.” (European Commission, White Paper 2017: 3)

The Sibiu summit on May 9, 2019 was supposed to give at least some answers to the most pressing problems, but it did not. The declaration merely expressed good will and avoided doing anything other than describing goals vague enough to please everyone: *“We will stay united, through thick and thin.” (European Council, Sibiu Declaration 2019)*

Unless the EU can find a new and effective structure for itself, however, it can identify as many high-flown goals as it wishes, but the results will not be impressive. The EU doesn’t lack goals, it lacks implementation.

Consequently, something like scenario 3 will be the only realistic option. Some countries have to build a core group and push the EU forward.

Such a concept of a Core Europe should not be confused with “Europe à la carte”. A variable geometry – which is what “Europe à la carte” is about – would mean that countries cooperate in different policy fields in different contexts. However, on top of the fact that such a structure would be extremely complicated and highly non-transparent, it would make it very difficult, if not impossible, to make compromises in the usual EU package-dealing processes. On the other hand, this would also give all the power back to the nation states and dissolve the structure of European integration.

A Core Europe, however, also raises questions of democratic legitimacy, especially in regard to the communitarian institutions – the European Parliament, European Commission, European Court of Justice. If there is a group of however many countries making far-reaching decisions, how can these institutions be included when they have members which don't belong to the core? Or do we need a Core Europe Parliament, a Core European Commission?

This is not a new debate. As early as 1994 the conservative German politicians Wolfgang Schäuble, nowadays speaker of the German parliament (Bundestag), and Karl Lamers came up with suggestions for a “Kerneuropa”.

And in 2000 the at-the-time Foreign Minister of Germany, Joschka Fischer from the Green Party, elaborated that idea in a speech given at Berlin's Humboldt University:

“One possible interim step on the road to completing political integration could then later be the formation of a centre of gravity. Such a group of states would conclude a new European framework treaty, the nucleus of a constitution of the Federation. On the basis of this treaty, the Federation would develop its own institutions; establish a government which within the EU should speak with one voice on behalf of the members of the group on as many issues as possible, a strong parliament and a directly elected president. Such a centre of gravity would have to be the avant-garde, the driving force for the completion of political integration and should from the start comprise all the elements of the future federation.” (Fischer 2000)

Such a structure would not be easily achieved. Although very often a group of countries refuses to support a certain policy, they are all keen not to be excluded. The necessary changes in the European Treaty are consequently not very likely – and would cost the EU time it does not have.

Therefore the only way to proceed is to make use of the instrument of

Enhanced Cooperation, established in Art. 20 TEU and 326 to 334 TFEU. This is not an easy way to push things forward and is consequently not very often used.²

Those countries which want to set up an enhanced cooperation procedure have to send a request to the Commission which then forwards a proposal to the Council. The Council has to approve the enhanced cooperation procedure, as does the European Parliament. The enhanced cooperation programme has to be open to all members. (TFEU 329)

So, even after the revision of the preconditions in the Lisbon Treaty, which made enhanced cooperation a little easier, there are a couple of hurdles to establishing an enhanced cooperation procedure.

There is, of course, another way to initiate closer integration – by doing so outside existing European treaties. Schengen saw the light of day in this way (and was only integrated into the *acquis communautaire* with the Amsterdam Treaty in 1999). The Fiscal Compact is another example. Here 25 countries (in a Union of 27 before the accession of Croatia) signed an agreement within the framework of international law.

Both ways of pushing European integration forward are difficult and require leadership.

Leadership is a touchy issue in the European Union. All member states are equal – legally and in theory, of course. In reality they are not, and everybody knows it.

It takes strong countries to take the lead, and in the current situation this can only be Germany and France. Italy took itself out of the game through its dual populist government, Poland is reluctant, Spain is dealing with a secession conflict and the United Kingdom is no longer an effective presence – just to name a few.

Germany and France have a special responsibility for the wellbeing of the European Union, due to their size, but also due to history. Nobody in the EU wants a Franco-German directorate (or, even worse, Germany running European affairs), but everybody is aware that without the impetus of these two countries nothing will happen.

In 2011 the at-the-time Polish foreign minister Radoslaw Sikorski gave a quite emotional public speech in Berlin:

² See: European Commission: Scenario 3 of the White Paper on the Future of Europe 2019

"I will probably be first Polish foreign minister in history to say so, but here it is: I fear German power less than I am beginning to fear German inactivity.

...

"And I demand of Germany that, for your own sake and for ours, you help it (the Euro; EDS) survive and prosper. You know full well that nobody else can do it. [...] As a Pole and a European, here in Berlin, I say: the time to act is now." (EU inside 2011)

In his famous Sorbonne speech in September 2017 Emmanuel Macron put it as follows:

"So first of all I am making the proposal to Germany for a new partnership. We will not agree on everything, or straightaway, but we will discuss everything. To those who say that is an impossible task, I reply: you may be used to giving up; I am not. To those who say it is too difficult, I say: think of Robert Schuman five years after a war, from which the blood was barely dry. On all the issues I have talked about, France and Germany can inject decisive, practical momentum."(Macron 2017)

Due to the internal problems in Germany after the last parliamentary election, there was no substantial response from the German side. The German government is a coalition formed from the two conservative parties CSU (only in Bavaria) and CDU (everywhere but Bavaria) together with the Social Democrats.

One side effect of the European elections in May 2019 is this government's further instability. After massive losses in the elections, the Social Democrats are considering leaving the coalition. This could mean a new government will be built by the Conservatives, the Liberals and Greens – an undertaking which failed in 2017 after week-long negotiations – or new general elections. In both cases Angela Merkel will not be Federal Chancellor any longer.

Both processes will take time – time Europe does not have, because the structural reforms of the EU – the French president Emmanuel Macron speaks of a "refoundation of Europe" (Macron 2017) – cannot be delayed.

Unfortunately, in France President Macron lost a lot of public support and also has internal problems to deal with. He is in a much weaker position than he was two years ago.

This article had to be finished by August 25, 2019, so the outcome of

these processes cannot be described here. It does end, however, on a pessimistic note. The only hope for the further development of the EU is a public outcry in at least a few EU countries. The increased turn-out at the European elections (over 50 percent, in Germany even 60 percent) are a sign of hope – one sign at least.

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The 2021 – 2027 Multiannual Financial Framework – a political message about the future of the European Union



Prof. Ingrid Shikova

Sofia University "St. Kliment Ohridski"

Prof. Ingrid Shikova, PhD is founder of the European Studies Department at Sofia University "St. Kliment Ohridski". She is an expert in the area of EU policies. Prof. Shikova has devoted her entire professional career to European integration. She has specialized at the College of Europe in Bruges, the University of Limerick (Ireland), the Netherlands Economic Institute in Rotterdam, the

Royal Institute of International Relations in London, etc. Prof. Shikova has been Director of the Centre for European Studies, Director of the Information Centre of the Delegation of the European Union and adviser at the European Commission Representation. She is a member of the international team of lecturers "Team Europe". Prof. Shikova has numerous publications on European integration issues.

At present Prof. Shikova is Head of "Jean Monnet" Centre of Excellence at the European Studies Department of Sofia University "St. Kliment Ohridski". She is member of the Academic council of the International Centre for European Education (CIFE) in Nice, France.

Prof. Shikova was decorated for her contribution to the development of European studies in Bulgaria with the highest distinction of the University - an honorary sign with a blue ribbon.

The popular expression *"Don't tell me what your priorities are, just tell me where you spend your money on and I will tell you what they are."* fits perfectly for one of the most heatedly discussed subjects about the future of European integration, i.e. the EU multiannual financial framework for the period after 2020. The short analysis that follows is aimed at drawing the attention to some essential issues that have to do with the future of the EU budget. In fact, this budget is the mirror reflecting the EU policies and the future of the EU, and the single declaration of priorities, without taking these priorities into account in the relevant budget, is nothing more than rambling speech.

What can and has to be changed in the EU budget in the period after 2020? Before discussing the possible answers to this question, let us recall some of the most relevant data about the budget of the European Union. This budget amounts to some EUR 150-160 billion per year while the Member States' contributions account for about 1 per cent of their gross national income /GNI/ and make up about 80 per cent of the EU budget funds.³ Some other EU budget revenue sources comprise the customs duties on imports from third countries, some part of the value added tax, the taxes on the imports of agricultural products, the administrative revenues, etc. It should be recalled at the outset that, under Paragraph 1 of Article 311 of the Treaty on the Functioning of the European Union, *"The Union shall raise the funds it needs for the purpose of attaining its own objectives and of carrying through its own policies"*. This means that the implementation of each and every new priority should be secured by sufficient financial resources.

In June, 2017, the European Commission published a Reflection Paper of the Future of the EU finances. According to this document, the next multiannual financial framework will have to *"finance more with less"*.⁴ This is supposed to happen at a time when the EU budget is going to be reduced as a result of the withdrawal of the United Kingdom from the EU while, at the same time, it is going to be subjected to an increasing pressure to promote employment and growth, to improve the governance of the Eurozone, to strengthen security, to enhance military cooperation, to manage the migration flows, and to deal with the climate change. In response to the Reflection Paper of the European Commission, the European Parliament adopted on October 24, 2017, a resolution on the future of the EU finances.

³ Just for comparison, the US federal budget amounts to EUR 3.4 trillion and accounts for 20% of the federal states' income.

⁴ European Commission, (2017), COM (358), Reflection Paper on the Future of the EU Finances

In this resolution, the EP has set out its views about the fact that the current European budget is too small to respond efficiently to the challenges that the EU is faced up with. This resolution appealed not only for an increase in the budget funds but also for more flexibility in spending these funds. Following some heated discussions and a series of studies carried out on its own request, the European Commission presented on May 2, 2018, a proposal for a multiannual financial framework entitled “A Modern Budget for a Union that protects, empowers and defends”.⁵

What are the main problems and what proposals have the heated discussions generated thus far?

1. How to fill in the “gap” in the EU budget following the withdrawal of the United Kingdom from the European Union?

It is already a well-known fact that the withdrawal of the United Kingdom from the European Union is going to result in a “gap” of some EUR 12-13 billion in the revenue section of the annual budget of the EU. The necessity to fill in this “gap” in the EU budget, however, seems to be inevitable as the number of tasks that will have to be performed on EU level will be also growing, including in the area of security, defence, border control, combating terrorism, dealing with the climate change etc. There is also a need for further cohesion, for enhancing competitiveness, for assisting the farmers, for further stabilization of the economic and monetary union, as well as for assisting the countries that are going to accede to the Eurozone. This is how we have arrived at the conclusion that much more has to be done with less money. Is it possible for this to happen in reality?

The European Commission has suggested that this “gap” could be filled up on the basis of saving some budgetary allocations by reducing the funding provided to some policies as common agricultural policy and cohesion policy on one hand, while, on the other hand, the shortage of funds to be compensated by an increase in the budget revenues through a flow of “fresh money”. Thus, the European Commission is making a curtsey to the two main groups of countries: the net contributors are going to be satisfied by more efficient spending of the funds, while the net recipients are going to get a guarantee that they are not going to be injured by the great reductions in these funds, especially in the cohesion policy area. The European Commission’s proposal is that the funds set aside for the com-

⁵ European Commission, (2018), COM (321), „A Modern Budget for a Union that protects, empowers and defends” Multiannual financial framework for the period 2021-2027.

mon agricultural and the cohesion policy should be reduced by some 5 per cent, so that each one of these policies could have available resources accounting for 30 per cent of the EU budget (instead of 35 per cent, as is the situation at the moment). This, however, entails yet another important question: will the traditional EU policies be deprived of the possibility to resolve topical and urgent issues?

It is clear that any response to the new challenges that the EU is going to be faced up with in the future is going to require additional funding. Or, to put it differently, will there be enough funds for the new priorities at the expense of the traditional policies (e.g. the common agricultural and the cohesion policy) and isn’t this going to generate more contradictions between the EU Member States? The 5-6 per cent reduction proposed by the European Commission seems to be a reasonable one because any higher percentage is going to cause indignation among the poorer Member States. In addition, as a result of the discussions held, the European Commission has come up with yet another proposal, i.e. to increase in the next planning period, rather than to decrease, the funds earmarked for two already existing EU programs, namely the “Erasmus+” Education, Training, Youth and Sports Program and the “Horizon 2020” Research and Innovation Program. The conclusion is that the need for additional funding, i.e. for “fresh money” for the new activities, is obvious but only if there is sufficient will for these programs to be properly implemented and to be successful. This, however, is going to inevitably call for an increase in the budget revenues.

2. How to find the key to the dilemma “net contributors” vs. “net recipients”?

Actually, there has been nothing new in the contradiction between the EU budget net contributors and the EU budget net recipients. Let us recall that the negotiations for the 2007-2013 financial framework had been preceded by a letter written by six EU budget net contributor Member States, namely Austria, Germany, the Netherlands, Sweden, and the United Kingdom. They insisted on a budget not higher than 1 per cent of the European Union GNP. Prior to the negotiations conducted for the current 2014-2020 financial framework, another letter was sent – (this time by five EU Member States, namely Germany, France, the Netherlands, Finland, and United Kingdom) in which, in addition to the classical request for less cost, there was yet another demand for “more reasonable spending”. The crisis has brought to the fore problems involving competitiveness, the management of funds, as well as

the weaknesses in the growth patterns followed, over the past few decades, by countries, such as Spain, Portugal, Greece, and Ireland. All this has given rise to doubts about the efficiency of European funding for the purpose of enhancing competitiveness, and has sounded the alarm at the danger of fraud and misuse of the EU funds by a couple of EU Member States. It is for the reason of this general anxiety that Commissioner Oettinger, in charge of the EU budget, has shouldered the implementation of smart financial transfers. What exactly these smart financial transfers are going to be is too early to say but, in any case, they are going to be bound with certain requirements and strict discipline.

The division of the Member States into net contributors and net recipients, and the resulting confrontation between these countries makes it difficult to adopt quickly the financial framework. And, it is in this context, that the question of the so called “fair return” (le juste retour) arises. Which means that much more attention has been paid to the fact what percentage of the funds allocated from the EU budget are going to return to the relevant Member States through some EU programs or EU funds. Here comes another reasonable question: is it only the net recipients Member States that benefit from the structural funds or are these benefits shared, in a particular manner, with the net contributing countries, too? It is necessary to take into account the benefits of the richer and more competitive states resulting from their possibility to conduct free trade within the Single Market, as well as the fact that some of the structural funds have been used for the supply of commodities coming from the already mentioned competitive states. All this has to be carefully explained to the EU citizens so that they could be prevented from trusting the populist claims that the South has been living on the back of the North, etc.

3. Should the contributions of the Member States be increased?

The disputes over the Member States’ contributions to the EU budget have always been heated and prolonged. ⁶ Traditionally, the European

⁶ We could cite here as an illustration the “bargaining” over the 2007-2013 multiannual financial framework. The European Commission’s proposal had envisaged that the EU budget funds for 2007-2013 had to amount to 1.14 per cent of the individual Member States’ GNI. However, due to the discrepancies between the net contributor and the net recipient countries, it was not even possible to adopt the compromise proposal made by the then Luxembourg Presidency of the Council of the EU for an annual financial framework on a 1.06 per cent of GNI basis. The next British Presidency came up with a new proposal for a 1.03 per cent of GNI basis which was rejected by the new EU Member States, which claimed that this was going to constitute a reduction in the expected financial support for their economies. Following some negotiations in the course of 17 hours, a political agreement was eventually reached, on December 15-16, 2005, between all the EU Member States on the 2007-2013 multiannual financial framework, involving a budget ceiling of 1.045 per cent of GNI. As one can easily see, the disputes had been even over the

Commission put forward a proposal for a larger amount of budget funds for the next planning period of 1.11 percent of GNI, bearing in mind, first and foremost, the revival of the European economy and the emergence of some attitudes among Member States towards an increase in the contribution. The position of the European Parliament was that the EU budget had to be in line with the priorities of the citizens, and also that it had to respond to the challenges of the future. Therefore, it came up with a proposal that the amount of the EU budget funds in the next financial framework of the 27 Member States had to be fixed at 1.3 per cent of GNI.

The problem, however, is that the Member States that do not support any increases in the EU budget seem to be more decisive than the Member States that are in favor of such increases. And this picture reminds one of the situation during the negotiations for the current financial framework when the proponents were divided into two groups: “the friends of effective spending” and “the cohesion policy friends”. Currently, some other funding opportunities for the EU are being sought, besides the available ones.⁷ There have been a number of proposals, comprising a tax on the financial transactions, the revenues from the trading in carbon emissions, a tax on plastics, a resource based on the corporate tax, charges on the carbon dioxide emissions, etc. The possible new revenue sources are not only going to fill up the gaps in the budget but they are also going to put an end to the demands for “fair return” of the funds to the Member States.

4. Grants and/or financial instruments?

Another essential discussion involves the question whether the grants or the financial instruments will have to be the main form of allocating and allotting the money from the European Funds. In the current 2014-2020 planning period, there has been a trend towards an increase in the share of the financial instruments, particularly when it comes to the implementation of the so called “Juncker Plan”. According to the estimates of the European Commission, the allocation of EU funds in the 2014-2020 period through the financial instruments has doubled when compared to the 2007-2013

„thousandths”. The current financial framework, which was agreed upon during the crisis period, is based on 1 per cent of GNI, which led for the first time in the history of European integration to a decrease in the EU budget.

⁷ The current EU budget revenue sources are as follows:

- traditional own resources (i.e. mainly customs duties on imports from third countries and sugar levies);
- VAT-based own resources on a gross national income (GNI) basis covering the expenditures not financed by other revenues (contributions of the Member States);
- other revenue sources – taxes on the salaries of EU staff, contributions to certain programs from non-EU countries, fines.

period. It could be expected that this trend is going to continue even in the period after 2020 due to the experience gained over the past few years, as well as to the arguments in favour of a more efficient use of the public funds. One could also discuss here the possibility of introducing a flexible approach which should reflect almost entirely the specific characteristics, the particular needs, and the preferences of the individual Member States. On the other hand, there should not be a total neglect of the allocation of grants as they are also supposed to have a key role in the implementation of the cohesion policy. And, we should not rely entirely on the financial instruments as they are not always applicable. For example, the financial instruments are not suitable for the small settlements where the number of small and medium-sized enterprises is limited and where the opportunity to raise funds from the private investors is insignificant. The administrative management of the financial instruments also has its drawbacks. It is not clear enough and there are not sufficient arguments as regards the higher efficiency of the financial instruments when compared to the grants in terms of increasing labour productivity, of curbing unemployment, of boosting the growth rates, etc. We could argue, however, that the grants are still an important form of rendering assistance to some projects and programs which are implemented in the backward regions. A consensus on this issue could probably be reached by setting-up a flexible combination of grants and financial instruments within the framework of the future cohesion policy. As already pointed out above, this flexible combination should take into consideration the particular specific features, the needs, and the abilities of the particular regions.

5. Control and/or decentralization and self-discipline?

If there is a subject that is now in agreement, it is the need to further simplify the rules and to ease the administrative burden on the utilization of the EU funds. Irrespective of the efforts that have been made to this end, the prevailing opinion is still that the regulations, the accompanying acts, and the guidelines have become more complicated and also that the administrative work and the management costs have increased. And, if simplification is already a subject of consensus, there are still some controversial issues in the area of fund management. One of these issues has to do with the control exercised by the European Commission while the relevant discussions have been focusing on the need to clearly differentiate between errors, irregularities and abuses, to implement a preventive rather

than a punishment approach, to concentrate the control on the performance, to hold the Member States more politically accountable, to identify the link between control and irregularities, etc. One should also not neglect the disputable issue related to the possibility of using the cohesion policy for the purpose of sanctioning the Member States that do not meet their commitments and pre-agreed requirements, do not carry out the reform recommendations, etc.

6. Can EU funds promote the rule of law in EU through conditionality?

There is yet another disputable proposal put forth by the European Commission, meaning the conditionality in the allocation of European funds which requires abidance by both the EU *acquis* and the rule of law. This is a rather difficult task to perform as any criteria can be easily contested and will remain mere wishful thinking as regards the use of the European funds as a “carrot”, on one hand, and the system of appraising the rule of law as a non-functioning “stick” (reminding one of the EU cooperation and verification mechanism that has been used with respect to Bulgaria and Romania). So, it is the idea for a flexible and territorially differentiated cohesion policy, taking into account the specific conditions and the particular needs of the individual Member States, which could turn out to be the key to reaching a consensus in this respect.

7. European added value, cohesion or competitiveness – how to make the right choice?

This is the next question awaiting the most appropriate answer. The problem here is that, on one hand, there is a particular desire for the future EU financial framework to incorporate only programs and projects with European added value while, on the other hand, there is no clear and unified vision of the nature or essence of the said European added value. As regards some cross-border infrastructure projects, the added value is more than obvious while, in some other cases, there have been disputes whether the funding of say, domestic infrastructure, has European added value and whether such projects have to be funded from the EU budget. There are still heated discussions about this issue but any consent calls for a compromise. The “cohesion versus competitiveness” discussion is not a new one. A mere focus on competitiveness is going to favour the more dynamic regions with a much higher economic growth. While, on the other hand, cohesion has to take into consideration a number of structural issues, such as the high

unemployment rate, the social disparities, the particular geographical location, the backwardness of the individual countries, the difficult access to funding for companies, etc. Irrespective of the approach that is going to be chosen, the main question remains: whether the cohesion policy is going to have enough resources to satisfy the two sides of the coin – cohesion and competitiveness. And the realization of this combination is, in fact, the key to a stable and prospering European Union with high labour productivity.

While discussing the EU budget, we have to be clear about the fact that it is difficult to achieve harmony when it all boils down to money. Actually, any decisions made on the multiannual financial framework are going to clarify what future for the European Union we have opted for and what the genuine priorities of European integration really are. Of course, there are more possibilities for a more efficient use of the EU funds in the area of the common agricultural policy and the cohesion policy; this, however is not going to provide the satisfactory solution to the question of how to modernize the EU budget and to guarantee sufficient funds for the implementation of the new priorities. The neglect of some already existing policies and the transfer of funds to the urgent needs in the area of security, defence, migration, etc. are not going to resolve the problems of the day; on the contrary, they are only going to further exacerbate these problems. Should a Europe of solidarity be sacrificed in the name of a Europe of defence and security – this is the question that is going to come increasingly to the fore. And, if the answer is “no”, then the EU budget will have to be inevitably increased. The same applies to the vision of the future European Union. If we opt for the “doing more together” alternative, we could only be successful if we substitute the “doing more with less” approach by the “doing more with more” approach. In conclusion, we have to point out that the multiannual financial framework is not an accounting exercise; it is rather a political message about the future of the European Union. And, reaching a consensus will require not only clever diplomacy but also nonstandard solutions, more imagination and, last but not least, solidarity and political courage. It is up to the European leaders, the newly elected European Parliament and the future Rotating Council presidencies (Finland, Croatia and Germany) to reach a compromise before 2021.

Artificial Intelligence and European Economic Policy



Paramjeet Berwal

Invited University Lecturer & Lawyer, Tbilisi
SS2018 Alumnus

Paramjeet is a lawyer and holds an LL.M. from Munich Intellectual Property Law Center. Adopting an interdisciplinary approach, he studies the impact of rapidly advancing AI on economic structuring, policy making, innovation, competition, business management and various other dimensions of human/AI-‘augmented’-human existence. He is an invited lecturer at several universities. He is frequently invited as an expert on AI policy making and frequently writes on the topic for popular platforms. He may be contacted at paramjeet.singh.berwal@tsu.ge.

The biggest policy challenge that the European Union (EU) and the rest of the world face today relates to Artificial Intelligence (AI). *“Artificial intelligence is a technological, economic, social and obviously ethical revolution.”*⁸ With promises and potential to serve the humanity, rapidly advancing AI brings along with it several questions for policy makers to address. The challenges of AI span broad spectrum of spheres including, among others, global governance, international security, growing inequality and labour market. However, the most important challenge thrown by AI pertains to economic policy, for economy is the foundation of any society or democratic setup. According to the European Commission (EC), AI *“has become an area of strategic importance and a key driver of economic development.”*⁹

The aim of this paper is to analyse how AI is going to influence the EU’s economic policy. It highlights main challenges that EU policy-makers and those of other European countries are facing or likely to face in the wake of developments being made in the field of AI. It then puts forth possible solutions to AI related economic policy challenges.

With population of 508 million and GDP of approximately \$19 trillion, the EU aspires to be a leader in the domain of AI. It is not purely the tech-

⁸ Helene Fouquet, Marie Mawad and Arne Delfs, “Macron Lays Out Artificial Intelligence Push Against China, U.S.,” Bloomberg News Service, March 29, 2018

⁹ The European Commission, Policy, Artificial Intelligence, Digital Market <<https://ec.europa.eu/digital-single-market/en/artificial-intelligence>>

nological aspect of AI that interests the EU, it is primarily the economic and societal potential that AI promises to unlock that intrigues the EU policy makers. Acknowledging the uncertainty that AI harbours, the EU is sensitive towards the need for collective and timely action. AI is proving to be the key determinant as far as the future of global competitiveness is concerned. Therefore, it becomes all the more important for the EU and other European countries that are waiting to join the EU to engage in comprehensive and active policy making to ensure that their economic and other interests are protected in the AI future which is not very far. The EC's communication on AI highlights that AI is being currently used in everyday life. At "AI for Humanity" conference, in 2018, Macron said "[T]his revolution won't happen in 50 or 60 years; it's happening right now. There are new opportunities and we can choose to follow some innovations or not."¹⁰

In the contemporary knowledge-based economy, AI becomes of paramount importance, for human intelligence lacks the computational power and speed with which AI can produce desired results in the most optimal and efficient manner. Also, traditional consideration of limited resources on the earth is weakening with soaring prospects of extra-terrestrial mining. What might seem to be merely a speculation today, to some, will be the mainstream tomorrow. Therefore, it becomes crucial for policy-makers of the EU and the countries-in-waiting to understand how important it is to be informed about AI in order to shape future policies to optimally harness its potential.

All major economies of the world have entered into what can be termed as 'AI race'. There are huge investments being made not only in the realm of AI as technology, but also in the domain of AI regulation and governance. In the EU, public and private investments into AI research and application have sky-rocketed in the recent past and the future projections show no different. The EU has laid major emphasis on integration of AI into its economy. EU Member States (MS) are competing amongst themselves and the rest of the world in the AI ethics standard setting race. The one that plays prominent part in establishing an AI governance and regulatory structure is most likely to have competitive economic advantage over other players in the global market. Therefore, the strategies developed by the United States, Canada, China, Japan, Singapore, and South Korea are

¹⁰ Emmanuel Macron, 'The French strategy in the field of artificial intelligence', Conference on AI for Humanity, https://www.youtube.com/watch?v=ADi_8OL6vRk

perhaps some of the most important given the relevance of these countries in the world economy and the level of technological development achieved therein. In Europe, the lead was taken by the United Kingdom and Finland, followed by France. Sweden, Italy, Estonia, Denmark, Austria and Germany are also taking concrete steps in putting forth their AI policy. At times, there is often a concern that the US and China are ahead of the EU in AI race. This seems to be true in view of the fact that of nine companies that lead the world in AI development, six are based in the US and other three, in China. However, the EU is aggressively moving forward uniting Member States towards integrating AI into the mainstream economy reaping benefits for the mankind. The perusal of European AI landscape, and especially of the EU AI policy, highlights the economic significance that AI holds for the EU. Nonetheless, the social, political, cultural, environmental, humanitarian connotations of AI development in the EU have inseparable connection with economic dimension of AI.

The EC-appointed High-Level Expert Group on Artificial Intelligence (AI HLEG) asserts that artificial intelligence (AI) "*is one of the most transformative forces of our time, and is bound to alter the fabric of society.*"¹¹ What began as a notion in an academic paper by A.M. Turing in 1950 and a term coined by John McCarthy in 1955 for his Dartmouth Conference of 1956 has come a long way. Moving beyond automation, hailed as the 'last invention' of humanity, artificial intelligence (AI) essentially involves shifting of decision-making and its implementation from human intelligence to non-human intelligence, the latter being devoid of what Daniel Kahneman, Nobel Laureate and Professor Emeritus of Psychology and Public Affairs at Princeton University, refers to as 'noise'. Though scientists and scholars have tried their best to define AI, according to the EC's Communication on AI, it is "*systems that display intelligent behaviour by analysing their environment and taking actions – with some degree of autonomy – to achieve specific goals.*"¹²

In closing, AI is the fourth industrial revolution after steam engine, invention of electricity, and digital computer. It has become one of the priorities for the European Union ('the EU') to consolidate their efforts and resources

¹¹ Commission, 'Draft Ethics Guidelines for Trustworthy AI' (2018) High-Level Expert Group on Artificial Intelligence, Working Document, <<https://ec.europa.eu/digital-single-market/en/news/draft-ethics-guidelines-trustworthy-ai>> accessed 19 February 2019

¹² Communication, 'Communication from the Commission to the European Parliament, the European Council, the Council, the European Economic and Social Committee and the Committee of the Regions on Artificial Intelligence for Europe' COM(2018) 237 final <<https://ec.europa.eu/digital-single-market/en/news/communication-artificial-intelligence-europe>> accessed 19 February 2019

in order to lead the AI race. The opinion expressed by European Economic and Social Committee ('EESC') emphasises that policy makers, industry, academics and other stakeholders hailing from different disciplines and spheres should work collectively to keep a close watch on AI developments in order to streamline policy making, law, regulation and social dialogue. Characterized by exponential economic growth, hyper-personalized production and induced consumption, and increased productivity and output, the AI future will entail complete overhaul of existing economic system and, hence, calls for rethinking of the EU economic policy. The projected economic growth will be accompanied by high rate of unemployment, need for re-skilling at the rate corresponding to rapid rate of disruptions happening in market, death of meaningful jobs, various socio-cultural issues and perhaps a need to restructure the economic system that exists today. In fact, there is ample evidence that it is increasingly being deployed and integrated into economy. Economic implications of AI are huge. Therefore, policy makers should divert their attention to how AI will play out in the EU economy and what its implications will be for the countries in Europe.

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Futurology in the Public Policies



Milena Andreeva

Bilateral Cooperation Expert, Ministry of Defence of the Republic of Bulgaria

SS2014 Alumna

Milena Andreeva joined the Ministry of Defence in 2012 and since then, she serves as bilateral cooperation expert in the security and defence domain. She has been an external expert to the Ministry of Foreign Affairs, Bulgarian Youth Delegate to the United Nations, Bulgarian representative to EU-China High Level Dialogue, EU Youth Conferences, G20 program. She is also a president of the non-governmental organization "Association for Bulgarian-Korean Intercultural Harmony".

Ms. Andreeva holds a M.A. degree in Public Policy (Master program for young leaders from the state administration "School of Government") from National Graduate Institute for Policy Studies, Tokyo, Japan (2018), M.A degree in International Peace and Security from Korea University, Seoul, Republic of Korea (2011), M.A degree in Economic Logistics from National Military University, Veliko Turnovo, Bulgaria (2009). Her foreign languages include English, Korean, Russian, German and French.

I would like to first and foremost express my gratitude for the extended invitation by the Economic Policy Institute. Being an alumna from the XV Summer Seminar, it is a great pleasure to stand before you today at the XX edition and give you some food for thought on the future perspectives on public policy.

As public policy makers we often analyse the current environment; examine the economic, political, social, cultural factors and trends in our societies; compare the present with the past and based on this analysis we formulate public policies, which we believe will contribute to our wellbeing. We often try to predict the future and take necessary measures through drafting public acts to diminish the expected negative factors and convert them into positive tendencies for the prosperity of our countries.

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But what exactly is Futurology, how it might relate to the public sector and be useful for our work as policy makers?

When the English writer Herbert Wells (1866 - 1946) anticipated the creation of federalized Europe, the sexual revolution, the atomic bomb, the space travel, etc., it seemed unrealistic. However, history proved his social predictions to be quite accurate and even his work, *The Rights of Man* (1940), laid the foundations for the 1948 Universal Declaration of Human Rights. Even politicians like the British Prime Minister Winston Churchill used the progressive futuristic works of Wells as a ground for drafting public policies. So, how to reach such precise predictions?

Futurology is a study, which based on correlations and mechanisms for finding patterns in the past or present, determines the possible, probable and preferable future events and trends. The public policies, on the other hand, are measures or courses of action by a governmental entity that tackle various public problems. The public sector is in a constant process of analysing the current public issues, finding patterns and predicting the future tendencies and the social impact that each public policy might have. Thus, a study as the futurology might occupy an important place in the public policies sphere.

We, as policy makers, should ask ourselves, first of all, what the key factors in shaping the future are? My answer is: the ideas, the power and the governance.

Our history is a story of competing ideas and various models of governance. Throughout the last century we have witnessed opposing economic, political and social concepts that vie with each other, such as the liberal democracy versus the totalitarianism/communism during the Cold War, the modernization vs. the structuralism in the 1950-1970s, the neoliberalism vs. the welfare state (1980-1990s) or the democratic vs. authoritarian capitalism in the last decade. In this sense, the futurology might provide a clearer view over the future expectations and needs of the societies given the existing ideas, power and governance.

When talking about public policies and their link with the future studies, I would like to bring to your attention a case study on the Republic of Korea, underlining few of the past and current policies that proved to be successful.

There are numerous reasons South Korea is a good example when it comes to a country that looks into the future. From one of the poorest countries in the world, with lowest GDP per capita after the Korean War in

1953, the Republic of Korea has reached top 10 of the world's wealthiest states. It has adopted policies that have steadily led the country on the path of economic and social development. And those public policies were based on very precise prediction of the future changes and needs of its own society and the world's economy. This is why it might be given as an example.

Republic of Korea has adjusted its economic and industrial policies frequently. In the 1960s, among South Korea's main exports were raw silk, fish, natural graphite, rice, iron and tungsten ore. Then, in the 1970-1980s, the top exports start including electronics, textiles, ships and a tendency for industrialization is clearly seen. In the 1990-2000s the industrial products such as semiconductors, computers and automobiles dominated the exports.

It is important to mention that together with the changes in the industrial policies there is a simultaneous adaptation of the welfare policies as well. If in the 1960s the South Korean government promoted labour-intensive sectors because of the factor-driven development stage, the welfare policies were just developing. In the 1970-1980s, the industrial policy stimulated the heavy and chemical industries for an investment-driven development. By the end of this period, there was a democratization of the country and together with it there was a shift in the industrial policy from promoting heavy industries to providing research and development support and information infrastructure. After the 1990s, the development of South Korea is already innovation-driven combined with an active welfare policy.

Since the futurology is a study which analyses the patterns in the past and present, and based on this determines the possible, probable and preferable future events and trends, we as policy makers need to take into consideration the impact that each public act might have in the future. Thus, let me point out few policies that had a long-lasting impact over the current and future economic and social wellbeing of South Korea. As we wish to formulate policies in favour of the people and ensuring sustainable development, three examples of policies by the South Korean government in the 1950s are valuable to mention.

First of all, in 1949 there was a land reform that contributed to inclusive growth as the government bought the land from the landlords and sold it in smaller parcels up to 3 hectares to farmers. This reform redistributed the incomes within the society. Simultaneously with income equalization, the state started heavily investing in the human capital development.

In 1954, the free compulsory primary education was introduced and in 4 years the enrolment rate reached 95.4 percent. The human capital accumulation, which led to the economic growth, was also due to the principles of *“self-help”*, *“diligence”* and *“cooperation”* that public policies introduced.

By 1971 the Korean government applied a performance-based approach for rural community development that stimulated collective and cooperative actions. The Saemaul Undong (New village movement) invited the villages to build roads, bridges, sanitation facilities with their own efforts as the government provided them only cement and steel wires. But the movement was a successful policy because it achieved two main goals in addition to the built infrastructure – it contributed to building social trust and inclusion.

Those three examples of policies after the 1950s show that by introducing certain policies that transform the society and create positive trends, they might have a long-term impact over the social development.

In the 1980-1990s, South Korea had to adapt its public policies to the changing political and economic environment and world-wide trends for democratization, increasing wages and high-tech industrialization. Predicting the future, the policy makers initiated a major shift in the focus of the government by introducing science and technology policies for structural transformation. The stress was placed over the research and development conducted both by private and public enterprises concerning the information and communication technologies.

During that period, the 3rd Industrial Revolution took place which was based on the usage of Internet and the computers as main instruments for industrial development. And if that period was based on the logic, currently we are already enjoying the 4th Industrial Revolution where the Artificial Intelligence (AI), big data and hyper-connectivity are facts. The futurology studies are pointing out the intuition, not the logic, at the core of the future industrial cycles.

In order to formulate public policies that are adequate to the future economic, social or political environment, the futurologists bring our attention to the impact that the Artificial Intelligence might have in various spheres. It will lead to hyper-connectivity; the autonomous vehicles will lead to drastic changes in the dynamics of mobility. The logistics will be conducted faster and the so called predictive shipping will have a serious impact for shortening the period for delivery. The AI is already tackling a lot of issues

related to healthcare by introducing medical robots, smart clinical trials, cancer diagnosis, thus the better health service will be able to prolong the life expectations. Those transformations will also lead to changes in the job market – many current jobs will disappear and new professions will appear.

Our strategic public policies need to take all those factors into consideration. The industry innovations in the sphere of logistics, mobility, finance, medicine, etc. have a direct social impact as they lead to transformations in terms of welfare, safety, environment, transport of the cities. The industry changes are interlinked with the changes of the cities. The 1st Industrial Revolution in the late 18th century was during the agricultural cities. During the 2nd revolution when the electric power led to mass production the cities transformed into industrial cities. When the computer and internet based revolution happened in the 1970s, the policy makers started describing the cities as digital ones. At present, during the 4th Industrial Revolution which is AI-based, the so called smart cities appear.

The future public policies need to consider the new aspects of the future smart cities. Key trends such as urban openness by operating open data platforms, urban intelligence by using big data, data mining, etc., urban sustainability when applying smart green service need to be present in the public policies. Public-Private partnerships are also important for the future cities, as well as the innovativeness of the cities by creating start-up and eco-system promotion programs, living labs, service integration. But one key characteristic of the new smart cities deserves due attention in the future policies and this is the Smart governance.

The public policy makers are increasingly involving various aspects of smart governance in the public acts. Smart city strategy, leadership, measurement of performance or smart city development are an example of smart governance in terms of the smart cities. Nevertheless, the more general application of smart governance might include e-government as well.

Going back to the example of the Republic of Korea as a country looking towards the future trends and innovations, a total of 187 acts (as of 2018) have been enacted and revised on the topic of e-government. Out of those, 86 laws were oriented towards the informatization within the public sector and 101 laws for promotion of the informatization of the private sector. However, the successful public policies are not only related to the number of adopted public acts.

Among the success factors in terms of e-governance that the South Korean leadership applied are the big investments focused on the information and communication technologies demand, building infrastructure for a future knowledge-based economy, the adoption of a government-driven model, investment in the human resources, and last but not least, the application of effective policies.

The e-government of Seoul Metropolitan Government is among the leaders in the world as its administration is citizen-centric and based on sharing, transparency and collaboration. Among the online services available for the citizens of the Seoul Metropolitan area are the M-Voting, Information open plaza, "Seoul-type Map Tracking", 3D indoor spatial information, free mobile recharging services, and a Seoul's Digital Mayor's Office, where "citizens become the mayor".

In conclusion, the future public policies for a new type of preventive and anticipatory data-based smart governance are the ones that actively involve the citizens. Their participation in the formulation, realization and monitoring of the public policies through voting, direct suggestions, co-operation and co-creation of the citizen-led community-driven community is key for ensuring long-term, forward-looking, sustainable public acts.

When formulating the policies of the future we need to clarify first the reason for change, to balance between the top-down and bottom-up approach for policy formulation, to achieve social consensus and underline the importance of the vision and strategy over the leadership, organization and legal framework. The introduction of public-private-people partnership is key.

The future governance and the respective public policies have to be based on innovation, inclusiveness, connectivity and sustainability.

CHAPTER 2: **THE REGIONAL FOCUS: WAY(S) AHEAD FOR SEE & WIDER BLACK SEA AREA**

Mapping Public Policy Challenges In 15 SEE And Black Sea Countries: Third Annual Survey Results



Mariana Trifonova

Senior Analyst, Economic Policy Institute

Mariana joined EPI in 2009 and since then has conducted research and implemented projects on a variety of topics related to economic policy and EU affairs. At present, her professional interests are focused on promoting e-government implementation and digital transformation in Bulgaria. She is a passionate believer in non-formal education as a tool for combating labour market imbalances, thus designing and conducting tailor-made youth trainings is an essential part of her work.

In terms of SEE & Black sea region commitments, in 2012 Mariana was granted a Black Sea NGO Fellowship with the Civil Society Development Foundation (Romania) and served as a project manager for a follow-up trilateral regional cooperation project. In 2018, she was selected as a fellow of the Young Leaders Program for Eastern Europe of Aspen Institute Romania.

Mariana is EPI's in-house Asia expert, having acquired first-hand experience in the region during a 4 year-long sabbatical in South Korea and China. In 2015, acted as EU Youth Ambassador for South Korea within a joint program by KU-KIEP-SBS EU Centre and the EC Delegation in Seoul. Since 2019, together with Yasen Georgiev, she is coordinating the Marshall Memorial Fellowship in Bulgaria – a transatlantic leadership program of the German Marshall Fund of the United States.

Mariana holds a BA in International Relations from University of National and World Economy (Sofia) and an MA in International Commerce from Korea University Graduate School of International Studies (Seoul). Mariana specialized for a year in Chinese Economy (Finance) at Fudan University School of Economics (Shanghai) and is currently pursuing per PhD in International Economics at her Bulgarian alma mater.

The methodology

The Economic Policy Institute has been implementing for three years now an annual survey aimed at mapping public policy challenges in the 15 Southeast European and Black Sea region countries involved in the Summer Seminar initiative. The endeavour benchmarks the state of good governance in the region by utilizing the collective expertise and knowledge of the ever-growing Summer Seminars Alumni Network. This year's survey is based on **154 respondents from all 15 countries** who have participated at various editions of the seminars, thus bringing diversity and clout to the outcome of the study. The questionnaire was disseminated electronically amongst the 600+ alumni in April 2019, while this year's participants were prompted to give their input in May 2019.

The survey's dissemination mode and the inherent characteristics of the expert pool need to be taken into account when interpreting the findings and comparing the results with previous iterations of the study.

As the SS alumni network expands each year, it is reasonable to expect gradual increase in the number of regional policy professionals taking part in the survey. As previously mentioned, this year 154 members of the regional expert community provided their answers compared to last year's 143. The evolution of the Summer Seminars' concept also left its traces on the profile of respondents. Since the inaugural seminar in 2000 started only with public servants as participants, it was not until 2013 that eligibility was granted to other policy professionals from the think tank and academic circles, meaning the total number of people employed in national administrations is still significantly higher than civil society representatives. Against this background, it is not surprising that **79% of 2019 survey participants are public servants, although it is worth noting that the share of civil society representatives has been growing steadily – from 17% last year to 21% in 2019** (see Figure 1.2 for details).

The geographic scope of the seminars also saw large-scale expansion over their two decades of implementation. Initially, it started only with Bulgarian and Romanian nationals dealing with EU integration issues but later on incorporated the Western Balkan countries with candidate and potential candidate status. In 2013 were added the Black Sea region states, many of which participate in the Eastern Partnership – a Neighbourhood instrument

of the European Union. Thus, the present SS alumni network is comprised of unequally distributed national and regional groupings. Understandably, this has led to more prominent survey presence of participants and alumni from Bulgaria and the countries in its immediate vicinity. However, **2019 marks the first year that respondents from the Black Sea cluster constitute the largest share (40%) of the experts who have expressed their opinions through the alumni questionnaire.** This outcome rides on the back of a recent trend observed in the past two editions of the Summer Seminar denoting increased application interest from Black Sea region candidates (Armenia, Azerbaijan, Georgia, Moldova, Ukraine). Given the relatively smaller share of Black Sea nationals in the overall alumni pool, their participation rate is exceptionally high, leading to strong confidence in the findings for that particular regional cluster. **EU nationals (Bulgaria, Romania, Croatia) form 31% of respondents, followed by 24% for the Western Balkans cluster (Albania, Bosnia & Herzegovina, Montenegro, North Macedonia, Serbia). Answers from Turkish and Russian experts are bundled together to form 5% of all responses.** Although the absolute number of participants is quite low, leading to weaker confidence in the results, these countries' needed to be excluded from the Black Sea cluster due to their status of regional powers. Detailed profile of 2019 survey respondents is presented in Figures 1.1., 1.2. and 1.3.

Figure 1: Profiling 2019 survey respondents

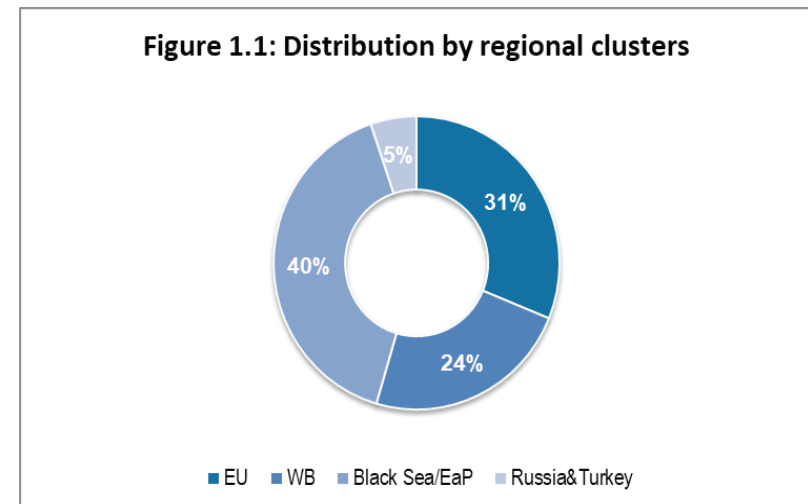


Figure 1.2.: Professional occupation

■ Public Administration ■ Think-tank/Research

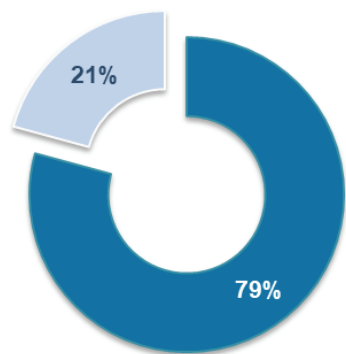
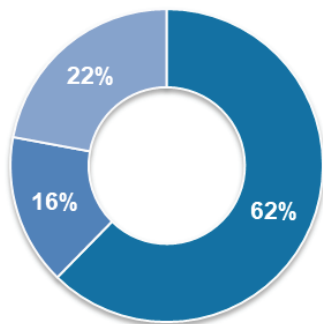


Figure 1.3.: Distribution by year of participation



■ Last 5 editions (2019-2015) ■ Earlier (2014 - 2000) ■ N/A

Survey Results

To ensure compatibility and comparability with last year’s findings, the 2019 questionnaire follows the same structure, dividing the survey in three sections:

- Good Governance with a special focus on e-government development

and implementation;

- Civil Society participation in policy-making, and
- Regional cooperation in SEE & Black Sea region as well as foreign influence.

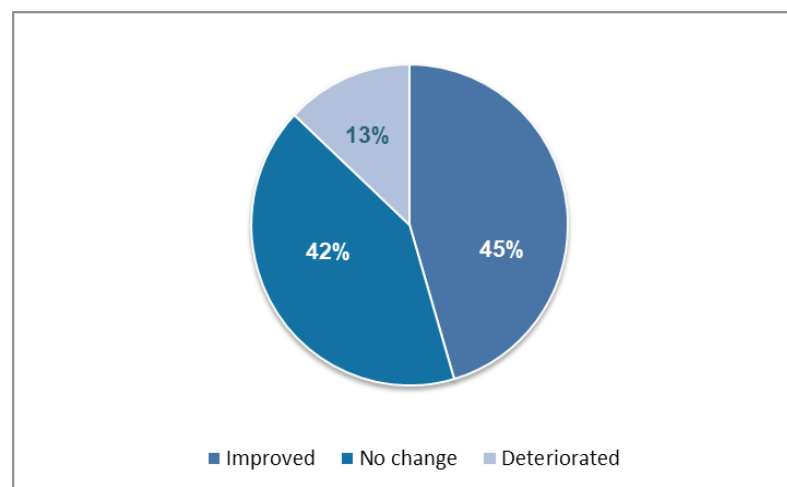
Section I: Good Governance

In order to streamline the common understanding of good governance, in the survey it is defined by the adequate implementation of six core principles in the public policy domain:

- Transparency;
- Accountability;
- Efficiency;
- Regulatory quality;
- Rule of law;
- Control of corruption.

When prompted to analyse the current state of good governance implementation (defined by compliance with the six principles listed above) in their country in the professional field they know best compared to a year ago, 45% of respondents see an improvement. This is an 8% increase since last year when the prevailing answer showed a perception of stagnating adoption of the good governance paradigm (see Figure 2).

Figure 2: Q1 How do you evaluate the current stage of implementing good governance principles in the professional field you know best in your country compared to a year ago?*



In the eyes of the alumni community, outstanding deficiencies in the judicial system remain the biggest hurdle for the implementation of the good governance principles in the region, followed by state capture and inability to fight corruption. These answers resonate with last year's findings, although in 2019 the incomplete public administration reform receives a bit more prominence as well. A significant majority of 58,4% of the regional experts consider insufficient administrative capacity as the main culprit slowing down the reformation process. The lack of political will ranks as close second with internal institutional resistance being the third most popular choice (Figure 4). In other words, the results show that internal rather than external factors have prevalent negative impact on the process.

Figure 3: Q2 In your opinion what are the biggest challenges in implementing the good governance principles in your country? (max. 3 answers)

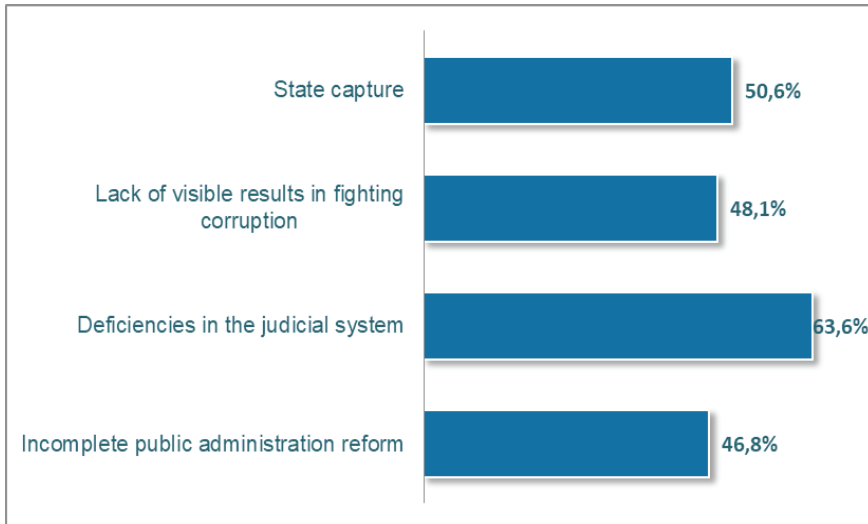


Figure 4: Q3 What are the main obstacles in implementing reforms in your professional field/in the professional field you know best? (max. 3 answers)

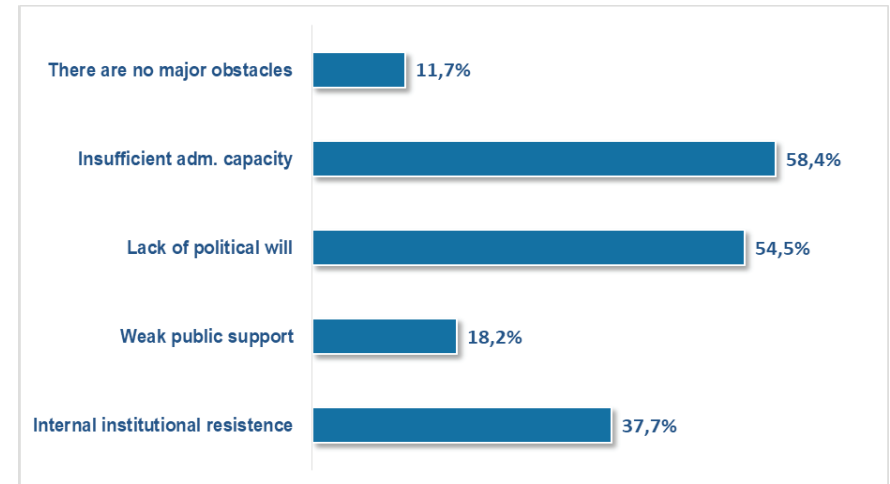


Figure 5 demonstrates the SS alumni community's perceptions about short-term (1 year) progress achieved in several important fields. Similar to last year, our regional experts believe that catching up in the digital transformation domain has been the most visible and fast-paced, probably because most of the countries start from a relatively low basis. Figure 6 confirms this notion, showcasing the perceived stage of e-government development in the region: emerging (23%), enhanced (30%), transactional (33%) and connected (14%, thus doubling since last year).

Improvement in economic governance and business environment also is positively assessed albeit with slower pace than last year. Interestingly enough, 23% of respondents see advancement on one of the traditionally more complex fields – public procurement – while progress on rule of law implementation, increase of transparency & accountability or better decision-making process digress since last year.

Figure 5: Q4 How would you rank the progress in the following fields in your country in the past year?

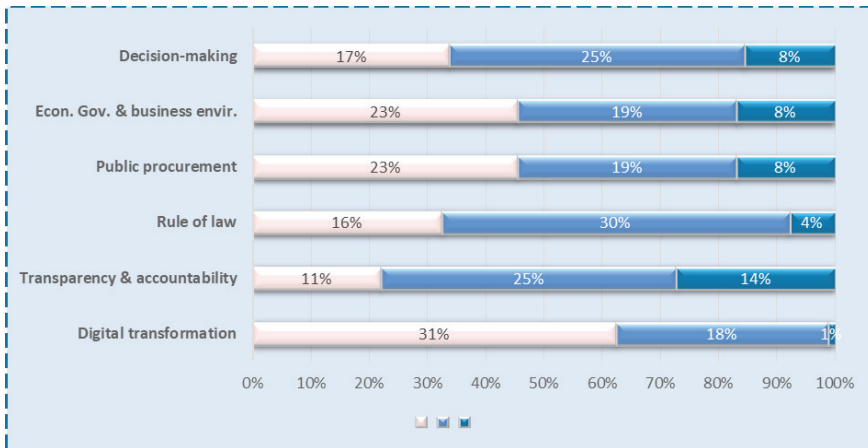
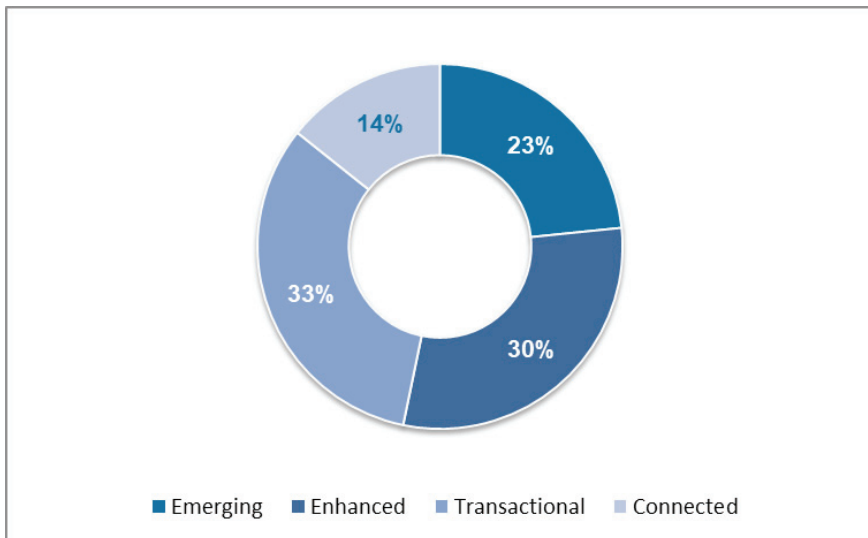


Figure 6: Q5 How would you define the current state of e-government development in your country?



Section II: Civil Society Participation in Policy-making

One of the pillars of liberal democracy is its feedback mechanism, intended to make policy-making more participatory and inclusive, taking into account the interests and concerns of as many stakeholders as possible. In this regard, EPI has consistently polled the SS alumni community on their viewpoints about civil society's role in the policy-making process of the 15 SEE & Black Sea countries. This year's outcome denotes a modest, marginal improvement when it comes to participation rate and impact but overall the responses are within range with last year's answers, showing that decision- and policy-making processes in the region are far away from the EU standards of multi-stakeholder inclusiveness. The results are illustrated through figures 7, 8 and 9.

Figure 7: Q6 How would you evaluate the involvement (participation rate) of civil society and NGOs in the policy-making process in your country?

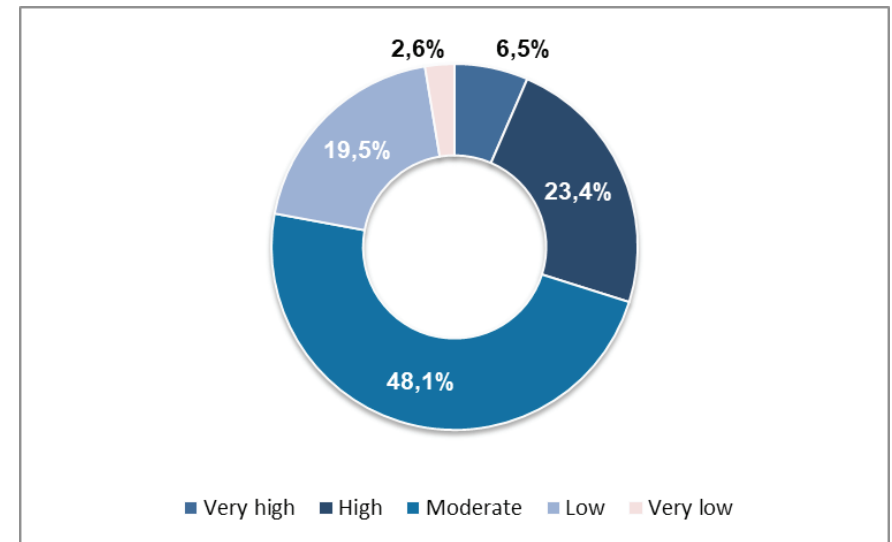


Figure 8: Q7 How would you evaluate the role of civil society and NGOs in your country as partners of public governance compared to a year ago?

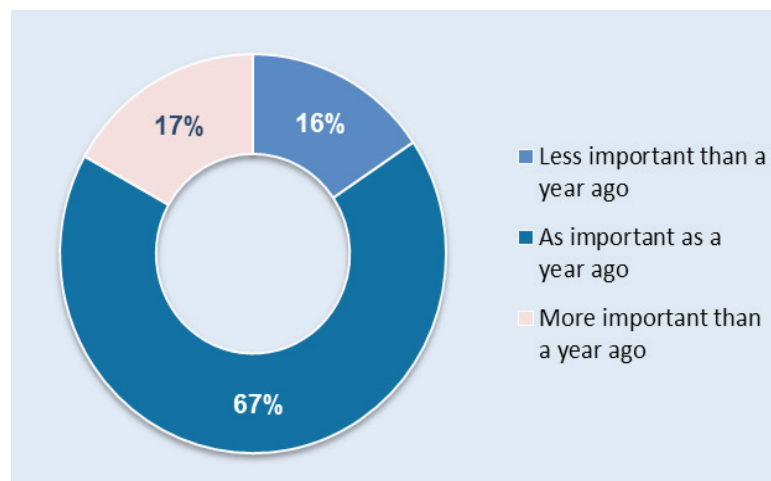
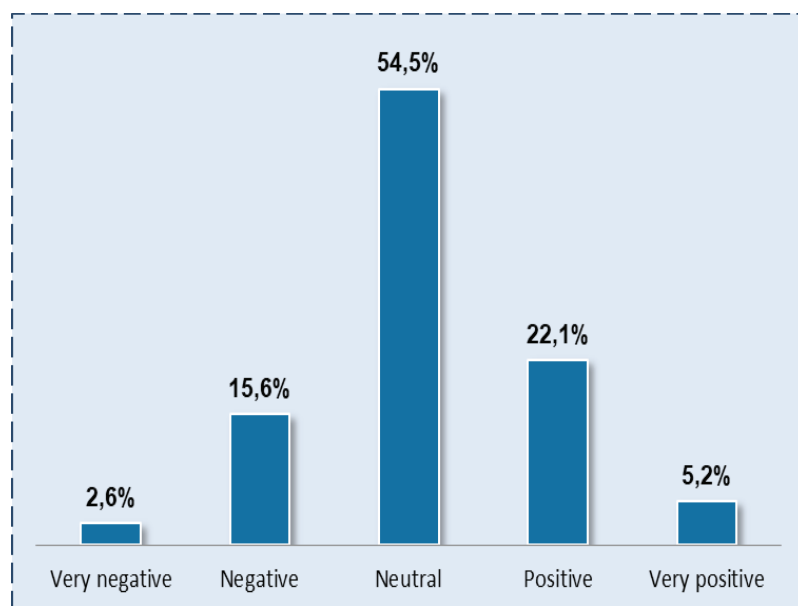


Figure 9: Q8 How would you describe the impact of civil society/NGOs participation on decision- and policy-making in your country (1-very negative to 5- very positive)?

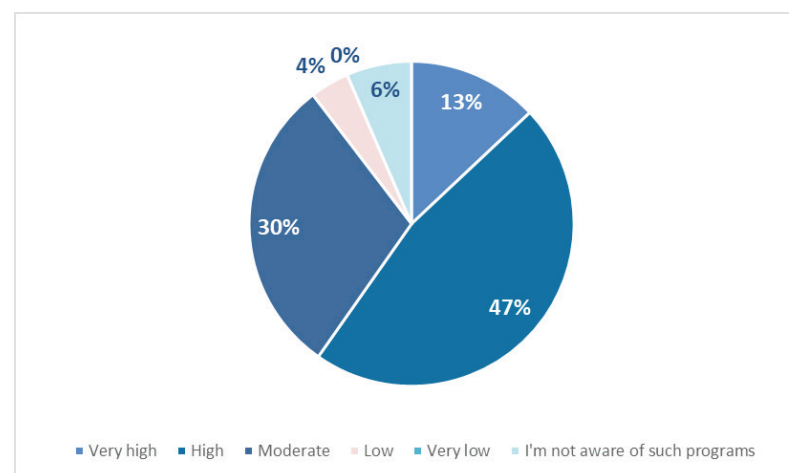


Section III: International and Regional Cooperation in SEE & Black Sea area

Given the geostrategic location of the SEE and Black Sea region, entrenching political stability, supporting democratization and promoting economic development has often been quoted as priorities for the European Union. The region also remains of interest to other major players on the global arena, each of them engaging in one way or another with the 15 countries. This section of the survey sheds light on the regional perspectives about this foreign engagement as well as the potential for cross-border cooperation among the 15 SEE and Black Sea states.

Engagement with notable global players is evaluated in two ways. Firstly, we assess the perceived added value of their financial contribution to the region in the form of foreign aid/technical assistance (for the three EU member states and the candidate countries, through EU funds or pre-accession instruments, respectively). Overall, survey respondents consider such financial or technical assistance highly or moderately instrumental in advancing public policies in the region.

Figure 10: Q9 How would you evaluate the added value of foreign aid/technical assistance (or EU funds in case of members and candidates) provided by global partners in reforming public policies in your country?



Another way to look at this engagement with external players is by taking stock of the significance of their relationship with the region. For more nuances results, the 15 countries are grouped in clusters – EU members,

Western Balkans and the Black Sea countries. The Russia & Turkey cluster is excluded as these two regional powers are listed among the top 10 global players. Table 1 provides a comparative perspective of the results.

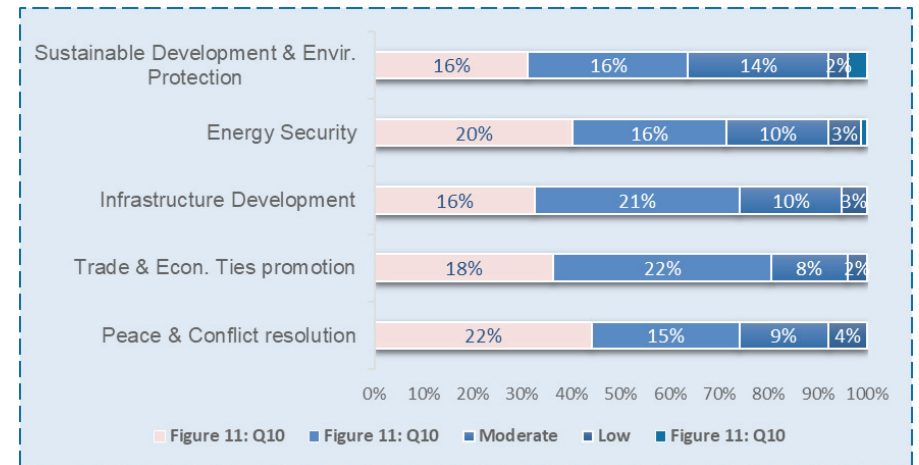
The European institutions consistently rank as the most important partner to countries in all three clusters. Understandably, NATO takes the second most prominent spot for EU and Alliance members Bulgaria, Romania and Croatia, while that place is taken by the United States in the Western Balkans (despite some of the countries being members or aspiring for membership) and the Black Sea region. Among the Western European countries, Germany consistently ranks higher than France for all three clusters. In light of the fear surrounding BREXIT, paradoxically for second year in a row the United Kingdom places second but last in terms of significance for the EU and Western Balkans countries, leaving only Japan behind it – a country that due to its geographic and cultural remoteness has never played a particularly prominent role in the region. In the recent years, widely spread concerns have been shared by Western partners of the region regarding the increased influence of China. However, this year's results, similarly to the 2018 findings, do not show increased prominence of the Asian giant in the perceptions of our regional experts. For the EU and Western Balkans countries, China's influence is on par with Russia and Turkey but decisively behind traditional Western allies. In the Black Sea cluster there is even less evidence for increased Chinese clout, the country retains its 9th position even with the UK moving down the ranks.

Table 1: Q10: How would you evaluate the significance of relations with the following global/regional players for your country?

No	EU	No	WB	No	Black Sea
1	EU	1	EU	1	EU
2	NATO	2	USA	2	USA
3	USA	3	Germany	3	NATO
4	Germany	4	NATO	4	Germany
5-7	Russia	5	China	5	Russia
	Turkey	6	Russia	6	France
	China	7	Turkey	7	Turkey
8	France	8	France	8	UK
9	UK	9	UK	9	China
10	Japan	10	Japan	10	Japan

Lastly, we take a look at the potential for regional cooperation between the 15 countries in the SEE & Black Sea area. In line with last year's trend, the members of the SS alumni network prioritize peace & conflict resolution together with energy security over sustainable development, joint measures to protect the environment or even regional infrastructural development. Figure 11 paints the full picture.

Figure 11: Q11 How would you define the priority/importance of regional cooperation in SEE & Black Sea area on the following topics?



The 2019 survey findings in a nutshell

This year's results reaffirm most of the findings highlighted in the 2018 iteration of the SS alumni & participants survey, thus allowing us to verify the conclusions from last year and the robustness of the survey methodology. The implementation of good governance principles remains a challenge for virtually all 15 countries, pointing towards the existence of common issues that need to be tackled and thus justifying EPI's continued efforts to bring together public policy experts from the region. Most of the obstacles ahead of institutional reforms are perceived to be internal, stemming from deep-rooted issues in the administrations and their political leadership rather than the lack of public support and consensus for change.

This possibly explains why civil society's participation in policy-making has not seen substantial advancement, although marginal increase in participation rates has been observed. However, in order to achieve a truly inclusive democratic model with an efficient feedback mechanism countries

in the region need to make bolder strides towards mainstreaming civil society participation in the decision-making mechanism, not only in nominal legal terms but also through practical solutions.

Internal cohesion and reduction of societal cleavages should be a priority for each country in the region, given the dynamic transformation of the global order. In this ever-changing reality, potential vulnerabilities of smaller players could easily be identified and exploited by external actors. Nevertheless, for now the assessment of foreign influence in the SEE & Black Sea region does not reveal any swift and sudden changes in the 15 countries' relationships with major global or regional players.

The Corruption Challenge to Southeast Europe



Emil Tsenkov, Ph.D.

Senior Fellow, Security Program, Center for the Study of Democracy, Sofia

The scope of Dr. Tsenkov's activities includes comparative political systems, international security, good governance and countering of political corruption. Dr. Tsenkov took part in a number of projects related to democratic reforms in transition countries, anti-corruption and introducing integrity instruments in Bulgarian politics, European integration, transnational organized crime, etc. He is a co-author of the annual Corruption Assessment Reports of the Center for the Study of Democracy, and was a Coordinator of the Coalition 2000 anti-corruption initiative. In the period 2004-2007 he was Director of the Information Centre of the Council of Europe in Sofia. In 2008-2009 Dr. Tsenkov was DCM in the embassy of Bulgaria in Tripoli (Libya). He was also an OSCE observer at the parliamentary elections in Bosnia, Kosovo and Kazakhstan. Currently, he is Senior Fellow at the CSD Security Program.

Education: Ph.D. from the Oriental Institute, Moscow; BA from the Department of History, Baghdad University

Research focus: Post-authoritarian political reforms, international relations and soft security issues (countering corruption, organized crime and terrorism).

SOUTHEAST EUROPE CORRUPTION ASSESSMENT REPORT ¹³

The Southeast Europe Leadership for Development and Integrity (SELDI) is an anti-corruption and good governance initiative created by CSOs from Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Kosovo, North Macedonia, Montenegro, Serbia and Turkey. SELDI contributes to a dynamic civil society in the region, capable of participating in public debate and influencing policy and decision-making process in the area of anti-corruption and good governance.

The 2016 SELDI report fits in the development and implementation framework of the emerging regional anticorruption policy and infrastructure as exemplified by the SEE2020 Strategy's Governance Pillar run by the Regional Anti-Corruption Initiative. Being the result of collaboration within SELDI, this report is innovative in both its method and its process. It is the result of the application of a system developed by SELDI in the early 2000s for the assessment of both corruption and anticorruption, tailored to the social and institutional environment of Southeast Europe.

Corruption Indicators Methodology

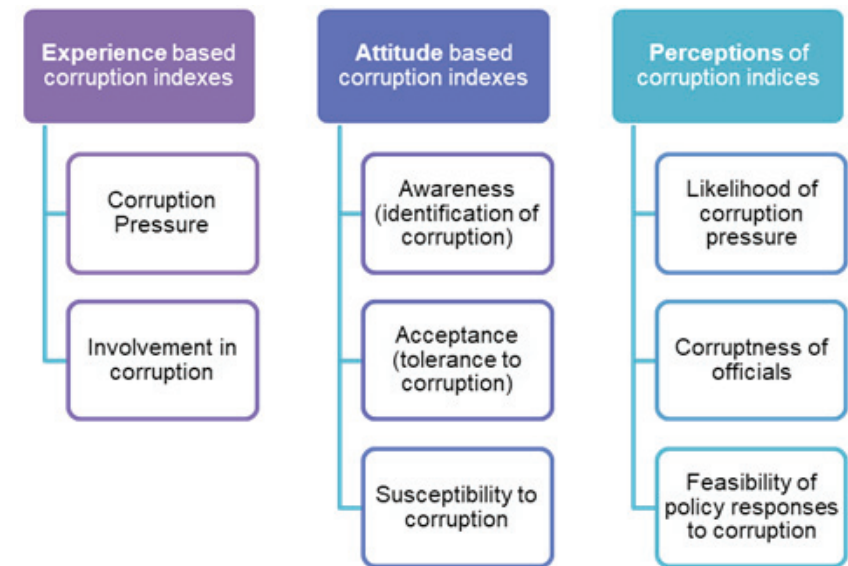
Since 2001, SELDI uses the *Corruption Monitoring System* (CMS) to monitor and analyse corruption levels in Southeast Europe. Designed by the Center for the Study of Democracy, the CMS has been recognised by the UN as a best practice in corruption monitoring. Introduced at a time when corruption measurement was confined to public perceptions, the CMS transformed monitoring by introducing a measure of the **victimisation** of individuals by corrupt officials and an assessment of the **prevalence of corrupt transactions** in a society.

The CMS methodology ensures comparability of data across countries and registers the **actual level and trends** of corruption, as well as the public attitudes, assessments and expectations in relation to corruption. Nationally and internationally tested indicators are used to measure the actual involvement in corruption transactions and public perceptions of corrupt behaviour.

The CMS major outputs are the *Corruption Indicators*. They combine experience-based, victimization-like indicators together with attitude-based indicators and classical perception-based ones.

¹³ Anti-Corruption Reloaded: Assessment of Southeast Europe. at: https://seldi.net/fileadmin/public/PDF/Publications/RAR/SELDI_Regional_Anticorruption_Report_Final_Revised.pdf
The most recent survey findings are due to be published by the end of 2019.

Figure 1: Principle corruption assessment indices from the Corruption Monitoring System



The CMS is described in greater detail in <http://www.csd.bg/fileSrc.php?id=22090>

The SELDI population survey was conducted in the beginning of 2016 and covered 8 SELDI countries: Turkey, Albania, Bosnia and Herzegovina, Bulgaria, Kosovo, Macedonia, Montenegro, and Serbia with at least 1000 respondents from each of the countries.

Experience with corruption (observed levels of corruption)

Corruption pressure and involvement are based on the actual experiences of citizens from the SELDI countries with corruption. While focusing on bribery, which is common enough to be measured with a population survey, corruption pressure and involvement reflect the **overall countries' corruption environment in an objective and quantitative manner**. This allows comparability both across countries and in time.

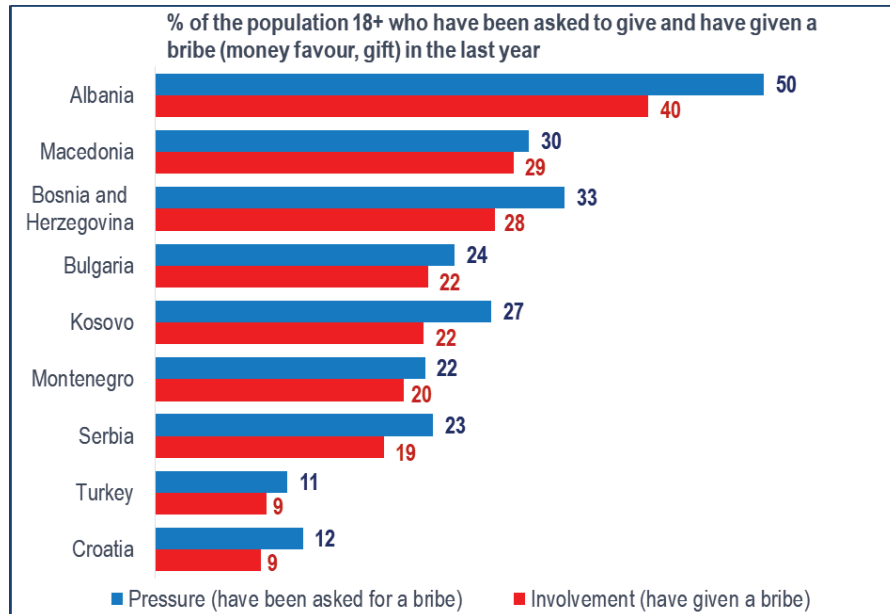
The corruption pressure (CP) indicator is based on how often the respondent was asked for a bribe by a public official during the year preceding the survey. Regardless of whether such pressure was experienced in isolated contacts with public officials only or in most of the contacts a

person had with the public officials of the country, we interpret these cases as instances of corruption pressure.

The actual **involvement in corruption** transactions includes not only money (cash), but also gifts and favours. Even isolated cases of one of the three forms of bribery during the last year prior to the survey are considered as corruption incidents (involvement in corruption).

The results in Figure 2 show the corruption pressure and the involvement in corruption for the year preceding the survey (2015). Since actual corruption transactions are highly correlated with CP, the CMS usually considers **corruption pressure** as the primary quantitative indicator for the levels of corruption in a country.

Figure 2: Corruption pressure and involvement in corruption

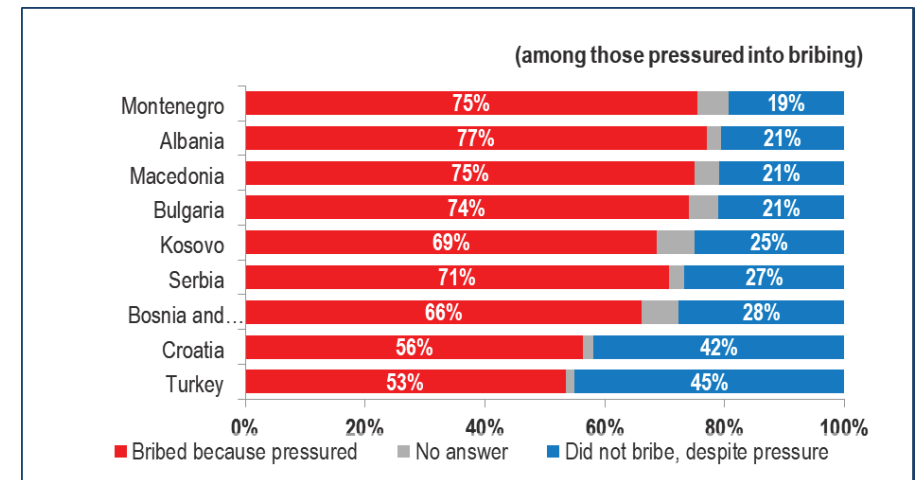


Source: SELDI Corruption Monitoring System

Corruption pressure is the main factor that logically determines the level of involvement. Still, pressure doesn't necessarily mean that a citizen would give a bribe. The share of respondents who experienced pressure but didn't give a bribe is presented in Figure 3. Most of the countries with high corruption involvement and pressure are also described by low resilience to

corruption pressure (most of the respondents who were asked for a bribe gave one).

Figure 3: Resilience to corruption pressure



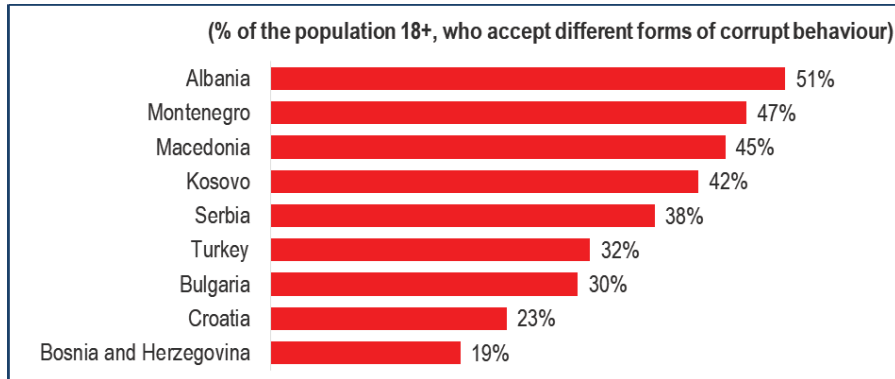
Source: SELDI Corruption Monitoring System, base: respondents who experienced corruption pressure

Attitudes towards corruption

Direct involvement in corruption transactions is accompanied by the prevalence of specific attitudes towards corruption and corruption behaviour and by perception of the spread of corruption in society. Ideally, low levels of involvement in corruption would be paired with negative attitudes towards corrupt behaviour and perceptions that corruption is rare and unlikely. This does not mean that perceptions and attitudes directly determine corruption behaviour of citizens. Rather they could influence behaviour to a certain degree but essentially express the general social and political atmosphere in society related to corruption.¹⁴

¹⁴ Ibid., p.30

Figure 4: Acceptability of corruption



Source: SELDI Corruption Monitoring System

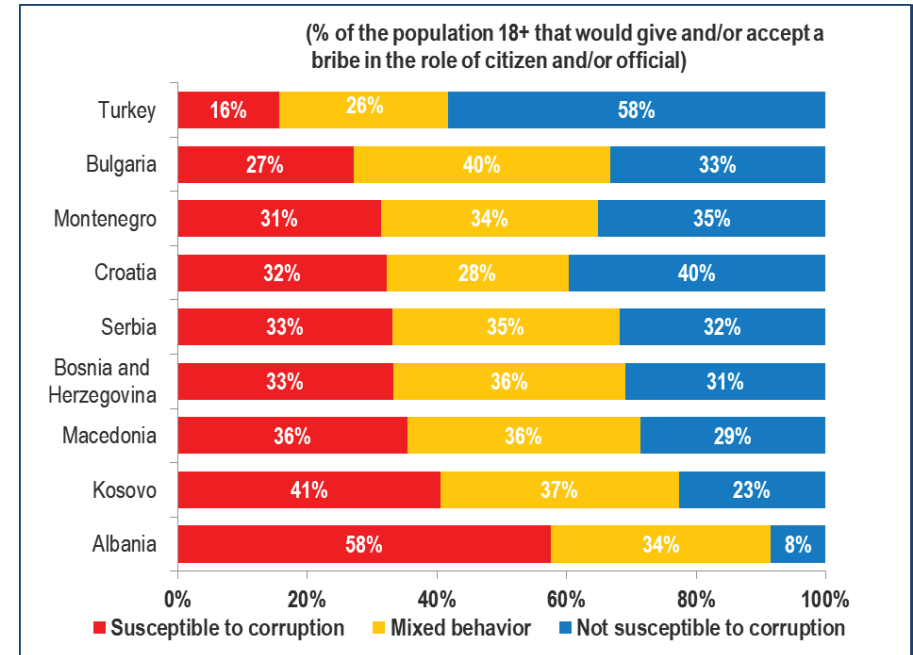
Acceptability of corruption is based on several questions, asking if it is acceptable for **members of the parliament or the government** as well as **officials at ministries, municipalities and mayoralities** to take gifts, money, favours or receive a free lunch (get “a treat”) in return to solving someone’s personal problems. High levels of corruption usually coincide with higher levels of acceptability and the opposite.

Susceptibility to corruption reflects the tendency of the respondents to react in two hypothetical situations – one involves being in the role of a public official and accepting or denying a bribe that was offered, the other situation asks about giving a bribe to a corrupt public official, if one had a major problem to solve and was asked explicitly for a bribe (cash). Denying a bribe in both situations is interpreted as being **not susceptible** to corruption, accepting/giving a bribe in both is interpreted as **susceptibility**, while giving/taking a bribe in one of the situations and not in the other is “**mixed behaviour**”.

To simplify the interpretation of Figure 5 below, mixed behaviour could be considered as being susceptible and only the blue bars “not susceptible” could be viewed.

Acceptability and Susceptibility are strong predictors for corrupt behaviour: high levels of these two indicators are connected not only with lower resilience to corruption but typically indicate higher corruption pressure in a particular environment or social group.

Figure 5: Susceptibility to corruption



Source: SELDI Corruption Monitoring System

Perceptions of corruption

Likelihood of corruption pressure

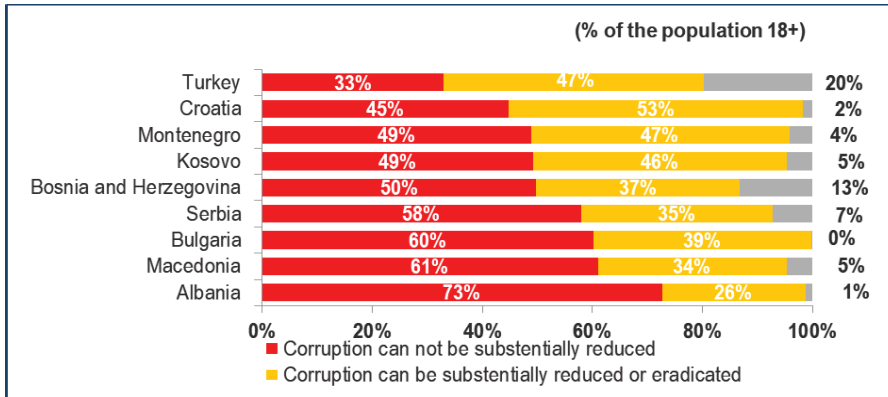
More than half of the population of SELDI countries believe they live in a highly corrupt environment in which it is highly likely to encounter corruption pressure when contacting public officials (Figure 13). The highest percentage of the expected corruption pressure is found in Bulgaria and Kosovo, where more than 90% of the participants in the survey believe pressure to be likely. The smallest percent is in Croatia, but even there 2/3 of the population (64%) perceive pressure to be likely. This shows that corruption is perceived as a serious problem in the whole region despite the relatively lower levels of prevalence in Turkey, Croatia and Bosnia and Herzegovina.

Perceptions of feasibility of policy responses to corruption

Feasibility of policy responses to corruption reflect the share of the population who believe in the anti-corruption attempts of their governments. High share of respondents who think that corruption cannot be substantially

reduced show that anti-corruption policies are failing at least in the eyes of the citizens. This is the case, for example, in Macedonia and Albania where respectively 61% and 73% of the respondents think that nothing can be done to reduce corruption.

Figure 7: Perceptions of feasibility of policy responses to corruption (%)

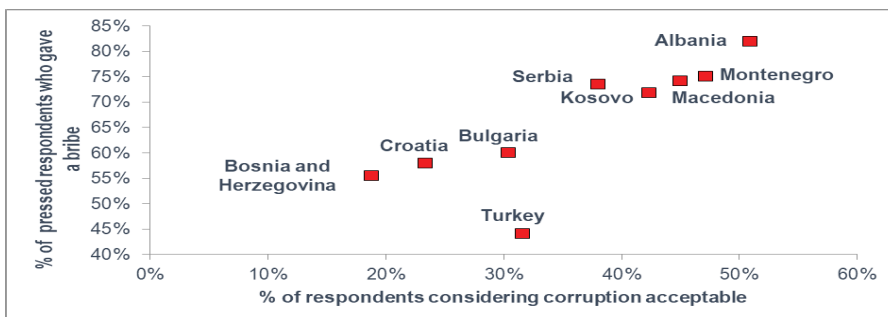


Source: SELDI Corruption Monitoring System

Corruption dynamics 2014 – 2016

The chart below shows corruption pressure for the SEE countries as reported in 2014, and 2016. These results demonstrate the alarming pervasiveness of corruption in the SEE region.

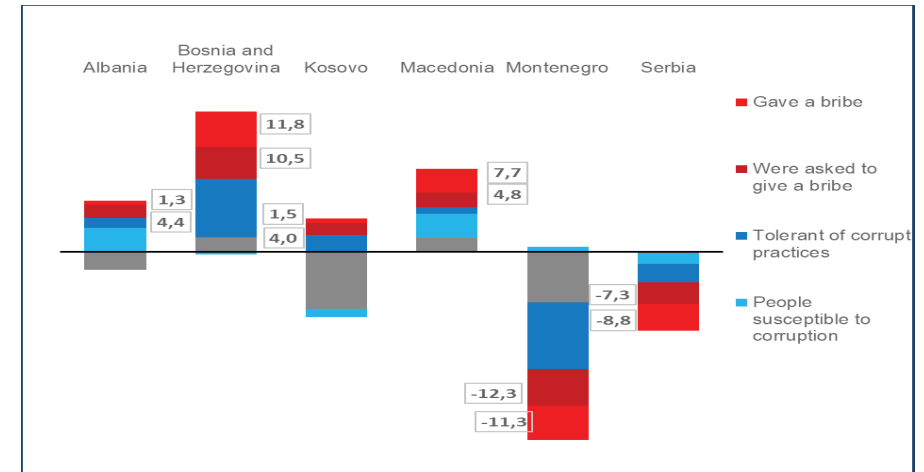
Figure 8: Comparison of corruption pressure for the SEE countries (as reported in 2014 & 2016)



The chart below shows the stacked change in the main 6 SELDI indicators of corruption between 2016 and 2014: positive values (above the horizontal

axis) demonstrate **increase** in corruption, while negative values show decrease. Dark and bright red bars represent the change in the most important experience-based indicators – **Corruption Pressure and Involvement in Corruption**. The changes in corruption pressure between 2016 and 2014 are presented in callouts: the numbers show the difference in CP (2016 – 2014); positive values are increase in CP, and negative show decrease.

Figure 9: Corruption dynamics 2016 – 2014



The overall assessment of the situation in Southeast Europe is stated as problematic. To quote the report:

“Despite some important achievements – mostly with respect to the stabilisation of democratic institutions, the adoption of laws in key anticorruption areas, a reduction in petty bribery and growing public intolerance of corruption – anticorruption and good governance reforms are not consolidated, corruption among elected politicians and judges seems to be increasing and the enforcement of anticorruption legislation is haphazard. Anticorruption policies and institutions in the region will benefit immensely from the adoption of regular and accurate victimisation-survey based tool for measuring corruption and the rate of progress in good governance, similar to the special Eurobarometer on anticorruption, UNODC’s SEE monitoring of corruption and organised crime, and the Corruption Monitoring System employed by this report.”¹⁵

¹⁵ Anti-Corruption Reloaded, op.cit., p.12

EU Neighbourhood Policy: Current State of Play and the Way Ahead



Sebastian Schäffer

Managing Director, Institute for the Danube Region and Central Europe, Vienna

Sebastian Schäffer is Managing Director at the Institute for the Danube Region and Central Europe (IDM) as well as Secretary General of the Danube Rectors' Conference (DRC) in Vienna and founder of SSC Europe, a competence network for Seminars, Simulations, and Consulting. He

is a member of the Academic Council of the Munich European Forum e.V. and founding member of MEIA Research e.V.

Prior to that, Mr. Schäffer held positions as lecturer and research fellow at the Institute for Political Science, Georg-August-University Göttingen and at the Institute for Political Science and Communication Studies, Ernst-Moritz-Arndt-University Greifswald. In addition, Mr. Schäffer worked as a research fellow in the research group on European Affairs at the Center for Applied Policy Research (CAP) and as a lecturer at Geschwister-Scholl-Institute for Political Science of the Ludwig-Maximilian University Munich (LMU).

Mr. Schäffer holds an Honor's Master's degree in East European studies (major: legal studies, minor: history) from the University of Regensburg and an M.A. degree from LMU, where he studied Political Science, European Law, and Slavonic Studies.

His areas of expertise include European Neighbourhood Policy, EU-Russia relations, Eastern Partnership (especially Moldova and Ukraine), EU integration as well as the EU Strategy for the Danube Region. He recently published a paper on the reform of European institutions in the framework of the Think Visegrad Fellowship 2018 and a policy paper on 10 years of Eastern Partnership.

Initially set out to create a “ring of friends” around the about to be enlarged EU-15 in 2004, the European Neighbourhood Policy (ENP) received an Eastern dimension with the Eastern Partnership (EaP) in 2009. Targeting six countries in the shared neighbourhood with the Russian Federation (Armenia, Azerbaijan, Belarus, Georgia, Moldova, Ukraine), aiming to create the necessary conditions to accelerate political association and further economic integration between the EU and partner countries, support political and socio-economic reforms, facilitate approximation to the EU and help develop closer ties between the target countries themselves. The 10th anniversary of the start of the EaP leaves us with mixed and sometimes unexpected results. With this article, based on the presentation held at the EPI's XX Summer Seminar in Albena in June 2019, I would like to provide an assessment of the developments in the EaP target countries in their relationship with the EU as well as in the context of EU-Russia relations. There will also be an outlook towards the next potential developments, taking into consideration the results from the workshop held after the lecture.

When the EaP was launched at a summit in Prague in 2009 it was met with scepticism by many of the stakeholders involved. The EU member states were occupied with the financial and economic crisis, the target countries were experiencing several challenges to their democratic development and the Russian Federation first dismissed the initiative as irrelevant and underfunded but later applied its zero-sum thinking in the shared neighbourhood. With the start of the Eurasian Economic Union (EAEU), the cooperation between Moscow and Brussels reached an all-time low, although there have been more significant developments causing this situation, first and foremost the annexation of Crimea in 2014. While the current state of play can certainly not only be blamed on the Kremlin, it is clear who the driving force in the region is. The biggest failure of the EU is certainly the lack of anticipation – for example, the chain reaction that led from the Vilnius summit to the war in Eastern Ukraine – although it certainly cannot be blamed on the member states alone. In any case, Brussels needs to become more proactive instead of just reacting to developments. This includes a unified approach towards the sentiment the Russian Federation has towards the region. Respecting the historic circumstances – former members of the USSR, fear of being circumvented, and treatment on eye level – but emphasizing the facts: everything that the EU offered to the

former Soviet Union members has been offered to the Russian Federation first. So far, no country has been directly forced to closer integrate with the EU and the Kremlin needs to respect the decision of sovereign countries. This in turn naturally also applies to Brussels if target countries of the EaP opt for deeper relations with Moscow for instance in the framework of the Eurasian Economic Union (EAEU), however, this has so far not been the case. The EAEU has formally started on 1. January 2015 and is modelled after European integration. Today it consists of its member states Armenia, Belarus, Kazakhstan, Kyrgyzstan, and Russia. The latter did not want to be included in the ENP, as it did not want to be just one of many target countries but aimed to be EU's equal in its own right. Subsequently, Moscow also did not become a target country of the EaP, but there is the option to include third countries in the multilateral dimension of the policy.

More for more uncertainty?

The ENP received a revision in 2011, after the Arab uprisings and introduced the "more for more" principle, meaning that additional reform efforts would result in additional financial and other support. As an example of the good intentions of EU policies with unforeseen consequences, it can be stated that especially in the EaP the application of this principle led also to more instability and uncertainty. Relationship with all six target countries have been improved over the last decade, however, the situation in the shared neighbourhood certainly did not necessarily develop in directions the EU intended them to be:

The Republic of Moldova is still struggling to deal with a banking scandal of unprecedented proportions, its consequences and increasing corruption. Ironically, the "theft of the century" happened just in the same year as the visa-free regime with the EU has been successfully negotiated in 2014. The political decisions of recent years are accompanied by protests from civil society, which is afraid of losing the liberties it has won. The state has been captured by oligarchy reversing the democratic development. The mayor's election in Chişinău 2018, which was won by the opposition candidate Andrei Nastase, has been annulled by the Supreme Court, showing how far Vladimir Plahotniuc's influence over all state institutions is reaching. Social inequality and dissatisfaction of the population continue to increase without solutions to the pressing problems in sight. The parliamentary election in February 2019 produced no clear winner. In an unexpected turn of events, shortly before new elections would have been called, a new government

against Plahotniuc's Democratic Party was formed. It remains to be seen whether the coalition of the pro-European ACUM bloc with the pro-Russian Socialist Party will also find a common denominator in foreign policy. As soon as the common goal of de-oligarchization of the country has been implemented, the fundamental contradictions in their foreign policy will emerge and eventually break up the coalition – something that has been the case before in many *democratic revolutions* e.g. in Serbia 2000 or in Ukraine 2004. After the smallest common denominator is gone – in most cases ousting the ancient regime – new elections are imminent, in many cases bringing back the forces of the former ruling party to power.

Ukraine is still fighting a civil war and parts of its territory were annexed by the Russian Federation. The number of internal migrants continues to rise and their future is uncertain. The new president is interested in finding a solution to the conflict in Eastern Ukraine with the Kremlin and he also seems to be taking appropriate steps. Unlike any other president since the independence, Volodymyr Zelensky can rely on his own parliamentary majority. However, it remains questionable what a negotiated solution with Moscow could look like and whether it can be communicated to the people of Ukraine ensuring the support of the society.

After more than a decade since the war with the Russian Federation, **Georgia** still has to deal with the aftermath. The provinces of Abkhazia and South Ossetia continue to be under the influence of the Kremlin and normalization of relations is sought, but it is proving to be a major challenge for the Georgian government. There are continuously incidents and border shifts. Although integration into the European Union as well as Euro-Atlantic structures remain to be a goal of the governing Georgian Dream party, disinformation campaigns from Moscow are increasingly causing a division of society.

Azerbaijan is an important energy partner for the European Union, which in turn is a key foreign investor. However, this economic interdependence seems to leave almost no leverage for a political reform from Brussels in the country. The revenues from the natural resources allow Baku to remain relatively independent from any influence, be it Moscow or the EU. Nevertheless, the Nagorno-Karabakh conflict with Armenia is still ongoing and violently erupting from time to time, which strains the relationship with other countries in the region as well as the Russian Federation.

Armenia, in turn, relies on the support by the Kremlin concerning the conflict with its neighbour. Therefore, unlike Ukraine, Yerevan decided to join the Eurasian Economic Union (EAEU) in 2015, suspending the negotiations about an AA as well as the DCFTA with the EU. However, in 2017, the Comprehensive and Enhanced Partnership Agreement (CEPA) was signed and entered into provisional application in June 2018. 15 EU member countries have ratified it so far and it still remains to be seen if the CEPA could serve as a basis for relationships with countries that are members of the EAEU. Although the agreement differs from the PCA's and AA's, it contains two types of conditionality mechanisms: "common values" conditionality and "market access" conditionality (Khvorostiankina 2018).

Belarus, the other EaP target country which is a member of the EAEU, definitely has the least cooperation with the EU not only due to the strong ties to the Kremlin but also because Aljaksandr Lukaschenka is considered to be "Europe's last dictator". While he himself claims that Belarus does not have the resources to be a dictatorship (Washington Post 2011), this assessment might need an update given the current developments on the continent. Although there is an annual EU-Belarus Human Rights Dialogue and in 2016 Minsk adopted the National Human Rights Action Plan, the situation for civil society activists, critical journalists and opposition politicians remains critical. In November 2019, both parliamentary and presidential elections are scheduled.

Which Europe do we want?

The European Union is also in a difficult position. The population of the three countries closest to EU integration has fallen in recent years due to emigration, especially to other European countries, so that for Georgia, Moldova and Ukraine the remittances of their citizens make up an important part of the state budget, but the economic and social consequences receive little attention. The debates on migration and refugees are superimposed on other discourses, and important decisions are taken only reluctantly by the actors. The uncertainty associated with Brexit also prevents a focus on the Union's external action. The resulting paralysis of the integration process threatens to lose support in the civil society of the member states. Although voter turnout in the European elections in May 2019 has risen slightly and membership of the EU has reached the highest levels in member states for years, only 28% of respondents to the Eurobarometer Survey believe that things are developing in the right direction on the European level. Half of them believe that Brussels is moving in the wrong direction (EU Open Data Portal 2018).

Within the process of bringing the target EaP countries closer to the European Union it is essential, in addition to economic and political development, to particularly involve the civil society. Here, too, the opinions in the individual Member States diverge. While more than a third of the participants in Friends of Europe's "Europe Matters" project in the Scandinavian countries, as well as in Germany and France, argued that the EU should focus primarily on communicating values such as democracy and the rule of law, more than 40% of citizens in the Visegrad countries as well as in South-eastern Europe, consider the most important task to ensure economic growth (Friends of Europe 2018). Without a broad discussion on the possibilities and limitations of European integration, the achievements of the past seven decades are in danger of being lost. This can only succeed on the basis of understanding each other and the processes at European level.

The way ahead

Polish Foreign Minister Jacek Czaputowicz suggested several ideas for an upgrade of the Eastern Partnership, amongst them an Association Agreement+ with more ambitious goals set for countries willing to implement them. He also suggested an institutionalization with a Secretariat and a Rotating Presidency as well as a regional economic area that could be based on CEFTA, of which Moldova is already a member (Czaputowicz 2019).

These are all good and relevant suggestions. However, what the EU definitely does not need is more institutions. There are more than 30 initiatives involving either the whole EU or some of its member states in the shared region with the Russian Federation. Brussels has, for example, apart from the EaP, the Black Sea Synergy (BSS) as well as the European Union Strategy for the Danube Region (EUSDR) tackling five (BSS) respectively two (EUSDR) EaP target countries. What is needed is streamlining of implementation, synergies between existing as well as overlapping formats and continued honest commitment to enlargement, integration and its neighbourhood. The next European Commission and the multiannual financial framework should reflect that. A Commissioner for Enlargement and Neighbourhood Policy was a step in the right direction and Johannes Hahn was able to achieve many positive things during his term. However, I am convinced that as the ENP has been divided in an Eastern and Southern dimension, also the Commission should reflect the fundamental difference between the two: the EaP target countries do have a membership perspective. An open and honest communication towards these countries, and especially the Russian

Federation, is something that I have been advocating since the start of the EaP. In that sense, Ursula von der Leyen should appoint one Commissioner for European Neighbourhood Policy and another one for Enlargement. This portfolio should then also include the target countries of the EaP.

What would be urgently needed is a closer cooperation with the administration of the target countries as well as the civil society, when it comes to introducing ideas into the policy cycle of the EaP. This is happening to a certain extent, the EaP Civil Society Forum, the EuroNest Parliamentary Assembly as well as the CORLEAP (Conference of the Regional and Local Authorities for the Eastern Partnership) are existing formats that should be further strengthened. All actors involved can only gain from a broader discussion, which then needs a commitment to implementation from all stakeholders. There are certainly many untapped potentials in the region, as also the workshop during the Summer Seminar showed. In a very limited amount of time, the participants developed 20 recommendations for the Eastern Partnership. While not all of them might be feasible and nor completely elaborated, it proves the possibilities of working together:

20 recommendations for the EaP

1. Support community level influencers.
2. Funding for municipalities.
3. Less formal small NGO/CSO support.
4. Information for citizens on EU.
5. Counter "hybrid" information.
6. Inform EU decision-makers on target countries/regions.
7. Sectoral cooperation in energy.
8. Sectoral cooperation in transit/transportation.
9. Multi-speed effort in conflict resolution.
10. Institution-building strategy.
11. Understanding for individual aspirations.
12. Enhance regional cooperation/Black Sea.
13. Offer membership only when realistic.
14. Flexible support mechanisms.
15. Enhance monitoring mechanisms.
16. Influence cooperation.
17. Change image of EU as funding tool.
18. EU/European/Shared values.
19. Support for SME's against oligarchs.
20. Green EaP.

Stronger together is not only the motto of the EaP, but needs to be the principle of the next European Commission. As long as there is no unified approach towards foreign policy, and especially towards the EU's Eastern Neighbourhood, we will not be able to tackle the several challenges in these countries but also the member states themselves.

In that sense, the recommendations from my latest policy paper on 10 years of Eastern Partnership with a focus on Moldova also can be applied to all target countries, as each has to deal with some form of oligarchy and also with (often not so) frozen conflicts (Schäffer/ Musteață 2019):

1. Break the oligarchic grip on the country
2. Bring the settlement of the Transnistrian conflict forward
3. Bring EU-Russia relations to a normalisation
4. Offer a viable option for integration within the EaP

The member states of the EU also need to continue applying the stronger together principle internally. The common position towards Brexit has shown that a unified approach can help to yield results. So far, London is still a member of the EU, however, that might change eventually with Boris Johnson now being Prime Minister. It is also a very low bar for measurement of successful common EU policies. No matter what the result may be – no deal, deal, staying – there are more challenges that need to be commonly tackled: climate change, enlargement, migration, Euro, populism, hybrid wars. Raising awareness is no longer enough. The EU and its member states are aware; it is now time for implementation. The civil society should be a much more demanding actor, which is not an easy task given their heterogeneity. A Europeanisation also needs to be driven forward on that level, cross- and beyond EU borders. Otherwise, the achievements of the last 70 years are in danger of erosion within the member countries, which would then also make all achievements of the past decade within the EaP obsolete.

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Public Policy Coordination in Montenegro



Zeljko Vukcevic

SS2019 participant

Independent Consultant for Public Policy Coordination, Secretariat-General of the Government of Montenegro

Introduction

Over the past two decades, especially since the 2003 summit in Thessaloniki¹⁶ and the European perspective which was offered to the countries of the Western Balkans (WB), the region has gone through a whole array of transitional processes manifested through the implementation of deep structural, economic and social reforms in order to modernize society and improve the lives of its citizens. The backbone of all those reforms was the desire of all WB countries to become members of the European Union. In that regard, the public administration reform is at the heart of the European integration project, as a central part of the 'good governance' criteria that the EU requires of prospective future members on their path towards accession. The main objective of all reforms which are being implemented is the establishment of a public service that supports good governance; public service which is professional, reliable, open and transparent, efficient and effective, and accountable to its citizens.

In order to achieve the aforementioned goals, the EU defined a set of principles that accession countries need to fulfil and respect in order to become successful EU Member States. The European Commission, through the instrument created together with OECD in the form of SIGMA, has defined the scope of the reforms through six key areas¹⁷:

¹⁶ Eu-Western Balkans Summit Thessaloniki, 21 June 2003 Declaration, file:///C:/Users/zeljko.vukcevic/Downloads/PRES-03-163_EN.pdf

¹⁷ Principles of Public Administration for European Neighbourhood Policy countries, <http://www.sigmaweb.org/publications/principles-public-administration-european-neighbourhood-policy.htm>



Policy making and coordination

Development of a coherent and functioning system of *policy making and public policies coordination, as the main area of interest for this paper*, represents one of the most important obligations within the overall public administration reform, as one of the three main pillars of EU enlargement policy¹⁸. A good and efficient strategic planning system proved to be of the utmost importance for the new member states at the time of joining the European Union, as the ability to use structural funds depends on the harmonization of national policies with the EU framework. Policy coherence, which contributes to the realization of government priorities and the welfare of citizens, is, among other things, a prerequisite for successful use of the funds from the Instrument for Pre-Accession Assistance (IPA). European Commission clearly stated that:

"IPA II introduces some important innovations, notably the focus on defining long-term policies and strategies in a limited number of priority sectors, which will be aligned with the needs and capacities of each country. Clear targets and realistic indicators will be set and linked to multi-annual sector assistance. If countries meet the necessary standards of public financial management, they will be able to benefit from budget support – a further incentive for reform."

Also, it is important to point out that at the level of the EU, under the

¹⁸ Johannes Hahn, Commissioner for European Neighbourhood Policy and Enlargement Negotiations, EC, "Public administration reform (PAR) is a pillar of the enlargement process, together with rule of law and economic governance. All three pillars are closely linked, cross cutting issues of fundamental importance for success in political and economic reforms and building a basis for implementing European Union (EU) rules and standards. A well-functioning public administration is necessary for democratic governance. It also directly impacts upon governments' ability to provide public services and to foster competitiveness and growth."

broad theme of "Efficient Public Administration", the European Regional Development Fund (ERDF) and the European Social Fund (ESF) invest in a range of investment priorities to enhance institutional capacity of public authorities and stakeholders and efficient public administration. Total envisioned budget (EU and National) in the aforementioned field for the time period 2014-2020 is 6, 424 482 520 EUR. A positive example of a EU member state is Hungary which had successfully used 45% of the planned and available funds.¹⁹

On the example of Poland, which holds 100% of the EU funds utilization (more precisely ERDF) for 2016, which became a member in 2004 and initially had very low absorption rates, we can see that in order to achieve such an effect, it is necessary to gradually establish the capacities of the public administration in the field of policy coordination.²⁰ This is also evidenced by the fact that one of the criteria for the use of IPA funds is precisely harmonization of the country's priorities, expressed in key national development documents, with the key areas in which the EU plans its policies, which are reflected in the Multi-Annual Indicative Planning Documents (MIPD)²¹.

Montenegro and the EU: Public Policy Coordination

The goal of every state with aspirations to become a member of the EU is the ability to create the necessary conditions to use Cohesion and Structural Funds and absorb as much of the available resources as possible to implement the necessary reforms. Montenegro, as one of the candidate countries for EU accession, officially opened negotiations with the EU on 29 June 2012. As of June 20, 2019, 32 from 33 negotiation chapters have been opened, and 3 were provisionally closed. As a candidate country, Montenegro receives financial assistance from the EU under the Instrument for Pre-Accession Assistance (IPA). In the period 2007-2013 (IPA I), it had EUR 235.2 million at its disposal, while in the period 2014-2020 (IPA II) it allocated EUR 270.5 million.²²

A considerable amount of available IPA funds (support worth EUR 15

¹⁹ European Structural and Investment Funds, Efficient Public Administration, <https://cohesiondata.ec.europa.eu/themes/11>

²⁰ European Structural and Investment Funds, SF 2007-2013 Funds Absorption Rate, <https://cohesiondata.ec.europa.eu/2007-2013/SF-2007-2013-Funds-Absorption-Rate/kk86-ceun/data>

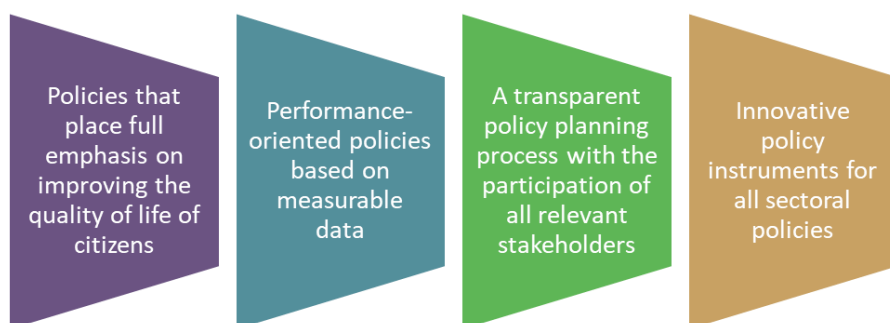
²¹ Document Repository of the Directorate-General for Neighbourhood Policy and Enlargement Negotiations, [https://ec.europa.eu/neighbourhood-enlargement/news_corner/key-documents_en?field_file_theme_tid\[0\]=59&field_file_country_tid\[0\]=108](https://ec.europa.eu/neighbourhood-enlargement/news_corner/key-documents_en?field_file_theme_tid[0]=59&field_file_country_tid[0]=108)

²² Montenegro-Financial assistance under IPA II, https://ec.europa.eu/neighbourhood-enlargement/instruments/funding-by-country/montenegro_en

million), in the form of sector budget support, is used to implement public administration reform, from which EUR 12 million will be flowed directly into the budget (direct budget support), while EUR 3 million will be provided for technical and expert support.

In order to achieve the priority reform goals and to manage the reform process, Montenegro adopted the Public Administration Reform Strategy for the period 2016-2020²³ (PAR). The strategic document focuses on the selection of priority objectives, the fulfilment of which is expected to contribute significantly to the improvement of public administration in Montenegro. The volume and dynamics of the activities are defined in real terms, taking into consideration the specificities of Montenegro, as a small country with limited capacities at all levels of public administration. PAR strategy significance for this paper is manifested through the identification of deficiencies in the area of public policy planning, especially the need for establishment of uniform requirements as regards the contents of sector strategies, evaluation of their compliance with the main planning documents of the Government, i.e. the requirements of the EU integration process.²⁴

In this respect, Montenegro's commitment to the reform of the policy planning system is reflected in the need of increasing level of compliance of all national policies with the policies at the EU level, with the prospect of future membership and the achievement of European standards in good governance. This includes:



²³ Public Administration Reform Strategy 2016-2020, http://www.mju.gov.me/biblioteka/strategije_i_akcioni_planovi

²⁴ Public Administration Reform Strategy, page 25

EC Montenegro Report

In order to measure the achieved progress in all relevant fields, since 2007, the European Commission, thanks in part to SIGMA's²⁵ monitoring of public administration reform in Montenegro, has regularly published annual progress reports on Montenegro. The last report was published on May 29, 2019 (since 2015, this report has been renamed to the Montenegro Report). In 2019, the EC report clearly states in the section of Governance, regarding the increased abilities of government institutions in the field of policy planning:

*"The Central government bodies' strategic planning capacities were significantly strengthened through the establishment of the legal and procedural framework for strategic planning."*²⁶

The aforementioned fact represents a significant improvement, especially if we compare it with the Montenegro Report from 2018, which stated that:

*"The government's capacity to implement reforms, transparency and stakeholders' participation need to be strengthened and the coherence of the policy-making system should be ensured through co-ordinated policy development"*²⁷

In this way, the European Commission recognized the efforts of the Montenegrin institutions to improve the system of public policy coordination. This recognition is a significant impetus for the further implementation of reforms, but at the same time the obligation not to be satisfied with the achieved results, which are not the only goal we strive for, but only the beginning of a long and demanding journey that will lead to the creation of a modern public administration that gives the necessary importance to the development of quality public policies.

In order to analyse and explain the steps taken to make progress in the public administration reform of Montenegro, this paper will give a special significance to the presentation of past performance, main differences and

²⁵ SIGMA (Support to Improving Management and Governance) is a joint initiative of the OECD and the European Union. Its key objective is to strengthen the basis for the improvement of public administration and hence socio-economic development by strengthening the capacity of the public sector through the improvement of horizontal governance and strengthening the concept and implementation of public administration reform, including the area of policy coordination.

²⁶ Montenegro 2019 Report, page 9, <https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/20190529-montenegro-report.pdf>

²⁷ Montenegro Report 2018, page 8, <https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/20180417-montenegro-report.pdf>

the achieved progress in terms of improving the policy planning process in Montenegro, with a focus on:



Montenegro 2017 SIGMA assessment

The Principles of Public Administration Reform²⁸ developed by SIGMA have been used as the basis for the preparation of this policy paper. The Principles contain the main acquis requirements, together with other relevant EU criteria, and are designed for countries aspiring to become members of the EU, which are receiving EU funding through IPA. The report puts the emphasis on SIGMA indicators, which are measuring all the relevant elements of public administration, through the grading system based upon selected values: 0 (lowest) and 5 (highest). Also, the accent is on the PAR strategies which were adopted in the timeframe before the last official SIGMA assessment, which represent the basis of the entire public administration reform, whose integral part is the coordination of public policies.

SIGMA 2017 report on the monitoring of public administration principles in Montenegro²⁹ is used as a starting point for this paper. The report recognizes the key challenges in Montenegrin policy planning system, with the emphasis on:

- The need to improve the role of CoG institution in the process of public

²⁸ The Principles of Public Administration Reform, 2017, <http://www.sigmaxweb.org/publications/Principles-of-Public-Administration-2017-edition-ENG.pdf>

²⁹ The Principles of Public Administration Reform, Montenegro 2017 Report, <http://www.sigmaxweb.org/publications/Monitoring-Report-2017-Montenegro.pdf>

policy planning, primarily of the Secretariat-General of the Government (SGG) in the area of quality control of public policies and the role of the Ministry of Finance regarding the financial sustainability of public policies

- Improving the link between public policy planning and realistic budget planning
- Better and more realistic definition of public policy objectives set out in the key strategic documents

In order to address the identified deficiencies and to present the achieved results and still existing shortcomings, this paper will focus on comparison of the SIGMA principles and the grades obtained, as well as the achieved progress in the previous period. In this respect, selection of relevant SIGMA principles was made taking into account the relation with the work of the CoG institutions, primarily in the part related to the improvement of the institutional and legal framework, as well as the progress made in the improvement of the overall quality of the sector strategic documents. The following principles were addressed:

Policy planning is harmonised, aligned with the government's financial circumstances and ensures that the government is able to achieve its objectives.

The legal framework sets requirements and procedures for planning of government policies, establishes the status of key government planning document(s), delegates the policy-planning function to a CoG body and regulates its implementation.

The system for planning sector strategies is formally established; the CoG guides the development process, ensures coherence between sector strategies and carries out quality control.

Sector strategies include financial cost estimates and indicate the sources of funding (the state budget, EU assistance), which are also consistent with the medium-term budgetary framework (MTBF).

The SIGMA report from 2017 defines a set of recommendations³⁰ that need to be addressed in the time period of 1-2 years, mainly:

³⁰ The Principles of Public Administration Reform, Montenegro 2017 Report, <http://www.sigmaxweb.org/publications/Monitoring-Report-2017-Montenegro.pdf>

1) The Government should establish a unified methodology for developing sector strategies that includes costing of activities for the implementation of strategies.

2) The medium-term financial plan and other central planning documents (both the GAWP and the Programme of Accession) should be better aligned. Costing of activities should be included in all planning documents.

3) The Government should further strengthen its planning to increase efficiency. Any backlogs, as well as unplanned activities, should be reduced to a minimum.

In order to implement the recommendations received, the Government of Montenegro has taken a number of steps, beginning with the establishment of an institutional setting for strategic planning.

Institutional setting

In order to address perceived deficiencies in institutional terms, Government of Montenegro has taken a number of steps to precisely define the roles of all CoG institutions involved in coordinating public policies, assigning a primary mandate to the Ministry of European Affairs (MEI) in the field of public policy coordination. Starting in February 2017, the Ministry of European Affairs has taken steps to establish a unified system of public policy coordination, planning and development, with particular emphasis on development of competences related to coordination, monitoring of compliance and monitoring of sector strategies. MEI has established the Directorate General for Coordination, Monitoring of Compliance and Monitoring of Implementation of Strategic Documents, with the objective to improve the quality of strategic documents, better alignment of policy objectives with Government priorities, and mutual coherence of sector strategies. In this way, MEI undertook all activities related to policy coordination, arising as an obligation from the Public Administration Reform Strategy and accompanying action plan, and the obligations established by the Action Plan for the implementation of the Public Financial Management Reform Program 2016-2020.³¹

³¹ Public Financial Management Reform Program 2016-2020, http://www.mif.gov.me/biblioteka/strateska_dokumenta

Institutional changes that occurred in the first half of 2018, with the abolishment of the Ministry of European Integration (MEI), resulted in the transfer of the mandate for public policy coordination to the Secretariat-General of the Government of Montenegro.³² In this way the structure of the CoG institutions was changed, now consisting of the SGG, the Ministry of Finance and the Legislative Secretariat.

SGG, through the establishment of the necessary institutional and staffing framework, continued the work started by MEI on the reform of the system of strategic planning of Montenegro. The first step was to prepare the Analysis of the existing system of public policy coordination in Montenegro with the proposal of measures for improvement of this system³³, which highlighted the number of existing shortcomings, mainly:

The need to precisely define the legal framework that will regulate the policy-making process

Uneven structure and quality of strategic documents

Tackling the overproduction of strategic documents

Insufficient institutional and administrative capacity for strategic planning

Poor inter-ministerial cooperation in drafting inter-sectoral strategic documents

The identified shortcomings and work on their resolution and improvement represent the first step in the process of creating a quality-based strategic planning system and addressing the institutional and legal deficiencies that SIGMA pointed out. In that regard, all of the identified shortcomings and the undertaken reforms will be presented in the following sections of the paper, starting with:

Legal framework for policy coordination

The analysis of the overall strategic planning system in Montenegro showed that the existing regulatory framework for strategic planning is not in line with the needs of modern public administration, which places emphasis on the development of public policies that produce concrete and measurable results. A particularly important issue to be addressed was the definition of the role of CoG institutions in the process of adoption of

³² Decree on amendments to the Decree on the General Secretariat of the Government of Montenegro (Official Gazette of Montenegro 47/09, 30/12, 3 / 13,26 / 13,39 / 15 and 19/17), 22 V 2018

³³ Analysis of the existing system of public policy coordination in Montenegro with the proposal of measures for improvement of this system, prepared by the GSG staff, May 2018.

a strategic document, that is, the Secretariat-General of the Government, as well as the choice of a legal solution that will suit the characteristics of the public administration of Montenegro.

In that regard, SGG prepared a comparative analysis of the legal systems represented in the countries of the region (Croatia³⁴, Serbia³⁵ and Bosnia and Herzegovina³⁶), as well as the solutions applied in the EU Member States (Finland and the Baltic States), with the need to define a practical approach that will gradually lead to improved policy planning. On the basis of the analysis, the SGG selected the approach of adopting a special decree that will regulate the strategic planning system, as well as the accompanying methodology³⁷ that will broadly specify the overall process of adopting the strategic document, as well as all the integral parts of the strategy. The amendments to the Law on Public Administration³⁸ were adopted in February 2018, which clearly stipulates the obligation to harmonize sector strategic documents with the most important key strategic documents, as well as the minimum criteria that must be applied in the process of drafting the strategic documents. This change created the legal basis for the adoption of the **Decree on the manner and procedure of drafting, aligning and implementing strategic documents**³⁹, with the accompanying **Methodology for developing policies, drafting and monitoring the implementation of strategic documents**⁴⁰, thus completing the legal framework for strategic planning. The Decree primarily defines:

- Clear categorization of strategic documents (strategy, program and action plan), as well as the responsibilities of SGG in the process of adopting the strategic document.
- Basic principles that need to be respected in the process of drafting a strategic document⁴¹

³⁴ The planning system of Croatia is regulated through the Law on the System of Strategic Planning and Development Management of the Republic of Croatia

³⁵ The planning system of the Republic of Serbia is regulated through the Law on the planning system and the Decree on the application of the Law on planning system of the Republic of Serbia

³⁶ The planning system of BiH is regulated through the Law on development planning and development management

³⁷ The issues related to the hierarchy between the umbrella and sectoral strategic documents, the mandatory content of the strategic documents, the steps in the preparation of the strategic document and examples of good practice are contained within the accompanying Methodology.

³⁸ Article 12, Paragraphs 2 and 3 of the Law on Civil Service, Official Gazette of Montenegro No. 13/2018. from 28.2.2018

³⁹ Decree on the manner and procedure of drafting, aligning and implementing strategic documents, "Official Gazette of Montenegro", No. 54/2018 from 31.7.2018, which entered into force on 8.8.2018.

⁴⁰ Methodology for developing policies, drafting and monitoring the implementation of strategic documents, http://www.gsv.gov.me/stratesko_planiranje/strategije

⁴¹ Principle of alignment of strategic documents with the most important priorities and objectives of public policies;

- Introduced grouping of policies into seven sectors within which strategic documents are drafted and implemented.⁴²

The issues related to the hierarchy between the key and sector strategic documents, the mandatory content of the strategic documents, the steps in the preparation of the strategic document and examples of good practice are contained within the accompanying Methodology

Defining the legal framework has created the necessary conditions to address the remaining identified weaknesses in the area of strategic planning, primarily:

Uneven structure and quality of strategic documents

In order to create a clear picture regarding the quality of strategic documents, an analysis of the overall strategic framework in Montenegro was conducted, which indicated that there was a different level of quality regarding the content of strategic documents. The following shortcomings were identified:



The main task of SGG is to improve the quality of strategic documents, based on the available mechanisms. In this regard, the Decree grants SGG the competence to control the quality of strategic documents through the issuing of opinions addressing the quality level of all segments of a specific strategic document, defined within the Methodology. Within this process, SGG primarily checks that a particular strategic document or report meets the qualitative criteria presented in the Methodology, which relate to the

The principle of financial sustainability; Principle of responsibility of public administration institutions in charge of drafting and implementing the strategic document; Principle of interdepartmental cooperation; The principle of transparency; The principle of continuity; The principle of economy and rational planning;

⁴² Democracy and good governance; Financial and fiscal policy; Transport, energy and information infrastructure; Economic development and the environment; Science, education, culture, youth and sports; Employment, social policy and health; Foreign and security policy and defense

structure and content of the strategic document or report. In this respect, it is important to distinguish between two types of opinions on strategic documents prepared and issued by SGG:

- Opinion on draft and proposed strategic documents (strategies, programs and action plans)⁴³
- Opinion on the proposal of the annual and final report on the implementation of the strategic document.⁴⁴

In the first four months of implementation of the Decree and Methodology⁴⁵, solid results were achieved in improving the quality of strategic documents. The SGG role in this process is manifested in providing the necessary consultations and issuing opinions on the level of compliance with the Decree and Methodology of drafts and proposals of strategic documents. When it comes to compliance with the Decree, it is important to note that SGG first checks whether the strategic documents have the required content, and then individually assesses all the required elements - situation analysis, strategic and operational goals, output and outcome indicators, action plan, financial assessment, monitoring, reporting and evaluation. The analysis of all drafted strategic documents since the Decree was adopted, showed that only 9% of the strategic documents in the draft form were shown to contain all the elements prescribed by the Decree, and the most controversial issue was the definition of the accompanying action plans (9%) and the outcome indicators, i.e. performance indicators that accompany the operational objectives (13%). As in the case of general compliance, it can be observed that better results can be obtained after the draft opinion and consultation between the SGG and the ministry, since as many as 52% of the proposed strategic documents fully satisfied the content and structure demands prescribed by the Decree. It is important to point out that a particularly good result was achieved in the part of the harmonization of the action plans (63% of the proposals are fully in line with the Decree).

⁴³ Articles 17 and 18 of the Decree on the manner and procedure for drafting, harmonizing and monitoring the implementation of strategic documents

⁴⁴ Article 19 of the Decree on the manner and procedure for drafting, harmonizing and monitoring the implementation of strategic documents

⁴⁵ Analysis of the progress achieved in the first four months of implementation of the Decree and Methodology

Tackling the overproduction of strategic documents

The analysis of the overall strategic framework of Montenegro⁴⁶, which was prepared in the first half of 2017, showed that at that moment there were 120 strategic documents in force. Considering the size of the public administration system of Montenegro, it is clear that such a large number of strategic documents present the burden for the administration, especially in terms of achieving quality results through the implementation of strategic documents. Also, the analysis showed that a large number of planning documents do not meet the required qualitative criteria, as well as that a significant number of strategies treat issues that are already the subject of other strategic documents, which additionally raises issues of overlapping competencies and the possibility of envisaging different solutions to the same problems. The analysis found that a number of policy documents deal with issues that did not require the adoption of a strategy document. By identifying these issues, SGG started with the process of reducing the total number of strategic documents, through the following measures:

- SGG has mapped out the overall strategic framework by compiling all strategic documents and preparing the review of all strategies in place. Based on the sectors defined by the Decree, a categorization of strategies was created which shows which ministries belong to which sector and what is the number of valid strategies at the sector level.
- Through the mechanisms defined in the Decree in the form of issuing opinions on drafts and proposals of strategic documents, with particular reference to the informal consultations conducted by the SGG with ministries, the number of strategic documents in force was significantly reduced. The SGG's recommendations primarily dealt with the need for certain issues, which were addressed by more than one strategic document, to be the subject of only one strategy, putting the emphasis on a greater level of inter-ministerial cooperation. The recommendations also addressed the need that those issues with a more specific scope, be dealt through the adoption of a specific program or policy paper and not through the adoption of a full-grown strategic document.

The aforementioned measures have shown good results in the initial stages of implementation, manifested in the reduction of the total number

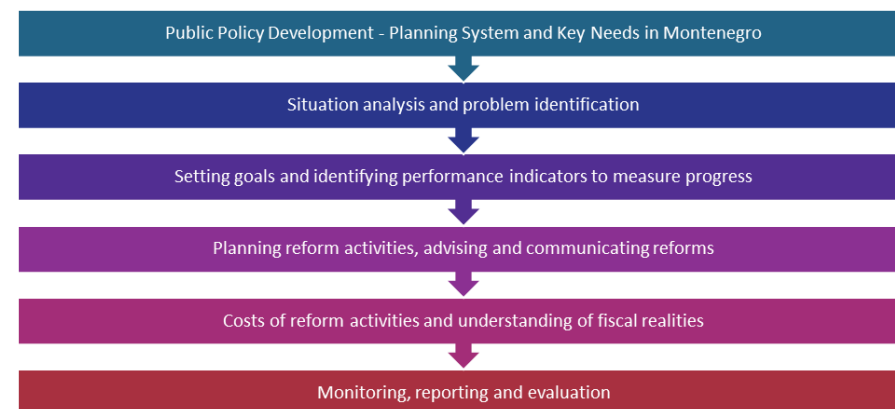
⁴⁶ Analysis of the overall strategic framework of Montenegro prepared by the staff of Ministry of European Affairs

of valid strategies, from 120 to 102 documents in force. It is important to emphasize that the downward trend in the total number of strategies is continuing and that the realistic goal that SGG wants to achieve by the year 2023 is the total number of 70 to 80 strategic documents in place.

Insufficient institutional and administrative capacity for strategic planning

Regarding the issues of personnel and administrative capacity of the public administration for strategic planning, the analysis pointed out significant shortcomings both in the number of organizational units within the ministries involved in strategic planning, as well as in the level of training of civil servants in drafting strategic documents. The lack of specialized strategic planning units in government ministries is a significant problem when it comes to institutional development. Namely, out of 16 ministries, only 4 of them have strategic planning departments.⁴⁷ In terms of staffing capacity, an analysis of the questionnaire answered by the civil servants indicates a lack of adequately trained staff to participate in the process of drafting strategic documents in specific areas.

In order to strengthen strategic planning capacities of the government ministries, SGG, in cooperation with the Human Resources Management Authority, established the first accredited Education Program for the professional development of civil servants for strategic planning. The main objective of this program is to enable the civil servants employed in the government ministries to participate in the process of drafting strategic documents. As the first educational program of this type in Montenegro with 6 ECTS credits, the program was nationally accredited in March 2018. The program implementation began in October 2018 and was made possible through funding from Sector Budget Support for Public Administration Reform. The first generation of Program participants consists of representatives of line ministries. The education program is based on six different modules that are aligned with and explain the content of the Methodology and treat all segments contained in the strategy document, namely:



For the purposes of the Program, eminent lecturers from the country and the region were hired. Representatives of all line ministries took part in the work of the Program, and Program was attended by 30 civil servants.

The first generation of trainees successfully completed the Program in April 2019. In this way, the first group of civil servants who have all the necessary capacities to successfully participate in the public policy planning process were trained. Trainees will represent the focal points within their ministries when drafting strategic documents and thus contribute to the quality of strategy development through the acquired knowledge. It is important to emphasize that the Program itself is conceived on an annual basis, where every year a new generation of civil servants will undergo training. Also, as the first accredited educational program of its kind in the region, the Program has the potential to be extended to all countries of the Western Balkans, through the eventual establishment of a special master program to address field of public policy development. This creates the opportunity for further strengthening of cooperation between public administrations of the countries of the region and the higher education institutions themselves.

Poor inter-ministerial cooperation in drafting inter-ministerial strategic documents

A significant drawback pointed out by the analysis of the strategic framework was the lack of sufficient cooperation between ministries in the process of drafting a strategic document, which had a double consequence. On the one hand, overproduction of strategic documents as more ministries

⁴⁷ The Ministry of Defense (Directorate for Strategic Defense Planning, within which the Department for Strategic, Defense and Military Planning is systematized), the Ministry of the Interior (Development Affairs - Directorate for Strategic Planning), Ministry of Public Administration (Directorate for Strategic Development and Analytical Affairs) and Ministry of Sustainable Development and Tourism (Directorate for Strategic Planning, within the Directorate for Tourism Destination and Tourism Infrastructure Development).

would develop separate strategies in a thematically similar area. On the other hand, the reluctance of a particular ministry to take responsibility for the implementation of specific activity contained in the strategy document developed by a different ministry would cause delays in the work of the working groups for drafting strategic documents. This situation would eventually delay the process of developing and adopting a strategy.

In order to affirm the importance of inter-ministerial cooperation for quality policy planning, a Network of Civil Servants for Strategic Planning was established in February 2018 and chaired by the Secretariat-General of the Government. The Network functions as a forum for exchanging opinions, experiences, and above all as a means of enhancing cooperation between civil servants engaged in strategic planning. Members of the Network are civil servants employed in all ministries involved in drafting strategic documents, and at the same time, they are the members of the first generation of trainees of the Education Program. In order to clearly identify problems with the day-to-day work on drafting strategic documents, SGG very often conducts surveys of Network members. The aforementioned surveys are used as an indicator of controversial issues that SGG needs to address, but also as a source of topics to be discussed at Network meetings. By organizing meetings on a quarterly basis and allowing network members to discuss all issues relevant to strategic planning and form personal bonds, the conditions for a better understanding of the common issues have been created, thus creating the basis for further strengthening the cooperation between civil servants working in different ministries.

Also, as in the case of the Program, the Network itself has regional potential, through the possibility of creating public policy forums for public officials working on the policy planning throughout the Western Balkans. Noting that very similar problems in the area of public policy coordination are common to all Western Balkan countries, the possibility of establishing such a forum for exchange of views and experiences would be a significant contribution to the quality implementation of public administration reform, thus bringing the region closer to EU membership.

Conclusion

The main objective of this paper was to outline the reforms implemented so far by Montenegro in the field of public policy coordination, which forms an integral part of the public administration reform process. Considering

that the very process of establishing a functional strategic planning system started just over two years ago, the results achieved are a significant step forward, which is a fact recognized by the European Commission in Montenegro's 2019 Report. However, what is important to emphasize is the fact that Montenegro recognizes the need for further implementation of reforms, not only as one of the conditions for EU membership, but above all as a means of improving the overall public administration system, which directly leads to policies aimed at improving the daily lives of the citizens themselves.

In this regard, further work on all previously identified shortcomings should be continued, with a primary focus on:

- ◆ Strengthening the role of the Secretariat-General of the Government in the process of coordination of public policies and reaching an even greater level of cooperation with all relevant factors within the strategic planning system of Montenegro.
- ◆ Further implementation of the established legal framework through quality control of the proposed strategic documents and achieving the highest level of compliance with the requirements set out in the Decree and Methodology.
- ◆ Further work on reducing the total number of strategic documents in force, in order to achieve the set goals regarding the optimal number of strategic documents.
- ◆ Improving the quality of strategic documents by addressing all perceived deficiencies in their content, especially in the section regarding the lack of properly developed financial framework.
- ◆ Work on improving the institutional and personnel capacities of the public administration in the field of strategic planning by increasing the number of specialized units for strategic planning in all ministries and training the additional number of civil servants for strategic planning. A particularly important role belongs to the Education Program and its potential future development, considering the possibility of raising the program to the level of master program within the entire WB region.
- ◆ Strengthening inter-ministerial cooperation by expanding the membership and competencies of the Network of Civil Servants for Strategic Planning. The possibility of establishing a regional forum would be of great importance to all countries in the region.

The public administration reform process is largely based on the co-operation, financial and expert assistance from the EU, manifested in IPA funds, sector budget support, as well as in the expertise and monitoring of the whole process which is performed by SIGMA. The step forward in the area of public policy coordination is only one part of public administration reform, but also one that is recognized by all relevant factors as one of the most successful parts of the overall reform process.

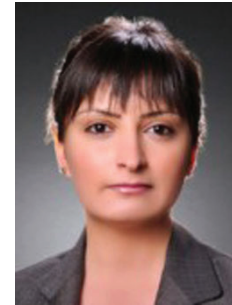
CHAPTER 3: **VOICES FROM THE BLACK SEA**

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Influence of the EU's Enhanced Focus on Public Administration on Turkey's Accession Process



Çiğdem Akin Yavuz

SS2019 participant from Turkey

Çiğdem AKIN YAVUZ has been working as an expert for EU affairs at the Ministry of Foreign Affairs of Turkey since July 2010. Her area of expertise is mainly focused on Turkey's alignment with the EU acquis on judiciary and fundamental rights and also freedom, security and justice. She holds an LLM in International Public Law from the University of Cambridge, UK; an MA in International

Relations and a law degree from Bilkent University.

Before joining the Ministry, Çiğdem was a research assistant in International Relations Department of Bilkent University for 3 years and specialized in international public law issues. Her thesis tackled legal and judicial implications of the EU's accession to the European Convention on Human Rights. She was an editor at the Cambridge Journal of International and Comparative Law during her LLM at the University of Cambridge.

She is currently studying actively on EU-Turkey Readmission Agreement and alignment of Turkish law with the EU acquis on protection of personal data.

Introduction

The European Union (EU) has gradually increased its focus on public administration reform in its enlargement policy in order to transform public administrations of enlargement countries so as to achieve effective application of the *acquis communautaire* and its enforcement (Heidbreder, 2011, p.62 and European Commission, 2015a, p.4). Non-existence of general body of EU law applicable in the domains of public administration, difficulties encountered as a consequence of ineffectiveness of some of the new EU member states' public administrations in aligning themselves to the EU system have led the European Commission to establish a new approach to public administration in its 2014–2015 Enlargement Strategy.⁴⁸

⁴⁸ For Enlargement Strategy Papers of the European Commission see European Commission, European Neighbourhood Policy and Enlargement Negotiations, Strategies and Reports, available at: https://ec.europa.eu/neighbourhood-enlargement/countries/package_en (last access: 5 September 2019)

This way, for the first time the European Commission gave clear guidance for enlargement countries on how to address public administration reform more systematically.

Realizing the importance of public administration's role for effective implementation and enforcement of EU law, the European Commission has been focusing on the domains of public administration since 1990s in its enlargement policy. Accession processes of Central and Eastern European Countries (CEECs) in 1990s highlighted the concerns of absorbing new EU member states within the EU without disrupting the functioning of the EU (Matteo and Scuola Superiore Sant' Anna, 2015, p.5). This largest enlargement and transition of most of those states from communism to a liberal democracy (Şener, 2009, p.234 and Verheijen, 2000, p. 8) resulted in the introduction of an "administrative capacity criterion" as part of EU accession criteria in Madrid European Council Conclusions in December 1995 (Matteo and Scuola Superiore Sant' Anna, 2015, pp.5-6 and European Council, 1995). The European Commission then specified this notion in July 1997 opinions on CEECs applications. It did not give a clear definition, however, referred to this term in the sectoral evaluation of the "Administrative Capacity to Apply Acquis" section (Skora, 2013, pp. 267-268). Due to ambiguity of the administrative capacity criterion for the enlargement countries, the European Commission asked the Support for Improvement in Governance and Management (SIGMA)⁴⁹ to develop assessment standards for horizontal public administration reforms (Dimitrova, 2002, pp.177-178). SIGMA, in consultation with the EU, developed baseline assessment for administrative capacity covering six core areas: policy-making and coordination machinery, civil service, financial management, public procurement, internal financial control and external audit in 1999. Since then, the assessments of the SIGMA have been the basis for the European Commission's administrative capacity evaluations in the Regular Progress Reports for enlargement countries (Verheijen, 2000, p.19).

The domains of public administration as an aspect of administrative capacity criterion have gained particular significance for the enlargement policy in time (Heidbreder, 2011, p. 62 and European Commission, 2015a, p.4). While the European Commission had not initially focused on the role

⁴⁹ SIGMA is a joint initiative of the OECD and the EU. Its key objective is to strengthen the foundations for improved public governance, and hence support socio-economic development through building the capacities of the public sector, enhancing horizontal governance and improving the design and implementation of public administration reforms, including proper prioritization, sequencing and budgeting. We have been working with our partners on strengthening their public governance systems and public administration capacities for almost 25 years. See SIGMA, available at: <http://www.sigmaxweb.org/about/> (last access: 5 September 2019).

of public administration within the accession process, it has increased its emphasis and has tackled this issue at early stages of accession process in 2007 due to lessons learned from the fifth enlargement and upcoming enlargement of Western Balkans (Evic and Mrak, 2017, p.195). The accession process of Croatia, however, demonstrated the inadequacy of these efforts as its public administration still considered to remain weak (Matteo and Scuola Superiore Sant' Anna, 2017, pp. 10-13).

Lack of clear competences of the EU, lack of clarity on the standards of the EU regarding public administration; the Commission's inexperience in public administration matters and having always dealt with sectoral technical administrative requirements proved to be the main obstacles in tackling public administration in the EU accession process (Matteo and Scuola Superiore Sant' Anna, 2015, pp. 6, 10). These were signals for the European Commission to find a way on how to address public administration reform more systematically (European Commission, 2015b) and it renewed its approach to public administration in 2014-2015 Enlargement Strategy. Accordingly, public administration reforms would be addressed early in the accession process together with two other interlinked pillars of reforms on rule of law and economic governance (European Commission, 2014a). Moreover, the European Commission gave a clear guidance for enlargement countries on how to address public administration reform more systematically for the first time *via* introduction of six priority areas: strategic framework for public administration reform; policy development and coordination; public service and human resources management; accountability; service delivery; and public financial management. These SIGMA principles provide a new framework for both benchmarking performances. Also, new Special Groups on Public Administration Reform have been introduced to shape a more structured dialogue with the accession countries (Matteo and Scuola Superiore Sant' Anna, 2015, p.14). Since then, the European Commission has been applying a new approach on PAR to enlargement countries.

As summarized above, since 2014 the European Union has continuously increased its emphasis on the domains of public administration in its enlargement policy and evolved it into a more clarified and strengthened approach. The question is, however, whether this strengthened approach of the EU has resulted in any significant changes, both for its evaluation methods of the accession processes and for the alignment level of the en-

largement countries with regard to the domains of public administration. This study aims to answer this question for Turkey through analysing EU's main accession instruments, which are Enlargement Strategies, Regular Progress Reports and Accession Partnership Documents. Prior to and after 2014-2015 EU Enlargement Strategy research in the following part suggests that the new approach of the EU has not resulted in any significant change for Turkey until now. The research concludes this failure has not emanated from the applicability of the new approach but from the actions that have been taken affecting the domains of public administration by the Turkish government to fight against attempted coups within the state since 2013.

The role of the new approach on PAR in the case of Turkey's accession process

Turkey was recognized as a candidate country for EU membership following the Helsinki European Council of December 1999 (European Council, 1999), and accession negotiations have been ongoing since October 2005 (European Council, 2005). Domains of public administration have been mainly covered under the negotiating chapter 23: Judiciary and Fundamental Rights and this negotiating chapter has not been opened yet (T.C. Adalet Bakanlığı, 2019). Still, the EU's evolving approach to public administration matters has shown itself in Turkey's accession process. It would be better to analyse the EU's approach to matters of public administration prior to and after the adoption of the EU's new approach on PAR together with its approach to Turkey, in order to comprehend the role of this approach in the case of Turkey.

Prior to adoption of the new approach on PAR

There was a lack of systematic and consistent approach towards the domains of public administration until 2014-2015 Enlargement Strategy. The Commission did not have a general focus on these initially in its enlargement policy. 1998 and 1999 Enlargement Strategy Papers focused on the necessity of efficient public administration for the enlargement countries to foster economic integration and institution-building. The general evaluations on the domains of public administration have started to be included under the "political criteria" in terms of its role for democracy and rule of law from the 2000 Enlargement Strategy Paper onwards, in addition to their role for economic integration. The European Commission has been usually focusing on the necessity of the modernization of public administration

in the enlargement countries for the implementation of the EU *acquis communautaire* (e.g. Enlargement Strategy Paper, 2000, p. 8; Enlargement Strategy Paper, 2002, p.14) since then. Ensuring independence, transparency, accountability and effectiveness of public administration; legal framework for and training of civil servants, importance of modernized public administration for fight against corruption (e.g. Enlargement Strategy Paper, 2001, p.10) have been among the main issues evaluated in terms of progress in public administration matters. Enlargement Strategies, however, did not include in depth analysis and/or a guideline applicable to all enlargement countries until 2014-2015 Enlargement Strategy.

Domains of public administration have not also been among the main issues to be tackled for the EU in the Turkey's accession process initially. EU Enlargement Strategies for 1998, 1999, 2000, 2001, 2004 and 2005 did not even mention a word about the situation of public administration in Turkey, despite the fact that the EU emphasized this matter for other enlargement countries explicitly. Necessity of more transparent management of human resources in the public service, importance of increasing transparency to fight against corruption and financial assistance provided for public administration reform have been among the main issues touched upon with regard to Turkey in other enlargement strategies. The EU did not increase its focus on public administration matters in Turkey in its Enlargement Strategies even after the initiation of accession negotiations on 3 October 2005. The approach adopted at the December 2006 European Council also did not result in a significant change of attitude for Turkey in enlargement strategies⁵⁰. 2008 Enlargement Strategy, for instance, only touched upon Turkey's situation as "there has been some progress in legislative reform of the public administration reform and civil service system needs to be reformed."

Progress Reports prepared by the European Commission for Turkey since 1998⁵¹, on the other hand, have increasing focus on public administration matters. What they have in common is the unstructured approach adopted for evaluation of these matters. The reports had usually focused on legislative amendments made for addressing public administration matters and on

⁵⁰ Accordingly, the European Commission would improve the quality of the enlargement process by tackling public administration and judicial reform and the fight against corruption at an early stage, by making full use of benchmarks, and by bringing more transparency into the process (e.g. Enlargement Strategy Paper, 2007, p.3).

⁵¹ For Progress Reports prepared by the Commission for Turkey since 1998 see T.C. Dışişleri Bakanlığı Avrupa Birliği Başkanlığı, Turkey Reports Prepared by the European Commission, available at: https://www.ab.gov.tr/regu-lar-progress-reports_46224_en.html (last access: 5 September 2019).

their evaluation without giving a general framework approach of the EU on public administration. Starting with the 2005 Progress Report, a new sub-heading had been inserted on public administration under “democracy and rule of law”, but the matter was also touched upon under different headings when necessary. Until then, this was not done under a separate heading on public administration. For instance, the 2004 Progress Report tackled these matters under “democracy and rule of law” heading mainly but also under “anti corruption”, “education and training” and “financial control headings”.

Accession Partnership documents⁵² adopted by the Council of the European Union for Turkey in 2001, 2003, 2006 and 2008 have also increased their focus on public administration matters. 2001 and 2003 Accession Partnership documents have only emphasized the role of public administration for tackling irregular migration and strengthening border management in particular. 2006 and 2008 Accession Partnership documents, however, emphasized the importance of pursuing public administration reform in order to ensure greater efficiency, accountability and transparency under “democracy and the rule of law” heading.

Coming to the question whether Turkey has progressed significantly in the sphere of public administration is in alignment with the European Commission’s expectations in the accession process. The Progress Reports highlighted that Turkey progressed a lot. However, some issues had been continuously criticized by the European Commission until 2014. Capacity of several public institutions’ strengthened *via* pre-accession assistance provided for strengthening public administration. Action plan was implemented to streamline the functioning of public administration and to promote more transparent management of human resources in the public sector in particular. This has also served to strengthen the fight against corruption. As part of this action plan a major overhaul of the public management system was foreseen and the relationships between central government, provincial authorities and municipalities restructured. A series of laws and constitutional amendments were made also to that end. Adoption of the Law on Access to Information in 2003 was an important step for increasing transparency in public administration. In 2009 Council of Ministers issued a regulation establishing the principles and procedures for the administration to deliver better public services to citizens. A strategy was adopted in 2010

⁵² For Accession Partnership Documents adopted by the Council of the European Union for Turkey in 2001, 2003, 2006 and 2008 see, T.C. Dışişleri Bakanlığı, Avrupa Birliği Başkanlığı, Accession Partnership Documents, available at: https://www.ab.gov.tr/accession-partnership-documents_46226_en.html (last access: 5 September 2019).

for the 2010-2014 time period for enhancing transparency in the public administration and fight against corruption. Establishment of Ombudsman in 2012 was also a turning point, which is crucial for monitoring of public administration. These were only some of the achievements of Turkey with regard to public administration matters.

There had been, however, continuing concerns on behalf of the EU. The President vetoed Framework Law on Public Administration in 2004 and thus devolution of central government powers to local administrations was hampered since then. Greater support for public administrative reform and decentralization had been expected. Civil service reform had been considered necessary in order to modernise human resources management and was considered to require greater political support. Developing regulatory impact assessments with a view towards increasing the quality of legislation had been required. Implementation of the Public Financial Management and Control Law had been criticized. Gender issues needed to be mainstreamed in law-making and in public administration. Ministerial powers over independent regulatory authorities, which run counter to EU legislation, had been in place.

The question is whether the new approach of the EU on public administration reform adopted in 2014-2015 Enlargement Strategy has resulted in any significant changes both for the European Commission’s evaluation methods of the accession process and for the alignment of Turkey’s public administration.

Aftermath of the adoption of the new approach on PAR

Over the past seven years, the European Commission has established a stronger focus on addressing fundamental reforms on **rule of law**, **economic governance** and **public administration reform** early in the enlargement process, which is also known as the “fundamentals first approach”, in order to strengthen the credibility of enlargement policy and to ensure its transformative power. These three pillars have been considered closely linked, cross-cutting issues of fundamental importance for success in political and economic reforms and building a basis for implementing EU rules and standards. More importantly, they have been key to determining when countries will be fully ready to join the EU (Enlargement Strategy Paper, 2014, p.1).

As part of this approach, the European Commission has attached par-

ticular emphasis on the public administration reform (PAR) since 2014-2015 Enlargement Strategy, which was considered to remain weak in most enlargement countries, Western Balkans in particular (Matteo and Scuola Superiore Sant' Anna, 2015, p.2), with limited administrative capacity, high levels of politicisation and lack of transparency (Enlargement Strategy Paper, 2014, pp.1-4).

The enhanced approach introduced in the 2014-2015 Enlargement Strategy aims to overcome this deficit and thus to better integrate public administration reform into the enlargement process *via* establishment of more concrete instruments and key issues on PAR. Accordingly, this enhanced approach of the European Commission has three main elements (Brunet, 2016). Firstly, it gave its definition to PAR for the first time through establishing six core areas of PAR to structure its own work on PAR in the enlargement countries. These core areas are determined as follows (Enlargement Strategy Paper, 2014, pp. 4-5):

“1. Strategic framework for public administration reform: this includes the political commitment to the reform process, including political leadership and technical coordination and monitoring of implementation.

2. Policy development and coordination: this includes appropriate coordination at the centre of government, inter-ministerial coordination, policy development and financial analysis.

3. Public service and human resources management: this includes organisation and functioning of the public service, including depoliticisation, merit-based recruitment and promotion, training and professionalisation.

4. Accountability: this includes transparency of administration, including access to information and possibility of administrative and legal redress.

5. Service delivery: this includes improving services for citizens and business, including better administrative procedures and e-government services.

6. Public financial management (PFM): this includes a commitment to a more comprehensive approach to improving management of public finances and the overall budgetary process through preparation and implementation of multi-annual PFM programmes and engaging in a PFM policy dialogue with the Commission and international financial institutions (IFIs). A credible and relevant PFM programme is also key for IPA sector budget support.”

Secondly, 2014-2015 Enlargement Strategy introduced “special groups on

PAR” as instruments for a more structured dialogue with the enlargement countries. These groups aimed to be the key platform for taking forward work on PAR. They would also be a forum for addressing horizontal PAR issues from the relevant negotiating chapters, monitoring progress and ensuring consistency. The results would feed back into chapter negotiations. Thirdly, accession negotiations would be used to encourage the necessary reforms. Association Agreements’ bodies (Association Council/Committee), relevant accession negotiation chapters (notably public procurement, financial control, judiciary and fundamental rights, taxation and economic and monetary policy) and inter-governmental conferences would also be used to encourage reforms (Enlargement Strategy Paper, 2014, pp. 5, 20). This would also ensure more political attention to public administration reform (European Commission, 2014a) and better implementation.

These separate but interlinked and mutually reinforcing elements of the new approach on PAR aimed at strengthening of EU external push on enlargement countries and at increasing their local ownership and leadership of the reform process (Matteo and Scuola Superiore Sant' Anna, 2015, p.14).⁵³

Accordingly, EU has been applying a more structured, standardized and guiding approach to public administration matters for evaluation of enlargement countries following the adoption of the 2014-2015 Enlargement Strategy.

Enlargement Strategies since 2014 include separate heading for and detailed evaluation of public administration different than previous years'. In addition, they identify key challenges and review progress in the fields

⁵³ The European Commission further strengthened its new approach on PAR through a SIGMA initiative “The Principles of Public Administration” (Principles) published following the 2014-2015 Enlargement Strategy. This initiative has been developed in close co-operation with the European Commission to define detailed requirements for a well-functioning public administration in each of the core areas of PAR defined in 2014-2015 Enlargement Strategy and to support the European Commission’s reinforced approach to PAR in the EU Enlargement process. They provide a framework for benchmarking performances in these core areas via defining key requirements and principles to be followed (Matteo and Scuola Superiore Sant' Anna, 2015, p.14). In 2017, the Principles were updated and a new “Methodological Framework for the Principles of Public Administration” developed to improve clarity, without changing the substance of the conceptual framework and to ensure systematic and enhanced focus on implementation (SIGMA, 2017). The SIGMA assessments based on the Principles have been one of the sources of information for the Commission’s Progress Reports for its evaluations on public administration matters (Cardona and Freibert, 2007). For instance, SIGMA conducted baseline measurement reviews against the Principles in the EU enlargement countries and potential candidates including Turkey and published detailed reports in 2015. These reviews analysed the performance of each in the public administration reform (PAR) area, set baseline values for indicators and suggested detailed and sequenced reform recommendations. Following the comprehensive Baseline Measurement Reports’, SIGMA has continued to monitor the progress of public administration reform in those countries and published monitoring reports for each in 2016, 2017 and 2019. While 2016 and 2019 reports are on partial assessments, 2017 reports give comprehensive assessments of the six key areas of PAR.

of public administration reform in general for all enlargement countries and then focus on the evaluation of each enlargement country when necessary. 2016 Enlargement Strategy, for instance stated *“Progress on public administration reform has been uneven. [...] In Turkey, the impact of the high number of recent dismissals on the professionalism and efficiency of the public administration remains to be assessed.”* Turkey has been considered moderately prepared in the area of public administration reform with a strong public service and committed to a user-oriented administration in Enlargement Strategies since 2014. Dismissals and demotions in the context of the fight against the “parallel structure” prior to and following 15 July 2016 coup attempt in Turkey; removals and reassignments of large-scale of civil servants have been sources of concern for the EU. 2019 Enlargement Strategy, in particular was critical about the changes in the domains of public administration following the new presidential system which was considered to result in politicisation of public administration.

Evaluation of public administration matters in the Progress Reports for Turkey since 2004 have changed significantly as a consequence of the new approach adopted. Also, more detailed analysis under core areas of PAR were determined in 2014-2015 Enlargement Strategy, clear expected results have been included in progress reports. 2015 Progress Report, for instance, in the area of public administration reform, stated:

“Turkey should in particular:

- *focus on more coordinated management of human resources, including introduction of a modern and integrated information system and more transparent procedures for recruitments, promotions and dismissals to safeguard merit-based principles;*
- *start to develop and systematically implement impact assessments to support policy- and law-making;*
- *allocate more funding to support strategic plans and legislative proposals.”*

2019 progress report for Turkey, for instance handled the area of public financial management as follows:

“There has been little progress in public financial management, notably because of the increased number of exceptions to the public procurement law, late adoption of the budget and frequent and unannounced changes to tax policy. An independent fiscal council aiming to ensure

fiscal discipline is yet to be established. In the absence of adequate ex post monitoring and reporting, major public investment programmes lack transparency. Budget transparency needs to be further improved, with the participation of civil society”.

The European Commission has been monitoring whether its recommendations are followed. The 2018 Progress Report explicitly stated, *“The European Commission’s recommendations from 2016 have not been implemented.”*

Despite the EU’s insistence and clarity in applying its new approach on PAR, there has been no significant progress in the domains of public administration in Turkey. There has been progress in some areas such as increasing service delivery to citizens *via* e-government and introducing more transparent rules for budgeting. Its main concerns emphasized in progress reports adopted prior to the new approach on PAR, however, continue to exist. Concerns about civil service legislation and policy-making process have even increased after the adoption of the new approach on PAR. This brings out the question whether the EU’s new approach on PAR have not resulted in any significant change in the case of Turkey.

Conclusion

The EU has been applying its new approach on PAR since 2014-2015 Enlargement Strategy. This is a sign that “fundamentals first approach” is considered to give positive results for the EU’s enlargement policy. Establishing a structured approach on PAR with the support of SIGMA in that regard, despite lack of EU *acquis* on the domains of public administration is a very significant progress for transparency and credibility of the EU’s enlargement policy.

There have not been significant changes, however, in the case of Turkey following the adoption of the new approach on PAR. The European Commission’s critiques with regard to public service, human resources management and accountability of the administration with regard to the right to administrative justice and the right to seek compensation have even increased since 2014. As shown in

the previous part, Turkey's public administration has not been among the main concerns of the European Commission in Turkey's accession process prior to the adoption of the new approach on PAR in 2014. The European Commission has been explicitly emphasizing that Turkey is moderately prepared in the area of public administration reform with its strong public service and user-oriented administration⁵⁴ even after that. Evaluations of the European Commission within Turkey's progress reports since 2014 demonstrate that the reasons behind this backsliding have been the actions of the Turkish government that have been taken to fight against attempted coups within the state since 2013.

Turkey has been fighting with attempted coups within the state, controlled by the Gülen movement (considered as "parallel structure" within the state), especially since 2013. 17 and 25 December 2013 corruption allegations resulted in reassignments and dismissals of judges, prosecutors, police officers, civil servants. Following this, a military coup attempt of the Gülen movement was aborted in the night from 15 to 16 July 2016. Again, significant number of public employees had been either suspended or dismissed. In April 2017, Turkey held a referendum that approved constitutional amendments introducing a presidential system and this system became operational on July 9, 2018. Entry into force of the presidential system remodelled the executive and state administration. The presidential system abolished the position of Prime Minister and other functions such as Under Secretaries in Ministries.

These changes have influenced the functioning of the domains of public administration in Turkey the most and adaptation to the presidential system requires time. The European Commission has been concerned about the structural impact on the functioning of the civil service of the measures taken after the coup attempts, accountability of the administration with regard to the right to administrative justice and the right to seek compensation of dismissed public employees and effects of the presidential system on the policy making process.

⁵⁴ See Enlargement Strategies from 2015 to 2019.

It was an unfortunate coincidence that the adoption of the EU's new approach on PAR and Turkey's problems in its political system occurred within the same time periods. Even though it is not possible to assess the influence of the EU's new approach on PAR to Turkey's accession process for the time being, it could also be an opportunity for both Turkey and the EU to assist each other. Turkish government could benefit from the EU's new approach on PAR and implementation of the European Commission's recommendations in that regard could facilitate the political system's transformation, reform of the civil service and accountability of administration. The EU, on the other hand, could prove the success of its new approach on PAR in restructuring the domains of public administration in a state of emergency.

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Perception of Integrity and Corruption in Black Sea Area Countries and the Opportunity to Apply EU Framework for Anti-Corruption Policy in the National Context



Hermine Katvalyan

SS2019 participant from Armenia

Currently, Hermine works as a Deputy Head for the International Economic Integration Department of the Office of Prime Minister of the Republic of Armenia. Simultaneously, she is doing her PhD in Economics at the Armenian State University of Economics. Mrs. Katvalyan has previously held various positions at the governmental apparatus, namely leading specialist with the Ministry of International Economic Integration and Reforms, tax policy expert at the Financial and Economic Department of the Government staff of the Republic of Armenia, intern at the Ministry of Finance of RA and Junior Researcher at the scientific research group at the Armenian State University of Economics (ASUE). She has studied MA in International monetary and financial relations as well as BA in International Economic Relations at ASUE. She has also completed the "Advanced program in European law and economics" at Riga Graduate School of Law and ADBI e-learning program on Asian economic development and integration and presented her final paper during the conference "20 Years After the Asian Financial Crisis: Lessons Learned and Future Challenges" in ADBI (Tokyo, Japan).

The modern society requires a rational, professional, stable and socially accountable public administration that serves its citizens. Citizens expect the public administration to be efficient and competent, they expect from public administration in all its domains (wealth, security, education, transport, traffic and etc.) to recognize the needs of citizens to strive effectively and equally deliver public goods. Such public administration is considered as a democratic one. "Successful" and "unsuccessful" societies are distinguished by the capacity of a state to deliver public goods and services in an effective and reliable way.

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The Black Sea region – defined as the land from the Balkans to the Caucasus and from the Ukrainian steppe to Anatolia - is once again squarely within the field of view of European policy makers. This region includes Greece, Turkey, Bulgaria, Romania, Moldova, Ukraine, Russia, Georgia, Armenia and Azerbaijan. Although Armenia, Azerbaijan, Moldova and Greece are not littoral states, history, proximity and close ties make them natural regional actors (European Commission, 2007). On the other hand, the Black Sea region is heterogeneous politically, economically and culturally and in shapes and sizes of its countries. It is said that the Black Sea is a region with little in common except the sea that divides it (Emerson, 2008a, p. 257)

Black Sea region countries have diverse political systems, ranging from developed democracies to authoritarian regimes. Communist pasts and a lack of democratic experience have decelerated democratization processes in many cases. Imperfect legal systems and public discontent in institutions are combined with growing executive power in many countries. Increasing inequality and unresolved conflicts undermine pro-democratic reforms as well. Bribery and corruption are a problem across the region. In the post-communist states, this has undermined state legitimacy. Increasing inequality is a pressing problem throughout, also threatening regime credibility. Nevertheless, the countries of the wider Black Sea area, through their cooperation in the context of the Black Sea Economic Cooperation Organization (BSEC), are struggling to build public institutions eager to achieve “successful” societies.

The effective implementation of public administration functions to a large extent depends on the ethical description and qualities of the existing public institutes and the integrity of civil servants. In Black Sea area countries the public administration system faces a number of complex external and internal issues (creation of effective anti-corruption measures, improvement of public administration quality, development of operating civil society and state interaction), the solution of which, among other factors, requires consideration of integrity issues in the public administration system. Public confidence and support for the implementation of new political initiatives and programs can be gained only with the formation and maintenance of high moral values and integrity norms, which can be also guaranteed for the consolidation of democratic values in public administration.

All the BSEC countries have launched strategies for the reform of their civil service in order to combat their similar problems. The current situation in the region is that of a politicized civil service where corrupt practices are facilitated. The recruitment procedures in most of the cases are not trans-

parent and are combined with political patronage. A career of work for the state turns into the reserved privilege of the few and maladministration and ineffectiveness are still dominant.

Another common weakness in the BSEC countries is their inability to successfully design and effectively manage public policies. Most of them have weak public institutions and confront problems of co-ordination between their central units. Public administration has been traditionally characterized by top-down procedures of managing decisions without even being aware of the final aim. A shift towards public policies that are trying to solve specific problems with the participation of a number of actors and through the modernization of the procedures has been in place in some BSEC countries (Ladi, 2018).

Civil servants develop into a lethargic and passive body that functions disconnected from the citizens and has no interest in adopting an active role in the service of the state. Clearly, the degree of inadequacy varies from country to country with member states having already moved ahead of the rest of the countries by having implemented more of the planned reforms.

Most of the civil service reform strategies focus on both the recruitment and the training of the personnel as well as the description of their tasks. The empowerment of human resources is seen as a priority in the modernization of the civil service in the BSEC countries and it includes rational planning, purposeful training, recruitment based on objectivity and transparency and a system of career opportunities.

One of key goals of reform in the BSEC countries is achieving transparency. Most BSEC countries are subject to what is often branded as the Soviet legacy of secrecy and confidentiality. This culture of secrecy first and foremost causes the citizen to become increasingly suspicious towards public authorities and their use of power, which they come to perceive as against them rather than for them. Secrecy favours corruption. Corruption is a result of resistance to change as well as of economic stringency. It stems from an ill conception of the *state – citizen relationship* where power is supposedly allowed to be used for personal gain at the expense of the citizen. Corruption, however, is indirectly encouraged when due to an insufficient salary it represents the only means for the civil servant to assure his own subsistence. Extremely low salaries in some BSEC countries constitute the prime cause of higher corruption level which takes the heaviest toll on simple citizens. Corruption indeed happens at any particular level of administration and constitutes therefore an exceptionally deep-rooted problem (Council of Europe, 2003-2006).

In order to achieve transparency and to apply the values of good governance, an effective institutional framework must be applied, the participation of citizens in governance should be enhanced, and an effective system of internal and external control needs to be developed.

State of corruption in some of Black sea countries and anti-corruption policies

According to the corruption perceptions index in the BSEC region, continued failure of most countries to significantly control corruption is contributing to a crisis in democracy in most of the countries. While there are exceptions, the data shows that despite some progress, most countries are failing to make serious inroads against corruption. A lack of progress fighting corruption in these countries is hampering democratic progress and undermining the prospect of greater economic and political cooperation with the European Union.

Corruption perception index in BSEC countries⁵⁵

Country	Corruption perceptions index 2018 score	Rank 2018	Rank 2017	Rank 2016	Rank 2015
Armenia	105 / 180	35/100	35/ 100	33/ 100	35/ 100
Azerbaijan	152/180	25/ 100	31/ 100	30/ 100	29/ 100
Albania	99 / 180	36 / 100	38/ 100	39/ 100	36/ 100
Georgia	41/180	58/100	56/100	57/100	52/100
Ukraine	120/180	32/100	30/100	29/100	27/100
Moldova	117/180	33/100	31/100	30/100	33/100
Russia	138/150	28/ 100	29/ 100	29/ 100	29/ 100
Turkey	78/180	41/100	40/100	41/100	42/100
Bulgaria	78/180	42/ 100	43/ 100	41/ 100	41/ 100
Romania	67/180	47/100	48/100	48/100	46/100
Serbia	87/180	39/100	41/100	42/100	40/100
Greece	67/180	45/100	48/100	44/100	46/100

⁵⁵ The index, which ranks 180 countries and territories by their perceived levels of public sector corruption according to experts and businesspeople, uses a scale of 0 to 100, where 0 is highly corrupt and 100 is very clean. More than two-thirds of countries score below 50 on this year's CPI, with an average score of just 43.

“The State of Corruption: **Armenia, Azerbaijan, Georgia, Moldova and Ukraine**”, assesses that more than 60 institutions responsible for preventing and fighting corruption, and finds the judiciary, legislature and civil society to be especially weak due to political interference and a lack of independent oversight.

While all five countries have adopted anti-corruption laws, political and business elites exert influence over important watchdog institutions, such as the judiciary and legislature, allowing their power to go unchecked and limiting the effectiveness of law enforcement. Politically motivated prosecutions and government interference to circumvent judicial processes are especially problematic in Ukraine and Moldova – where several judges have been convicted of receiving bribes (Transparency International, 2015).

In **Armenia**, Pashinyan’s war on corruption is currently ongoing: the goal of creating a competitive marketplace will decrease the presence of privatized oligarch enterprises and will increase global trust and facilitate discussion with regards to investment in Armenia. The government’s anti-corruption efforts have been praised by representatives of the European Union, who expressed readiness to support the creation of a special anti-corruption body with know-how and financing, as well as to increase financial aid to Armenia in general (Aravot.am, 2019).

Surveys and anecdotal evidence suggest that corruption in **Moldova** appears to be becoming more engrained in politics and society, affecting the quality of life for ordinary Moldovans. In particular, the consolidation of an oligarchic elite’s position at the reins of the state apparatus is seen to have fuelled corruption in politics, business and public administration. An example of the country’s problem with grand corruption was provided by the 2014 banking scandal, which led to the imprisonment of the former prime minister and precipitated an economic crisis. While substantive legislative reforms have been undertaken, serious political commitment to their implementation is required to tackle the endemic forms of corruption that exist in various sectors – including healthcare, procurement, judiciary and law enforcement (Transparency International, 2015).

Corruption is widespread in **Turkey’s** public and private sectors. Public procurement and construction projects are particularly prone to corruption, and bribes are often demanded. Turkey’s Criminal Code criminalizes various forms of corrupt activity, including active and passive bribery, at-

tempted corruption, extortion, bribing a foreign official, money laundering and abuse of office. Anti-corruption laws are inconsistently enforced, and anti-corruption authorities are ineffective. One of main criticisms is the lack of a coordinated and strategic approach to anti-corruption. There is also an absence of transparency and accountability in the political system, as embodied in the immunity regulations for high-ranking officials. Moreover, civil society has a limited role to play in policy-making and there is no mechanism enabling citizens to monitor government commitments.

There is a high risk of corruption in many sectors in **Bulgaria**. A lack of autonomy and transparency in the judicial system has weakened corruption investigations and property rights, encouraged public official impunity and has created an uncertain investment environment. Kickbacks and bribes plague the public procurement sector, eradicating fair market competition and resulting in fewer opportunities for foreign investors. Companies face demands for facilitation payments and bribery when registering businesses or accessing public utilities. The Criminal Code prohibits various types of corruption, including extortion, trading in influence, facilitation payments and bribery of foreign officials. Facilitation payments and gifts are formally prohibited, but do occur frequently. The complex but lacking legal framework and weak enforcement hamper the country's ability to effectively combat corruption.

Corruption is a serious problem in **Romania**, as well, which raises the risks of doing business in the country. Foreign investors complain of complicated procedures, arbitrary application of rules and requests for bribes when resolving administrative tasks related to business operations. The Romanian Criminal Code and other supporting laws criminalize active and passive bribery, including bribery of foreign officials. A company can be held criminally liable for corruption offenses committed by individuals acting on its behalf. The government, however, does not enforce anti-corruption laws effectively and impunity is widespread (Business Anti-Corruption Portal, 2018).

Georgia is widely recognized as having been largely successful in tackling petty corruption and public sector bribery over the last 15 years. Georgia is currently the best performer of the five countries in Transparency International's Corruption Perceptions Index 2014, ranking 41 out of 180 countries, with a score of 58 on a scale from 0 (highly corrupt) to 100 (very clean). Georgia's progress in the fight against petty corruption is largely

attributed to the introduction of a number of important legal reforms from 2003 onwards, including the criminalization of active and passive bribery, the strengthening of money laundering legislation, the introduction of a general code of ethics for civil servants, and asset disclosure and whistle-blower protection provisions for public officials. Crucially, these legal reforms have been accompanied by strong enforcement and practical measures, including: more pro-active prosecution and sanctioning of corruption offences; downsizing the over-inflated public sector bureaucracy; a reduction in the number of regulatory agencies, licenses and taxes; salary raises for public officials and civil servants; and reform of law enforcement agencies, including disbanding the notoriously corrupt traffic police. Nevertheless, weaknesses in Georgia's National Integrity System persist, including the absence of an independent anti-corruption agency whose responsibilities would include the investigation, monitoring and enforcement of anti-corruption provisions (Transparency International, 2015).

Causes of corruption in BSEC countries

Corruption in the region is strongly influenced by the political and economic environment. The economic activity in the region is mostly regulated and limited: the higher the authority and the power of officials in decision making, the greater the possibility of corruption, since individuals are willing to pay or offer payment in order to avoid restrictions.

Corruption is also strongly influenced by the low salaries of public administration employees (state officials), who are therefore trying to improve their financial position by receiving bribes, and consequently, the socio-economic situation of the government officials also affects the phenomenon of corruption.

Lack of professional ethics and deficient laws regulating corruption as a criminal offense, and the prosecution and sanctioning of it are also an important cause for the emergence and spread of corruption. A great influence comes also from the ineffective sanctioning of corruption, which only increases the possibility of continuing the corruptive actions of those involved, creating at the same time a strong likelihood that others will join in the corruption due to this inefficient sanctioning (Štefan Šumah, 2018).

Culture, habits, traditions and demographics also may be causes for corruption. There are many cases in BSEC societies and countries where corruption is a normal and accepted way of life. For example, in BSEC countries

gifts-giving is not considered corrupt behaviour; helping and supporting family members in getting a job is also not only a usual but even expected behaviour.

However, we can bring at least a couple of counter-arguments here. Firstly, even in countries where corruption is allegedly a way of life, there are laws penalizing corruption. Secondly, when it comes to gifts – often said to be gratitude for good service received – the case could be approached in reverse: would the service be provided without the gift? Is it certain that there will be a follow-up service if a gift is not given? Are there consequences for not giving a gift (for example to a teacher at school)? If so, what are they?

The question of a national culture determining corrupt behaviour is not, however, to be rejected completely. In many countries of the former communist bloc, there is recognition of the fact that citizens readily initiate bribes, assuming that this is expected from them, even when the public official has not even hinted at or tried to solicit a bribe. For example, according to results of research carried out in 2010, just over 50% of citizens of the Russian Federation would be ready to initiate a bribe if the amount of the bribe was cheaper than the cost of the service they were seeking. Another 63% said they would get involved in corruption if there was no other means of resolving an issue. Only 12% of citizens would be ready to report corruption to the police – a reflection of the widespread acceptance of corruption, but also of the low trust in law-enforcement institutions (Council of Europe, 2015, p.21).

Institutional culture is another cause for corruption, in particular in countries with endemic corruption: consider the case of an apprentice doctor working in a hospital where bribe taking has been a reality of life for years. Not joining this system would probably result in considerable problems for the young doctor, despite him/her having all the necessary qualifications. In this way, corruption becomes a self-replicating system. In the case of countries in transition, some argue that corruption is a temporary phenomenon, and that it will disappear once the transition process to democracy and a market economy has been completed. This argument will need to be re-examined, as it is based on the assumption (originating from the period of the immediate aftermath of the collapse of the Soviet Union) that a transition to a market economy is in fact taking place; this is not necessarily the case in all countries. It is my deep conviction that corruption undermines the consolidation of a democratic society and a free

market economy, so that real transition to democracy and market economy cannot happen if corruption is prevalent.

Corruption is always embedded in a general culture of lack of service mentality; disrespect or disdain for citizens; absence of care for the public good. At the same time, the level of respect for and implementation of laws is always low in an environment with a low level of ethical culture. In addition, a low level of ethics almost always creates the perception of corruption, even if there is in reality no correspondingly high level of bribery. This is why state leaders with experience in anti-corruption reforms often name a change in attitude within the public administration as the number one necessity. All laws, new agencies, organizational changes, lifting of salaries and the like will in the end be fruitless without a change in ethical culture. In other words, it is hard to imagine a culture of bribery thriving in an administration characterized by a high level of service, but it is easy to imagine it in an administration with a low level of ethics. The aim of such ethical changes is to have a public administration where people will abstain from corruption – not because they are afraid of being caught, but because it is the right thing to do.

In BSEC area, the low ethical culture is usually not the result of bad regulation but the result of a long tradition of bad practice that has become systemic through the following factors:

- Some civil servants with poor standards left over from previous autocratic regimes. These attitudes are handed down to some extent from senior civil servants to new ones as part of the “formation process”. The (partial) perpetuation of this systemic ethical abuse generates apathy and fear among potentially progressive civil servants and among citizens. Basic anti-corruption concepts
- Lack of ethical leadership. Without such leadership there is little courage or even motivation in the lower tiers for change.
- Lack of awareness and training. How are civil servants to deal with ethical dilemmas?
- Lack of enforcement. Some state bodies have outstandingly low numbers of disciplinary proceedings, in stark contrast to the frequent, almost systemic ethical violations reported by citizens.
- Lack of public awareness. Citizens have low awareness of ethics and few of them report violations.

- An oligarchic clan structure in public administration. Violations in conflict-of-interest situations and personal enrichment of the leadership would be the normal consequence of such structure and would always reflect negatively on the ethical motivation of ordinary civil servants (and citizens).
- Working conditions. These seem to be a factor for civil servants performing to a high standard, including ethically. This would concern mainly salaries and office space.
- The unquestioned state. This belief has a strong impact on the attitude of civil servants as well as on the willingness of citizens to stand up for their rights.
- Publicity is inappropriate. Strongly connected with the unquestionable state is the tendency to perceive transparent dealing with ethical violations in public administration as “washing dirty linen in public”.
- Past isolation of civil servants from the state elite. As a consequence, there is little respect for the protection of public assets in practice. Citizens and civil servants tend to see no problem in capturing public assets in illegal ways, as they feel it is now their time to use them. Even though a low ethical culture is usually not the result of bad regulation, nonetheless, turning ethics in the right direction will be difficult based on bad regulation. So having a clear and useful ethical code in place is an important starting point.

We should keep in mind that corruption is one of the most erosive issues of our time. It wastes public resources, widens economic and social inequalities, breeds discontent and political polarization and reduces trust in institutions. The non-governmental organization Transparency International defines corruption as ‘the abuse of entrusted power for private gain’ (Blanche, Depardon, Gros, 2019).

“Corruption seriously harms the economy and society as a whole” (Blanche, Depardon, Gros, 2019). Firstly, corruption hinders economic development and sound business because it creates uncertainty, distorts competition and generates additional costs (Blanche, Depardon, Gros, 2019).

However, it is not an incurable disease. By using the right approaches, much can be done to decrease it. There are many examples of successful tackling of corruption in the public sector. From the beginning of the transition process, many measures, which have an impact on corruption

restriction, were adopted in the new EU member states. They range from information tools (e.g. the Freedom of Information Act) and administrative tools (e.g. whistleblowing protection) to economic tools (e.g. active labour market policy reform). Appropriate anti-corruption measures can be developed and adopted when the knowledge concerning the concrete types and scope of corruption in a particular country is available.

Apart from the negative impacts on the ethics and morals of society, the harm that corruption does, rests upon the fact that important decisions (in the public interest) are made on the basis of private motives, not taking into consideration the impacts on society and on citizens. The decisions made are motivated by personal gain (including financial advantages), and not by the needs of the people.

Corruption has been defined in many ways in literature. In Colin Nye’s classical and most widely used definition, corruption is *“behaviour which deviates from the formal duties of a public role because of private-regarding (personal, close family, private clique) pecuniary or status gains; or violates rules against the exercise of certain types of private-regarding influence”*. Mushtaq Khan defines it as *“behaviour that deviates from the formal rules of conduct governing the actions of someone in a position of public authority because of private-regarding motives such as wealth, power, or status”* (Amundsen, 1999, page 7).

If private motives influence the decision-making on public funds, then the resources (financial, material, human) do not go where their valuation is best. Ineffective transfers are performed, resources are withdrawn from the efficient in favour of inefficient subjects and activities. Thus, the allocation efficiency of the economy is worsened, together with its competitiveness. This means that the best ones are not supported, their competition is not supported, conditions for their development are not supported, but advantages are granted to those with the most powerful lobby. Thus, creation of wealth is not supported, but its distribution. Business people focus on “rent seeking” rather than on “profit seeking”.

Corruption and non-transparent rules mean high administrative demands and high transaction costs. The large number of permits, licenses, authorizations, and complicated procedures in order to grant them, present obstacles to business on the one hand, and open up space for corruption on the other. Uncertainty about whether the rules are valid,

and how they will be applied, also increases the investment risk. If business people are not certain whether rules and laws will be observed and enforced, or if they enter an environment, in which establishment and operation of the business are to be secured by giving bribes, the investment risk in the respective country is increased for them. Thus, a corrupt climate results in a reduction of foreign investments. It is the foreign investments that are, for various reasons, a very important factor for transition economies. The mass need for re-structuring in the transition economies faces the problem of limited internal resources – foreign investments facilitate the currency exchange rate stabilization, enable integration into global economic relations, entry to foreign markets, they bring along know-how in the areas of management and marketing, as well as a new business culture and they create a natural foreign lobby for our integration ambitions, etc.

Corruption means that citizens receive less than they could with regard to the respective level of resources at the disposal of the economy. A corrupt environment causes prices to increase, and at the same time, the quality and accessibility of goods and services decreases. For example, a business person having been awarded a public contract via a bribe will include this bribe in the price paid by us for his/her services, or the public funds for funding of other services will be reduced. The fact that the amounts involved are not minor is evidenced by estimations, according to which a corrupt environment may cause public contracts to be overcharged by 30 to 50%. However, non-transparency in other areas also means losses for the citizen. For example, if the funding of political parties is not transparent, if the offices in state-owned monopolies are held by persons on the basis of a political key, without any possibility of public control, it may result in the pouring of funds from one place to another, in inefficiency, and in the increase of prices for services paid by the citizen.

But traditional approaches based on the creation of more rules, stricter compliance and tougher enforcement have been of limited effectiveness. A strategic and sustainable response to corruption is public integrity.

“Integrity” has become a key concept and topic on government and governance, as well as in actual policy making at all levels.

“Integrity” is nowadays a popular concept that relates to power; authority; politics; policy; administration; government; steering; management;

and organization. Governance can be interpreted as “*authoritative decision making on public problems for collective interests and implementation of these decisions*”. All decisions involve choices about good and bad, about social equity, social justice, and other crucial values, including policy areas with very intense discussions about the rights or wrongs. The ethics of the content of decisions, policies, and laws, with a focus on the consequences or results of policy, should nevertheless be distinguished from the “moral quality” of the political or governance process (how policies are made, decided on, and implemented). In order to have “moral” decisions we need to have moral or “integrity” politicians (Huberts, [2014](#), pp. 39–44).

“Integrity means that a professional exercises his tasks adequately, carefully and responsibly taking into account all relevant interests” (Karssing, 2001/2007, p. 3).

Integrity actually goes beyond propensity for corruption. Types of Integrity violations are:

1. corruption: bribing
2. corruption: favoritism
3. conflict of interest (gifts, jobs, etc.)
4. fraud and theft of resources
5. waste and abuse of resources
6. break rules/misuse power (also for the organization)
7. misuse and manipulation of information
8. indecent treatment (intimidation, discrimination)
9. private time misconduct (Huberts, 2014)

Integrity refers to the moral quality of the governance process, which is important for the legitimacy and credibility of public power.

Public integrity refers to the consistent alignment of, and adherence to, shared ethical values, principles and norms for upholding and prioritizing the public interest over private interests in the public sector (OECD, 2017).

The OECD is developing a practical toolkit to help policy makers achieve the principles outlined in the OECD Recommendation on Public Integrity (OECD, 2017). It can be presented through this pillars:

- Commitment
- Responsibilities
- Strategy aimed at mitigating public integrity risks
- Standards of conduct for public officials
- Whole-of-society
- Leadership
- Merit-based, professional, public sector
- Open organizational culture
- Internal control and risk management
- Enforcement
- External oversight and control
- Transparency and stakeholder's engagement

Using OECD practical toolkit we can develop integrity strategy for Public policy makers with a vision of achieving public interest in all levels of public administration:

- ensure that the appropriate legislative and institutional frameworks are in place to enable public-sector organizations to take responsibility for effectively managing the integrity of their activities as well as that of the public officials who carry out those activities;
- establish clear responsibilities at the relevant levels (organizational, subnational or national) for designing, leading and implementing the elements of the integrity system for the public sector;
- ensure that all public officials, units or bodies (including autonomous and/or independent ones) with a central responsibility for the development, implementation, enforcement and/or monitoring of elements of the public integrity system within their jurisdiction have the appropriate mandate and capacity to fulfil their responsibilities;
- promote mechanisms for horizontal and vertical co-operation between such public officials, units or bodies and where possible, with and between subnational levels of government to support coherence and avoid overlap and gaps,
- raise awareness in society of the benefits of public integrity and reducing tolerance of violations of public integrity standards and carrying out, where appropriate, campaigns to promote civic education on

- public integrity, among individuals and particularly in schools;
- include integrity leadership in the profile for managers at all levels of an organization, as well as a requirement for selection, appointment or promotion to a management position, and assessing the performance of managers with respect to the public integrity system at all levels of the organization;
- Promote a merit-based, professional, public sector dedicated to public-service values and good governance, in particular through:
 - ensuring human resource management that consistently applies basic principles, such as merit and transparency, to support the professionalism of the public service, prevents favoritism and nepotism, protects against undue political interference and mitigates risks for abuse of position and misconduct;
 - ensuring a fair and open system for recruitment, selection and promotion, based on objective criteria and a formalized procedure, and an appraisal system that supports accountability and a public service ethos
- Support an open organizational culture within the public sector responsive to integrity concerns, in particular through:
 - encouraging an open culture where ethical dilemmas, public integrity concerns, and errors can be discussed freely, and, where appropriate, with employee representatives, and where leadership is responsive and committed to providing timely advice and resolving relevant issues;
 - providing clear rules and procedures for reporting suspected violations of integrity standards, and ensure, in accordance with fundamental principles of domestic law, protection in law and practice against all types of unjustified treatments as a result of reporting in good faith and on reasonable grounds;
- Ensure the impartial enforcement of laws and regulations (which may apply to public and private organizations and individuals) by regulatory enforcement agencies.
- Encourage transparency and stakeholders' engagement at all stages of the political process and policy cycle to promote accountability and the public interest, in particular through:
 - promoting transparency and an open government, including

- ensuring access to information and open data, along with timely responses to requests for information;
- granting all stakeholders – including the private sector, civil society and individuals – access in the development and implementation of public policies;
- averting the capture of public policies by narrow interest groups through managing conflict-of-interest situations, and instilling transparency in lobbying activities and in the financing of political parties and election campaigns;
- encouraging a society that includes “watchdog” organizations, citizens groups, labour unions and independent media.

A push towards good governance principles and practices is coming to the BSEC member states through the EU. The most common actions towards the adoption of good governance practices and principles in the BSEC countries are the reform of the civil service, the improvement of policymaking procedures, the promotion of transparency including e-governance initiatives, and decentralization (Ladi, 2008, p. 25).

Promoting prosperity, democracy, peace, stability and security in its near regions is one of the key external relation priorities of the European Union. These aspirations are more urgent for Wider Black Sea region not only because of the political, economic, administrative, ecological and social challenges with which the basin is faced but also in view of instability in the region of the EU’s eastern flank (Shelest, 2012).

After Romania and Bulgaria’s entrance into the EU, the Black Sea region has become very important for the European Union. First of all, stability and security in the Black Sea region is important for the EU. On the other hand, this region is an important hub for energy and transport flows for the EU (Efe, 2012, p. 1). The EU is an important economic and trading partner for the Black Sea countries and makes many efforts to stimulate democratic and economic reforms and supports regional development of the whole region. In this context, “Black Sea Synergy” Program as an EU initiative was launched in 2007, and finally in May 2009, the EU adopted the “Eastern Partnership” – a plan to foster closer political and economic ties with these countries of the region.

Particularly, works on anti-corruption in the Black Sea region focus on the following:

- Encouraging and promoting a strong and professional investigative journalism. Works focus not only building the skills for these journalists, but on creating contacts between them so they can not only exchange and verify information, but feel better protected as part of a larger network.
- Supporting civil society in its efforts to advocate and support anti-corruption activities. The role of civil society is very important in advocating for the right legal framework that not only punishes, but also prevents corruption, and for the right institutions that implement these laws (judicial system, or a dedicated part of it).
- Keeping anti-corruption on the agenda of these countries’ international partners, as the main conditionality for further assistance. Both through grants and policy work – events, meetings with officials, study tours. One of the main messages of this effort is that a good legal framework, albeit essential, is not sufficient to ensure the success of anti-corruption efforts. As a matter of fact, passing the right laws is the easiest thing to do, and many countries in the region do have excellent laws, in general, and on anti-corruption in particular. Enforcing their provisions is what the international community needs to focus on.
- Ensuring transparency of both political and economic governance. Lack of transparency is the main condition for corruption, so ensuring transparent processes is paramount to eliminating it. Again, not only laws and regulations are but their implementation as well. BST supports efforts to both pass and implement legal regulations, but also to monitor the activity of governments in all countries in the region.

Corruption is a complex phenomenon that can take root in many areas of a society, whether in government or law enforcement, or among other actors like the media, business, and civil society. When the institutions and sectors which make up the public administration work together effectively, they allow the anti-corruption system to run smoothly. When one or more of the institutions is particularly weak, cracks appear, allowing corruption to seep into the system.

Public administration reform, however, was never an easy task anywhere. The OECD countries encountered several serious obstacles in reforming their administrations which are still being overcome. Each country needs to only best define its own individual problems in order to find solutions adapted to its specificities (Ladi, 2008).

However, all governments in BSEC region should end inappropriate political interference in executive affairs, including minimizing the role of powerful individuals and business interests in key government decisions and support a free and vibrant civil society sector, including easing unreasonable legal and financial restrictions on CSOs and ending all forms of intimidation, harassment and persecution of civic activists and journalists. International communities, in their turn, including the European Union, should more clearly prioritize the specific support to the fight against corruption via know how and financial aid.

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Corruption and „State Capture” in Moldova: Symptoms and Effects



Nicolae Arnaut

SS2019 participant from Moldova

Graduate from the State University, Faculty of International Relations and Political Science, MBA at the Academy of Economic Studies also he obtained the diploma in European Interdisciplinary Studies conducted by College of Europe. He gained professional experience from private sector-finance industry and consulting –as well as from public administration. He was the Head of Minister’s Office at Ministry of Health (2009-2010), Financial Assistant at the World Bank (2010-2013), Project Coordinator at the Aquaproject Romania (2014-2015). He also held a position of Electoral Analyst at the European Network of Election Observation Organizations, (2016). Also, he worked as a national trainer in Liberal Democratic Party of Moldova at Parliamentary Elections 2010 and the group of the political party “Action and Solidarity” led by Maia Sandu, at Presidential Elections of October 30, 2016.

Introduction

The year 2009 was a turning point process for Moldova when, after the so-called Twitter revolution the pro-democracy forces with a new generation of leaders and new perspectives for the development of the Republic of Moldova came to power. In January 2010, Moldova initiated negotiations on a new Association Agreement (AA) with the EU, aiming to bring the country closer to European membership, as mentioned in the somewhat ambitious reform agenda of the new Moldovan government.

This process has been resulted in abolishing visa restrictions for Moldovan citizens in April 2014, which was one of the most palpable achievements of the Moldovan authorities in the field of European integration. European integration that would have new development prospects after the signing of the Association Agreement with the European Union on June 27, 2014, qualified as a historic day for Moldova and the whole of Europe, thus firmly involving the Republic of Moldova in promoting the democracy of European reforms and cooperation.

Unfortunately, the chosen European path has been depreciated by the mimic reforms that have created the impression of a thriving Moldovan way. This situation was impelled by the statements of the European officials as an example of Moldova’s cataloging by Dirk Schuebel, Head of the European Union Delegation to Moldova, “The Success Story of the Eastern Partnership”. After the parliamentary elections in 2014 this labelling has been abandoned, practically definitively, as a result of the multiple political crises caused by corruption and serious crimes, such as those in the banking system, as well as the modification of the electoral system, transforming the Republic of Moldova into the captured state.

From endemic corruption to the “state capture”

Situated in the neighbourhood of the European Union with a population of almost 3 million people, the Republic of Moldova (RM), according to international statistics, is the poorest state in Europe, and the primary cause of migration, the economic and political crisis is the corruption in the state institutions. In recent years, the reports of the European institutions, the independent press, the opposition or European parliamentarians mentioned the phenomenon of corruption and qualified it as significant barrier in the context of the European transformation of Moldova. The young country has faced severe domestic obstacles such as poverty, high level of corruption in almost all sectors, poor economic development, an unstable political situation, absence of democratic institutions and internal division within the country that determine its particular case in the context of relations with European Union (EU).

According to political analyst Cornel Ciurea, the Moldovan society is based on irregular practices, which are compensatory mechanisms, regulating the normal way of life, bypassing officially established rules and principles that remain in the deficiency in practice, a phenomenon of the post-Soviet period which has enormously expanded.⁵⁶ This phenomenon is explained first and foremost by the state’s inability to control social life, while being a rule-making entity, in fact the educational system, the judiciary, the police, the economy, health systems and the media work in concert with other principles than those provided by law, which contributes to the spread of corruption.⁵⁷

⁵⁶ Cornel Ciurea (2017) “Political risks in Moldova. A barrier to international investment?”, in: J. Leitner, H. Meissner (ed.), *State Capture, Political Risks and International Business. Case from Black Sea Region Countries*, Routledge, New York, USA, 2017, p. 121.

⁵⁷ *Ibid.*

Twenty-eight years after independence, Moldova continues to suffer of corruption and institutional failure. Only the EU intervention may still hold the governmental authority responsible for the reform. According to Transparency International over the last 10 years, the Republic of Moldova has gone through several forms of corruption - from endemic corruption to the "politicization" of the fight against corruption by eliminating political and business competitors, and last but not least, by capturing state to a narrow group of people with hidden interests.⁵⁸ The lack of a democratic institutional structure, corruption in the system, systematic favoritism, lack of political and economic separation, the personalization, the predominance of the informal institutions compared to the formal ones are factors that can easily be detected in Moldova.

In 2000, the World Bank has already classified Moldova as a 'state captured', the effect of purchasing parliamentary votes, suspicious court decisions, fraudulent public funds, and funding non-transparent parties have been frequent practices that have highlighted the vulnerabilities of the transition process democratic Moldova.⁵⁹ According to the report of World Bank, the authors define 'state captured' that refers to the actions of individuals, groups or companies operating in the public and private sector to influence the formation of laws, regulations, decisions and other state policies to their advantage.⁶⁰ Ciurea remarks that the current oligarchic nature of the political regime of the Republic of Moldova differs from the former nomenclature of the parties existent in the 1990s, led by former presidents Mircea Snegur and Petru Lucinschi, today's oligarchs are considered to be more economically and politically oriented, their interest is mainly determined by their desire to maintain control over all state institutions and state bodies.⁶¹

Besides, according to political scientist Theodor Tudoroiu, public officials themselves can capture the state if they abused their authority to form institutions and laws primarily in line with their own private financial interests, this 'direct' capture is being studied in the case of Moldova as part of the phenomenon of 'political capture'.⁶²

⁵⁸ Transparency International (2017): Moldova, ADEPT, IDIS „Viitorul” and the LRCM, State Capture: the Case of the Republic of Moldova, June 16, 2017, Available at: <http://www.transparency.md/2017/06/16/state-capture-the-case-of-the-republic-of-moldova/>, (last access: 26 august 2019).

⁵⁹ Cristina Gherasimov (2017): Moldova: The Captured State on Europe's Edge, ChathamHouse, 8 March 2017, Available at: <https://www.chathamhouse.org/expert/comment/moldova-captured-state-europe-s-edge>, (last access: 27 august 2019)

⁶⁰ World Bank (2000) : Anticorruption in Transition A Contribution to the Policy Debate, Washington,2000, Available at: <https://siteresources.worldbank.org/INTWBIGOVANTCOR/Resources/contribution.pdf> , (last access: 27 august 2019) .

⁶¹ Cornel Ciurea (2017) 'Political risks in Moldova. A barrier to international investment?', op.cit.p.122

⁶² Theodor Tudoroiu, Democracy and state capture in Moldova, Democratization, 2015,Vol. 22, No. 4,p.657,

Moldova as part of the phenomenon of 'political capture'

Starting 2009, the Democratic Party of Moldova, which initially has been taken out from the shadows and then officially led by the oligarch Vladimir Plahotniuc, started to impose its interests in cartel agreements between the members of the ruling coalition. After the so-called 'Twitter Revolution' in April 2009, several members of opposition parties created the Alliance for European Integration (AEI) and started to work together under the leadership of Vlad Filat, this alliance won a parliamentary majority in July 2009 (53 out of 101, with no possibility of electing a President), later the alliance was reconfirmed after another vote in November 2010.⁶³

Meanwhile, the AEI has sent countless signals to Brussels, making it increasingly a rebranding of the Republic of Moldova as a success story of the Eastern Partnership due to multiple internal reforms and a public relations campaign with a tentative focus on Brussels.⁶⁴ Between 2013 and 2014, Moldova was ranked first in the analysis of the European Integration Index for Eastern Partner Countries, Ukraine and Georgia.⁶⁵ However, the process of reforming the country ceased with the resignation of Vlad Filat in April 2013, due to the high level corruption in almost all the state institutions, being accused of corruption, abuse of power and power of influence.⁶⁶

For a short time, he was replaced by Iurie Leanca (April 2013-February 2015), though he could not maintain his position due to several significant changes to Moldova's domestic political scene in the wake of the November 2014 parliamentary elections. After the announcement of the results of the parliamentary elections, the three main pro-European parties (PLDM, PDM and the Liberal Party - PL) came with a joint statement saying they were willing to revive the government coalition they had in recent years, known as the Alliance for European Integration AIE.⁶⁷

Available at: <https://www.tandfonline.com/doi/pdf/10.1080/13510347.2013.868438>, (last access: 27 august 2019) .

⁶³ Florent Parmentier (2018) : ' The European Neighbourhood Policy and Moldova, A resilient oligarchic system wedged between the EU and Russia', in: Tobias Schumacher, Andreas Marchetti, Thomas Demmelhuber (ed.), The Routledge Handbook on the European Neighbourhood Policy, Routledge, New York, 2018,p.306

⁶⁴ Ibid.

⁶⁵ European Integration Index 2014 for Eastern Partnership Countries (2014): The 2014 Index -key results at a glance, February 2015, p.16, Available at: http://www.csdialogue.eu/sites/default/files/eap_index_2014.pdf, (last access: 27 august 2019)

⁶⁶ Florent Parmentier ,op.cit.

⁶⁷ Kamil Calus (2015) : A captured state? Moldova's uncertain prospects for modernisation, Centre for Eastern Studies, Warsaw, 22.04.2015, Available at: <https://www.osw.waw.pl/en/publikacje/osw-commentary/2015-04-22/appropriated-state-moldovas-uncertain-prospects-modernisation>. (last access: 27 august 2019)

However, despite the two months of negotiations, the leaders of these parties proved to be indecisive in reaching a joint decision, as the active resistance of the Democrats not compromising with the liberals' demands for a de-politicization of the prosecution (in that time controlled by the PDM) and the appointment of an EU official to monitor it.⁶⁸ Finally, on 23 January 2015, a minority coalition was formed, composed only of PLDM and PDM named the Political Alliance for a European Moldova (APME).

However, the fragility of this alliance generated a political instability which reached a peak of decisions gap with five new heads of government in just a few months: Chiril Gaburici (February 2015), Natalia Gherman (June 2015), Valeriu Strelet (July 2015), Gheorghe Brega (October 2015) and Pavel Filip (January 2016) successively became heads of government.⁶⁹ According to with the Freedom House's report, the political crisis, widespread corruption and profound social divisions have blocked the democratic processes in Moldova. The country suffered new failures along the way, transparent and efficient governance, put the reforms to the background. Additionally, the conflict between two oligarchs in the coalition, Plahotniuc and Filat, resulted into the cessation of the state's operation and led to the triple change of government just over a year.⁷⁰

Similarly, despite the positive technical efforts to implement the European reforms in state institutions, they have stagnated and confidence in institutions, such as parliament and government, has fallen below 7 percent. If we look at the table below, we can see that the worst result is recorded in the corruption chapter. Moldova has got a lower score in 2016, than in 2015 dropping from 5.75 in the previous report to 6.00. Another aspect that has worsened is the 'national democratic governance', where the index has fallen from 5.5 to 5.75.⁷¹

Graph 1. Nations in Transit Category and Democracy Scores

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
National Democratic Governance	5.75	5.75	5.75	6.00	5.75	5.75	5.50	5.50	5.50	5.75
Electoral Process	3.75	3.75	4.00	4.25	4.00	4.00	4.00	4.00	4.00	4.00
Civil Society	3.75	3.75	3.75	3.50	3.25	3.25	3.25	3.25	3.25	3.25
Independent Media	5.25	5.50	5.75	5.75	5.50	5.00	5.00	5.00	5.00	5.00
Local Democratic Governance	5.75	5.75	5.75	5.75	5.75	5.75	5.75	5.75	5.75	5.50
Judicial Framework and Independence	4.50	4.50	4.50	4.75	4.50	4.50	4.50	4.75	4.75	4.75
Corruption	6.00	6.00	6.00	6.00	6.00	6.00	5.75	5.75	5.75	6.00
Democracy Score	4.96	5.00	5.07	5.14	4.96	4.89	4.82	4.86	4.86	4.89

Source: Freedom House⁷²

These negative outcomes were also triggered by bank scandals at the end of 2014, when more than \$ 1 billion, equivalent to 15% of Moldova's GDP disappeared from the state-owned Banca de Economii and two other private banks, controlled by politicians.⁷³ The theft in the banking system generated a severe economic situation and triggered protests since February against the failure of law enforcement institutions to investigate the bank theft. With the start of civil demonstrations initiated by the 'Dignity and Truth' platform, the pro-Russian parties held their protests in parallel with a similar agenda.⁷⁴ On the backdrop of protest actions and political disputes, there was self-denunciation of Ilan Shor, an oligarch suspected of theft, and subsequent arrest of former Prime Minister Vlad Filat.

⁶⁸ Ibid.

⁶⁹ Florent Parmentier, op.cit.

⁷⁰ Leonid Litra (2016) : Moldova Nations in Transit 2016, freedomhouse.org, Available at: <https://freedomhouse.org/report/nations-transit/2016/moldova>, (last access: 28 august 2019)

⁷¹ Ibid.

⁷² Ibid

⁷³ Ibid.

⁷⁴ Ibid.

This arrest questioned the transparency and the capacity of anti-corruption institutions in the Republic of Moldova, it came only after Shor's statements, although more additional evidence has accumulated until the actual arrest.⁷⁵ The most important factor was that Ilan Shor was from the beginning named as the key figure in the theft and, despite his involvement and his statements, Shor remained free and was elected Mayor of Orhei in June 2015 as a result of local elections from Moldova.⁷⁶ The arrest of Vlad Filat supposed that it was orchestrated by Vlad Plahotniuc, which has led to the consolidation of the dominant position in the Moldovan political system, unprecedented since 1991.

This consolidation assured the control of the state apparatus, the Moldovan press, thus unifying the position of the political elite and financial strength.⁷⁷ Assuring control over the legislative body and largely dominating the judicial system, it was very easy to focus on the power of the Executive, so in 2016, PDM brought the power de facto into the Executive.⁷⁸

The system of control and 'state capture' created by Plahotniuc was based on four main complementary pillars:⁷⁹

Table 1. Four main complementary pillars of Plahotniuc system.

The first pillar included the group of closest people to Plahotniuc, many of whom have close ties with him and held important positions in politics and business, such as Andrian Candu, the President of the Parliament and Prime Minister Pavel Filip⁸⁰ According to the information, Plahotniuc's clan consisted of two circles, internal and external. The inner circle includes reliable people who have collaborated with Plahotniuc for years and members of his family (including Candu and Filip), the external circle consists of people who cooperate especially with Plahotniuc for their own interest, Plahotniuc does not trust this group and its composition is constantly changing.⁸¹

A second pillar was business and financial power, the calculations indicate that Plahotniuc has assets worth about 2-2.5 billion dollars, a staggering amount for the Moldovan standards that make up (about one third of the country's GDP), its financial capacities have been strengthened by assuring control over the state, but also eliminating Filat.⁸²

Controlling the administration of justice was the third pillar of the system that was a key element of the Plahotniuc clan's governance system. It allowed for the use of combined 'carrot and stick' system to subordinate political decision-makers and businesspersons.⁸³ By initiating court proceedings found a way to intimidate someone and another method is to find compromising material by securing control over this part of the state apparatus, being threatened with fiscal controls or criminal prosecution.⁸⁴

The fourth pillar was media control where Plahotniuc held a monopoly over four of the five national coverage TV stations and three radio stations, as well as a series of newspapers and news portals, thus providing a convenient pressure tool on the press, which is still officially independent.⁸⁵

Source: Kamil Calus, Author's elaborations⁸⁶

According to Kamil Calus and Wojciech Konończuk, the oligarch Plahotniuc, also the leader of Democratic Party, the largest ruling coalition party, has become the most important political player in the country. He has achieved this position as a result of the removal from his political or business scene with

⁷⁵ Ibid.

⁷⁶ Ibid.

⁷⁷ Florent Parmentier, op.cit.

⁷⁸ Ibid.

⁷⁹ Kamil Calus (2017): Moldova: from oligarchic pluralism to Plahotniuc's hegemony - OSW, 11.04.2017, Available at: <https://www.osw.waw.pl/en/publikacje/osw-commentary/2016-04-11/moldova-oligarchic-pluralism-to-plahotniucs-hegemony>, (last access: 30 august 2019)

⁸⁰ Ibid.

⁸¹ Ibid.

⁸² Ibid.

⁸³ Ibid.

⁸⁴ Ibid.

⁸⁵ Ibid.

⁸⁶ Ibid.

tact of his rivals, including former Prime Minister Vlad Filat and businessman Veaceslav Platon, both of whom are sentenced and imprisoned.⁸⁷ Although Plahotniuc controlled the entire Moldovan system, it does not mean that he has not faced problems, the worst being the lack of legitimacy of his power, in the eyes of citizens. He was associated with large-scale corruption and bankruptcy of \$ 1 billion in the sector banking in the result having only 1 percent of support from the people, and 5 percent for the Democratic Party.⁸⁸

According to Florent Parmentier, the oligarchic elements felt within the AEI have compromised the European idea in the Republic of Moldova. As a result, we find established relationship with corrupt officials rather than a better governance model, more political space for pro-Russian politicians and a significant part of the background of the Moldovan public having a pro-Russian orientation, favoring integration with the Eurasian Economic Union (EEU).⁸⁹ Against the backdrop of deep disappointment with the ruling elite, the creation of new political parties began. So in March, former Prime Minister Iurie Leanca, who avoided camps, engaged in the political dispute, left PLDM to form the European People's Party (PPEM).⁹⁰

In December of the same year, the civic platform 'Dignity and Truth' became a political party headed by Andrei Nastase and being supported by another oligarch Victor Topa.⁹¹ Same time, the former education minister, Maia Sandu, expressed her desire to announce the creation of her party, 'Action and Solidarity', based on her reputation for integrity and positive results she obtained in reforming the education system.⁹² With the internal political dispute in the past, relations with the EU have worsened significantly as the Reform Agenda for the 2014 Association Agreement stalled, with reforms accounting for only 19% of the planned activities, the main barriers being corruption and lack of basic progress made the so-called pro-European political elite that directly undermined the pro-EU agenda and strengthened the enthusiasm of the center-left loyal Eurosceptic and Pro-Russia parties.⁹³

⁸⁷ Kamil Calus - Wojciech Konończuk (2017) : Explaining Oligarchic Moldova, Carnegie Europe, May 04, 2017, Available at: <http://carnegieeurope.eu/strategieurope/69856>, (last access: 31 august 2019)

⁸⁸ Ibid.

⁸⁹ Florent Parmentier ,op.cit. ,pp.306-307.

⁹⁰ Jurnal.md (2015): The former premier Iurie Leanca has launched his party; "The RM is led by the Communists" 23 March 2015, Available at: <http://jurnal.md/en/politic/2015/3/23/the-former-premier-iurie-leanca-has-launched-his-party-the-rm-is-led-by-the-communists/>, (last access: 31 august 2019)

⁹¹ Leonid Litra (2016): Moldova Nations in Transit 2016, freedomhouse.org,op.cit.

⁹² Infotag (2015) : Ex-Minister Maia Sandu Creating Political Party, 23 December 2015, Available at: <http://www.infotag.md/politics-en/215317/>,(last access: 31 august 2019)

⁹³ IPRE (2015): Moldova implemented only 19% of activities within the Association Agreement with the EU, Radio

The new government, installed in January 2016, during a nighttime ceremony succeeded in an unusual power concentration for a party that ranked fourth in the last parliamentary elections in 2014. However, the Filip government had a difficult task of stabilizing the political situation in the country, and to gain the trust of the public and the international partners of Moldova, whose financial support is crucial for the economic survival of the country.⁹⁴ Bearing in mind the crisis, the government urgently developed a Roadmap for Priority Reform Actions to be adopted between March and July 2016, where the government's responsibility was to quickly undertake a series of complex reforms that have been postponed by several years.⁹⁵

However, after the end of the five-month period, results were not satisfactory implemented, according to a monitoring report of local experts, the total of 69 actions, 24 (35%) properly, 16 (23%) being carried out with deficiencies, 19 shares (27%) of the total are in progress, and 4 (6%) negative performance, with serious weaknesses that could hamper the success of the action, and the remaining 6 (9%) of the actions were not initiated.⁹⁶ The worst problems in implementing reforms were in the field of media where it remained under political control, most notably during the presidential campaign when the media institutions controlled by Plahotniuc were concerned with the promotion of candidates instead of informing the public.⁹⁷

The judicial reform started in 2016 and the modification of the judges' appointment procedure continued to be a contextual implementation problem as regards the integrity of the candidates, while the intimidation of judges who did not comply with the political orders represented such a problem, the most prominent example was Judge Domnica Manole, who initiated a criminal case following a sentence against the central electoral commission that refused to hold a referendum initiated by the platform 'Dignity and Truth' ⁹⁸Although Sergei Cioclea was appointed as the new

Free Europe, 1 December 2015, <http://www.europalibera.org/archive/news/20151201/445/445.html?id=27399732>, (last access: 31 august 2019)

⁹⁴ Victor Gotișan, Nations in Transit 2017: The False Promise of Populism Nations in Transit Ratings and Averaged Scores - freedomhouse.org, Available at: <https://freedomhouse.org/report/nations-transit/2017/moldova>, (last access: 31 August 2019)

⁹⁵ Ibid.

⁹⁶ Association for Participatory Democracy (ADEPT), Expert-Grup Independent Think-Tank and Legal Resources Centre from Moldova (LRCM) (2016): Monitoring report on the implementation of the Priority Reform Action Roadmap, March-June 2016,p.3, Available at: <http://www.e-democracy.md/files/raport-foaie-parcurs-03-06-2016-en.pdf>, (last access: 1 September 2019)

⁹⁷ Victor Gotișan (2017) : Nations in Transit 2017: The False Promise of Populism Nations in Transit Ratings and Averaged Scores, freedomhouse.org, op.cit. (last access: 1 September 2019)

⁹⁸ Ibid.

Governor of the National Bank of Moldova (NBM) in April, promising to do everything possible to ensure stability in the banking sector and return the stolen billion dollars, the banking sector remained somewhat fragile.⁹⁹ The EU Conclusions of February 2016, which were the first tough reaction to Moldova highlighted that the EU is closer to Moldova than the Moldovan authorities are to Brussels, European institutions demonstrating that they are better aware of the structural weaknesses of the country and are able to formulate initiatives better anchored to local reality.¹⁰⁰

Compared to the harsh position declared in February 2016, when the Democratic Party began to become the main center of the political power in the state, the EU's 2018 criticism became more moderate even if few positive developments took place in the implementation of reforms.¹⁰¹ According to the analyses of Dionis Cenușa the 2016 and 2018 documents, it highlighted that many of the old problems have remained unresolved, such as institutionalization and systemic corruption, in the same context; the EU recalled the importance of impartiality and independence of the judiciary, media pluralism and the mechanism of democratic institutions, energy security and other issues.¹⁰²

Table 1. Comparison of EU Conclusions of February 2016 and February 2018.

	<u>Conclusions of 2016</u>	<u>Conclusions of 2018</u>
Number of points	13	27
Areas signalled as problematic	1. Banking and financial sectors/investigation of banking fraud 2. Independence of justice 3. Corruption fighting 4. Business sector 5. Mass media	1. Electoral system Mass media 2. Corruption fighting 3. Money laundering fighting 4. Independence of justice 5. Banking and financial sectors/investigation of banking fraud 6. Local public administration reform 7. Business climate 8. Protection of intellectual property 9. Energy security
Frequency of use		
Strict conditionality	0	2
Citizens' welfare	1	5
Involvement of civil society	1	3
Corruption	3	9
Money laundering	1	5
Mass media	3	5

Source: IPN¹⁰³

On the same ideas, Dionis Cenușa noted that the analysis of the 2018 document showed that the EU's monitoring effect is more effective, analyzing the perspective how reforms are de facto implemented, including through non-state actors, civil society, and information taken from independent media.¹⁰⁴ At legislative and government level it was clear that the ruling party was interested just in maintaining their power, thus in 2017 it amended the Electoral Code by adopting a uninominal or mixed electoral

⁹⁹ Ibid.

¹⁰⁰ Council of the European Union (2016): Council conclusions on the Republic of Moldova, 15 February 2016, Available at: <http://www.consilium.europa.eu/en/press/press-releases/2016/02/15/fac-moldova-conclusions/>, (last access: 2 september 2019)

¹⁰¹ Council of the European Union (2018): Council conclusions on the Republic of Moldova, 26 February 2018, Available at: <http://www.consilium.europa.eu/media/32960/st06280-en18.pdf>, (last access: 3 September 2019)

¹⁰² Dionis Cenușa (2018) : Moldova and EU: a dialogue clogged up with old problems and new expectations, OP-ED, 05 March 2018, ipn.md, Available at: <http://ipn.md/en/special/89773>, (last access: 2 September 2019)

¹⁰³ Ibid.

¹⁰⁴ Ibid.

system to gain an edge during the next parliamentary elections. The year 2018 was decisive for Moldova, in the context of the parliamentary elections in February 2019, the government had to implement the most critical justice-related reforms, the fight against corruption, the adoption of the legal framework for the media sector and the stabilization of the economic situation, but also through regaining EU confidence.

Moldova's anti-oligarchic spring - chance to reform a captured state

The Parliamentary elections organized for the first time on the basis of the mixed voting system of 24 February 2019 were organized under a political, economic and social intensity, marked by antagonistic relations between the leading political power and the opposition. The low confidence of citizens in the state institutions, a continuous degradation of democratic standards, the increasing corruption level and as a result, and a cooling of relations with development partners, in particular the European Union, gave the citizens an impulse to vote for a change. The hopes of the people were linked to the anti-oligarchic block named "ACUM", consisting of 2 pro-European political parties that set out to clean the country of oligarchs and to investigate their dark transactions and find billions of dollars stolen by the politicians.

The Parliamentary Elections on the 24 February 2019 did not significantly change the political scene of the Republic of Moldova, as a result four parties became parliamentary parties: Socialists, followed by the Democratic Party, then the electoral bloc "ACUM" and, finally the party of a convicted oligarch Ilan Shor. Since no party had 50 + 1 mandates from 101 and after months of negotiations without reaching a consensus, it was necessary to have an intervention from several high-profile officials from the EU, the US and the Russian Federation. According to Emma Beswick, a news of a surprising political alliance appeared on Saturday, June 8 when the Socialists and ACUM, controlled by Moscow and Brussels respectively decided to block the Democrat party and its powerful leader with common mandate and message "To rid Moldova of oligarchs".¹⁰⁵

The new alliance with 61 seats in the parliament jumped to direct actions, adopting a resolution that branded Moldova a "captured state" and pledged to implement a program of "de-oligarchisation". According to Mihai Corman the unprecedented coalition created on the basis of two

¹⁰⁵ Emma Beswick (2019): How did the political crisis in Moldova unfold and what happens next?, euronews.com, Available at: <https://www.euronews.com/2019/06/11/how-did-the-political-crisis-in-moldova-unfold-and-what-happens-next>, (last access: 4 september 2019)

diametrically opposing ideologies was united with the unique purpose of escaping the oligarchic structures of Plahotniuc, which has captured the main state institutions in the last decade. The PSRM has reached a common understanding with "ACUM" on the avoidance of geopolitical and ideological issues, also sacrificed ministerial positions in favor of "ACUM" bloc and ensured its full support for its "de-oligarchisation" course.¹⁰⁶

What now?

Although the new government has begun the de-oligarchization program in the state institutions by replacing high-ranking corrupt leadership in important state institutions, this process runs slowly based more on euphoria keeping the common interest of the alliance that is only a temporary one and at any time could lead to early elections.

Their common ground is ambitious-oligarchising agenda with democratic aspects, the reform of Justice, the Anticorruption Center and the banking system, is a long-term goal and despite the defeat of Plahotniuc, Moldova remains a state captured. Many institutions and employees who were subordinate but also was in an illegal payment system created by Plahotniuc continue their activity in various functions, demonstrating once again that corruption is endemic and cannot be resolved by removing the system a person or group of persons.

Despite the obstacles, the new government puts a lot of hopes in the context of cleaning up the corruption system, which remains a priority in particular with the support of the European Union, the US and other important partners who have declared technical and financial support willing to invest in carrying out the reforms foreseen in the Association Agreement programme. This way they plan to ensue functional cooperation through the promise of unlocking external funding stopped during Plahotniuc's period, which will have an impact on people's daily lives.

Instead of conclusion...

he report of the European External Action Service and the European Commission from 5 April 2018 showed that corruption continues to be widespread, and the independence of the judiciary and the anticorruption

¹⁰⁶ Mihai Corman (2019), Another One Bites the Dust? Moldova's anti-oligarchic spring and the future challenges for the EU foreign policy, The Dahrendorf Forum, 17 July 2019, Available at: <https://www.dahrendorf-forum.eu/another-one-bites-the-dust-moldovas-anti-oligarchic-spring-and-the-future-challenges-for-the-eu-foreign-policy/>, (last access: 5 September 2019)

institutions require substantial improvements in particular to combat high-level corruption, to recover the misappropriated funds as result of bank fraud, to punish all those responsible and thorough reform of the judicial system.¹⁰⁷ Thus, in the conditions of a new government, will be crucial for Moldova in order to continue the process of reforming the country, having **3 important challenges** in front of European path of Moldova:

- Endemic corruption, augmented by changes in the electoral system
- Thorough reform of the judicial system.
- Recover the misappropriated funds as result of bank fraud, to punish all those responsible.

However during the last years Moldova has advanced with the implementation of some reforms, but further action is still required to achieve significant results which can only be solved by jointly actions and measures undertaken by the European Union and Moldova as follows:

Recommendations EU/ the Government of Moldova

- *EU should take concrete actions in the internal affairs using the instruments to influence the course of reforms, most important of which is to impose the conditions for financial support.*
- *The EU should assure more financial and technical assistance to Moldova, but on the basis of strict conditions (no reforms- no disbursements), the assurance must be given to both the public and the private sector in order to realise a balance especially for the costs of modernising the light industry and production.*
- *EU should act, raise awareness and inform the public and, in particular, the business community, about the opportunities and benefits offered by AA / DCFTA, and provide support for trans-sectorial cooperation and cross-border projects.*
- *EU's monitoring should be more effective, analysing how reforms are de facto implemented, including through non-state actors, civil society, and information taken from independent media.*
- *The EU must ensure the design and implementation of a constant monitoring mechanism and support for judicial reform in the fight against corruption, such a mechanism could be developed based on the cooperation*

and verification mechanism used in Romania and Bulgaria.

- *The European Union should initiate a request to INTERPOL for an investigation into the interlope activity of the oligarch Plahotniuc.*
- *The EU can encourage attempts by President Dodon to normalise relations with Russia in the context of diversifying exports but this should not be seen through the perception of geopolitical competition but of reforms.*
- *The Republic of Moldova should abandon the artificial instruments to promote European integration in Moldova and to gain experience through the European integration processes in the Western Balkans (dimension, proximity, the absorption capacity of European legislation).*
- *The Republic of Moldova must make a bigger effort to investigate \$ 1 billion in bankruptcy and punish those guilty, being deliberately delayed by the political class.*
- *Corruption is one of the biggest problems faced by Moldova, and in this context, the provisions of AA pay particular attention to the issue of combating corruption and fraud, Moldova must continue the reforms aiming to strengthening the independence of the institutions fighting corruption, as well as corruption in public auctions and EU funding.*
- *The Parliament of Moldova should amend the Law regarding of judges' disciplinary responsibility in order to provide more powers to the Judicial Inspection Body, which is tasked with investigating and bringing disciplinary cases against judges which are involved in corruption acts or controversial decision.*
- *The Republic of Moldova must continue to reform its banking sector, with the support of the EU and international partners such as the International Monetary Fund (IMF) and the World Bank.*
- *The Republic of Moldova should ensure a correct and timely legislative process for the adoption of the Audio-visual Media Services Code of the Republic of Moldova.*
- *Moldova needs to create new business incubators at the national level to stimulate economic development and job creation, the EU has already provided financial support to migrants returning to develop business in Moldova.*
- *The Republic of Moldova should diversify its sources of energy and launch a tender to select the company responsible for the construction Ungheni-Chisinau pipeline, by ensuring maximum transparency in accordance with public procurement legislation.*

¹⁰⁷ European Commission (2018) - Press release, EU report: the Republic of Moldova advances in reform implementation but considerably more progress is needed, Brussels, 5 April 2018, Available at : http://europa.eu/rapid/press-release_IP-18-2781_en.htm, (last access: 5 September 2019)

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