

Combating poverty and access to social rights in the countries of the South Caucasus: a territorial approach



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FOREWORD

The first observation to be made when looking at the issue of combating poverty in the countries of the South Caucasus (Armenia, Azerbaijan and Georgia) is the dislocation of previously interdependent entities which are now facing enormous difficulties as they try to construct autonomous organisational and development processes. The lack of any experience of “non-standardised” management policies, mechanisms for distributing or dividing powers between the various levels of public administration or co-operation together constitute a legacy that is a burden on the populations and governments of the South Caucasus who have to find their way through flexibility, the democratisation of socio-economic spaces and the introduction of a territorial dynamic.

Poverty can only be combated in these countries by moving from a centralised view (now weakened even as regards the knowledge and application of macro-economic instruments) to a comprehensive view in which differences great and small are recognised and the potentials of populations preserved. The people of the South Caucasus, who are now feeling their way forward, have known a degree of human dignity in the past of which they are still aware.

The “classic” ways of reducing poverty based essentially on macro-economic balances, institutional reform and combating corruption provide no hope of finding an acceptable solution to a problem that is affecting family prosperity and everyday life. To begin with, they simply strengthen a centralised, standard state-intervention approach, making sectors of potential interest to international investors – energy, communication and transport – their top priority. Furthermore, they help to strengthen an authoritarian view of the state as the only authority that can decide how the already weak public budget is to be distributed, without considering the needs of citizens or the society’s disrupted living conditions. The classic approach to decentralisation consists in support for municipalities, without taking into account the distribution of powers and resources which are the very foundations of legitimacy of authorities other than central government.

In this context, the lack of intervention with respect to employment shows the extent to which the development of endogenous potential is not a priority in this type of approach. There are three other “absentees”, in addition to employment, in this conception of combating poverty:

reconstitution of identity, conquest of autonomy and development of individual responsibility. The strategy can therefore only be partial. The result is the representation of a centralised state unconnected with society, with no social counterbalance and more vulnerable to corruption, a factor often mentioned as an obstacle to success. There is, furthermore, a total lack of any mechanism to entrench economic development, for example to stimulate local markets, develop skills for the creation of micro-enterprises or seek ways and means of “re-institutionalising” links of solidarity and collaboration.

This last point is extremely important. It is often believed that fifty years of state socialism will have destroyed collective, co-operative approaches because the state has imposed its view by authoritarian means, but this is only true at institutional level. At the level of families and villages, informal means of solidarity and mutual assistance persist. Formalising them, namely making them accepted again as “visible” social structures, is a key to successful economic restructuring, conquering markets and finding solutions to social problems. Developing collective approaches in which all individuals find their place is an essential step towards combating poverty and developing the concepts and practices necessary for social cohesion.

These considerations led the Council of Europe’s Social Cohesion Development Division to decide to launch a pilot approach to combating poverty and developing access to social rights in the three countries of the South Caucasus based on a strategy comprising four key-points :

- the search for co-operation among the different institutional levels ;
- understanding by the traditional “players” of the need to develop new roles and purposes ;
- awareness of the value of resources and identities at micro-territorial level ;
- the possibility of freely comparing and appropriating an approach and method.

Having seen that there was a lack of tools at national level for embarking upon combating poverty, the division looked for a way to stimulate dialogue less restricted to the sectoral, institutional context of the state that would be a step towards the development of a notion of “territory” that would facilitate reflection on the questions of “specificity”, the construction of “voluntary collaboration” and new social issues for local and national players.

International Year of Mountains 2002 provided the opportunity to get this experimental approach off the ground.¹ Mountains are dominant features in the countries of the Caucasus. During the fifty years of the communist system, this geographical environmental characteristic was not taken into account in decision-making or industrial planning, building, etc. This also meant there were no relevant powers with respect to preserving mountainous regions.

The division invited mayors from mountainous regions such as the Alps (Italy) and the Pyrenees (Spain) with experience of a territorial approach in their own countries to become expert members of technical assistance teams.² Their involvement made it possible to look at the problem of combating poverty from a different point of view. Indeed, their experience of applying the LEADER Community Initiative (set up in 1992 by the European Commission) in vulnerable territories was used as a reference in the conception of an approach to combating poverty rooted in the actual potential of mountainous regions and their populations.

The path chosen to develop such a conception generated opportunities for mutual dialogue at the level of the three countries of the South Caucasus among the various institutional players: governments, local authorities, trade union representatives, entrepreneurs and NGOs. In addition to the presence of local authorities from member countries of the European Union, secure in their role and legitimacy, the involvement of Ms Becker, a mayor in Hungary, who worked on an approach based on turning local resources to account during the transition, other territorial officials and the Council of Europe in the role of mediator meant the exercise could be undertaken from the perspective of co-operation and a search for complementarity.

1. This decision comes within the framework of the Council of Europe's support for mountain regions. This support comes particularly from the Congress of Local and Regional Authorities of Europe (CLRAE), which for the International Year of Mountains highlighted the interest of Recommendation 14 (1995) on the European Charter of Mountain Regions where the CLRAE considers that "within the framework of a global regional-planning policy, mountain regions must as a matter of priority provide the conditions and space necessary for the socio-economic development of their local populations". See Recommendation 14 (1995) on the European Charter of Mountain Regions, paragraph 7, sub-paragraph a.

2. In its draft European outline convention on mountain regions the CLRAE sets out in Article 3, paragraph 3 the following principle: "Co-operation between local authorities and between regions, within a national, transfrontier and transnational framework, should facilitate the implementation of the mountain policy" and outlines in Article 4, paragraph 1, sub-paragraph c, that each contracting party undertakes to "foster inter-municipal, inter-regional and transfrontier co-operation and, where appropriate, seek to conclude bilateral and/or multilateral international agreements covering homogenous transfrontier territories".

Three mountainous regions – one in each country – were chosen with the agreement of the various players. The enthusiastic response to and interest in the process means this first step towards decentralised collaboration between mountainous regions of the Caucasus, and the Pyrenees and the Alps can now be viewed with optimism.

This experiment is recounted in the hope that it will initiate debate on the need for reflection on the institutional and individual commitment combating poverty involves. At a crucial time of awareness, it is essential for poverty to be seen at every level as a shared responsibility and for relevant methods and approaches to be sought.

The Social Cohesion Development Division warmly thanks Eleonora Becker, Mayor of Palkonya, Hungary; Maura Walsh, head of the LEADER Local Action Group in Duhallow, Ireland; Flaminio Da Deppo, President of the Mountain Community of Alto Bellunese and head of the LEADER Local Action Group of Alto Bellunese; Mateo Andrés Huesa, Mayor of Molinos and head of the Aragonese LEADER territorial Network, Spain; Samuel Thirion, former head of the LEADER territorial Network (consultant editor of most of this publication), Portugal; and Frédéric Lapeyre, former colleague at the Council of Europe. The process would have been impossible without the initial enthusiasm and continuing support of Tigran Sakayhan of the Armenian Ministry of Social Affairs, Nino Ershivizli, President of Women in Business of Georgia, Fuad Mamedov, President of the NGO Hyatt International, and Akifa Aliyeva, of the NGO Helsinki Citizens Association in Ganja-Azerbaijan. The launching of the programme received financial backing from the Government of Japan, the region of Aragon (Spain), the Mountain Community of Alto Bellunese and EuropAid (European Commission).

Gilda Farrell

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INTRODUCTION

Armenia, Azerbaijan and Georgia, former republics of the Soviet Union, are neighbouring countries in the South Caucasus and have recently become members of the Council of Europe.³ They face serious socio-economic problems brought about by the economic transition and the collapse of the Soviet bloc. Added to this are the devastating effects of armed conflicts and population displacement (and in the case of Armenia the disastrous consequences of the earthquake). The brutal appearance of high unemployment and poverty constitute a major challenge for the governments of these countries which have expressed to the Council of Europe the need to reinforce their capacity to manage and resolve these problems in order to improve the life and working conditions of the population and to be able to fulfil the commitments undertaken within the framework of the Social Charter of the Council of Europe.

As already mentioned in the foreword, the Social Cohesion Development Division set up an activity aiming to mobilise players in these countries to undertake a new approach to economic and social development. This is based on partnership, taking a territorial approach, making the most of local resources and developing a feeling of responsibility among local players who are emerging from the democratic transition (in particular, elected mayors, NGOs and trade union representatives). This co-operation project is based on one of the main pillars of the work of the Council of Europe in social cohesion: the central place given to public-private partnerships in order to ensure the success of policies aiming to combat poverty. For this reason it was decided from the outset to integrate into the process of consultation not only representatives of local and national public authorities, but also representatives of NGOs, trade unions and employers' organisations. The aim was to promote two levels of consultation: at national level between the different players involved in development and at regional level between the representatives of the different regions in the countries in order to develop, in both cases, a culture of dialogue and consultation on shared problems.

3. Georgia became a member of the Council of Europe in 1999, whilst Armenia and Azerbaijan joined in 2001.

With this in mind, the first step consisted of undertaking a detailed review of the current situation in each of the countries, looking at social problems and conditions of poverty with a view to identifying the priorities and appropriate policies to put in place to improve the populations' well-being – policies which could eventually lead to concerted anti-poverty strategies at regional level. This volume of the series "Trends in social cohesion" presents the results of this work undertaken in six stages between May 2001 and October 2002. As such it is the fruit of a vast initiative of consultation and bringing together different visions and interests.

Firstly, national seminars were held in each of the countries in order to mobilise the different players involved in anti-poverty strategies at national level and to initiate debate on these issues. These seminars offered the opportunity to gather different viewpoints and to establish an initial picture of the situation. An expert mission to the region then examined this in more depth and the report of this was discussed and completed during a regional seminar held in Tbilisi in November 2001, which brought together the different players from the three countries. The participants were able to compare their experiences, discuss different aspects of the problems they were confronted with and determine their priorities as well as their needs.

During this regional seminar an important factor was the participation of mayors and people with territorial responsibilities involved in the territorial development strategies of the European Union (in particular the LEADER Community Initiative) and in the candidate countries. Their participation helped highlight the advantages of taking a territorial approach to anti-poverty strategies and the collective elaboration of setting up twinning initiatives between territories with similar environments situated in the European Union and in the South Caucuses.

This publication thus presents a triple analysis. Firstly, an analysis of the current situation in the three countries and the major issues facing them in terms of concepts, and legal and policy frameworks. This is followed by an analysis of the territorial approach to anti-poverty strategies in mountain regions in the three countries and the advantages created by the work undertaken at the regional level. Finally, there is an analysis of the role an international organisation such as the Council of Europe can play in encouraging twinning and the setting up of networks which promote a decentralised approach to finding solutions to combat poverty and developing an active approach of access to social rights.

This book has three aims :

- place the issue of active access to social rights and anti-poverty strategies in a more global vision which takes account of all the factors currently facing these counties, the future challenges and the importance of social and local approaches to these issues (Chapter I);
- analyse in more depth the advantages of twinning between regions of the European Union and of the Caucuses for local approaches and the requirements of such approaches, in particular the legitimacy and autonomy of local players in developing a more active conception of access to social rights (Chapter II);
- clarify the role of the Council of Europe in anti-poverty strategies, in particular the legitimacy of this approach in an atmosphere without tension and within a vision of constructing regional synergies (Chapter III).

I – LOOKING FOR A BALANCE BETWEEN THE LEGACY OF THE PAST AND FUTURE PERSPECTIVES

1. Past and present

1.1. Accepting the past

Like all the republics born of the collapse of the Soviet Union, the three republics of the South Caucasus (Armenia, Azerbaijan and Georgia) inherited a planned, state-run economy essentially based on major state enterprises in both the industrial and agricultural (kolkhozes) sectors. While this model may have seemed relatively appropriate in the context of the modernisation of agriculture (second agricultural revolution) and industry within the Soviet bloc, it required considerable adjustment in a context of post-industrial globalisation. Despite the attempts at reform launched by Gorbachev after 1985, the transition from a planned to a market economy came suddenly with the collapse of the Soviet Union in 1991, leading to almost total paralysis of the productive apparatus.

Thus the year after the collapse of the Soviet Union, industrial production and GDP plunged. In spite of a recent renewal of economic growth, the countries are still far from their economic levels prior to transition. Most of their old industries have disappeared for lack of markets and a large proportion of the agricultural sector is for the most part limited to a subsistence economy, with the exception of a few sectors, such as wine in Georgia and brandy in Armenia. Only Azerbaijan to some extent escapes such dismal economic prospects since it has oil resources that support the country's economy.

This prolonged economic situation has had consequences at every level, in particular in plunging the majority of the population into poverty and introducing economic, social, demographic and institutional imbalances that mean strategies to emerge from recession have to be long term.

Given this situation, an analysis is required of the decisive factors that may explain current difficulties and help identify the real issues for the future. These decisive factors include, in particular :

- the legacy of the Soviet system ;
- the collapse of the Soviet Union ;
- the context of the last ten years.

a. *The legacy of the Soviet system*

The legacy of the economic, social and political system of the Soviet Union is a key factor to be taken into account when analysing the present situation of the three countries of the South Caucasus and devising any co-operation policy with those countries. In addition to the ideological positions, an objective understanding is needed of the foundations of that legacy and its consequences for the present institutional, cultural, human, social and political context.

First of all, the conceptual and institutional aspects of the legacy must be considered: the Soviet system was a centralised system based on the communist ideal of a wholly guaranteed response to social needs :

- response to social needs in the sense that every individual was considered a social and economic agent with a certain number of needs that the system in place had to be able to satisfy. So the Soviet system guaranteed to all citizens security in education, employment, health, retirement, etc ;
- a “guaranteed” response in the sense that the response to needs was supposed to be made by the central system without the individual needing to worry about it. The result of this freedom from responsibility was to invalidate and make inappropriate, or even run counter to, any personal or collective initiative which was not part of the functioning of the system and therefore to fix citizens in the position of passive receivers of assistance. The consequence was that while “the bureaucratically planned economy was still able to achieve some results until the 1960s, it was unable to keep up with the transformations of labour required by contemporary technological and organisational developments. Totalitarianism failed in the face of new forms of mobile, co-operative use of skills” ;⁴
- “wholly”, in the sense that any imperfection of the response to needs or dissatisfaction on the part of people was considered unacceptable and rejected. There was therefore no concept of unemployment, social exclusion or poverty, and any form of non-integration in the system, whether through social, cultural or ethnic maladjustment or refusal and dissidence, was treated as abnormality or even mental illness.

4. Lévy, P., *L'intelligence collective. Pour une anthropologie de cyberspace*, La Découverte/poche, Paris, 1997, p. 19.

The corollary of this conceptual framework was a vertical organisation of institutions with a strong state presence, lack of any opposition, all-pervading social and political control and the erasure of territorial differences and ethno-cultural and religious identities. The need to change it, finally recognised and implemented by the central power from 1985, brought out its contradictions and internal weaknesses, leading to its collapse six years later. The ethno-cultural and religious tensions that had been papered over during the previous period burst out and led in particular to open conflicts as early as 1988, displacements of population and the first refugees. It was also in the 1985-91 period, however, that new forms of organisation independent of central government were born, in particular with the first NGOs, usually created to respond to the emerging problems.

As well as the conceptual and institutional aspects, the legacy of the Soviet system is also found at the level of identity and in social behaviour, particularly:

- lack of preparation for or interest in private initiative, as can be observed, for example, in the case of workers of the former kolkhozes who are ill-equipped to become, and often even uninterested in becoming, farmers;
- lack of preparation of individuals and families for any situation of economic insecurity (no savings or accumulation strategy; no risk management skills);
- the weakness of social ties (apart from family ties) in both quantitative and qualitative terms;
- a comparatively low level of appropriation of the notions of co-operation and distribution of powers in cultural references and habits, and ignorance of the role of public-private co-operation. Centralised decision-making tends to prevail;
- some rejection of collective organisation, especially of co-operatives and other types of association regarded as control bodies.

All these make for considerable weakness in the face of economic insecurity and accentuate the process of impoverishment.

b. The collapse of the Soviet Union

The collapse of the Soviet Union in 1991 meant above all the disintegration of a huge economic, monetary and political area, regardless of its nature. It entailed returning to national economies and systems, redrawing borders and reintroducing visas, national currencies, different legislations, etc. All

that happened and is continuing to happen in the geographic area of the former Soviet Union and runs counter to the ever stronger trend towards integration in western and central Europe, the Americas, Southeast Asia, etc., in order to cope with globalisation and the growing need for economic and social co-operation beyond national borders.

The disintegration has had considerable consequences at every level :

- first and foremost on the functioning of the existing economy, with the loss of links with suppliers and customers situated in other parts of that geographic area and the resultant paralysis of key sectors of the economy, in particular industry, and, to a lesser extent, agriculture ;
- next, on the circulation of goods and persons, leading to an isolation that penalises those economies : problems at borders, higher transport costs, etc ;
- then, on political relations, intensifying the isolation of each country and leading to various regional conflicts within or between countries engendering the displacement of populations and refugees. Armenia is certainly the country most penalised in terms of isolation, being isolated from Turkey, with which relations were previously through the Soviet Union, and from Azerbaijan following the 1992-94 war, and having no access to the sea. In terms of internal conflicts, Georgia is the country that suffers most, having two regional conflicts. In terms of refugees, Azerbaijan is now the country with the highest proportion of refugees and displaced persons in its territory in the world (250 000 refugees and 650 000 displaced persons out of a population of 8 million, according to official figures) ;
- lastly, with respect to good governance : regardless of the nature of the Soviet system, everyone now agrees that the disintegration of an economic and political area of this size involves the disappearance of its virtues of self-regulation and internal control which prevented the most glaring forms of dysfunction. The sudden disappearance of the area was a seriously destabilising factor in the smooth running of public institutions, the full effects of which are visible today. Without wishing to make over-reductive comparisons, the construction of the European Union over the last fifty years has provided us with an example of the reverse phenomenon and confirms that economic and political integration on a continental scale brings about better governance and better functioning of public institutions in all the countries benefiting from that integration, whatever the nature of the system they had previously.

The combination of these different factors, the effects of which have been amplified by the lack of a period of transition and the small size of the countries, has been disastrous, the economic impact being compounded by the rise of political tensions and the formation of numerous types of powers which more or less openly run counter to the general interest and are in most cases underground and part of the clan system.⁵

No support policy – be it a development policy or one to combat poverty – for the countries of the South Caucasus is now conceivable that does not take into account this fundamental need for regional collaboration. This is not, of course, to wish to reconstruct the Soviet Union or return to the past, but to think in terms of regional integration within the present context. The historical, cultural and economic links that have for long been forged between the countries of the former Soviet Union are a reality that must be taken into account here. Furthermore, co-operation with the Russian Federation would seem to be essential for the revival of these countries' economies, as is now confirmed not only by the links of every kind (geographical, economic, cultural, etc.) with the federation, but also because the Russian Federation, as well as being the only large economic and political area in the region whose size has enabled it to maintain some ability to bounce back, is the largest employment market for the people of the three countries. Ignoring, or even fighting against, this reality as some Western countries have tended to do, especially in the first few years after the collapse of the Soviet Union, may lead to serious mistakes being made and aid being less effective, or even to effects opposite to those intended.

c. The context of the last ten years

The three countries of the Caucasus, like all the countries of the new CIS, had to face not only the shock of the disappearance of the economic and political area of the Soviet Union in 1991 but also the new market economy for which they were not prepared. The shock was all the greater since the context of the 1990s was one of globalisation and economies open to competition at global level. In fact, in the context of the market economy, none of the products of the three countries, with the exception of a few particular products such as wine from Georgia and oil from Azerbaijan, is sufficiently competitive.

5. UNDP, *Human Development Report, Georgia 2000*. A description of the clan system shows the growth of the informal sector and the persistence of institutional deficiencies in the countries of the Caucasus, pp. 68-72.

The confrontation with the world market combined with the lack of preparedness of institutions, enterprises and individuals had a whole series of destabilising effects, resulting in a downward spiral. The spiral probably went furthest in Georgia, leading the country into social tensions and extreme policies principally because the lack of socio-institutional control of markets resulted in an utterly unequal appropriation of wealth, so much so that, according to some analysts, Georgia has the second largest gap between rich and poor in the world after Brazil.⁶ This observation, which is also valid for the other countries, signals the dangers of an oligarchic economic configuration that is all the more worrying since the state has little ability to play a role in the redistribution of wealth.

It should also be pointed out that, in addition to the above-mentioned factors, a number of natural disasters have aggravated the situation :

- the 1988 earthquake in Armenia, the consequences of which are still visible in the region where it took place, especially in the lack of housing ;
- the 2000 drought in Georgia which had serious consequences for the population who had no reserves of money or food with which to face a year without a harvest.

1.2. Developing survival and reconversion strategies today

a. Recession and individual and family survival strategies

Because national products are uncompetitive on world markets, any revival of the economy will have to be preceded by the construction of a national economy based on local markets. But for all the reasons mentioned above, such a revival has not been possible in the short term. The recession has therefore hit individuals and families hard who, again, were ill-equipped to cope with it and in particular with loss of employment.

In such conditions, emigration was immediately seen as an essential factor in survival, and it is estimated⁷ that one million people emigrated from Azerbaijan between 1991 and 2001, namely 12% of the country's population, and between 1.5 and 1.7 million from Armenia, that is almost 50% of the population. The various regional conflicts in Georgia make it impossible

6. See World Bank, *Georgia – Poverty and Income Distribution*, 27 May 1999, Chapter 5, p. 5. *The Human Development Report, Georgia 2000*, however, shows a clear improvement in the Lorenz curve between 1996 and 2000. The improvement is such that it would have required greater redistribution of income and sources of income between rich and poor families than seems feasible in so short a time.

7. In the absence of reliable official statistics on emigration, the figures given in this report have been derived from estimates made by various experts at the request of the experts carrying out this study.

to have precise figures, but it is estimated that there were between 0.5 and 1.5 million emigrants over the same period. This emigration may be temporary (temporary, regular emigration being seen as a means of obtaining an income that does not exist on the spot), as is principally the case in Azerbaijan, where 90% of emigrants fall into this category (with the Russian Federation as one of the main destinations), but it may also be permanent, as is the case in Armenia, where the proportion is reversed: 80% to 90% of emigrants, namely between 1.3 and 1.5 million people have left the country permanently, a huge loss in a country with a population of 3 million, calling any long-term development model into question. The loss is all the more serious since a large proportion of educated people have left, so that there is a “brain drain” that is sometimes encouraged by certain countries.

While emigration seems an essential way out for family survival, it requires investment which is not within everyone’s grasp, so that, unable to emigrate, a significant proportion of the population has found itself without any form of protection. This is particularly true of the elderly and the poorest families, especially those isolated in rural areas who are victims of displacement (refugees) or natural disasters. It is estimated that 60% of the population of the three countries now live below the poverty line.

The situation of poor families has been still more dramatic because the “chain deterioration” that followed the collapse of the Soviet Union led to the breakdown of the social protection system and the disappearance of free essential services.

The reconstruction of a system of social protection and assistance in order to meet the needs of the poorest has been prevented by the inadequacy of state revenue, and institutional and conceptual problems, as we shall see later. There is, however, a system of minimum aid for the poorest people, particularly in Armenia.

These families are therefore forced into a struggle for survival which is in some cases easier in rural than in urban environments:⁸

- the situation in a rural environment has the advantage of enabling subsistence agricultural production to meet food needs. From this

8. The incidence of poverty is lower in the rural areas of all three countries since people at least have access to one productive resource – the land. Nevertheless, where comparisons between countryside and city take incomes or monetary consumption into account, the situation seems far worse in rural areas. This implies that in rural areas most of what is produced is not sold on the market but directly consumed. See, for example, World Bank, *Georgia – Poverty and Income Distribution*, 27 May 1999, Chapter 1, p. 5.

point of view, settling in the country has been seen as a refuge, above all because of the facility of access to land as a result of privatisation. Thus, in Armenia, where agrarian reform took place immediately after 1991, 43% of the working population was engaged in agriculture in 2000 as against only 15% in 1991. This is, however, relatively unproductive agriculture (only 20% of cultivable land is used and most work is done manually);

- however, where minimum services and safety are no longer provided in the countryside, people tend to take refuge in towns. This has happened in Georgia where the insecurity and isolation of the rural environment has led to an accelerated exodus to the towns;
- the situation in Azerbaijan is probably an intermediate one, since agrarian reform (the distribution of land) has only taken place recently as for some years there was indecision as to whether or not to distribute land to refugees.

b. The first signs of reconstruction of a national economy

Ten years after the collapse of the Soviet Union, the first signs of a revival of a national economy can be discerned:

- in Armenia, foreign investment has increased in recent years because of the country's relative stability and the important role of the Armenian diaspora. For example, there has been development in the construction and farm produce sectors. In the latter, while in 1995 about 95% of produce on the national market was imported, the figure is now only 50%. The drinks and ice-cream sectors are performing best. The energy sector is also developing strongly. Moreover, investment in heavy industry has begun, particularly with the production of aluminium as a result of Russian investment. It should also be noted that diamond-cutting, a long-standing activity that survived the recession, now accounts for 35% of exports;
- in Azerbaijan, the oil sector has particularly developed in the last few years, especially with the signing of contracts with Western companies, including a 1994 contract for \$7.6 billion referred to as "the contract of the century", so that this sector alone now accounts for 52% of GDP. It is, however, a narrowly defined sector with its own operating rules that has little impact on other sectors of the economy. Nevertheless, it brings in significant revenue which gives the government the means to implement some social and redistribution policies more easily;

- in Georgia, national economic reconstruction is taking place above all in the service sector in the large cities. However, the informal sector is stronger than the formal economy.

c. Deficiencies at local level

The first signs of a revival of the national economy should not obscure its inadequacies, which are glaring at local level. Economic revival is in fact essentially confined to the large cities, particularly the three capitals, where most of the resources are concentrated and concerns only certain sections of the population. For example, in Azerbaijan almost 80% of enterprises registered with the National Confederation of Entrepreneurs are in Baku.

As for the situation in rural and mountainous areas, it is virtually unchanged and often catastrophic. The revival of the local development process is encountering a number of obstacles:

- the isolation of these areas, marginalised from economic channels, except those situated on communication routes: for example, the frontier areas of Armenia bordering on Turkey once enjoyed some cross-border trade, but with the closure of all their enterprises after 1991, they now live in almost complete isolation;
- the difficulty of channelling products to the cities and external markets: this difficulty is particularly striking in Georgia, for example, where, in addition to the security problems in some regions, the mechanisms of police "control" make the transportation of foodstuffs to the cities prohibitively expensive. Furthermore, the mountainous regions where tourist infrastructure was developed during the Soviet era are finding it difficult to start up a tourist industry based on promotion and marketing;
- the weakness of democracy at local level: elected local authorities have as yet been established only in Armenia and, more recently, Georgia. In Azerbaijan, local officials continue to be appointed by the president;
- the state apparatus is itself centralised and elected local administrations have little power;
- local organisations are virtually non-existent: the NGOs which have been formed since 1985 and 1991 are essentially concentrated in the cities and the effects of their work barely reach the countryside, with the exception of those working with emergency aid, while those working on development are largely restricted to urban areas;

- demographic weakness as a result of the flight from the land (especially Georgia) or permanent emigration (especially Armenia) makes any local development process still more difficult.

1.3. Assistance from outside

The three countries of the South Caucasus receive a considerable amount of international aid, but most of it is directed to institutional support of the state, infrastructure and food aid. Since 1991, international bodies have provided support for the reorganisation of the administrative structure of the state with the aim of creating a legislative framework corresponding to international standards. Legislation has been passed or is in the process of being passed in almost every domain. Until very recently, this work was principally directed towards the structuring of central government. Nevertheless, the strengthening of central government and even change at the level of the legislative framework have not brought about the expected results in terms of redistribution of socio-economic resources and opportunities.

Another feature of international aid is that most of it goes through state channels. Generally, projects have to be submitted by central government ministries, even if they concern municipalities or NGOs. This makes it very difficult for autonomous projects to emerge, as they are unable to escape central government rationales and respond appropriately to differences at regional and local level.

The reasons these general strategic choices concerning international aid have been made are based on the belief shared by all backers that it is first and foremost necessary to bring about institutional reform in the state and provide essential infrastructure in order to create the conditions for the emergence of a market economy. The too extreme adoption of this option has seriously accentuated an imbalance which is hampering the countries' development and even fostering perverse effects. Thus the concentration of aid at state level has reduced the chances, especially in regions and municipalities, of a basic economy emerging that is able to counterbalance the strengthening of central government services and force it to develop appropriately. On the contrary, in the countries emerging from eighty years of a centrally planned, state-controlled economy where everything should be done to bring about the emergence of civil society and SMEs, these latter find themselves in a defensive position *vis-à-vis* an administration that manages almost all international aid with insufficient real effect on the economic fabric and tends to strengthen bureaucratic mechanisms rather than social initiative.

This observation, made by numerous local representatives and international organisations participating in external aid, has led to the planning of a better balance of resources and above all aid distribution channels. USAID, for example, has for several years been directing a large proportion of its aid to NGOs, and decisions about aid are taken on the basis of projects submitted by American NGOs connected with local NGOs (particularly in Georgia and Armenia).

Europe supports NGOs through specific programmes such as LIEN, which represents less than 1% of European aid. The programme does, however, have the advantage of being the only one that, through a process of selection that takes place in Brussels, forges links between European and local NGOs. It focuses on social and humanitarian projects.

In view of these limitations, some international bodies are beginning to focus on decentralisation of power. At European level, for example, projects to facilitate the local approach have been put in place :

- in Georgia, a project to develop local development capacities at local level, funded by TACIS for a two-year period, has been implemented by the British Department for International Development ;
- in Armenia, a pilot regional and local development project has been established in the Lori region (a region of industrial reconversion which suffered in the 1988 earthquake), focused essentially on restructuring the regional administration and creating development agencies.

There have also been efforts to set up structures to support small businesses, especially with respect to loans. TACIS funding in Armenia has enabled a co-operative bank to be set up to provide small businesses with loans.

Specific projects are also being started up in the field of social and employment policy. For example, a project to back job centres, funded by TACIS, has just ended in Armenia. It provided methodological support for the modernisation of services and the putting in place of appropriate active policies on the basis of exchanges with job centres in the Netherlands and Denmark.

Conclusion

Since the collapse of the Soviet Union in 1991 the situation of the countries of the Caucasus has been characterised by economies in deep recession, deficient social systems, a widening gap between rich and poor and

persistent widespread poverty. The signs of revival now visible are far from being sufficient to change any of this in the short or medium term. In order for the future development of these countries to have a real impact on the situation of the most deprived sections of their populations and avoid social divides widening still further, there is a need to move beyond institutional reform at national level in order to facilitate the emergence of and initiatives at local level. In this sense, the setting up and strengthening of local authorities, a renaissance of local participation and partnerships with other sectors (enterprises, NGOs, etc.) should be essential elements of support policies.

Despite the efforts made over the last few years and the support for more appropriate social policies, needs remain immense and still require that more resources and support be allocated.

2. Changing concepts and policies and their application

An analysis of the general situation of the countries of the South Caucasus brings out the need for external resources and backing to be channelled more towards social policies and local approaches. This can only be done by developing concepts that correspond to the current reality of each country.

From this point of view, the collapse of the Soviet Union presented the three countries with a two-fold difficulty:

- on the one hand, the legacy of concepts connected with the nature of the previous system, concepts that proved inadequate in the face of the collapse of the economic and social structure and the new situation;
- and on the other, confrontation with radically new concepts conveyed by international bodies, backers and others, concepts developed on the basis of widespread experience in the West.

The transition from one conception to the other has been made more difficult by the fact that situations that emerged suddenly have to be taken into account, such as instability, poverty and the lack of future prospects, and that the concepts that accompany the implementation of responses to such phenomena also have to be assimilated.

Yet it is impossible to transfer concepts that are widespread in the West without analysing the socio-economic and cultural realities particular to these countries in the context of the collapse of the Soviet Union and the Soviet system. For example, in the West poverty is often identified with

particular neighbourhoods or areas, while in the countries in transition it is impossible to do this, which makes it difficult to accept the concept of geographically “targeted” policies.

In this part of the report an attempt will be made to understand the development of concepts and practices and the problems involved in such a process. For this purpose, we shall look at eight key areas for the devising of social and local policies:

1. poverty;
2. underemployment and unemployment;
3. work and employment;
4. unions;
5. enterprises;
6. the peasantry;
7. decentralisation and the local approach;
8. NGOs.

In each of these areas, the following will be analysed as far as possible:

- conceptual change, in particular in relation to the Soviet legacy;
- legislative change in accordance with the new concepts;
- lastly, the resulting policy changes and their limitations.

2.1. Poverty

a. Conceptual change

Poverty was inconceivable in the Soviet system since every person of working age was regarded as employed and therefore as having an income. Direct social assistance was therefore limited to certain very particular categories of the population who were unable to benefit from any employment for intrinsic reasons: invalids, orphans, single mothers, war veterans, etc.

The economic crisis the newly independent countries experienced after the collapse of the Soviet system pushed poverty to the forefront and posed the problem of understanding its extent, measuring it and developing specific, previously unknown, forms of social solidarity. For example, the concept of a minimum guaranteed income was introduced in Armenia in November 1998 (€6 per family per month plus €2.5 per person).

The period of transition (since 1991) has also seen the collapse of the social protection system, with the result that free health services are no longer provided except for certain particular cases (people with disabilities, the seriously ill, etc.), and this is increasing poverty still further. The poorest families either do not seek health care or use all their savings to pay for it, making it very difficult to escape from their situation.

Education provision, which previously was good, has also suffered greatly, and there is a risk that the level of education of young people will fall and that illiteracy, which had been eliminated under the previous regime, will re-appear.

Thus poverty with its many facets of instability – physical risks and lack of access to education – has become established in societies which had been unaware that such a thing could exist.

b. Legislative change

Under pressure from the various international bodies and faced with the impossibility of setting up overnight a system of taxation based on contributions by enterprises and citizens, the countries have gone from a system of universal, non-means-tested protection to intermittent, targeted actions, particularly for the most vulnerable groups. The concept of individual insurance is gradually replacing that of social protection.

For example, in Azerbaijan, the strategic document on poverty reduction and economic growth 2003-2005⁹ emphasises that:

“The main task for the government with respect to social assistance policies is to define an effective safety net that will enhance targeting efficiency, support the poorest and most vulnerable groups and will mitigate the social impact of new public utility policies in the short-run. The main objectives for reform of the social assistance system are to ensure that social benefits are targeted to the poor and that the policies are efficient and effective, and secondly to improve the management and administration of the social assistance system. It is hoped to begin with better targeting of the child benefit, which constitutes one of the largest items in the social assistance budget. In order to develop an improved system of targeted social assistance, the following six sets of policy actions have been identified. All actions are of similar priority and are to be executed more or less simultaneously: (i) establishment of an effective administrative structure; (ii) development of the necessary legal framework for targeted social assistance policies; (iii) development of a social assistance strategy paper; (iv) development of a

9. Republic of Azerbaijan, *State Programme on Poverty Reduction and Economic Growth 2003-2005*, (final draft), Baku, 2000 p. 10.

targeting mechanism for the identification of the poorest and most vulnerable groups of the population ; (v) creation of a system of adequate compensation for the poorest against the impact of new public utility policies ; (vi) creation of a monitoring and evaluation system for the development and implementation of social assistance policies.”

Although it is widely recognised that targeted policies may relieve certain immediate needs, they do not help to construct the environment essential for overcoming the spiral of poverty. In this sense, their impact may be limited to avoiding a still greater deterioration in the lives of the poorest populations, assuming that the conditions for assistance are sufficiently effective to reach the most vulnerable groups.

In formal terms, the three countries maintain the structure of social contributions (between 28% and 32% of the wage bill for employers; 20% for the self-employed, etc.), and benefits, including a pension system for the residents of Armenia and Georgia, as is shown by the data in Table 1. Nevertheless, the number of enterprises and employees in the private sector able to fulfil the legal requirements is quite small and retirement pensions are quite low.

Table 1 – Social protection in the states of the South Caucasus

	Armenia	Azerbaijan	Georgia
Social contributions (insurance rate for all sectors)	<ul style="list-style-type: none"> – employers: 28% of the wage bill; minimum and maximum contribution: 5 000/20 000 drams¹⁰ /month/ per employee; – employees: 3% of salary; maximum: 2 500 drams/month; – the self-employed: 20% of annual declared income; minimum/maximum: 1 500/20 000 drams/month; – farmers: 12% of cadastral income; – reduced contributions for certain groups, particularly people with disabilities. <hr/> Cover everything except health care, family benefits and guaranteed income (covered by the state) and long-term care (not covered).	<ul style="list-style-type: none"> – employers (except agriculture): 33% of the wage bill, reduced to 32% by the new Employment Act passed in June 2001; – employers in the agricultural sector: 25%; – employees: 1%, increased to 2% by the new Employment Act of June 2001; – the self-employed: 20% of gross earnings. No ceiling	<ul style="list-style-type: none"> – employers (except agriculture): 30% of the wage bill; – employees: 2%; – the self-employed: 20% of annual declared income; – reduction for some groups, in particular, people with disabilities: 50%. <hr/> Cover everything except health care, family benefits, guaranteed income and long-term care.

10. 1 000 dram = € 1.72

	Armenia	Azerbaijan	Georgia
Unemployment benefit	<ul style="list-style-type: none"> – Lump sum of 3 900 drams per month (reduced by 20% in the case of voluntary unemployment, 40% in the case of dismissal for violation of employment regulations). – For a period of five months, plus one month for every year of service. – After this period, if no family member works, monetary assistance of 30% to 40% of basic benefit, depending on the number of children, for a maximum of five months per year. 	<ul style="list-style-type: none"> – Calculated on the basis of the income from the last job: 75% if length of service exceeds ten years; if it is less, 70% for the first three months and 60% or 55% for the following three months. – In practice: minimum of 27 500 manat¹¹/month, maximum 250 000 manat/month. Extension beyond six months of two weeks per year of service above that required for retirement. 	<ul style="list-style-type: none"> – 11 laris¹² per month for the first two months, amended in 2002 to 14 laris a month for six months, after declaring unemployment.
Family benefits	<ul style="list-style-type: none"> 2 300 drams/month per child under 2 + 5 900 drams at birth. 	<ul style="list-style-type: none"> 9 000 manat/month per child under 16, or 18 if the child is studying without a grant. More if the parent is in the military (12 500), a disabled ex-serviceman (20 000), retired (11 000) or if the child has a disability (14 000) or is an orphan (11 000) + 50 000 manat at birth 	<ul style="list-style-type: none"> – For persons living alone 35 laris, for the family of one retired person 22 laris. – For orphans: 22 laris per child. – For people with disabilities and group 1 blind people: 22 laris. For children under 16 with disabilities: 22 laris.
Pensions/retirement	<ul style="list-style-type: none"> – Beneficiaries: all residents. – Basic pension: 2 860 drams (+ 30% from the age of 75) + 45 to 60 drams for each year worked after retirement age. 	<ul style="list-style-type: none"> – Beneficiaries: those who have paid contributions: for a minimum of twenty-five years (men) or twenty years (women). – 60% of monthly income calculated over five years or the last two years + 2% a year above the minimum required. Partial (85%) pension for those who have not reached the minimum but have at least 5 years of contributions. Additional amounts in special cases (dependent, person over 76 living alone, invalids, etc.). 	<ul style="list-style-type: none"> – Beneficiaries: all residents. – Pension of 14 laris per month, from 65 for women and 70 for men.

11. 1 000 manat = €0.20.

12. 1 lari = €0.44.

	Armenia	Azerbaijan	Georgia
Guaranteed income	<p>– System of benefits for poor families (government Resolution 727 of 19 November 1998).</p> <p>3 000 drams per family + 1 300 drams per person.</p> <p>– Applicable to families below the poverty line set by the government.</p>		

Source: MISSCEO (Mutual Information System on Social Protection of the Council of Europe), *Council of Europe Publishing, 2000, supplemented by information collected and observations made in the three countries themselves.*

The system of direct social assistance for poor families covers a significant proportion of families in difficulty only when European humanitarian aid funds are transformed, as in Armenia, into benefits for poor families in rural areas.

c. Policies

A poverty reduction strategy has been introduced in all three countries under the impetus of the World Bank, resulting in the drafting of a *Poverty Reduction Strategy Paper* (PRSP)¹³ and more recently the *State Programme on Poverty Reduction and Economic Growth 2003-2005* in Azerbaijan.¹⁴ The strategies are essentially based on a macro-economic analysis of poverty which gives priority to maintaining macro-economic stability, reform of the public administration, liberalisation of the economy, including financial markets, return to economic growth and combating corruption.¹⁵

One of the limitations of the strategies is that they virtually ignore potential at local level in terms of employment, markets, social links, organisational capacity, identity, etc. Thus, no measures are put forward to facilitate the emergence of territorial development strategies with the participation of local players and, despite the elements of institutional decentralisation proposed, the powers and roles of municipalities are not clearly set out. Moreover, they do not seem to be considered important, legitimate partners to be involved in combating poverty.

13. These documents are available on the World Bank website : www.worldbank.org

14. *Republic of Azerbaijan, State Programme on Poverty Reduction and Economic Growth 2003-2005*, op. cit.

15. *Ibidem*, pp. 102-132.

Nor are the roles of NGOs and civil society organisations defined. Some of them have taken part formally in debates and negotiations about the strategies led by the World Bank. This may result in greater account being taken of processes concerning civil society, the local level and public-private linkages, as can be seen in the state programme recently put forward for Azerbaijan.

Lastly, the inadequacy or lack of co-ordination with other strategies, for example, the European Union-backed food security strategy, weakens the potential impact on poverty. This lack of co-ordination should be seen in conjunction with the lack of collaboration among ministries, a factor in the poor efficiency of public administration¹⁶, but also the division of areas of intervention among international institutions.

2.2. Underemployment and unemployment

a. Conceptual change

The concept of “unemployment” was also non-existent during the Soviet period. At that time, employment was provided independently of individuals’ skills and qualifications, and tasks were extremely fragmented in order to distribute jobs and salaries as widely as possible. Nevertheless, access to health care, education and other services provided by productive units (seed, loans, etc.) compensated for low salaries and people seem to have had a feeling of long-term security.

Since 1991, unemployment has become a ubiquitous reality, and insecurity is felt in every part of daily life and is a threat to personal dignity. In some capitals, for example, begging, by the elderly and women in particular, is quite widespread.

The complete transformation of the employment structure coupled with the growth of subsistence economies makes it difficult to measure the real rate of unemployment. There is now self-employment, particularly in agriculture (the only sector in which there has been increased employment in all three countries) and the retail trade. The “rigidity” of the productive industrial structure of the past made the development of skills and space for the introduction of micro and small industrial units impossible. In Georgia, for example, statistics show there to be no self-employment in industry at all. According to the UNDP, a large number of people working

16. There is a lack of co-ordination between ministries in all three countries.

in family businesses in that country do not receive any financial remuneration. The same source maintains that the unemployment rate was about 25.6% in 1998 (including unpaid workers).

Although some data are available, the true level of unemployment is difficult to establish: the data collection system still needs to be improved and the percentage of unemployed persons registered with official employment services in order to benefit from support systems is low. In Azerbaijan, 1.1% of the working population receive unemployment benefit. This figure corresponds to the official unemployment rate, although according to other sources 13% of the working population were without work in 1998. In Armenia, too, the official rate of unemployment differs from real unemployment. In any case, official benefits are so low that they do not encourage registration or expectations of benefit and assistance in finding a job.

Table 2 – Population, employment and unemployment in the countries of the South Caucasus

	Armenia	Azerbaijan	Georgia
Population of working age	2 178	4 248	3 315
Population economically active	1 352	3 702	2 283
% employed	–	56 %	25.0 %
% registered unemployed	6.40 %	1.1 %	3.8 %
% peasants	25.50 %	2.8 %	49.0 %
% others (self-employed, etc.)	–	40.1 %	22.2 %

Source: TACIS, Statistical Yearbook of the South Caucasus, 2000.

Looking at the data in Table 2, the real unemployment rate may be assumed to be somewhere between the number of people officially registered as unemployed (very low for the reasons mentioned above) and the percentage of persons without paid employment, essentially “peasants” (families with a patch of land) and the “self-employed”, most of whom work in the informal economy.

b. Legislative change

Analysis of unemployment, the labour market and social responsibility for unemployment has resulted in the gradual introduction of specific legislation in the three countries. In Azerbaijan, the new Employment Act

passed by the Azeri Parliament in June 2001 (replacing the 1991 Act) introduced amendments to facilitate job creation and relations between entrepreneurs and employment services. Entrepreneurs are required to notify the local job centres of vacancies within five days. The act also recognises self-employment in the following sectors: carpentry, agricultural production, building materials, antiques and souvenirs. A similar process is under way in the other two countries.

c. Policy change

The introduction of the concept of the state's social responsibility with respect to unemployment has led to the creation of job centres throughout the territories of the three countries. There are fifty-one such centres in Armenia, eighty-two in Azerbaijan and sixty-three in Georgia. The centres are responsible for registrations and the payment of unemployment benefit. However, as we have already seen, benefits are so low that they do not justify the journey to sign on at least once a month so that many unemployed people do not bother to do so. As the number of registered unemployed is far lower than the real number of people without jobs, the job centres keep names in their database and wait, in Yerevan, for example, for one year, before removing them from their list of unemployed.

The creation of job centres also represents the state's recognition of its role in facilitating the concordance of supply and demand, but the centres do not have the wherewithal to make any real impact on employment. This is why the Ministries of Labour of the three countries have for some time now been examining how they can move from passive to active employment policies.

Actions introduced by active employment policies operate at four levels :

- actions to facilitate contact between employers and unemployed persons, particularly by creating "job fairs" and permanent services for temporary work (actions undertaken specifically in Azerbaijan);
- actions to make the skills of the unemployed correspond more closely to demand, which is primarily a matter of training. In all three countries, training is given in accordance with the needs identified by job centres ;
- actions to create jobs for the most needy unemployed by creating jobs of use to the community. Such actions are also being undertaken in all three countries, usually in partnership with municipalities for public-interest work. In Baku, a public work programme enables poor women to find work cleaning streets, gardens, public buildings, etc., for a salary of about €20 a month ;

- actions to help the unemployed create their own jobs. Here, ways and means differ from country to country: in Azerbaijan, the long-term unemployed or those in special difficulty (refugees or displaced persons, people with disabilities, etc.) are encouraged to create collective enterprises. The job centre plays an active role and supports the enterprise until it is completely autonomous, that is once it has repaid the investment provided/funded by the centre. In Georgia, support for job creation also concerns collective enterprises, while in Armenia financial assistance is given for the creation of individual enterprises.

The financing of active employment policies is provided by specific funds, the source of which differs according to the country :

- in Azerbaijan, oil revenues have enabled a fund to be created – it is managed by the president’s office – to facilitate the establishment of mechanisms to promote congruence between supply and demand for labour and job creation ;
- in Georgia, there is an Employment Fund amounting to 1% of the state budget. It has mainly been used to pay unemployment benefit, which concerns only a limited number of people. When the Employment Bill was under discussion in May 2001, the Georgian Parliament wanted to abolish the Employment Fund, arguing that it was not accomplishing its objectives in terms of supporting the unemployed. On its side, the Department of Employment and Labour Relations has started to develop new models for action in order to make the employment services more efficient ;
- in Armenia, an Employment Fund has also been set up on the state budget.

2.3. Work and employment

a. Conceptual change

During the Soviet period the organisation of work was a question for the state alone. Working meant integration in collective production mechanisms, and most people did work that contributed to the development of a whole, of whose final outcome they were ignorant. Work involved less the idea of individual responsibility than of carrying out a task. Furthermore, work was not associated with individual profit or benefit but, in addition to making it possible to earn a salary, was a means of (often informal) access to goods and services that could not be obtained on the market. Labour regulations were essentially limited to ensuring that safety standards were applied, and here the unions played a role.

Such an approach to work did very little to foster the development of individual initiative or the notion of risk-taking. Moreover, centralised planning of production was done in such a way that no industry or even country could control the whole chain of production. This greatly limited the development of vocational skills and the integration of other concepts associated with that of work, such as the customer, the market, quality, product innovation, use of local resources, the multiplier effects of productive activity, etc.

b. Legislative change

New employment codes have been devised in all three countries with the support of the ILO. The fundamental problem is application of the principle of tripartite negotiation. The unions have been greatly weakened, in particular by the violent change in the structure of production. In Azerbaijan, for example, 70% of industrial enterprises have ceased production since 1990 or have been privatised for derisory sums and without any degree of protection for national interests. Some privatisations have resulted in the closure of the enterprise with the relocation of the activity, only the “brand name” being maintained on the local market. In the case of Armenia, the latest version of the new Employment Code gives greater attention to the rights of women, persons in difficulty, wage policy, safety at work, the situation of the self-employed, etc.

Although the right to strike has been recognised, there have been no strikes in any of the three countries. Furthermore, except in the oil sector in Azerbaijan where it has had a significant effect, collective bargaining is hard to apply in the present economic conditions.

c. Policy change

The introduction of legislation on privatisation, especially of services (energy and transport) and the more efficient industries, has been the main policy to create a labour market. In the context of restricted local markets and lack of skills, the result of privatisation has been to strip the countries of the few productive resources they have and to facilitate the formation of private monopolies.

A new configuration of the structure of work is emerging only in the agricultural sector and small shopkeeping where the fragmentation of the activity is such that in most cases it operates according to the “rules” of the informal sector. State policy towards these new forms of work is taking the form of tax inspections rather than support for risk-taking. The

new legislation recognises self-employment in some sectors, but we are still far from legislative frameworks facilitating small-scale initiative.

Paid work covered by the social protection system is lacking: economies and jobs have to a very great extent become informal. There is now more work in state administrative structures, but this does not make up for the loss of posts or the “informalisation” of other public-interest sectors such as health and education. Work itself has become so scarce a resource that people even agree to pay to be employed.

2.4. Unions

a. Conceptual change

In the Soviet system the primary role of unions was not negotiation or combating unemployment, but monitoring irregularities (failure to apply the law, etc.). They were, furthermore, monolithic rather than sectoral organisations.

With the destruction of the major producing conglomerates, unemployment, the development of private enterprises essentially in the service and trade sectors and the massive “informalisation” of the economy, the concept and purpose of unions are “recognised” in the new employment codes but hard to put into practice in the medium term.

Until today, unions mainly take part in the preparation of codes and legislation on work and employment. They are also involved in employee training. Relations with employers and the state are generally conducted at the level of the various branches of the unions. There have been interesting developments in some civil service unions, such as the teachers’ union in Georgia, most of whose members are women.

The right to strike is not exercised (even if it is recognised by the employment codes now entering into force in the three countries). Instability of employment is the norm so the scope for direct action on the part of unions is limited to sectors where the conditions of employment lend themselves to negotiation, such as the oil industry in Azerbaijan and electricity in Georgia.

b. Legislative change

The new roles expected of the unions are set out in the employment codes and certain specific acts. In Armenia, for example, eight articles of the Employment Code define the rights and duties of the unions, in particular with respect to defending workers’ rights, the right to strike (sectoral or

national strikes), the responsibilities of strikers, union organisation itself, etc. Another act specific to the role of the unions is in preparation. However, reform of the unions preceded the drafting of these laws. It took place in Armenia as early as 1992 and led to the creation of twenty-six branches brought together in a confederation at national level. The characteristics of the single confederation are to be found in all three countries.

2.5. Enterprises

a. Conceptual change

The concept and figure of the entrepreneur, which were absent in the Soviet era, are gaining ground and legitimacy in the present context, but at the cost of efforts by the entrepreneurs themselves, in particular through their associations. For example, the president of the Azerbaijan entrepreneurs' association claims that they are working a great deal on their image in order to acquire social legitimacy. In Georgia, the very recently formed association of entrepreneurs is also encountering problems, in particular with respect to administrative procedures and the introduction of equitable taxation.

In both countries, as has already been noted, entrepreneurial capacity is developing above all in the trade and service sectors, producing companies being almost non-existent. The situation is similar in Armenia, though there is a nascent industrial sector, driven, however, by foreign investment. The limited access to creation of productive industries is to a great extent the result of the destruction of the craft sector during the Soviet era, ignorance of small-scale technologies, the lack of an exemplary effect which plays a role in the expansion of the sector and the persistence of an ideological attitude inherited from the past that associates production with large enterprises. The only model of production previously known was the conglomerate resulting from a market planned in Moscow. The result of this model, too rigid to generate possibilities for adapting and developing individual skills, is the almost total lack of entrepreneurial initiative in the productive sector by SMEs.

In these circumstances, it is extremely difficult for SMEs to start up and be viable in the medium term. Analyses of the internal market, where they exist at all, are poor and the notion of local market potential little understood. Moreover, in addition to the visible difficulties, there seem also to be "invisible" difficulties, in particular payments simply for existing or wanting access to certain resources. This is preventing small businesses from flourishing and inhibiting the conception of a more long-term strategy.

b. Legislative change

The legislative framework is gradually following the acceptance of the concept of enterprise. There is now legislation on SMEs in all three countries and support structures are being put in place. The founding of entrepreneurs' associations is to a great extent the result of the ILO's requirement that tripartite negotiation be introduced.

c. Policy change

The limited acceptance of the enterprise as an essential player in society is expressed in a degree of distrust of enterprises both by government departments and by banks, which tend to regard them as a high-risk group, without taking into account the conditions of their competitiveness. In Azerbaijan, a great many private banks (about thirty) are being set up but they require security disproportionate to the nature and level of development of the enterprises, particularly SMEs, and to their need to establish themselves. There is no notion of "confidence" in the client. They require real security covering 100% of loans applied for, which is inconsistent with the reality of countries in which private property is in the process of being established. Interest rates are around 25% and, in some cases, as high as 43%.

The cost of borrowing is therefore incompatible with the need to be competitive, even in local markets. The only profitable consumption niches are covered by products imported from neighbouring countries (Turkey and Iran) at very competitive prices compared with local production.

Measures to support enterprises are therefore usually the result of direct agreement between entrepreneurs' associations and outside bodies, especially for training and learning alternative systems of security. For example, the Milan Chamber of Commerce has helped the Azerbaijan entrepreneurs' association¹⁷ to train some of its members. In Georgia, the SME Support Centre is also trying to set up support for SMEs, both with respect to training and access to loans.

Training for start-ups is also being set up but, in the absence of a cultural reference as to how to start up a production process, it is difficult for this type of player to emerge.

17. The Azerbaijan entrepreneurs' association was founded in 1999 and has 700 members, including sectoral associations such as the Agricultural Union, founded in 1992, small and medium-sized enterprises and individual members. It is trying to establish itself throughout the country by opening regional branches (there are ten at present). It lobbied parliament intensively during the discussions on employment legislation, the Employment Code and support for SMEs.

2.6. The peasantry

a. Conceptual change

The concept of the peasantry, also lacking in practice under the Soviet system, revived with the agricultural reform that began after 1991. However, it is systematically assumed that access to land means agricultural activity, so that a family with a plot of land is automatically excluded from unemployment, the related benefits and the status of poverty. In reality, however, the privatisation of the land and property without means for making property a productive resource has increased instability.

The result of this is that, depending on the level of aid and benefits families can receive, they will tend to want to get rid of land ownership in order not to lose their right to those benefits. Because of this situation and the lack of means to cultivate the land, there is a tendency for land to be sold at rock-bottom prices.

b. Legislative change

The privatisation of land took place at different times in the three countries :

- in Armenia, immediately after the change of regime, namely in 1992 ;
- in Georgia, in the years following ;
- in Azerbaijan, only recently because of indecision about distributing land to refugees. In the end, it was decided not to allocate them land, since they are supposed to return to their countries of origin. The redistribution took place in 2000.

c. Policy change

In practice, there is no agricultural or rural development policy in any of the three countries. There are measures to support food security, including the distribution of seed, funded by the European Union, and experiments in specific areas or zones with credits and technical assistance from the United Nations (FAO and IFAD).

The economy of the kolkhozes was not able to continue to function, and their managers have either left the area or been the main beneficiaries of land and buildings. At the same time, inability to invest to replace equipment has led to a gradual abandonment of mechanisation. Most cultivation is now done manually, and this essentially limits production to subsistence agriculture. In Armenia, for example, where 43% of the population works in agriculture, only 20% of the cultivable land is exploited.

2.7. Decentralisation and the local approach

a. Conceptual change

In the centralised Soviet system virtually the only means of expression available to the local level was to apply production plans decided by central authorities and carry out statistical verifications of results. Furthermore, local management of day-to-day affairs was conducted by authorities linked to the party or the single union and usually appointed by the higher levels.

After the collapse of the Soviet Union the local level continued to be left out of all the new policies being put in place. The accent was above all placed on institutional reform of central government, and the local level is concerned when it comes to the application of such reforms decided at central level. Lack of resources very often means even the application of these reforms is restricted to capital cities. As for the management of affairs at local level, it has been placed under the responsibility of a representative of central government appointed by the executive/government until recently when direct elections of local authorities were held in Armenia (1996) and Georgia (2002).

b. Legislative change

In Armenia, where the process of strengthening local authorities is most advanced, the legislation that resulted in their being set up in 1996 was the subject of long debate in the country. However, the law still presents a number of major disadvantages that hinder the smooth running of local authorities, in particular the lack of their own budgetary resources. Two NGOs have proposed amendments, as a result of which a new law has been drafted that strengthens the role of elected representatives, gives them financial resources and clarifies rights to land at local level, co-operation over the management of natural resources and relations between communities. For the first time, NGOs were consulted before parliament passed the act in 2001. This process was backed by the GTZ (German Agency for Technical Co-operation Ltd.), which funded the programme to amend the law.

In the meantime, fresh local elections were held in 1999 and 2002. The elections are held at two levels :

- in the 900 rural districts (representing a total of about 2 000 villages);
- in the 62 municipalities into which the rural districts are grouped.

A regional level has also been put in place (nine regions plus Yerevan) but for the moment the regional authorities are still appointed by the president.

In Georgia, where the process is more recent, civil society (political parties, NGOs, etc.) is also playing a significant role in setting up a decentralised system. Some 1 032 rural districts grouped into 67 municipalities have been set up and local authorities were elected this year. An association of municipal chambers was also founded in 2000.

As in Armenia, the authority at regional level (eight regions plus Tbilisi) is appointed by the president in Georgia.

c. Policy change

In reality, where they exist, local authorities are still very weak. The lack of resources and clarification of their powers, and therefore their lack of real power, weakens their legitimacy. They also have problems with respect to know-how and knowledge of good local management practices. Generally speaking, local authorities work in complete isolation and have no access to training. They are still very far from being able to be a driving force in local development policies.

With respect to employment, for example, municipalities are still regarded as having a supervisory rather than a dynamic role, as was shown in an interview with the head of social services in Yerevan.

The few examples of local dynamism seem now to come from external intervention, particularly NGOs where they are present, essentially in the rural and mountainous areas. Yet there is an enormous need for policies in these areas. For want of prospects, the populations move to the cities or leave the country, assets deteriorate, the land is not used as it might be and potentially profitable sectors such as tourism cannot be developed. To this must obviously be added the consequences of the current conflicts which present serious problems of security, assistance for refugees and displaced populations.

2.8. NGOs

a. Conceptual change

At the time of the Soviet Union NGOs were restricted to organisations for certain social categories and were usually linked to the party (youth and women's organisations, ex-servicemen's and disabled ex-servicemen's

associations, etc.). The concept of the NGO as a civil society organisation with freedom of opinion and action was inconceivable and considered a form of political opposition.

This situation began to change in 1985 and NGOs with a social purpose were founded (support for refugees, emergency aid, etc.). However, the concept of involving NGOs in development is not always easily accepted. Governments and people tend to regard any activity not strictly limited to assistance to be a source of profit. The radical separation between the social and the economic makes it impossible to devise a model of enterprise or NGO in which the two dimensions are combined positively. This general view is strengthened by the context of major difficulties in which populations are living; as a result, the creation of an NGO is seen as a way of surviving and not simply as an altruistic act, particularly as there are external support possibilities for NGOs. All this means that local NGOs have a fairly negative general image which further hampers their development.

It is clear that this concept is changing with experience, and the examples of action undertaken by NGOs show that a concept of a development NGO combining economic and social action is gaining acceptance. The pattern of change varies from country to country, however. In countries where the political and institutional context sometimes makes the affirmation of experience difficult, the image of NGOs has barely changed at all, and this can be felt in national policies. On the other hand, where institutional openness has led the action of NGOs to be given legitimacy, the relations between state and NGOs have moved a great deal in the direction of recognising the interest of dialogue and concerted action.

b. Legislative change

In legislative terms, all the conditions required for the creation of NGOs exist in the three countries but, in practice, conditions vary greatly from one country to another. In some cases, it is particularly difficult to register an NGO, and this is the main obstacle to their formation. Registration procedures are long, expensive and uncertain. According to some witnesses, it takes two to five years to register an NGO. There is no clear procedure and the steps that have to be taken are constantly changing. In addition, all the registration procedures are concentrated in the capitals, with no delegation in the regions, which means expensive journeys have to be made.

Another problem is that it is impossible for NGOs to undertake economic activity. Nothing in the legislation makes it unlawful, but in reality any economic activity is suspect and an NGO that develops any kind of economic activity exposes itself to immediate closure with no means of appeal. Knowing how difficult it is to create and register an NGO, no one is going to run such a risk. This is a major obstacle to the development of NGOs as it confines them to a role of pure assistance and makes them wholly dependent on external funds. For example, it is difficult for NGOs to develop autonomous enterprises for the integration of refugees, the unemployed or people with disabilities. They sometimes sub-contract but are not authorised to sell services in order to ensure their long-term viability.

An inventory of the NGOs registered shows that their numbers are increasing in the three countries (although in many cases they are not yet active). Most of the most active NGOs work in the social and refugee sectors, and some on human rights and media issues, but there are still few working on development. In Armenia, for example, of the 100 active NGOs, 50% provide social support to large families, people with disabilities, the blind, etc., 10% work in the health sector, 10% on human rights and 30% do multi-disciplinary work in these sectors and with refugees.

Some NGOs, however, are moving from assistance only to development work. In Georgia, for example, the NGO Women and Business, founded in 1992 at the end of the war to help refugee women, has gradually directed its activity towards support for the creation of small businesses by women with a seedbed of businesses. Other NGOs work with credit; an example is Constanta, which organises a system of micro-credits for groups of seven to fifteen people with a collective surety (a system inspired by the Grameen Bank).

In addition to national NGOs, there are a number of international NGOs. A larger proportion of these work on development. For example, the American NGO Mercy Corps receives \$25 million of funding from USAID to back local projects in Georgia. These are small projects for the rehabilitation of social (education, health, etc.) or economic (irrigation, etc.) infrastructure.

There is some collaboration between NGOs either through co-ordination of action at local level or through sectoral liaison structures and channels (social problems, young people, women, refugees, etc.). In addition, in

each of the three countries there are programmes or structures playing a decisive role in the consolidation of NGOs, improving their internal organisation and the quality of their work, and forming them into a network :

- in Armenia, a training programme for NGOs (the World Learning Program), funded by USAID, has been operating for several years and has played a decisive role in the establishment of new NGOs ;
- in Georgia, the NGO Horizonti (founded in 1997 to take over from the American NGO ISAR that had been working in the country since 1993) has since 1994 been providing support for some 200 national NGOs and forming them into a network ;
- in Azerbaijan, the NGO ISAR is also present, this time directly rather than through a national NGO, and is providing support and forming the network.

In this complex context, support for the formation of NGOs to ensure the participation of civil society has been perceived by international bodies (principally the World Bank and USAID) as a means of balancing access to resources and opening up the possibility for different population groups to express initiatives and ideas.

Conclusion

The above survey brings out the difficulties of changing concepts and adapting institutional and legislative frameworks. This is because the upheaval was so great that the cultural and conceptual references of the past were obliterated. Thus, any open reference to the recent past is difficult to see in a positive light. The considerable progress made has been mainly in the legislative framework and is along the lines suggested by international bodies. There has been some homogeneity in the adoption of new laws and regulations, and even the documents on poverty reduction strategy have similarities which suggest that the specific characteristics and resources of each country have not been taken into account.

There emerges from this analysis a considerable gap between the political frameworks laid down at central level and their practical application. While attention has so far focused on legislative and institutional reform of the state, the main challenge now is the emergence of local initiatives based on the recognition of advantages and forms of partnership able to transform conceptual and political frameworks into economic and social action on the ground.

This is why the nature of external support needs to be re-examined. Support mainly in the form of external expertise should be replaced by support in the form of exchanges, transfers of know-how and good practices and networking which facilitate the conception and implementation of appropriate solutions at local level. External support should not therefore be seen as a simple transfer of external know-how, but as the catalyst of a learning process on the spot and in networks, in particular in areas and for social groups that are at present excluded from the emerging development processes.

The Council of Europe's Social Cohesion Development Division has decided to play a key role in this necessary metamorphosis of external support so that there can be exchanges with experiences in European Union countries and new forms and methods of co-operation. The steps that need to be taken in order to construct such an approach are described in Chapter II.

II – IN SEARCH OF A NEW APPROACH: THE TERRITORIAL DIMENSION OF COMBATING POVERTY

1. The idea

Having noted that a shift to local approaches and some form of decentralised co-operation between territories of the countries of the South Caucasus and territories in other European countries might be useful in the framework of a strategy to combat poverty, the Council of Europe's Social Cohesion Development Division has been supporting a series of initiatives along these lines since May 2001. The initiatives have been implemented in collaboration with the national and local authorities of mountainous regions in Armenia, Azerbaijan and Georgia, as well as territorial players from European Union and central European countries.

1.1. An interactive process bringing out the need for new concepts

In order to escape the linear approach that goes from the conception of projects to their implementation, the division has embarked upon a process of collective reflection by players at the various levels which might gradually be extended and lead to pilot projects devised by the players themselves on the basis of elements emerging from comparisons and analyses of situations that are both similar and different.

This gradual approach derives from the very nature of the objective which is to create "added value". More than simply setting up development projects assisted by the Council of Europe, the essence of the added value sought was initially the affirmation of a number of concepts necessary for combating poverty, and in particular :

- territory and community responsibility ;
- legitimacy of the local level ;
- links of co-operation and partnership among the various public players at both local and national levels.

Other concepts also need to be constructed and taken into account in territorial strategies to combat poverty, for example recognition of the

legitimacy of private and voluntary sector players and their contribution, and highlighting the identity and environment specific to each territory.

Thus, in the territories of the European Union, the need to integrate the different aspects of development has led local authorities to introduce instruments to facilitate the active participation of the private sector and the establishment of common goals. In the case of the countries of the South Caucasus, democracy is still too tenuous, so, initially, emphasis has to be placed on the issues involved in the mere acceptance of the first three concepts (responsibility, legitimacy and the forging of co-operative links and partnerships), since, in any case, the economic and social fabric cannot be rehabilitated without the commitment of private players.

a. Territory and community responsibility

The notion of “territory” is beginning to gain some acceptance in the South Caucasus, particularly in the countries where municipal elections have already been held (Armenia and Georgia). It is above all an administrative rather than a development-related notion. The transition from one to the other is far from obvious and requires clarification of the idea of administrative territory.

This notion, based on the definition of a series of powers recognised by the state with respect to ownership of resources, decision-making about their use and the possibility of setting up appropriate management practices locally, is far from being accepted. In addition to problems over the distribution of decision-making, the question of the ownership and management of public resources (land, forests, etc.) has yet to be settled in the countries of the South Caucasus. This is an essential aspect of constructing the concept of territory and community responsibility.

The difficulty of defining responsibilities with respect to public property is a ubiquitous problem in the South Caucasus. Since 1991, it has mainly been a question of the right to sell resources and their privatisation. For example, the privatisation of the ski slopes of Bakuriani (Borjomi) by the Georgian Government and the sale and privatisation of forests, water, etc., which are resulting in villages and districts being deprived of natural resources without any local benefit, are of concern to the newly elected authorities.

The question is all the more important since some types of territory, such as mountainous areas, need to develop specific powers and responsibilities

in order to maintain a vulnerable environment. For example, in the case of the mountain region of Borjomi (Georgia), river banks were cemented during the Soviet era, causing serious environmental damage. The conversion to bio-engineering maintenance techniques using local materials and appropriate solutions can only take place if local powers and responsibilities are recognised.

The environmental deterioration currently experienced in many territories is the result, firstly, of a lack of professional capabilities and, secondly, the lack of any framework in which community responsibility could be exercised. The same problem also arises with respect to the industrial and agricultural installations that once belonged to the conglomerates and kolkhozes. The collapse of the Soviet Union and therefore of the links that gave meaning to such structures led to the stripping/pillage by the inhabitants of everything that could be of use (windows, doors, electric wires, etc.). The “phantom” structures gradually being destroyed by the elements are symbols of the eradication of community responsibility and make it essential to plan actions both by inhabitants and by local institutions to identify resources and opportunities. The exercise of responsibility at local level could be a lever for combating poverty and the destruction of natural and architectural resources.

The recognition of administrative powers and responsibilities is a first step towards the notion of territory. The concepts of territory and development can only take shape if there is awareness of the need for a multi-sectoral strategy based on links that make it possible to obtain a benefit greater than that to be derived from administrative practices alone. Thus the concept of “development territory” or “development area” takes into account both the tangible (infrastructure, resources, etc.) and intangible aspects, particularly confidence, recognition and mutual commitment between players and the links that favour the development of tangible resources.¹⁸ It is therefore part of a socio-economic and cultural unit which is constructed around territorial identity and is not necessarily co-extensive with administrative units.

The experience of the European Union is particularly significant here. The concept of the development area has to a great extent been affirmed by

18. From a strategic point of view, territory has been defined as the sum of the tangible and intangible components and is characterised by systemic relations between those elements. See Golinelli, G., *La dinamica evolutiva del sistema impresa tra economica e finanza*, CEDAM, Padua, 2000.

Community initiatives (especially LEADER and INTERREG) and *ad hoc* legal frameworks (such as the Mountain Communities Act in Italy and the Framework Act for Regional Planning and Sustainable Development in France) which have encouraged rural districts and other structures and local people to think about the advantages of development strategies affecting territories larger than single administrative units and about the issues of links between sectors, citizens, enterprises, etc.

The creation of such new territorial “groupings” surmounting the purely administrative function should be based on the legitimacy of municipalities and elected authorities. These authorities only, stemming from territories, are capable of defining geographical community groupings. In Armenia, for example, where there have been municipal elections for longer than in the other countries, the mayors themselves have suggested the villages and rural districts that should be included during discussions of the “relevance” of creating new territories in seminars and work organised by the Council of Europe. The process of identification was in this case facilitated by the presence of mayors from the European Union used to working with groupings defined according to a common intervention strategy.

b. The legitimacy of the local level

The concept of the legitimacy of the local level has yet to be fully accepted in the countries of the South Caucasus. It is a matter of central government accepting the legitimacy and ability of the local level to act with a degree of autonomy. Such legitimacy is profoundly linked to the concept of territory, but goes far beyond it. It implies not only the formal devolution of powers but also the inclusion in state management of the conditions and space for co-operation on decisions taken at local level, and therefore the recognition of the territorial authorities as institutional partners. In the European Union countries, this includes granting powers to approve programmes, control planning and undertake activities respecting environmental standards, etc. Such recognition stems first and foremost from the ability of local authorities to organise themselves into a lobby by forming associations of district councils at regional and national level. Political and socio-economic changes are also tending to shift traditional models of public management towards new scenarios more appropriate to international co-operation.

In the countries of the South Caucasus, this process is in its very early stages. Questions may even be asked as to the legitimacy of the elected

mayor in his or her territory. In terms of powers and decision-making ability, mayors for the moment only seem to have a mandate to maintain collective services: schools, water supply, etc. All other decisions are still in the hands of representatives of central government. For example, during a seminar in one of the mountain territories chosen, there was a conflict between the mayor of a village who wanted to obtain seed appropriate to local soil types and climatic conditions and the government representative in the region who argued that the mayor did not have the power to make choices of that sort.

Thus, the unequal degree of legitimacy has become a problem in the search for means of co-operation between the territories of the South Caucasus and the European Union. The legitimacy of mayors of European Union municipalities is recognised and affirmed and they make decisions at local level for which they themselves take responsibility (in such important areas as support for the economy and local employment, social issues, reconversion schemes, building and the restoration of historic centres, etc.), while in the South Caucasus, mayors lack not only the resources but also the legitimacy to construct their own areas of responsibility.

These differences obviously make “decentralised co-operation” less easy but, once there is awareness of the problem, such forms of co-operation may be a factor in the affirmation of the legitimacy of the local level in the countries of the South Caucasus, which are in the process of forming state structures and powers.

c. Links between the various public players

The concept of links between public players is also essential for the creation of a more appropriate environment for combating poverty. Institutional isolation is a constant in the countries of the South Caucasus. Apart from still strong family links, mechanisms for building co-operation, associations or other inter-institutional relationships are usually lacking. Roles are everywhere stratified, and there is little understanding of the benefits of working together. The hierarchies of the past, based wholly on the legitimacy of central government, often prevail over the need for new spaces and roles, and tend to nullify attempts to construct horizontal links. For example, during meetings in the mountain territories, some central government representatives systematically tried, perhaps quite unconsciously or instinctively, to deny the possibility of agreements between local authorities. The driving force of central interventions appeared to be the need to control rather than recognition of the benefits of the process

initiated to create stronger partners at local level. Central government representatives sometimes tend to show contempt for opinions derived from experience on the ground and to favour the “commonplaces” of the standardised planning approaches of the past.

In the countries of the South Caucasus, the forging of links between public institutions at local level requires the complicity of players and structures at the national level. These players should be able to assist the processes and understand the importance of the steps needed to harmonise local interests. The Council of Europe encouraged such involvement from the outset by inviting representatives of ministries, trade unions and national NGOs to take an active part in the process and creating links between them. These are the people who can at crucial moments tip the scales in favour of new links, especially when they realise the role they can play in this process. The creation of horizontal links has thus also engendered new vertical links between national and local representatives with, as a consequence, the “discovery” by national representatives of the territories of their countries, the issues concerning them, their needs and their potential.

1.2. A process leading to various types of partnership

Taking into account the need to affirm these concepts, the series of initiatives described here is first and foremost a phased collective learning process, bringing into play several levels of dialogue and an initial sharing of interests. We shall discuss the process of setting up partnerships, defining this concept as a function making the players mutually supportive with respect to interdependent objectives. The existence of mutual agreement to undertake a common project does not in any way mean, however, that the strategies and purposes of each of the players must necessarily coincide. Nevertheless, interdependence does mean that the objectives of some cannot be achieved, at least not entirely and sustainably, unless the objectives of the others are as well. In this sense, the process initiated in the countries of the South Caucasus takes the form of the linkage of several types of partnerships under construction :

- a horizontal partnership (at the level of each of the areas chosen in each country), particularly between several neighbouring mayors and, where possible, with the voluntary sector and enterprises. The objective here is to reflect upon local potential for combating poverty by emphasising co-operation and the search for common interests and upon how to take account of the most vulnerable groups ;

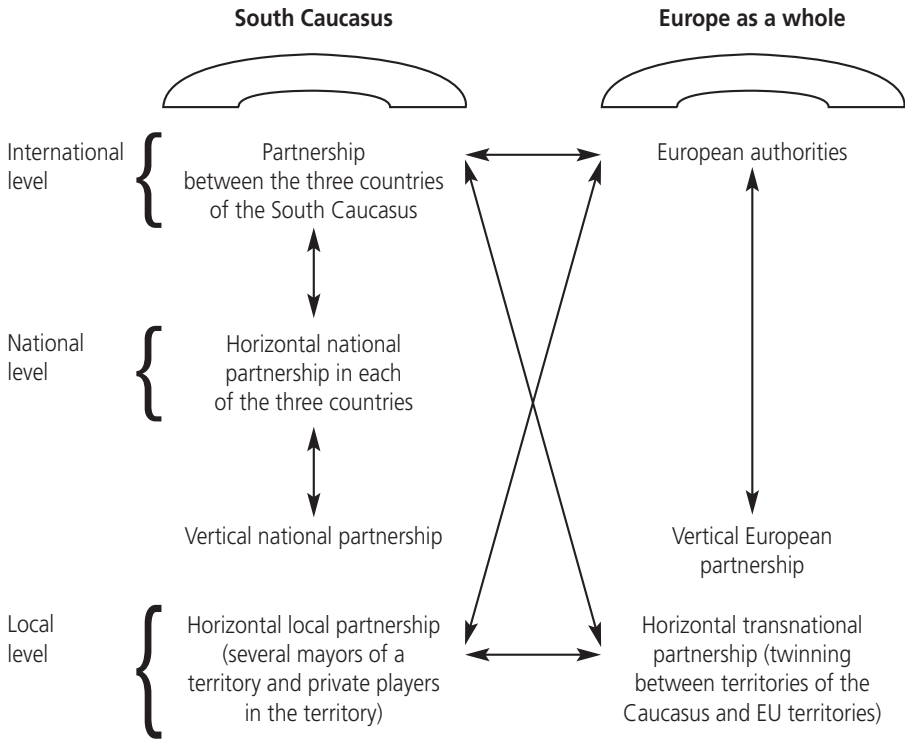
- a horizontal partnership (at national level and between each of the three countries), including the representatives of national authorities, NGOs and unions, for a commitment in terms of support for the construction of new legitimacies at local level and reflection on how their roles should be redefined;
- a vertical partnership (between the local and national levels within each of the three countries), with the aim of creating an initial complicity between local and national players by getting to know one another and discovering the usefulness of initiating new links and exchanges;
- a regional partnership (between the three countries of the Caucasus affected by inter-regional conflicts), with the goal of enabling representatives of the three countries to compare their differences and similarities and, at the same time, their own experience with that of the territories of the European Union.

Collaboration has also been set up at European level :

- between the players of the territories of the countries of the South Caucasus and European Union territories, particularly in Italy and Spain. These first steps towards decentralised co-operation aim to facilitate learning through exchange and to forge links of confidence to enable the issues of legitimacy, powers, areas of co-operation, etc., to be discussed;
- between the Council of Europe and the European Union and national, regional and local governments – Japan, the region of Aragon (Spain) and the Mountain Community of Alto Bellunese (Italy) – in order to support the operation financially;
- between local and national players and the Council of Europe in order to give the organisation the role of mediator in order to create new ways of co-operation and understanding.

Diagram 1 shows the seven types of partnership under construction.

Diagram 1 – Seven types of partnership under construction and their inter-relation



The interaction of these seven types of partnership under construction has enabled the process to take shape, thus providing hope that there might be interesting developments. In the framework of this process, the European level is playing a decisive role by creating exchanges which would not be possible outside a context of supra-national legitimacy.

1.3. Methodological implications

Starting a collective learning process based on new concepts in order to give rise to innovative, exemplary projects involved bringing together players from the different levels of the seven types of partnership under construction described above. Learning was directed towards mutual knowledge, discovering the usefulness of collaboration, constructing common objectives, implementing and following them up, as well as the

lessons to be drawn from them. Two methodological principles were the cornerstones for the success of the first phase of the process :

- the organisation of meetings-debates in order to recognise the usefulness of working with one another and seek common objectives ;
- the gradual making of a commitment, giving rise to “informal” protocols signed by all the partners.

The combination of these two principles is important in that they are mutually reinforcing. The discovery of common interests leads to commitments gradually being made, while the formalisation of commitments has a leverage effect on the involvement of each player in the debates and the cohesion created. The commitments do not only concern local or national players, but also the Council of Europe and territories of the European Union.

This method differs from more classic approaches to the preparation of projects, which for convenience are generally constructed by a limited number of people, often just a few experts, in that it includes the devising and preparation of projects in a partnership process of reflection and learning at various levels. The process described here shows that the use of different phases of project development for the construction of partnerships allows considerable added value to be obtained in terms of social capital which shows in the quality of the commitments made. The method also allows great flexibility. There were no rigid project proposals with pre-established deadlines. Responses were always made in relation to collective advances.

2. Chronology

2.1. A round table at national level

The starting-point of the process was the organisation by the Council of Europe’s Social Cohesion Development Division of a one-day round table on combating poverty. The objective was to bring together the various players involved in the debate on combating poverty (ministers, NGOs, researchers and local authority representatives).

The seminars were held in May 2001 when the World Bank was also launching a process of collective reflection in each of the countries in order to draft a strategic document for poverty reduction (PRSP: *Poverty*

Reduction Strategy Paper). At that time, discussion for the drafting of these documents was in its initial phase (and had not even started in Azerbaijan) and essentially involved only governmental authorities (later, NGOs were also involved), so that the idea of interministerial discussion seminars in the presence of NGOs and local authorities was something of a novelty.

The strategies to combat poverty developed in the PRSPs are almost exclusively situated at the level of national action. One of the contributions of the Council of Europe was to bring out the need to link a national strategy with local strategies to combat poverty. This reflection was inspired by the European Union experiment in which co-operation between different players mobilises local society to combat poverty, enabling solutions more relevant to the specific needs of each territory to be found.

Another conclusion was to highlight the need to place combating poverty in a broader context, in particular by taking into account the creation of employment on the basis of local market potential. After the seminars, social and employment policies were analysed, taking into consideration the changes under way and the challenges for the future (Chapter I summarises this work).

This first phase of the process led to two essential conclusions :

- firstly, whether it is a question of combating poverty, job creation or other matters connected with social and economic development, new forms of dialogue and collaboration (partnerships) are indispensable, first between the public players themselves, then with civil society ;
- secondly, if it is to have the slightest impact on the most deprived populations, the fight against poverty needs territorial support, in particular to act as a lever on local resources.

Such conclusions led to a meeting being planned at regional level on the concept of partnership itself and its numerous expressions, and on the possibility of players from the three countries embarking upon a territorial approach to combating poverty.

2.2. Stimulating interest in the ideas of partnership and territory

With this objective, a specific seminar on the theme of partnership was organised, in collaboration with the European Commission, in Tbilisi in

November 2001. The guests from the three countries represented the various sectors/players concerned in social issues: Ministries of Social Affairs, NGOs, trades unions, entrepreneurs, municipalities and research institutes.

In order for the debate to be based on practical experience, various mayors and other territorial players from the European Union and eastern Europe with some experience of partnership work and the territorial approach were also invited:

- a mayor and president of the Mountain Community of Alto Bellunese (Italy) where a local partnership has been set up (on the basis of the Mountain Communities Act and in the framework of the European Union's LEADER initiative) which has proved essential for diversifying the local economy and making local players aware of the need for better interaction between sectors;
- the mayor of a rural district of the territory of Maestrazgo in Aragon (Spain), also head of the Aragonese Network of Rural Territories, which has set up a similar integrated approach, but in a territory affected by the flight from the land; such a strategy has made it possible to mobilise local society around enhancement of the natural and cultural heritage and has facilitated integration, especially of young people;
- a woman mayor from Hungary who, during the period of transition, mobilised the players in her territory and neighbouring districts around a territorial development project, including, in particular, a wine route which itself made possible the launch of new tourism and craft activities and the integration of the villages into various European networks;
- the head of a local partnership in Ireland (Duhallow) which for ten years had used economic, social and cultural approaches for enhancing the territory and facilitating the social integration of people in difficulty, the unemployed, in particular;
- the head of a network of villages in Estonia which, in collaboration with corresponding networks in Sweden, is working to mobilise rural populations and identify new opportunities based on the use of endogenous resources;

- the director of a Portuguese NGO who was able to relate Portugal's experience of setting up minimum guaranteed incomes managed and monitored by local public-private partnerships, a system which enables better targeting and the commitment of beneficiaries.¹⁹

The diversity of the contexts and actions presented enabled key issues to be covered, in particular concerning the creation of areas for co-operation so as to discover elements that might be the subject of common approaches, the complementarity of the roles of the different players in a territory, the importance of links between institutional representatives, and the organisation of different interests. Furthermore, the participants were particularly interested to discover that the representatives of public authorities, such as the mayors invited as experts, co-operate with the private sector in setting common objectives and try to promote initiatives and the participation of civil society in their territories, and this made them realise the usefulness of such concepts and approaches.

The regional seminar thus made it possible to create a common reference for people from different countries of the Caucasus with varying institutional backgrounds and to develop cohesion in the group, which was essential for the continuation of the process. The idea of drawing up a strategy to combat poverty on the basis of territorial identity and the role of partnership based on autonomy and mutual commitment was formalised by the participants themselves as a conclusion to the seminar.

In order to move towards giving practical expression to the concepts of partnership and co-operation, links with the private sector and promotion of civil society organisations, the mayors from Alto Bellunese and Aragon took the initiative of proposing a project for twinning and exchange with the territories of the Caucasus. International Year of Mountains 2002 provided the ideal context since mountains are a key element in the identity of the peoples of the Caucasus, and the territories of Alto Bellunese and Maestrazgo are also in the mountains. The discovery of a common factor, namely the challenges of poverty in mountainous areas, helped to forge links of confidence despite all the differences. This idea also made it possible to move from an abstract analysis to a more practical debate to which each participant was able to contribute his or her point of view. Energies were released and unexpected debates emerged on growing

19. A Japanese researcher also assisted the seminar by presenting experiences of development created on the basis of identity and local resources.

poverty, the flight or emigration of young people because of lack of prospects, the social exclusion of women, the vulnerability of the environment, the beauty of landscapes, tourist potential, etc.

Thus the effect of limiting the project to these specific territories resulted in poverty being seen as something affecting certain social groups and territories and in reflection on intrinsic potential and the commitments to be made for new ways forward. When the concepts of territory and co-operation between players become references for combating poverty, the perception of the problem tends to be transformed: from a “simplistic” or “mechanical” conception based on the macro-economic effects of interventions and individual responsibilities, to a “complex” conception in which the avenues to be followed depend on available resources, their organisation and the exercise of a political will to co-operate and involve a wide range of players. In macro-economic strategies, the “poor” are faceless; in a territorial strategy, they have names and skills.

2.3. An initial outline of the territorial approach

The idea of the mountain project was to develop direct exchanges between the countries of the Caucasus and the territories in Italy and Spain in order to develop local partnership approaches. However, at the end of the Tbilisi seminar, the project was still only an idea, its content remained to be defined and clarified.

The great interest stirred by the debates and the idea of a practical linkage with western Europe led various participants to mobilise the means needed to put it into practice:

- the most motivated participants formed themselves into a working group in each of the countries, in each case bringing together representatives of central government, local authorities, NGOs and unions. The three groups agreed to make a collaborative effort to look for a territory and examine forms of co-operation;
- the mayors of Alto Bellunese and Maestrazgo took the initiative of inviting the three groups to visit their territories;
- the Council of Europe’s Social Cohesion Development Division provided the financial resources required.

In March 2002, therefore, the first visit took place in Alto Bellunese (Italy). The three-day meeting, which alternated visits on the ground and working

and collective reflection sessions, resulted in the clarification of basic ideas about projects. The essential points on which consensus was reached were as follows :

- the innovative nature of each of the projects to be set up in the three countries derived from the fact that each working group made a practical proposal as to the choice of the area concerned. The objective was to concentrate efforts on a particular area in which the national working group would provide backing and assistance, and in particular to draw all possible lessons from the outcome and ensure that they were disseminated and taken into account at other levels of intervention, even at political level, for example. From the outset, therefore, positioning was done from a national perspective on the basis of local experiences. In addition to this national level, a transnational dimension was affirmed by virtue of the three experiments taking place in the context of common reflection ;
- setting up local partnerships was to be a constituent element of each of the pilot projects, in keeping with and confirming the conclusions of the Tbilisi seminar. The commitment to look for possible partnerships in each territory had been clearly made: they were to include mayors, entrepreneurs' associations, NGOs, etc ;
- exchanges with the territories of Alto Bellunese and Maestrazgo were to be the driving force in launching the process in the territories. For this purpose, the possibility was discussed of training young people from the three areas, some as organisers of future local partnerships and others in specific technical fields.

From the time of this first visit to Alto Bellunese, the linkage between the different types of partnerships and the co-operative framework referred to above underlay and was to be a reference for the continuation of the process.

At this stage, it was necessary to ensure that the interest in such a process was equally strong in the territories chosen. Even if the three national working groups had done prior prospecting to confirm the validity of their proposals, including with local officials who had joined the group, such proposals had to be the subject of wide debate in each of the three territories concerned, including the various players in local society (mayors, entrepreneurs, professional associations, NGOs, etc.). Only they

would be able to ensure that the process continued. At this stage it was therefore essential to compare the ideas conceived within the groups with the representations of the people living in the areas.

2.4. Instigating initial mobilisation at local level and an initial co-operation agreement

In order to involve local players in a collective discussion, seminars were held in July 2002 in each of the territories chosen on the mobilising theme “strategies to combat poverty in mountainous areas”. They were essentially prepared by the respective national working groups, who focused particularly on the statistical data available on the territory, communication and awareness-raising to ensure genuine participation by the main local players and the national and regional authorities concerned. Throughout the preparations, it was clear that the local players themselves were not necessarily interested in collaborating with or taking part in a collective exercise. Motivation was therefore high on the spot by virtue of the national participants at the previous meetings and the support of some local players.

Legitimacy to summon and mobilise partners is a concept that is not always easy to obtain. In the framework of this exercise, legitimacy was provided by the Council of Europe which “charged” people on the spot (in all three cases, NGO executives) with the task of organising a meeting with regional officials, mayors and voluntary bodies. In some cases, contacts between the authorities and NGOs were being made in the territories for the first time, which may have led to the affirmation of a new legitimacy. This was confirmed by the participation of the mayors of Alto Bellunese (Italy) and Maestrazgo (Spain) and representatives of the Council of Europe who went to support the initiative.

The two mayors again had the opportunity of explaining their work and stimulated great interest in partnership approaches in mountainous territories, as they had in Tbilisi. Most of the discussion, however, centred on the local territory, the problems encountered and the threats and development opportunities arising, and, here again, the points of view of people from outside deepened analysis of the problems. Furthermore, the visits on the ground made during the seminar illustrated what speakers were saying and deepened discussions.

These meetings on the spot also brought to light certain conflicts – explicit or latent – as well as the lack of opportunities for dialogue and contact, certain forms of domination and differences between people’s formal and actual roles. It was important to take these factors into account, as the construction of a new approach requiring exchange of ideas and a predisposition to collaboration and mediation would soon come up against the barriers hierarchies erect to any democratisation of the areas of the exercise of powers.

The debates were organised around the following objectives:

- getting to know one another, especially the territory and each person’s role in it;
- examining together the territory’s problems and needs;
- drawing up initial guidelines with a few priorities to be implemented on the basis of a local partnership;
- drafting a protocol of agreement referring to objectives and methods of co-operation, with explicit commitments, particularly with respect to East-West exchanges.

This made it possible to understand the problems people had expressing their own roles and interest with respect to the territory and making the link between their roles and work and the environment in which they work.

The debate therefore focused on the practical directions (shared objectives) the partnership with the European Union territories might take.

a. In Azerbaijan

In Azerbaijan, the territory of Dashkesan, near Ganja, was chosen. It has a “dual” identity. Firstly, it was once a mining area and is now facing the problems of reconversion. Industrial plant are deteriorating day by day, but are so omnipresent in the area that local authorities and inhabitants are still wondering how they can be brought back into use. Secondly, the most beautiful mountain lakes in Azerbaijan and landscapes of great natural beauty are to be found in the area. Unfortunately, part of the area is under military control because it borders Nagorno-Karabakh, which is in conflict with Armenia. The territory also has potential in terms of high-quality local produce (meat, honey, cream, fruit, pomegranate juice, etc.), and a tradition of non-industrial cheese-making which is getting under way again, in particular stimulated by a few private farmers.

Agriculture and sheep and cattle farming have expanded somewhat since independence – according to the union representative, the number of sheep has increased five-fold in fifteen years while the number of cattle has doubled. There are also particular varieties of medicinal plants and marble quarries.

During the seminar, discussions therefore concentrated on the potential for attracting townspeople by inviting them to rediscover nature or a taste for the countryside, in a concept of ecological tourism. For this purpose, the local authorities want part of the territory to be declared a “national park”. Other concerns discussed during the seminar were cheese and meat production, the integration of local young people educated at the universities of Ganja and Baku, the creation of enterprises for people with disabilities, etc.

b. In Georgia

In Georgia, the district of Borjomi, which consists of thirteen municipalities, was chosen. It is an administrative region clearly defined geographically by the high mountains bordering it. Since the first municipal elections held recently in Georgia, it has had elected representatives, both in each municipality (mayors) and at the level of the district itself (district head).

The district of Borjomi is essentially known for its mineral water and hot springs, a sector now in recession because of market difficulties, in particular as a result of the collapse of the Soviet Union. Current yield is very low in relation to capacity and demand. Furthermore, although the mineral water enterprise “Borjomi” has been privatised and is gradually replacing its plant, it brings little financial benefit to the territory since it has not yet succeeded in linking its image satisfactorily with other economic sectors, such as tourism (which is, however, also in recession).

Mountain tourism, which once flourished and attracted large numbers of people, most of them from other parts of the USSR, collapsed with the Soviet Union and has never really recovered. The local people deplore the virtual abandonment and under-use of the tourist infrastructure, such as ski and chair lifts, convalescent homes, etc., and the loss of jobs in the sector. A large proportion of the population has either fallen back on a subsistence economy or left for the cities, particularly the environs of Tbilisi.

The territory also has one of the richest natural sites in the South Caucasus. This has led to the creation, with the support of the German Government, of the Borjomi National Park, which extends over a large part of the

district and beyond. Although the park is an entity distinct from the notion of development area, its director works a great deal on raising awareness of and promoting the park, and this opens the way to the integration of other sectors such as tourism and greater involvement of the local population. Thanks to this effort, the local authorities are beginning to become particularly interested in the concepts of green tourism, adventure tourism, etc., which were unknown under the Soviet system.

Despite the presence of the park, the territory is facing serious environmental problems, particularly serious erosion of the catchment areas and banks of watercourses and endemic problems in forests, sometimes requiring substantial investment.

Given the scale of the problems, participants at the seminar directed their attention to the search for solutions that would not require substantial investment in infrastructure but would enable a process of rehabilitation and revitalisation of the area to get under way so that there was a maximum spill-over effect for local people, especially the most disadvantaged. From this point of view, the Italian and Spanish experiences coincided with their concerns.

The debate with all the mayors and the entrepreneurs (some of whom had already launched new activities in the area, such as fish farming and cheese production), NGOs and regional civil servants enabled priorities to be set for combating poverty: firstly, the creation of small and medium-sized enterprises and jobs, particularly in the agri-food (dairy and meat), timber (a sector for which the raw material and know-how exist as well as an identified market in Tbilisi) and family hotel sectors; secondly, management of the territory, particularly with respect to forestry and hydrogeology using bio-engineering techniques, the treatment of waste and the maintenance of ski slopes and footpaths for hiking.

c. In Armenia

In Armenia, the territory suggested straddles two administrative regions (Sevan and Haran). It already fits the idea of a development area conceived around the search for a balance of resources and an identity specific to this territory situated on Lake Sevan. The harmony of the austere beautiful landscape is often disrupted by the ruins of conglomerates, remnants of a significant industrial past. This landscape is the result of exploitation of hydroelectric energy downstream of Lake Sevan, now largely abandoned.

Furthermore, as in Dashkesan (Azerbaijan), the old stone and sand quarries, whose plant have deteriorated greatly, and the non-existent local market, are perceived as future sources of income. This perception shows the extent to which past references influence the formulation of future visions, and hence the importance of confronting local players with other experiences.

Participants in the seminar represented various sections of the local community with a strong contingent of mayors and several institutions working at regional or national level, including the Deputy Minister for Social Affairs. Agriculture was a major concern among the issues covered: it is the largest sector of activity, concentrates many of the poorest families and has many problems: poor soils, dilapidation or lack of irrigation structures, lack of equipment, seed and appropriate varieties, disappearance of forests, and other specific technical problems, particularly with respect to livestock breeding. The mayors themselves stressed the need for aid at this level, emphasising the lack of technical solutions and the need for a minimum of financial support. Their major preoccupations also included drinking water and collective infrastructures.

The debate therefore focused on the inadequacy of local financial resources to meet needs, which led the local mayors to make a proposal to the mayor of Alto Bellunese to set up a framework for co-operation on the basis of 0.1% of the budget of the Italian municipalities that are part of the mountain communities. Aid managed at national level was also discussed, such as food aid, food for training programmes (WFP), compensation for weather damage, social assistance for the poorest families, etc. Some of the mayors drew attention to the need for more decentralised management of these forms of assistance, or at least some co-operation with the local level in order to provide the possibility of making agreements with local players, such as farmers. This would enable assistance to be better targeted and more effective, avoiding the perverse effects of management entirely at national level. An act on self-management on this subject is in the process of adoption.

The lack of information at local level was also put forward as a major obstacle, particularly for the most isolated villages which are thus excluded from any possibility of development. This brought out the need for a communication strategy in the territory. Some participants also stressed the need to reassert the value of cultural traditions and resources, such as village festivals, so as to recreate a territorial identity.

However, despite the inadequacy of financial resources, available external support and information, the seminar was able to ascertain that there were a few entrepreneurs in the territory who had been able to acquire sufficient technical know-how and knowledge of markets to develop local products and market them effectively. These entrepreneurs might act as a driving force in a local development process, particularly with respect to backing other initiatives. As the Deputy Minister for Social Affairs himself said, “the most important co-operation to initiate is co-operation between rich and poor” in order to counter the process of increasing social differentiation now deeply affecting the country.

Thus, in the three territories chosen in Azerbaijan, Georgia and Armenia, the situations are in some respects similar with, in particular :

- the presence in each of the territories of a sector inherited from the past which is in decline, if it has not been abandoned, and could perhaps be restarted and adapted to present market conditions, a process that demands considerable investment and concerns the mines and quarries in Dashkesan, hot springs and mineral water in Borjomi and the industrial sector downstream of Lake Sevan in Armenia ;
- the existence of significant potential local resources that are at present largely unexploited, particularly some traditional local products and the natural environment (which in the districts of Borjomi and Dashkesan could result in a nature park or plans for a park) ;
- in all three cases this potential is threatened by quite alarming environmental problems, the most important of which are the deterioration of the forests (uncontrolled felling and diseases and/or lack of replanting), the management of water and hydrographic basins and the resulting soil erosion, not to mention the inherited problems of deterioration of landscapes ;
- the existence of a few private players with the means and sometimes even skills that enable them to stimulate the development of local resources ;
- a majority of the population unemployed and/or living in poverty and essentially dependent on subsistence agriculture.

In all three cases, a territorial strategy to combat poverty based, in particular, on the development of as yet unexploited local resources would be entirely appropriate. For this purpose it was essential to stimulate local partnerships in each of the territories. Such local partnerships cannot only ensure cohesion, in particular between the various municipalities unused to working together, and the mobilisation of the various local players around a common strategy to develop resources and a local identity, but may also enable links to be developed with national and regional structures.

Co-operation with the European Union territories was therefore seen as a driving force for the process, both in terms of how to implement territorial strategies and for more specific questions, in particular concerning the management of the environment and forests and the development of traditional products, on which an exchange of know-how could be particularly fruitful. In addition, the proposals made with respect to financial co-operation provided an essential area for thinking about new forms of solidarity.

The three seminars thus enabled the foundations to be laid for decentralised co-operation. The method used in conducting the seminars resulted in the identification of a principle of common commitment. A protocol taking up the various points discussed and agreed was drafted and signed by all the participants. The protocols were then submitted to the players in the territories of Alto Bellunese and Maestrazgo, in particular the mayors, local officials and entrepreneurs involved, so that they could confirm their support for the project.

In order to set co-operation in motion, it was suggested that young people from the three areas of the South Caucasus should spend six months in the territories of Aragon and Alto Bellunese to receive two types of training :

- training as local development agents in order to familiarise themselves with the basic concepts and acquire experience in managing local partnerships for the preparation and implementation of co-operative territorial strategies and the mobilisation of players ;
- specific technical training in certain priority areas identified in each of the three territories, in particular with respect to the management of natural resources (water, forests, soils, etc.), the development of local food products and support for initiatives to create SMEs, etc.

The idea was to form a technical team of young people in each of the territories who could be the agents of the local development process under the aegis of the local partnership, as had happened in the experiments conducted in the European Union. Such an idea played a crucial role in bringing out the search for areas of collaboration in each of the territories since it involved a consensus being found at local level on expectations of the training, the choice of young people and the commitments to be made to see that full use was made of their training on their return.

It was therefore decided that a local working group should, with the support of the national working group, find young people who already had some basic university or technical training, giving preference to those from the territories chosen and fully informing them of the arrangements for their reintegration. An initial selection was made locally and then a shortlist drawn up in discussions with national representatives in order to submit five candidates for each training period. The final choice of candidates was made during the second visit on the ground in the region of Aragon in October 2002.

2.5. Building financial partnerships

The protocols drafted and signed during the seminars organised on the spot formalised all the commitments and provided a working framework in which each person had his or her responsibilities. So after the seminars the local and national groups had, firstly, to determine the main lines of their project in reaction to the debates initiated during the seminar and, secondly, to begin the process of informing and selecting young people to go abroad for training.

At the same time, on the basis of the various elements and proposals they had gathered during the three seminars in the pilot areas of the South Caucasus, the mayors from Alto Bellunese and Aragon put the proposals to their fellow officials and other local players and discussed with them the possibilities for co-operation that had been opened up. The proposals were received with interest :

- a debate is under way in Alto Bellunese, where the proposal for jointly funding co-operation with Armenia on the basis of 0.1% of the municipalities' budgets was favourably received by all the territory's mayors, on ways of managing and granting these sums. One possibility is to establish a guarantee fund to enable the Banca Etica of Italy to

operate in the region with ethical criteria in order to facilitate access to credit by small producers in the area ;

- in the framework of the LEADER+ programme of the same territory, some of the resources for transnational co-operation are to be used for the creation of links, exchanges and support for the territories of Dashkesan and Borjomi ; local technical structures, such as the forest and hydrogeology management services and those responsible for the maintenance of ski slopes and footpaths, are to take part in transferring know-how and skills ;
- in Aragon, the regional government is supporting the mayor's initiative to host a study-visit by representatives of the three territories and look after the young people undergoing training ; the latter initiative is also supported by the local development centres and LEADER programmes, which will integrate the young people in their day-to-day work ;
- other contacts have been made (for example, Italian co-operation, the B7-6000 line for decentralised European Union co-operation) for funding pilot projects in the longer term ; through the action of the NGO Solidarité Protestante France-Arménie, the Armenian diaspora is also trying to promote more targeted funding for the proposed pilot project.

All these initiatives clearly demonstrate the interest in the approach. However, they also bring out the lack of a "tradition" of funding territorial projects to combat poverty. The necessary financial infrastructure has to be built from scratch. It should essentially be based on the resources of the territories involved in the initiative, in this case, Aragon and Alto Bellunese.

2.6. Examining a model of territorial organisation and refining individual approaches

The second visit to Aragon (Spain) was an opportunity for the different partners to take stock of progress in the contacts made and work undertaken.

The trip enabled the participants from the South Caucasus to discover the organisation and management of the Aragonese territory on the spot: a regional parliament and government, co-ordination structures at provincial level, development centres and public-private partnerships

in sparsely populated rural and mountain areas (between four and ten inhabitants per square kilometre) affected by a recent flight from the land (second half of the twentieth century). They were also able to see what the mobilisation of local players had achieved in the previous ten years in terms of revitalisation, and in particular the development of natural and cultural resources.

In Aragon, the launching of the territorial approach to combat desertification in 1991 led to the formation of local public-private partnerships which now cover all the rural and mountainous territory of the region and are linked by the Aragon Rural Development Network which acts as a structure for the exchange of experiences, contacts with regional institutions (regional administration, university, etc.) and co-ordination of financial support. The South Caucasus working groups had the opportunity to study the organisation of a regional network and what had been achieved in terms of forging social links, support for SMEs, adapting personal services, the integration of the young and the unemployed, family tourism and the enhancement of the natural and cultural environment.

The visit was especially important since it is in such local partnerships that the six young local development agents will be trained during the first half of 2003. The participants were thus able to appreciate the context and objectives of the training that was to be given.

Discussions on the preparation of the traineeships were the starting-point for dealing with various aspects of the future of the territorial approach in the South Caucasus and refining mutual commitments.

3. The initial lessons

Although the process is still in its initial phases, some essential lessons can already be drawn from it in terms of concepts and methodologies.

3.1. At conceptual level

The idea of the action is to establish decentralised co-operation between the territories of the member states of the Council of Europe in order to combat poverty. While decentralised co-operation is not in itself a new approach, it is virtually non-existent between the countries of the Caucasus

and the countries of western Europe, although it could be an essential tool for the transmission of know-how and the forging of new links of solidarity and exchange. Even in the case of Armenia, which has a large diaspora with the potential to be a driving force in this respect, the co-operative actions being set up above all focus on forms of solidarity attempting to respond to emergency needs, and this has resulted in somewhat bitty intervention.

More generally, decentralised co-operation actions usually consist of twinnings, particularly of urban municipalities. The promotion of decentralised co-operative action with a group of municipalities forming a territorial entity is still a relatively new approach offering scope for innovation and effectiveness :

- it has significant potential in that local territorial approaches based on the mobilisation of players around co-operative strategies and local partnerships have been greatly developed over the last ten years or so throughout the European Union, especially within the framework of the European Union's LEADER initiative, which has been a virtual laboratory for the approach since 1991. The fifteen European Union countries now have considerable experience, which will gradually be consolidated outside the European Union through collaboration with territories wishing to develop similar approaches (the most recent LEADER+ programme includes the possibility of funding co-operative actions between territories within and outside the European Union);
- for a number of reasons, this type of decentralised co-operation could also prove particularly effective in combating poverty. Firstly, because territorial approaches based on co-operative strategies have proved effective in western Europe, particularly for launching a process to mobilise and develop local resources in territories in decline; this type of experience in areas with low *per capita* income confirms the relevance of the approach, so long as there is a bottom-up approach and that state support services are aware of this requirement. Secondly, decentralised co-operation between territories opens up considerable possibilities for synergy between different types of action (twinning and sponsorship between schools, health services, personal services, entrepreneurs, the reception of immigrants to provide them with training, etc.) and is in this respect a still largely unexplored field for innovation. It also provides the possibility of using the capital of experience and

skills present in the territory itself. It is no longer a question of looking for experts in external structures but of turning the direct experience of local institutions and players to account for co-operation ;

- in terms of cost efficiency, decentralised co-operation between territories also enables good use to be made of the financial resources committed. Firstly, experience in the European Union demonstrates the efficacy of such approaches which, despite relatively limited resources, have initiated processes of economic revitalisation in territories in decline and support for the most disadvantaged groups. Secondly, direct exchanges make for much better targeting of support and skills by facilitating the identification of needs as the links between the territories are forged.

3.2. From a methodological point of view

The experiment in progress has provided the opportunity for methodological research and collective action between the various partners involved from which a number of lessons can already be drawn :

- firstly, there is the key role played by direct contact between those with relevant experience in learning and training. For example, the impact of the Tbilisi seminar was essentially the result of the fact that the reflection on partnership was conducted on the basis of concrete experience presented by mayors or other local players involved in this type of approach. The decision to train young people on the spot in Spain and Italy comes under the same heading ;
- secondly, there is the usefulness of linkage between several types of partnership, particularly because of the leverage effect it can have. The co-operative partnership between the countries of the South Caucasus and the European Union has been a driving force for the formation of local partnerships between public players in areas where this type of approach was completely unknown. The presence of Italian and Spanish mayors at the seminars organised in the three countries was the trigger for local co-operation ;
- thirdly, there is the vertical partnership that plays a fundamental role since it involves the local, national and European levels, and sometimes even the regional level. It creates the framework of legitimacy necessary for such approaches to be put in place. While the local level is the basis of the processes, the national level is just as important for providing the necessary support, while the European level ensures

satisfactory linkage between the local and national levels. So during the seminars held on the spot, the involvement of the Council of Europe proved to be of fundamental importance for the establishment of a vertical partnership in which there is mutual respect and the competences of each partner are turned to account;

- fourthly, systematically basing co-operation on direct discussion on an equal footing resulting in concrete commitments led to the forging of links between the different players involved. The drafting of a protocol of agreement containing all the points discussed and agreed upon which was signed by all the participants and then by the various local players in the Italian and Spanish territories concerned created a common element and basic reference for the continuation of the process.

III – ALLOCATING THE NEW ROLES

1. The contribution of the Council of Europe

The process presented in Chapter II is a good illustration of the “mediating” role that can be played by an international organisation such as the Council of Europe which brings together rich countries and countries in transition looking for a future. In addition to the working spaces common to the member countries in the framework of intergovernmental meetings (in this case, the European Committee for Social Cohesion – CDCS), the creation of other synergies was seen as a necessary step towards social and territorial cohesion, the subject of the committee’s terms of reference and the Strategy for Social Cohesion and its *raison d’être*. It was therefore decided to include a new dimension, namely decentralised co-operation between European territories with the development of national, regional and transnational collaboration between European Union countries and countries that are not candidates for membership.

In addition to setting the ball rolling by mobilising institutions and people and putting them in contact with one another, the Council of Europe’s Social Cohesion Development Division acted as a “catalyst” for good co-operation and partnership practices by legitimising the construction of a pilot project, thus enabling certain obstacles to be overcome. Similar experiments, most of them conducted by NGOs, show that, without the support of an international organisation that legitimises the approach at governmental level, such a project for the mobilisation and co-operation of players may result in an impasse if the national contacts necessary for continuity and optimisation through development support policies cannot be found.

The example described here also shows how the intervention of the Council of Europe at various key points in the process acted as a safeguard against practices or reflexes that had more to do with maintaining the *status quo* than constructing new forms of partnership and social cohesion. Thus its supranational legitimacy enabled the Council of Europe to ensure that the specific roles of each level of intervention were clearer and, whenever necessary, to push to the fore the expression of the general interest and good sense.

Thus the Council of Europe has helped not only to affirm the method but also to capitalise upon and disseminate it. Such is the objective of this publication, which gives a systematic account of the conceptual and methodological reflections that took place between the various partners involved in the process. Another goal of the publication is to broaden reflection by forging links with other bodies involved in similar experiments that might eventually lead to the formation of a network of experiments of this type.

This leads us to consider another function that European institutions such as the Council of Europe might be expected to perform in the context of this sort of experiment, namely support for reflection on technical assistance policies, particularly in the countries of the East and South.

Looking again at the conclusions presented in the previous chapters, it seems that technical assistance and co-operation policies often suffer from an imbalance that favours macro-economic interventions, support for infrastructure and institutional reform, rather than interventions that enable civil society and an economy to emerge at local level, in particular in territories where poverty is concentrated. Its efficacy and reproducibility make decentralised co-operation between territories of the European Union and territories of the East and South an essential instrument for correcting this imbalance. It can be based on a significant mobilisation of human and institutional resources at European level that are quite interested and available.

In addition to the effectiveness of such a choice, it also creates links and therefore social cohesion between member states of the Council of Europe. The example presented here shows clearly that the establishment of decentralised co-operation between territories in the framework of a partnership approach linked at several levels strengthens democracy and introduces good practices, particularly in relationships between the public sectors themselves and with the private sector. Furthermore, this enables the various players and institutions to construct the necessary ways for combating poverty and opening access to dignity. This gets us away from the simplistic idea that the solution to such-and-such a human problem can only be found by applying macro policies and institutional reforms.

In this sense, decentralised co-operation between territories that is supported and legitimated by international bodies could open up development alternatives and new forms of commitment. It might even lead to awareness on the part of people in richer territories. This type of co-operation makes it easier to explain to the people of such territories the purposes of and justification for solidarity, exchange and transfer of know-how and

skills. In the present case, the two mayors involved obtained the support of their own territories, as is demonstrated by the fact that the university, development centres, territorial leaders and the inhabitants of the different areas of Aragon are now preparing to welcome young people from the three countries of the South Caucasus and integrate them in their day-to-day activities.

The first lessons we have drawn from this bring out the importance of the role and responsibility of the European institutions in supporting a genuine policy of decentralised co-operation. The exchange of information and practices between players intervening at local level has many advantages over more conventional policies :

- it enables better mobilisation of the resources of the countries concerned, while at the same time taking into account intangible resources such as identity, social links, traditions, etc ;
- it gives more personalised support, often more effective because the resources provided are more adaptable and flexible ;
- it leads to exchanges of know-how and new links ;
- it involves integration of interests, each partner learning to define objectives that can be shared by others, but in which each has their specific role ;
- it has a multiplier effect and leads to the construction of various types of synergy.

2. The prospects

In addition to the initial lessons that can be drawn from the experiment described, the process under way opens up prospects that may eventually prove to be new ways forward for the treatment of the international issues which Europe has to confront in its relations with other countries.

Migration issues are one of the most important questions. We are all aware of the extent to which the impoverishment of the countries of the South and East has over the past twenty years placed increasing pressure on Europe, particularly the European Union, in terms of legal and clandestine immigration that exceeds the capacity to receive immigrants and provide them with work. This situation has led the European Union countries gradually to strengthen border controls as the gap widens between the "demand" for immigration and the "supply" of reception capacity and available jobs. Such an approach to the problem is not, however, effective in

that it actually encourages the development of clandestine immigration which, in turn, leads to the further strengthening of controls. It is above all the expression of an immigration policy limited to considering immigrants as labour (see the increasingly present and strengthened prohibition on family reunification in national legislation) and is now generating socio-economic and cultural cleavages and conflict. Genuine integration policies need to be put in place in order to curb these trends.

The problem is in fact now of such a scale that no viable solution is possible without the support of civil society itself. From this point of view, decentralised co-operation between territories is a potentially promising approach. In particular, we know that many European Union territories outside the major urban centres use foreign labour for productive and service activities (Alto Bellunese, for example) or to solve the problem of a worrying decline in population (as in the rural and mountainous areas of Aragon). At the same time, faced with poverty and the lack of prospects for work or economic activity, people in the poorer countries, such as the three countries of the South Caucasus, try to emigrate, often with no thought of ever returning, which worsens the country's situation still further.

The development of decentralised co-operation between territories provides numerous prospects for dealing with the issues of migration far more subtly and clear-sightedly, particularly by linking up the reception of immigrants from twinned territories, training, building up savings and financing (or co-financing) a project to return that could be planned in advance and included in a territorial strategy defined by decentralised co-operation practices.

In the same way, decentralised co-operation between territories could open up new ways of dealing with other problems concerning Europe's relations with the rest of the world. For example, the handling of food aid, support for agricultural development and, more generally, questions connected with self-sufficiency in food would be far more effective if it were not restricted exclusively to the level of relations between states but were also based on relations of solidarity between territories.

Conclusion

The example presented in this publication is certainly not innovative in all its aspects. There are many examples of decentralised co-operation that have been in existence for many years, some of them rich in various lessons that partly corroborate the few observations and prospects presented above.

The process now under way between the territories of the three countries of the South Caucasus and Alto Bellunese and Aragon does, however, have two special features: firstly, the link with territorial approaches based on local partnerships of which there is now significant experience in the European Union and which are increasingly clearly a solution with a future, particularly for rural and mountainous areas; and, secondly, the organisation of a vertical partnership including the local, national and European levels, each in turn being formed by a more or less formal horizontal partnership.

We have tried to show how these two special features may be advantageous, in particular by bringing out the leverage effect of a linkage between several types of partnership and the role a body like the Council of Europe can play in such a process.

Because the experiment has only recently got under way the conclusions have to be treated with some caution. This publication therefore seeks not to present final outcomes but rather to try to contribute to the debate and awaken interest among other potential partners involved in similar processes, so that there can be wide-ranging reflection on these issues which are essential for restoring the concept of collective solutions that is fundamental to the introduction of European social cohesion policies.

APPENDIX – PROTOCOLS OF AGREEMENT

Armenia

In the framework of the “Mountains of Europe Pyrenees-Alps-Caucasus” project taking place on the occasion of International Year of Mountains 2002 and under the aegis of the Council of Europe, we the undersigned mayors and representatives of local players of the districts of Tsaghkatsor, Aghavnadzor, Lermaniste, Meghradzor, Tchkalovka, Varsar, Ddmachen, Zovaber, Gueghamavan, Ltchachen, Norachen, Karsi and Hankavan (Armenia), Alto Bellunese (Italy) and Aragon (Spain) and other players involved at national level resolve to work together in a spirit of solidarity in order to get to know one another better and exchange methods and know-how for the local development of our territories in mountainous areas.

For this purpose :

1. The signatories undertake to concentrate their efforts on the development of the territory consisting of the thirteen above-mentioned districts of Armenia, emphasising information and the co-ordination of public and private actions in the territory, both at local and national level, with a view to improving the living conditions of the most disadvantaged populations. For this purpose, an organisational structure shall be set up at territorial level. A co-ordinating group shall also be set up at national level in order to facilitate the co-ordination of support policies for the territory.
2. Between now and October, the signatories undertake to carry out the following actions:
 - Flaminio Da Deppo, Mayor of Domegge di Cadore and President of the Community of the Municipalities of Centre-Cadore, will discuss with the other mayors in that territory the idea of sponsoring municipalities in the above-mentioned Armenian territory and allocating funding equivalent to 0.1% of the budgets of the municipalities of Centre-Cadore that will go in priority to the most disadvantaged areas of the territory of the above-mentioned thirteen Armenian districts;

- the mayors and local players of the municipalities undertake to form a working group that will draw up a development project for the territory, to be presented in Spain in October ;
 - the signatories working at national level also undertake to form a working group which will support the local working group in the preparation of the project.
3. In October the representatives of these different groups will meet in Aragon to finalise the development plan and the form of sponsorship.
 4. Traineeships shall be set up as follows :
 - two young people will be trained in Aragon for six months on the local development approach adopted by that territory ;
 - two other young people will be trained in Alto Bellunese (Italy) for a maximum period of one year in a number of more specific fields to be indicated in the territorial development project.
 5. Young people's recruitment characteristics are the following :
 - they must be under 30 ;
 - they must be university educated or have higher technical training ;
 - those to be trained in Aragon must have some training or experience in the social sciences (economics, sociology, geography, etc.) or agri-food sciences, and those to be trained in Alto Bellunese in a broad technical field ;
 - they must live in the above-mentioned territory or have links with that territory ;
 - the group must include both men and women ;
 - some knowledge of Italian and/or Spanish would be highly desirable.
 6. The search for and preparation of these people shall take place as follows :
 - the signatory partners undertake to search widely, in particular in the municipalities concerned (including NGOs, university, etc.) ;
 - a selection committee consisting of four people (three from the local working group and one from the national working group) will draw up a shortlist of ten people (five for Alto Bellunese and five for Aragon) ;
 - the committee will, in particular, assess candidates' interest in and capacity for commitment to the objectives identified ;

- a second selection of two people for Alto Bellunese and two for Aragon shall be made in those two regions ;
 - once the selection has been made, preparatory work shall begin in Armenia with the signatories' support.
7. The successful candidates shall be supervised and supported in the following way :
- in Aragon, they will be supervised by the directors of two development centres for a period of six months ;
 - in Alto Bellunese, they will be supervised in appropriate technical centres for a period (not exceeding one year) to be determined according to the type of training. The training itself will alternate with work experience.
8. When they return to the municipalities, they will have the following roles :
- those trained in Aragon will have the role of territorial development agents, in particular within the organisational structure established ;
 - those trained in Alto Bellunese will join the project.
9. In order for them to be able to play these roles, the signatory partners shall ensure that the skills acquired are fully exploited.
10. The actions described in this protocol of agreement may be supplemented by other co-operative actions, in particular in the social and training fields, devised and implemented as opportunities and needs arise. This protocol of agreement thus seeks above all to initiate a process that will take shape as it unfolds.

Done at Hrazdan, 23 July 2002.

Azerbaijan

In the framework of the "Mountains of Europe Pyrenees-Alps-Caucasus" project taking place on the occasion of International Year of Mountains 2002 and under the aegis of the Council of Europe, we the undersigned mayors and representatives of local players of the territories of Dashkesan and Ganja (Azerbaijan), Alto Bellunese (Italy) and Aragon (Spain) and other players involved at national level resolve to work together in a spirit of solidarity in order to get to know one another better and exchange methods and know-how for the local development of our territories in mountainous areas.

For this purpose :

1. Our strategic objectives are as follows :
 - to concentrate our efforts on the development of the territory of Dashkesan ;
 - to train young people in a local development approach for this territory ;
 - to train young people in certain fields more specifically relevant to the territory.
2. In order to implement this strategy, it is proposed to send two people to Aragon (for training in the local development approach) and two others to Alto Bellunese (for more specific training). They shall correspond to the following criteria :
 - they must be under 30 ;
 - they must be university educated or have higher technical training ;
 - those to be trained in Aragon must have some training or experience in the social sciences (economics, sociology, geography, etc.) or agri-food sciences, and those to be trained in Alto Bellunese in a broad technical field ;
 - they must live in the above-mentioned territories of Dashkesan and Ganja or have links with them ;
 - the group must include both men and women ;
 - some knowledge of Italian and/or Spanish would be highly desirable.
3. The search for and preparation of these people shall take place as follows :
 - the signatory partners undertake to search widely, in particular in the territory of Dashkesan (municipalities, NGOs, university, etc.);
 - a selection committee consisting of six people (two representatives of the territory of Dashkesan and a national steering group consisting of four people) will draw up a shortlist of ten people (five for Alto Bellunese and five for Aragon);
 - the committee will, in particular, assess candidates' interest in and capacity for commitment to the objectives identified ;
 - a second selection of two people for Alto Bellunese and two for Aragon shall be made in those two regions ;
 - once the selection has been made, preparatory work shall begin in Azerbaijan with the signatories' support.

4. The successful candidates shall be supervised and supported in the following way :
 - in Aragon, they will be supervised by the directors of two development centres for a period of six months ;
 - in Alto Bellunese, they will be supervised in appropriate technical centres for a period (not exceeding one year) to be determined according to the type of training. The training itself will alternate with work experience.
5. When they return to the territory of Dashkesan, they will have the following roles :
 - those trained in Aragon will have the role of territorial development agents, in particular to facilitate co-operation between public and private players ;
 - those trained in Alto Bellunese will have a territorial development role in the fields in which they have been trained.
6. In order for them to be able to play these roles, the signatory partners shall ensure that the skills acquired are fully exploited.
7. The actions described in this protocol of agreement may be supplemented by other co-operative actions, in particular in the social and training fields, devised and implemented as opportunities and needs arise. This protocol of agreement thus seeks above all to initiate a process that will take shape as it unfolds.

Done in Ganja, 16 July 2002.

Georgia

In the framework of the "Mountains of Europe Pyrenees-Alps-Caucasus" project taking place on the occasion of International Year of Mountains 2002 and under the aegis of the Council of Europe, we the undersigned mayors and representatives of local players of the district of Borjomi (Georgia), Alto Bellunese (Italy) and Aragon (Spain) and other players involved at national level resolve to work together in a spirit of solidarity in order to get to know one another better and exchange methods and know-how for the local development of our territories in mountainous areas.

For this purpose :

1. Our strategic objectives are as follows :

- to concentrate our efforts on the development of the municipalities of the district of Borjomi along the following two main lines : (a) creation of SMEs and combating unemployment, in particular in the agri-food processing, timber and family hotels sectors ; (b) management of the territory, in particular with respect to forests, hydrogeology and waste ;
- to devise a territorial development support project which comes within the scope of these two main lines to be submitted to the Italian Government ;
- to train young people in a local development approach for the territory ;
- to train young people in certain more specific fields that will be indicated in the territorial development support project.

2. In order to implement this strategy, it is proposed to send two people to Aragon (for training in the local development approach) and two others to Alto Bellunese (for more specific training). They shall correspond to the following criteria :

- they must be under 30 ;
- they must be university educated or have higher technical training ;
- those to be trained in Aragon must have some training or experience in the social sciences (economics, sociology, geography, etc.) or agri-food sciences, and those to be trained in Alto Bellunese in a broad technical field ;
- they must live in the above-named territory or have links with it ;
- the group must include both men and women ;
- some knowledge of Italian and/or Spanish would be highly desirable.

3. The search for and preparation of these people shall take place as follows :

- the signatory partners undertake to search widely, in particular in the district of Borjomi (municipalities, NGOs, university, etc.) ;
- a selection committee consisting of four people (two mayors from the district of Borjomi and a national steering group consisting of two people) will draw up a shortlist of ten people (five for Alto Bellunese and five for Aragon) ;

- the committee will, in particular, assess candidates' interest in and capacity for commitment to the objectives identified;
 - a second selection of two people for Alto Bellunese and two for Aragon shall be made in those two regions;
 - once the selection has been made, preparatory work shall begin in Georgia with the signatories' support.
4. The successful candidates shall be supervised and supported in the following way:
 - in Aragon, they will be supervised by the directors of two development centres for a period of six months;
 - in Alto Bellunese, they will be supervised in appropriate technical centres for a period (not exceeding one year) to be determined according to the type of training. The training itself will alternate with work experience.
 5. When they return to the district of Borjomi, they will have the following roles:
 - those trained in Aragon will have the role of territorial development agents, in particular to facilitate co-operation between public and private players;
 - those trained in Alto Bellunese will join the territorial development support project submitted to the Italian Government.
 6. In order for them to be able to play these roles, the signatory partners shall ensure that the skills acquired are fully exploited.
 7. The actions described in this protocol of agreement may be supplemented by other co-operative actions, in particular in the social and training fields, devised and implemented as opportunities and needs arise. This protocol of agreement thus seeks above all to initiate a process that will take shape as it unfolds.

Done in Borjomi, 20 July 2002.

