

Working Group 2 “Economic Integration & Convergence with EU Policies”

Annual Meeting Report

6-8 June 2017, Chisinau

Regency Hotel, Strada Sfatur Tarii 17, 2012 Chisinau, Moldova

Summary

On 6-8 June, the WG2 meeting brought together **17 representatives of the EaP CSF Working Group 2 and the Moldovan stakeholders.**

The working meeting offered discussions and exchange of information on the developments in the EaP countries, WG2 re-granting projects, as well as on the EU’s Joint Staff Working Document [20 deliverables for 2020](#) and the EaP CSF Policy Brief that offers the civil society perspective on the document. The first round of internal debate was followed by exchange with the Moldovan stakeholders from the Ministry of Foreign Affairs, Ministry of Economy and the Prime Minister’s Office. The day continued with internal sessions focusing on important issues for the upcoming period until the EaP summit and EaP CSF Annual Assembly, and closed with joint dinner with the Moldovan expert Veaceslav Ionita, former President of the Parliamentary Commission for Economy and Finance.

Opening session

Dovile Sukyte and **Yurii Vdovenko**, EaP CSF WG2 Coordinators, opened the meeting by presenting the agenda and summarizing the major developments that took place after the EaP CSF Annual Assembly in Brussels.

Update from the WG2 Coordinators of the National Platforms

Armenia

Karen Chilingaryan elaborated on the membership of the country in the Eurasian Economic Union, and on the negotiations with the EU on the new agreement finalized not long ago. He mentioned the recent meeting of the Armenian National Platform Steering Committee with the Armenian government representatives at the level of first vice-prime minister and deputy minister of economy, where the priorities of EU-AM partnership were discussed. Namely, the following issues were raised in the area of economic cooperation and market development: SMEs, green economy, digital economy, agriculture and development of rural areas. The meeting was fruitful. At the level of the Armenian National Platform, joint meetings of WG2 and WG3 took place, as well as of WG2 and WG1. It was agreed there would be an ongoing cooperation with WG3 on green economy and green energy, meanwhile the issues related to the law on income tax and property tax were discussed with WG1 members.

Azerbaijan

Samir Aliyev suggested the situation in the country has deteriorated and the operations of CSOs are very limited. Unless the Ministry of Justice gives a consent, the CSOs cannot implement any project. Decline of the global oil prices and decrease of revenue will prompt the Azerbaijani government to carry out reforms; there is a roadmap to reform financial sector, SMEs and other aspects of the economy. The roadmap includes main economic parameters that are also priorities of the WG2; the National Platform developed several recommendations and the government took on board some of them. After a long pause, the activities resumed within the OGP project and one event was organised. Another event on SMEs development will be organised soon, including developing a position paper and recommendations.

Belarus

Vladimir Karyagin outlined the BNP WG2 has focused on priority issues and on expanding the membership. The situation in Belarus is not simple, the country is part of Eurasian Economic Union so some of the members are working within the related civil society platforms as well. It was not easy to get access to such a group as it works with confidential documents. Belarus has improved relations with the EU. Many official visits took place; the government is open to cooperation and has been engaging quite actively in the EaP activities. This is very positive. Priority of the BNP WG2 is to contribute to development of business environment and regulatory processes (the 10-year work on creating a business platform has resulted in total review of the legislative framework in the country based on OECD standards). A working group was created chaired by the head of the Presidential administration. It will be reviewing around 2000 legislative acts. Some issues were left out, for example, issue of property, but the agenda is wide. It has been an interesting time, and the BNP have been fighting bureaucracy in the process, pushing from the bottom to the top. It is clear the digital reform of the economy will lead to higher unemployment and loss of jobs and the government has been thinking about this transformation. In February, a business event including the event on digital economy was organised. The second additional business week in Belarus will be organised as well. It will focus on SMEs support in the regions so that the new jobs are created. There are currently two subgroups at BNP – on SMEs and e-government.

Georgia

Nino Elizbarashvili mentioned 60 organisations are participating in the work of WG2 in Georgian National platform, carrying out research and participating in the events as well as in the meetings with the stakeholders. Recently, a meeting took place with the President and spokesperson of the Parliament where the proposed amendments of the Constitution were discussed. Furthermore, WG2 proposed to change legislation on cooperatives. In addition, a meeting of regional organisations took place in Kutaisi as well as an event on SMEs development. It was underlined it is very important to work in the regions and to motivate the local CSOs to take part in the GNP. There will be a meeting with the Minister of economic development on 2020 strategy and development of SMEs. GNP WG2 also plans to cooperate

with the ministry of finance and ministry of agriculture. Family farming is one of the most topical issues that also relates to development of women entrepreneurship; GNP WG2 has developed an action plan to bolster the activities of WG2.

Moldova

Viorel Chivriga suggested many areas of WG2 interest in Moldova are highlighted in the document that was sent as a contribution to the strategy. Monitoring and joint work with the government – especially the ministry of economy, agriculture, and finance is envisaged. Another priority is the settlement of Transnistria issue, including the economics means. There was a conference on Transnistria preceding the WG2 meeting and there is a joint proposal to improve the business environment there. Third priority is agriculture; a lot has been done in this area together with the ministry of agriculture WG2 learned certain skills, proposed amendments to the legislative package and implemented monitoring. WG2 representatives were invited to the discussions on subsidies. The implementation of LEADER programme principles is another priority and WG2 is working on this. Another area where a progress has been achieved is the public procurement; the new bi-laws were adopted and Moldova teamed up with Ukraine on the implementation of the electronic platforms. MNP WG2 conducted focused communication campaign and advocacy on the issue. WG2 is quite a big group in Moldova comprising of 20 organisations and there is a plan to expand the membership, especially of business associations. WG2 plans to keep monitoring DCFTA implementation and run the communication campaigns.

Ukraine

Maksim Koriavets presented that in Ukraine, WG2 works in three areas based on relevant topics and in line with the main trends of EaP policy. One of the areas is the regulatory environment and development of SMEs. There is a discussion now on how the SMEs development plan is to be implemented and how the civil society experts in Ukraine will assess this document. For this reason, UNP WG2 organised events with the stakeholders and also plans the joint meetings with WG3. Trans-border cooperation is another priority, as well as the harmonization of digital markets. To finalize the digital agenda is a very important issue for Ukraine and UNP WG2 is in touch with the stakeholders who are covering the agenda in the government. WG2 has also decided that there is a need for a study on the trade roads in the context of the implementation of AA/DCFTA.

EU members of the WG2 were encourage to share their views on the current EU agenda and developments. **Markijan Zelak** pointed to the fact the EU is dealing with two major issues at the moment: Brexit, which will occupy the EU agenda for at least two years' time, and the second issue is the crisis around terrorism threat and migration. On the other hand, the EU is ready to deepen the cooperation with the EaP countries. There is a window of opportunity, which needs to be used to implement as much reforms as possible.

WG2 SWG coordinators update

WG2 Coordinator **Yurii Vdovenko** encouraged coordinators of WG2 Sub-groups to report, as well as to share the experience from the participation in EaP platforms, panels, workshops and trainings. He shared a brief report on **Platform 2 meeting** (May 18 2017) that he attended together with **Kakha Gogolashvili**. He shared information about the Business Forum that will be organised back to back with the EaP CSF AA and EaP Civil Society Conference in Tallinn at the end of October. It was also mentioned the invitations to EaP events usually come rather late, which is a complication for a comprehensive selection procedure as well as for preparation of EaP CSF input. It was suggested the EaP CSF SC should discuss how to make these meetings more effective from the civil society perspective.

Harmonisation of Digital Markets SWG

David Tsiskaridze outlined the group defined the following priorities: building capacities and skills, raise awareness by informing the population about ICT, and contributing to advancing reforms in ICT area. There was a good opportunity to participate in the ICT development workshop on innovative ecosystems for start-ups in Salamanca, Spain. Action plan was developed and milestones defined for the EaP summit. There were interesting start-ups and representatives from 60 countries, deliberations among the state representatives and other stakeholders and the idea to establish network between ICT association and civil society organisation was presented.

SMEs

Ilgar Huseynli pointed to the fact there are two EaP CSF Re-granting projects on SMEs this year that should provide an input to the SWG work. The SWG plans to develop a single document on how to strengthen SMEs in EaP countries. There is a problem of the division of the EaP countries into two groups - DCFTA countries on the one hand and Belarus, Azerbaijan and Armenia on the other, so it is difficult to make recommendations for the whole EaP region on the participation of the civil society in this area.

Trade

There is a Panel on Trade and Trade-related Regulatory Cooperation on June 12 where two SWG representatives will participate. The Statistics panel in Georgia on ICT applications was attended by two EaP CSF representatives. At the Transport panel, new funding mechanisms for infrastructure projects was discussed. It was observed there were only very few projects the EaP governments were able to implement themselves, involvement of private sector has been needed. The PPP is in place and the public portal should be open where all projects would be publicize so that there is transparency. There will be also a focus on eliminating bottlenecks along the transport corridors and on making the transport flows more efficient.

Agriculture

Agriculture panel takes place in the autumn, it is a priority for all EaP governments but still little attention is given to agriculture issues. Farmers have constant problems and many have

to close down their farms and leave for the cities. Guarantees from EaP governments are needed as many problems of the farmers and rural areas in general are related to natural disaster.

Presentation of the regranting projects

The following EaP CSF 2017 Re-granting projects were presented:

1. ***Benefitting from EU open market: SMEs practical guide to DCFTA learning from experience of Latvia***. Presented by **Nino Elizbarashvili** Association of Women in Business, Georgia

PP presentation is available here (saved in the WG2 folder/presentations)

2. ***Enhancing the role of civil society and SME from Eastern Partnership countries in the implementation of European standards***. Presented by **Radu Moldovan**, Center for Innovation and Policies, Moldova

PP presentation is available here (saved in the WG2 folder/presentations)

Following the presentations of EaP CSF Regranting projects, **Georgeta Mincu**, Centre for Development and Management, presented briefly the **EaP CSF policy brief** elaborating on Joint Staff Working Document “Eastern Partnership – Focusing on key priorities and deliverables”. She acted as the expert covering the deliverables falling under WG2 priorities. The policy brief is available [here](#).

Meeting with Moldovan Stakeholders

Gheorghe Balan, Deputy Prime Minister for Reintegration, opened the floor with general remarks on the situation in the country (after 1bn USD disappeared from the Moldovan banks). Despite the difficult situation and budget cuts requested by international financial institutions, the economic revenues are increasing and the economic results will be better than envisaged by the IMF. Economy is to be relaunched, and the generated resources will be used for reforms. One of the biggest challenges is the unresolved conflict in Transnistria, which stands for 12% of the territory and 300.000 inhabitants. The conflict is maintained from the outside. The region is not sustainable, and the direct and indirect support is provided by the Russian Federation. Gas debt is increasing dramatically every year and has reached 6.5 billion USD. Paradoxically, the only issue over which Russia insists Moldova is one country, is the gas debt. Moldovan government established 11 sectorial working groups that are working on supporting people of Transnistrian region, implementation of DCFTA, trade and other issues. The 5+2 format of discussion involving international partners and Moldovan stakeholders is not considered suitable format for finding a solution to the conflict; it is rather a platform for dialogue. Moldovan institutions have to work on the reintegration more actively and the Moldovan stakeholders should bear in mind that the borders are with Ukraine, and not on Dniester river. The government should promote national policies on the territory of the whole

country. Medical insurance, for example, is provided to Transnistrian population meanwhile they do not contribute to the system. The economic agents from the region are registered in Moldova and 60% of Transnistrian business is oriented to the EU via Moldova. In 2015, it was agreed DCFTA will be also implemented step by step in Transnistria (not a written agreement). There are challenges connected to the process, like a need to re-establish presence of Moldovan custom and border guard on Transnistrian segment of the border. The joint control posts should be set up in cooperation with Ukraine on the territory of Ukraine (up to 13 checkpoints). The aim is no restriction but rather to provide better services to people, however, the leaders of Transnistria can be affected as well as smugglers. Russian military presence in Transnistria comprises of 2500 Russian troops, 20.000 tons of ammunition and equipment. Moldovan government insists the troops and equipment to be removed. Military exercises are frequent, over 32 took place this half a year only. Russia claims the Russian presence is peace keeping but there are 240 peacekeepers supported by 2500 troops. The aim of the government is to move from military component of the peacekeeping mission to civilian component and provide grounds for reunification. Such approach will improve dialogue. There is also a need to respect human rights in the Transnistrian region. Moldovan government envisages the appointment of Special ombudsman for the region and aims to attract the international attention. The government wants to provide special legal status for Transnistria in the same way as for Gagauzia. To give up Transnistria is not a solution because Russia would find another region and use it for destabilization. Moldova should lead by example in the area of economic welfare and adherence to democratic values and rule of law in order to attract the population of Transnistrian region.

Mihaela Gorban, Head of General International Economic Cooperation Directorate, Ministry of Economy of the Republic of Moldova, provided a comprehensive overview of the benefits and challenges of the DCFTA implementation.

PP presentation is available here (saved in the WG2 folder/presentations)

Tatiana Molcean, European Integration Department, Ministry of Foreign Affairs and European Integration of the Republic of Moldova, elaborated on the challenges for the EaP as such. She pointed out that everything is heading to the EaP summit and that the efforts of the civil society and the EaP governments should be synergized. Priorities for the EaP Summit are summarized in the 2020 Deliverables document (Eastern Partnership – Focusing on key priorities and deliverables). The Moldovan government already provided feedback to the EEAS. Document is currently under review, will be released in a week time and presented at the EaP Ministerial meeting on 19 June. In general, Moldovan government welcomes this approach, because it is basis for ongoing work. EEAS is also proposing new architecture of the multilateral structure. Moldova generally wants to see less indicators and benchmarks, as lot of actions are not specified. It is also perceived there is less commitment on the EU side, and the engagement should be mutual. Some of deadlines set in the document are also not compatible for DCFTA group and non-DCFTA group. For the EaP summit (November 2017), Moldovan government is expecting a summit declaration about the political engagement. The text should be short, without well-known facts. The annexes to the general declaration should include achievements, commitments and vision beyond 2020. There are expectations that the

civil society will help to make public better understand what the agreement is about and fighting the myths related to the AA/DCFTA implementation. The civil society should support communication and promotion of the reform because there are simply not enough capacities at the government side to do that.

Q&A

Q: Mr Balan talked about Transnistria but such conflicts are relevant to all EaP countries and we know the origin of the problem. How do you manage the border between Moldova and Ukraine? In addition, we have been following the political developments in your country. Moldovan president visited Moscow; meanwhile the government is oriented to the West. How do you accommodate these two trends?

A: After 25 years, the Moldovan government is not in control of the borders. This year we will offer services to the citizens on the Ukrainian territory with joint border control points. New international border crossing will be open at the borders and another 12 crossing points are planned. We believe it is a good precedent for Ukraine as the possibility of joint control can be inspiration for the other regions of Ukraine. The president was pro-European in the past and his position in the Moldovan system is legally not so strong. However, the issue of DCFTA was raised during his election campaign, for example. He is a populist and does not clarify to which we should go back to, he cannot give answers to specific questions on investments etc. Therefore, people can see what he is offering.

Q: You mentioned 1360 export companies are exporting to the EU, what is the share of SMEs? Can you please specify what the priorities for the business incubators you mentioned are?

A: Almost all export companies mentioned are SMEs. As to the incubators, indeed the SMEs are in focus. There is a targeted support to start a business, special programmes for young people to create new enterprises, and this year, women in business are in focus with 50 million Moldovan Leu to be invested from the state budget. A start-up Moldova project will be also launched. Besides the business incubators, there are free business areas that provide a lot of opportunities to start businesses. Foreign companies are interested in these areas and are bringing the jobs in. For the near future, we plan to focus on textile, automotive industry and agrisector.

Session on EaP CSF Strategy, Alternative civil society declaration and EaP CSF Annual Assembly in Tallinn

EaP CSF Strategy is expiring this year. The review will comprise not only the reassessment of the overall strategic goals but also the possible internal reform of the Forum's operational level and structure. **The WG2 Coordinators** opened **Tour de table**, asking the members to identify major strengths and weaknesses of the Forum and offer recommendations for change.

National Platforms and EaP CSF – it is difficult to find **true experts**, there is lack of organisations that can inform society well. It is necessary to develop professionals that can communicate with the society. Many organisations from GNP are travelling to the regions and are **informing and engaging the citizens** but there is no project on this and it is very difficult. It is also important to initiate **experience sharing with the EU participants** on how they have done the communication job. Someone from a high-level position should be engaged for this task. It is also important to **increase the quality and research capacities** within the EaP CSF.

The main objectives and **priorities defined by WGs and SWGs should stay**.

Capacity building via ICT tools should be introduced; there is a good experience with inclusion into international events, info seminars, webinars etc.

Within EaP CSF, some organisations lack capacity to do analytical research. **Communication** in between the Annual Assemblies is **rather poor**. There is not much communication within the SWGs. On the other hand, not everyone can volunteer time and resources to work on the issues relevant for the Forum. Capacity building seminars would be good way how to improve. There should be a **balanced combination of organisations** – more think tanks and CSOs producing analytical input and grass root organisations working with the public.

EaP CSF has been improving the quality of the content and output (I was impressed by the regranting projects presented today). This brings in a new quality. If there is a **regranting project** and 3-4 countries participate, perhaps we can plan so that we **disseminate the results** of the project to the other EaP countries, CSOs and National Platforms. We should also share information about failed regranting projects.

There should be **stability of the working groups** and they should aim at achieving quality results, there should be a roadmap for every SWG for at least a year. We have some projects, statements, policy briefs but it would be nice if **every WG and SWG had one policy brief or policy paper per year**. A lot can be done via advocacy if it can be implemented jointly. For example, MDNP has a lot of experience with work in the regions and we can share it. In addition, I have seen in the draft (PP presentation by Ulad Vialichka) an interesting idea to set up **the group of friends**, which would serve well the Forum. It would help us to get access. Improved links with stakeholders at national level and EU level, transfer of expertise is needed. **Motivation**, it would be nice if we can motivate not only financially, there are other ways, participation in different events but not only, we should develop wider range of instruments of how to motivate. We need to keep good people in the WGs.

Annual Assembly was very intensive. Lot of procedures were not clear and there was **lack of time** to know each other within the WG2. Lot of people used the AA to network, to meet outside and it was a bit frustrating. Quality of some presentations was very low. The format is valuable and there is an opportunity to get together but the problem is that we do not communicate after the AA. It is a question of **effectiveness of the WGs**, if nobody is contributing. There is no possibility to find out what is the expertise of every member in

advance, the WG members should get more time to know each other and to structure the work more effectively. There is no need to institutionalize the EU input by creating a platform.

The main objective of the EaP CSF should be the **support to implementation of the EaP** and we need to provide good expertise for it. Strategy should include training elements and capacity building activities and expertise and experience sharing. **Advocacy plan** should be developed for each year; main objective is the effective and quality interaction within the EaP panels and platforms.

Format of the WG2 meeting – it is a very good format that we have had in Chisinau. I believe the WGs should meet in the EaP countries, not always in Brussels, so that we can share experience with the national stakeholders. It would be good to have such a format that the country hosting the meeting would contribute to the agenda. **Experts in the group** – we need a database of the past members and past projects that were implemented by the members of the WG.

We need **more contact with the stakeholders**, if the EC is satisfied with the format, they should be serious about the Forum. **Interest in the NPs is decreasing** and this happened after the AA/DCFTAs were signed and bilateral platforms emerged. Forum should not continue like this, every time to select **new members**. They participate in the development of some documents but how can they participate actively. Perhaps we should not invite new people but those who already took part.

Alternative civil society declaration will be drafted based on the members' input and presented in Tallinn. WG2 suggested the following topics to include. Further issues and topics will be generated via the planned SWGs' skype calls.

- Development of agriculture and rural development – majority of population lives in the rural areas. Services in the rural areas.
- Harmonization of digital markets

EaP CSF AA/Civil Society Conference in Tallinn (October 2017) – WG2 stakeholder session brainstorming on speakers and topics. It was agreed the stakeholders session in Tallinn will be dedicated to the issue of **SMEs**. Suggestions: speakers from the Business Forum, EU4Business speaker (Julia Djarova), Georgian Minister for Economy Giorgi Gakharia, speaker from Azerbaijan (AZ has a roadmap until 2030). From Moldova, Deputy Prime Minister and Minister of Economy Octavian Kalmyk or Deputy Prime Minister for reintegration Gheorghe Balan. In Belarus, Business Optimism Index is carried out every six month and be presented in comparative perspective. Representatives of financial institutions - EBRD, EIB, World Bank. It was also proposed to have a high-level panel on challenges for the EaP where the invitees could be Carl Bildt, Stefan Fule, former Commissioner for agriculture, former PM of Romania Dacian Ciolos, etc. There is always focus on the experience of the Baltic countries but the Western Balkan countries have more fresh experience with the association process and the speakers from Serbia or BiH could be invited to the event.