

## ANNUAL ACTIVITIES REPORT 2016

### WORKING GROUP 2

#### Economic Integration and Convergence with the EU Policies



EaP CSF Working Group №2 “Economic Integration & Convergence with EU Policies” deals with the main issues on the agenda of EaP Thematic Platform 2 of the same name. It tackles one of the biggest ambitions agreed at the Prague Summit which aimed at regional economic integration between Eastern Partnership countries and opening negotiations on the deep and comprehensive free trade areas (DCFTAs) between the EU and EaP countries

The Working Group 2 coordinators in 2016 were Iurii Vdovenko of the Center for Cross Border Cooperation and Dovilė Šukytė from the Eastern Europe Studies Centre.

### WORKING GROUP COUNCILS

The WG2 Council for 2016 was made up of the following national platform representatives:

AR: Karen Chilingaryan

AZ: Irade Rizazada

BY: Ihar Lednik

GE: Lia Todua

GE: Tengiz Svanidze

MD: Viorel Chivriga

UA: Yurii Vdovenko

### MAIN ACTIVITIES OF WORKING GROUP 2 in 2016

The following thematic sub-groups were created within the framework of WG2 in order to coordinate activities in the respective areas, with each subgroup being assigned a respective coordinator:

- Agriculture: Sergiu Mihailov (Moldova)
- Harmonization of Digital Markets: Ihar Lednik (Belarus) and Sergiu Tutunaru (Moldova)
- Regional Policy, Territorial and Crossborder Cooperation: Zhivka Nikolova (EU)

- Small and Medium Enterprises: Eugen Roscovanu (Moldova) and Nino Elizbarashvili (Georgia)
- Trade and Trade Related Regulatory Cooperation: Kakha Gogolashvili (Georgia)

The WG2 priorities, as well as results, were discussed with working group members at the WG2 Council and WG annual meeting in Brussels.

In 2016 Platform 2 predominantly focused on horizontal issues and the main topic within this framework is Economic Governance. The European Neighbourhood Policy Review clearly states: “Enhancing economic governance, strengthening fiscal stability and supporting structural reforms for improved competitiveness and inclusive growth and social development, are keys to developing a country's economic resilience.” WG2 members took part in the 15th Platform 2 meeting. This meeting was the first meeting following the mid-term review of the Work Programme 2014-2017 with introducing the concept of Economic Governance from the EU's perspective and discussing of possible future regional projects in the EaP region.

## OUTCOMES OF THE PANEL MEETINGS AND WORKING GROUP MEETINGS

WG2 members participated at meetings with stakeholders from European Commission (DG NEAR), European External Action Service (Division for Eastern Partnership, Regional Cooperation & OSCE), EU4Business Secretariat and the European Investment Bank. Including:

- 8<sup>th</sup> Business Development Panel in Yerevan between Armenian Government and DG GROW, 24-25 October
- 4<sup>th</sup> Panel on Statistics, 27-28 October in Chisinau between Moldovan Government and DG ESTAT
- HDM Panel and ministerial level meeting on the Digital Community, 18 October in Brussels, with ministers from all 6 partner countries, plus DGCNECT and the Slovak Presidency of the Council of the European Union
- High-level Conference on Administrative Reform and Decentralisation in the Eastern Partnership Countries: Benefits for Sustainable Development, Conference on Trade and Gender in the EaP
- Launch of the publication “SME Policy Index: Eastern Partner Countries 2016 – Assessing the Implementation of the Small Business Act for Europe”
- Workshops “Approaches to skills anticipation and matching – experiences in the EU and Eastern Partnership region: linking research on labour market and skills dynamics with policy making”, “Transition to market economy and demands for skills anticipation. Experiences and lessons from the Czech Republic and the Eastern partners” and “Conducting Land Reform – Challenges and Best Practices”.

At the Informal EaP Ministerial of 29 June, Commissioner J. Hahn delivered the position of WG2 to the Ministers of Foreign Affairs and the Economy of the EaP Countries: “... *A strong and growing SME sector can help empower the citizens to contribute to the reforms in their*

*countries, including the fight against corruption, which has been a challenge for the region. In a long-term perspective, a stronger, more diverse business sector can provide support to independent media helping to develop media pluralism and counter disinformation... ”*

The activities of the subgroup on the “Harmonization of Digital Markets” aligned with the OECD Ministerial Declaration on the Digital Economy, which includes a proposal on EaP countries becoming party to the European Declaration on eGovernment (the eUnion programme).

The new challenges and potential courses for action associated with the further enlargement of the European Union to the Eastern Partnership Countries in the Horizon Beyond 2020 program were presented by WG2 coordinator at the Conference “European Neighborhood Policy and Eastern partnership – beyond 2020” on 3-4 October in Kosice organized by the Slovak Presidency of the Council of the European Union.

WG2 members outlined policy recommendations following the EaP CSF conference “Security Challenges of the EU’s Eastern neighborhood”. Since the economy is among the few areas where the EaP governments are more open and motivated to engage with the CSOs, WG2 feels that this opportunity should be further benefited from by the EaP CSF and used to strengthen the role and influence of its member organizations. In order to do so, a regional event with a focus on economic cooperation allowing for the sharing of best practices and the preparation of action plans, should be organized.

## **WG2 PARTICIPATION WITH OTHER WGs**

In 2016 WG2 cooperated with other WGs for the following events:

- WG1 - conference “Security Challenges of the EU’s Eastern neighborhood”. WG2 coordinator of the subgroup on Trade and Trade Related Regulatory Cooperation, Kakha Gogolashvili, spoke on the panel “Trade and financing as mechanisms of influence in the EaP”
- Capacity building session with WG3 on Green Economy policy, and the training session “Monitoring of development funding” and “Financial audit of CSOs (EU procedures)”
- WG4 - EaP Youth Conference “Youth for Rights”. Yurii Vdovenko participated as a trainer in the breakout session “Youth at work - labour markets, migration, social and labour rights”.

## **REGRANTING PROJECTS**

The subgroups submitted thirteen proposals for regranting projects of which four were selected relating to the themes of the subgroups. WG2 received funding of 70, 206 euros in total for the following projects:

- ‘EaP - Information Society Instead of War’, (Center for Development and Management, Moldova)

- ‘Small Business Act for Europe and DCFTA of Moldova, Georgia and Ukraine Using Experience of Latvia Overcoming Economic Crisis’, (Small Business Association of Moldova)
- ‘Empowered Women for Social Integration’, (Martuni Women's Community Council, Armenia)
- ‘DCFTAs’ Enshrined Geographic Indications (GIs) for Non-Wine Food Products: A Boost for Partnerships’ Based Rural Development in EaP’, (Ecological Movement of Moldova)



## EXPERIENCES FROM NATIONAL WGS

### Armenia

Due to recent changes in the Armenian legal framework, SMEs have encountered additional bureaucratic obstacles affecting their functionality. Local NGOs are striving to tackle this issue. Another hindrance to emerging SMEs is the anticompetitive nature of the Armenian market and the political context of Armenia, thus the economic issue has been moved into the background. The creation of alternative energy sources (solar, wind, other types of renewable energy) was identified as priority for the AM NP WG2. The membership of AM NP WG2 amounts to 24 CSOs.

### Azerbaijan

In Azerbaijan CSOs are underdeveloped and their work is strongly regulated. Receipt of grants is only possible with lengthy approval procedures. Organisations representing the interests of SMEs are small and need assistance to grow. So far there is no platform that would represent the majority of SMEs and microenterprises. The CSOs are working with the EU-funded regional investment and trade facilitation project ‘East Invest 2’ on the economic development of SME’s. Together they organized training sessions during the year with more planned for 2017. The membership of AZ NP WG2 amounts to 13 CSOs.

### Belarus

In Belarus the power of large enterprises prevents significant governmental changes, and consequently progress is difficult. The government has recently reacted to this crisis but has yet to reach a solution, partly due to Russian influence. The Eastern Partnership is essential for Belarus. There has been a renewed interest from European institutions in cooperative relations with Belarus since its capital was the location of the Minsk negotiations of 2015. In this context,

the European dialogue for modernization is extremely important. The membership of BY NP WG2 amounts to 7 CSOs.

### Georgia

The main issues in Georgia are: agricultural and rural development, SME policy, including policy towards small farmers, food safety (SPS)/product safety (TBT)/consumer protection policy, transport policy and transport/road safety, and research & innovation policy. In the framework of the NP, WG2 activities were outlined in the document “Innovation Policy in Georgia: Recommendations to the Georgian Government” and practically all recommendations have been formally realized. In April 2016 the Government and the GE National Platform met to discuss the issue of agriculture and regional development. During the meeting, civil society was involved in the discussion on the implementation the DCFTA. An information document was created which presented the further EU-Georgia support necessary for enhancing cooperation with the civil society sector on the environment, climate change, gender equality etc. At the moment the GE NP WG2 is working on roughly 40 documents that have emerged as a result of the AA/DCFTA. At the moment there are 60 organizations united in the GE NP WG2 with good links to the government.

### Moldova

The complex political situation in Moldova has affected SMEs. There still is a lot of work to be done in terms of achieving economic results; nevertheless, many projects for improving the development of SMEs have been implemented. Currently there are 74 AA/DCFTA documents on which the WG2 is working. However, the shadow economy is growing. There are more than 80000 registered SMEs in Moldova at the moment, whereas 30% of those are not functional and only 10% conduct accountability. Unfair competition and oligarchic activities are crucial issues that need combatting. The membership of MD NP WG2 amounts to 10 CSOs.

### Ukraine

This year Ukraine has received significant EU support for reforms, which is vital for economic development. Such programmes were launched as “Support to the implementation of the EU-Ukraine Association Agreement”, U-LEAD with Europe: Ukraine Local Empowerment, Accountability and Development Programme, Eastern Partnership Territorial Cooperation Support Programme, and “Civic Synergy: Strengthening Participation in European Integration Reforms through EU-Ukraine Civil Society Platform and Ukrainian National Platform of the EaP Civil Society Forum”. The Ukrainian WG2 members adhered to CSF and NP priorities and have implemented some significant initiatives such as: Regions for Reforms, Information company “Stronger Together”, CiSEP, the Civic School for Sound EU Practice, and the Intersectoral partnership for border territories development: V4 experience for Ukraine and Belarus. The membership of UA NP WG2 after audit amounts to 22 CSOs.

### EU

The amount of members from the EU side has increased, covering a broader geographical scope in 2016. Now, EU member countries are represented in the General Assembly by delegates from Germany, Poland, Lithuania and Bulgaria.

## MAIN ACHIEVEMENTS OF WG2

The input to the revised Platform 2 Work Programme mirrors the priorities of the European Neighbourhood Policy Review focusing on stabilization and security in the EaP neighbourhood. As poverty, corruption and poor governance are sources of insecurity, sustainable economic development in the EaP region plays an ever more important role. In the future, Platform 2 will focus more on strategic and horizontal matters related to economic integration through a comprehensive and continuous policy dialogue.

Five new regional cooperation projects worth €37.3 million will support youth, SMEs, maritime safety and border management in the Eastern Neighbourhood. This new assistance package reflects the priorities agreed upon with the Neighbourhood East partner countries at the Riga summit, as well as the provisions of the reviewed European Neighbourhood Policy.

The successful functioning of programmes under the EaP Territorial Cooperation framework. These programmes create an opportunity for EaP countries to identify and jointly address common challenges in their border regions towards sustainable economic and social development at local level. EaPTC comprises four territorial cooperation programmes: Armenia – Georgia, Azerbaijan – Georgia, Belarus - Ukraine and Moldova - Ukraine.

## AREAS FOR IMPROVEMENT

Great work has been implemented so far by the EC, EaP CSF Secretariat, CSF Steering Committee and the National Platforms. The EaP CSF and NP WGs have achieved positive results and ensured coherent action from the EaP countries' CS community. At the same time, limitations have emerged in recent years which require overcoming in order to make the EaP CSF and NPs sustainable in the future and ensure their growing influence. In this regard some EaP CSF and NP regulations should be revised and some others developed. This relates to: the WG formation rules; CSO participation in accounting for their activities; the division of responsibilities among NP Chairs, WG coordinators and CSF country representatives; the determination of thematic priorities; and the means of financial support to NPs. All the while, trends in the development of EaP countries should be taken into consideration.

To improve WGs, National Platforms and CSF operations and enhance cooperation with stakeholders, suggestions on WG2 reform were created and discussed during the WG2 annual meeting and the Steering Committee meeting with recommendations to create a task force for the examination of particular issues and compiling of consequent recommendations.

WG2 Coordinators  
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Dovile Sukyte