

**EASTERN EUROPE and
CENTRAL ASIA
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**Implementation of the Eastern Partnership:
Report to the meeting of Foreign Ministers, December 8, 2009**

The creation of the Eastern Partnership offers a new vision for the development of the EU's relations with Armenia, Azerbaijan, Belarus, Georgia, the Republic of Moldova and Ukraine through a specific Eastern dimension of the ENP. Significant steps have been taken to strengthen and deepen these relations, bilaterally with each partner country and multilaterally with the six as a group. The present report summarises progress made in the implementation of the Eastern Partnership since the Foreign Ministers meeting of December 8th 2009.

Bilateral developments

New Association Agreements - negotiating a new foundation for our relations: Efforts have focused on the creation of a new legal framework with Ukraine, the Republic of Moldova, Armenia, Azerbaijan and Georgia to create the basis for a significantly deeper relationship of association. Negotiations with Ukraine on an Association Agreement have made considerable progress, and both sides retain their confidence that these negotiations can be concluded in 2010. The Agreement includes as an integral part the establishment of a Deep and Comprehensive Free Trade Area (DCFTA). Further substantial efforts will be needed to conclude negotiations in that area. As regards the Republic of Moldova, the EU adopted in June negotiation directives for a new, EU-Republic of Moldova Association Agreement. Preparations for the launch of the first negotiation round in January 2010 in Chisinau have started. As regards Armenia, Azerbaijan and Georgia, the Council agreed in September that the upgrading of contractual relations should be based on the principles of inclusiveness, differentiation and conditionality. In the light of this debate, the Commission presented in early November draft negotiation directives for Association Agreements with these three countries, and discussions on these proposals have started in the Council.

Enhanced Mobility: The EU has committed itself to respond to the strong request of partners for enhanced mobility through visa facilitation and readmission agreements and through "gradual steps toward full visa liberalization as a long-term goal for individual partner countries on a case-by-case basis provided that conditions for well-managed and

secure mobility are in place”¹. There has been progress on this agenda with all six EaP partners: Negotiations with Georgia on visa facilitation and readmission agreements have been technically concluded. Preparations for similar agreements for Armenia and Azerbaijan could be considered taking into account the common approach on visa facilitation. A Joint Declaration on an EU-Georgia Mobility Partnership was signed in November, providing for a better framework for the movement of persons and legal migration as well as the fight against illegal migration and trafficking of human beings. Progress has been made in the EU-Ukraine visa dialogue, launched in autumn 2008 with the view to establishing the relevant conditions for a visa free regime for short term stay as a long term perspective. (Visa facilitation and readmission agreements with Ukraine have been in force since 2008). As regards the Republic of Moldova, and subsequent to the setting up of the EU-Republic of Moldova Mobility Partnership, the EU is striving to set-up a dialogue on visa-free travel to the EU for citizens of the Republic of Moldova. The EU Global Approach towards Migration and the conditionality that apply in order to take full steps towards visa liberalisation remain relevant in this context. In December the EU-Republic of Moldova Cooperation Council meeting is expected to take a decision in this matter. The Council welcomed Belarus’ constructive and active participation in the multilateral strand of the Eastern Partnership and invited the Commission to prepare recommendations in view of obtaining negotiation directives on visa facilitation and readmission agreements. To ensure that mobility takes place in a secure environment, the EU will continue to help its partners implement the political and legislative commitments they have already undertaken in the ENP framework in the justice and law enforcement areas.

Energy: Energy cooperation between the EU and the EaP countries has intensified. Significant additional efforts have been made to help Ukraine address the challenges of energy sector reform and to help it comply with its contractual obligations towards the Russian Federation as regards the purchasing of natural gas. A joint conference on the modernization of the Ukrainian gas transit system was organized by the Commission in March 2009. The resulting Joint Declaration is now being followed up together with the International Financial Institutions (IFIs). In July the Commission facilitated the preparation of an agreement between Ukraine and the IFIs that would make it possible for Ukraine to get additional financial support of up to €1.7 billion to assist with gas purchases from Russia and the modernization of the Ukrainian gas transit system. The government of Ukraine committed itself to the implementation of a number of reform steps in the gas sector as conditions for this additional funding to be released. Further progress is needed in implementing these conditions before these funds can be disbursed. A fourth joint EU-Ukraine progress report on energy cooperation was prepared for the December EU-Ukraine Summit. It is expected that a positive decision will be reached on the accession to the Energy Community Treaty (ECT) of Ukraine and the Republic of Moldova at the ECT Ministerial on 18 December 2009. The Commission and Belarus signed a Declaration on cooperation in the energy field and held technical energy exchanges.

¹ Joint Declaration of the Prague Eastern Partnership Summit

Comprehensive Institution Building: The Association Agreements (that include *inter alia* the establishment or the objective of establishing a DCFTA) and the long term goal of visa liberalisation will require considerable further reform efforts within the partner countries' institutions that will commit to implement the related obligations. Sustained action is needed to strengthen these institutions. The Comprehensive Institution-Building programmes (CIBs) of the Eastern Partnership aim to support this process, with additional resources under the European Neighbourhood and Partnership Instrument (ENPI) National Indicative Programmes (2011-13). The CIBs promote a structured medium-term approach to institution-building, to strengthen the link with political and economic reforms. Since May 2009 the concept of the CIB has been developed in close co-operation with the EU Member States and the partner countries. The CIBs will be based on *Framework Documents* identifying the core institutions to be strengthened and the key issues to be tackled, and *Institutional Reform Plans*, outlining for each selected institution the measures to be taken, the inputs required and the funding sources, and providing a framework for multi-donor support, in particular from interested Member States. The preparation of these documents will start in January 2010. Implementation of the CIBs is foreseen to start in the first quarter of 2011.

Strengthened Human Rights Dialogues: The shared commitment towards democracy, rule of law, human rights and fundamental freedoms provides the foundation of the Eastern Partnership. Significant steps have been taken to strengthen bilateral dialogues on these matters. The EU launched regular Human Rights dialogue meetings with Georgia, Belarus and Armenia. With Ukraine and the Republic of Moldova, human rights discussions in the framework of the JLS Subcommittee meetings have gained new momentum. As regards Ukraine, human rights issues are extensively reflected in the new EU-Ukraine Association Agenda, which replaces the former EU-Ukraine Action Plan. In October 2009 the authorities of the Republic of Moldova expressed their desire to establish, also, a regular Human Rights dialogue with the EU; the possible modalities of such a dialogue are being explored. Azerbaijan declared its readiness to discuss issues of democracy and human rights, in the framework of a new sub-committee for JLS and Human Rights and Democracy that is being established.

As regards individual countries, the picture is the following:

Armenia: To help mitigate the impact of the economic and financial crisis, in October the Commission proposed to the Council to provide macro-financial assistance to Armenia, in the form of a loan of €65 million and a grant of €35 million. An EU Advisory Group started its activities in April 2009 providing policy advice at senior level within the Armenian administration which will *inter alia* help with the preparation for negotiations on the future EU Armenia Association Agreement. Taking into account the results of a feasibility study on a DCFTA and an in-depth assessment of the institutional and legislative situation in Armenia, in June the Commission presented Armenia with a list of key recommendations to be implemented before negotiations on a DCFTA can start. Armenia declared its readiness to take the necessary steps. Armenia has indicated its desire to negotiate visa facilitation and readmission agreements with the EU. A first meeting of the new EU Armenia Human Rights dialogue is expected to take place in December 2009. Agreement has been reached with Armenia that new EU-Armenia subcommittees, under the existing

PCA, would cover the topics of: 1) justice, freedom and security, 2) education, social affairs, telecommunication and research and development and 3) energy, environment and transport

Azerbaijan: In July two agreements were signed: the bilateral EU-Azerbaijan horizontal aviation agreement, and the Inter-Governmental Agreement on Nabucco, which will allow for the flow of substantial additional gas supplies from Azerbaijan and the wider region to the EU. Agreement has been reached with Azerbaijan, that new EU-Azerbaijan subcommittees, under the existing PCA, would cover the topics of: 1) justice, freedom and security, democratization and human rights issues and 2) education, social affairs, telecommunication and research and development.

Belarus: In response to certain positive steps in the domain of democracy and fundamental freedoms, the EU has sought gradually to engage with this country and encourage further reform efforts. A number of high level visits from and to Belarus helped strengthen political exchanges. The Commission also engaged early in expanded dialogues on technical matters. Moreover, the Commission proposes to double the ENPI financial allocation to €10 million per year for 2009 and 2010 to support these dialogues. The Commission foresees further progressive allocations for the period 2011-2013 and is currently preparing a proposal for a much larger programme of macro-financial assistance. In November the Council regretted the recent lack of significant progress in the area of human rights, and decided to extend until October 2010 existing restrictive measures. At the same time, in order to encourage democratic progress, the Council decided to extend the suspension of the application of the travel restrictions imposed on certain officials of Belarus, for the same period. The Council also stated that subject to progress in Belarus in the areas of democracy, human rights and rule of law, it stands ready to take steps towards upgrading contractual relations with Belarus. Further, the Council invited the Commission to make a proposal for a joint interim plan to set priorities for reforms, inspired by the Action Plans developed in the framework of the European Neighbourhood Policy.

Georgia: The implementation of the comprehensive EC support reconstruction package of up to €500m has made further progress. To help mitigate the impact of the economic and financial crisis the Commission in October proposed to the Council to provide macro-financial assistance in the form of a grant of €46 million to Georgia. Taking into account the results of a feasibility study on a DCFTA and an in-depth assessment of the institutional and legislative situation in Georgia, in March the Commission presented Georgia with a list of key recommendations to be implemented before negotiations on a DCFTA can start. Georgia declared its readiness to take the necessary steps. Negotiations have been progressing on an EU-Georgia enhanced civil aviation agreement (open skies agreement). Negotiations on visa facilitation and readmission agreements were technically concluded in August 2009 and the EU-Georgia Mobility Partnership was launched in November. Agreement has been reached with Georgia that new EU-Georgia subcommittees, under the existing PCA, would cover the topics of: 1) education, social affairs, telecommunication and research and development and 2) energy, environment and transport.

Republic of Moldova: With a view to further consolidating the foundations of democracy in this country, the Commission, subsequent to the flawed April elections, decided to finance a €4 million democracy support package. Moreover, in order to help the country recover from the impact of the financial and economic crisis, the Commission has started the preparation of a substantial macro-financial assistance programme and put experts on the ground at a critical moment in the country's negotiations with the IMF. This pool of high-level advisers will soon be reinforced. The Commission finalized a study on the feasibility and economic implications of a DCFTA with Republic of Moldova. Further preparatory steps to assess and improve the preparedness of Republic of Moldova for a possible DCFTA are planned. Complementary to the preparation of the negotiations on an Association Agreement, further substantive work has been carried out to help strengthen EU-Republic of Republic of Moldova relations more generally. This was notably reflected by an EU Ministerial Troika visit to Chisinau in October and by a visit of Commissioner Ferrero-Waldner in November. The EU is also striving to set up a dialogue on visa-free travel as a long-term goal for citizens of the Republic of Moldova; to step up financial cooperation with this country and to strengthen synergy among donors; and to continue strengthening EU engagement for a solution of the Transnistria issue.

Ukraine: The EU and Ukraine have made further steps in deepening their relationship, as noted at the December 2009 EU Ukraine Summit. In particular, significant progress was made in the negotiations on the new EU Ukraine Association Agreement ; a new EU-Ukraine Association Agenda was agreed - replacing the EU-Ukraine Action Plan-which will facilitate the negotiations and entry into force of the Association Agreement; and progress was made in the EU- Ukraine visa dialogue, which was launched in the autumn of 2008 with the aim of developing the relevant conditions for the establishment of a visa-free regime as a long term perspective. To help mitigate the impact of the economic and financial crisis, in October the Commission prepared a legislative proposal for macro-financial assistance to Ukraine, in the form of a loan of up to €10 million. This loan is however conditional on the respect of the adjustment programme agreed between Ukraine and the IMF. The Commission and Ukraine signed a Memorandum of Understanding for the Establishment of a Dialogue on Regional Policy in August 2009. The EU has also helped Ukraine address the challenges of the H1N1 influenza epidemic.

Progress on the multilateral track

The Prague declaration establishes a multilateral framework for the Eastern Partnership, to complement the bilateral relations between the EU and the Eastern partners by promoting cooperation, open dialogue, and the exchange of best practice and experiences.

The multilateral track is structured around four thematic platforms, a Civil Society Forum and a number of flagship initiatives. In parallel, the European Parliament has taken preliminary steps to set in motion the *EU-Neighbourhood East Parliamentary Assembly (Euro-Nest)*, and the Committee of the Regions declared its intention to establish an *Eastern Europe and South Caucasus Local and Regional Assembly*.

Thematic platforms

Thematic platforms have been constituted to address four main areas of interest: Democracy, good governance and stability; Economic integration and convergence with EU sectoral policies; Energy security; and Contacts between people. Platforms may establish Panels to support their work. Flagship Initiatives financed from the ENPI budget will give concrete substance to the Partnership.

The four thematic platforms have met twice since the Ministerial meeting of December 2009. They have, in compliance with their General Guidelines and Rules of Procedure, started to implement their respective Work Programmes (2009-2011), established a number of Panels; and discussed, commented and broadly approved, the general design of the flagship initiatives. They have set in motion an ambitious programme of cooperation, engaging a wide range of actors in many initiatives, which are independent from each other and at the same time mutually reinforcing. They have confirmed the eligibility of third countries on a case-by-case basis in concrete projects where it contributes to the objectives of particular activities and the general objectives of the Eastern Partnership. They have involved the representatives of the Civil Society Forum in their work, whenever this was possible and relevant. These achievements result from constructive contributions from all participants and implementation extensively draws from a broad spectrum of players, whilst seeking synergies and complementarities.

Platform 1, Democracy, good governance and stability, has established a Panel on Integrated Border Management linked to the corresponding Flagship Initiative; the Panel held three meetings and organised a number of conferences, seminars and training courses on policy and technical issues. A second Panel, on the fight against corruption, held two meetings during 2010 and established its Work Programme. This Panel receives the assistance of the Council of Europe, which provides analytical reports and guidance on the design and conduct of the proposed activities, but Member States also effectively contribute their know-how (Poland, the Czech Republic in particular). At its third meeting (April 2010), the Platform decided upon the establishment of a Panel on Effective Functioning of the Judiciary, which will also be guided and supported through assistance from the Council of Europe (financed from the budget of the ENPI multilateral programme), and in October 2010, the establishment of a further Panel, on Public administration reform, was agreed.

The Civil Society Forum was invited to communicate their views to the Platform at the April meeting, where it was decided that the Chair could invite their participation whenever (.....). The Civil society forum was subsequently invited to participate fully in the meetings of the Panel fight against Corruption and in the activities developed under that Panel.

Platform 2, Economic Integration and Convergence with EU Policies invited the OECD as an ad hoc participant to its second meeting. The platform agreed to focus, in the near term, on trade and trade-related regulatory cooperation, as a precondition for negotiations on deep and comprehensive free trade areas, and on environment and climate change.

One panel will address the core objectives of regulatory approximation across the whole spectrum of the EU acquis related to trade and investment; of support for creating a network of bilateral Deep and Comprehensive Free Trade Areas and of involvement of the

business community. An Environment and Climate Change panel will focus on convergence towards EU environmental legislation, and action to address climate change. The platform intends to start with two areas of work out of the six listed in its work programme: Enterprise Policy; Enhanced cooperation in the field of Taxation and Public Finances; Labour Market and Social Policies; Cooperation in Questions of Monetary, Exchange and Financial Stability; Regional Economic Cooperation and Cooperation in the field of Transport.

Platform 3, Energy Security, agreed to include the European Regulators' Group for Electricity and Gas, the Energy Community Secretariat and the Kreditanstalt für Wiederaufbau (KfW) as Permanent Participants. The platform will promote the implementation of mutual energy support and security mechanisms. This aims at enhancing energy crisis preparedness. In order to achieve this objective a first activity will be the development and presentation of Security of Supply Statements by each partner country. Energy efficiency and renewable energy were also identified as priority areas. The Platform will promote participation in energy efficiency initiatives. In November, in the context of the flagship initiative on *Regional Electricity Markets, Improved Energy Efficiency and Increased use of Renewable Resources*, the Covenant of Mayors was launched as priority action under the Eastern Partnership. Mayors from all partner countries were invited. An energy efficiency and environmental partnership for Eastern Europe was launched and a pledging conference took place in Stockholm on 26 November 2009. The platform will also work to accelerate the harmonisation of partners' energy policies and legislation with EU practice and *acquis*. Support for infrastructure development, interconnection and diversification of supply is a further objective.

Platform 4: Contacts between People decided that the Council of Europe and UNESCO would become permanent participants. It was also decided that the Civil society will play a central role in this Platform. The Work programme aims at increased participation of Eastern Partners in EU cultural programmes. To this end, the European Commission will launch a specific Eastern Partnership Culture Programme to strengthen the capacity of cultural operators, foster regional links and contribute to the development of inclusive cultural policies in the partner countries. The Work Programme also concentrates on education, where partners agreed to engage in learning mobility of students, teachers and researchers. It envisages to set up a dialogue on the development of the Information Society within all the Eastern Partners, including the promotion of the EU regulatory approach, international cooperative research in Information and Communication Technologies (ICT), closing the digital divide and managing global Information and ICT issues, e.g. Internet governance. In the field of Youth, the Work Programme proposes to expand the Youth in Action Programme for the benefit of nationals from the partner countries. The principal objective of the Work programme in the field of research is to assist the greater integration of the Eastern Partners in the 7th Framework Programme for Research and Technological Development (FP7). The first concrete action of Platform 4 will be the meeting of EU Cultural Contact Points with the 6 partner countries, planned for the spring 2010.

Civil Society Forum

In line with the Prague Declaration, the Eastern Partnership Civil Society Forum (EaP CSF) was organised in Brussels on 16-17 November by the Commission, the EU Presidency and the European Economic Social Committee. Over 200 Civil Society Organisations from EaP countries, EU Member States, international organisations and networks and third countries participated in the first meeting. This demonstrated the interest of the civil society actors who want to contribute actively to the success of the EaP. Draft recommendations were adopted by the participants and are set to be transmitted to the EaP Ministerial meeting on 8 December by selected representatives of the EaP CSF. The draft recommendations were published on the internet. The Forum will gather again in 2010.

Flagship initiatives

In the context of the multilateral dimension of the Eastern Partnership (EaP) several flagship initiatives have been proposed. They are intended to give additional momentum, concrete substance and more visibility to the EaP. The EU budget contribution to these initiatives will be substantial and come from existing projects about to be launched in the relevant areas and new projects that will be financed under the 2010-2013 ENPI programmes, whose budget has been substantially strengthened in view of the Eastern Partnership. These initiatives are not intended to be financed solely through the EU budget (which remains governed by ENPI procedures and consultation rules). They seek to also mobilise multi-donor support, funding from EU Member States, partner countries, other donors, IFIs and investments from the private sector.

The design and implementation of the initiatives has been closely linked with the work of the Thematic Platforms and Panels. The Commission presented the concepts and further information at the first and second meetings of the Platforms and obtained the broad approval of the Participants. This will enhance the policy focus of the initiatives and bring coherence to the various activities to be financed. The Commission is now launching a mapping exercise to identify all the ongoing and planned co-operation activities funded by the EU (including the bilateral assistance provided by Member States) that contribute to the implementation of the initiatives, so as to ensure enhanced donor co-ordination.

Five flagship Initiatives have been approved at this stage by the Platforms:

- *The Integrated Border Management* flagship initiative was launched in October 2009 and will be implemented through the exchange of best practices, training and capacity-building, and a number of Pilot Projects notably along the Pan-European Transport Corridors and TRACECA. Activities will start with existing funding, to be complemented with additional ENPI financing in 2010-2013.
- *The Small and Medium Enterprises* flagship initiatives will be launched in the first quarter of 2010. Substantial financing from ENPI resources is foreseen, with roughly 40% earmarked for advisory services to SMEs, and 60% for technical assistance for funding and direct capital support. The Commission is closely working with EIB and EBRD, to define, by January 2010, the institutional arrangements for a facility that will help to mobilize IFI's resources in excess of 1 billion € through a mix of technical

assistance to Financial Intermediaries and first-loss direct capital support. This facility will add to ongoing support in the SME sector, including the European Neighbourhood Small Business Growth Facility (ENBF) co-financed by KfW.

- *The Regional Electricity Markets, Improved Energy Efficiency and Increased use of Renewable Resources* flagship initiative has been launched. It will build upon existing institutional structures (Baku Initiative, INOGATE) as well as the Swedish Energy Efficiency initiative. Coordination with EIB and EBRD on facilitating lending in the energy efficiency sector is ongoing.
- *The Prevention of, Preparedness for and Response to Natural and Man-made Disasters* flagship initiative will be launched on 9 December. Initial funding (€6 million) was already provided under the 2009 budget, and additional resources are foreseen in 2012.
- *The Environmental Governance* flagship initiative will be launched in the first quarter of 2010 and will focus on increasing the availability of reliable environmental information in partner countries and strengthen capacities to ensure access to information, reporting and assessments in line with the Espoo and Aarhus Conventions and their Protocols.
