

Meeting of Working Group 2 “Economic Integration and Convergence with EU Policies”

Brussels, 14 May 2014

In attendance: Tatul Manaseryan (Armenia), Sargis Sedrakyan (Armenia), Karen Chilingaryan (Armenia), Gagik Poghsoyan (Armenia), Vugar Bayramov (Azerbaijan), Kanan Aslanli (Azerbaijan), Farid Malikov (Azerbaijan), Zohrab Ismayilov (Azerbaijan), Ilgar Huseynli (Azerbaijan), Rahib Zeynalov (Azerbaijan), Ihar Lednik (Belarus), Nino Elizbarashvili (Georgia), Tsulaia Manana (Georgia), Kakha Nadiradze (Georgia), Temur Tordinava (Georgia), Ketevan Vashakidze (Georgia), Kakha Gogolashvili (Georgia), David Tsiskaridze (Georgia), Sergiu Tutunaru (Moldova), Eugen Roscovanu (Moldova), Olga Crivorucico (Moldova), Hennadiy Maksak (Ukraine), Iuliia Serbina (Ukraine), Iurii Vdovenko (Ukraine), Iryna Kosse (Ukraine), Richard Catherall (United Kingdom), Julia Akhunova (Romania), Markijan Żelak (Poland), Clément Brenot (France), Voleš Ivan (Czech Republic)

Secretariat was represented by Director of the Secretariat Natalia Yerashevich and Communication Manager Ivanna Volochiy.

Minutes of the Meeting

1. Opening

The Co-Chairs opened the meeting.

Natalia Yerashevich, Director of Secretariat of the Steering Committee of the EaP CSF, welcomed the participants and invited them to develop a work programme for the upcoming months, provide input into development of the Forum’s strategy for the next three years and to come up with ideas on how the Forum could engage in the intergovernmental platform activities more actively. The WG members were also encouraged to share expectations about the annual Forum’s meeting in Tbilisi in November 2014.

The WG adopted the meeting agenda and the floor was opened for reports and presentations.

2. Report from the WG2 representatives from the 11th EaP Platform 2 meeting

Two representatives of the Forum, Sergiu Tutunaru and Sabit Bagirov, attended the EaP intergovernmental platform 2 meeting on 13 May in Brussels. Sergiu Tutunaru of the Center for Economic Development and Public Affairs, briefed the WG members on the meeting. During the meeting the EC representatives provided an overview of past and upcoming events. The responsible DGs and partner organisations (European Training Foundation) presented the conclusions of past events and answered the outstanding questions. Upcoming events referred to during the meeting

include the following: Seminar on Resource Efficiency: (3-6 June in Brussels), Skills Matching Event (25- 27 June 2014, Turin), Seminar on Women Entrepreneurship (autumn TBC), Trade Facilitation Training for Young Customs Managers (8-19 September 2014, Poland), Trade Ministerial (27 February 2015, Riga), EaP Business Forum (23-24 May 2015, Riga). **Two CSF representatives will be invited to attend each meeting.** The Platform meeting also provided space to discuss ongoing activities and initiatives such as the Study Facility (presented by the Kantor Group) and the proposal for a new flagship initiative on harmonising digital markets presented by Belarus. The latter found strong support from fellow partner countries and Member States representatives, although there was a need to further consult and elaborate on this idea. The issue of communication – especially as regards the ‘myths’ around the DCFTAs – and the issue of visibility were also raised and information on relevant documentation provided. A separate session was specifically dedicated to projects, actions and networks to the benefit of business in general and SMEs in particular. Tutunaru noted the ‘**statistician’ role of the CSF** representatives at the meeting. No space for a separate presentation from CSF representatives is currently envisaged in the meeting agenda.

3. Updates on activities and recent developments of WG2 national platforms in the first half of 2014

Azerbaijan

Members of the National Platform actively contributed to discussion on future possible scenarios of Azerbaijan WTO accession. WG2 members reacted actively to the presidential decree on improvement of business and investment environment in Azerbaijan, voicing concerns and contributing expert opinions, and provided recommendations on SMEs development issues. A number of national platform CSOs are involved in the EC-funded project aimed at increasing external audit of public budget management. More trainings for civil society and awareness-raising activities related to budget accountability were organised.

Armenia

National platform reacted to Russia’s statement on the need to neutralise organisations that are stirring up divisions in Russia-Armenia relations. The platform also issued a statement expressing concern about the programmes propagating xenophobia that are broadcasted by Russian TV channels in Armenia and demanded suspension of the two TV channels via the national broadcasting network. Members of WG2 took part in several meetings with government officials and submitted amendments to taxation legislation.

Belarus

Belarus is preparing to sign the Eurasian Economic Union treaty on 29 May, however there is no space for civil society representatives to engage in this process. A separate sub-group on integration in the EU ICT infrastructure was set up, and the need to activate proposals in this thematic area was emphasized, joining the declaration on electronic government mentioned as priority.

The group held three meetings focusing on development of SMEs, innovation policy and agriculture. A policy paper on the state of SMEs was drafted for state bodies, a number of meetings with government officials organised. The new strategy for economy development proposed by the government partly incorporates the recommendations submitted by the civil society representatives. Small business development remains a big issue due to lacking support on behalf of the state. There is need for legislation for small businesses as well as demand for European expertise in developing such legislation. Logistical preparations for the annual Forum's meeting in Tbilisi are underway.

Moldova

Over the past few months, two meetings with EU representatives were held and problems of SMEs discussed. Members of the group also took part in the meetings with representatives of the International Monetary Fund and the World Bank. EU-funded assistance involves nearly 2 billion euros worth of 360 projects, however little impact is observed in terms of jobs creation. A lot of advocacy work is being carried out, with a focus on lobbying small business interests in the government and parliament. The group is repeatedly putting forward a project proposal to support small business interests, but so far it hasn't found the backing of the parliament. The group also contributed to drafting a new law on small and medium enterprises. A video clip was produced and distributed showing how Moldovan small businesses are protesting against state inactivity in the area of small business development.

Ukraine

Members of the group held an information campaign in fifteen regions enlightening regional businesses about the effects of DCFTA. A project aimed at increasing investment attractiveness of small cities was launched in cooperation with the Polish partners. A handful of roundtables on the benefits of trade with the EU were organised and a number of surveys conducted.

4. Presentations

During the presentations session, **Philippe Cuisson**, Deputy Head of Unit at DG TRADE, European Commission, provided the participants with an overview of the process for implementation of the Deep and Comprehensive Free Trade Agreements (DCFTAs) with Georgia, Moldova and Ukraine, focusing on the complexities of approximation with EU norms and standards and monitoring process. The association agreements initialed with Georgia and Moldova in Vilnius are yet to be signed by the political leaders and ratified by the parliaments of beneficiary states, the European Parliament and Member States parliaments (a process lasting on average three to six years). However, due to an 'enforcement provision', the EU exclusive part of the agreement will enter into force soon after ratification by beneficiary states parliaments and the European Parliament (on the first day of the second month after ratification by the EP, i.e. signed end of June/July – October in force). Once agreements are in force, the beneficiary states will have to undergo a **lengthy transitional period of approximation with the EU norms and standards** taking up to three years and in some cases longer. Within six months, the beneficiary states have to present the approximation strategy for all

areas covered by the AAs, including approximation with the EU public procurement acquis. Speaking about the problem of certification, the EC representative encouraged the beneficiary countries to treat certification costs as an investment rather than a burden rewarded by the prospect of accessing a larger European market. The EU will do its best to facilitate the process and help the beneficiary states to build the quality of products. The subsequent questions and answers session pointed out the important role civil society representatives play in raising awareness about the conditions, modalities and benefits of the agreements among authorities and public at large.

Richard Catherall, Director of Radical Capital, presented the case of social economy and social investment market. Both concepts are based on the idea of shifting leadership towards those on the ground, mostly young leaders capable to make an impact. Social economy was presented as an area rich in intergenerational, cross-sectoral and youth employment opportunities. The group members were encouraged to think in terms of creation of learning opportunities (How might this group lead the essential learning for those in public policy, academia, entrepreneurship and investment communities), leadership (How might this sub-group benchmark against previous accession countries to gain a strategic advantage before accession?) and enterprise (How might this sub-group benchmark internationally the approaches, products, services and innovations and create conditions for sustainable growth?).

Adrian Aupperle of the European Investment Bank elaborated on the EIB's activities in the EaP region. Regional investment priorities include local private sector development (including through lending to SMEs), social and economic situation, climate action and regional integration. Through local partners the EIB is working with all EaP countries, apart from Belarus, which, for political reasons, is not eligible for financing. Some of the key challenges of working with the region include large investment needs across all sectors, legacy of over-sized systems, poor control and financially unsustainable entities. Lack of long-term financing and lacking financial literacy among financial institutions and actors operating in the region as well as an 'accounting gap' were named as the key challenges for working with the SMEs sector. The EIB representative also mentioned the availability of the technical assistance fund for all EaP countries (excluding Belarus).

Clement Brenot of the OECD went over some of the OECD projects activities in the EaP region, supporting SME Competitiveness Reforms in the region being one priority. At country level, support to reform implementation in three EaP countries (Armenia, Georgia, third country to be decided) is provided through development of reform action plans in Working Groups (quarterly meetings) and coaching on implementation (targeted or ad-hoc). At regional level, assessment of project results will be conducted through peer review by OECD member countries and regional policy seminars drawing lessons from each country work. The OECD representative focused on the OECD project activities to support agribusiness efforts in Armenia. Using available instruments, the OECD is seeking to address problems such as fragmented domestic agricultural producers, weak links between producers and processors, subscale processors, lack of global markets know how, etc.

5. Subgroups meetings and presentations

Participants split into four sub-groups focusing on the topics of DCFTAs, SMEs, Agriculture and Rural Development and Integration in the EU's ICT infrastructure

The following thematic work priorities have been identified within each group:

Sub-group Agriculture and Rural Development: agricultural policy (sustainable/organic), promotion of farmers cooperatives (expert promotion), food safety and food security, land restoration and recultivation, preservation of biodiversity.

Sub-group DCFTA: certification of technical standards (civil society contribution to developing standards), public advocacy in countries without DCFTA, capacity-building of civil society organisations to implement DCFTA.

Sub-group SMEs: access to finance (readiness for available finance, appropriate microfinance instruments, innovation in design of microfinance products, segmented programmes about access to finance), legal and institutional framework (knowledge how to develop framework, advocacy about direction, lobbying, etc, acting as regional peer learner, taxation policy and strategy), enterprise education (comparative advantage, competitive advantage, vocational trainings and requalifications, public-private sector dialogue). ‘Must-do’ (operational legal framework must be developed), ‘should-do’ (civil society organisations should lobby for regional development of such a framework) and ‘could-do’ (civil society actors could order audit of the legal framework in each country) approach.

Integration in EU’s ICT Infrastructure: adoption of methodology for CSOs participation in EaP CSF, EaP countries accession to the eUnion, development of roadmaps “eBelarus +eUnion”, “eUkraine + eUnion”, etc, participation in the work of networks of regulators of EaP electronic communications (harmonization of norms and standards, development of ICT).

6. WG2 strategy discussion and setting up priorities for 2014 -2015, including proposals for policy documents

Proposals for activating WG work:

- ensure continuity of work (‘institutional memory’) between different WG2 cohorts, include experts from previous rotations;
- articulate more clearly what the group wants to influence, focus on working with the EaP countries governments rather than with EU politicians;
- need for common cross-border information products and assessment studies of each country-level situation;
- contribute to WG meetings with findings and analysis already processed and structured in the countries, more vertical coordination between National Platforms and WGs;
- prepare WG meeting agenda beforehand in a way that allows participants to come in prepared, need for “homework” and follow-up on outstanding commitments from the previous strategy;
- provide more space for networking and partnership building at WG meetings.

Proposals for building WG capacity:

- identify key themes around which project proposals could be organized, focus on institutional development. Recognize the problem of designing regional projects for all EaP countries due to different integration vectors.
- set up a dedicated fundraising group, initiative on setting up of such a group should be coming from members of the group;
- procure trainings to build expertise around EU funding and EU decision-making;
- review allocation of funding under the project on strengthening the national platforms – consider other possibilities to use money for the benefit of the group.
- prepare for launch of European Economic Integration Index for the EaP countries – a common product run by WG2 national coordinators tracking the progress of DCFTA and social dialogue. Project deliverables: economic index, two bulletins highlighting the problems of the 2nd intergovernmental platform, budget permitting – presentation of index in partner countries. Overall tentative budget available – 18,000 euros. Finalized project proposal to be presented at the annual meeting in Tbilisi, in the meantime WG2 members requested to contribute ideas and methodology.

Proposals for maximizing CSF input to intergovernmental platforms:

- renew communication with EC/EEAS to ensure continuity of CSF presence at intergovernmental events, contribute to the agenda-setting of meetings at an early stage. Written request by Secretariat to include CSF representatives to national-level governmental meetings to find out the agenda at an early stage;
- hammer out contributions at a sub-group level, with Secretariat's assistance in setting-up sub-groups meetings;
- organise trainings on EU decision-making to produce more quality policy proposals;
- follow-up on the previous intergovernmental meetings and submit comments to proposals presented.

7. Proposals for the 6th EaP Civil Society Forum

Thematic panels on electronic business and digital market, side event on cooperative advantages of the Eastern Partnership for governments, civil society and businesses. Include social economic concept on the agenda of the meeting (“How to turn businesses to non-profit work?”). Invite influential business/private sector representatives from EaP countries. Call for increased gender balance.

Minutes produced by:

Secretariat of the Steering Committee of the
Eastern Partnership Civil Society Forum
info@eap-csf.eu