

Eastern Partnership

Platform 2 "Economic Integration and Convergence with EU Policies"

Work Programme 2012 – 2013 (Final Version)

Areas of work covered by Panels

1. Panel on "Transport"

In accordance with the General Guidelines and Rules of Procedure of the Eastern Partnership Multilateral Platforms (adopted on 5 June 2009), an "Eastern Partnership Transport Panel" is established.

The Directorate General for Mobility and Transport of the European Commission chairs the Transport Panel at the level of Head of Unit. The Directorate General for Development and Cooperation takes the lead for issues under its competence.

The Commission Communication "The EU and its neighbouring regions: A renewed approach to transport cooperation" (COM (2011) 415) provides a framework for the Transport Panel. The key policy objective as outlined in the Communication is to strengthen transport connections with neighbouring countries.

The Panel will facilitate implementation of measures set out in the Communication to strengthen transport connections with the EU's neighbours covered by the Eastern Partnership. The Panel will address reforms underpinning gradual market integration, the planning of transport networks and the preparation of a pipeline of infrastructure projects.

Activities of the Panel may include:

- discussion on policies and reforms that are needed for closer market integration
- identification of possible regional actions;
- discussion on regional transport networks;
- preparation of a pipeline on priority projects that could be co-financed by the EU and the International Financial Institutions (IFIs);
- sharing of information and best practices between the EU and partner countries;
- organisation of meetings (seminars, conferences) when needed;

The Panel will coordinate and streamline the technical working groups of the relevant existing frameworks and receive input from other existing transport initiatives in the region, such as TRACECA programme and the EU Strategy for the Danube Region. The work of the panel will be complementary to work done under bilateral tracks.

Partner countries will be represented at the Panel meetings at the Head of Unit or equivalent level. They will be accompanied by experts as required. Participation will vary depending on the specific subjects covered.

IFIs will be invited to participate in the Panel meetings. Other stakeholders, from industry and professional organisations from Partner countries, can take part, provided that they are identified by the Partner government, and attend as part of the Partner's Delegation.

The Eastern Partnership Civil Society Forum can be invited to participate in the work of the Panel where relevant and when needed.

Experts from the Member States, EU agencies, other organisations other neighbouring countries than those covered by the Eastern Partnership can be invited to the panel meetings to share experience, information and best practices.

The Panel will be meeting at least once every 6 months and whenever circumstances require. The first meeting will take place on 14 October 2011. The Panel will be formally launched at the Platform 2 meeting on 13 October 2011.

The Panel is established initially for an unlimited duration of time, but its work and progress will be reviewed in winter 2012/2013. After the review all actors involved will decide whether the Panel has proved useful and can be continued.

The Panel will work under the Platform "Economic Integration and Convergence with EU policies". Following each meeting key decisions will be summarised in operational conclusions and distributed to all participants for follow up in view of the next meeting and to Platform 2 for information.

The Panel Guidelines and Rules of Procedure of the Eastern Partnership Multilateral Platforms are applicable, in particular point 6 on Eastern Partnership Panels.

2. Panel on "SME Policy"

The SME Panel addresses the following issues:

- exchange of information on SME policy approaches in the EU and in the Partner Countries;
- finalisation and presentation of results a common project on enterprise policy performance, based on country specific assessments;
- consultation of Eastern Partners on implementation of the SME Flagship Initiative, promoting a demand driven approach;
- promotion of business to business contacts.

The SME Panel exchanges experiences and good practices in the development and implementation of measures by participants promoting approximation with EU policies and rules in the area of the Small Business Act (SBA). The Panel also encourages consistency of measures taken by Eastern Partner countries at national, bilateral and regional level and will offer a space for exchanges and discussions on specific aspects on the negotiations of "Deep and Comprehensive Free Trade Areas" (DCFTAs) related to SMEs.

The SME Panel meets at the level of experts. The Partner Countries have appointed a national SME coordinator for the purposes of the Panel. Participation varies depending on the subjects covered, but consists of experts from Partner countries' ministries and institutions involved in the different subjects covered by the Panel. The European Commission invites EU business organisations as well as the Civil Society Forum to participate in the Panel. Other stakeholders, from business organisations from Partner countries, can take part, provided that they are identified by the Partner government, and attend as part of the Partner's Delegation. The SBA for Europe and its 10 guiding principles provides reference for the work of the SME Panel. In this context actions will be implemented, with considerations of each Partner Country's specificity, with the objective to assess enterprise policy performance in the

Partner countries and to further develop business environment supportive to SMEs. This should translate into policies which seek to improve the legal framework for SMEs, where appropriate, through regulatory reform, removal of administrative burdens, better access to finance, reinforced entrepreneurship support, improved access to the single market and through mechanisms that strengthen the conditions for diffusion of technology and upgrading of skills.

The methodology for cooperation builds, where appropriate, upon the agreed terms of reference between the European Commission and the Partner Countries, giving full consideration to country specific reality. The European Commission will respectively involve as partners in the process the OECD, the European Training Foundation (ETF) and the European Bank for Reconstruction and Development (EBRD).

The Panel will also offer a Platform for discussion and reporting on the implementation of the SME Flagship Initiative – East-Invest, TAM-BAS and SMEs Funding Facility. The three projects started successfully at the end of 2010/beginning 2011 and are currently on track. Several activities focussing on specialised technical assistance, business networking and links with EU enterprises as well as access to funding have been already implemented. The large majority have received great interest and benefits from large participation by EaP actors.

In order to improve the impact of the SME Panel, the Partner Countries will be encouraged to actively participate by presenting case studies, giving illustration of the status of their own countries in specific areas, submitting questions on specific problems that they have encountered.

The SME Panel was established initially for a limited duration of time namely until spring of 2012. During this time, a minimum of 3 meetings of the Panel have been scheduled. After the third meeting the EC, OECD, EBRD and ETF will present a final report including recommendations for further cooperation activities. A further Panel meeting will be convened in 2013.

The Panel shall also cooperate closely with the Panel on “Environment and Climate Change” with regard to the promotion of green technologies and eco – innovation. The SME Panel shall serve as an important tool to assess the impacts on SMEs in the Partner countries of the recommendations issued by the Panel on “Environment and Climate Change” and report back to the latter.

Follow up activities with regard to the project on “enterprise policy performance”:

The *SME Policy Index* based on the guiding principles of the EU Small Business Act (SBA) will serve as an evaluation framework and monitoring tool designed to review SME policy elaboration and implementation in Eastern Partnership countries on a comparative basis. The process involves collection of systemic data on the structure and practices of the SME policy process, an in-depth analysis of the current institutional structure for SME policy, identification of the current policy gap, and definition of priority areas for policy intervention, with consideration of country specific approaches.

In the Ministerial Roundtable of the OECD Eastern Europe and South Caucasus Initiative (17 June 2011) Governments of the Eastern Partnership countries welcomed the idea of a country-specific follow-up process to the current work.

For a second phase, depending on the findings of the ongoing project on “enterprise policy assessment”, the partner organizations, based on Partner Countries needs, propose to continue with a new action providing support in the implementation of policy reform in selected areas that are measured by the *SME Policy Index*. Expected results of a potential follow – up project may improve SME policy rankings by one or two points on a scale of 1-5 in priority dimensions as well as enhanced public-private dialogue on the implementation of policy reforms. Progress in the implementation of policy reforms would require a national focus within a regional approach taking into account that the diversity of priorities, economic situations and stages of economic development vary widely. Ultimately, this process may lead to a more favorable business environment for SMEs and enhance their contribution to GDP, employment, innovation and exports in priority sectors.

In addition, further steps could be developed to increase policy awareness and strengthen policy partnership to support entrepreneurship promotion, SME skills and self-employment as well as human capital development by supporting local expertise, networking and building capacity at bilateral and regional levels in the Eastern Neighbourhood.

3. Panel on “Environment and Climate Change”

The Panel on Environment and Climate Change will continue focusing on convergence towards EU environment legislation and action to address climate change.

The flagship project on environmental governance will be moved forward. This project will continue the development of a shared environmental information system for the ENP region, designed to support development and implementation of environment policy; the project will also start activities to build capacity for improving other aspects of environmental governance.

The work of the Panel will highlight the possibilities of introducing green economy principles in the partner countries. In particular, the panel will support the partners' efforts to foster technical development, launch eco-innovation actions and improving market conditions, promote green economy in public procurement, raise public awareness, promoting a multi-sectoral approach to green economy, and exchanging of good practice also in the business community. The ENPI regional programme will contribute to financing this activity.

The work of the Panel will also take into account the long-term goal of supporting partners in converging with the EU environment legislation, especially with a view of new Association Agreements being negotiated with the vast majority of the EaP Countries.

In the field of climate change, the Panel will provide a forum for exchanging best practices between the EU and the Partner Countries on reducing carbon emissions, notably in the energy sector by increasing energy efficiency and employing low-carbon technologies. It will provide a forum for sharing experience on emissions trading, taking into account the collaboration already taking place under the International Carbon Action Partnership (ICAP). The forum will facilitate cooperation among partners in their preparations for the implementation of a global agreement on climate policy and provide for a multilateral exchange of views and best practices mitigation and adaptation to climate change, - especially focussing on its consequences for employment creation- and possible developments of

multilateral pilot projects in this field. In principle, dedicated climate change meetings will be held annually.

The Panel will provide a forum for exchanging best practices to enable Partner Countries to actively use long term climate support and other financial elements to reach their climate policy aims. In particular the EU will share knowledge gained from the practical implementation of the EU financial instruments, provide information on the available EU climate assistance instruments and strive to assess climate needs of EaP countries.

The Panel will also exchange views on positions on the future financial architecture reflecting also experiences with the ongoing financial instruments, which is an important step towards establishing the long- term financial framework.

Close coordination will be sought with the activities of the Energy Security Platform in the field of sustainable energy.

4. Panel on “Trade and Trade Related Regulatory Cooperation linked to Deep and Comprehensive Free Trade Areas (DCFTAs)”

By the end of 2011, The Panel on “Trade and Trade Related Regulatory Approximation linked to DCFTAs” will have achieved its objectives to familiarise the Partner Countries with regulatory approximation across the whole spectrum related to trade and investment and to support their understanding of DCFTAs– related issues and processes. In addition, activities to promote the participation of the business community in this process were undertaken.

Within the work programme 2012/2013, specific follow- up actions related to the work of this Panel will be organised by the specialised Services:

a) Customs cooperation and trade facilitation

The EU’s customs policy objectives under the Eastern Partnership are to enhance security and safety of the supply chain, combat customs fraud and facilitate the development of legitimate trade and economic interaction throughout the region and with the EU. This requires a package of measures to strengthen cooperation between customs authorities and remove procedural, human resource and infrastructural bottlenecks, accompanied by appropriate technical and financial support.

The Commission has identified three main priority areas:

A. Safe and fluid trade lanes. The aim is to achieve maximum trade facilitation on the basis of operator reliability and compliance. The focus is on introducing modern, faster procedures to secure and facilitate trade, and on fostering cooperation among border agencies.

- Promotion of coordination among border authorities, including joint border controls at EU borders with Ukraine, Belarus and Moldova and via marine transportation route with Black Sea Countries: Georgia and Ukraine

B. Risk management and the fight against fraud. The aim is to develop strong risk management to effectively detect and address the main types of illegitimate trade, where appropriate.

- Development of risk management based on electronic data and processing in order to achieve higher levels of protection and trade facilitation, allowing for more streamlined and better targeted controls, where relevant.
- Exchanges of advance customs information, while ensuring confidentiality and protection of personal data, may contribute to improve risk management and the working of customs, in terms of providing trade facilitation and of enhancing the efficiency and effectiveness of customs controls.
- Achieve a better understanding of the challenges through an improved dialogue on the fight against fraud.

C. Modernisation of customs. The aim is to achieve close convergence of legislation and procedures. Capacity-building in support of reform is of fundamental importance. Preparation for accession to the EC-EFTA Conventions on a common transit procedure and on the simplification of formalities in trade in goods will play a catalyst role in this respect.

- Support to Partner countries' customs reforms on the basis of modernisation and capacity-building strategies (e.g. following the EU Customs Blueprints).
- Support measures aimed at the introduction of relevant national legislation, the creation of all operational structures and mechanisms needed to operate the procedure and the introduction of a computerised system which is compatible with the New Computerised Transit System (NCTS).
- Definition of a roadmap leading to accession to the EC/EFTA Convention on a common transit procedure and the Convention on the simplification of formalities in trade in goods
- Participation of Partner countries in the Community programme Customs 2013 under the conditions specified in the relevant Programme Decision.
- Cooperation to mutually recognise, where relevant and appropriate, authorised traders.

The work carried out in this area will complement the activities of the Eastern Partnership Integrated Border Management Flagship Initiative under Eastern Partnership Platform 1, such as specific trainings in the customs area; as well as technical assistance and support for development of border infrastructure and control methods, which concerns partners' non – EU borders.

b) Technical regulations and standards

One of the objectives of forthcoming negotiation on DCFTAs will be the preparation of the conclusion of “Agreements of Conformity Assessment and Acceptance of Industrial Products” (ACAAs). A prerequisite for the conclusions of such ACAAs will be the alignment to the EU acquis of relevant legislation for the marketing of industrial goods, the setting up necessary infrastructures and institutions and the progressive integration of economies with the EU.

Therefore the exchange of information and experience between Eastern Partnership countries and EU Member States on the EU regulatory system should remain a priority.

The forthcoming work programme should include workshops and seminars on the subject of EU Technical Regulations and European standardisation allowing for exchange of information, experience and best practice. The subjects could refer to horizontal internal market legislation (i.e. on market surveillance, conformity assessment, accreditation,

standardisation and metrology) and sectoral legislation (i.e. on constructions products as well as mechanical and electrical engineering), support measures to create appropriate infrastructure for the functioning of market surveillance systems, adapted to EU requirements, to facilitate the placing on the market of safe products.

The participants of such events should be from both EU Member States and Eastern Partnership countries including representatives from government, standards, conformity assessment, metrology, accreditation and market surveillance bodies as well as the business community and consumer protection organisations.

The added value to bilateral technical assistance programmes will be the plurilateral exchange of partner countries of the neighbourhood region and the involvement of EU Member States.

Additionally, these activities will focus on technical assistance programmes which could be provided by the EU once the DCFTAs enter into force. Taking into account the different DCFTA progress, such meetings will be organised under the bilateral tracks.

c) Sanitary, phytosanitary measures (SPS) and animal welfare

The EU legal framework related to SPS and animal welfare measures is complex and covered by many legal acts, which means that a great amount of legislative work still needs to be done in Partner Countries in order to approximate their laws in that field. SPS measures is one of the areas covered by DCFTAs, so further exploratory processes should contribute to the progress of the already undertaken commitments after the negotiation process, the future negotiations and better understanding of the EU SPS legislation by the Partner Countries. Exchange of information and experience between the Partner Countries and the EU on the EU regulatory system should remain a priority. In addition, the Partner Countries need substantial support and investments, inter alia in the area of food safety and also to improve the capacity of the control systems, including control of trade in plant protection products followed by training of staff, equipment for laboratories etc.

The explanatory process of the EU legislation with regard to SPS measures and animal welfare should be continued, based on the assessment of the work already done by the Partner Countries. The focus should be on identification of problematic areas common to all Partner Countries and targeted measures developed by the Platform. This should include workshops, study visits to other Partner Countries and seminars on the subject of SPS and animal welfare, allowing for exchange of information, experience and best practice.

Areas of Work covered by the Platform

1. Enhanced cooperation in the Field of Taxation and Public Finances

The European Commission makes the proposal to enhance cooperation in the field of Taxation and Public Finances.

The approximation of the system and structure of indirect taxes (VAT and excise duties) should continue to be strongly supported, taking into consideration tax policy of the Partner Countries. Extending the approximation to excise duty rates would reduce tax fraud and smuggling of excise goods in the EU by decreasing the current high excise duty differentials between the EU and the Partner Countries. In the same breath, this approach would lead to an

increase of the Partner Countries' revenues. This should be accompanied by measures to support the approximation of these countries' excise rates with their own neighbours to the East in order to avoid that they themselves become "victims of smuggling".

As in the case of customs policy, active support should be provided to the Partner Countries' taxation reforms, while developing cooperation and harmonising policies to counteract tax fraud including the common application of the principles of good governance in the tax area.

Target Groups are the Partner Countries' competent authorities.

2. Cooperation in the Field of Labour Market and Social Policies

Supporting an inclusive economic development in the EU's neighbouring countries, with an emphasis on job creation, improving social protection and reducing social inequalities is one of the focuses in the renewed European Neighbourhood Policy (ENP), presented in the joint European Commission and European External Action Service Communication "A new response to a changing Neighbourhood" (COM (2011) 303). In line with this, action points include enhancing employment and social policy dialogue and cooperation whilst the specific role of social partners as part of civil society is also highlighted. This is much in tune with the overall objectives and priorities of the EU2020 Strategy that put a new spell on the equal importance of economic and social development, and the need to share the benefits of economic growth in a way that can contribute to employment and to more social justice. Social dialogue is an important component of the EU policy making in the employment and social areas, and its contribution is duly recognized in the EU 2020 Strategy and the related EU frameworks and initiatives for employment and social policies.

The countries of the EU Eastern Partnership are experiencing unprecedented transitions with important social, economic and political changes, leading towards a free market economy. Their labour markets are affected by low economic activity, high unemployment and underemployment and frequent changes in the employment status of individuals. Insufficient job creation, presence of informal economy and employment, low employability of labour force and lack of mechanisms for matching skills supply and demand are important factors affecting the economic performance and competitiveness in the globalized context. In most countries, these factors combine with an unfavourable demography (foreseeable decline of the working age population and ageing population) that will also challenge the social welfare systems and pension systems in particular.

The joint EC (DG EMPL) - ETF Regional Conference on the Trends and Challenges of Labour Markets and Employability of Human Capital in the six Eastern Partners organised in October 2010 in Odessa was the first regional initiative as part of the 2009-2011 Work Programme of Platform 2 - "*Economic Integration and Convergence with EU Policies of the Eastern Partnership*". It paved the way for a process of dialogue and exchanges in the employment and social areas. The Country representatives expressed their interest for future cooperation and exchange, which Platform 2 can support.

The Commission will develop a proposal aiming at establishing a structured dialogue on employment and social policies in the frame of Platform 2, possibly as a Panel. The structured dialogue will gather high level policy makers from the competent authorities of the Partner Countries and EU Member States.

The structured dialogue will associate in an appropriate manner the social partners and liaise with the Civil Society Forum Working Group for Platform 2. The European Neighbourhood Policy calls for increasing work with civil society and social partners in the Eastern Partnership. An effective social dialogue is of crucial importance to address socio-economic challenges and supporting inclusive economic development in the Eastern neighbouring countries. Creating conditions for exchange of experience in developing the dialogue between social partners (trade unions and employers' organizations) and governments at all levels is a key task to develop social dialogue with the Eastern Partners. The ETF provides support to the structured dialogue/Panel as far as subjects are covered by its mandate.

It is proposed to establish this dialogue as a Panel that would serve as a forum for multilateral policy dialogue and to share information, experience and best practices in the development and implementation of employment and social policies between the Partner Countries and with the EU Member States with a view to support the inclusive economic development of the Eastern neighbouring countries and their approximation with EU policies. Such a Panel could also contribute to improving the evidence-based policy-making, enhancing mutual learning, promoting regional or multi-countries cooperation and to capacity-building of the main institutions involved in employment and social policies. The Panel would draw upon relevant experience of international organizations acting in the area of labour market, employment and social policies and involve these organizations in its activities on an ad-hoc basis.

The establishment of the Panel could be endorsed at the plenary meeting of Platform 2 in spring 2012, on the basis of a Commission proposal and after consultation with the members of Platform 2.

A number of areas of possible common interest – among which a selection needs to be made for this Work Programme - have been identified at the Odessa conference and during various discussions with the Eastern Partners, including at the October Platform meeting:

- labour market needs analysis and forecasting, labour market monitoring;
- skills development and matching;
- continuing training/ training for adults;
- assessment of active labour market measures and development of efficient activation policies;
- developing “National Qualification Frameworks”;
- the role of social partners in all employment related processes;
- strengthening labour market institutions, including employment services;
- reforming social protection systems, and notably pension systems;
- youth employment;
- reforming social services;
- employment of people with disabilities.

For the 2012-13 period and until the Panel can be fully established, it is proposed to continue with the policy dialogue and promote regional exchange and cooperation involving experience from the EU and its Member States along two thematic areas:

A) *Reforming social protection systems including pension systems*

Social protection is key to achieving inclusive economic development and societies. Recent EU experience has also shown the crucial role of safety nets to mitigate the impact of economic crises. Combining adequate income support and access to social services with access to the labour market can reconcile the goals of fighting poverty, ensuring social inclusion, increasing labour market participation, whilst ensuring financial sustainability and enhancing efficiency of social spending is at the core of the modernisation of social protection promoted by the EU 2020 Strategy. Ageing populations represent an additional challenge notably for pension systems and the financial and economic crisis has only increased this pressure. Most if not all Partner Countries face demographic challenges similar to that of the EU Member States.

The Commission has engaged a dialogue with the Eastern Partner countries on the basis of country studies it contracted on social inclusion and social protection. In addition, as a broad consultation of all relevant stakeholders across the EU Member States, and bridging across economic, social and financial market policies the Green Paper on pensions launched in 2010 by the European Commission provides a wealth of information and experience that could be shared with the Partner Countries' and enrich their own debates on the subject.

In the first Quarter of 2012, it is proposed to hold a workshop on social protection (including pension) reforms, with policy makers and experts from the Partner Countries, the EU Member States as well as experts from relevant international organizations. The Workshop would aim at sharing views and experience, with a view to enhanced mutual learning on policy and capacity-building challenges, and identification of possible cooperation.

B) *Skills mismatch*

An important challenge for all countries is to find ways to address the skills needs of their changing economies where most of the employment is generated in small and medium enterprises or in microenterprises. In order to mitigate the above labour market challenges, actions to support job creation in emerging economic sectors, improvement of employability and social and territorial cohesion need to be reinforced in their policy agenda. Also a genuine cooperation among different actors is necessary to identify and implement sound policies.

With the support of the ETF, it is proposed to launch the work of two “laboratories” of policy makers and social partners aiming at integrating approaches in the following areas:

- **Social partnership for matching skills with jobs:** overview of actions taken for better matching practices in EU and PCs and role of various stakeholders, assessment of methodological tools, their relevance for the partner countries, actions and capacity building needs;
- **Self-employment and skills for emerging economic sectors** including anticipation of skill needs in the given context: mapping of good practices for skills development, peer learning and development of appropriate tools in supporting skills anticipation.

Results from the work of two “laboratories” will be shared with larger groups of stakeholders from EaP Countries in *one regional conference* for dissemination. The Conference will aim at identifying policy intervention areas for national stakeholders, the EEAS and European

Commission services and the ETF to be used in future actions to support inclusive economic development of the Eastern Partners.

Target Groups are the Partner Countries' competent authorities.

3. Cooperation in Questions of Macroeconomic and Financial Stability

The European Commission proposes to strengthen cooperation in questions of macro-economic and financial stability between the EU and the Partner Countries. The dialogue can include issues related to the conduct of sound fiscal, monetary and exchange rate policies, effective public finance management, financial stability and oversight as well as general economic reforms to improve the investment climate and increase the economic growth potential. Exchanging views and sharing experience during ad-hoc discussions under the Platform can contribute to a better mutual understanding of policy challenges and contribute to a useful exchange of views on sustainable macro-economic and financial sector policies that would take into consideration national institutions and policy preferences.

Target audience: Counterparts in the Government, Ministries of Finance and Economy, Central Banks and institutions of financial oversight

4. Information Society

The EaP network of regulators for electronic communications will be set up, as a follow up of the workshops organised in Vienna in 2010, Vilnius and Barcelona in 2011. A workshop is planned for spring 2012 in Moldova for officially launching the network.

The European Commission will launch an action for the provision of technical assistance for electronic communication regulators of the EaP countries. The actions aims to support partners in gaining a better understanding and making better decisions regarding complex regulatory issues in the area of telecommunications and information society.

Two annual conferences/seminars will be organised in EaP countries, on matters of common interest, related to the approximation to the EU regulatory framework covering in particular electronic communications and ICT priorities of the Digital Agenda for Europe (DAE).