COMMITTEE ON ECONOMIC INTEGRATION, LEGAL APPROXIMATION AND CONVERGENCE WITH EU POLICIES

Minutes of the meeting of 21 March 2016

BRUSSELS

In the chair: Mr Hrant BAGRATYAN

The meeting was opened at 15.00 by Mr Hrant BAGRATYAN, Co-Chair of the committee. In the absence of the Azerbaijani delegation at the meeting, one of the two positions of Vice-Co-Chair from the Eastern Partners’ component had to be left vacant. Mr BAGRATYAN announced that Ms Clare MOODY would co-chair the meeting in the absence of the co-chair, Mr CIRIO, who had to return to his constituency.

1. Adoption of draft agenda

The draft agenda was adopted without changes.

2. Approval of the minutes of the meeting of the Euronest Committee on Economic Integration, Legal Approximation and Convergence with EU policies held on 10 November 2015 in Brussels

The draft minutes were approved without changes.

3. Exchange of views on the development of small and medium-sized enterprises and regulation of the activity of monopolistic companies – opportunities given by the DCFTAs and other agreements between the Eastern Partners and the European Union

After screening short videos on the impact of the Deep and Comprehensive Free Trade Areas (DCFTAs) for SMEs in Ukraine produced by the EEAS East StratCom unit, Mr BAGRATYAN outlined the situation regarding the SME sector in Armenia and in the other countries. He noted that the definition and dynamic of SMEs differs from country to country and outlined the potential role of SMEs in GDP growth and employment in the Eastern Partnership ( EaP) countries. Regarding the situation in Ukraine, he stressed that medium-sized enterprises were 2.5 times more numerous
than small businesses; on Armenia he deplored that the number of SMEs had decreased over the past 10 years. He called on the EaP countries to promote the development of this sector of the economy, including as a contribution to the fight against monopolistic structures. Mr JORGOLIANI outlined the situation of SMEs in Georgia and pointed out that they were under-represented in the industrial sector. He underlined that the Government of Georgia had adopted a development strategy for SMEs until 2020 and that two new agencies had been created at the Ministry of the Economy, one to support entrepreneurship and the other for innovation and modernisation of technologies. He stressed the importance of EU cooperation and financial support in this regard and the need to improve entrepreneurial skills and structural educational changes and to introduce the concept of lifelong learning. Mr KURYLO regretted SMEs’ limited share of the Ukrainian economy and cited, as the main reasons for this situation, the post-Soviet legacy (in particular the monopolies in areas such as energy and industrial machine building), overregulation by the state, which was being tackled by the current government, and the war in Eastern Ukraine, which was forcing the authorities to dedicate a large proportion of financial resources to the security and defence sector and thus resulting in a lack of access to cheap credits for SMEs and a decrease in foreign investments. Ukraine was therefore very much counting on EU support in this field and was particularly interested in the Neighbourhood Investment Facility. However, Mr Kurylo highlighted the two areas in which SMEs had seen a positive development in the past few years, namely IT technologies and agricultural activities, such as honey production.

Mr KYRIATZIS (European Commission, DG on Internal Market, Industry, Entrepreneurship and SMEs) outlined the Eastern Partnership policy in the field of SMEs and the ‘SME Policy Index’ in the Eastern Partnership countries, based on the Small Business Act for Europe (SBA) which allows for benchmarking not only between partner countries but also with EU Member States. The purpose of the SBA assessment was to improve SME policy making in partner countries, to enhance the capacity of policy-makers, to improve the business environment ‘on the ground’ and to foster entrepreneurship and competitiveness. The first assessment had taken place in 2012, and the second at the end of 2015. Mr Kyriatzis summarised the main conclusions of the last assessment. Since 2012 a number of improvements had been made by the countries concerned, which had become more proactive in developing the business environment and climate and had started to introduce better access to finance and markets for SMEs, as well as skills and innovation. Many recommendations from the 2012 report had been implemented and this had resulted in improved scores in many areas. Horizontal business environment reforms continued to be the area of strongest performance, as governments were paying growing attention to SME institutional frameworks and targeted SME policy tools were required to further support SME growth across the region. Mr Kyriatzis stressed the role to be played by parliamentarians in monitoring the implementation of SBA recommendations and, in the Euronest context, in exchanging experience with colleagues. He stressed that SMEs offered significant opportunities for economic recovery in the short term and increased resilience in the long term, but that the potential of SMEs remained largely untapped in the EaP region, with most SMEs operating in low value-added sectors.

Mr MARAGOS (European Commission, DG for Neighbourhood and Enlargement negotiations) provided an update on EU financial assistance to the development of
SMEs in the Eastern Partnership countries. The latest ENP review had confirmed the need for a more differentiated approach to various countries. He outlined the four priorities in the current approach to the EaP countries (strengthening institutions and good governance, energy security, mobility and people-to-people contacts, market opportunities and interconnections). Regarding SMEs, he stressed that their contribution to employment and GDP was still low in the Eastern Partnership compared to the EU and that they played a crucial role in building open and democratic societies, whose economies were not controlled by a small group of people. EU funding opportunities for SMEs in EaP were numerous, with, in particular, the SME Finance Facility (implemented by the EBRD, the EIB and the German Development Bank) under the umbrella of the Neighbourhood Investment Facility, the Small Business Support programme, implemented by the EBRD, the Women in Business programme, the East Invest programme (promoting trade and investment through networking and capacity-building of business associations), the STAREP World Bank programme (co-financed by the EU), and, in the case of Georgia, Moldova and Ukraine, the DCFTA Facility for SMEs, which provided grants not only for access to the EU but also for the development of competitive national markets. Other programmes were country-specific, e.g. for Armenia a programme to enhance employment opportunities and private sector development. At the policy level, the EU worked with the OECD to assist Eastern European partner countries in drawing up effective SME policies.

In answer to questions from Mr MELKUMYAN and Mr BAGRATYAN, Mr Kyriatizis highlighted the role of the OECD and the EBRD in matters relating to credits for SMEs, and the special efforts being made by the EU in its relations with EaP countries, in particular with the three associated countries, to assist SMEs in gaining access to public procurement and tender procedures. Mr BAGRATYAN highlighted the need to cooperate further on the statistics presented in the SME Policy Index, especially as regards Armenia, with respect to which certain discrepancies existed with national statistics.

In the chair: Ms Clare MOODY

4. Exchange of views on the economic governance in the Eastern Partnership – legislative challenges ahead and European Union’s support

Ms MOODY underlined that the concept of ‘economic governance’ was a key concept of the reviewed European Neighbourhood Policy (ENP), which comprised an important legislative dimension and was therefore something to be explored at interparliamentary level.

Mr MARAGOS noted the importance of this concept, given that economic governance was crucial to the competitiveness of economies and to strengthening the economic resilience of societies. The aim was to help partner countries to prioritise economic reforms and to better align support programmes with countries’ reform agendas, the ultimate objective being to stimulate inclusive growth and support job creation. Following the adoption of the revised ENP, a reflection had started on cooperation in the field of economic development, which should be addressed together with macroeconomic framework and other correlated topics, such as support for structural reforms, improved competitiveness and modernisation of the economy,
support for the digital economy, access to finance for inclusive growth and the promotion of trade relations with the EU. In this context, he highlighted the need to support efforts to develop the independence and supervision of the banking and financial sector in EaP countries. Support should furthermore be provided for regional economic integration among the EaP countries in order to achieve additional economic opportunities and attract investments at the level of the regions. He encouraged partners to identify ways in which trade could be facilitated in the region, and partner parliaments to make sure that economic reforms were implemented on the ground. He mentioned connectivity and energy as two important areas in which investment opportunities should be explored. In answer to questions, Mr Maragos elaborated on the issue of high interest rates for SMEs and the possible contribution of the ‘DCFTA facility’ in this regard; on supervision, he stressed that governments should make sure that banks were financially sound and should avoid situations such as bank frauds, which had taken place in some countries. The central banks of the EaP countries could help with the financial supervision. The EU provided huge support in helping partner countries develop efficient supervision tools in the financial sector and other areas.

5. Consideration of amendments and vote on the draft report on ‘EU multiannual financial perspectives and their impact on Eastern Partnership countries’ economic cooperation’; Co-Rapporteurs Ms Iris HOFFMANN (MEP) and Mr Gia JORJOLIANI, MP (Georgia)

Ms MOODY noted that five amendments to the report had been received.

Ms HOFFMANN stated that it was important to recognise that there was a vacuum in the region, resulting in a wide range of security and economic development challenges. Economic integration with the EaP countries was not as extensive as it might be and steps should be taken to identify the reasons for this and the areas which could most benefit from enhanced economic integration. The report called on the EU to ensure that specific measures were put in place to promote regional economic cooperation and to propose EU expertise and technical assistance in fields such as customs harmonisation, the digital market, transport, visas and education. International standards and WTO provisions could be used to overcome technical barriers among countries that had not all decided to enter into a process of political association and economic integration with the EU. The rapporteur praised the excellent work done in recent years by the Eastern Partnership Platform 2, dealing with economic issues and technical harmonisation, and invited the platform to deal with issues such as the approximation of standards, economic integration and technical barriers, including at regional level.

Mr JORJOLIANI noted that the spirit of the report was not only the cooperation of the countries within the Eastern Partnership but also cooperation between the countries themselves. He stated that regional cooperation, especially in the case of smaller countries, was a very important means of improving their economic situation, enhancing economic growth and overcoming not only economic problems, but also very often political problems.

- Voting -
The report was adopted.

6. **Exchange of views on topics for the committee’s next report**

Three subjects were proposed and discussed as possible topics for the next report: ‘Research, science and innovation: developing synergies within the Eastern Partnership policy’, ‘Tackling the challenge of youth unemployment together’ and ‘Legal approximation between Eastern partners and the EU and convergence with EU policies in the economic field’.

7. **Planning and preparation of the committee’s activities for 2016-17**

Ms MOODY noted that the ongoing reflection on the future of the Euronest PA included the issue of the annual number of meetings of the committee and that the secretariat would keep members informed about the date of the next meeting on the basis of the decisions taken in this regard. She stressed the importance of following up on a number of the recommendations contained in the report as adopted.

8. **Other business**

None

No further issues were discussed. The Co-chair closed the meeting at 17.38.
21 March 2016
Brussels

List of members

EUROPEAN PARLIAMENT
Mr Alberto CIRIO (Co-Chairman, Italy, EPP)
Ms Clare MOODY (Vice-Co-Chair, United Kingdom, S&D)
Ms Norica NICOLAI (Vice-Co-Chair, Romania, ALDE)
Ms Iris HOFFMANN (Member, Rapporteur, Germany, S&D)
Mr Siegfried MURESAN (Member, Romania, EPP)
Mr Bronis ROPÉ (Member, Germany, Greens/EFA)
Mr Jacek SARYUSZ-WOLSKI (Member, Poland, EPP)
Mr Albert DESS (Substitute, Germany, EPP)
Ms Agnieszka KOZLOWSKA-RAJEWICZ (Chair of the Euronest PA WG Belarus, EPP, Poland)
Mr Marc TARABELLA (Belgium, S&D)
Mr Jaromír ŠTĚTINA (Czech Republic, EPP)

ARMENIA
Mr Hrant BAGRATYAN, Co-Chairman
Mr Mikael MELKUMYAN

GEORGIA
Mr Gia JORJOLIANI, Vice-Co-Chairman
Mr Fridon SAKVARELIDZE

MOLDOVA
Mr Artur RÉSETNICOV

UKRAINE
Ms Natalia VESELOVA
Mr Vitalii KURYLO
Mr Vitalii BARVINENKO