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The impact of the Eastern Partnership of the European Union on governance and economic development in eastern Europe

Report[1]
Committee on Economic Affairs and Development
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Summary

The Eastern Partnership process launched in May 2009 sets the framework for the closer integration of Armenia, Azerbaijan, Belarus, Georgia, Moldova and Ukraine with the European Union. It is also a major opportunity for these countries to give a strong push to domestic reforms and regional co-operation which should ultimately result in enhanced prosperity for these countries. Europe as a whole ought to support this initiative as a means of consolidating fundamentals for long-term development in the countries concerned and for greater socio-economic cohesion across the continent.

The Council of Europe – as a long-standing advocate for a "Europe without dividing lines", that is, co-operation based on shared values and standard setting focused on human dignity – needs to play its role fully in this process. The report underscores that economic growth and democratic development should go together and expresses concern over a trust gap between the ruling elites – political and economic – and the rest of society in the Partnership's target countries. It therefore insists on the need to tackle corruption and the shadow economy as a top development priority.

The report also pleads for better co-ordination among the European institutions, including at the parliamentary level, in delivering targeted assistance and a closer interaction with civil society, as well as addressing a series of recommendations to the Partnership countries.

1. 2011 - May Standing Committee

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A. Draft resolution[2]

1. The Eastern Partnership of the European Union, launched in May 2009, aims to “accelerate political association and further economic integration” of Armenia, Azerbaijan, Belarus, Georgia, Moldova and Ukraine with the 27 member nations. The Parliamentary Assembly warmly welcomes this initiative which sets an ambitious and challenging goal of forging the necessary conditions for sustainable economic growth, enhanced stability, improved governance and stronger rule of law in the countries concerned, as well as greater socio-economic cohesion across the entire continent.

2. The Assembly reiterates its belief that economic growth and democratic development can and must go together, helping to empower people to transform the societies they live in. It views the Eastern Partnership as a living process with multiple stakeholders – including the Council of Europe as a long-standing advocate for a "Europe without dividing lines", co-operation based on shared values and standard setting focused on human dignity. The quest for economic growth in the countries concerned by the Partnership must give due consideration to essential prerequisites, such as stable democracy, the rule of law and good governance.

3. The Assembly is concerned that a trust gap persists between the ruling elites – political and economic – and the rest of the society in Eastern Partnership target countries, not least because of the widespread public discontent with "money politics", corruption and the shadow economy. Moreover, recurrent political deadlocks, the continuing global economic crisis and a series of frozen regional conflicts hamper both the domestic reform momentum and regional co-operation prospects. This points to the need for continued confidence and capacity-building steps – including through parliamentary diplomacy and people-to-people contacts – in order to fully tap the development potential in eastern Europe.

4. Five of the six Eastern Partnership countries are fully-fledged members of the Council of Europe, by virtue of which they are constantly being urged to fulfil their commitment to the fundamental principles that underpin the actions of the Council of Europe. Synergy between the European Union, the Council of Europe and other institutions in monitoring and encouraging partner steps towards the Eastern Partnership objectives is a stepping stone towards accelerated progress with structural, governance and economic policy reforms in the participating countries.

5. The Assembly appreciates that the Eastern Partnership’s bilateral framework provides for the signing of individual association agreements with the partakers, which in turn lay foundations for the creation of a deep and comprehensive free trade area. These agreements, together with the European commitments of financial and technical assistance, offer powerful motivation to Eastern Partnership countries to seek a high degree and speed for their integration with the European Union. Although the aspirations of the six partnership countries differ to a great extent, they all share the wish to achieve a freer flow of persons, goods, services and capital with the European Union member states. Tangible progress in this area will boost development prospects, in particular as regards investment and employment levels.

6. The Assembly strongly supports the inter-state co-operation aimed at building a more flexible visa regime for travel between the EU and the Eastern Partnership countries. It welcomes the unilateral steps offering visa-free travel to several Eastern Partnership countries, such as Georgia, Ukraine and Moldova, for visitors from an increasing number of countries, and urges other Partnership countries to follow this path.

7. As the majority of European countries struggle with economic difficulties, European Union financial support becomes even more important than in times of steady economic growth. This reform-oriented influence is further multiplied through the involvement of other international organisations and institutional investors, in particular the International Monetary Fund (IMF), the European Investment Bank (EIB) and the European Bank for Reconstruction and Development (EBRD), as evidenced for Ukraine and Belarus. As long as the effects of the crisis are felt, the scope for these institutions’ conditionality in the partner countries will grow and should be used fully to assist institutional capacity building and reforms in the Eastern Partnership countries.

8. The Eastern Partnership process offers a unique opportunity for the involvement of various European institutions and countries with a view to building a relationship based on genuine solidarity, pan-European economic co-operation and human progress. The Assembly is convinced that EU member states should co-ordinate more closely their national assistance programmes towards eastern Europe and resort more often to the pooling of assistance so as to compensate for any cuts in aid flows due to budget austerity.

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2. Draft resolution adopted unanimously by the committee on 29 November 2010.

9. Of the six Eastern Partnership countries only Georgia and Moldova belong to the Council of Europe Development Bank (CEB). Whilst both Georgia and Moldova are the neediest members of the bank's target group of countries, Georgia has not so far benefited from the CEB financing for development projects and Moldova has received rather modest project support over the last four years. The Assembly thus encourages stronger CEB involvement – directly and in co-operation with the EBRD, the EIB, the World Bank and the European Commission whenever possible – in the generation of projects that further socio-economic development and Council of Europe values in these countries. It reiterates its call on Armenia, Azerbaijan and Ukraine, expressed in Recommendation 1937 (2010) on the strategy, governance and functioning of the Council of Europe Development Bank, to consider joining the CEB at the earliest opportunity.

10. All Eastern Partnership countries stand to obtain huge gains in terms of competitiveness, employment and energy security from measures tackling the existing inefficiencies in their energy use and transport links. The EU and the national authorities of the Partnership countries could put in place a series of projects and investment or tax incentives with a view to improving these countries' energy performance and transport interconnections as a matter of priority.

11. International gender gap measurements reveal the need for sustained progress in eliminating gender biases and pay gap and improving access of women entrepreneurs to business support programmes in the Eastern Partnership countries. The Assembly therefore encourages the sustained Council of Europe gender mainstreaming action in these countries. It also asks the EBRD to continue its Business Advisory Services under the Women in Business programme and to expand the programme further in the less developed country sub-regions.

12. The projected dialogue between the EU and the Eastern Partnership countries at different levels of governance, along with an idea to convene the Euronest Parliamentary Assembly and a Civil Society Forum, signals a strong emphasis on interaction and communication between different stakeholders. It is essential to ensure that the Eastern Partners' opposition forces and independent NGOs have a say in this dialogue and that exchanges are fostered among the Eastern Partnership countries themselves. The Assembly is convinced that the format of the Euronest Assembly should be reviewed with a view to rendering the composition and the size of delegations more balanced and streamlining the contents and methods of its future work.

13. The Assembly believes that it is necessary to maintain, improve, and strengthen contacts at all levels between the European Union and Council of Europe with Eastern Partnership countries in the field of inter-parliamentary co-operation. Towards this end, using the established mechanisms of the Parliamentary Assembly, involving the Assembly (and through it some third parties to the partnership) in the work of the Euronest and possibly setting up a partnership "Parliamentary Troika" (of the European Parliament, OSCE Parliamentary Assembly and the Parliamentary Assembly of the Council of Europe) to underpin its future essence could be an important course of action, especially in order to co-ordinate positions in respect of Belarus.

14. In the light of its co-operation agreement with the European Parliament, the Assembly resolves to seek the broadening of the mandate of the European Parliament/Parliamentary Assembly working group with a view to better co-ordination between the two assemblies of parliamentary assistance programmes in favour of the Eastern Partnership countries. It also decides to continue following the Eastern Partnership process from the political and economic governance angles.

15. The Assembly furthermore invites the competent authorities of Armenia, Azerbaijan, Belarus, Georgia, Moldova and Ukraine to:

15.1. establish a clear separation between the economic and political spheres in decision making so as to avoid conflicts of interests, not least in respect of the financing of political parties;

15.2. take measures aimed at ensuring fair competition between the domestic and foreign businesses and reducing the influence of monopolies/oligopolies;

15.3. continue streamlining the national public services and tax administration systems with a view to achieving higher efficiency, transparency and effectiveness, as well as improving the overall business climate;

15.4. ensure better enforcement of laws and functioning of accountability mechanisms in order to reduce the scope of corruption, money laundering, human trafficking and the shadow economy;

15.5. set up, wherever relevant, twinning programmes at different levels of governance with a view to fostering exchanges of know-how and best practice with other countries of the Eastern Partnership and in the neighbourhood;

15.6. use the expertise of the Congress of Local and Regional Authorities of the Council of Europe for making improvements in their national schemes for fostering more balanced regional development;

15.7. ensure greater public awareness of the Eastern Partnership process and progress made in the national context.

B. Draft recommendation[3]

1. The Parliamentary Assembly refers to its Resolution … (2011) on the impact of the Eastern Partnership of the European Union on governance and economic development in eastern Europe and the Memorandum of Understanding between the Council of Europe and the European Union.

2. The Assembly invites the Committee of Ministers to:

2.1. prepare a set of proposals regarding the Council of Europe's contribution towards the realisation of the Eastern Partnership with a view to presenting them to the Second Eastern Partnership Summit of Heads of State and Government which will be held in Spring 2011;

2.2. seek to involve the Council of Europe in the work of the OECD's Development Assistance Committee and to add the Council of Europe to the list of international organisations eligible to receive ODA (Official Development Assistance) in the form of unearmarked voluntary contributions that could be channelled to Council of Europe country assistance programmes, including in favour of Armenia, Azerbaijan, Georgia, Moldova and Ukraine, as well as Belarus whenever possible;

2.3. ensure that the Council of Europe INGO Conference contributes meaningfully to the work of the Civil Society Forum and other platforms of the Eastern Partnership, where relevant, and involves a wide range of civil society organisations from the Eastern Partnership countries;

2.4. encourage Belarus to become a Party to the Criminal and Civil Law Conventions on Corruption (ETS Nos. 173 and 174), the Convention on Laundering, Search, Seizure and Confiscation of the Proceeds of Crime and on the Financing of Terrorism (CETS No. 198), and to make greater use of its associate member status with the European Commission for Democracy through Law (Venice Commission);

2.5. urge Azerbaijan and Georgia to sign the Convention on Laundering, Search, Seizure and Confiscation of the Proceeds of Crime and on the Financing of Terrorism;

2.6. ask the European Union and its member states to:

2.6.1. ensure sufficient funding for the Eastern Partnership and adequate targeted assistance to the authorities of the partnership countries for the implementation of governance reforms, as well as closer co-ordination of national and multilateral assistance programmes towards eastern Europe;

2.6.2. enhance their field presence in the Eastern Partnership countries, in particular in the local media, with a view to fostering official contacts at all levels of governance, public awareness of the partnership goals and regional co-operation on issues of common concern among the partnership countries;

2.6.3. involve, whenever feasible, the Council of Europe, and through it the third countries, in the realisation of the Eastern Partnership.

3. Draft recommendation adopted unanimously by the committee on 29 November 2010.

C. Explanatory memorandum by Mr Rigoni, rapporteur

1. Introduction: from the European Neighbourhood Policy to the Eastern Partnership

1. The crumbling of the Berlin Wall twenty years ago set a new tone for European co-operation. The emerging new states in the eastern part of Europe embarked upon major transformations of their political and economic systems, supported in this grand endeavour by the West. Their gradual integration into western European structures was assisted by a series of targeted measures and programmes.

2. The Council of Europe and the more recently created European Bank for Reconstruction and Development (EBRD) were among the first institutions to open their doors to eastern European states eager to embrace democratic development and market-oriented economic growth. This was the beginning of new partnership relations in Europe. As these countries joined the Council of Europe one after another, we could see the notion of "Greater Europe" taking shape.

3. The dialogue of eastern European states with the European Union started via the Phare strategy and Association Agreements leading to the accession of eight eastern block countries (Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Slovak Republic and Slovenia) in 2004 and two countries (Bulgaria and Romania) in 2007. In the case of the western Balkans, a special procedure – the Stabilisation and Association Process (which may lead to accession) – was put in place.

4. Under the European Neighbourhood Policy (ENP), launched in 2004, the Mediterranean countries and the eastern European Union (EU) neighbours (except Russia) entered a new stage of co-operation with the European Union, building on an explicit commitment to common values (democracy, human rights, rule of law, good governance, market economy principles and sustainable development), a closer political relationship and stronger economic integration. The ENP covers Algeria, Armenia, Azerbaijan, Belarus, Egypt, Georgia, Israel, Jordan, Lebanon, Libya, Moldova, Morocco, Occupied Palestinian Territory, Syria, Tunisia and Ukraine.

5. The Russian Federation opted to stay out of the ENP and to pursue co-operation with the European Union towards creating four Common Spaces: a common economic space; a common space of freedom, security and justice; a space for working together in the field of external security; and a space of research, education and cultural exchange. In reality, however, the format chosen is very similar to the pattern of ENP Action Plans. It also receives funding from the European Neighbourhood and Partnership Instrument (ENPI), which also funds the ENP.

6. The Eastern Partnership, officially launched at the Prague Summit of 7 May 2009, follows the Union for the Mediterranean, the Strategic Partnership with Russia, the Black Sea Synergy and the European Union's strategy on Central Asia, as an important European instrument for the creation of an area of dialogue with countries geographically belonging to the eastern part of the European continent (Armenia, Azerbaijan, Belarus, Georgia, Moldova and Ukraine).

7. The Eastern Partnership initiative builds on the strong points of the ENP and complements the points which have drawn criticism of partners, namely that the policy proposed was not designed to deal effectively with the substantial geographical, historical, cultural, economic, political and social differences between the southern and the eastern neighbours of the European Union, and that it was rather ambiguous on prospects of closer integration with the EU.

8. The Partnership's ambitious and challenging goal is to forge the necessary conditions for stronger economic growth, to enhance stability, to promote good governance and the rule of law in the countries concerned. To this end, the Partnership foresees, amongst other things, the creation of a comprehensive free trade area, enhanced co-operation in the fields of energy security and energy efficiency, environment, small and medium-sized enterprises, visa facilitation and support for civil society in these countries. The Partnership introduces a multilateral framework which welcomes participation of international institutions and private donors, and which is supposed to make the Eastern Partnership objectives easier to reach.

9. The six Eastern Partnership "target" countries have a largely untapped potential for economic growth; the European Union – as their principal and, due to geographic proximity, obvious trading partner – has a direct interest in supporting their economic development.[4] These countries' closer integration with the EU economy would strengthen Europe's energy security, foster people-to-people contacts and would facilitate co-operation with third countries, in particular Russia.

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4. Füle S, European Commissioner for Enlargement and Neighbourhood Policy Eastern Partnership – "New challenges for EU businesses Eastern Partnership". Speech at the Czech House, Brussels, 4 March 2010.

10. In fact, the Russian Federation might be about to assume a new and more active role in the Eastern Partnership, which would facilitate dialogue. The European Parliament is considering offering third countries the opportunity (to be examined on a case-by-case basis) of participating in concrete projects, activities and meetings relating to thematic platforms and flagship initiatives, provided that the countries in question contribute to the realisation of goals that further certain of the Eastern Partnership's general objectives. In the case of Russia, this eventuality would certainly be contingent on Moscow's becoming more deeply engaged in the European area that shares borders with Russia and, by virtue of history and culture, is close to it in other ways, too.

11. The Partnership's supporters point out that although in times of economic uncertainty and enlargement fatigue, the European Union may feel that it has more pressing issues to deal with than its eastern neighbours, a focused and engaged neighbourhood policy would be an expression of principled and far-sighted self-interest.

12. This report aims to analyse and understand the impact that this new co-operation instrument will have on the six partner countries and on their relations with the European Union and the Greater Europe from a socio-economic and political perspective. It will look at the expectations of the different players involved and the potential for involvement of various European institutions with a view to building a relationship based on genuine solidarity, pan-European economic co-operation and human progress. The rapporteur is grateful to the authorities of Armenia, Georgia and Ukraine for having shared their views on the matter during his fact-finding visits.[5]

2. Aspirations of the stakeholders

2.1. Avoiding overlaps, overstretching, top-down approaches and tensions

13. The Eastern Partnership is not the first initiative directly involving the European Union's eastern neighbours. From this point of view, avoiding overlaps is a very serious concern for it. Concerns about possible internal overlapping are linked to some activities under the thematic platforms and the flagship initiatives (regarding environment, energy efficiency, etc.), as well as other European Union sub-regional programmes (such as the Black Sea Synergy). The European Commission has so far been careful to stress the "complementarity" of the Eastern Partnership and the Black Sea Synergy in the areas of good governance, energy, trade, environment, transport and visa facilitation.

14. As the European Union is currently experiencing "enlargement fatigue", most EU member states praise the Eastern Partnership as a good alternative to enlargement, less radical than the ENP and a means of avoiding overstretching of both the EU and its "partners" in the East. However, some may see overstretching in the wish to devote the same attention to all states rather than focusing on those where the EU's policy is estimated to have greatest effect, such as in Ukraine, Moldova and Georgia.[6]

15. Further clarifications from the European Commission on the financing of activities under various programmes would be welcome, in particular as there are doubts linked to the current financial crisis as to whether the European Union will be able to allocate the funds earmarked.[7] Under the association agreements with its eastern partners, the EU will be constricted to the sum of €600 million to achieve the objectives of the partnership (on top of funds channelled through the European Neighbourhood Policy Instrument, the Governance Facility, the Cross Border Co-operation, the Neighbourhood Investment Facility leverage operations, etc.).[8] This funding is expected to cover a four-year period. In 2010, the funding allocated is just about €85 million, followed by €110 million in 2011, €175 million in 2012 and finally €230 million in 2013. The funding will be allocated to the six target countries on the basis of a set of criteria reflecting the "needs" and the "reform performance" of these countries.

16. The rapporteur is convinced that the quest for economic growth in the countries concerned by the Partnership must give due consideration to several prerequisites: stable democracy, the rule of law and good governance. Their importance is all the more clear against the backdrop of recurrent political turbulences and

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5. The rapporteur visited Yerevan (19-21 October 2010), Tbilisi (21-23 October 2010) and Kyiv (18-20 November 2010) where he held meetings with the members of national parliaments, representatives of the ministries of economy and of foreign affairs, as well as representatives of some organisations of the civil society active in the economic field.
6. Popescu N. and Wilson A., *The Limits of Enlargement-lite: European and Russian Power in the Troubled Neighbourhood*. European Council on Foreign Relations, June 2009, at www.ecfr.eu/content/publications,
7. Shapovalova N., *The EU's Eastern Partnership: still-born?* FRIDE, Policy brief No. 11, May 2009.
8. Memo/09/217 "Eastern Partnership – Frequently asked questions", Brussels, 5 May 2009, at www.europa.eu.

persisting unresolved conflicts in the region (Russia-Georgia and Nagorno Karabakh conflicts, the Transnistria problem in Moldova) and politico-economic peculiarities (in Belarus), as well as the effects of the ongoing economic crisis. The Partnership should seek to appease rather than stir any tensions inside and around these countries and pursue further a "soft power" approach.

17. One way to create conditions conducive to a closer relationship and convergence of these countries with the rest of Europe is to engage civil society institutions and representatives in direct dialogue with the West, fostering "people-to-people" democracy. From that perspective the principle of "joint ownership" of the Partnership is certainly a positive development. It stands for a shared sense of responsibility and seeks to ensure that partner countries have a real say in the matter. The initiative also seeks to remedy the fault of insufficient consultation of the six partner countries in the elaboration of country-specific priorities under previous schemes.

2.2. Six mini-partnerships

18. The Eastern Partnership's bilateral framework provides the opportunity of signing individual association agreements with the Eastern Partnership partakers, which are to serve as foundations for the creation of a deep and comprehensive free trade area. These agreements offer benefits to the Eastern Partnership countries, that were neither available to the EFTA countries in the EEA agreement context, nor to the countries involved in accession negotiations. They envisage an effective and accurate delimitation between partner countries so that every country could choose to what degree and at what speed the integration with European Union is to proceed. To further reinforce the agreements, the Union sets out to negotiate such agreements with each of the countries individually, and stands ready to support the different participants beyond the Eastern Partnership framework.

2.3. Expectations in terms of economic and political development

19. In general the European Union initiative has been received well and has increased expectations for a new era of closer relations with the EU among the six countries concerned by the Partnership. However the aspirations of the six partner countries differ to a great extent. While some countries are interested in eventually joining the EU (Georgia, Moldova and Ukraine), others do not seem to have that goal (Armenia, Belarus and Azerbaijan). However all six are very eager to benefit from the financial envelope the initiative carries, to see trade barriers lifted, visa facilitation to become a fact and their energy security to augment thanks to enhanced co-operation in that field.

20. As regards free movement of persons, the Partnership's vision is even more ambitious in scope than the ENP: co-operation on the control of immigration through the introduction of a more flexible set of visa rules should gradually lead to the elimination of visa requirements over the longer term. The implementation of the principle of integration, meanwhile, should lead to the creation of a free trade area fostering a freer flow of goods, services and capital between the European Union and the Eastern Partnership countries.

21. People-to-people contacts are essential for achieving the objectives of the Eastern Partnership. The European Union's initiative will seek to reinforce civil society via the Eastern Partnership Civil Society Forum, which will give the floor to civil society envoys from the participant countries, and help shape their development through the exchange of know-how and best practice. The South Caucasus partners expect that the initiative will lead to a greater involvement of the EU, and in particular of its special representative, in the resolution of the existing frozen conflicts, which would in turn facilitate regional co-operation and development.

22. The need for consensus on the multilateral framework, under which the Eastern Partnership proposes to work, is definitely a speed bump on the way. Even though the Partnership tries to encourage the multilateral co-ordination by different means, in reality this is difficult to achieve due to the geopolitical particularities of the region.[9] The six "target" countries of the Eastern Partnership do not form a contiguous geographical area. Three are located in eastern Europe and three are further south-east in the southern Caucasus. These countries differ in their history, culture, economics, politics and social circumstances. It is also important to bear in mind that each is currently absorbed by the process of redefining its national identity, while also seeking allies to help it fulfil its aspirations for growth and development.

9. Wojna B.,"Eastern partnership: The new EU's response to security challenges in the Eastern Neighbourhood?" *Panorama of Global Security Environment 2009*, CENAA, Bratislava, 2009, pp. 89-100.

23. Moreover, countries covered by the partnership are all facing a series of challenges:

– a crisis of statehood, stemming from weak governance (caused by corruption or a concept of sovereignty that is sometimes compromised by ethnic-territorial disputes);

– the current global economic crisis, which is sorely testing domestic economic and financial stability and has raised the risk of economic default, as well as the political repercussions that might ensue;

– tensions in relations with Russia, which is seeking to stitch its network of relations back together and safeguard its interests in an area where it has traditionally wielded influence, and which forms the bedrock of its Eurasian identity.

2.3.1. Ukraine

24. It appears that the Ukrainian authorities are eager to obtain guidance from European Union countries in reforming the country's Constitution, judiciary and public administration. The country would like to use the Eastern Partnership's help to improve its international image, facilitate dealings with its neighbours and give a new impetus to the resolution of the Transnistrian problem. In economic terms, the creation of a comprehensive free trade area is seen as a means to diversify the Ukrainian economy in order to reduce vulnerability to external (trade) shocks and to reap higher revenues through exports. Ukraine sees its co-operation with the EU in the Eastern Partnership as a viable path towards improved co-operation with the International Monetary Fund (IMF).[10] Moreover, the Eastern Partnership and the Agreement on the Energy Community could contribute to the real integration of Ukraine into the EU energy market, help modernise Ukraine's gas transit system[11] and stimulate the pursuit of long-overdue reforms of the national energy system. A positive side effect could be the depolitisation of the energy relationship with Russia and the re-negotiation of a deal that resolved the gas crisis of January 2009, including as regards the price for the imports of Russian gas. Finally, Ukraine's efforts to diversify energy supplies and increase energy efficiency could receive a new impetus.

2.3.2. Moldova

25. Moldovais seeking to increase the efficiency of its democratic and administrative institutions, give a new push to the resolution of the Transnistria problem and accelerate the departure of the Russian armed forces from the country. The signing of a new association agreement and the creation of a free trade area with the European Union would stimulate macro-economic reform, trade, foreign investment, job creation, the domestic industrial and agrarian production and a broader modernisation of the national economy.[12] The Eastern Partnership process and the accession to the Energy Community are expected to catalyse reform of Moldova's energy sector, which would help attract foreign investment in the sector, diversify energy sources, increase electricity generation capacity,[13] further develop programmes for solar, wind and geothermal power and lead to an increased transparency in the sector for the benefit of investors, operators, regulators and users.

2.3.3. Belarus

26. Belaruswould like to come out of its diplomatic isolation and open a window to western Europe. The country seeks to modernise its transport and logistics infrastructure, to draw benefits from the trade flows between the European Union and Asia[14] and to obtain visa liberalisation. It could strongly benefit from the sharing of experience in the field of energy sector restructuring with a view to further diversification of the country's energy supply and the Eastern Partnership could help affirm the position of Belarus as a viable partner for energy transit.[15] The country's participation in the Eastern Partnership is expected to aid the modernisation of the economy thanks to fresh foreign investment. The funds allocated to the country could help improve the competitiveness of Belarusian goods versus imported goods, facilitate the diversification of

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10. Popescu N., *The Eastern Partnership in crisis*, www.euobserver.com and IMF news, 24 March 2009.
11. Modernisation of Ukraine's gas infrastructure could make the South Stream project redundant, as all the additional gas that southern Europe needs could be delivered without constructing a hugely expensive pipeline across the Black Sea.
12. BTI 2010, *Moldova Country Report*, Bertelsmann Stiftung, 2009, www.bertelsmann-transformation-index.de.
13. Such as the Ungheni power plant, a Czech project.
14. Manyanok T., "Vorota" v Tamožennyj sojuz I "Vostočnoe partnerstvo", *Gates in the Customs Union and the Eastern Partnership*, 11 November 2009, http://nmnby.eu/pub/0911/11m.html.
15. Romanova N., Kolčenko I and Kirilenko I, "Vostočnoe partnerstvo ES: perspektiva dija Belarusi", *Eastern Partnership: prospects for Belarus*, 7 May 2009.

exports and sustain economic growth.[16] The country wishes to attract more of EU funds and normalise its trade regime with the EU despite its strong involvement in the customs union with Russia and Kazakhstan, and lack of alacrity to accede to the World Trade Organization (WTO).

2.3.4. Armenia

27. Armenia, for various reasons, does not participate in several critical areas (energy, transport, maritime security and environment, and fisheries) of the Black Sea Synergy. It expects the Eastern Partnership to bring the country closer to the European Union, to encourage a greater EU involvement in regional projects and as regards the Nagorno-Karabakh conflict, and to support the development of bilateral ties with Turkey. The Eastern Partnership framework may help Armenia overcome certain structural deficiencies of its political system. The creation of a free trade area with EU countries would boost the country's economy, contribute to the diversification of economic partners and improve the investment climate. The Eastern Partnership is also seen as a positive stimulus for the macro-economic reform[17] and in particular improvements in the energy sector through fresh foreign investment and better access to new markets for electricity exports. The country actively seeks new sources of funding the Eastern Partnership can draw for its new nuclear power plant project and the modernisation of conventional power plants.[18] The eventual passage of the Nabucco pipeline through the territory of Armenia is something the Armenian authorities are very keen to promote.[19]

2.3.5. Azerbaijan

28. Azerbaijan has little reason to belong to the Black Sea region and the country prefers instead to be associated with the Caspian region. The Eastern Partnership might allow the country to better manage its proximity to Russia and Iran. The Partnership can help the country to assert itself as a major regional and international energy player and obtain European Union and international community support for ensuring the security of strategic energy infrastructure. Improving business environment and investment climate and tackling corruption are considerable challenges. The Azerbaijani civil society has wide-ranging expectations from the Eastern Partnership, including on the facilitation of visa regime with the EU. The creation of a free trade area with the EU would stimulate diversification of the national economy and assist steps towards a gradual transformation of Azerbaijan into a regional hub of transportation networks.[20] However, the country also needs to make more progress to join the WTO.

2.3.6. Georgia

29. Georgia views the Eastern Partnership as a means of closer relationship with the European Union which could be instrumental in contributing to progress in conflict resolution and confidence building with South Ossetia and Abkhazia. The Georgian economy is in dire need of investment. Yet governance (notably constitutional, regional administration and judiciary domains) and economic reforms (improving business environment and taxation system) are progressing at an impressive speed. Already in 2006 and 2008 the World Bank named Georgia the top reformer in the world. The Eastern Partnership could serve as a channel for funds to deal with the aftermath of the war with Russia and of the global financial crisis, as well as stimulating the development of agribusiness, the financial sector, manufacturing and tourism, advancing the diversification of energy supplies, enhancing energy security[21] and helping to assert Georgia as a reliable partner for major energy transit projects.

2.4. The four thematic platforms

30. The Eastern Partnership combines bilateral relations with multilateral co-operation that aims to encourage the partner countries and the EU to exchange views on policies and issues of common concern and build a model based on best practices. The Partnership encompasses an area with a variable degree of democratic consolidation and respect for human rights, and will have to deal with serious difficulties arising

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16. Yegorov A., "Vostočnoe partnerstvo:dejstvija novye – problemy te že", *Eastern Partnership: New measures – same problems*, 8 June 2009, http://eurobelarus.info/content/view/3310/166/.
17. www.economywatch.com/world_economy/armenia/.
18. Davtyan V., *Russia-USA-Iran and Energy Security of Armenia*, , Noravank Foundation, 26 October 2009; www.keghart.com/Noravank_Energy_Security_Armenia.
19. Sarukhanian S.., Nabucco gas pipeline and Armenia / Energy and regional security, 2009, No. 3, pp. 3-8.
20. Mkrtchyan T., Huseynov T. and Gogolashvili K.: "The European Union and the South Caucasus. Three Perspectives on the Future of the European Project from the Caucasus", *Europe in Dialogue 2009.01*, Bertlesmann-Stiftung.
21. Chechelashvili V., "The Future of Energy Security in Eurasia: the View from Georgia", speech at the 60th Anniversary Session of the United Nations Economic Commission for Europe, February 2005.

from corruption and shortcomings in governance. Vast parts of the region serve as highways for smuggling and illegal trafficking, while the poor management of many border crossings hampers legitimate mobility. The situation is rendered even more difficult by the persistence of several unresolved conflicts.

31. In most of the countries in question, the economic and financial crisis has slowed growth and the lack of transparency in the business environment stymies the development of small and medium-sized enterprises (SMEs). The region also faces numerous difficulties in the transport sector, especially as regards the establishment of links between the partner countries themselves and their connections to the axes of the Trans-European Network (TEN). Energy security is another common concern for the partners, whose energy networks could be better linked to those of the EU. Energy efficiency is low and renewable energy supply is limited.

32. The region's countries have to deal with a series of problems on a global, regional, cross-border and national scale. They are hoping for closer political association and deeper economic integration with the EU in order to develop their economies and improve national efficiency. Accordingly, as part of the partnership process, they will have to adapt their laws and regulations to the EU *acquis*, both to create a climate of greater trust among the partners and to strengthen stability and security throughout the region.

33. The strategy for responding to the difficulties identified in the early phase will have to be based on four priorities. These priorities correspond to the four thematic platforms set up by the European Commission with the intention of laying the foundations for open and free discussion of the main themes and the short- and medium-term objectives of the Partnership: democracy, good governance and stability; economic integration and convergence with EU policies; energy security; and contacts between people.

2.4.1. Democracy, good governance and stability

34. In relation to democracy and good governance, the assistance provided will be guided by the success of the countries concerned in implementing international conventions on human rights and democratic norms. On the basis of EU experience in the improved policing of borders, this assistance will serve to introduce the integrated management of borders in Eastern Partnership countries.

2.4.2. Economic integration and convergence with EU policies

35. In respect of economic development, assistance will favour local development by fostering co-operation between border regions and by helping certain regions to co-operate with European Union regions as part of existing transnational programmes. It will also help improve the business environment by increasing the availability of advisory services for SMEs and facilitating their access to funding sources. In the area of transport, EU assistance will focus on connecting the EU's transport networks to the main trans-European axes and on regional-level activities aimed at bringing the infrastructure closer to EU standards.

2.4.3. Energy security

36. In the energy sector of Eastern Partnership countries, there is much room for improvement in terms of efficiency and in the use of renewable sources. In addition, support will be given for the protection of the environment, land and natural resources.

2.4.4. Contacts between people: encouraging integration with the EU and regional co-operation

37. The multilateral dimension of the Eastern Partnership is essential for promoting integration with the EU, and the assistance provided will be destined for activities that serve this purpose. Co-operation in this field shall be targeted at supporting new schemes for promoting contacts under the thematic sections (education and training; culture; youth; information society; and research), in particular via groups of experts, youth programmes and a civil society forum. Finally, participation in the existing "Youth in Action" programme, and support for cultural co-operation and intercultural dialogue will be enhanced. At the same time, similar activities under the Black Sea Synergy and the Northern Dimension will continue.

2.5. An external push for structural and governance reforms

38. The history of European Union enlargement shows that the prospect of integrating the Union is a powerful motivator. The Eastern Partnership does not alter the generally discouraging EU approach towards membership, but its implications make it clear that in the long run the EU will have trouble finding reasons to keep Eastern partners outside the club.[22] The Eastern Partnership will define the degree of the EU's

engagement, based on the partner countries' ability to meet agreed targets for reform.[23] New benefits will only be offered on grounds of progress made by the partner countries in political and economic reform. This effectively implies that the "six" need to reform before the EU would seriously consider their membership aspirations.

39. Patterns for co-operation between the Eastern Partnership countries and the European Union have been tried and tested in preparing the EU's two-phase eastern enlargement in 2004 and 2007 and reintegrated in the ENP. In view of this, progressive convergence with the EU model certainly ought to be possible by the gradual but determined alignment of the partner countries to the EU *acquis*, with the result that funds will be allocated depending on the progress of the partner countries. Thus, a tentative roadmap for Ukraine lists priority reform measures[24] in seven areas with specific short-, medium- and long-term objectives (respectively, six months, six to 18 months and more than 18 months) starting from April 2010.

40. As the majority of European countries struggle with economic difficulties, EU funding becomes even more important than in times of steady economic growth. The European Union already provides funding to the Eastern Partnership countries through bilateral programmes under the European Neighbourhood Policy Instrument (ENPI). In addition, Partnership countries can apply for funds from the Governance Facility, the Cross Border Co-operation and the Neighbourhood Investment Facility. Following the mid-term review of current EU programmes with the neighbourhood countries, funding will remain stable for the 2011-2013 period to reinforce political co-operation and promote economic integration between the EU and its Eastern neighbours.[25]

41. The European Union also exerts influence and encourages its partner countries through other institutions and organisations. Thus the EU's voice in the IMF becomes a significant factor in times of crisis, since it can yield support to IMF bailouts, as evidenced for Ukraine and Belarus. As long as the effects of the crisis are felt, the scope for EU conditionality in the partner countries will grow. In other words, during the time of crisis the EU will be able to buy more influence for the same money.

42. Five of the six members of the Partnership are fully-fledged members of the Council of Europe, by virtue of which they are constantly being urged to fulfil their commitment to the fundamental principles that underpin the actions of the Council of Europe. Synergy between the EU, Council of Europe and other institutions in monitoring and encouraging partner steps towards the Eastern Partnership objectives is a stepping stone towards accelerated progress with structural, governance and economic policy reforms in the participating countries.

2.6. Anchoring stability, the rule of law, human dignity and prosperity

43. The success of the Eastern Partnership depends on the partner countries' commitment to the initiative. The level of upholding of democratic principles, human rights and liberties and the rule of law varies in the Eastern Partnership countries. As regards democracy with free and fair elections, strong opposition and media enjoying freedom, only Ukraine has institutions that generally function as they should, whereas Belarus and Azerbaijan are on the other side of the spectrum, and Georgia, Armenia and Moldova are in between.

44. The Eastern Partnership aims to clarify the EU's political and economic message to partner countries and to draw reform-oriented countries closer to the EU, while exporting the important values of democracy, the rule of law and the respect for human rights and fundamental freedoms. By placing the relationship with the six countries high on its foreign affairs agenda, the EU listens carefully to the concerns of its partners, but also expects the same from them.

45. Systematic progress towards greater political stability, more adequate protection of human rights, capacity building in democratic institutions and consolidating the rule of law, anti-corruption mechanisms, human development, socio-economic prosperity and civil society participation is key to the success of the Partnership, not least by facilitating a climate of trust and strengthening the bonds between the six partnership countries themselves.

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22. Kratochvil P., Evaluating the Multilateral Framework of the Eastern Partnership, *Central European Journal of International and Security Studies*, January 2010.
23. Communication from the European Commission, "Wider Europe – Neighbourhood: A New Framework for Relations with our Eastern and Southern Neighbours", COM(2003)104 final, March 2003.
24. These concern political reforms, macro-financial stability, trade and business environment, mobility, energy sector, environment, and civil aviation. From "The EU's 'transformative power' towards the Eastern neighbourhood: the case of Ukraine" by Iryna Solonenko, the Study Programme on European Security, August 2010.
25. EU strengthens the European Neighbourhood Policy with increased funding for 2011-2013, IP/10/221, March 2010.

3. Multilateral and multifunctional approaches to institutional co-operation in support of the Eastern Partnership

3.1. Involving European multilateral development banks (EBRD, EIB, CEB, NIB)

46. Over the last year, the eastern European and South Caucasus countries have suffered a significant economic decline that was larger than expected and greater than in any other region among the EBRD's countries of operation. The GDP for the region declined by an average of 9%, with two countries – Armenia and Ukraine – experiencing double-digit contractions (respectively, 14.2% and 15.1%). Countries were able to avoid uncontrolled currency collapses, systemic banking crises and large spikes of inflation, but the financial and economic crisis revealed that economies of countries with weaker institutions and macroeconomic policy frameworks were more vulnerable.

47. Large development challenges remain throughout the region and will need to be addressed in the years to come. The Eastern Partnership framework has the potential to help deepen integration of the countries concerned with the EU, strengthen their institutions and reduce their future economic volatility, but this requires responsible action on both sides and the involvement of multilateral development institutions capable of providing Eastern Partnership countries with tangible support.[26]

48. The multilateral platform of the Eastern Partnership comprises international financial institutions (IFIs), the private sector and economic and social partners. A number of flagship initiatives and the resolute character of the work programmes under four thematic platforms make their involvement in the Eastern Partnership quite promising. Already, the largest multilateral investors and lenders in central and eastern Europe – the EBRD, the European Investment Bank (EIB) Group, and the World Bank Group – have pledged, under the Joint IFI action plan launched in February 2009, to provide funds to support the banking sector in the region and lending to businesses most affected by the sprawl of the global economic crisis.

49. Looking forward, the action plan will concentrate efforts on dealing with the legacy of the crisis: contraction in credit, rising non-performing loans and weak bank balance sheets. The IFIs will assist banks and the corporate sector with balance sheet restructuring and clean up, risk mitigation, and measures to stimulate domestic lending, particularly to SMEs. Work will be carried out to address special needs in the region, including local currency lending and the development of domestic capital markets, in close collaboration with other international and European institutions and governments.

50. Representatives of the EIB and the EBRD attended the launch of the Eastern Partnership at the Prague Summit of 7 May 2009. The Summit Declaration invited the EIB and EBRD, together with other IFIs, to set up a credit facility for small and medium-sized enterprises.[27] Accordingly, in late 2009, the European Commission announced the allocation of some €50 million to cover two activities – operation of business advisory centres and support of SMEs credit lines – via the EBRD and the EIB over the 2010-2013 period. Approximately 40% of the funds will be dedicated exclusively to EBRD's business advisory services through the TAM and BAS programmes[28] (€5 million per year over four years). The rest of funds (€30 million) is aimed at supporting SMEs[29] via a combination of grants and loans.

51. The EIB[30] supports the EU's neighbourhood policy in eastern partner countries by financing projects of significant EU interest, notably in the field of transport, energy, telecommunications and environmental infrastructure. In line with its mandate for the region over 2007-2013, the bank earmarks €3.7 billion for Armenia, Azerbaijan, Georgia, Moldova, Ukraine and Russia. Activities in Belarus are subject to a future

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26. Pivovarsky A. (EBRD Senior Economist), "Crisis transition in Eastern Europe and Caucasus: Implications for the EU's Eastern Partnership", Background Paper for the Eastern Partnership Conference in Madrid, 27-28 January 2009.
27. This means technical assistance for studies on the regulatory framework; direct technical assistance to SMEs; and establishment of a joint SME financing facility open to participation of other financial institutions. It will complement support provided through the Neighbourhood Investment Facility, the EBRD and other programmes (for example European Fund for Southeast Europe/European Neighbourhood Small Business Growth Faculty; EU-EBRD Infrastructure Project Facility).
28. The Turn-around Management (TAM) and Business Advisory Services (BAS) schemes help private enterprises to adapt to the demands of a market economy. While TAM focuses on managerial and structural changes in client companies, BAS supports projects with narrowly defined objectives and a rapid payback.
29. Notably via technical assistance to financial intermediaries or grants in the form of first loss risk cover, partial guarantee, etc. EIB needs to conclude separate agreements with each recipient country. The terms of co-operation between both IFIs have still to be defined in addition to a tripartite Memorandum of Understanding signed between the Commission, the EIB and the EBRD in 2006.
30. The EIB's work outside the EU is based on multi-annual mandates with specific priorities, lending ceiling and validity period. Member states encourage the EIB to lend outside the mandate. For the Eastern Partners, the EIB loans can finance up to 50% of the total project costs.

approval by the European Council. In addition, the EIB established, in December 2009, the Eastern Partners Facility (EPF) endowed with €1.5 billion. Under this facility, the EIB can support investment projects carried out by the subsidiaries of EU companies or by joint-ventures in which EU companies are involved. The EIB will thus assist partner countries with their modernisation process and will facilitate cross border investments between the EU and its eastern neighbours. Currently considerable financial capital is still available under the EIB mandate and the EPF; some 20 projects are under consideration for a total loan amount of €1.8 billion.[31]

52. The EBRD is involved in discussions under key thematic pillars (including democracy, economic integration and energy security) and is ready to support three out of six flagship initiatives (including on SME development, regional energy markets and energy efficiency, and good environmental governance). The Neighbourhood Investment Facility[32] offered €52.5 million for EBRD projects in 2009, which makes it by far the largest source of grant funds for EBRD. NIF grants already committed relate to €1.5 billion of EBRD loans and will be complemented by €500 million of co-financing by other IFIs. The grants are used for technical assistance unrelated to any loan or in order to prepare investment projects and for complementing loans from IFIs.

53. Additionally, the Eastern Partnership seeks to attract other donors for co-financing. Through the establishment of funds, the international donors can provide grants to promote development in the Eastern Partnership countries in diverse fields. Thus the Eastern Europe Energy Efficiency and Environment Partnership (5Es) was set up at the initiative of the Swedish Government during its presidency of the European Union. It will cover energy efficiency investments in eastern European countries (initially focusing on large public projects in Ukraine) from an envelope of €90 million.

54. Of the six countries concerned by the Eastern Partnership, only Moldova and Georgia belong to the Council of Europe Development Bank (CEB). The rapporteur refers to the CEB declaration during the Moldova Partnership Forum in Brussels on 24 March 2010 and hopes that concrete project commitments will follow in the near future. The Assembly should encourage stronger CEB involvement – directly and in co-operation with the EBRD, the EIB and the European Commission – in the generation of projects that further social development and Council of Europe values in these countries. It should also reiterate its call on the Armenian, Azerbaijani and Ukrainian authorities to consider joining the CEB at the earliest opportunity.

3.2. Responsibilities of European partners

55. The mainstream activities of the Partnership will involve not only the European Union institutions but also international organisations such as the Council of Europe, the OSCE, the OECD, other international financial institutions, parliaments, business leaders, local governments and a broad range of stakeholders from sectors connected to the thematic platforms of the Partnership. The European Commission has also proposed to encourage the participation of civil society by establishing a parallel forum to promote contacts between the various organisations involved (NGOs, associations, etc.) and to facilitate dialogue between them and public sector authorities.

56. The projected dialogue between the European Union and the partner countries at different levels of governance, along with an idea to convene the Euronest parliamentary assembly and a Civil Society Forum, signals a strong emphasis on social elements and communication. It is essential to ensure that the Eastern Partners' opposition forces and independent NGOs have a say in this dialogue.[33] The European Commission has also invited the Committee of the Regions to establish an Eastern Europe and South Caucasus Local and Regional Assembly, with a view to involving local and regional authorities.

57. The OSCE and Council of Europe are key actors in promoting security, stability and territorial integrity of all states, democracy, the rule of law, the respect for human rights and the fulfilment of international commitments and agreements in the Greater Europe. As all stakeholder institutions share the responsibility for the implementation of the Partnership's objectives, their member states must send a coherent message in support of reform process towards the achievement of true economic and political stability in the Eastern Partnership countries.

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31. Szymczak P., *EIB, Supporting European objectives in Eastern Partner Countries*, European Business Association, Kyiv, 11 March 2010.

32. This is a mechanism for combining EU and IFI funds for investment in infrastructure, environment and private sector development. It provides a forum for co-ordination among IFIs, the European Commission and bilateral donors. Under the Eastern Partnership, the NIF aims at fostering investments in transport and energy interconnections, environment and socio-economic development.

33. European Parliament resolution on Belarus of 17 December 2009; P7_TA(2009)0117.

58. The six Eastern Partnership states need to keep up the pace of reforms and show commitment to the principles of international law, fundamental values (including democracy, the rule of law and the respect for human rights and freedoms), market economy, sustainable development and good governance. All of the participant countries should enhance efforts to improve their international image.

3.3. Contribution of third parties

59. The seemingly constricted budget allocated to the Eastern Partnership by the European Commission, indicates that attracting private investment is as important as developing multilateral partnerships with all the interested third parties (for example the USA, Japan, Russia, Turkey, etc.). Third countriescould be involved in the work of thematic platforms, panels or initiatives on a case-by-case basis and in various projects by exploiting geographical proximity or existing economic links. The involvement of big regional players as third parties (notably Turkey and Russia) can be a huge stimulus to the European Partnership. For geopolitical reasons there are obstacles to the participation of some neighbouring countries, such as Iran, yet their participation in regional projects cannot be excluded.[34]

3.4. Building a pan-European economic area

60. The Eastern Partnership is focused on drawing the participants closer to each other and to the European Union. To this end, it is pursuing both a bilateral and a multilateral approach which aims to create a free trade area that in the long term is destined to become a fully-fledged economic community of neighbours. The process should be accompanied by a gradual relaxation of visa requirements and supportive action for socio-economic policies that seek to reduce disparities in each of the partner countries. The establishment of a neighbourhood economic community similar to the European Economic Area[35] and based on a system of free trade agreements would be a significant achievement.

61. The construction of a pan-European economic area is complicated by the fact that the Eastern Partnership countries start from quite different economic backgrounds and that Azerbaijan and Belarus do not yet belong to the WTO. Feasibility studies on the “free trade areas” in most cases came to the conclusion that the partner countries are not ready, and will not be ready in the immediate future, for trade liberalisation with the EU.[36] The Eastern Partnership countries’ economies need to build their capacity to undertake the necessary structural reforms and adapt their regulatory frameworks to EU standards, which entails non-negligible financial costs, especially in the light of the current financial and real economy problems. The political and social acceptability of these challenges should not be underestimated.

4. What role for the Council of Europe with regard to the Eastern Partnership?

4.1. Keeping focus on shared values, expertise and best practice

62. The Council of Europe needs to assume a role in the interpretation and implementation of the Eastern Partnership. The beneficiaries of this important instrument – which seems to be the most structured from the many aimed at building stronger relations with eastern Europe – are, with the exception of Belarus, full members of the Council of Europe. As such, they are already in the focus of the Organisation’s activity programmes. However, your rapporteur feels that it is important to restate, in this context, the importance of the link between economic, social and political development. There can be no lasting prosperity without continued progress in human development and equal opportunities for all members of society.

63. In consolidating democratic institutions, streamlining state administration and holding true to the commitments that naturally flow from their membership of the Council of Europe, the Partnership countries will have to persevere in a comprehensive reform process that entails greater participation by the civil society, capacity building of public institutions and enhanced transparency of the decision-making process. The

34. The Iran-Armenia gas pipeline allows for the diversification of Armenia’s energy system and enhanced energy security.

35. The EEA template was devised for the advanced market economies of EFTA. It is based on the “four freedoms” of the European Community and the adoption of part of the EU laws, but with little influence on decision-making processes in Brussels. EFTA countries contribute financially to the European single market but do not receive any EU funding.

36. Maliszewska M. (ed.), *Economic Feasibility, General Economic Impact and Implications of a Free Trade Agreement EU-Armenia and EU-Georgia*, Centre for Social and Economic Research (CASE) Network Reports N. 79, 80, 2008.

Council of Europe can offer assistance for the assessment of public institutions' performance and to provide access to the exchange of best practices relating to issues of governance, in particular as regards electoral laws, the regulation of the mass media and systems of checks-and-balances.

64. Considering existing complementarities and joint activity programmes, it is necessary to continue to seek further synergies between the Council of Europe and the European Unionin orderto ensure constant economic, democratic and social progress in the countries concerned. This is particularly relevant in discussions over the shape of the proposed EU Neighbourhood East Parliamentary Assembly (Euronest) and the ambiguities surrounding it.[37]

65. During his fact-finding visits to the Eastern Partnership countries the rapporteur noted concerns about the composition of the proposed Euronest Assembly (notably because a few eastern EU member countries have taken the majority of seats attributed to European Parliament members while many big western European countries are under-represented; and because all Eastern Partnership countries, irrespective of their size, have the same size of representation, namely 10 members per country), the contents and methods of its future work, as well as controversy regarding the participation of Belarus. Some of the Eastern Partnership delegations feel that setting up a new assembly is expensive and unnecessary, and that the parliamentary dimension of the Eastern Partnership could be ensured through existing parliamentary bodies (such as by giving observer status with the European Parliament to selected parliamentarians of the Eastern Partnership countries).

66. It is important to maintain, improve, and strengthen contacts at all levels between EU and Council of Europe with Eastern Partnership countries in the area of inter-parliamentary co-operation. Toward this end, using the established mechanisms of the Parliamentary Assembly, involving the Assembly (and through it some third parties to the Eastern Partnership) in the work of the Euronest and possibly setting up an Eastern Partnership "Parliamentary Troika" (of the European Parliament, OSCE Parliamentary Assembly and the Parliamentary Assembly of the Council of Europe) to underpin its future essence could be important courses of action, especially in order to co-ordinate positions in respect of Belarus.[38]

67. The Council of Europe has powerful instruments and vast experience which can serve the Eastern Partnership in confidence building, early settlement of disputes and fostering the spirit of reconciliation. Enhanced inter-institutional co-operation between the EU and the Council of Europe to attain common goals would convey an important message that the Eastern Partnership initiative is not directed against any third state and that each Partnership country needs to maintain good relations with all its neighbours. The European Union must strike a fair balance between its efforts to promote democracy, encourage economic modernisation and forge closer relations with the countries in the Eastern Partnership. The Memorandum of Understanding between the Council of Europe and the European Union is a good basis for the two organisations' co-operation in advancing the realisation of the Eastern Partnership.

68. It is therefore very important for the Parliamentary Assembly of the Council of Europe to evaluate the impact of the Partnership on its own and the Organisation's work and carefully follow the implementation of the Eastern Partnership in this region of increasing strategic significance for all of Europe.

69. Armenia, Azerbaijan, Georgia, Moldova and Ukraine take part and benefit from the work of the Group of States against Corruption (GRECO) and the European Commission for Democracy through Law (Venice Commission).[39] Armenia and Moldova also participate in Moneyval (the Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism).[40] Belarus should be invited to become Party to the Criminal and Civil Law Conventions on Corruption and would thus accede to GRECO and its evaluation procedures. It could also embrace the Convention on Laundering, Search, Seizure and Confiscation of the Proceeds of Crime and on the Financing of Terrorism (CETS No. 198) whose implementation is monitored through Moneyval. We also welcome the fact that Azerbaijan, Georgia and Ukraine are Parties to the Convention on Mutual Administrative Assistance in Tax Matters (ETS No. 127).[41]

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37. The Euronest Parliamentary Assembly would include 60 members of the European Parliament and 10 MPs from each of the Partnership nations: Azerbaijan, Armenia, Belarus, Georgia, Moldova and Ukraine. It remains unknown who will represent Belarus.

38. Further to debates during the April 2010 part-session, the Assembly's high level contacts with the Government and Parliament of Belarus were suspended.

39. Belarus is an associate member of the Venice Commission.

40. Ukraine has signed but not yet ratified Convention CETS No. 198.

41. Georgia and Ukraine have also signed the Protocol (CETS No. 208) amending this Convention.

4.2. Supporting pan-European economic integration: from words to deeds and long-term commitments

70. The European Union's Eastern Partnership is widely viewed as a better offer than the ENP, which dealt ineffectively with the internal differences between EU's neighbours and made prospects of adhering to the European Union for eastern European countries dim.

71. Although the new proposal remains predominantly bilateral, it also builds a multilateral component on the basis of earlier schemes. This gives it a more ambitious, flexible and efficient appearance in comparison with other regional initiatives. Its functional mechanism – including regular meetings on different levels, a parliamentary assembly and a civil society forum – sets the stage for fruitful and constructive exchange of ideas, while the envisaged association agreements underpin serious EU intentions in the long term. The overall design is intended to assist a steady transformation of the Eastern neighbours into well-functioning democracies with transparent and reliable market economies.

72. The key strength of the Partnership lies in the possibility to offer differentiated associations with the EU, so that Eastern Partnership countries may create relationships that match the state of their socio-economic development, democratic maturity and political ambitions.

73. The Eastern Partnership does not have EU membership in its bait box. Yet with each beneficiary moving at a different speed, we may expect a competitive race towards the regulatory alignment with the EU *acquis,* as well asthe use of other attractive built-in elements like the flagship initiatives and the multilateral framework. At the same time, the EU seems willing to work to keep the Eastern Partnership meaningful and pertinent to Armenia, Azerbaijan, Belarus, Georgia, Moldova and Ukraine. The greatest challenge for it will be the use of a "give-and-take" approach in a way that would stimulate progress in development and regional integration.[42]

74. Several problems falter the Eastern Partnership's initial momentum: deep and wide economic crisis, persisting political instability in the Eastern neighbourhood and some degree of resentment from other EU partners surrounding the initiative's ambiguity. Despite that, the general mood is optimistic. Ultimately, the success of the initiative will depend on the ability of the Eastern Partnership countries' to attain the ambitious goals established by the Prague Declaration and to use the process for making faster progress with domestic reforms and modernisation of governance. Country-specific benchmarks and timetables could be established to implement the main objectives and ensure due evaluation of progress made.

75. Political support for the Eastern Partnership needs to be perpetuated, by both the EU and the partner countries. Regulatory alignment with the EU must remain a central goal of the Partnership. Finally, financial support for the Eastern Partnership should be clarified to stimulate reforms and facilitate capacity building in the Eastern Partnership countries, such as through their work on the removal of trade barriers, improvement of quality standards and business environment, and streamlining of customs procedures.

5. Conclusions and recommendations

76. With a view to assisting the European Union's Eastern neighbours in implementing indispensable political and economic reforms a variety of proposals have been voiced, as listed below:

– the EU should strive towards better co-ordination and greater clarity as to the respective roles of the various international organisations in respect of the Eastern Partnership. This concerns the NATO, the OSCE, the EBRD, the World Bank, the IMF and the Council of Europe;[43]

– initiator countries of the Eastern Partnership initiative should continue to serve as advocates of the Eastern neighbours in the EU institutions. To that end, Poland and Sweden could pursue consultations with other EU members in the neighbourhood of the Eastern Partnership countries (that is to say, other members of the Visegrad Group (the Czech Republic, Hungary and the Slovak Republic), Baltic States, Bulgaria and Romania);[44]

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42. Michalski A., "The Eastern Partnership: time for an Eastern Policy of the EU?"; *European Policy Analysis*, issue 14 (2009), Swedish Institute for European Policy Studies.
43. Ibid.
44. Lapczynski M., "The European Union's Eastern Partnership: chances and perspectives", *Caucasian Review of International Affairs*, Vol. 3 (2) - Spring 2009, (http://cria-online.org/7_3.html#_ftn26); the Visegrad Group includes the Czech Republic, Hungary, Poland and the Slovak Republic.

– the Eastern Partnership initiative should propagate a unified and clear political message of EU support for democratic and market-oriented reforms and the consolidation of partners' statehood, governance and territorial integrity;[45]

– increasing the available funding for the Eastern Partnership, the size of the European Commission's delegations and targeted assistance to the state authorities in the Eastern Partnership countries would signal the importance of this policy priority for the EU.[46] The new European External Action Service could help to build up the capacities of the Partnership,[47] keep the focus of EU member states on means and resources deployed for the Partnership and foster ties with other countries of non-EU Europe;[48]

– the EU's firm commitment to conditionality should also demonstrate that an enhanced relationship with the EU depends on stronger commitments, on the part of the Eastern Partnership's target countries, to the rule of law, democracy and the protection of human rights that are prerequisite for economic growth and prosperity;[49]

– developing a functional synergy between the Eastern Partnership and the Black Sea Synergy is both necessary and inevitable in the long term. This implies the clarification of means employed and tasks of the two schemes, as well as the establishment of a permanent channel of communication;[50]

– in shaping its regional energy and security policies, the EU should enhance co-ordination between the Eastern Partnership and its talks with the Russian Federation on the new partnership and co-operation agreement. This would broaden the support for the Eastern Partnership, assist confidence building and foster pragmatic regional co-operation that gradually overcomes geopolitical rivalries;[51]

– EU policies towards Turkey need to be taken systematically into account in the development of the Eastern Partnership at both macro and micro levels. Leaving Turkey aside could lead, in the medium-term perspective, to a situation where the EU has to compete with Turkey's economic and political ambitions in both the Greater Middle East and the South Caucasus;

– the Eastern Partnership has to spell out monitoring procedures and an incentive structure that unmistakably links benchmarks with rewards. Considering more short-term rewards instead of vague long-term incentives like "a stake in the internal market" to offset the short-term costs is particularly important;

– EU member states should co-ordinate more closely their national assistance programmes towards Eastern Europe. The economic crisis should incite the pooling of assistance in order to compensate for any cuts in aid due to donor countries' budget austerity;[52]

– the EU should reinforce the action of international agencies dealing with economic stabilisation, investment and private sector growth across the region where the EU's involvement has to converge with the EBRD's, IMF's and the World Bank's efforts – and not only via the EIB;[53]

– the EU should step up its presence in the Eastern Partnership countries' media to emphasise the European identity it shares with its Eastern neighbours. It should also encourage visits of EU member states' officials to Eastern Partnership countries, as well as contacts and co-operation between the European Parliament and local parliaments, the Committee of the Regions and local regional authorities.[54] "Continuity" should be the motto, both in monitoring the progress made by the states participating in the initiative and in the debate within EU institutions, so that the objectives of the Partnership are given the appropriate visibility during the various stages of the process;

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45. Ferrero-Waldner B., "Ambitious New Partnership for the East" former European Commissioner for Trade and European Neighbourhood Policy.
46. Evaluating the Multilateral Framework of the Eastern Partnership, Petr Kratochvil.
47. Schulz N-S., "Why the EU is not yet a mature development partner", Policy brief No. 37 (February 2010), FRIDE.
48. Wallace H., The European Union and its Neighbourhood: Time for a Rethink, *ELIAMEP Thesis*, May 2009.
49. Füle S, "Eastern Partnership – New challenges for EU businesses", Speech at the Czech House, Brussels, 4 March 2010.
50. Summary record of the Conference on the Black Sea Region: Link between an Enlarged Europe and its New Neighbourhood, *European Institute of Romania*, Bucharest, 15-16 October 2009.
51. Kefferputz R. and Bachkarev D., Beyond zero-sum thinking in the EU's Eastern Partnership, *Heinrich Boll Stiftung*, 2009.
52. Valasek T., What the economic crisis means for the EU's eastern policy, , *Centre for European Reform*, April 2009
53. Wallace H., The EU and its Neighbourhood: Time for a rethink, *Eliamep thesis*, May 2009.

– under the thematic platform “Contacts between people”, increasing the number of EU information points in the region would help raise awareness about the Eastern Partnership and other European initiatives, and foster a deeper engagement of civil society, notably in its exercise of an oversight function over governments concerning reforms. Academic exchange programmes (such as for student exchanges, study visits, and training) could be used more extensively.[55] One of the main features identified by the Eastern Partnership countries themselves, which is also one of the strong points of the programme, is the importance attached to relations between people, to the understanding and involvement of civil society as one of the players that can give momentum to the achievement of the most ambitious goals of the Partnership. Synergies should be sought between institutions and citizens;

– Eastern Partnership partner countries should liaise more amongst themselves to develop or enhance existing ties to tackle shared challenges, which include migration management, fighting cross-border organised crime, tackling environmental challenges, etc. Moreover, their neighbours have faced many similar challenges, and some have been more successful than others in tackling them. Using their experience, such as through training projects and professional exchanges, could enable better use of local resources of Eastern Partnership countries in advancing national and regional development.

77. As far as the Council of Europe’s input to the realisation of the Eastern Partnership is concerned, the rapporteur considers that the Organisation should concentrate on promoting the different aspects of good governance in the Eastern Partnership countries. This concerns, in particular, confidence and institutional capacity-building measures; greater transparency and better efficiency of the public administration; stronger systems of checks-and-balances; clarification of the separation between the political and economic decision-making bodies to avoid conflicts of interests; continued progress with curbing corruption, money laundering, shadow economy and human trafficking; better law enforcement; gender mainstreaming; and steps towards facilitating free movement of people, goods, services and capital throughout Europe. It is necessary to continue leveraging the awareness of Eastern partners about their capacity to grow and develop by implementing democratic reforms, in order to avoid a clash between the expectations they have in relation to this initiative as well as the enthusiasm they showed during the rapporteur's fact-finding visits and the problems related to timetables and bureaucratic constraints.

78. The Council of Europe’s Committee of Ministers should seriously consider preparing a set of proposals regarding the Organisation’s role and input in the Eastern Partnership process in order to present these proposals to the Second Eastern Partnership Summit of Heads of State and Government which will be held in Spring 2011. It should also seek to involve the Council of Europe in the work of the OECD’s Development Assistance Committee and to add the Council of Europe to the list of international organisations eligible to receive ODA (Official Development Assistance)[56] in the form of non-earmarked voluntary contributions that could be channelled to Council of Europe country assistance programmes, including in favour of Armenia, Azerbaijan, Georgia, Moldova and Ukraine, as well as Belarus whenever possible. Furthermore, it is necessary to ensure that the Council of Europe INGO Conference contributes fully to the work of the Civil Society Forum and other platforms of the Eastern Partnership, where relevant, and involves a wide range of civil society organisations from the Eastern Partnership countries.

54. Groza J., “Conclusions: From Analysis and Assessment to Policy Advice”, *Conference on “How to improve the European Neighbourhood Policy? Concepts, perceptions and policy recommendations for its Eastern dimension”*; Brussels, 4-5 November 2009.

55. Eastern Partnership and Estonia: Policy Recommendations, *International Centre for Defence Studies*, www.icds.ee.

56. The list of ODA recipients from among the European countries includes Albania, Armenia, Azerbaijan, Belarus, Bosnia and Herzegovina, “the former Yugoslav Republic of Macedonia”, Georgia, Moldova, Ukraine, Croatia, Montenegro, Serbia and Turkey. Kosovo is also a recipient (this reference shall be understood in full compliance with United Nations Security Council Resolution 1244 and without prejudice to the status of Kosovo).