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COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 03.04.2008
COM(2008) 164 final

**COMMUNICATION FROM THE COMMISSION TO THE PARLIAMENT AND
THE COUNCIL**

Implementation of the European Neighbourhood Policy in 2007

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1. CONTEXT

Over the last few years, the European Neighbourhood Policy (ENP) has enabled the EU and its partners to make clear progress in deepening their cooperation and in targeting it better at the needs and ambitions of partners. The ENP is gradually establishing itself as a mutually beneficial partnership for reform and development, helping our neighbours to come closer to the EU, bringing new benefits to their and our citizens and promoting regional integration beyond the borders of the Union. The present Communication provides an overview of developments in the EU's relations with the neighbours that are encompassed by the ENP¹. It covers the period since November 2006². The Commission Communication of December 2007³ identified the areas where the EU side needs to do more, notably on trade and economic integration, mobility, or addressing regional conflicts.

The structures and instruments, in the frame of which dialogue and cooperation takes place, are now well developed. These are discussed in section 2. More importantly, the relations between the EU and its partners are increasingly intensive, supporting a broad agenda for the adoption and implementation of EU-oriented reforms in many countries and across a wide range of sectors. Section 3 provides a summary of the substantial progress made by partner countries, as well as the areas where further efforts are required. More detailed information can be found in the country-specific Progress Reports and the Sectoral Progress Report which are attached as staff working documents. In the light of the political, economic, social and cultural diversity among ENP partners, and because there are variations in the sequencing and prioritisation of their reforms, these reports are not directly comparable. The analysis of progress on governance contained in the present Communication and its annexes will be the basis for the decision on the 2008 Governance Facility allocations. Section 4 addresses multilateral developments concerning the EU and its partners. Conclusions regarding the further development of bilateral EU relations with partner countries are drawn in Section 5.

2. THE INSTITUTIONAL FRAMEWORK

Contractual relations: With the countries covered by the ENP, except Belarus, Libya and Syria, Partnership and Cooperation Agreements (in the East) and Association Agreements (in the South) have been concluded.

Building on the strong progress achieved previously, in March 2007 the EU and Ukraine opened negotiations on a new Enhanced Agreement (NEA) aiming to draw Ukraine significantly closer by supporting further internal reforms, integrating the Ukrainian economy progressively in the internal market and going beyond the Partnership and Cooperation Agreement and the EU-Ukraine Action Plan wherever possible. Since then seven rounds of negotiations have taken place and both sides are heavily involved in developing a new ambitious framework for their growing relationship. Following the finalisation of Ukraine's WTO accession process in February 2008, negotiations were launched in the same month on a deep and comprehensive free trade area as a core element of the NEA.

¹ Algeria, Armenia, Azerbaijan, Belarus, Egypt, Georgia, Israel, Jordan, Libya, Lebanon, Republic of Moldova, Morocco, occupied Palestinian territory, Syria, Tunisia, and Ukraine. For reasons of brevity the term "partner countries" will be used hereafter to include also the occupied Palestinian territory.

² COM(2006) 726.

³ COM(2007) 774.

In October 2007, the Council adopted new conclusions on Libya requesting the Commission to submit draft negotiating directives with a view to a future EU-Libya framework agreement. The Commission presented these in February 2008. The EU offers a full partnership with Belarus provided that Belarus takes concrete and convincing steps towards democratisation, respect for human rights and the rule of law. Steps by the Belarusian authorities to address the country's democratic governance shortcomings remain limited, and it has so far not been possible to make progress towards such a partnership. At the same time, contacts at the technical level on issues of mutual interest are being encouraged. EU-Syria relations are governed by a 1977 Co-operation Agreement pending the signature of the draft Association Agreement.

Action Plans: Following the adoption of action plans with Armenia (November 2006), Azerbaijan (November 2006), Georgia (November 2006), Lebanon (January 2007), and Egypt (March 2007), a total of twelve countries have now chosen to develop their relations with the EU using this tool to accompany domestic reforms and the strengthening of bilateral and regional cooperation. As regards Algeria, a policy dialogue has been taken up in numerous working groups and sub-Committees on the basis of its Association Agreement. At the Association Council of March 2008 it was decided to establish a joint work programme to set priorities for the implementation of the Association Agreement.

The first Action Plans entered into force in early 2005. Three of them (Ukraine, the Republic of Moldova and Israel) had an initial time horizon of three years. As these countries have made significant advances and their relations with the EU are currently under review, with a view to substantially deepening them, cooperation continues, at present and for pragmatic reasons, on the basis of these Action Plans.

3. THE DOMESTIC REFORM AGENDA IN PARTNER COUNTRIES

Political dialogue and reform

The political reform processes, while sharing important core principles, are different in the various countries under the ENP, reflecting the commitments that they have made in this respect. In the east, all ENP partners that have agreed Action Plans are members of the OSCE and the Council of Europe, which contributes to a particular reform agenda aiming at close approximation to the fundamental standards prevailing in the EU. The implementation of reforms in most countries of the region also took place against a background of economic growth and relative stability. In the south, the reform agenda is based on the agreed values enshrined in the Barcelona Declaration and takes these and UN commitments as benchmarks. In many countries that have yet to meet these standards fully, political reform is slow-moving. In the case of Lebanon and the occupied Palestinian territory, the political context has as yet not allowed Action Plan objectives to be meaningfully addressed, despite noticeable efforts. More generally, the political dialogue and reform agenda of the ENP partners is highly differentiated and the following remarks need to be considered with reference to the individual Action Plans and progress reports.

A number of countries, in particular the Republic of Moldova and Armenia, are introducing reforms to strengthen their *democratic institutions*. This includes, in the case of the Republic of Moldova, legislative measures related to parliamentary reform and local self-government, and, in the case of Armenia, the separation of powers, including increased powers for the National Assembly and improved local self-government. Morocco has become a member of

the Venice Commission of the Council of Europe. It made progress on the judicial accountability of members of the government and on local self-government reform. Egypt introduced a package of Constitutional amendments with a view, among other things, to ending the State of Emergency by July 2008. Jordan adopted a new Municipalities law that foresees the direct election of municipal council members and mayors (except in Amman) and thus made progress in promoting local democracy. Relations between parliaments can play an important role in further developing parliamentary culture. The European Parliament's intentions, as expressed in its November 2007 report on ENP, to strengthen its cooperation with partner country parliaments will be a major factor in this regard.

Elections, whether presidential, legislative, or local, were held in a number of partner countries. These have provided important signals regarding the development of democracy. In the Republic of Moldova, local elections in June 2007 were generally well administered and offered voters a genuine choice, although some shortcomings were noted, in particular in respect of equitable access to the media for all candidates. Following the elections to Egypt's upper chamber, the EU Presidency issued a statement expressing certain concerns about their conduct. In the September 2007 legislative elections, Morocco made progress on the transparency of the electoral process and on allowing political contestants access to media. In Ukraine, despite the controversy surrounding the calling of pre-term parliamentary elections, a consolidation of the democratic process was achieved in 2007. The elections were assessed to have taken place mostly in line with international standards for democratic elections. Jordan's parliamentary elections in November 2007 were held under legislation that falls short of some international standards. Jordan did not accept international electoral observers. In Georgia, the proposal to delay the Presidential elections to the autumn of 2008 led to civil unrest and the imposition of a state of emergency. In response to the concerns that these events raised, Presidential elections were held in January 2008. These revealed a number of deficiencies in the electoral process, including unbalanced media exposure of candidates, use of state resources for campaign purposes, reported acts of voters' intimidation, and irregularities in the counting and tabulation. They will need to be addressed if Georgia is to achieve the Action Plan objectives in the area of political reform. In Armenia the Presidential elections in February 2008 were conducted mostly in line with international standards. However, the lack of a clear separation between state and party functions and the need for equal access of the candidates to the media were mentioned as concerns to be tackled. There were also concerns regarding the state of emergency that was introduced in the aftermath of the elections.

Voter turnout can in some cases be an indicator of the level of confidence among citizens that they can exercise influence through the ballot box. In the elections referred to above the rates of participation were: Republic of Moldova – 52%, Egypt – 31%, Ukraine – 63%, Morocco – 37%, Jordan – 54%, Georgia – 56% and Armenia – 69%.

Several countries (notably Armenia, Georgia, the Republic of Moldova, and Morocco) introduced measures to strengthen the independence and transparency of the *judiciary*, a key element of political reform. The overall level of *corruption* remains worrying in most partner countries. Georgia, the Republic of Moldova, Morocco and Ukraine adopted countermeasures such as anti-corruption screening of legislation before its adoption, obligatory assets declarations for high officials, or awareness raising. Limited steps toward the establishment of a transparent, accountable and effective public administration were taken in Armenia, Azerbaijan, Georgia, Jordan, Lebanon, the occupied Palestinian territory and Ukraine.

As concerns *human rights and fundamental freedoms*, Jordan (December 2006) acceded to the Optional Protocol (OP) on the Sale of Children, Child Prostitution and Child Pornography of the Convention on the Rights of the Child. Egypt (in February 2007) and Jordan (in May 2007) acceded to the OP on Children in Armed Conflicts of the same Convention. Georgia, the Republic of Moldova, Morocco and Ukraine also made progress toward the ratification of a number of international conventions. Measures to strengthen institutions responsible for monitoring and defending human rights were taken by a number of countries: the role of the Ombudsperson was strengthened in Armenia and Azerbaijan; a National Preventive Mechanism under the OP to the Convention against Torture is being established in the Republic of Moldova; in Egypt, the National Council for Human Rights adopted a national plan of action for the promotion and protection of human rights.

Ukraine (July 2007) acceded to the second OP (Abolition of the Death Penalty) of the International Covenant on Civil and Political Rights. A number of countries maintained their *de facto* moratoria on *capital punishment*, and Jordan also reduced the number of crimes that carry capital punishment. Cases of *torture and ill-treatment* continue to be reported in most partner countries, although with very different levels of frequency and severity. Incidents often occur in pre-trial detention and prison facilities. There was some progress in the prevention of torture and ill-treatment, for instance in Georgia, the Republic of Moldova and Ukraine. Tunisia and Morocco made some progress in the prosecution of perpetrators. There are concerns about the independence of the media and *freedom of expression* in many ENP partner countries. Armenia made progress in improving the freedom of the media. Progress has been made on *gender issues* in a number of countries: in Egypt, Female Genital Mutilation has been formally prohibited; in Morocco, an amendment to the Nationality Code allows the transmission of nationality through the mother; and in Tunisia, the procedure to ratify the OP of the Convention on the Elimination of All Forms of Discrimination against Women has been initiated. The participation of women in political life has advanced in Jordan, the Republic of Moldova and Morocco. Steps to improve the conditions of national *minorities* were taken in Georgia, through the implementation of a civic integration programme, in the Republic of Moldova, with the adoption of an Action Plan to support the Roma population, and in Ukraine, which ratified the European Convention on Nationality. Regarding core *labour rights*, the ratification and implementation of ILO conventions remains problematic in a number of partner countries.

As concerns the *settlement of regional conflicts*, the EU maintains an open dialogue with all partner countries. The Republic of Moldova and Ukraine cooperated closely with the EU on questions related to the Transnistria settlement efforts. The mandate of the EU Border Assistance Mission to Moldova and Ukraine (EUBAM) was extended until end-November 2009. In the occupied Palestinian territory, the police training mission EU POL COPPS was reactivated and EU Ministers indicated their readiness to redeploy the border monitoring mission EU BAM Rafah as soon as conditions allow. In Georgia, the implementation of a package of confidence-building measures in Abkhazia and South Ossetia began in autumn 2007; however results on the path to the settlement of these conflicts are very limited. Despite an informal meeting between the Presidents of Armenia and Azerbaijan in June 2007, progress on the resolution of the Nagorno-Karabakh conflict is also limited. Egypt and Jordan played an important role in the re-launching of the Arab Peace Initiative, including through their participation in the Arab League's follow up committee and at the Annapolis meeting in November 2007. Negotiations on the status of the Western Sahara were recently re-launched, but so far there has been little progress.

Finally, most ENP partner countries are giving increased attention to improving the management of their migratory flows and to deepen the cooperation with the EU on this important policy.

Socio-economic reform

Regarding *macroeconomic developments*, most ENP partner countries registered high economic growth in 2007. In the Republic of Moldova, growth slowed down somewhat due to the consequences of a serious drought. In Morocco agricultural output was also affected by drought. In Lebanon political instability damaged the economy. Countries with important energy-sector revenues, notably Azerbaijan, experienced the highest growth rates. Government budget deficits and overall indebtedness generally remained manageable. Inflation rose in most countries, largely owing to global commodity price increases, but the rate of monetary expansion is a concern in some cases. Bilateral trade between the EU and ENP partners increased substantially, thus strengthening our relations, while the trade balances and the current account deficits of most partner countries deteriorated. Increased foreign direct investment is financing the deficits in a number of cases. Israel and Jordan saw improvements in their trade balance. In the case of Jordan, the large trade deficit with the EU nevertheless requires continued attention. Azerbaijan and Algeria recorded budget and trade surpluses. Israel sustained its substantial growth rate, significantly reduced its public debt and brought the government deficit close to balance. The EU's position as the principal trading partner of ENP countries was further consolidated in 2007, notably with the accession of Bulgaria and Romania.

Armenia, Egypt, Georgia, Jordan, and Tunisia made progress in improving their *business* environment, through measures such as the simplification of company registration procedures, reduction of licensing fees, or the introduction of "one-stop shops". The Euro-Mediterranean Charter for Enterprise to which most of the Southern partner countries have acceded has underpinned this process. However, this has not yet led to increased foreign direct investment in all cases, particularly among some Mediterranean ENP partners. In Egypt, Georgia and the Republic of Moldova, foreign direct investment reached record levels in 2007.

Most ENP countries have substantial informal economies, and economic governance generally needs to be improved. Despite relatively high rates of economic growth most ENP partners have been contending with high rates of *unemployment*, particularly among the young in the Mediterranean ENP countries. Israel and Ukraine saw a gradual reduction of unemployment. A key challenge is the promotion of decent working conditions. Despite efforts in some countries, the role of women in social and economic life has not improved significantly.

The Commission will publish its *Economic Review of EU Neighbour Countries* in June 2008.

Sectoral reform

An overview of progress in other policy areas of the ENP Action Plans, as well as some governance and economic indicators, can be found in the Sectoral Progress Report in annex. Generally, ENP partner countries made further progress in the transformation of their sectoral policies, adopting strategies and taking steps on their path of reform and modernisation and their integration with the EU economy and market. They introduced new legislation and strengthened their institutional capacities. Secondary legislation and the administrative capacity to implement the reforms continue to be the main challenge. Progress varied in speed

and depth both between countries and between sectors. In several ENP partner countries an increasing commitment to adapt national legislation to EU law can be observed, in varying degrees and depending on the sector. Moreover, EC financial assistance has increasingly become policy-driven and focused on the reform priorities agreed in the ENP Action Plans.

In a number of policy areas, progress can only be made over time; therefore, the progress report regularly points to ongoing measures as well as to accomplished modernisation steps. In all areas, the policy dialogue between the EC and ENP partner countries was further intensified.

Sectoral policy dialogue is a crucial platform for the “partnership-for-reform” that the ENP entails. The process of creating a public administration that responds to the needs and rights of citizens – providing one-stop-shop business registration; citizen-oriented and corruption-free police or customs services; effective port management facilitating commerce and transport; or access to environmental information; to give but a few examples – represents, if it is sustained, a strong political contribution to good governance and the rule of law.

4. MULTILATERAL DEVELOPMENTS

In November 2005 the Barcelona Summit adopted a five-year work programme and in November 2006, at the Ministerial Meeting held in Tampere, Euro-Mediterranean partners adopted a work programme for 2007. During 2007, the work done in the four chapters of cooperation was considerable and the bilateral policy dialogue conducted within the framework of the ENP continued to contribute to fostering progress towards regional cooperation in many areas. Most of the 21 initiatives agreed in Tampere were implemented by the end of 2007. A new set of initiatives for 2008 was agreed at the Euro-Mediterranean Ministerial held in Lisbon in November 2007. The political and security dialogue focused on a regular review of the political situation in the Middle East, the implementation of the Code of Conduct on countering terrorism, the deepening of the dialogue on ESDP and security issues, the launching of a regional dialogue on joint cooperation in the area of elections and initiatives related to civil society, human rights and democracy. In the area of economic cooperation, progress was made on financial cooperation in the framework of the Facility for Euro-Mediterranean Investment and Partnership (FEMIP), the creation of a Euro-Mediterranean network of public finance experts, negotiations on services and the right of establishment and the setting up of a group of High Officials to further work on the objective of a Free Trade Area by 2010 and beyond. Dialogue was also pursued in a broad range of sectors, including environmental challenges facing Mediterranean partners. In the field of energy, the Euro-Mediterranean Energy Ministerial endorsed a priority action plan for 2008-2013 in December 2007. Regarding the cultural and human dimension, a greater involvement of civil society was pursued. Dialogue focused on issues such as the role of women in society, higher education and scientific research, and the information society. The political dialogue with ENP partners was also strengthened following the Africa-EU Summit in Lisbon in December 2007, which adopted a joint African-EU Strategy and a first Action Plan and will create further synergies in relations between the EU and African partner countries respectively.

In March 2008, the European Council approved the principle of a Union for the Mediterranean which will include the Member States of the EU and the non-EU Mediterranean coastal states. It invited the Commission to present to the Council the necessary proposals for defining the modalities of what will be called "Barcelona Process:

Union for the Mediterranean" with a view to the Summit which will take place in Paris on 13 July 2008. The Commission will table these proposals swiftly and in this process also carry out consultations with the Southern neighbours

In a Communication of April 2007 the Commission spelled out the Black Sea Synergy initiative as a response to challenges and opportunities requiring the enhancement of Black Sea regional cooperation. This initiative takes advantage of the accession of Bulgaria and Romania to the EU and Turkey's accession process, and it is complementary to the mainly bilateral efforts under the ENP and the other policies applied in the region. It offers a new regional cooperation platform involving the EU, Turkey, all Eastern ENP partners with agreed Action Plans and the Russian Federation. Following the endorsement of the Black Sea Synergy by the Council, the Commission began implementing a series of concrete measures, mainly in the fields of energy, transport, environment, fishery, migration and the development of civil society. The Commission acquired observer status in, and developed working links with, the Organization of the Black Sea Economic Cooperation (BSEC). A meeting of the Foreign Ministers of the EU and of Black Sea Synergy partners took place in Kyiv on 14 February 2008. The meeting adopted a Joint Statement, launching the Black Sea Synergy as a common, long-term endeavour. In June 2008 the Commission will present a review to the Council on the first year of the Black Sea Synergy.

5. FURTHER EVOLUTION OF EU RELATIONS WITH PARTNER COUNTRIES

Further evolution in Action Plans

In its February 2008 Conclusions, the Council underlined the central role of Action Plans in advancing the objectives of the European Neighbourhood Policy. The progress reported on in the present Communication amply supports this assessment. Action Plans have been central in giving operational substance to the contractual relations between the EU and its partners and are also becoming important reference points for the donor community. As these relations deepen and as some objectives are achieved while new ones are agreed upon, it will be necessary to adapt these tools accordingly. The Action Plans themselves make provision for this adaptation, which will allow the increased ambitions of the parties to be reflected in a document that serves to organise their joint work. The Commission considers that such tools, whatever they may be called, will also continue to be useful in the context of new contractual agreements to be concluded with ENP partners.

The experience gained so far during the implementation of the first generation of Action Plans suggests that future adaptations should lead to documents that are more closely calibrated to the partner countries' specific ambitions and capacities, reflecting the differentiated relations of the EU with its partners, whilst also promoting achievable steps towards regulatory convergence with EU legislation and standards. This differentiation will also lead to greater ownership on the part of the partner countries.

The principal features of Action Plans, namely that they are relatively specific, time-bound and action-oriented, need to be preserved and improved. A clearer sequencing of the measures taken in the pursuit of Action Plan objectives would also be useful. In general, the scope of the Action Plans (i.e. the number of sectors addressed) should be maintained, as this represents the richness of the relations the EU is developing with its partners. A realistic stock-taking of the extent of Action Plan implementation should be carried out.

Future developments in the relations with partners

The ENP is thus gradually gaining ground as a vehicle for the development of more intense and fruitful relations between the EU and its partners. The EU must now continue its approach of 1) intensifying the policy and its delivery so that it brings clearer benefits, 2) pursuing a gradualist, performance-based and differentiated course and 3) showing willingness to deepen relations with select partners where this is warranted and sought by the countries concerned.

With four countries, joint work on implementing the Action Plans has intensified in such a way that a particular deepening of relations with the EU is warranted. This will be taken forward in each case in a manner tailored to the specific circumstances, consistent with the overall philosophy of the ENP, including the principle of agreed benchmarks. With **Ukraine**, an ambitious new framework is being laid for this partnership through negotiations on a new Enhanced Agreement, which are progressing rapidly and will include provisions for a deep and comprehensive free trade area. The **Republic of Moldova** has made good progress in implementing its ENP Action Plan and shown strong political will to advance further. As the Council concluded in February 2008, the EU is ready, on the basis of sustained progress, to start a reflection on a new agreement, adapted to the Republic of Moldova's interests and going beyond the PCA. Discussions are also progressing with **Morocco** on concrete ways to achieve an "advanced status" which could be a broad package including significant measures on the mobility of people parallel to progress on readmission. With **Israel**, a reflection group is considering areas where relations with the EU might be upgraded to a special status; this should include both a deepening of political dialogue and involving Israel more closely in the EU economy and market and in a number of key EU policies.

Joint work will continue over a broad range of sectoral policy areas with **Jordan** and **Tunisia**, in support of the countries' respective reform agendas.

With other countries, implementation of ENP Action Plans began only relatively recently. Progress with **Armenia**, **Egypt** and **Georgia** will build upon the promising start already made, in each case taking account of the specific circumstances and ambitions of the countries. Work is also progressing with **Azerbaijan** in a number of sectors, including cooperation on energy.

In the case of **Lebanon** and the occupied **Palestinian** territory, the ENP Action Plans will provide a solid anchor for reform once conditions permit greater progress. In the meantime, contacts continue at many levels to build confidence and capacity. A meeting of the Joint Committee with the Palestinian Authority scheduled for the second quarter of 2008 is meant to re-launch the joint implementation of its Action Plan.

With four countries covered by the ENP, no Action Plans have been agreed, but in several cases advances in taking relations forward have nevertheless been possible. With **Algeria**, implementation of the Association Agreement is progressing well; relations are deepening rapidly in areas ranging from energy to migration. With **Libya**, relations have tangibly improved; the Commission proposes the negotiation of an ambitious and wide-ranging agreement with this important country. With **Syria**, relations could be enhanced on the basis of the draft Association Agreement when political circumstances allow. While relations with **Belarus** at ministerial level remain constrained due to the internal situation in the country, at the same time, technical-level contacts are being developed. The opening of an EC Delegation in Minsk will make it possible to strengthen these contacts as well as links with Belarus' civil society.

A more visible policy

The December 2006 Commission Communication noted the need for an increased visibility of the European Neighbourhood Policy to advance ownership of the reform process, and to underpin the EU's support for its neighbours as they come closer to the Union. Alongside the conference held in Brussels in September 2007, bringing together ministers and civil society from the EU and partner countries, 2007 saw a marked increase in the general public's awareness in many partner countries of Action Plan commitments and in the focus of civil society organisations on the ENP. Within the EU, the importance of strengthening relations with our neighbours has moved closer to the centre of the policy debate. The Commission will build on these achievements, in cooperation with the other Institutions, the Member States and partner countries.