

XVI legislatura

Nuove sfide per la politica di vicinato dell'Unione europea

Vol. II - Allegati

71/DN
21 giugno 2011



servizio affari
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a cura di Raissa Teodori

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Dossier

Servizio affari internazionali

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JOINT STAFF WORKING PAPER

Implementation of the European Neighbourhood Policy in 2010 Country report: Lebanon

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JOINT STAFF WORKING PAPER

Implementation of the European Neighbourhood Policy in 2010 Country report: Lebanon

1. OVERALL ASSESSMENT

Lebanon and the European Community first established contractual relations in 1977 by signing a Cooperation Agreement. An EU-Lebanon Association Agreement entered into force in 2006. It sets out in more detail the specific areas in which relations can be developed bilaterally. On this basis, the EU-Lebanon ENP Action Plan was approved in January 2007 for a period of five years.

This document reports on progress made in the implementation of the EU-Lebanon ENP Action Plan between 1 January and 31 December 2010, although developments outside this period are also taken into consideration where relevant. It is not a general review of the political and economic situation in Lebanon. In addition, for information on regional and multilateral sector processes, please refer to the sectoral report.

The Action Plan was adopted to guide Lebanon-EU dialogue and cooperation with respect to political, economic and social reforms in the country. Since the outset, however, its implementation has taken place in a context of crisis or emergency and has suffered from many situational and structural obstacles.

In 2010, EU-Lebanon Association Council meetings were held, and three out of ten sub-committees met in the first half of 2010. No Association Committee meeting was held. The controversy over the Special Tribunal for Lebanon tasked with investigating the killing of former Prime Minister Rafiq Hariri and 22 other people increased. It polarised the Lebanese political arena and paralysed the functioning of key institutions including parliament and the cabinet. Due to the political impasse, the Lebanese parliament was not able to adopt a significant number of laws, which are essential for the implementation of the ENP Action Plan. This hindered the advancement of the reform agenda and prevented the planning of further meetings (no sub-committee meetings were held in the second half of 2010). In January 2011, the Lebanese Government collapsed after 11 Ministers resigned. Since the appointment of Prime Minister-designate Najib Mikati on 25 January, negotiations have taken place to form a new government.

The economy of Lebanon performed well in 2010 despite the global financial crisis. Also, macroeconomic policies remained prudent during the upswing. While some headway has been made in reducing short-term risks, large underlying vulnerabilities remain and new vulnerabilities could emerge in the future. The country's weaknesses remain important, in particular the government's high level of debt. Overall progress on structural reforms was rather disappointing. Most of the commitments made at the Paris III donor conference in 2007, some of which are also part of the Action Plan (e.g. restructuring of public utilities and privatisations), are still pending.

2. POLITICAL DIALOGUE AND REFORM

Democracy and the rule of law

A delegation from the **European Parliament** visited Lebanon in November 2010, thus contributing to the political dialogue between the European and Lebanese parliaments that was called for in the Action Plan. The EU also launched a capacity-building programme to help the Lebanese Parliament exercise its legislative and oversight role effectively.

Local elections ran smoothly in May 2010. The Ministry of Interior and Municipalities has worked on a draft **electoral law**, which was expected to address the recommendations of the 2009 EU Electoral Observation Mission by May 2011. A number of actions were taken to make the process of reforming the electoral system inclusive. This included four workshops held by Lebanese authorities on the reform process, a workshop held by the EU delegation on the independent electoral monitoring body and a study, co-funded by the EU and the International Foundation for Electoral Systems, on setting up the Independent Electoral Commission. The feasibility study on the out-of-country vote, planned in collaboration with the United Nations Development Programme (UNDP) is well behind the Government's schedule.

The EU is actively financing the **modernisation of the judiciary** and the improvement of prison conditions. A decree nominating the unit in charge of the computerisation of the Ministry of Justice and of the courts was approved. This will allow the implementation of an Information Technology Master Plan to be funded by the EU. A new project to support the independence of justice and building on previous and ongoing initiatives in the sector is under preparation for 2011. The Ministry of Justice announced in May 2010 that it is working on a decree to set up two General Directorates, one for the Promotion of Human Rights and Fundamental Freedoms and another for Prison Administration. The transfer of the prison management from the Ministry of Interior to the Ministry of Justice, which started in 2008, is continuing and should be completed by 2013. The EU is supporting the Ministry of Interior in designing a new detention centre for illegal migrants to be built in compliance with international standards. Regarding **prison conditions**, the Ministry of Interior launched an assessment to be completed in the first quarter of 2011. Reports from civil society organisations in 2010 indicate that prison conditions and administration are not in line with international standards and advocated a comprehensive reform of the prison system. The law on reducing sentences is being applied and, since 2009, around 100 prisoners have benefited from it.

In the field of **security sector reform**, efforts to improve the individual capability of the different security agencies continued but no progress can be reported in terms of promoting reform, transparency and accountability in the security sector as a whole. Decisions on institutional changes within the Internal Security Forces and on the revision of their Code of Conduct are not advancing due to a deadlock in the Council of Command. An EU funded support programme "Developing national capability for Security and Stabilisation" aims at developing the national long-term capability of the Lebanese security system thus ensuring greater security for citizens.

No legislative amendments were adopted in the fields of **good governance and accountability**, including the fight against corruption and bribery.

Human Rights and Fundamental Freedoms

Lebanon worked to strengthen the institutional framework in the **human rights** area, in line with the provisions of the Action Plan. The Lebanese Parliament's Human Rights Committee continued work on a draft national Action Plan on Human Rights, in cooperation with the UN's Office of the High Commissioner for Human Rights (OHCHR) and the United Nations Development Programme (UNDP). The Plan was presented to Parliament on 20 December 2010, although four key studies related to it had not yet been completed (Palestinians' rights, non-Palestinian refugees' rights, prisons and the right to secrecy and communications).

A Human Rights Office has been created in the Ministry of Interior but the budget and staffing of the existing Human Right Unit of the Internal Security Forces are insufficient. A bill to set up a National Human Rights Institution is being considered by the Ministry of Justice. The appointment of an Ombudsman, an office created in 2008, is still pending, and the decrees to set up the institution and make it operational were not adopted.

Lebanon underwent a **Universal Periodic Review (UPR)** by the United Nations Human Rights Council. It agreed to several important UPR recommendation such as setting up a National Commission on Human Rights, criminalising all forms of torture and ill-treatment and ratifying the Convention on the Rights of Persons with Disabilities (now before parliament). Nevertheless, Lebanon rejected other key recommendations including those in relation to the rights of women, migrants and discrimination based on sexual orientation. Moreover, the ratification of a number of other international human rights conventions is still blocked. Lebanon has eight overdue reports to UN treaty bodies and has not extended a standing invitation to all thematic special rapporteurs. Lebanon has reiterated its intention to withdraw its reservation to the Convention on the Elimination of All Forms of Discrimination against Women (CEDAW), but has not yet done so.

Lebanon rejected the UPR recommendations that it accede to the second optional protocol of the International Convention on Civil and Political Rights, aimed at abolishing the **death penalty**, and that it formalise, through a legal act, the moratorium on executions in place since 2006. The 2008 decree for the abolition of the death penalty has not yet been discussed by the cabinet and a number of people were sentenced to death in 2010. On July 1, the President said that he would sign death penalties against Lebanese convicted of spying for Israel. Lebanon abstained on the Resolution on the moratorium on the use of the death penalty at the UN General Assembly.

Lebanon enjoys one of the most open and diverse media environments in the Middle East and relatively liberal legislation on civil society organisations. No significant developments were recorded in the area of **freedom of expression and association** in 2010. There remain a number of shortcomings due to the fact that media outlets largely represent the views of political interests.

Ill-treatment, abuses and **torture** are reported in Lebanon and impunity for such violations is widespread. Some improvement can be expected from a code of conduct for the Internal Security Forces, now in the final stages of approval, and from the proposal in May to set up a National Preventive Mechanism to monitor detention centres and prisons under the Convention against Torture and other Cruel, Inhuman or Degrading Treatment or Punishment (OPCAT). The National Preventive Mechanism has not been set up yet, although a draft law has been sent to parliament. Lebanese institutions facilitated a visit by the UN subcommittee on the prevention of torture in May 2010 and granted them access to prisons.

In the field of promotion and protection of the rights of **women and children**, no substantive progress can be reported, although several important draft laws are currently being discussed. The draft of Child Protection Policy has not been finalised yet. Women's participation in political life remains low, but the May municipal elections saw the highest share of female candidates ever, at 8.2%. There was no progress towards adopting the draft law on protection of women from domestic violence in Lebanon, which was approved by the cabinet in April 2009.

In the area of asylum and protection of refugees, progress can be reported on the situation of **Palestinian refugees in Lebanon**. On 17 August the Lebanese Parliament amended the Labour Law to lift some of the restrictions imposed on employing Palestinian refugees. The implementing decrees for the amended law were signed in February 2011, after the reporting period. Registered Palestinian refugees have the right to work in any field open to foreigners (a definition that excludes the liberal professions). A work permit remains obligatory but it will be free of charge. They now have the same rights as Lebanese citizens in terms of resolution of employment conflicts before the relevant arbitration council. With the new law, Palestinian refugees who have contributed to the National Social Security Fund are now entitled to claim their end-of-service benefits. However, despite paying contributions, they remain ineligible for health and maternity benefits, work-related accident and injury benefits, and family indemnity. They also continue to be banned from regulated professions. Procedures to obtain work permits still need to be simplified. There has been no progress either on Palestinian refugees' right to own property. As to the issue of 'non-identified Palestinians' – refugees who are not registered either by the United Nations relief and Works Agency (UNRWA) or the Lebanese Authority, it has also remained broadly unchanged.

As Lebanon has not ratified the 1951 Geneva Convention and the 1967 Protocol related to the status of refugees, nor implemented a refugee law, the situation of **refugees and asylum seekers** remains dire. Refugees and other non-citizens who enter the country without prior authorisation are considered to be in the country illegally and are often subject to arbitrary detention in very poor conditions. Many refugees are treated as illegal immigrants and some have been subject to arrest and indefinite detention. No progress is reported regarding EU calls on Lebanon to give legal recognition to the certificates issued by the United Nation High Commissioner for Refugees (UNHCR), especially to Iraqi refugees, and to provide renewable residence permits to persons registered with UNHCR.

In the area of social integration and protection of **migrant domestic workers**, a decree to improve the regulation of employment agencies and a unified contract for migrant domestic workers was adopted in 2009. It is now crucial that the new rules be properly implemented. As far as **fundamental conventions and core labour standards** are concerned, no progress can be reported on the ratification of the International Labour Organisation Convention 87 on Freedom of Association and Protection of the Right to Organise.

Cooperation on foreign and security policy, regional and international issues, conflict prevention and crisis management

Lebanon is one of the European Union's key partners in the Middle East. **Dialogue on foreign and security policy** has mainly focused on implementation of UN Security Council Resolutions relevant to and relating to Lebanon, such as resolutions 1559, 1680 and 1701 — and resolution 1757, which established the Special Tribunal for Lebanon. EU member states are strongly involved in the United Nations Interim Force in Lebanon (UNIFIL) as troop-contributing countries.

Lebanon faced increased political tensions during the second half of 2010, further aggravated by the question of the Special Tribunal for Lebanon. Regional mediation efforts intensified to prevent escalation, involving Syria, Saudi Arabia, Turkey and Qatar.

With regard to bilateral relations between Lebanon and Syria, no progress can be reported on issues such as demarcating borders and investigating the cases of missing Lebanese in Syrian prisons.

Lebanon ratified the **Oslo Convention on Cluster Munitions**. The Ottawa Convention on Anti-Personnel Mines and the statute of the **International Criminal Court** have, however, not been ratified yet.

In the field of **combating and preventing terrorism**, Lebanon has ratified 11 of the 13 relevant conventions and submitted regular reports to the UN. The remaining ones are: the International Convention for the Suppression of the Financing of Terrorism and the International Convention for the Suppression of Acts of Nuclear Terrorism. Lebanon is not equipped with a strong counter terrorism apparatus but efforts to improve working methods are currently ongoing and supported by the EU. The 2006 national dialogue decision to disarm Palestinian factions outside the camps has not been effectively enforced. Moreover, in specific areas, access by the Lebanese Security Forces is not fully guaranteed.

3. ECONOMIC AND SOCIAL REFORM

Macroeconomic framework and functioning market economy

Lebanon's economic and financial performance in 2010 — GDP growth of 8% (following growth of 9% in 2009) — has been remarkable in the face of the global recession. Buoyant revenues, supported by economic growth and the reintroduction of excise duty on gasoline, helped to reduce the government deficit from 8,6% of GDP in 2009 to an estimated 7.4% of GDP in 2010. However, the fiscal deficit remains large, reflecting the high debt burden, which absorbs 45% of total state revenues and drastically limits economic growth potential. At the end of 2010, Lebanon's sovereign gross debt amounted to USD 59 billion (EUR 44.5 billion), representing 139% of annual GDP (148% at the end of 2009). This makes Lebanon one of the most indebted countries in the world. About half of the national debt is denominated in foreign currency. The commercial banks are the government's main creditors, holding 40% of the public debt. The Lebanese Government proposed measures to tackle the country's macro-financial vulnerability such as increasing an interest income tax, introducing an asset revaluation tax and raising registration fees in order to generate additional revenue in the 2010 budget. These measures could allow the government to continue to reduce the debt-to-GDP ratio, but they have not yet been adopted by the parliament as they were part of the 2010 budget package. 2010 was the fifth consecutive year in which the budget was not passed by a vote in parliament.

The current account deficit is estimated to have increased to 11.3% of GDP in 2010, from 9.7% of GDP in 2009, due to a larger trade deficit resulting from higher energy import prices and rising domestic demand. This situation is prolonging the high deficit and a high degree of vulnerability to a sharp fall in capital flows.

In the context of domestic stability, commercial bank deposits held by non-residents (essentially the Lebanese diaspora) grew at an average rate of 11% in 2009 and 2010, despite

interest rate cuts during the second part of 2010. In the meantime, the foreign reserves of the Bank of Lebanon (BoL), backed by strong export performance and by strong and rising capital inflows, increased to a record level of over USD 29 billion (EUR 21.8 billion) by the end of 2010.

The main challenge for the Lebanese authorities is to manage rapid economic expansion by preventing overheating (and inflation), and, simultaneously, carrying out structural reforms to promote sustained medium-term growth and macro-financial stability. Despite the success of policies to reduce government debt in recent years, the current debt ratio remains Lebanon's main weakness and key reforms must be implemented to restore medium-term debt sustainability. As things stand, financial stability depends essentially on continued inflows of short-term deposits from non-residents; in this context, confidence is crucial and political stability, combined with the absence of regional tensions, is a prerequisite.

Employment and social policy

As regards the **socio-economic situation** in Lebanon, many social reforms which were part of the agenda agreed at the Paris III donor conference continued to be delayed because of the political situation.

The Ministry of Social Affairs continued to develop tools for social inclusion and the fight against **poverty**, in particular a poverty-targeting mechanism and a national strategy on social development. However, there was limited inter-ministerial coordination or involvement of other stakeholders. No changes have been reported in the **unemployment** situation. The last survey on household living conditions was conducted by the Central Statistical Authority in 2007.

No progress is reported in the fields of **pension reforms** and **reform of the social security system**.

The Economic and Social Council did not meet in the period under review and the structures nor did the practices for **social dialogue** change in 2010. There is no progress regarding labour rights and the new Labour law remains to be adopted.

Sustainable development

During the reporting period, efforts were made to develop sector strategies, notably on energy, water and environment, which illustrates greater interest in sustainable development. Lebanon started implementing the strategic framework for **agriculture** and **fisheries** for 2010–2014, as reported in last year's report. The Ministry of Agriculture set up about 20 national committees covering major agricultural sectors. Projects on 'Strengthening Production and Marketing of Lebanese Agricultural Products', on the 'Lebanese National Observatory for Agricultural Development' and on 'Capacity building for a pro-poor review and making operational the agricultural development strategy' are ongoing.

4. TRADE-RELATED ISSUES, MARKET AND REGULATORY REFORM

During the reporting period, the EU remained Lebanon's top trading partner. Bilateral **trade** in goods with the EU grown every year since 2005; in 2010 EU exports to Lebanon rose by 12.2% and Lebanese exports to the EU by 28.9%. The trade balance remains favourable to the EU. Tariff dismantlement took place in line with the Association Agreement.

The EU and Lebanon signed the Protocol for the Settlement of Bilateral Trade Disputes in Brussels in November 2010. Exploratory talks on possible future negotiations on liberalising trade in agricultural, processed agricultural and fish and fisheries products took place in May 2010 in the margins of the first Sub-committee meeting on Agriculture and Fisheries. Since last year's report, no meetings of the World Trade Organisation (WTO) accession working party have taken place. In March 2010, Lebanon presented its revised offer on services to the EU as part of bilateral negotiations in the context of its accession to the WTO, but the offer fell short of expectations in certain key service sectors. Discussions are ongoing as to how to proceed with the negotiations.

Lebanon continued to upgrade the IT capacity of its **customs** administration, in particular by modernising its customs systems, including training, scanning operations and related applications at the airport and at the port of Beirut. Lebanon participated in the 'SIROCCO' operation carried out in June 2010. SIROCCO is a joint customs operation coordinated by the European Commission Anti-Fraud Office (OLAF) and carried out by the customs administrations of the EU and 11 partner countries from the southern rim of the Mediterranean¹.

On **free movement of goods and on technical regulations**, Lebanon slowly continued its preparations for negotiations on an Agreement on Conformity Assessment and Acceptance of Industrial Products (ACAA). Lebanon has identified three priority sectors within the ACAA framework (electrical products, pressure equipment and construction materials). The requisite Action Plan, drafted by the Lebanese ACAA Committee, has not yet been approved by the Council of Ministers. The Metrology law was approved by the Council of Ministers in July 2010. In October 2010, the Council of Ministers also approved the draft law on 'Technical Regulations and Conformity Assessment Procedures' presented by the Ministry of Economy and Trade.

In the area of **sanitary and phyto-sanitary** (SPS) issues, the draft food safety law, which includes the launch of a food safety agency, and the draft animal quarantine law were not yet adopted.

Lebanon's **business climate** continued to suffer from the inefficiency of the judiciary in settling commercial disputes, the high cost of logistics and the general lack of transparency in public decision making. Lebanon has fallen four places in the World Bank's 'Doing Business' overall ranking 2011. No new developments were registered in the area of **company law and the right of establishment** in 2010.

In the field of **financial services**, the Lebanese banks weathered the global crisis well, thanks to prudent banking regulation and supervision and banks' conservative funding and asset structures. The banking system remains globally profitable, highly liquid, with adequate provisions and a relatively small share of non-performing loans. Banks are responding to falling interest rates by expanding their operations outside Lebanon and by increasing their domestic lending activity to the private sector.

Lebanon continued to implement the recommendations of the IMF Financial Services Assessment Programme, and the Central Bank followed the roadmap towards the adoption of

¹ SIROCCO focused on deep sea containers loaded in China or the United Arab Emirates and arriving in member countries of the Union for the Mediterranean. Around 40 million cigarettes, 1243 kg of hand-rolled tobacco, 7038 litres of alcohol and 8 million other counterfeit goods were seized as part of the operation.

International Financial Reporting Standards (IFRS) for **accounting**. In bank regulation and supervision, a focus on preventing excessive risk-taking continues to be warranted.

No progress can be reported in the area of **auditing**.

Other key areas

An amending protocol to the Convention on avoidance of double **taxation** with Malta entered into force in March 2010. Negotiations are ongoing with several other EU Member States. No further progress is reported on the implementation of Action Plan commitments on taxation.

In the field of **competition**, a draft law has been before parliament since 2007.

No new developments took place in 2010 regarding the protection of **intellectual property rights**. A report by an independent organisation put Lebanon's software piracy rate at 72%. Lebanon has taken measures to punish the distribution of counterfeit medicines.

Draft legislation to modernise **public procurement** is still waiting for parliamentary approval. A SIGMA mission reviewed the texts to increase their compliance with international standards and to prepare for future targeted EU assistance in this area.

The Council of Ministers has not yet adopted the National Master Plan for **Statistics**, drafted in 2008. It raises the issue of the degree of independence of the Central Administration for Statistics (CAS), which is currently under the direct control of the prime minister. In 2010, the CAS defined some priority areas for development, including national accounts and trade statistics. An EU-funded twinning programme was launched in December. The CAS further benefits from EU assistance through the recently launched MEDSTAT III programme.

The situation of **public finance reform and internal financial control** remains of concern. The Ministry of Finance benefited from a TAIEX workshop for relevant control bodies (Inspection, Supreme Audit) on PIFC methodology and approaches. **On external audit**, the Court of Accounts remains under the direct control of the prime minister. In addition, a lack of qualified staff and internal resources undermines its capacity to carry out its functions and fulfil its reform agenda.

On **enterprise policy**, Lebanon continued to implement the Euro-Mediterranean Charter for Enterprise.

5. COOPERATION ON JUSTICE, FREEDOM AND SECURITY

Work continued on the development of an Integrated **Border Management** Strategy following the appointment of a national border coordinator in March 2010 and the submission of a concept note to the cabinet in April 2010. Work focused on reconciling socio-economic development with improved border control measures. Training on integrated border management advanced incrementally with donor support while cooperation with FRONTEX advanced through the deployment of a technical scoping mission in October. 750 new border inspectors were recruited, of whom 250 were women. There is an operational need for coordinated and structured training to fully professionalise border management staff. Intelligence sharing across all relevant agencies remains a priority.

The EU funded programme "Developing national capability for Security and Stabilisation" foresees to increase Lebanon's capability to practice Integrated Border Management of international standards.

Concerning the fight against **organised crime**, work continued on the adaptation of national legislation to comply with relevant UN instruments. Two draft laws were finalised in 2010, one on cybercrime and another on electronic signature regulation, in line with the Budapest Convention, but neither law was formally adopted.

On the fight against **trafficking in human beings**, the lack of official statistics still prevents a full assessment of the situation.

As in 2009, Lebanon pursued national and regional cooperation measures in the fight against **drug trafficking** with attention to improving law enforcement and developing drug prevention programmes. The National Council on Drugs is responsible for implementing the national anti-drugs strategy provided for in the 1998 Law. The Ministry of Agriculture launched an alternative development project in the Beka'a valley with donor support as a follow-up to crop eradication measures taken in 2009. The Internal Security Forces implemented drug demand reduction programmes in cooperation with civil society and educational organisations to combat a rise in drug consumption particularly amongst students and young people. Lebanon participated actively in the regional Euro-Med Police II programme on drugs cooperation and pursued similar cooperation within the framework of the Arab League.

In the fight against **money laundering**, a draft revised law on money laundering was finalised in June 2010. It proposes freezing assets and confiscating the proceeds of money laundering in line with Lebanon's specific obligations under the United Nations Convention against Corruption. It also amends the rules on banking secrecy to include suspect transactions involving the financing of terrorism. Major improvements to reporting and supervision systems, including those for cash transfers, are required: the training of law enforcement agents and the staff of financial bodies remains critical.

There is no progress to report in the area of **data protection**.

In the area of **police and judicial cooperation**, Lebanon confirmed its interest in acceding to the European Convention on Cybercrime, the 1965 Hague Convention on the Service Abroad of Judicial and Extrajudicial Documents, and the 1970 Convention on Taking Evidence Abroad in Civil and Commercial Matters. No progress could be registered regarding the accession of Lebanon to certain international conventions regarding family law, such as the 1980 Hague Convention on the Civil Aspects of International Child Abduction, and the 1996 Convention on Parental Responsibility and the Protection of Children. The dialogue on international child protection and family law issues in the context of Lebanon's participation in the Judicial Conference on Cross-Frontier Family Issues, took place in the context of the 'Malta Process'. As in 2009, Lebanon took part in the regional Euro-Med programmes on justice and police cooperation.

6. TRANSPORT, ENERGY, ENVIRONMENT, THE INFORMATION SOCIETY, RESEARCH AND DEVELOPMENT

Implementation of a comprehensive **transport** policy continued to be stalled because regulatory authorities in the land, aviation and maritime sectors were not set up as foreseen.

This is particularly critical for land transport, where progress has been limited. Stakeholders' consultations are ongoing on a road safety action plan for public transport. A new traffic law is under discussion in the relevant parliamentary committee. A feasibility study for the Chekka–Tripoli railway connection is under way.

Negotiations between the European Commission and Lebanon on a comprehensive Euro-Mediterranean aviation agreement, launched in December 2009, are stalled.

In the maritime sector, there was no progress on the Vessel Traffic and Monitoring System. The Lebanese flag remains on the black list of the Paris Memorandum of Understanding on Port State Control.

In June 2010, the Government adopted a Policy Paper for the electricity sector. The Paper covers three strategic areas (infrastructure, supply and demand, legal framework) to address in a prioritised manner the deficient **energy** sector in Lebanon. The comprehensive policy identifies ten specific initiatives and 42 action steps to improve and increase electricity generation to meet the country's growing energy needs and a return to profit of the main electricity company *Electricité du Liban* by 2015; subsidies from the state budget amounted to EUR 900 million in 2010. During the year, Lebanon suffered from frequent power cuts. The policy also aims at further development of the country's electricity and gas networks. It includes plans to boost energy efficiency and the development of renewable energy sources, which can support, inter alia, the development of the Mediterranean Solar Plan. In August 2010, Lebanon adopted a law on off-shore oil and gas exploration. A tender is ongoing for the construction of a coastal gas pipeline. With EU support, Lebanon strengthened the capacity of the Lebanese Centre for Energy Conservation to implement the National Energy Efficiency Action Plan (NEEEAP).

With regard to **climate change**, Lebanon continued to prepare its Second National Communication to the UN Framework Convention on Climate Change, including a greenhouse gas inventory and an assessment of climate impacts. Some preparatory steps were taken to set up a national committee on climate change and desertification

Steps were taken to prepare Clean Development Mechanism (CDM) projects, but no project has yet been recorded by the UN. Lebanon is encouraged to fully implement the Cancun agreement and in particular devise a low carbon development strategy including update information on target or actions that it will implement

Regarding the **environment**, Lebanon prepared a National Water Strategy. Monitoring of air quality in Beirut started and two nature reserves were established. Steps were taken to improve waste management. Continued attention is required to implement existing strategies and plans and to further enhance monitoring and enforcement and coordination between public authorities. The Ministry of Environment recruited additional staff, but administrative capacity needs to increase further at all levels. The legislative framework continues to require further development, in particular with regard to environmental impact assessment, access to

environmental information and public participation. Lebanon took some steps to consider the environment in other policy sectors such as energy.

Lebanon took some preparatory steps to update the State of the Environment Report and carried out some activities to inform and involve the public, but access to information requires further improvement. Implementing legislation on environmental impact assessments is still pending and public consultation in the context of environmental assessments continues not to be widely ensured. A dedicated EU-funded programme to support environmental governance in Lebanon was identified during the reporting period and it will contribute to reinforce the management capacities of the ministry and to strengthen the legislative framework.

While Lebanon has not yet ratified the CITES convention, it requires CITES permits for the import and export of species that are included in Appendix 1 and Appendix 2 of the Convention. There were no significant developments in the ratification of remaining Protocols of the Convention for the Protection of the Marine Environment and the Coastal Region of the Mediterranean. Furthermore, implementation of already ratified agreements requires particular attention. Lebanon continued to participate in the Horizon 2020 Initiative and in the EU Water Initiative. There was cooperation and information exchange between the European Commission and Lebanon on water, depollution and management of environmental information, among other topics.

In the field of **civil protection**, Lebanon has been actively involved in the Euro-Mediterranean Programme for Prevention, Preparedness and Response to natural and man-made Disasters, which has reached mid-term implementation.

In the area of the **information society**, there were no significant developments. The high tax revenue generated by the high level of taxation of telecom operators is an obstacle to market liberalisation. The two state-owned operators continue to operate on the basis of equal tariffs set by the Ministry. Fixed telephony and infrastructure remained a de facto monopoly. In 2010, the Telecommunications Regulatory Authority (TRA) sent draft regulations to the State Council on, for example, consumer affairs, service provider licensing, the national numbering plan and the national frequency allocation table. The TRA approved the Code of Practice for Value Added Services. In the **audiovisual sector**, the *Conseil National de l'Audiovisuel* has a purely consultative role and decisions on licences for electronic/audiovisual media are taken by the Council of Ministers. There is also a need to ensure independent issuance of press cards.

In the area of **research**, Lebanon's participation in the 7th Framework Programme (FP7) remained limited. There is a need for better coordination among the national contact points to increase the participation of Lebanese researchers and research bodies in the FP7. Lebanon increased its level of participation slightly, with 17 research groups being successful in their applications, as of March 2011, and receiving some EUR 1.7 million of EU funding, mainly in the FP7 Theme "Food, Agriculture and Fisheries, and Biotechnologies".

7. PEOPLE-TO-PEOPLE CONTACTS, EDUCATION AND HEALTH

In April 2010, the cabinet approved a National Education Strategy and Development Plan for 2010–15. The main priorities identified in the strategy were: increasing access, accreditation, quality assurance, improving teaching quality and development of a national policy on diploma recognition. The strategy did not cover technical education and vocational training,

which awaits finalisation of a strategic policy framework. The Council of Higher Education applied some quality assurance procedures for the licensing of higher education institutions, but an agreed national accreditation mechanism is still lacking. As in 2009, significant challenges remain with regard to education governance, resource management and measures to address student de-skilling and drop-out rates. There was no change in the situation regarding the reorganisation of private **higher education** or the University of Lebanon, though dialogue did continue with the support of the Higher Education Reform Experts (HERE) funded by the EU.

In the area of **vocational training**, in March the Minister designated a national coordinating committee for developing the national qualifications framework (NQF), leading to the start of work on a qualifications grid in November. As a direct result of the earlier MEDA-ETE regional programme, agreement was reached in November on an ETF/Italian co-funded project on entrepreneurship in education as part of lifelong learning, in close cooperation with ILO and UNESCO. The Ministry cooperated with business and other stakeholders in the analytical review of vocational education and training under the Torino Process and the linked Education and Business study by appointing a national coordinator and convening a national dissemination seminar in September.

Lebanon participated actively in **Tempus**, receiving funding for seven projects under the third call for proposals for Tempus IV for the academic year 2010–11. In addition, two Lebanese students were awarded **Erasmus Mundus** Master's scholarships while student and academic mobility was further enhanced with the expected award of 38 grants under Erasmus Mundus Action 2 for the academic year 2010–11. Lebanese universities are urged to continue to submit high-quality applications under the **Jean Monnet** programme.

Lebanese young people and **youth** organisations continued to benefit from the mobility opportunities offered by the Youth in Action Programme for youth exchanges, voluntary service and cooperation in the field of youth and non-formal education. The Ministry of Youth and Sport confirmed Lebanese participation in Euro-Med Youth IV and continued work on a national policy and strategy for sports, youth and scouts.

In the area of **culture**, Lebanon participated actively at regional level in the new Euro-Med Heritage IV programme. As Lebanon did not ratify the 2005 UNESCO Convention on the Protection and Promotion of the Diversity of Cultural Expressions, Lebanese cultural organisations were not eligible to respond to the Call for Proposals issued for the 2010 ENP Special Action under the Culture Programme.

As reported in 2009, while communication channels between the Ministry of Interior and Municipalities and NGOs did improve, registration of **civil society** organisations is subject to lengthy procedures. Implementing the 2007 law on consumer protection, in September the Ministry of Economy and Trade reactivated the Consumer Protection Council, which includes representatives of the private sector and consumer associations.

Lebanon pursued **health** sector reform focusing, inter alia, on enhancing primary health care and reforming the pharmaceuticals sector. In the light of last year's influenza A (H1N1) epidemic, the European Commission proposed, in January 2010, to establish communication channels with Lebanon for exchanging epidemiological information in public health emergency of international concern. Lebanon continued to participate in the 'Episouth' network on communicable diseases for the EU, Mediterranean and Balkan countries.

8. FINANCIAL COOPERATION — 2010 KEY FACTS AND FIGURES

Cooperation framework

The Mid-Term Review of the programming document confirmed that the Country Strategy Paper adopted in 2007 remains a valid framework for cooperation with Lebanon. The new National Indicative Programme (NIP) (2011–13) for Lebanon was adopted in May 2010 and has a budget of EUR 150 million. The programme is geared to supporting the key policy objectives outlined in the EU-Lebanon Action Plan, with three priorities: (1) support for political reform (targeting the reform agenda of the Lebanese government), (2) support for social and economic reforms (helping to develop the private sector and to improve the living conditions of the population through various actions covering e.g. energy, education and the environment), and (3) support for reconstruction and recovery (focusing on economic recovery of all regions and improvement of the living conditions of the most vulnerable parts of the population, including Palestinian refugees).

Implementation

Implementation of the measures covered by the Annual Action Programmes (AAP) for 2007, 2008 and 2009 is under way. Projects implemented in South Lebanon to support municipalities affected by the 2006 conflict brought concrete results: several infrastructure projects have been completed and demining is progressing further, which allows local communities to use the land for agriculture or economic purposes.

In 2010, the EU continued to support the national reform efforts in Lebanon and committed assistance totalling EUR 44 million under the bilateral envelope of the European Neighbourhood and Partnership Instrument (ENPI). The AAP focused on administrative reform (EUR 9 million), security sector reform (EUR 12 million), agriculture (EUR 14 million) and support for the infrastructure sectors strategic framework (EUR 9 million). The 2010 AAP did not include a sector budget support operation; however, in order to prepare the ground for a potential budget support programme, a PEFA assessment is being conducted. Under the 2009 AAP, the Support for Education Reform and PFM project aims to prepare the ground for a future sector budget support operation in education. Additionally, in 2010 two twinning contracts were concluded for an amount of EUR 2 million and under the AAP 2010 twinning projects on administrative reform have been pre-identified.

In addition to the bilateral allocation, Lebanon also benefited from cooperation activities financed under the ENPI cross-border, inter-regional and regional programmes. Lebanon participated in the ENPI Cross-Border Cooperation (CBC) Mediterranean Sea Basin Programme (EUR 173.6 million for the whole programme in the period 2007–13). The main priorities of the Programme are four-fold (i) promotion of socio-economic development and enhancement of territories, (ii) promotion of environmental sustainability at basin level, (iii) promotion of better conditions and modalities for ensuring the mobility of persons, goods and capital and (iv) promotion of cultural dialogue and local governance.

The Facility for Euro-Mediterranean Investment and Partnership (FEMIP) provided Technical assistance in support of the South Lebanon Water & Wastewater Project (EUR 850 000) and extended the duration of its technical assistance to Lebanese Highways, at a cost of EUR 256 000. An EIB loan of EUR 100 million for the SME Reconstruction Facility, signed in 2007, was cancelled during 2010.

Other EU instruments supplement the ENPI assistance package. Lebanon benefited from cooperation activities financed under horizontal instruments such as the European Instrument for Democracy and Human Rights (EIDHR) and the Development Cooperation Instrument (DCI) thematic programmes Non-State Actors and Local Authorities in Development (NSA-LA); Investing in people; Migration and asylum; and Environment and sustainable management of natural resources including energy.

The Instrument for Stability has been mobilised in Lebanon to respond to crises and support early recovery, the re-establishment of security and the rule of law, and political stabilisation, for a total amount of EUR 20 million over the past three years. Under the Instrument for Stability, Lebanon is also engaged in regional cooperation to create Centres of Excellence in CBRN risk mitigation (chemical, biological, radiological and nuclear incidents). To date, this large project is estimated to receive overall support in the range of EUR 7 million.

The second tranche of the EU Macro-Financial Assistance (MFA) loan decided in December 2007 was not disbursed despite the Commission's offer to extend the validity of the Decision by one year (to December 2010). The authorities had failed to implement many of the agreed structural policy measures that had to be introduced prior to the release of the second tranche of the assistance. In these conditions, the EU MFA expired and the second instalment was not disbursed.

Donor coordination

In 2010, the EU Delegation in Lebanon ensured the coordination of assistance activities. Several working groups are led by the EU and its member states (i.e. on water, local governance, rule of law). They aim to ensure complementarity and develop a common strategic approach in specific sectors. In addition, the EU and Italy began a joint identification process in the field of municipal finance reform.



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JOINT STAFF WORKING PAPER

**Implementation of the European Neighbourhood Policy in 2010
Follow-Up to the Joint Communication on a Partnership for Democracy and Shared
Prosperity with the Southern Mediterranean**

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There is considerable read-across between the Communication on the review of the European Neighbourhood Policy and the 8 March Communication on “*A partnership for democracy and shared prosperity with the southern Mediterranean*” (COM(2011)200).

The Communication on the southern Mediterranean sets out the steps taken and the instruments available to respond immediately to ongoing events, be it supporting the transition in Tunisia or helping to prevent a humanitarian crisis in and around Libya. It also looks into the future outlining an incentive based approach to assist political, economic and social reforms in the countries of the region. Highlighting the importance of higher standards of human rights, democracy and accountable governance it builds around three priority areas:

- Democratic transformation and institution building, with a particular focus on fundamental freedoms, constitutional reforms, reform of the judiciary and the fight against corruption
- A stronger partnership with the people, with specific emphasis on support to civil society and on enhanced opportunities for exchanges and people-to-people contacts with a particular focus on the young
- Sustainable and inclusive growth and economic development especially to support to Small and Medium Enterprises (SMEs), vocational and educational training, improving health and education systems and development of the poorer regions.

The Communication on 'a new response to a changing Neighbourhood' provides additional information as to how the above priorities will be addressed, both in terms of principles to be applied and specific measures to be implemented. It sets out proposals for additional funding, under the current Financial Framework, and the tools and programmes through which this support will be delivered. Finally, it integrates these elements in a broader policy framework that includes a long-term vision and a medium-term agenda covering the whole of the Neighbourhood.

With respect to the 8 March Communication, services in the European Commission and the European External Action Service have jointly embarked on an effort to put words into action – to demonstrate progress in key areas of support for democracy, society and the economy. This document highlights some of the specific areas where work has already been undertaken.

1. HUMANITARIAN ASSISTANCE

ECHO (EU humanitarian aid and civil protection) teams are present at the Tunisian-Libyan borders as well as in eastern Libya in order to assess humanitarian needs and the overall situation. EUR 40 million has been made available for humanitarian assistance to the most affected people in Libya and neighbouring countries (Tunisia, Egypt). The Commission is ready to increase its funding if needs on the ground so require. On 15 May, the total EU contribution (European Commission and Member States) totalled almost EUR 103 million.

2. FOSTERING CIVIL SOCIETY

While awaiting a more comprehensive needs assessment, in March the Commission launched local actions (through calls for proposals) in Tunis and Cairo in support of civil society. Particular focus is given on helping Egyptian and Tunisian Civil Society Organisations to play an active and effective role in shaping the reform agenda, and to help with effectively engaging all strata of the population in this process.

3. SUPPORT FOR THE ELECTORAL PROCESS

In Tunisia an EU expert team is currently working on electoral legislation and democratic transition. Further assistance will be given to support the training of local elections observers throughout the country, to promote a gender-sensitive democratic transition and to support professionalism of the media. The EU has received an invitation from the Tunisian authorities to observe the Constituent Assembly elections planned for 24 July and sent an exploratory mission at the end of April.

4. SCREENING AND REFOCUSING OF ONGOING EU AID PROGRAMMES IN THE SOUTHERN MEDITERRANEAN COUNTRIES

The Commission services and the EEAS are screening National Indicative Programmes 2011–2013 and Annual Action Plans 2011 with partner Governments. Some modifications have already been made to 2011 project pipelines to strengthen governance, employment and youth dimensions. A first set of Actions Fiches (financing proposals) will be presented to the Member States in July and the remainder will follow in September.

5. INCREASE IN EIB LENDING TO THE REGION BY AN ADDITIONAL EUR 1 BILLION

The European Parliament proposed increasing the lending envelope by EUR 1 billion for the Mediterranean. The European Council of 24/25 March concluded that the ceiling for EIB operations for Mediterranean countries undertaking political reform should be increased by EUR 1 billion. This issue is part of the mid-term review of the EIB external mandate currently under negotiation in the EP and Council. Several trilogue meetings have already taken place. The shared aim is to finalise the negotiations during the summer 2011.

6. EXTENSION OF THE EBRD MANDATE TO SOUTHERN MEDITERRANEAN COUNTRIES (WITH A MOBILISATION OF EUR 1 BILLION)

As proposed in the Joint Communication, the European Council of 24/25 March concluded that EBRD shareholders should consider the possible extension of the Bank's activities to countries in the Southern Neighbourhood. The EBRD presented an initial technical assessment to its Board. Some time will be necessary to allow shareholders to firm up their positions. In the meantime, the issue should continue to be explored informally within the Bank and in international fora (G7/8, G20 and the IMF/WB Spring meetings) before the Astana Annual Meeting on 21 May, where a formal decision is expected to be taken by the EBRD Governors

7. CONCLUSION OF THE SINGLE REGIONAL CONVENTION ON PAN-EURO-MEDITERRANEAN PREFERENTIAL RULES OF ORIGIN IN 2011

A Council Decision on the signature of the Convention was taken on 14 April.2011. This is now with the European Parliament for assent.

8. THE NEW APPROACH ON PARTNERSHIP FOR MIGRATION, MOBILITY AND SECURITY

The Commission will make proposals on migration policy, including for the southern Mediterranean area, in May.

9. ENHANCING TRADE AND INVESTMENT WITH SOUTHERN MEDITERRANEAN NEIGHBOURS

Informal contacts have started or are about to start with different Southern Mediterranean countries to assess their readiness to engage in negotiations (or preparations for negotiations) in the fields of agricultural, processed agricultural and fisheries products, liberalisation of trade in services and establishment and conformity assessment and acceptance of industrial products. Contacts have also intensified with the European Parliament on the agricultural agreement with Morocco on which the consent of the EP is needed. Negotiations with Morocco on trade in services and establishment are likely to be re-launched at political level in May. A first meeting to launch the implementation of the Euro-Mediterranean Trade and Investment facilitation mechanism will take place in May.



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1. OVERALL ASSESSMENT

Armenia and the EU first established contractual relations in 1996 through a Partnership and Cooperation Agreement which entered into force in 1999. On that basis, the EU-Armenia Action Plan (AP) was approved in November 2006 for a period of five years.

In 2010 EU-Armenia meetings took place at the level of the Cooperation Council, Cooperation Committee, the Subcommittee on Trade, Economic and Related Legal Issues, and the newly established subcommittees on Justice, Freedom and Security and on Transport, Environment and Energy and Nuclear Safety. The second meeting of the EU-Armenia dialogue on human rights took place in December 2010. In November 2010, the EU and Armenia agreed a EUR 100 million financial assistance package to alleviate the effects of the global financial crisis on the country.

Within the Eastern Partnership, the negotiations for an EU-Armenia Association Agreement (AA) were launched in July 2010. They progressed at a good pace. This Agreement is conceived by both Parties as illustrating the most advanced and ambitious approach to the Eastern Partnership vision of association, including a Deep and Comprehensive Free Trade Area and a comprehensive programme of approximation to EU *acquis*. The negotiations on a Deep and Comprehensive Free Trade Area (DCFTA) will start in the same framework, once the necessary conditions have been met.

This document reports on the progress made in the implementation of the EU-Armenia ENP Action Plan between 1 January and 31 December 2010, although developments outside this period are taken into consideration when it is deemed relevant. It is not a general review of the political and economic situation in Armenia. For information on regional and multilateral sector processes in the context of the Eastern Partnership, readers should also refer to the sectoral report.

Overall, Armenia made some progress in the area of political dialogue and reform. Positive steps were taken to overcome the political crisis, with the gradual release of a number of persons detained for charges related to the March 2008 events. There was good progress on decriminalisation of defamation. Some progress was made on enhancing transparency in the court system but no progress was made on enhancing the independence of the Judiciary. Progress on enhancing media pluralism was limited. Some progress was made on enhancing the freedom of expression. Armenia also made good progress in improving the National Preventive Mechanism under the Optional Protocol to the UN Convention against Torture, and in the area of enhancing document security by making preparations for the introduction of biometric passports.

Armenia made some progress in the area of customs and border management, while overall more progress would have been desirable in trade-related areas. In view of the severe recession experienced by Armenia in 2009 and in the first half of 2010 as a result of the

global economic crisis, any progress towards meeting the objectives of the Action Plan related to economic reform, poverty reduction and social cohesion, as well as the protection of the environment, was limited. The situation of the Medzamor Nuclear Power Plant remains a topic of major concern and its early decommissioning is a key priority for both sides.

Armenia maintained prudent macroeconomic policies and introduced several structural measures to mitigate the impact of the economic crisis. Armenia also made good progress in the area of vocational education and training.

No developments took place after Armenia's suspension of the ratification process of the two protocols on the establishment and development of bilateral relations with Turkey in April. The EU continues to support the normalisation of relations between Armenia and Turkey without preconditions. Negotiations on a peaceful solution of the Nagorno-Karabakh conflict continued at the highest level with some progress notably regarding exchange of prisoners of war, as a necessary confidence-building step to further advancing the process. An increased number of incidents of exchanges of fire and casualties on the line of contact continued to be reported and are cause for serious concern.

In order to fulfil the ENP Action Plan commitments, Armenia should make greater efforts to protect human rights and to prevent cases of torture and ill-treatment, as well as improve detention facilities. Armenia should also continue its reform efforts in the area of policing, the security services and the Prosecutor's office. Proper implementation of legislation in all areas and its effective enforcement, capacity building, and enhanced independence of judiciary will be of key importance for the future implementation of the Association Agreement. Armenia should continue efforts to enhance media pluralism and step up the fight against corruption, in particular at the level of implementation. Significant additional efforts are needed in the area of the DCFTA preparations.

2. POLITICAL DIALOGUE AND REFORM

Democracy and the rule of law

A new draft electoral code to bring the legislation further into line with international obligations was submitted for public discussion with political forces and civil society representatives and to the Venice Commission (VC). The opposition announced its intention to prepare its own draft electoral code to be considered by the VC, illustrating the low level of trust between the political forces. During the parliamentary by-election in January 2010 in Yerevan's Constituency No. 10, a number of irregularities, including instances of interference with press activities, were reported.

Further steps were taken in 2010 to address the political crisis linked to the Presidential elections and the subsequent violent **events of March 2008**. A number of persons detained for charges linked to these events were released, but some still remain imprisoned despite the fact that they are eligible for a pardon. A trial monitoring report by the Organisation for the Security and Co-operation in Europe - Office for Democratic Institutions and Human Rights (OSCE-ODIHR) - published in March 2010 on the trials linked to the March 2008 events identified several issues of serious concern, including the right of defendants to a fair trial and the right to liberty, and it set out a number of recommendations. Work to implement the recommendations of the report is ongoing, notably in the area of the reform of the judiciary. However, the investigation of the March 2008 events was incomplete and has not led to

concrete results. Lawsuits against law-enforcement authorities filed by relatives of persons who died in the March 2008 post-election clashes were rejected.

Some progress was made on the implementation of the judicial reforms within the Strategic Action Plan for Judicial Reform 2009-2011, particularly on enhancing transparency in the court system, on improving the electronic court statistics data and on the construction and upgrading of court buildings. However, no progress was made as regards enhancing the independence of the **judiciary**, which remains a matter for concern. Judges are still strongly influenced by prosecutors, as well as by politically and economically powerful figures. The number of qualified barristers remains low, especially outside the capital. Greater efforts are needed to ensure proper enforcement of legislation in all areas.

There was uneven progress in the fight against **corruption**. Efforts were made to improve transparency in the public sector with the annual mandatory publication of information on the property of high ranking civil servants. The law on Prosecution was amended in May in response to the recommendations by the Council of Europe's Group of States against Corruption (GRECO), abolishing the decisive role of the Prosecutor General in the initiation of proceedings and lifting the immunity of prosecutors. The Chamber of Audit published a number of audits in state institutions and there was an increase in public discussion on corruption issues. Several high level officials were dismissed on corruption charges. The law on Combating Money Laundering and the Financing of Terrorism was amended in December 2010. Limited progress was made on the enforcement of anticorruption legislation and in the implementation of the Anti-corruption Strategy and Action Plan. The level of perceived corruption in Armenia decreased slightly in 2010. Amendments to the law on Public Service were adopted in June with a view to beginning a transition to a unified system of public service.

In the field of **Regional Policy dialogue** a seminar for regional and national officials was organised by the Ministry for Territorial Integration and TAIEX in January. Following this meeting a number of officials from the Ministry were invited to the Open Days-European Week of Cities and Regions in Brussels in October. Following discussions between the Minister and the Commission Armenia has requested to start a regional policy dialogue in 2011.

Human rights and fundamental freedoms

Work continued on the development of a **National Human Rights Action Plan**. In January 2010, the Concept for the National Human Rights Protection Plan was adopted and this will guide the drafting of the National Action Plan. A baseline study on the human rights situation in Armenia was finalised in July in consultation with the relevant stakeholders in the public sector, civil society and international organizations active in Armenia.

The institution of the **Human Rights Defender's Office (HRDO)** continues to play a major role in monitoring the situation on human rights and fundamental freedoms in Armenia. In 2010, the HRDO produced *ad hoc* reports on the right to peaceful assembly and on the right of freedom of speech in Armenia. There was good progress in improving the National Preventive Mechanism under the Optional Protocol to the UN Convention against Torture (OPCAT), operated by the HRDO, which was expanded in January by the creation of a Council which included the **Non-Governmental Organisations (NGOs)** and an expert group involving experts from human rights NGOs. The legislation related to the HRDO was amended in December, strengthening the financial independence of this institution. An inter-

agency working group with the participation of NGOs was established to implement the Universal Periodic Review (UPR) recommendations.

Cases of **torture and ill treatment** were reported in detention facilities, police stations and among military conscripts and these were generally not adequately investigated. No statistics are available as regards cases of reported torture and ill-treatment. The access of the HRDO to detention facilities both in prisons and in police stations improved in 2010. The report of the Council of Europe's (CoE) European Committee for the Prevention of Torture and Inhuman or Degrading Treatment or Punishment (CPT) was published in March 2010, revealing among others widespread cases of physical ill-treatment during detention after the March 2008 events.

There was no progress in improving **prison conditions** during 2010. The construction work on a new penitentiary facility for about 1000 inmates was halted due to the financial-economic crisis. Penitentiaries in general do not meet international standards. Overcrowding, poor health care provision, and low salaries and corruption in the prison administration, remain issues of concern.

Freedom of expression and information improved slightly, but further efforts are needed. In May, good progress was made on decriminalising the legislation on defamation. However, cases of violence against journalists without effective investigation and strong government influence on the broadcast media, including doubts around the independence of regulatory bodies, continue to be a cause for concern. Progress made towards media pluralism was limited.

The amendments to the law on Television and Radio passed in June, which laid the legal basis for the switchover from analogue to digital broadcasting, were criticized by the OSCE Representative on Freedom of the Media as failing to promote media pluralism. Work on amendments to the broadcasting legislation with a view to bringing them more closely into line with international standards is ongoing under the auspices of the HRDO in cooperation with the OSCE and CoE experts, as well as representatives of civil society. On the basis of the adopted legislation, the National Commission on Television and Radio announced 18 competitive tenders for broadcast licensing in July. The results of this process were announced in December 2010.

Some progress was made with regard to enhancing **freedom of assembly**. There was an improvement in the situation regarding the renting of venues to NGOs who were critical of the government. However, there were new cases of restrictions on holding meetings in the centre of Yerevan, even though alternative locations near the centre were suggested by the authorities. Cases of unjustified use of force by the police during the demonstrations continue to be reported.

No progress was made in the area of **freedom of religion or belief**. The Armenian Apostolic Church is considered as the national church and enjoys privileges compared to those of other religions, notably on issues such as support from the state budget, the right to proselytise, and development and implementation of the curriculum in educational institutions. A number of conscientious objectors remain in prison for refusing to serve their compulsory two-year military service, and alternative service remains of a discriminatory length.

There was no progress regarding the establishment of a system of specialised **juvenile justice**, which is laid down in the 2004-2015 National Plan of Action for the protection of the rights of

the child. Despite efforts to improve the situation, poverty is the major cause of children being excluded from basic social services including education and healthcare, especially in rural areas.

A draft law on NGOs, drafted in consultation with NGOs, is being discussed in the Armenian parliament. A decision to set up a unit within the ministry of justice, with the right to oversee the legality of work of all legal entities and to close down legal entities that violate any legal acts, has raised concerns among NGOs.

In September Armenia signed the CoE Convention on the **Protection of Children** against Sexual Exploitation and Sexual Abuse. A **Gender Policy** concept was approved in February. There was no progress on drafting a law on domestic violence.

Although the key legal framework on **social and employment policy** is in place, the labour code and the legislation on employment and social protection related to unemployment, social assistance and state pensions are not fully implemented. Trade unions, employers' organisations and collective bargaining are not well developed.

Cooperation on foreign and security policy, conflict prevention and crisis management

Armenia continued to align with CFSP declarations on a case by case basis. In 2010, Armenia aligned with 28 out of 44 CFSP declarations to which it was invited to subscribe. There was intense political dialogue with the Armenian government in 2010, including through two Political and Security Committee Political Dialogue meetings in June and September 2010 and a number of mutual high level visits.

Armenia pursued cooperation with the UN, participated in the NATO Partnership for Peace programme and cooperated with experts from the United Nations Office on Drugs and Crime (UNODC), INTERPOL, the World Customs Organization, CIS and CoE, in exchanging information on terrorism issues. Armenia cooperated successfully with the United Nations Counter-Terrorism Committee (CTC) established under UNSC Resolution 1373.

No progress was made on the signature and ratification of the Rome Statute of the **International Criminal Court**.

Strengthening regional cooperation

The ratification of the two protocols on the establishment of diplomatic relations and the development of bilateral relations between Armenia and Turkey, including prospects for opening their common border, was suspended in April 2010. The EU has continued to express support for the ratification and implementation of the bilateral protocols without preconditions.

The Southern Caucasus Integrated Border Management (SCIBM) promoted by the EU within Georgia, Armenia and Azerbaijan started in March 2010 (*See chapter 5 on cooperation on justice, freedom and security*). The Regional Environmental Centre (REC) for the Caucasus carried out regional activities in 2010, including in the fields of information and public participation, environmental policy and local environmental action plans (*See Chapter 6 on environment*).

Contribute to a peaceful solution of the Nagorno-Karabakh conflict

Negotiations within the Minsk Group on a peaceful settlement continued with the Presidents of Armenia and Azerbaijan holding three bilateral meetings in 2010. At their meeting in Astrakhan in November, the Armenian and Azerbaijani Presidents agreed to exchange prisoners of war and the bodies of dead servicemen. Courageous steps by both sides will be needed in order to find a resolution to the conflict.

In autumn 2010, the Minsk Group Co-Chairs intensified their activities with a visit to the Line of Conduct; and a Field Assessment Mission to the territories surrounding Nagorno-Karabakh (NK). A joint statement by the OSCE Minsk Group together with the Presidents of Azerbaijan and Armenia during the OSCE Summit in Astana in December stressed that "the time has come for more decisive efforts to resolve the Nagorno-Karabakh conflict" and that a peaceful resolution to the conflict is the only way to bring real reconciliation to the peoples of the region. However, tensions remain and the situation continues to be fragile. An increasing number of incidents of exchanges of fire and casualties on the line of contact continued to be reported and are a cause for concern.

In support of the negotiations led by the OSCE Minsk Group, an EU-funded project to contribute to the peaceful resolution of the Nagorno-Karabakh conflict was launched in June. The project supports activities in the area of media, public policy and groups affected by the conflict.

3. ECONOMIC AND SOCIAL REFORM

Macroeconomic framework and functioning market economy

Economic activity in 2010 recovered from the deep recession (Gross Domestic Product (GDP) contracted by 14.2% in 2009), although the pace of recovery was slow. GDP grew by around 2.6% driven by a recovery in services and industry, and despite the gradual withdrawal of the fiscal stimulus and the unprecedented decline in agricultural output due to adverse weather conditions. The economic recovery had a positive impact on the official unemployment rate, which fell to 6.7% at the end of 2010, from 7.3% at the beginning of the year. Growth prospects are still uncertain due to a lack of diversification of exports, the closed borders with two neighbouring countries, the lack of competition in the private sector and the need to improve the business climate.

Domestic and external supply shocks, as well as the sharp decline of agricultural output, pushed up the inflation rate to 8.1% year-on-year, in December 2010. The Central Bank of Armenia (CBA) has left the reference interest rate unchanged at 7.25% since May 2010, as the pace of recovery slowed in the second half of 2010 and the inflationary pressures were not demand driven. In 2010, the authorities continued their efforts to improve the transmission channels for monetary policy. To this end, preparations were put in train for the active management of liquidity and the development of transactions in dram-denominated securities. Measures to encourage de-dollarization had some positive results, while the new legal framework for insurance and private investment funds was submitted to the parliament. In order to have a lasting effect on inflation, the effectiveness of monetary and exchange rate policies needs to be further enhanced, and competition in the domestic market needs to be promoted.

The fiscal deficit shrank to 4.9% of GDP in 2010 from 7.9% of GDP in 2009, reflecting the economic recovery and the tightened fiscal policy. However, the public debt-to-GDP ratio

nearly tripled, from 16.1% of GDP in 2008 to 44% of GDP in 2010, as a result of the counter-cyclical measures and the financial support from the international community (financial assistance in the form of loans in support of the authorities' economic programme). The external component of the public debt represents around 90% of the total public debt, thus increasing exchange rate vulnerability and the dependence on concessional financing to address future financing needs. To ensure fiscal consolidation and put the debt on a downward path, the authorities re-introduced and strengthened the Medium Term Expenditure Framework in 2010 and adopted a new debt management strategy. At the same time, they introduced a wide-ranging tax reform agenda aimed at modernising the tax and customs administration and eliminating arbitrary treatment of tax payers. With the tax-to-GDP ratio being at the very low level of 16.2% in December 2010, the improvement in tax collection will be crucial for fiscal consolidation and debt sustainability.

The recovery in investments and remittances was fairly muted in 2010. In addition, despite the increase in metal prices, export growth was moderate due to weaker demand for Armenian exports in Europe. As a result, the current account deficit remained very high in 2010: it narrowed only to 14.6% of GDP from 16% of GDP in 2009. The government adopted some measures aimed at strengthening competition and reducing barriers to trade. However, these measures should be followed by more intense efforts to promote export diversification and the establishment of a more open and transparent trade regime. In 2010, as a consequence of the recovery, increases in social spending were more moderate compared to those of 2009. However, as a percentage of GDP, social spending remained above the pre-crisis levels. The targeting of social spending has been significantly improved and the authorities are working to improve the coverage of social programmes, which currently reach only about 35% of the poor.

Employment and social policy

Owing to the economic crisis, the suspension of the implementation of the Sustainable Development Programme on **poverty reduction** continued in 2010.

The official **unemployment** rate fell to 6.7% at the end of 2010, from 7.0% at the beginning of the year. Young people and women continued to be particularly affected, with 19% and 75% of official unemployment respectively. Disabled people continue to suffer from low levels of employment.

In June 2010, Armenia adopted amendments to the Labour Code relating to **social dialogue**. According to the law, trade unions have exclusive rights - in addition to the general employee rights - in the areas of public consultations and strikes. According to trade unions, the amendments focus on improving the business environment rather than improving employees' social conditions. In June 2010, Armenia adopted amendments to the law on Labour Inspection. Armenia continued implementation of the 2007-2011 Decent Work Programme. It also established a Working Group which will prepare regular reports on the implementation of the EU Social Charter and on approximation to EU legislation in the field.

In December 2010, in the field of **social inclusion and protection**, Armenia adopted amendments to the Law on State Pensions and a package of laws ensuring transition to a funded pension scheme, including a minimum safety net for those who do not contribute, indexed to the CPI, a basic pension based on years of contributions, indexed to the CPI and a funded pension component reflecting individual contributions which is invested and paid out in the form of annuities.

4. TRADE-RELATED ISSUES, MARKET AND REGULATORY REFORM

Bilateral trade improved in 2010 from the 2009 slowdown with 17% increase year-on-year. EU exports to Armenia increased by 4.2%, while exports of Armenian products to the EU increased by 59.9 %. In terms of commodity structure, however, Armenian exports to the EU are still concentrated in a few commodities of low value added (in particular, base metals formed 61,9% and pearls and precious stones 19,1% of Armenia's exports to the EU in 2010).

Armenia continued to benefit from the special incentive arrangement for sustainable development and good governance - **GSP+** within the EU Generalized System of Preferences (GSP). The Armenian authorities continued their efforts to raise awareness of the GSP+ and EU Export Helpdesk among the business community with a view to improving Armenia's export performance.

The Armenian tax and customs system for alcohol products continues to be incompliant with the WTO obligations (see under taxation)

Armenia continued to take steps towards implementing the “key recommendations” made by the European Commission on the basis of the 2009 fact finding mission in order to prepare for the DCFTA negotiations with the EU. During 2010, the government developed and approved a strategy for quality infrastructure reform, and drafted strategies for the development of the food safety system and the intellectual property sector reform. However, tangibly more progress is needed in the key regulatory areas in order to meet the pre-conditions for starting negotiations. Making the institutional structure for the negotiation process fully operational and administrative capacity building also remains a significant challenge.

Armenia continued improving the institutional capacity of the **customs** service. Since April 2010, the “Mulberry” electronic document circulation system was installed in the State Revenue Committee (SRC) to provide coordination among customs and other authorities. It makes it possible to connect all customs houses and customs checkpoints by means of a unified flow of documents. The Customs Service continued upgrading its risk management system by reinforcing cooperation between the various internal departments and by providing additional training. During the third quarter of 2010 the SRC created three new customs offices, one customs point and one new customs warehouse with a view to reducing the time and paperwork needed for customs clearance. Concerns still remain around procedures for the verification of customs valuation. Further improvements are needed in areas such as risk management, integrity, verification of certificates of preferential origin, cooperation with other enforcement agencies and access to the main international customs instruments, as well as the role of customs in intellectual property rights (IPR) protection.

Progress was made as regards the **free movement of goods and technical regulations**. In particular, the Strategy for the Reform of Armenia’s Quality Infrastructure 2010-2020 was approved by the government in December after extensive consultations with stakeholders.

On **sanitary and phytosanitary** (SPS) issues, Armenia continued preparations towards a food safety strategy and action plan. It further developed horizontal legislation including amendments to the food safety law, the veterinary law and the law on the registration of food establishments. In December 2010, Armenia established a unified food safety agency and further strengthened its laboratories. In June 2010, Armenia connected to the external window of the EU’s Rapid Alert System for Food and Feed. In January 2010, Armenia expressed an interest to extend its exports to the EU to include fish and fishery products. It developed a

surveillance system for aquaculture diseases. If it is to meet ENP Action Plan objectives, facilitate trade and prepare for a future DCFTA with the EU, Armenia needs to make considerable progress with regard to legislation and its enforcement, as well as to strengthen the capacity of, and coordination among, the institutions.

On the issues of **business climate, establishment and company law**, a new Action Plan for improving the business environment was approved in early 2010. Amendments to the draft laws on Limited Liability Companies, Individual Entrepreneurs and State Duty, as well as amendments of the Civil Code initially approved at a government session in September, were suspended. The Corporate Governance Code was amended based on recommendations provided by the Global Corporate Governance Forum of the International Finance Corporation (IFC) and it was approved by the government in December 2010. Armenia slipped four places in the World Bank's 'Doing Business' 2011 ranking, to finish 48th among 183 nations, despite a clear improvement in trading across borders. In the field of **financial services**, the CBA continued its efforts to implement the Basel II principles for effective banking supervision. The banking sector is well capitalised and has exhibited resilience to stress-tests. The ratio of non-performing loans fell from 10% in 2009 to 5% in August 2010. Nevertheless, financial intermediation remains low, with private sector credit accounting for around 24% of GDP. The crisis has also increased foreign currency lending, exposing banks to indirect credit risks. The authorities are taking steps to ensure that these risks are managed, but there is a need for continued strengthening of the financial sector supervision in order to maintain robust confidence in the banking system and improve its resilience to shocks. The foreign capital share of the banking sector remains high.

Other key areas

In the area of **taxation**, Armenia still has to adopt a consolidated version of the tax code. In October, Armenia approved amendments to the law on excise tax, the law on presumptive taxes for tobacco products, the law on Value Added Tax, and the law on Domestic Market Protection. The Armenian tax and customs system for alcohol products continues to be incompliant with the WTO obligations and should be modified accordingly. The implementation of the Tax Administration Strategy for 2008-2011 continued in 2010 with the focus on the development of an electronic declaration system, risk-based controls, and the development of the electronic taxpayers' database. At the end of the reporting period, Armenia had agreements on avoidance of double taxation with sixteen EU member states, fifteen of which were already ratified and had entered into force.

The State Commission for the Protection of Economic Competition (SCPEC) continued its efforts to strengthen the legal and institutional framework for **competition policy** in 2010. Stakeholder consultations on the proposed legislative amendments, to which both the European Commission and World Bank contributed, started in September 2010. The SCPEC developed a Strategic Programme for improving the competitive environment for the years 2010-2012. The role of the SCPEC is weakened by the lack of financial independence. So far, progress in introducing a system for **state aid** has been very limited.

Regarding **intellectual property**, the new laws on trademarks and geographical indications entered into force in July 2010. Draft implementing legislation of the law on trademarks was submitted to the government. Draft amendments to the Law on inventions, utility models and industrial designs were submitted to the government in August 2010. Armenia still needs to ratify the International Convention for the Protection of New Varieties of Plants (UPOV Convention). While preparing ratification, Armenia prepared a law on the protection of new

plant species which should become UPOV-compatible. Armenia developed draft amendments to the Code on Administrative Violations, which aim at re-enforcing the protection of intellectual property. Armenia ranked fifth in a May 2010 software piracy study by an independent expert organisation, with 90% of pirated software, down from 95% in 2006 and 92% in 2009. The Armenian authorities drafted an IPR enforcement strategy and action plan. These drafts, however, still need to be finalised. In 2010, the government submitted draft legislation on **public procurement** to the parliament. Armenia also finalised the negotiations on the accession to the WTO Government Procurement Agreement (GPA) in 2010. The GPA Committee approved the terms of accession of Armenia to the Agreement in December 2010, subject to the adoption of the GPA compliant procurement law. In 2010, Armenia initiated the development of a system of electronic tendering for public procurement.

Armenia made progress in the area of **accounting**. The international financial reporting standards (IFRS) and international financial reporting systems for small and medium-sized enterprises (IFRS for SME) were made obligatory in March and September 2010 respectively. Armenia adopted a draft accounting law. There are no developments to report regarding the establishment of an independent regulatory body for accounting and **auditing**.

In the area of **statistics**, the Armenian national classification of economic activity was revised to make it compatible with the NACE (Rev. 2) Statistical Classification of Economic Activities in the European Community. In 2010, the National Statistical Institute (NSI) developed and adopted the “Armenian Classification of territorial units for statistics” in accordance with the main EU methodological recommendations and principles. The AA negotiations on statistics were provisionally concluded in November 2010.

In the area of **enterprise policy**, some progress was made. In October 2010, Armenia adopted amendments to the law “On State Support of Small and Medium Entrepreneurship”. The government allocated AMD 150 million (EUR 278,000) to the SME Development National Centre (SME DNC) to continue supporting SME development, by providing technical, financial and international cooperation assistance. The SME DNC Hotline received numerous inquiries, complaints and recommendations. In order to better respond to these communications, the SME DNC established a cooperation mechanism with the Tax and Customs Services, the Register of Legal Persons of the ministry of justice and the Land Register. SMEs still face difficult conditions despite tax and customs reforms, and there is still a need for improvements in access to information.

In the area of **public internal financial control**, the Internal Audit law was adopted by the Parliament in December 2010, providing the full legal basis for functioning of the Central Harmonisation Unit for Financial Management and Control (FMC) and Internal audit, which was institutionally already set up in the Ministry of Finance in June 2010. In November 2010, the government adopted a Policy Paper and Action Plan for 2010-13 including the introduction of managerial accountability. With regard to **external audit**, the Chamber of Control started cooperation with the State Audit Institution of the Netherlands on adapting audit practices to the standards of the International Organisation of Supreme Audit Institutions (INTOSAI), while also cooperating with SIGMA on its own Strategic Development Plan.

5. COOPERATION ON JUSTICE, FREEDOM AND SECURITY

A first meeting of the EU-Armenia Subcommittee on Justice, Freedom and Security took place in Yerevan in July 2010, underlining the strong mutual willingness to deepen relations in this policy area. Discussions started between the EU, Armenia and a group of interested EU Member States on the establishment of an EU-Armenia Mobility Partnership.

In November 2010, Armenia adopted its Border Security and Comprehensive Border Management Strategy, to be followed by a time-scheduled Action Plan. In September 2010, as part of the Southern Caucasus Integrated Border Management (SCIBM) project, Armenia hosted a bilateral workshop on integrated **border management** strategies with Georgia. Work continued on border demarcation with Georgia alongside the further professional training of border guard personnel, including the abolition of the conscription system.

Work also continued on a national action plan on **migration and asylum**. With support from OSCE and the International Organisation for Migration (IOM), Armenian government officials received training in biometrics and ID management to prevent identity fraud, irregular migration, migrant smuggling and human trafficking. Good progress was made in the area of document security with the preparations for the introduction of biometric passports. Technical requirements for Armenian passports and ID cards with biometrical parameters were finalised and a tender for their procurement was launched.

With regard to the fight against **organised crime**, in September 2010 Armenia signed the 2007 Council of Europe Convention on the Protection of Children against Sexual Exploitation and Sexual Abuse. It is yet to accede to the Third Additional Protocol to the United Nations Convention on Transnational Organized Crime on the Illicit Manufacturing and Trafficking of Firearms, their Parts and Components. Inter-agency work continues on developing a national strategy to combat organised crime.

Armenia continued its efforts to comply with the minimum standards for eliminating the **trafficking of human beings**. Legislation was enacted to increase the minimum penalty for convicted trafficking offenders, to allow the confiscation of their assets, and to exempt trafficking victims from criminal prosecution for crimes committed as a direct result of being trafficked. The government allocated some funding for victim assistance and made some progress in the implementation of its national trafficking victim referral mechanism. The topic of trafficking in human beings was introduced into the school curriculum in Armenia.

With regard to the fight against **drugs**, a timetable for action was adopted in July 2010 under the 2010-12 National Programme on Combating Drug Addition and Trafficking of Narcotic Drugs. It included specific actions for rehabilitation as well the establishment of a monitoring and evaluation system to assess its impact, under the coordination of the ministry of health. In this regard, capacity building, data collection and international cooperation remain key issues. A national awareness preventive campaign “Hemp Poppy 2010”– was organised by the Armenian police in August-September 2010. In October 2010, Armenia attended the ENP regional seminar on the EU drug monitoring system organised by the Commission and the European Monitoring Centre for Drugs and Drug Addiction (EMCDDA) in Brussels.

With regard to the fight against **money laundering**, Moneyval adopted a progress report in September 2010 on Armenia’s implementation of recommendations resulting from the third round mutual evaluation report adopted in September 2009, particularly in relation to key recommendations of the Financial Action Task Force (FATF). The Central Bank submitted a

draft amendment to the law on the Fight against Money Laundering and Financing of Terrorism for the government, which was amended by parliament in December. Consolidation of technical and human resources to combat money laundering, corruption and terrorism financing remains a priority.

In the area of **police and judicial cooperation** Armenia has yet to ratify the Second Protocol to the European Convention on Mutual Assistance in Criminal Matters. Armenia also has yet to sign two key Hague Conventions on international judicial cooperation, namely the 1965 Convention on the Service of Documents and the 1970 Convention on the Taking of Evidence Abroad in Civil or Commercial Matters. No progress can be registered regarding the accession of Armenia to some important international Conventions regarding family law such as the 1980 Hague Convention on the Civil Aspects of International Child Abduction and the 1996 Convention on Parental Responsibility and the Protection of Children. In November, Armenia signed a cooperation agreement to strengthen police and judicial cooperation with Poland, while a declaration on a similar agreement with Germany was awaiting signature in early 2011.

As regards **data protection**, Armenia signed the 1981 Convention for the Protection of Individuals with regard to Automatic Processing of Personal Data and the Additional Protocol on supervisory authorities and trans-border data flows in April 2011.

6. TRANSPORT, ENERGY, ENVIRONMENT, THE INFORMATION SOCIETY, RESEARCH AND DEVELOPMENT

Armenia started to implement its 2009-2020 **transport** sector development strategy. As regards infrastructure policy, Armenia made progress on the planned North-South road corridor (scheduled from 2009 to 2017) and on the rehabilitation of the existing Yerevan-Tbilisi rail link.

The newly established National Road Safety Council of Armenia (NRSCA) held its first meeting in September 2010. Thanks to the successful implementation of the National Road Safety Strategy, the number of casualties due to road accidents fell in 2010. As regards the introduction of the digital tachograph under the UN-ECE European Road Transport Agreement on driving times and rest periods, Armenia did not implement all the measures provided for in that agreement concerning the issuing of cards for drivers, undertakings, workshops and controllers before the end of the tolerance period on 31 December 2010.

In the air sector, Armenia has not fully removed restrictive commercial and regulatory measures in order to improve aviation efficiency and connectivity.

Armenia and the EU stepped up their **energy** dialogue, inter alia, via the first ever Energy Subcommittee meeting, held in October 2010 in Yerevan. Armenia pursued the safety upgrading of Medzamor Nuclear Power Plant (MNPP) and continued to credit the nuclear decommissioning fund in view of the planned closure of this plant by 2016. The EU continued to request closure as soon as possible before this date since the MNPP cannot be upgraded to meet internationally recognised nuclear safety standards.

In August 2010 Armenia and Russia signed an intergovernmental agreement to build a nuclear power plant (NPP) probably between 2012 and 2018. The Armenian government and Rosatom (Russia) are participating in the project, which is open to other international

investors. In 2010, Armenia made progress on technical studies concerning the future NPP, including issues related to the seismicity of the site. The spent nuclear fuel/radioactive waste strategy and the detailed decommissioning plan for the existing plant are still in a preparatory phase. A joint Armenian-Russian company continued with a survey on the possible use of domestic uranium resources.

In May 2010 Armenia applied to become an observer under the Energy Community Treaty. The parliament examined draft amendments to the electricity, gas and energy efficiency acts. In April 2010, Armenia increased its gas prices. It initiated an assessment on the possible use of domestic oil shale.

Armenia prepared a draft action plan on energy efficiency and the use of renewable energy sources. The country further developed the use of renewable sources. In addition, (small) hydro, wind, photovoltaic, geothermal and bio ethanol were targeted. Armenia continued to construct and upgrade power plants. In 2010, the country completed a study on the extension of the Abovyan underground gas storage (UGS), which it plans to implement. Armenia continued building domestic gas pipelines and connecting customers to the gas network. It also increased the safety of the gas network. Armenia further upgraded its electricity networks and advanced the development of new electricity interconnections with Georgia and Iran. Armenia and Iran initiated plans for constructing a new oil product pipeline between their two countries.

In the field of **climate change**, Armenia submitted its Second National Communication (SNC) to the UN Framework Convention on Climate Change (UNFCCC), including a greenhouse gas inventory, and mitigation and adaptation measures.

Armenia also took steps to prepare further Clean Development Mechanism (CDM) projects, even if no new projects were registered at the UN level, leaving the total number of registered projects at five. The European Commission continued to support Armenia in implementing the Kyoto Protocol.

Armenia is encouraged to fully implement the Cancun agreement and in particular devise a low carbon development strategy including update information on target or actions that it will implement

In the field of the **environment**, Armenia continued implementing its environment action plan for 2008-2012, inter alia with regard to the development of the legislation. However, the legislative framework continues to require further development, in particular as regards implementing legislation. The act on environmental protection and legislation on environmental expertise and self-monitoring of compliance are still under preparation. Changes to existing air quality legislation are also being prepared, including introduction of the concept of Best Available Techniques (BAT). Preparatory works are also under way for the protection of water resources through decentralised management at river basin level and for reducing risks of hazardous substances. Continued attention is required in order to implement existing strategies and plans and to further enhance monitoring and enforcement. Armenia established inventories of landfills, obsolete pesticides and PCBs. Further strengthening of administrative capacity at all levels of the country remains a major challenge, and coordination between authorities continues to require attention. Armenia took some steps to promote the integration of environmental considerations into other policy sectors, such as industrial policy.

There were no significant developments with regard to preparations of state-of-the-environment reports. Armenia nevertheless continued to carry out some other activities to provide information to the public. Procedures and consultation with the public in the context of environmental assessments continue to require particular attention. Amendments to the law on environmental impact assessment being debated in the parliament raise concerns about possible negative environmental effects arising from procedural simplification.

Armenia ratified the Protocol on Strategic Environmental Assessment to the United Nations Economic Commission for Europe (UNECE) Convention on Environmental Impact Assessment in a Trans-boundary Context. There were no significant developments as regards the accession or ratification with regard to the remaining relevant UNECE Conventions and Protocols. Furthermore, the implementation of several agreements, which have already been ratified, requires particular attention. Armenia participated in the EU Water Initiative, which included a national policy dialogue. Cooperation and information exchange took place between the European Commission and Armenia, including on water, forestry, waste management, environmental data, nature protection and air quality.

The **Regional Environmental Centre (REC) for Caucasus** carried out regional activities in 2010, including in the fields of information and public participation, environmental policy and local environmental action plans. The REC also further improved its internal management, fund-raising and visibility in 2010. Nevertheless, it carries over a financial shortfall from previous years which is hampering its activities.

In the field of **civil protection**, a concept paper on seismic safety and the establishment of a crisis management centre were approved. Preparatory actions for strengthening various aspects of civil protection are under way, including management reforms and new legal acts. There are also activities under the EaP framework (*please see the sectoral report*).

Progress in regulatory reform in the area of **Information Society** was modest in 2010, even though Armenia's regulator (the Public Services Regulatory Commission) plans to introduce mobile number portability, access to the infrastructure and a simplification of the market entry procedure. The adoption of these measures would be key in creating the conditions for competitive markets, which currently still constitute a de facto monopoly in the fixed telephony market. The number of Internet users rose significantly, although consumers still have complaints about the quality of the Internet. The leading mobile operator is introducing a 4G network (LTE technology) in Armenia.

In the **audiovisual** sector, freedom of reception and retransmission of television broadcasts coming from other countries remains difficult, as Armenia has not yet ratified the Council of Europe Convention on Transfrontier Television.

Armenia's **research** investment and capacity remains relatively modest. Armenia continued to increase the number of applications submitted to the 7th Framework Programme (FP7). Eighteen research organisations were successful in their applications as of November 2010, receiving EUR 880,000 of EU funding, particularly under parts of the programme relating to international cooperation, research infrastructures, and information and communication technologies.

Armenia continued to participate actively in the International Science & Technology Cooperation Network for Eastern European and Central Asian countries (FP7 IncoNet EECA

project), which aims to support a bi-regional EU-EECA policy dialogue on science and technology and to increase EECA participation in FP7.

Armenia is a target country under the new FP7 International Cooperation Network for Central Asia and South Caucasus countries (FP7 IncoNet CA/SC) which was launched in April 2010 and aims to strengthen and deepen EU S&T cooperation with the CA/SC countries, and also with the Republic of Moldova.

Armenia is also playing an active part in the Black Sea ERA-NET project, which aims to contribute to the coordination of research programmes of the EU member states and partner countries targeting the extended Black Sea region.

7. PEOPLE-TO-PEOPLE CONTACTS, EDUCATION AND HEALTH

In the field of **higher education**, the ministry of education and science developed new admissions rules for public and private universities in order to create fair and equitable access based upon the results of a unified school graduation examination. Under the requirements of the Bologna Process, the National Centre for Professional Education (ANQA) drew up its strategic plan for 2010-15 in June, while quality assurance standards for higher and vocational education, which are compatible with the European standards (ESG), are being developed. In February, the ministry also adopted a new policy on distance learning. Work on the development of a comprehensive national qualifications framework comparable to the European Qualifications Framework (EQF) advanced well, while a new law on secondary education in July enabled 91 new high schools to be established.

Higher education reform in Armenia continued to benefit from participation in **Tempus**, with four projects selected under the third Call for Proposals of Tempus IV. Armenia also continued its active participation in the **Erasmus Mundus** programme in the academic year 2010-11 with the expected award of six scholarships for Erasmus Mundus Masters Courses under Action 1 and a further 29 mobility grants for students and academics under Action 2. For the first time, in 2010 a **Jean Monnet** interdisciplinary module was awarded to Yerevan State University to increase understanding of EU relations with the Southern Caucasus in the context of the ENP.

With regard to **vocational education and training**, Armenia further consolidated reforms with substantial EU assistance in the areas of teacher training and refurbishment of vocational training colleges. The ministry of education and science adopted state standards for vocational education programmes for over 80 professions, while further expanding the modular learning approach. In addition, it established its own lifelong learning department in October 2010.

In the area of **culture**, Armenia participated in four projects under the 2010 Special Action for ENP countries under the Culture Programme. In January, the ministry of culture approved a programme for the protection and use of intangible culture for 2011 alongside a procedure for documentation and certification. To advance its regional cooperation in the framework of the Eastern Partnership and the Kyiv Initiative, Armenia is due to ratify the 2005 CoE Framework Convention on the Value of Cultural Heritage for Society.

Armenian young people and **youth** organisations continued to benefit from the opportunities offered by the Youth in Action Programme, through exchanges, voluntary service and youth cooperation activities in non-formal education.

Armenia continued the reform of its **health** sector, addressing primary health care and health insurance in particular. In November 2010, the amendments to the law on medical assistance and medical services, aimed at extending the list of free medical services, entered into force. The draft health care law remains in a preparatory stage. The government endorsed a concept for improving the quality of health services. In March 2010, as a result of last year's influenza A (H1N1) epidemic, the European Commission and Armenia established communication channels for the exchange of epidemiological information in the event of a public health emergency of international concern. In April 2010, Armenia adopted a strategic plan on HIV/AIDS and tuberculosis covering the period 2010-2014.

8. FINANCIAL COOPERATION – 2010 KEY FACTS AND FIGURES

Cooperation framework

The Mid-Term Review of the programming document confirmed that the Country Strategy Paper adopted in 2007 remains a valid framework for cooperation with Armenia. The new National Indicative Programme (NIP) 2011-13 for Armenia was adopted in March 2010 and has a budget of EUR 157.3 million. The programme is geared towards supporting the achievement of key policy objectives as outlined in the EU-Armenia AP and pursues three priorities: (1) democratic structures and good governance, (2) trade and investment; regulatory alignment and reform, and (3) socio-economic reform and sustainable development.

The NIP 2011-13 includes a specific appropriation to finance new actions under the Eastern Partnership, notably a Comprehensive Institution Building programme (CIB) (a minimum of EUR 32.8 million) and Cohesion Policy (a minimum of EUR 7.1 million). The CIB Framework Document (FD) was signed in November 2010 and identified the following key areas for support: strengthening of the institutional structure for the negotiations for the AA; justice, freedom and security, anticorruption, and preparations for the negotiations of the DCFTA part of the AA. Core institutions identified in the FD will have to develop Institutional Reform Plans, to be supported as part of the Annual Action Programmes (AAP) 2011-2013, by means of a variety of tools including technical assistance, Twinning, TAIEX, SIGMA and training.

In the field of **Regional Policy dialogue** a seminar for regional and national officials was organised by the Ministry for Territorial Integration and TAIEX in January. Armenia requested in December to establish a regional policy dialogue with the Commission during 2011.

Implementation

Implementation of the measures covered by the NIP 2007–2010 is underway. These measures include the programme on Vocational Education and Training (VET) (AAP 2007, EUR 16 million) which was completed in July 2010. As a result, the VET Department of the ministry of education and Science has been reorganised and its monitoring capacities have been strengthened. Moreover, 12 VET schools have been selected to become multifunctional regional centres and modernized. A National Centre for VET Development has been established and is fully operational.

In addition, the "Justice reform programme" (EUR 18 million) is ongoing. Under this programme Armenia undertook to develop a comprehensive strategy for implementation of judicial reform and a proper Public Financial Management (PFM) system in the sphere of justice and to improve the law implementation system. Moreover, a substantial decrease in corruption in the judiciary should be achieved. Other objectives include improved access to justice, leading to a wider application of the right to justice and increased independence of the judiciary, in an effort to strengthen the credibility of court proceedings. Armenia also made efforts to establish cooperation with the judicial and law enforcement authorities of EU member states.

The need for further support in the area of VET led to the identification, under the 2009 AAP, of a further sector budget support operation to underpin the reform of the VET sector (EUR 15 million) focussing on better quality of VET design and delivery, establishing a technical support structure (National Centre for VET Development) and increasing government ownership of the reform process. Implementation will start in 2011.

In 2010, a total amount of EUR 27.7 million was committed to Armenia under the bilateral appropriation of the European Neighbourhood and Partnership Instrument (ENPI). The 2010 AAP included a EUR 21 million multi-sector budget support operation to assist the government in implementing a number of key areas of the EU-Armenia AP and in preparing for the negotiation of the AA in the area of DCFTA.

Considerable resources have been devoted to the funding of twinning operations (EUR 5 million in 2007, EUR 6 million in 2008, EUR 5.5 million in 2009, EUR 5.5 million in 2010). At the end of 2010, there were four twinning operations ongoing and a further 7 in preparation.

In addition to the bilateral allocation, Armenia also benefited from cooperation activities financed under the ENPI cross-border, inter-regional and regional programmes. Armenia participated in the ENPI Cross-Border Cooperation (CBC) programme Black Sea Basin (EUR 21.3 million for the whole programme in the period 2007-13). The main priorities of this programme are to support cross-border partnerships for economic and social development based on combined resources, to share resources and competencies for environmental protection and conservation, and to support cultural and educational initiatives to establish a common cultural environment in the Basin.

Under the ENPI-financed Neighbourhood Investment Facility (NIF), two projects in Armenia received provisional approval in 2010: they were the Yerevan Metro Phase II programme and the Kotayk Solid Waste Management programme.

Other EU instruments supplement the ENPI assistance package. Armenia has benefited from cooperation activities financed under horizontal instruments such as the European Instrument for Democracy and Human Rights (EIDHR) and the Development Co-operation Instrument (DCI) thematic programmes: Non-State Actors and Local Authorities in Development (NSA-LA) and Food Security.

In 2010 the EU Advisory Group continued to provide support to the core areas of the EU-Armenia AP. Substantial contributions were made to the Armenian reform efforts in the areas of customs, protection of human rights, anticorruption and good governance, and trade related areas, particularly technical barriers to trade. The EU is continuing to fund the activities of the EU Advisory Group to Armenia with EUR 4.2 million under the 2009 AAP. The EU

Advisory Group will provide targeted advice in the areas related to the AA and focus on the areas of democracy and human rights, justice, liberty and security and also preparations for the DCFTA.

With regard to assistance in the area of Nuclear Safety, projects providing On-Site Assistance and the supply of equipment worth EUR 11 million to the Nuclear Power Plant of Medzamor are currently being implemented under the Instrument for Nuclear Safety Cooperation (INSC) programme (2009 funding). Other safety upgrading projects worth EUR 13.6 million and aimed at further improving the safety culture of the Armenian nuclear power plant were programmed under the INSC Action Programmes 2008, 2009 and 2010.

In November 2010, the conditions governing EU Macro-Financial Assistance (a loan of EUR 65 million and a grant of EUR 35 million) were agreed with Armenia. The MFA was aimed to alleviate the effects of the global financial crisis. The first disbursement of the MFA is due to be made in the second quarter of 2011.

In 2010 the European Investment Bank signed its first lending operations with the government of Armenia. The EUR 5 million financing will be used for upgrading the metro in Yerevan, thereby helping to improve the urban environment in the Armenian capital.

Donor coordination

In 2010, donor coordination mainly concerned the four leading donors (WB, IMF, USAID and EC), with the participation of the minister of economy. Armenia has taken on increasing responsibility for the coordination of donor activities.



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JOINT STAFF WORKING PAPER

Implementation of the European Neighbourhood Policy in 2010 Country report: Azerbaijan

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JOINT STAFF WORKING PAPER

Implementation of the European Neighbourhood Policy in 2010 Country report: Azerbaijan

1. OVERALL ASSESSMENT

Azerbaijan and the EU first established contractual relations in 1996 through a Partnership and Cooperation Agreement which entered into force in 1999. On that basis, the EU-Azerbaijan European Neighbourhood Policy Action Plan (ENP AP) was approved in November 2006 for a period of five years.

In 2010, EU-Azerbaijan meetings took place at the level of the Cooperation Council, the Cooperation Committee and the three subcommittees. The subcommittee on Justice, Freedom and Security and Human Rights and Democracy met for the first time during the year.

This document reports on the progress made in implementing the EU-Azerbaijan ENP AP between 1 January and 31 December 2010, although developments outside this reporting period are also taken into consideration when deemed relevant. It is not a general review of the political and economic situation in Azerbaijan. For information on regional and multilateral sector processes, please refer to the sectoral report.

Within the Eastern Partnership (EaP), the EU and Azerbaijan continued to strengthen their relations. Following the adoption of negotiating directives for an Association Agreement (AA), the negotiations were launched in July 2010 in Baku and have made good progress during the reporting period. This Agreement is conceived by both Parties as illustrating the most advanced and ambitious approach to the Eastern Partnership vision of association, including a Deep and Comprehensive Free Trade Area (DCFTA) and a comprehensive programme of approximation to EU *acquis*. The negotiations on a DCFTA will start, in the same framework, once the necessary conditions have been met. These include Azerbaijan's joining of WTO. In this respect, no progress has been made in the negotiations on Azerbaijan's accession to the World Trade Organisation (WTO).

Overall, Azerbaijan made some progress in implementing the ENP AP, in particular in the area of macro-economic stability and efforts to address poverty and attain socio-economic equilibrium.

However, Azerbaijan needs to make significant further efforts to meet the Action Plan commitments in the field of democracy, including electoral processes, the protection of human rights and fundamental freedoms and the independence of the judiciary. In this respect the EU noted with concern an increasing number of reported arrests of youth activists in the country in February, March and April 2011 and other measures of intimidation as well as restrictions on the freedom of expression and assembly.

Azerbaijan has launched an anti-corruption campaign in early 2011 and will need to continue efforts in this context.

Progress was noted in the fight against organised crime, terrorism and illicit trafficking. Progress was also made on gender equality with the adoption of a law on domestic violence.

Azerbaijan suffered less than the other Eastern neighbourhood countries from the global economic crisis, and was less constrained in achieving the objectives of the AP. However, while the general economic policy stance was prudent and broadly adequate, little was achieved in the area of structural transformations. The main macroeconomic challenge remains the diversification of the economy away from the hydrocarbon sector and the monopolisation of the economy.

Good progress was made in the field of energy cooperation, including Azerbaijan's support to the Southern Gas Corridor. In January 2011, during the visit of European Commission President Barroso to Baku, a Joint Declaration on the Southern Corridor was signed, demonstrating the commitment of both sides to ensuring energy supplies to the European gas market.

Negotiations on a peaceful solution of the Nagorno-Karabakh conflict continued at the highest level, with some progress, in particular regarding the exchange of prisoners of war, as a necessary confidence building measure to further advance the process. An increased number of incidents of exchanges of fire and casualties on the line of contact continued to be reported. This remains a cause for serious concern.

2. POLITICAL DIALOGUE AND REFORM

Democracy and rule of law

The conduct of the parliamentary **elections** held on 7 November 2010 was not sufficient to constitute meaningful progress in the democratic development of the country. A large number of international observers monitored the elections. Several shortcomings were observed in the course of the electoral process, including the high rejection rate of registration of opposition candidates and the restricted campaign environment, with intimidation of opposition candidates and their supporters. Changes in the electoral code in June 2010 meant a shortening of the election period from 75 to 60 days and a reduction in the campaign period which started 23 days before the election day. Amendments also included the abolition of state funding for candidates, who had to resort to other means to finance the campaigns. Overall, these measures prevented the creation of a level playing field for all candidates. In addition, on election day, additional shortcomings were observed including ballot stuffing, multiple voting and flawed counting of votes. There was no progress regarding the concerns raised by the Council of Europe (CoE) Venice Commission in the context of bringing the law on the municipalities into line with the constitutional amendments introduced in 2008.

Apart from the implementation of a number of training programmes, no tangible progress was made with respect to **civil service reform**. However, recognising the need to advance further in this field, the EU and Azerbaijan, in the context of the EaP, took steps towards the launching of the Comprehensive Institution Building (CIB) programme, aimed at strengthening key areas of the Azerbaijani civil service.

The Constitutional Law on Normative Legal Acts was adopted in June 2010. The purpose of this law is to combine in a single legal instrument all the important rules for producing state norms. It addresses the preparation, drafting, adoption, publication and bringing into force of

normative legal acts and facilitates the regulation of legislative work and cooperation between the legislative and executive branches of power. The law is expected to improve the legal, material and formal quality of Azerbaijan's legislation.

With respect to the functioning of the judiciary, the lack of independence, inefficiency, lack of transparency and levels of corruption remained serious concerns which need to be addressed. Nevertheless, some steps were taken in the area of **judicial reform**. The Law on Courts and Judges was amended to decentralise the justice administration, including through the establishment of Serious Crimes Courts in all regions. The establishment of Administrative Courts also constitutes a further important development.

Amendments were also made to the Law on Lawyers and Advocates by lifting the bar examination for lawyers and judges who want to become advocates and introducing provisions on the organisation of the bar on ethical standards. Provisions were also introduced to entrust execution officers with implementing decisions of all courts and imposing fines for non-execution of court decisions. Additionally, an increase in the number of judges by 25 % up to 600 was decided. Despite this positive development, even more judges are needed. The Judicial Legal Council was strengthened. The establishment of the Academy of Justice made slow progress. Meanwhile, there was no progress at all with regard to the establishment of a system of specialised **juvenile justice**.

Uneven progress was made in the fight against **corruption**. Progress is noted in meeting several of the 2006 recommendations of the Group of States against Corruption (GRECO) with regard to public sector human resources management issues. However, in its 2010 evaluation focusing on incriminations and transparency of party funding, GRECO concluded that significant shortcomings remain in the legislation and its effective application, particularly regarding the criminalisation of the phenomenon. There is a perception that the level of corruption has increased over the last three years, with Azerbaijan being ranked the highest among CIS countries for corruption. It is noted, however, that an anti-corruption campaign was launched by the president in early 2011.

Human rights and fundamental freedoms

The Commissioner for **Human Rights** (Ombudsman) was reappointed for a second seven-year term in May 2010. The same person may hold the post for not more than two terms. The regional centres of the Ombudsman's office were also strengthened.

No progress or even deterioration of the situation was noted in the field of **freedom of expression** and **media freedom**. Since 2009 the ranking of press freedom¹ in the country dropped by six points. The overall situation of media in the country was characterised by lack of media pluralism and a pro-government bias of mainstream media outlets, harassment of and violence against journalists, questionable judicial proceedings against media representatives.

A parliamentary vote in December 2010 rejected a plan to create an Ombudsman for news and information, although the 2005 Right to Information Law stipulates that such a function should be established six months after its enactment. There was no progress in amending the criminal code to abolish defamation, which constitutes a legal barrier to freedom of

¹ Reporters without Borders (October 2010)

expression in the country. Cases of harassment of journalists and political activists expressing independent views continue to be regularly reported. The Press Council remains under the strict control of the authorities. Furthermore, the existence of a “blacklist” of newspapers published by the Press Council allows discriminatory actions to be taken. But in November 2010 the two youth activists, who had been imprisoned for two and a half years charged with hooliganism, were released following an appeal. At the same time no progress was noted in implementing the ruling of the European Court of Human Rights of 22 April 2010 with respect to an imprisoned journalist whose rights to freedom of expression and information and right to a fair trial had been violated.

Further progress was made in upgrading the material infrastructure of the **prison/penitentiary system** and the conduct of law enforcement staff improved. However, widespread torture and ill-treatment continued to be reported. No progress was made in the direction of the right to individual complaints under Article 22 of the UN Convention against Torture.

No progress was observed with respect to **freedom of assembly**. In addition to restrictions for political parties and rallies in relation to the parliamentary elections (*see above*), the breaking up of demonstrations and gatherings of religious or non-political nature was also noted during the reporting period. No progress was made regarding **freedom of association**. Following the amendments made in 2009 to the Law on non-governmental organisations (NGOs), difficulties continued to be observed with respect to registration of NGOs. Following legal amendments introduced in May 2009 regarding the law on **freedom of religion**, religious groups were obliged to register by 1 January 2010. In the course of the year, there were several reported cases of harassment of religious groups in relation to religious meetings or the distribution of religious literature.

The lack of protection of **property rights** is a matter of concern. There are reports of illegal expropriation and evictions without residents’ consent in connection with large-scale infrastructure developments, particularly in Baku.

In the area of **gender equality** and **empowerment of women**, progress was noted as the Law on Prevention of Domestic Violence and Protection of Victims of Domestic Violence was adopted in October. According to the law, domestic violence complaints will be considered by the relevant authorities and prosecution will be carried out in accordance with criminal procedures. Furthermore, the law foresees the establishment of special shelters for victims of domestic violence. In addition, the parliamentary elections in November 2010 led to an increase in the share of female candidates from 11% to 16%, compared to the previous parliamentary elections. The number of female members of parliament increased from 14 to 20 members as a result. In October 2010 the CoE Convention on Action against Trafficking in Human Beings entered into force.

Cooperation on foreign and security policy; conflict prevention and crisis management

Since June 2007, Azerbaijan has been invited to align with CFSP declarations on a case by case basis. In 2010, Azerbaijan aligned with 18 out of 44 CFSP declarations which it was invited to join. There was intense political dialogue with the government in 2010, including through two Political and Security Committee **political dialogue** meetings in June and September 2010.

There were no developments in the direction of accession to the Rome Statute of the **International Criminal Court (ICC)**.

Parliament adopted the Law “on participation of the Republic of Azerbaijan in peacekeeping operations” in May 2010. The law provides for Azerbaijan's participation in peace-keeping operations in line with the UN Charter, thus observing the principles of international law and international agreements.

Strengthening regional cooperation

The Southern Caucasus Integrated Border Management (SCIBM) promoted by the EU among Georgia, Armenia and Azerbaijan started in March 2010 (*See chapter on cooperation on justice, freedom and security*). The Regional Environmental Centre (REC) for the Caucasus carried out regional activities in 2010, including in the fields of information and public participation, environmental policy and local environmental action plans (*See chapter 6, part on environment*).

Contributing to a peaceful solution of the Nagorno-Karabakh conflict

Negotiations within the Minsk Group for a peaceful settlement continued with the Presidents of Armenia and Azerbaijan holding three bilateral meetings in 2010. At their meeting in Astrakhan in November, both Presidents agreed to exchange prisoners of war and bodies of dead servicemen. However, courageous steps by both sides will be needed if a resolution to the conflict is to be found.

In autumn 2010, the Minsk Group Co-Chairs intensified their activities with a visit to the Line of Conduct. A Field Assessment Mission to the territories surrounding Nagorno-Karabakh also took place. A joint statement by the OSCE Minsk Group together with the Presidents of Azerbaijan and Armenia during the OSCE Summit in Astana in December 2010 stressed that the “*time has come for more decisive efforts to resolve the Nagorno-Karabakh conflict*” and that a peaceful resolution to the conflict is the only way to bring real reconciliation to the peoples of the region. However, tensions remain and the situation continues to be fragile. An increased number of incidents of exchanges of fire and casualties on the line of contact continued to be reported and remains a cause for concern.

In support of the negotiations led by the OSCE Minsk Group, an EU-funded project to contribute to the peaceful resolution of the Nagorno-Karabakh conflict was launched in June 2010. The project supports activities in the area of media, public policy and conflict affected groups.

3. ECONOMIC AND SOCIAL REFORM

Macroeconomic framework and functioning market economy

In 2010, real GDP growth slowed to 5% compared with 9.3% GDP growth in 2009. The slowdown was mainly due to weak expansion in oil production, following the rapid rise in 2009 which had been driven principally by increased production from the Azeri-Chirag-Guneshli oilfields in the Caspian Sea. Growth in the non-oil sector outpaced growth in the oil sector (7.9% against 1.8% in real terms). The oil sector had driven exceptional growth rates in recent years. It expanded by an annual average of 37% in the period 2005-2009 and currently accounts for around half of country's GDP and over nine-tenths of its exports. Both exports and investment bounced back after contracting in 2009. Exports in 2010 rose by 14.5% driven by increasing global demand and higher oil and gas prices. Investment rose by 6% linked to a slight recovery in foreign direct investment (FDI). The relatively small services sector, which

makes up approximately 30% of GDP, continued to expand, mainly driven by hotels, restaurants and the communications sector. The agricultural sector contracted by 2.5 % following poor yields in potato and grain products related to heavy flooding.

Despite the weak expansion in oil production, the trade balance ran a surplus of around 38% of GDP in 2010, compared to 34% of GDP in 2009. Higher oil prices boosted export revenue and dwarfed increases in import spending. The assets of the State Oil Fund of the Republic of Azerbaijan (SOFAZ, the overseas windfall fund) rose to Manat 17.4 billion (EUR 16.3 billion) at the end of 2010, making the fund roughly equal to 40% of GDP. The current account surplus rose above 26% of GDP compared to 23% in 2009. External public debt remains low at about 10% of GDP. Higher international commodity prices and the adverse impact of flooding earlier in the year contributed to a steep rise in inflation (7.4% compared to 0.6% in 2009). Food products were most affected.

In response to the inflationary pressure, the Central Bank of Azerbaijan (CBA) raised the refinancing rate by one percentage point to 3% in November 2010 and to 5% in March 2011. The increase followed a period of significant monetary easing, in which from October 2008 the refinancing rate had been reduced by 13 percentage points. In spite of the reduction in the refinancing rate, average lending interest rates remain high at around 20%; high financing costs remain an obstacle to development, particularly for smaller enterprises. The Manat remained stable against the Euro and the US dollar, helped by higher oil prices and a growing current account surplus.

The Government's 2010 budget targeted a narrowing of the non-oil deficit at the same time as allowing for tax cuts. The budget deficit remained broadly similar to 2009 at around 15% of the GDP, excluding transfers from SOFAZ. When SOFAZ transfers were taken into account, the deficit was 0.9% of GDP. Government consumption was reined back in 2010 after the marked expansion in 2009. This supported the government's pledge not to increase expenditure despite rising oil revenues in order to promote greater fiscal sustainability in line with the Action Plan objective of maintaining a stable non-oil fiscal deficit. Revenue declined as a percentage of GDP compared to 2009, under the influence of several tax reductions which took effect from January 2010. These included cutting the rate of profit tax from 22% to 20%; lowering the maximum rate of income tax to 30% from 35%; and raising the threshold at which small firms are subject to profit tax.

In order to diversify the economy, the authorities continued to improve the business environment and enhance competitiveness. Transport infrastructure was further improved, in particular the railway corridors.

Employment and social policy

The official **unemployment** rate rose slightly from 0.9% in 2009 to 1.0% in 2010. According to the survey-based ILO methodology 6% of the total labour force is without a job.

On the basis of an inquiry by the Human Rights Commissioner (Ombudsman), the Constitutional Court included imperative clauses in the Labour Code providing for the preservation of salaries of juveniles during vocational and in-service training. The Law "On Compulsory Insurance against Occupational Accidents and Loss of the Ability to work as a Result of Professional Diseases" was adopted.

Informal employment makes up an important segment of the economy in Azerbaijan and labour rights are often violated, especially in the private sector. Occupational accidents are a cause for concern. The Law on Compulsory Insurance against Occupational Accidents is therefore a positive addition to the existing Labour Code.

In September 2010 Azerbaijan took several measures to reduce **poverty**, including increasing allowances to Internally Displaced Persons (IDPs) and to other low income groups, and raising the minimum salary and basic pension of workers in certain public sector institutions.

In September 2010, the president also signed a decree to strengthen the social security of those on low incomes. Allowances will be granted to people with health problems that are related to work, industrial accidents or military service, and to disabled children.

On **social inclusion and protection**, new rules on the pension system entered into force in July 2010. The retirement age for men will be raised incrementally to 63 years by 2012, and that of women will be raised from 57 to 60 years by 2016. The base pension was increased as of September 2010. The Azerbaijani parliament adopted several amendments to the law on pensions, which took effect from 1 January 2010.

During the reporting period, no significant developments occurred regarding the implementation of the part of the ENP AP related to **agriculture**.

4. TRADE-RELATED ISSUES, MARKET AND REGULATORY REFORM

After the 2009 decline, **bilateral trade** bounced back during the reporting period: compared to the previous year exports of Azerbaijani products to the EU increased by 33%, while EU exports to Azerbaijan rose by 45.6%. However, there were no improvements in terms of diversification of exports, as 99.2% of Azerbaijani exports to the EU still consist of mineral fuels.

Azerbaijan made only limited progress towards accession to the WTO, which is the first pre-condition for the EU to consider starting negotiations with Azerbaijan on a DCFTA. The eighth meeting of the Working Party took place in December 2010.

No significant developments occurred as far as the implementation of the **customs** related part of the ENP AP is concerned. The revised Customs code has yet to be adopted. The customs service still needs to make additional efforts as far as the enforcement of the existing legal framework and the implementation of the concept of trade facilitation are concerned.

Azerbaijan made some progress on the **free movement of goods and technical regulations**. Since January 2010 Azerbaijan has become an observer in the European Committee for Standardisation (CEN).

Regarding **sanitary and phytosanitary** issues, Azerbaijan continued to work towards accession to the WTO and harmonisation with the norms of the *Codex Alimentarius*. This process included some approximation with EU rules. The upgrading of laboratories and training of experts continued in 2010. In order to meet the AP objectives, facilitate trade and prepare for a possible future DCFTA with the EU, Azerbaijan would have to make considerable further progress, particularly with regard to approximation of legislation, its effective implementation and the enforcement and strengthening of administrative capacity.

Azerbaijan took the first steps in the implementation of the "Action Plan on the re-organisation of education on **accounting** and **audit** at high schools and secondary schools, and application of a certification system verifying the professional level of education in 2010-2012 in view of transition to the international and national accounting standards". The plan is the last stage of the reform launched in 2003.

Concerning **financial services**, the CBA reduced the reserve requirements for domestic and foreign currency deposits of commercial banks from 12% to 0.5%, and increased deposit insurance coverage from 6,000 to 30,000 manat (EUR 28 000), to ensure sufficient liquidity and strengthen confidence in the banking sector. In a sign of potential weakness, non-performing loans rose sharply in 2010, approaching 5% of all loans, albeit from a low base. A new law on non-bank credit institutions was implemented in February 2010, creating a legal framework and strengthening the central bank's supervision of this embryonic sector.

The CBA was also working on plans to further consolidate the banking system in Azerbaijan and to enhance competition among banks. The law on non-bank credit organisations was promulgated in February 2010. It created a legal framework for non-bank credit institutions and strengthened the CBA's supervision of the sector. The non banking credit organisations require licensing by the CBA and those mobilising collateral deposits must seek approval for opening branch offices. CBA has been given the responsibility to define the prudential standards and requirements, such as minimum capital or loan loss provisions, under the aegis of the current law. In November 2010, the president approved the law on investment funds.

Other key areas

In September 2010 the ministry of **taxes** approved a regulation on tax appeals. Under the terms of this regulation a Board, composed by members to be appointed by the minister, will examine appeals on tax matters, including allegations of corruption and tax audits and report to the minister. Azerbaijan continued to expand the network of agreements on avoidance of double taxation with EU member states: two agreements entered into force in 2010, one with Luxembourg and one with Italy, bringing the number of agreements to 17.

In the field of the **competition policy**, draft amendments to the competition law continued to be discussed in the parliament.

There is a minor development to report on the legal or institutional framework for **intellectual property rights** as the Geneva Act of the Hague Agreement Concerning the International Registration of Industrial Designs entered into force in December 2010. Azerbaijan ranked 8th in the software piracy study conducted by an independent expert organisation in May 2010, with 88% of pirated software in use.

The **public procurement** system is over 10 years old and well established, but requires modernisation, as demonstrated by tenderers' complaints of lack of transparency. SIGMA, carried out at the request of the State Procurement Authority, a needs assessment to identify required reforms.

In 2010 a Global Assessment of the National System of Official **Statistics** of the Republic of Azerbaijan was jointly undertaken by the European Commission, the European Free Trade Association (EFTA), and the UN Economic Commission for Europe (UNECE). A three-year action plan for the implementation of 1993 SNA and 2008 SNA was initiated in 2009. The dissemination of statistics via Internet has recently significantly increased.

On **enterprise policy**, the implementation of the State Programme on Socio-Economic Development for 2009-2013 continued in 2010. The private sector continued to suffer from bureaucratic obstacles in registration and licensing procedures and from corruption, which affected small and medium-sized enterprises (SMEs) in particular.

In spite of the need to improve inspection systems in the area of **public internal financial control**, there were no new developments in the period under review.

5. COOPERATION ON JUSTICE, FREEDOM AND SECURITY

A first meeting of the EU-Azerbaijan Subcommittee on Justice, Freedom and Security and Human Rights and Democracy was held in Baku during two days in November and December 2010, underlining the strong mutual willingness to deepen relations in these policy areas.

Azerbaijan continued to participate in the Southern Caucasus Integrated **Border Management** (SCIBM) regional programme, the implementation of which began in March 2010. The Border Service Academy was inaugurated in August 2010 to train officers and border guard staff in modern border management techniques and approaches. New and reconstructed border crossing points were opened during the year. In September 2010, Azerbaijan signed an agreement on its state border with the Russian Federation, as well as an addendum on its delineation.

On **migration**, Azerbaijan tightened visa issuance procedures with the entry into force of the Presidential Decree on Matters Concerning Issuance of Visas for Foreigners and Stateless Persons Arriving in Azerbaijan, which restricts the categories of travellers who may receive a visa on arrival into the country. These rules differ from EU legislation and practice. For the first time, Azerbaijan enforced a labour immigration quota of 10.700 in 2010.

Regarding the **fight against organised crime and terrorism**, in March 2010 Azerbaijan ratified the CoE Convention on Cybercrime which entered into force in July. The signature of the Additional Protocol concerning the criminalisation of acts of a racist and xenophobic nature committed through computer systems is still pending. Moreover, the CoE Convention on the Protection of Children against Sexual Exploitation and Sexual Abuse, which Azerbaijan signed in 2008, has not yet been ratified.

Work continued in the fight against **trafficking in human beings** in the context of the National Action Plan to Fight against Trafficking in Human Beings (2009-2013). The ministry of interior and the State Committee for Family, Women and Children's Affairs organised a roundtable with civil society input and contributions in September 2010. Azerbaijan signed and ratified the 2005 CoE Convention on Action against Human Trafficking, which entered into force in October 2010.

With regard to the fight against **drugs**, Azerbaijan continued to implement the five year action programme (2007-12) on combating drug addiction with a particular emphasis on law enforcement and cooperation with its partners of the Community of Independent States (CIS). In July 2010, it attended a CIS expert meeting on drug trafficking and organised crime with a view to developing future cooperation programmes on capacity building. In October 2010, Azerbaijan participated in the ENP regional seminar on the EU drug monitoring system organised by European Monitoring Centre for Drugs and Drug Addiction and the European Commission in Brussels.

Azerbaijan continued the fight against **money laundering** within the context of the 2009 Anti-Money Laundering law. The financial intelligence unit under the Central Bank began addressing the issues highlighted by CoE Moneyval committee during the previous year, which resulted in some improvement in the country's control regime. As was the case in 2009, the CoE Convention on Laundering, Search, Seizure and Confiscation of the Proceeds from Crime and on the Financing of Terrorism remained unsigned. Moreover, Azerbaijan did not sign the 2003 Protocol to the CoE Criminal Law Convention on Corruption, which criminalises the active and passive bribery of domestic and foreign arbitrators and jurors. There is a continuing need to expedite cooperation with relevant experts and international financial institutions in order to address all issues of concern.

With regard to cooperation in **criminal and civil law matters**, the signature of the Second Additional Protocol to the European Convention on Mutual Assistance in Criminal Matters is still pending. No further developments took place regarding Azerbaijan's accession to the 1980 Hague Convention on the Civil Aspects of International Child Abduction and to the 1996 Convention on Parental Responsibility and the Protection of Children. Moreover, Azerbaijan did not sign the Additional Protocol to the CoE Convention on the Transfer of Sentenced Persons nor ratify the European Convention on the Transfer of Proceedings in Criminal Matters.

The ministry of justice signed a Memorandum of Understanding with the Dutch ministry of justice on cooperation in criminal matters in August 2010. In September 2010, Azerbaijan hosted a meeting of the heads of security services of CIS countries. However, in 2010 Azerbaijan had not yet signed two important Hague Conventions on international judicial cooperation, namely the 1965 Convention on the Service of Documents and the 1970 Convention on the Taking of Evidence Abroad in Civil or Commercial Matters.

As regards **data protection**, in May 2010 Azerbaijan signed and ratified the 1981 CoE Convention on the Protection of Individuals with regard to Automatic Processing of Personal Data. Azerbaijan has yet to sign and ratify the 2001 Additional Protocol on supervisory authorities and trans-border data flows. Azerbaijan adopted the Law on Personal Data, which regulates the collection, processing and protection of personal data and lays down the responsibilities of state bodies, local authorities and other entities dealing with these data.

6. TRANSPORT, ENERGY, ENVIRONMENT, THE INFORMATION SOCIETY, RESEARCH AND DEVELOPMENT

In the **transport** sector, improving infrastructure remains an important priority for Azerbaijan. Azerbaijan stepped up investments and signed major loan agreements both to improve road infrastructure (in particular to expand the Baku-Shemakha highway) and to modernise railway infrastructures and upgrade rolling stock.

In the railway sector, Azerbaijan approved, in February 2010, regulations transforming Azerbaijan Railways into a closed joint-stock company with the view to converting it into a holding company at a later stage. In July 2010 the Government approved the "State program on development of the railway system in Azerbaijan in 2010-2014". Azerbaijan Railways also acquired more powers in decision making and in attracting investors. A computerised ticket sales system was introduced in August 2010. In the road sector, Azerbaijan amended the law on traffic rules in July 2010 in order to introduce lower speed limits. In the aviation sector the process on preparation of negotiations on the aviation agreement EU- Azerbaijan has been

initialised. In the maritime sector, Azerbaijan continued to invest in improving its maritime fleet, maritime ports and their hinterland connections. In March 2010, Azerbaijan launched the construction of a new shipbuilding plant in the Garadagh district of Baku. Also in March 2010, Azerbaijan signed a project to construct a Baku Bay marine bridge aimed at closing the centre of the city for cargo traffic.

Azerbaijan and the EU stepped up **energy** cooperation including on the basis of their Memorandum of Understanding on a strategic partnership in the field of energy. In April 2010, the Energy Commissioner visited Baku. Azerbaijan confirmed that, although it is pursuing export diversification, the EU remains its priority destination for energy exports. Azerbaijan sustained oil and gas exports particularly through the oil and gas pipelines Baku-Tbilisi-Ceyhan (BTC) and Baku-Tbilisi-Erzurum. In 2010, oil from Turkmenistan was shipped over the Caspian Sea and exported through the BTC pipe. In June 2010, Azerbaijan and Turkey reached agreement on a framework for gas pricing and transit through Turkey. This is a key step in the development of the major Shah-Deniz-II gas field and the strategic Southern Gas Corridor. In September 2010, negotiations started on future gas exports from Shah-Deniz II. Azerbaijan continued the exploration and development of new gas and oil fields. It actively participated in the Caspian Development Corporation study funded by the EU, the European Investment Bank and the World Bank.

In January 2011, on a visit to Azerbaijan, Commission President Barroso and President Aliyev signed a Joint Declaration on gas delivery for Europe.

In September 2010, the Heads of State of Azerbaijan, Georgia and Romania, as well as the Hungarian Prime Minister, endorsed the AGRI (Azerbaijan-Georgia-Romania Interconnection) project. Its aim is to export liquefied natural gas from Azerbaijan, through a Georgian Black Sea terminal, to Romania and beyond. A feasibility study is being conducted. In September 2010, SOCAR (State Oil Company of Azerbaijan) and Russian Gazprom agreed to increase gas exports to Russia in 2011 to two billion cubic metres. Azerbaijan, Georgia, Lithuania, Poland and Ukraine continued work towards a Euro-Asian Oil Transportation Corridor. Azerbaijani, Bulgarian and Georgian companies further studied the possibilities of developing compressed natural gas supply to the EU across the Black Sea from the Georgian coast. In July 2010, Turkey and SOCAR agreed to construct a gas pipeline for supplies to Nakhichevan via Turkey. Azerbaijan consolidated its participation in the Extractive Industry Transparency Initiative, aiming at transparency of oil and gas revenues.

Azerbaijan continued to implement its state programme on fuel-energy complex development for 2005-2015, including by further preparing new energy sector legislation. SOCAR strengthened its presence in the region, for example by establishing further petrol stations in Georgia, opening its first station in Ukraine and developing plans to build a refinery in Turkey. In 2010, Azerbaijan also constructed and rehabilitated its electricity and gas infrastructure. It initiated the construction of the Black Sea Electricity Transmission Line (Azerbaijan-Georgia-Turkey).

Azerbaijan remained committed to using more renewable energy. In 2010, the new State agency of alternative and renewable energy sources, established in 2009, became operational. In Gobustan region, it started to develop a pilot renewable park of 5 MW based on wind, solar and biogas power. It continued implementing energy efficiency measures and started preparing an energy efficiency strategy. In January 2010, Azerbaijan amended the rules on the storage and the use of radioactive materials and also trained nuclear experts.

Regarding **climate change**, Azerbaijan continued preparing its Second National Communication to the UN Framework Convention on Climate Change.

Azerbaijan took steps to prepare Clean Development Mechanism (CDM) projects, even if so far no CDM project has been registered at the UN level. Azerbaijan is encouraged to fully implement the Cancun agreement and in particular devise a low carbon development strategy including update information on target or actions that it will implement. The EU continued to provide support to Azerbaijan to implement the Kyoto Protocol.

In the field of **environment**, the President of Azerbaijan declared the year of 2010 “The Year of Environmental Protection in Azerbaijan” and launched a campaign to plant 30 million trees for environmental restoration. The National Environment Action Plan is still under preparation. The legislative framework continues to require further development, in particular as regards implementing legislation. Azerbaijan submitted a National Implementation Plan for 2007–2020 under the Stockholm Convention on Persistent Organic Pollutants. Continued attention is required in order to implement existing strategies and plans and to further enhance monitoring and enforcement.

Azerbaijan established the State Commission for Integrated Water Management and strengthened the environmental authorities. Further strengthening of administrative capacity remains a major challenge, and coordination between authorities continues to require attention. Azerbaijan took some steps to promote the integration of environmental considerations into other policy sectors, such as energy.

Azerbaijan continued to carry out some other activities to provide information to the public. Procedures and consultation with the public in the context of environmental assessments and licensing remain inadequate.

There were no significant developments as regards ratification of, or accession to, the outstanding relevant Protocols to the UNECE Conventions. Furthermore, the implementation of several agreements that have already been ratified requires particular attention. Azerbaijan participated in regional cooperation under the Framework Convention for the Protection of the Marine Environment of the Caspian Sea, the Caspian Environment Programme and also the EU Water Initiative. Cooperation and information exchange took place between the EU and Azerbaijan, including on water, forestry, waste management, management of environmental information, nature protection and air quality.

The **REC for Caucasus** carried out regional activities in 2010 including in the fields of information and public participation, environmental policy and local environmental action plans. REC also further improved its internal management, fund-raising and visibility in 2010. Nevertheless, it carries over a financial shortfall from previous years which is hampering its activities.

Concerning developments in the field of **civil protection**, there are activities under the EaP framework. (*please see the sectoral report*). As regards the **Information Society**, in August 2010 Azerbaijan approved the ‘State Program on development of communication and information technology for 2010-2012 (*Electronic Azerbaijan*)’. This includes the privatisation of state owned enterprises, the creation of an independent regulator and the liberalisation of the market. Azerbaijan also adopted an “Action Plan for the Establishment of E-government in the Republic of Azerbaijan in 2010-2011”. There is no clear separation between the commercial activities and the regulatory role of the ministry of communications

and information technologies (MCIT). The state involvement in the sector has decreased only slightly, thus hampering the emergence of competition in the fixed and broadband markets.

MCIT plans to assess the use of 4G mobile technologies, implement number portability (where a draft is discussed with the operators), and implement the Central Equipment Identity Register; e-signature will be implemented by the end of 2010. As part of the State programme 'e-Azerbaijan', by September 2010 the ministry of health had issued approximately 300.000 electronic health cards.

Progress can be reported on the digitalisation of the telecommunication network (now approximately 90%) and in the reconstruction of the fixed network. Regarding newer technologies, WiMAX wireless Internet access services have become available since the launch of commercial operation.

Investment and capacity in **research** continue to remain modest. Azerbaijan continued to increase the level of participation in the 7th Framework Programme (FP7), although the overall numbers of applications remained low. Applications involving 13 Azerbaijani research groups were successful; as of November 2010 they received EUR 500.000 in EU support.

Azerbaijan continued to participate actively in the International S&T Cooperation Network for Eastern European and Central Asian countries (FP7 IncoNet EECA project), which aims to support a bi-regional EU-EECA policy dialogue on science and technology and to increase EECA participation in FP7.

Azerbaijan is a target country under the new FP7 International Cooperation Network for Central Asia and South Caucasus countries (FP7 IncoNet CA/SC) which was launched in April 2010 and which aims to strengthen and deepen the EU's S&T cooperation with the CA/SC countries, as well as with the Republic of Moldova.

Azerbaijan is also actively participating in the Black Sea ERA-NET project, which aims to contribute to the coordination of EU member states' and partner countries' research programmes targeting the extended Black Sea region.

7. PEOPLE-TO-PEOPLE CONTACTS, EDUCATION AND HEALTH

In 2010, work began on a gradual review of the legislative framework for the various education sub-sectors following the adoption of a framework education law in 2009. In this regard, the ministry of education adopted new regulations on life-long learning in September 2010 establishing an approach to human resource development, continuing education and adaptation of skills to labour market needs. The ministry also established a Working Group on the National Qualifications Framework in May 2010 alongside a Department for Accreditation dealing with quality assurance in **education**. Per capita financing was applied to higher education also in order to improve quality and enhance inter-university competition. While overall investment in education increased in 2010, it remains insufficient to ensure adequate development of human capital that can contribute to economic diversification.

Higher education reform in Azerbaijan continued to benefit from cooperation under **Tempus**, with two projects selected under the third Call for Proposals of Tempus IV. For the first time a project will be coordinated by an Azerbaijani higher education institution (Azerbaijan University of Languages).

One Azerbaijani student received a scholarship for an **Erasmus Mundus** Masters Course under Erasmus Mundus Action 1 for the academic year 2010-11. Academic and student mobility was further facilitated under Erasmus Mundus Action 2 during the same period through the expected award of 30 mobility grants. For the first time, a Jean Monnet grant for an interdisciplinary module was awarded to the Azerbaijan Diplomatic Academy, providing a basis for future quality public service training. Azerbaijan is encouraged to make full use of the available opportunities under Erasmus Mundus.

In the area of **vocational training**, work continued on the adoption of State curriculum standards for initial vocational training; strategic planning guidelines for training institutions as well their renovation and upgrading. Challenges remain with regard to modernisation of technical infrastructure and development of teacher competences. Capacity for reform remains limited, particularly in the context of an ageing teaching workforce, while the issue of relevance and quality in training provision needs urgent examination. The Labour Market Review undertaken by the European Training Foundation in the context of the EaP in September 2010 provided pointers for future policy planning.

In the area of **culture**, Azerbaijan participated in one project under the 2010 Special Action for ENP countries under the Culture Programme. To advance its regional cooperation in the framework of the EaP and the Kyiv Initiative, Azerbaijan should ratify the 2000 European Landscape Convention and the 2005 CoE Framework Convention on the Value of Cultural Heritage for Society.

Azerbaijani young people and **youth** organisations continued to benefit from the opportunities offered by the Youth in Action Programme, through exchanges, voluntary service and youth cooperation activities in non-formal education.

Azerbaijan pursued **health** sector reform, including in the areas of healthcare financing and medical insurance. In February 2010, in the context of last year's influenza A(H1N1) epidemic, the EY and Azerbaijan established communication channels for the exchange of epidemiological information in the event of a public health emergency of international concern. Azerbaijan attended the EU's global health conference in June 2010.

8. FINANCIAL COOPERATION – 2010 KEY FACTS AND FIGURES

Cooperation framework

The Mid-Term Review of the programming document confirmed that the Country Strategy Paper adopted in 2007 remains a valid framework for cooperation with Azerbaijan. The new National Indicative Programme (NIP) 2011-13 for Azerbaijan was adopted in May 2010 and has a budget of EUR 122.5 million. The programme is geared towards supporting the achievement of key policy objectives as outlined in the EU-Azerbaijan AP and pursues three priorities: (1) democratic structures and good governance, (2) socio-economic reform and sustainable development, trade and investment, regulatory approximation and reform and (3) Partnership and Co-operation agreement and ENP AP implementation, including in the areas of energy security, mobility and security.

The NIP 2011-13 includes a specific appropriation to finance new actions under the EaP, notably a Comprehensive Institution Building programme (CIB) (with a minimum allocation of EUR 19.2 million for Azerbaijan) and the Regional Development Pilot Programme (with a

minimum of EUR 9.3 million).. The CIB Framework Document was signed in January 2011 and identified the following key institutions for support: ministry of foreign affairs, ministry of economic development, ministry of justice, Civil Service Commission.

Implementation

Implementation of the measures covered by the Annual Action Programmes (AAP) for 2007, 2008 and 2009 is under way. The AAP 2007 main programme was the Sector Budget Support (SBS) in the area of energy efficiency and renewable energies, and substantial progress in the implementation of this programme was made in 2010. Furthermore, in December 2010, Azerbaijan launched the implementation of the SBS on justice related to the AAP 2008. This Programme is aimed at enhancing the regional courts, the Academy of Justice and the penitentiary sector. In August 2010, the Financing Agreement related to AAP 2009 was countersigned by the government.

In 2010 a total of EUR 7 million was committed to Azerbaijan under the bilateral envelope of the European Neighbourhood and Partnership Instrument (ENPI). The 2010 AAP focused on governance. Twinning projects on agriculture, employment and social affairs, health, finance and trade have been identified and are currently under preparation. Considerable resources have been devoted to the financing of twinning operations. At the end of 2010, there were four twinning operations ongoing and a further 12 in preparation.

In addition to the bilateral allocation, Azerbaijan also benefited from cooperation activities financed under the ENPI inter-regional and regional programmes.

Under the ENPI-financed Neighbourhood Investment Facility (NIF), one regional project for which Azerbaijan is eligible, the "Eastern Partnership-SME Finance Facility", was approved in 2010, committing EUR 15 million for technical assistance and risk capital. This multi-country project is expected to leverage EUR 135 million in loans from European Finance Institutions (EIB, EBRD and KfW) to support SMEs in the Eastern neighbourhood region.

Other EU instruments supplement the ENPI assistance package. Azerbaijan benefited from cooperation activities financed under horizontal instruments such as the European Instrument for Democracy and Human Rights (EIDHR), focusing on media freedom and freedom of expression, and the Development Co-operation Instrument (DCI) thematic programmes, including the Non-State Actors and Local Authorities in Development (NSA-LA), focusing on poverty reduction and sustainable development strategies.

Donor coordination

In 2010, the EU Delegation in Azerbaijan ensured the coordination of assistance activities both within the EU and with other donors. The donor coordination matrix contributed to identifying good synergies with the World Bank in the area of public finance.



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JOINT STAFF WORKING PAPER

Implementation of the European Neighbourhood Policy in 2010 Report: Eastern Partnership

1. INTRODUCTION

The European Council of June 2008 invited the European Commission to present a proposal for an Eastern Partnership (EaP) towards EU's Eastern partners¹, emphasising the need for a differentiated approach respecting the character of the European Neighbourhood Policy (ENP) as a single and coherent policy framework. The Commission Communication of December 2008² proposed a partnership that includes a deeper bilateral engagement based on new contractual relations, a gradual integration with the EU economy, enhanced mobility and security, cooperation for secure energy supply, and enhanced support for economic and social development.

The 2008 Communication also proposed a new framework for multilateral cooperation in support of partners' progress in their bilateral relations with the EU. The multilateral EaP framework has a four levels structure: Heads of State or Government, Ministers of Foreign Affairs, four thematic platforms, and, at technical level, panels. Sector cooperation can also be enhanced through specific ministerial meetings.

Significant multilateral projects and programmes have been proposed with the objective of reinforcing the partnership by providing concrete benefits to the partner countries' population and enhancing its visibility.

The multilateral track of the EaP is run by the European External Action Service (EEAS) and includes the European Commission, the EU Member States and the six partner countries. In addition, it was proposed that participation would be open to interested stakeholders, such as EU institutions, international organisations and European Financial Institutions. A Civil Society Forum (CSF), an EU-Neighbourhood East Parliamentary Assembly (EURONEST) and an Eastern Europe and an South Caucasus Local and Regional Assembly were to be established.

Participation in EaP multilateral activities can be opened to third countries, on a case by case basis, subject to agreement by permanent participants that such participation would serve the common interest or contributes to the objectives of the EaP.

The European Council of March 2009 welcomed the proposed approach. On 7 May 2009, the first Eastern Partnership Summit adopted the Prague Declaration that commits the EU Member States, the Partner Countries, EU institutions as well as the European Investment Bank (EIB) and the European Bank for Reconstruction and Development (EBRD).

This report covers the progress made in the implementation of the Eastern Partnership to date. It comes as an annex to the Joint Communication of the High Representative and the

¹ Armenia, Azerbaijan, Belarus, Georgia, Republic of Moldova, Ukraine

² COM (2008) 823

Commission, *The European Union and its changing Neighbourhood*, and should be read in conjunction with the country progress reports on Armenia, Azerbaijan, Georgia, the Republic of Moldova and Ukraine, as well as the sector report. These documents describe more detail the progress made by the individual partner countries in implementing the ENP.

2. BILATERAL DEVELOPMENTS

Association Agreements – negotiating a new foundation for our relations

Negotiations on the Association Agreement with Ukraine, launched in 2007, continued in a constructive atmosphere, including on the Deep and Comprehensive Free Trade Area (DCFTA). Almost all chapters on Economic and Sector Co-operation are now provisionally closed. In addition, almost all provisions in the chapters on Institutional, General and Final Provisions, and on Political Dialogue and Reform, Political Association, and Cooperation and Convergence in the Field of Foreign and Security Policy, were agreed. Negotiations on the DCFTA covers a wide range of issues (tariffs, services, customs and trade facilitation, intellectual property rights, sanitary and phytosanitary standards, public procurement, geographical indications, trade defence instruments, and technical barriers to trade). Negotiations on issues such as rules of origin, transparency, customs and public procurement were completed.

Negotiations on the Association Agreement with the Republic of Moldova were launched in January 2010 and have made very good progress since then, including through five plenary rounds. A significant number of chapters of the agreement have been provisionally closed.

Negotiations on Association Agreements with Armenia, Azerbaijan and Georgia were launched in July 2010 and are advancing swiftly, with a fourth round of plenary negotiations which took place in March 2011. Moreover, efforts are underway to ensure that negotiations on a DCFTA with Armenia and Georgia as well as the Republic of Moldova can be launched as soon as possible, once respective partners have made sufficient progress made in the implementation of the Commission's "key recommendations" to each of them.

Enhanced Mobility

The EU has been responding to the strong request of partners for enhanced mobility through visa facilitation and readmission agreements and through "gradual steps toward full visa liberalization as a long-term goal for individual partner countries on a case-by-case basis provided that conditions for well-managed and secure mobility are in place", as outlined in the Joint Declaration of the Prague Eastern Partnership Summit of May 2009. There has been good progress on this agenda: the EU-Georgia visa facilitation agreement was signed in June 2010. The EU-Georgia readmission agreement was signed in November of the same year. Both entered into force in March 2011. The European Commission presented draft negotiating directives for Visa Facilitation and Readmission Agreements with Belarus in November 2010 which were adopted by the Council in February 2011..

The implementation of the EU-Republic of Moldova Mobility Partnership (Joint Declaration signed in June 2008) and the EU-Georgia Mobility Partnership (Joint Declaration signed in November 2009) has continued to progress, providing the framework for the facilitating the movement of persons and legal migration as well as for the fight against irregular migration

and trafficking of human beings. Preparations for developing a Mobility Partnership with Armenia have also started.

Progress has been made in the EU-Ukraine visa dialogue (launched in autumn 2008) which has entered into the operational phase in November 2010 on the basis of an action plan setting out all technical conditions to be met by Ukraine before the possible establishment of a visa-free travel regime (visa facilitation and readmission agreements with Ukraine have been in force since 2008). As regards the Republic of Moldova, following the launch of the visa dialogue in June 2010 a similar draft action plan on visa liberalization with a view to the visa dialogue entering a fully operational phase was presented in January 2011 (Visa Facilitation and Readmission Agreements with the Republic of Moldova have been in force since 2008).

Energy

Energy remained high on the agenda of cooperation between the EU and the EaP partner countries. Ukraine signed the Protocol on the Accession to the Energy Community Treaty at a Ministerial Council meeting in Skopje in September 2010 and acceded to the Energy Community Treaty in February 2011. The EU continued to support Ukraine's efforts to become a full member of the Energy Community and to implement the necessary secondary legislation, especially in the area of gas and electricity. The EU called for further significant reforms to be undertaken to align the Ukrainian energy market with that of the EU, notably by restructuring Naftogaz and increasing financial transparency in the energy sector. In line with the March 2009 Investment Conference Declaration on the Modernisation of Ukraine's Gas Transit System, the Neighbourhood Investment Facility (NIF) provided finance in support of feasibility, environmental and social impact studies to prepare for loan mobilization.

The Republic of Moldova acceded to the Energy Community in May 2010 and is implementing energy sector reforms in accordance with the agreed commitments.

In October 2010 meetings of the sub-committee on energy, transport and environment were held for the first time with Georgia and Armenia. Armenia requested the status of observer in the Energy Community. The European Commission and Georgia in November 2010 a Georgia Energy Investment Conference to attract International Financial Institutions (IFIs) and private sector finance. Energy cooperation with Azerbaijan and Turkmenistan was further enhanced, in particular in the framework of the on-going efforts in support of the realisation of the Southern Energy Corridor. With a view to strengthening energy security the EU reiterated its political support to natural gas infrastructure projects along the Southern Energy Corridor, including the effective start of Nabucco gas pipeline project and the launching of exploratory talks on a Trans-Caspian link. The EU and Belarus held their regular expert level consultations on energy issues in October 2010.

Comprehensive Institution Building (CIB)

The CIB seeks to strengthen a number of core institutions that are central in preparing the ground for and implementing future Association Agreements (AAs), including Deep and Comprehensive Free Trade Areas (DCFTAs), and making progress towards visa liberalisation as a long-term goal. A budget of EUR 173 million has been set aside for CIB implementation in the six partner countries, through the relevant 2011-13 National Indicative Programmes. Work has been taken forward to launch preparatory activities ahead of the start of the fully-fledged CIB activities. As foreseen by the CIB concept, Framework Documents have been developed jointly between each partner country and the European Commission. They list key

issues to be tackled in the areas identified as in need of reform, as well as core institutions that are in need of strengthening. Agreement on these objectives is object of a series of Memorandum of Understanding (MoU), between the European Commission and the partner countries. For the institutions, or clusters of institutions, identified in the Framework Document, each EaP partner country develops Institutional Reform Plans (IRPs), outlining reform objectives, measures and means to be provided, with indicators and a timeframe for implementation, and the sources of funding. The European Commission supports specific components of the IRPs through the 2011-13 Annual Action Programmes. Support to the CIB is also open to donors, including EU Member States..

Following programming missions in the spring of 2010, and discussions with the partner countries, Framework Documents were finalized with Ukraine, Georgia and the Republic of Moldova, and Memoranda of Understanding on the CIB were signed with Georgia and Ukraine in October 2010 and with the Republic of Moldova in November 2010, paving the way for the CIB implementation. Framework Documents were also finalized with Armenia and Azerbaijan, and corresponding Memorandum of Understandings were signed in November 2010 and January 2011, respectively. No discussions on CIB or CIB preparatory activities have taken place with Belarus.

Regional Development

So far as **Regional Policy dialogue** is concerned, in addition to the Memorandum of Understanding signed with Ukraine in 2009, a joint declaration was signed with the Republic of Moldova in July 2010 and with Georgia in March 2011. Progress with the work programmes associated with the agreements now in place with Ukraine and the Republic of Moldova was delayed by Government and Ministerial structure change until 2011.

Strengthened Human Rights Dialogues

The adherence to the shared values of democracy, rule of law, human rights and fundamental freedoms is the very foundation of the Eastern Partnership. Significant steps have been taken to strengthen bilateral dialogues on these matters. Since July 2009 three rounds of Human Rights Dialogue have taken place with Georgia. The first meeting of the EU Armenia Human Rights Dialogue took place in December 2009 and the second in December 2010. Issues of democracy and human rights are also discussed with Azerbaijan in the framework of a new sub-committee for Justice Liberty Security (JLS) and Human Rights and Democracy which was established in 2010. Its first meeting was held on 30 November-1 December 2010. With Ukraine and the Republic of Moldova, human rights discussions in the framework of the respective JLS subcommittee meetings have gained new momentum. As regards Ukraine, human rights issues are extensively reflected in the new EU-Ukraine Association Agenda, which replaces the former EU-Ukraine Action Plan. A dedicated and regular EU-Republic of Moldova Human Rights Dialogue was launched in March 2010. The EU and Armenia launched a dedicated and regular Human Rights Dialogue in December 2009. The EU and Georgia further consolidated their exchange on human rights, with three dedicated meetings held so far. The EU welcomed Azerbaijan's readiness to engage in a regular dialogue on human rights issues and democratization.

3. MULTILATERAL DEVELOPMENTS

The four thematic platforms that have been established in the multilateral track of the Eastern Partnership are meant to offer stakeholders with flexible spaces of discussion, where experiences, best practices and lessons-learned can be shared, compared, and spread among those who need them to support their own efforts. The work of the platforms is supported by expert panels on more specific subjects. Several flagship initiatives, financed from the EU budget, have now been launched in sectors where cooperation between partner countries is crucial to success. In addition, a Civil Society Forum has been established and supported, with the dual goal of supporting the emergence of a strong and effective citizenship in partner countries, and integrate as much as possible the views of civil society in the workings of the Eastern Partnership.

Thematic platforms

The four thematic platforms address areas that are seen as crucial to the objectives of the Eastern Partnership. They cover Democracy, good governance and stability; Economic integration and convergence with EU sector policies; Energy security; Contacts between people. Participants include the Member States and the 6 Partner Countries, EU institutions and, when relevant, international organisations and IFIs. They may establish Panels to support their work. In 2010, the four thematic platforms have met twice and have started implementing their work programmes. They have established several panels and provided inputs to the design of the flagship initiatives. They have engaged in a number of concrete activities involving a broad range of players. Member States have actively contributed and offered support and expertise to seminars and training programmes. Assistance from international organisations and International Financial Institutions (IFIs) has also been provided.

Platform 1 - Democracy, good governance and stability

Platform 1 aims at promoting democratic principles, good governance and stability through by improving key sectors of governance. The current Work Programme of Platform 1 focuses on improved functioning of the judiciary, fight against corruption, public administration reform, and safe management of state borders

In the field of *integrated border management* Platform 1 has established a panel on Integrated Border Management. It has organised a number of training seminars on border management strategies and action plans, risk analysis, document integrity and security, detection of forgeries and imposter recognition, detection of smuggled cigarettes and drugs, and protection of intellectual property rights. In relation to the Integrated Border Management flagship initiative, the panel reviewed the preparatory study carried out in 2010, which included a needs analysis, proposals for pilot projects (infrastructures, equipment, and technical assistance) and training activities. It also reviewed the proposals by the International Centre for Migration and Policy Development (ICMPD) on further training programmes. Border demarcation issues were discussed on the basis of the expertise of Finland and the European Commission's Joint Research Centre. The future work of the panel will also be linked to the action plans on visa liberalisation prepared by partner countries. The Polish idea of increasing police cooperation, in coherence with the border management flagship initiative, has received broad support.

The panel on the *fight against corruption* reviewed the situation in partner countries with the technical assistance of the Council of Europe. On that basis it identified a number of priority projects. A seminar and a workshop on the cooperation between State authorities and civil society in the fight against corruption were organised in Warsaw by Poland. The Civil Society Forum is a permanent participant to this panel.

Platform 1 have agreed to establish a panel on improving the *judiciary* and approved its terms of reference. Assistance will be provided through the Council of Europe. A first seminar was organised by the Czech Republic in December 2010.

The platform also decided to establish a panel on *public administration reform*. Two seminars on the subject were organised respectively by the Diplomatic Academy of Estonia and the Czech Republic.

The implementation of the activities of the Platform is supported by the Council of Europe through a new facility that has been agreed for that purpose. The contract was signed in December 2010 and implementation of activities started in March 2011. The facility covers activities in the areas of electoral standards, judicial reform, good governance, the fight against corruption, and cooperation against cybercrime.

Platform 2 - Economic integration and convergence with EU sector policies

Platform 2 covers issues that can help partner countries to coordinate more closely in the economic field. Economic convergence and regulatory convergence are the key objectives in this field. A number of activities have taken place, which all contribute to these central objectives.

In the field of *trade*, a very active panel was established in November 2009 and held five meetings in 2010, covering a wide variety of subjects, in support of the trade negotiations taking place in the bilateral track:

- *Customs cooperation and trade facilitation (March 2010)*: the agenda included the role of strategic planning for customs modernisation. The European Commission presented the customs policy of the EU, with contributions from Poland and Ukraine. The EaP partner countries committed to share their existing strategies with the European Commission and to revise them if necessary to bring them in line with EU standards and the objectives of the future DCFTAs.
- *Sanitary, Phytosanitary (SPS) and animal welfare issues (July 2010)*: The discussion focused on SPS harmonisation as a tool to facilitate regional trade and economic integration.
- *Intellectual Property Rights (October 2010)*: the European Commission kicked off the debate with presentations on copyrights, industrial property rights (IPR), the enforcement of IPR, and the role of customs and international cooperation in this field. The Republic of Moldova, Azerbaijan and Georgia shared their own experiences in the field of IPR with participants.
- *Public Procurement (November 2010)*: The EU public procurement acquis – general legislation, remedies, e-procurement and the role of public procurement in

Free Trade Agreements – was presented to participants. The Romanian National Authority for Regulation and Monitoring of Public Procurement informed how the EU acquis is implemented in Romania. Azerbaijan, Georgia and Ukraine explained their respective public procurement regimes.

- *Business to Business Contacts (November 2010)*: The meeting focused on business to business and business to government contacts. In this context, the role of Chambers of Commerce and other business organization in the DCFTA was discussed. A large number of business organisations from EaP partner countries participated. The idea of creating a process that would bring business organisations closer to their counterparts in the EU found strong support. Follow-up activities should involve European organisations and should complement ongoing work. The meeting provided useful input for the next business to business meeting of the trade panel.

As regards *Environment and Climate Change*, a panel was established in November 2009 and the flagship initiative on *Environmental Governance*, including the development of a *Shared Environmental Information System* was launched in March 2010. The panel agreed to launch a study on opportunities for the promotion of a *greener economy* in partner countries, financed by the European Commission. The first seminar on climate change was held in November 2010 and there is agreement to hold one on the green economy in July 2011.

A panel on *Enterprise and Small and Medium Enterprise (SME) Policy* started working in October 2010 on the theme “Enterprise Policy Performance”, in a programme developed jointly by the Commission, the Organisation for Economic Co-operation in Europe (OECD), the European Training Foundation and the European Bank for Reconstruction and Development (EBRD). A comprehensive report on Enterprise Policy Performance in the region will be prepared for mid-2012. The panel discussions focused on the EU Small Business Act and on the review of SME policies in partner countries. In the context of the SME Flagship Initiative the panel discussed the East-Invest programme implemented by Eurochambres and the Turn Around Management/ Business Support Services (TAM/BAS) programme of the EBRD.

In May 2010 cooperation in the field of *Transport* was launched, focusing in particular on road safety.

A regional conference on “*Trends and Challenges of Labour Market and Employability in the six EaP Countries*” was organised in Odessa by the European Commission and the European Training Foundation (ETF) in October 2010. Participants included senior officials from relevant ministries of all EaP countries, experts from several member States and international organisations, as well as representatives from international social partner organisations concerned with the subject. The Europe 2020’s Flagship Initiative “An EU Agenda for New skills and Jobs” was discussed in this context.

Platform 3 - Energy Security:

The aim of Platform 3 is to provide the EU, its Member States and the Partner Countries an opportunity to engage in a dialogue on how to develop and implement mutual energy support and security mechanisms. Core objectives of this platform include support for infrastructure

development; interconnection and diversification of supply; the promotion of energy efficiency and use of renewables.

In the field of *Security of supply*, partner countries agreed to prepare within a year reports on their security of supply inspired by the practice within the EU. Partner countries gave for the first time presentations on the situation of their security of supply at the third platform meeting of October 2010. The security of supply statements should help identifying the need for investment in energy infrastructure. Partner countries indicated their interest in developing regional gas and electricity links.. Infrastructure will be financed essentially by the private sector, but partners called for support from the EU as well. At the October 2010 Platform meeting participants also addressed the issue of security of oil supply.

Electricity, gas and oil interconnections were discussed extensively. A workshop on electricity interconnections was organised in July 2010.

The platform allowed the establishment of a dialogue between stakeholders on *renewable energy*. It focused on energy efficiency in buildings, including the legal framework; the financing of energy efficiency projects; support available under the INOGATE³ programme; and the role of municipalities, including in the context of the Covenant of Mayors, an EU-supported initiative that promotes sustainable local energy policies.

The May 2010 meeting of the Platform was dedicated to a dialogue on the promotion of *energy efficiency*. In October 2010, the European Commission and the Kreditanstalt für Wiederaufbau (KfW) organised a workshop on financing sustainable energy.

Platform 4 - Contacts between people:

Platform 4 supports the interaction between EU and partner countries' citizens, focusing in particular on the youth. EU Member States and partners countries have started a dialogue on culture. Cooperation is organised in and around a number of Community programmes, new or existing, in the areas of education, youth and research. Platform 4 also supports the development of the information society in the partner countries. Attention is being paid to modernisation issues, mobility of students, teachers, researchers and young people.

In the field of *Education* two seminars on the Jean Monnet programme were organised to underline the role of this initiative to promote EU studies. The partial extension of the EU eTwinning programme for schools to partner countries, and possibly to Russia, was proposed. A presentation of the eTwinning programme including an indicative roadmap for participation was conducted in Chisinau in October 2010. A large regional Tempus and Erasmus Mundus information day will be organised in the second half of 2011 in Ukraine as well as an event on the mobility of students, scholars, researchers, youth and cultural actors from EaP countries (in Poland in July 2011).

An EaP *Youth Programme*, with a total budget of EUR 4,5 million, is currently under preparation and will start its implementation in 2012. The programme seeks to promote greater participation by young people in the social, political and professional spheres, to develop the dialogue between young people and youth actors in the EU and EaP countries. It will provide capacity building to enhance the role of youth NGOs in EaP region. An expert

³ INOGATE is the EU funded main regional technical cooperation programme in the field of energy. It covers the Eastern Partnership countries as well as Central Asia.

round table for stakeholders of the new EaP Youth Programme from the EaP partner countries is going to be held in the Republic of Moldova in May 2011.

The EaP **Culture Programme** encourages the development of local cultural policies. It involves capacity building of institutions, monitoring, coaching and coordination of projects, collection and dissemination of results. A call for proposals was launched in October 2010 for a value of EUR 8.4 Million. A regional seminar of the Culture contact persons will be organized in April 2011 in Georgia to discuss how to improve networking between the EaP partner countries.

In 2009 and 2010 a Special Action of the Culture programme was dedicated to those countries that covered by the European Neighbourhood Policy (ENP) that had (1) ratified the 2005 UNESCO Convention on the Protection and Promotion of the Diversity of Cultural Expressions and (2) had signed an Association or Partnership and Cooperation Agreement with the EU. This reflects the political priority of reinforcing the role of culture within the ENP, and in particular the EaP countries, as means of contributing to better mutual understanding and helping to develop civil societies in partner countries. It also contributes to the promotion and implementation of the UNESCO Convention on cultural diversity. The Action aims at encouraging cooperation between cultural actors through financial support for projects involving at least three EU Member States and one third country (with at least 50% of the activity deployed in the third country). Nine applications involving EaP partners were selected with an overall budget of EUR 2.64 million.

In the field of the **Information Society** the work focused on the mapping of Information and Communication Technology (ICT) actors, on the identification of research potential and priorities, on training and assistance to the actors and enhancement of the ICT policy dialogue. Cooperation between telecoms regulators was initiated through a workshop in Vienna. Work continued on the improvement of high-speed connectivity with partner countries under the Black Sea interconnectivity initiative.

Increased participation of **research** entities from all EaP countries was proposed under the 7th Framework Programme, offering a whole range of new opportunities. A call for proposals was successfully launched in October 2010 for the programme *'Integrating Europe's neighbours into the European Research Area (ERA-WIDE)*.

One of the crucial objectives of Platform 4 is to facilitate the involvement of the EaP partners in the 7th Framework Programme. With this view, Platform 4 seeks to strengthen networking between the National Contact Points (NCPs) of the partner countries through participation in the annual meeting of the EU NCPs and through participation in the training session of the legal and financial NCPs of the EU.

The EaP Civil Society Forum (CSF):

The CSF has become an integral part of the multilateral track of the EaP. Its main aim is to strengthen the role of Civil Society Organisations (CSOs) in the framework of the EaP and facilitate their dialogue with authorities on the issues the EaP deals with. In 2010 its representatives presented their recommendations in the spring 2010 round of Platform meetings.

The CSF has been invited to participate in the activities of the several panels: *Fight against Corruption, SMEs and Environment and Climate Change*; Platform 1 has decided to invite the CSF to the panels on *Public Administration Reform and Improved functioning of the Judiciary*

to be established in 2011. Representatives of the CSF also attended the seminar on the Jean Monnet Programme and participated in the civil society consultation on the EU trade policy towards EaP countries, organised as a follow up to one of the CSF's recommendations.

The CSF is structured into four working groups reflecting the structure of the four EaP Platforms. Participants in the plenary meeting of the Forum elect a CSF Steering Committee which manages the activities of the CSF. Throughout 2010 meetings of the Steering Committee and working groups were held in order to, *inter alia*, elaborate a strategy for the further development of the Forum and prepare CSF recommendations on the implementation of the EaP. In 2010 a bottom-up process of establishing national CSF platforms was launched.

The second plenary meeting of the Forum was held in Berlin on 18-19 November 2010. The Forum adopted recommendations on the implementation of the EaP, which were presented to the EaP Ministerial of December 2010.

The EU-Neighbourhood East Parliamentary Assembly (EURONEST):

EURONEST is the parliamentary dimension of the EaP. It aims at promoting dialogue and exchanges between members of parliament in the EU and EaP areas, and to promote democratic reforms, the rule of law and good governance in all partner countries. Attempts made at establishing the EURONEST in 2010 were not successful, due to the lack of agreement on the participation of the representatives of Belarus. New attempts will be made in 2011.

EaP Flagship Initiatives:

The EaP is implemented through a very wide variety of projects and activities throughout the area. In addition to the activities of the platforms and the panels, the need has been identified for the multilateral track to focus on a number of initiatives where the cooperation of several EaP countries is crucial to the objectives. These initiatives show that many of the objectives of the EaP need partner countries to join their efforts in pushing forward cooperative approaches to common problems.

The *Integrated Border Management (IBM) Flagship Initiative* was launched in October 2009 during the first meeting of the IBM Panel, and activities have effectively started in 2010. The general aim of this initiative is to improve security, reduce smuggling and human trafficking, and facilitate mobility of people. It also aims at helping partner countries to develop integrated border management strategies and align border management rules to EU standards. An assessment of needs and identification of pilot projects and training activities were discussed during meetings of IBM Panel in 2010 (see above under IBM Panel). A contract with the International Centre for Migration Policy Development (ICMPD) was signed at the end of 2010, for delivery of training activities (for a budget of EUR 2 million).

The *SME Flagship Initiative* was launched in 2010 as well and its activities have started: support to business associations and SMEs, SME funding facility, including revolving funds and technical assistance to financial intermediaries, and start of the TAM/BAS programme. The East-Invest programme, with a budget of EUR 8.75 million (of which EUR 7 million from the European Commission) in support of business associations, was launched in November 2010. A first conference of partners took place in March 2011. A budget of EUR 5 million was allocated at the end of 2010 to support the Turn Around Management and Business Advisory Services (TAM/BAS) programme of the EBRD, and the programme is now in its inception phase. A contribution agreement between the Commission and the EIB,

the EBRD and the KfW was signed at the end of 2010 for the funding of the facility component (EUR 15 million).

The *Regional Electricity Markets, Energy Efficiency and Renewable Energy Sources Flagship Initiative* has been launched as well. In that context, the INOGATE programme has identified thirteen on-going projects for a total amount of approximately EUR 46 million, which cover such issues as sustainable energy, energy market convergence and security of supply.

A project supporting the participation of EaP cities in the Covenant of Mayors initiative was adopted in 2010 and activities are foreseen to start from May 2011, with a budget of EUR 5 million. The project will include the establishment of a branch of the Covenant of Mayors Secretariat in the region. In that context the European Commission and the Covenant of Mayors organised a conference in Tbilisi in 2010. The event gathered more than 150 participants from 45 cities mainly at mayor and deputy mayor level and attracted large media attention..

The *Prevention, Preparedness and Response to Natural and Man-made Disasters Flagship Initiative* has also been launched. The project aims at strengthening disaster management capacities through enhanced cooperation between the EU and its partner countries. The needs assessment in preparation for the definition of a work programme was completed. A contract for the implementation of the first phase of the programme, with a budget of EUR 6 million, was signed in December 2010. The steering committee of the project will meet in June 2011.

The *Environmental Governance Flagship Initiative* was launched in March 2010, during the first meeting of the environment panel. The first activity of the initiative focuses on improving the collection and management of environmental data, with a budget of EUR 3 million, and is underway. A start-up project has been carried out during the inception phase of the ENPI SEIS project (July-November 2010). The findings of the project were discussed with the partner countries of the neighborhood in November 2010. This will allow a better focus of the activities of the implementation phase, including the definition of priorities fitting the needs of each country, and the definition of the specific role and contribution of each partner. The implementation of the SEIS project has been on-going since December 2010. First activities have focused on the identification of common indicators.

The implementation of the Flagship Initiative on the *Diversification of Energy Supplies* has been delayed. More work is needed to identify objectives and activities that partners can agree to carry-out.

4. MINISTERIAL MEETING

The second annual EaP *meeting of Foreign Ministers* took place on 13 December 2010. Ministers took stock of progress in the implementation of the EaP in 2010. They noted the progress made in implementing the EaP and welcomed the work done under the guidance of the four thematic platforms. They expressed the need to continue with the implementation of the Flagship Initiatives and they underlined the need to identify additional financial resources to complement the contribution of the EU budget. They underlined the importance of strong coordination with International Financial Institutions and invited the EEAS to explore further

the potential of the informal Information and Coordination Group⁴. They expressed support for increased involvement of the Civil Society Forum in the multilateral track of the EaP.

Ministers also discussed possible areas of activities for the EaP. They had preliminary exchanges on cooperation in the energy and transport sectors; the participation of partner countries in EU programmes; the cooperation on conflict prevention and resolution; the role of civil society; and improving the mobility of certain categories of people, such as students, researchers, academics and business operators.

Some partners underlined the need for more visibility of the EaP and its activities, and for the Flagship Initiatives to deliver tangible results for the citizens of partner countries.

⁴ Donor Group involving bilateral and multilateral donors and regional players (Canada, Japan, Norway, Russia, Switzerland, Turkey and the United States EIB, EBRD, World Bank). It aims at promoting donor co-ordination and mobilising additional resources for EaP projects.

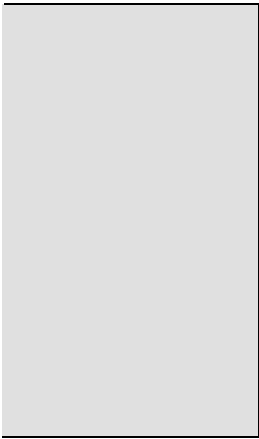
5. ANNEXE

1. Summary table on the Comprehensive Institution Building Programmes;
2. Summary table on the Flagship Initiatives;
3. Summary table on the EaP multilateral financing activities (CoE facility, Youth, CBC among partner countries)

CIB (Comprehensive institution building) Programme state of play

	Armenia	Azerbaijan	Georgia	The Republic of Moldova	Ukraine
CIB Counterpart	Minister of Economy in dialogue with Ministry of Foreign Affairs	Ministry of Foreign Affairs for FD (Framework document) and political steer; Ministry of Economic Development for Institutional Reform Plans and implementation	Deputy Prime Minister and Minister of European and Euro-Atlantic Integration	General Secretariat of the Government (new name of the State Chancellery)	Main Civil Service Department
Key reform challenges	<ul style="list-style-type: none"> - Political association/economic integration (AA negs) - Visa Facilitation Readmission Agreements - Trade policy reform 	<ul style="list-style-type: none"> - Law enforcement, Visa Facilitation Readmission Agreements - Trade: WTO accession - Civil service reform 	<ul style="list-style-type: none"> - Coordination of negotiations of Association Agreement, - Trade policy reform - Consolidation of democratic reforms (oversight institutions) 	<ul style="list-style-type: none"> - Rule of Law - Public administration reform - Deep and Comprehensive Free Trade Area preparation and implementation 	<ul style="list-style-type: none"> - EU regulatory approximation - Trade: Sanitary and Phyto-Sanitary issues and state aid monitoring - Migration
State of negotiation of	- Memorandum of Understanding signed	Memorandum of Understanding and	- Memorandum of Understanding signed	- Memorandum of Understanding signed	- Memorandum of Understanding signed

Memorandum of Understanding	on 24/11/2010	Framework Document signed on 13/01/2011	on 02/10/2010 in Tbilisi	on 15/05/2010	October 2010
State of preparation. of relevant Institutional Reform Plans	<ul style="list-style-type: none"> - Work on Institutional Reform Plans has not started - Some activities included in Annual Action Programme 2010 GBS programme 	<ul style="list-style-type: none"> - Institutional Reform Plans: preparatory work by Delegation done. Ready to launch framework contracts to support the authorities of the country. 	<ul style="list-style-type: none"> - Institutional Reform Plans: work started - Delegation has hired experts under framework contracts. Their preliminary. work will form basis for drafting Institutional Reform Plans 	<ul style="list-style-type: none"> - Institutional Reform Plans - work started 	<ul style="list-style-type: none"> - Institutional Reform Plans: initial discussion held in Kyiv, November 2010
Institutions to be part of CIB	<ul style="list-style-type: none"> - Cluster 1: Ministry of Foreign Affairs - Cluster 2: Ministry of Foreign Affairs , Migration Services, National Security Services, Police - Cluster 3 : Ministry of Economy and a number of implementing agencies 	<ul style="list-style-type: none"> - Cluster 1: Association Agreement negotiation. bodies (neg. teams = Ministry of Foreign Affairs), Diplomatic. Academy, Civil Service Commission - Cluster 3 = Ministry of Economic Development (incl. WTO accession negs) - Cluster 4 = Min. Justice, State Migration 	<ul style="list-style-type: none"> - Cluster 1: Association Agreement negotiation. bodies (negotiation. teams = Ministry of Foreign Affairs; Ministry of Foreign Affairs and European Integration; Prime Minister's office; Civil Registry - Cluster 2 : Consolidation of Terms of Ref (Ombudsman, Parliament, Chamber of 	<ul style="list-style-type: none"> - Cluster 1: General Secretariat of the Government - Cluster 2: Internal Affairs Min., Centre for Combating Economic Crime and Corruption (or successor administration) GPO - Cluster 3: Ministries: Economy, Agric., General Inspectorate for 	<ul style="list-style-type: none"> - Cluster 1: Secretariat of Cabinet of Ministers; Ministerial. Department of Civil Service; Ministry of Economy.; Ministry of Finance. - Cluster 2: Ministry. Of Agrarian Policy, State Committees for Technical. Regulation. for Veterinary. Medicine, National Commission for Codex Alimentarius



Service, State Border
Service, Min. Interior,
Labour Migration
Department of Ministry
of Labour & Social
Protection

Control)
- Cluster 3: Deep and
Comprehensive Free
Trade Area negotiations

Phytosanitary
Surveillance & Seed
Control, Competition
Agency; Procurement
Agency; Intellectual
Property Rights Agency

- Cluster 3:
Antimonopoly
Commission, Ministry
of Finance.

- Cluster 4: Ministry of
Interior; State
Committee for
Nationalities and
Religions; State Border
Guard Service

C. Vardakis, EEAS, EaP bilateral relations - ☎ 93345

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Eastern Partnership Flagship Initiatives

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EaP Flagship Initiative	Project name	Budget	Comments
Integrated Border Management (IBM)	EaP – IBM Flagship Initiative Training project	€2 million	Under Regional East Programme 2010
	South Caucasus Integrated Border Management (SCIBM)	€6 million	Under Regional East Programme 2009 (also contributing to the objectives of the Flagship)
	Pilot projects at the borders between partner countries	€5 million	Under preparation under Regional East Programme 2011
Small and Medium Enterprises (SME) Facility	East-Invest Program - Support for development of business associations and networking	€7 million	Under Regional East Programme 2009
	Turn Around Management and Business Advisory Services (TAM/BAS)	€5 million	Under Regional East Programme 2010
	SME Funding Facility	€15 million	Under Interregional Programme 2010
Regional Electricity Markets, Energy efficiency and Renewable Energy Sources (objectives of the flagship are supported in the framework of the INOGATE programme)	- Strengthening institutional capacity for sustainable energy governance (INOGATE)	€8 million	Under Regional East Programme 2010 (foreseen to be joined with the 2011 allocation under the INOGATE Secretariat)
	- Support to Energy Security through Statistical Cooperation (INOGATE)		
	Support to the establishment of Sustainable Energy Action Plans for EaP and Central Asian Cities joining the "Covenant of Mayors"	€5 million	Under Regional East Programme 2010
	Harmonisation of Electricity standards (INOGATE)	€1,5 million	Under Regional East Programme 2006 (also contributing to the objectives of the Flagship)
	Energy Market Integration and Sustainable Energy – SEMISE (INOGATE)	€5,7 million	Under Regional East Programme 2007 (also contributing to the objectives of the Flagship)
	Strengthening the INOGATE Technical Secretariat	€2,9 million	Under Regional East Programme 2007 (also contributing to the objectives of the Flagship)
Prevention, Preparedness and Response to natural and man-made Disasters (PPRD)	Prevention, Preparedness and Response to natural and man-made Disasters – PPRD East Phase I	€6 million	Under Regional East programme 2009
	Improved collection and management of environmental data, including ground elements for Shared Environmental Information System (SEIS)	€3 million	Under Regional East Programme 2009
	FLEG – Improving Forest Law and Governance	€6 million	Under Regional East Programme 2007 (also contributing to the objectives of the Flagship)

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Eastern Partnership multilateral financing activities

Project name	Budget	Com
EaP Culture Programme	€12 million	Under Regional East programme 2010 (€ million)
Council of Europe Facility	€4 million	Under Regional East Programme 2010
Eastern Partnership Youth Programme	€4.5 million	Under preparation under the Regional East Programme 2010
Eastern Partnership Territorial Cooperation Support Programme	€6 million	Under preparation under the Regional East Programme 2010



EUROPEAN COMMISSION

HIGH REPRESENTATIVE OF THE
EUROPEAN UNION FOR
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JOINT STAFF WORKING PAPER

Implementation of the European Neighbourhood Policy in 2010 Country Report: Israel

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JOINT STAFF WORKING PAPER

Implementation of the European Neighbourhood Policy in 2010 Country Report: Israel

1. OVERALL ASSESSMENT

Israel and the European Community first established contractual relations in 1975 with the signing of a Cooperation Agreement. An EU-Israel Association Agreement was signed in 1995 and entered into force in 2000. It sets out in more detail the specific areas in which relations can be developed bilaterally. On this basis the EU-Israel European Neighbourhood Policy (ENP) Action Plan was adopted in April 2005, initially for a period of three years. EU–Israel meetings take place at the level of the Association Council, the Association Committee and subcommittees, nine of which are activated. In addition, a wide range of contacts are maintained at all levels.

This document reports on the overall progress made on the implementation of the EU-Israel ENP Action Plan between 1 January and 31 December 2010, although developments outside this period are also considered where relevant. It is not a general review of the political and economic situation in Israel. The sectoral report contains information on regional and multilateral sector processes.

In 2010 the EU and Israel maintained strong bilateral relations and an open political dialogue. The Association Council, originally scheduled for March 2010, took place in February 2011, while the EU-Israel Informal Working Groups on Human Rights and International Organisations and the sub-committee on Political Dialogue and Cooperation were held in September and December 2010 respectively. Bilateral dialogue on sector-specific and technical matters slowed down in 2010. Only one subcommittee was held, in March. One important achievement in bilateral relations was the signing of the Agreement on Conformity Assessment and Acceptance of industrial products (ACAA), which is, however, still subject to the European Parliament's consent. The EU also acknowledged that the level of personal data protection in Israel was adequate. Negotiations between Israel and Europol on an operational cooperation agreement moved forward.

The Israeli economy showed considerable resilience to the global economic crisis. The economy resumed strong growth in 2010. This was the result of effective policy measures during the crisis, but also of prudent macro-financial policy frameworks established beforehand.

There was no significant progress towards a comprehensive settlement of the Israeli-Palestinian conflict. Following the Israeli government's decision to allow the ten-month moratorium on settlement construction in the West Bank to expire in September, direct negotiations between the two sides came to a halt. On expiry of the moratorium, settlement activity resumed. The demolition of houses in the West Bank, particularly in East Jerusalem, continued during the reporting period. Although Israel did take steps to ease restriction on movement in the West Bank, further efforts are needed. The Israeli government's June decision to ease the blockade on the Gaza Strip brought about some improvements as regards imports of goods. However, the government's decision in December 2010 to allow some

additional exports in the future has not yet been enforced. The overall social and economic situation in the Gaza Strip has not substantially improved. Rockets and mortar shells continued to be fired from Gaza, and arms smuggling persisted; Gilad Shalit, the Israeli soldier abducted by Hamas, remained in captivity.

Against this background and in line with its decision of June 2009¹, the EU did not resume the process of upgrading relations in 2010. At the Association Council the EU agreed to explore further with Israel any opportunities still offered by the 2005 ENP Action Plan - which remains the reference document of EU-Israel bilateral relations - and pursue technical talks to identify areas for potential cooperation in the future. The validity of the Action Plan has been extended by mutual consent until June 2011.

As regards the domestic situation with regard to human rights, pressure on civil society organisations, including from government members, has increased, leading to a deterioration in their working environment. Furthermore, the economic and social situation of the Arab minority, including the Bedouin community, and its full integration into Israeli's society and protection of its rights, need to be addressed more effectively. Israel's occupation of the West Bank and its policies vis-à-vis Gaza have continued to have serious repercussions on the freedom and individual rights of the Palestinian population (*for further details see the Progress Report on the Occupied Palestinian Territory*).

2. POLITICAL DIALOGUE AND COOPERATION

Democracy, human rights and fundamental freedoms

The promotion of democracy, rule of law and respect for **human rights** and international humanitarian law have been raised regularly with the Israeli authorities and were subject to in-depth discussions at the meetings of the EU-Israel informal Working Group on Human Rights and on International Organisations and the EU-Israel subcommittee on political dialogue and cooperation.

Israel is party to most international human rights instruments but not to their optional protocols. During the reporting period Israel did not cooperate with the special rapporteur on the situation of Human Rights in the Palestinian territory occupied by Israel, accusing the rapporteur of political bias in favour of the Palestinian side. Israel has not responded to requests for a visit by five UN Special Rapporteurs

As regards **minority** rights, there was limited progress on the situation of the Arab minority. They were slightly better represented in the civil service and in government offices, but remained well below the target of 10% by 2012 provided for in the legislation. Urban planning of Arab localities has progressed. A number of bills pending in the Knesset have had a strong alienating effect on the Arab-Israeli community, including the proposed amendment to the Citizenship Law according to which naturalised citizens would have to swear allegiance

¹ [...] That upgrade must be based on the shared values of both parties, and particularly on democracy and respect for human rights, the rule of law and fundamental freedoms, good governance and international humanitarian law. The upgrade needs also to be, and to be seen, in the context of the broad range of our common interests and objectives. These notably include the resolution of the Israel-Palestinian conflict through the implementation of the two-state solution, the promotion of peace, prosperity and stability in the Middle East and the search for joint answers to challenges which could threaten these goals.

to the State of Israel 'as a Jewish and democratic state'. In March 2011, legislation (*Nakba* Bill) was adopted that would penalise organisations receiving public funding that commit offences such as celebrating Israeli Independence Day as a day of mourning or that reject the State of Israel as a Jewish and democratic state. Legislation was also adopted allowing small communities in Galilee and Negev to disqualify, on the basis of certain criteria, candidates seeking to settle in those communities. It is feared that this legislation could, *inter alia*, be used to entrench segregation between Jewish and Arab citizens of Israel.

Little progress was made towards the broad recognition of Bedouin villages, as recommended by the Goldberg Commission in December 2008. The resolution prepared by the government to implement the Commission's recommendations has not been adopted yet. House demolitions in Bedouin communities continued and became increasingly violent, with some demolitions in January and February 2011 leading to fierce clashes in which many villagers, including women and children, were injured. The European Initiative for Democracy and Human Rights continued to support human rights projects in Israel, with an allocation of EUR 1.3 million in 2010.

In the area of **freedom of expression and association**, public criticism of the work of human rights organisations has continued, including from leading government parties and personalities, and has even increased compared to the previous year. A bill on NGO recipients of financial support from Foreign Political Entities was adopted in February 2011. The provisions which caused the greatest concern have been dropped. However, the law imposes additional and potentially excessive transparency requirements. Moreover, it applies only to funds received from foreign public sources and not to private donations. A number of other bills are pending in the Knesset, including one establishing a Parliamentary enquiry committee to investigate the funding of Israeli organisations that allegedly participate in a de-legitimisation campaign against the Israeli State and Army, as well as one targeting individuals who initiate a boycott against the State of Israel or encourage participation in a boycott.

Within Israel, the *rule of law* and *independence of the judiciary* continued to be applied. The worsening working conditions of public prosecutors led to a strike in 2010. The trial of former president Katsav took place in 2010 and 2011, leading to his conviction and sentencing to seven years' imprisonment for sexual offences.

Israel continues arresting and holding a number of Palestinians in **administrative detention** without formal charges. However, the number of administrative detainees decreased, from 278 in December 2009 to 205 in December 2010. Security suspects in the hands of the Security Authorities can be denied access to a lawyer for up to 21 days. These detainees may be interrogated incommunicado for four days without judicial oversight, and with the exception of one hearing before a judge, the interrogation may continue while the detainee is held incommunicado for three weeks. Palestinians detained in the hands of the security authorities in the West Bank may be prevented from meeting a lawyer for up to 90 days.

As regards **torture and ill-treatment**, in November 2010 the Government took the decision that the task of investigating torture allegations against the General Security Service (GSS) should be transferred from the GSS itself to the ministry of justice. This decision has not been implemented yet. Since 2001, no complaints against the GSS have led to criminal investigations. There were a number of reports by Israeli NGOs on problematic detention conditions of Palestinians, in particular in one interrogation facility of the Israel Security Agency (ISA).

According to the 2010 World Economic Forum report, Israel ranks the highest among countries in the Middle East and North African region with respect to **gender equality** indicators. However, Israel has slipped down seven places compared with the previous year, mostly due to a widening wage gap and a smaller proportion of women in ministerial level positions. Women still remain underrepresented in national and local government, with Arab women even further underrepresented. The Equal Employment Opportunities Commission is fully functioning: addressing a number of discriminatory behaviours in the workplace with a large proportion of cases dealing with gender discrimination. Israel undertook to improve the collection of gender disaggregated data by 2015.

As regards **children's rights**, in 2010 there was a sharp increase in the number of children being arrested in the Occupied Palestinian Territory, and particularly in East Jerusalem. According to Israel Police figures, between November 2009 and October 2010 the Jerusalem District opened 1 267 criminal files against Palestinian children living in East Jerusalem who were accused of throwing stones. Children are increasingly detained in child-designated prison sections. However, there have been several cases of detained children mixing with adults. According to official figures, as of August 2010, 58 % of detained Palestinian children were kept inside Israel, thus contravening the Fourth Geneva Convention.² The juvenile military court that has been established in the West Bank will continue to operate in the coming year. However, many aspects of it are problematical, including the fact that the conditions surrounding the children's arrest, interrogation practices, and detention before the trial are not examined by civil authorities. Children often do not have access to their families during this process.

Combating anti-Semitism — Fight against racism and xenophobia, including Islamophobia

The EU and Israel pursued their cooperation in supporting initiatives tackling anti-Semitism, racism and xenophobia. As reported last year, the EU's Fundamental Rights Agency published a new report on Anti-Semitism in the EU in April 2010. Also in April 2010 a joint seminar was held in Jerusalem. The EU funded a project aiming to create a unified network of Holocaust archives, with the participation of 20 archives and research institutes from 13 countries in Europe, the United States and Israel, including Jerusalem's Yad Vashem.

Cooperation on foreign and security policy, regional and international issues, conflict prevention and crisis management

Cooperation under CFSP/ESDP, crisis management

The mandate of the EU Border Assistance Mission in Rafah (EUBAM Rafah) continues until 31 May 2011, with a further extension in process. The mission maintains its operational capability and remains ready to redeploy its personnel at the crossing-point as soon as conditions permit.

Situation in the Middle East

There was no progress towards a comprehensive settlement of the Middle East Peace Process. In September 2010, following a four-month period of proximity talks, the Israeli and Palestinian sides engaged in direct talks, supported by the US, the EU and the Quartet.

² According to the Convention, **"protected persons accused of offences shall be detained in the occupied country, and if convicted they shall serve their sentence therein"**.

However, the Israeli government's subsequent refusal to extend the 10-month settlement moratorium on construction in the West Bank after its expiry in September 2010 led to the suspension of negotiations. Within the Quartet, the EU supported and encouraged US efforts to persuade the parties to resume negotiations. This was complementary to its own efforts in this regards, reflected in the conclusions adopted by the Foreign Affairs Council on 13 December

Settlement activity in the West Bank, including East Jerusalem, was limited during the moratorium, in particular between March and September 2010. However, in the last months of 2010 and the beginning of 2011 substantial settlement activities resumed. House demolitions and evictions of Palestinians from their homes continued in the West Bank, particularly in East Jerusalem, with a total of 431 Palestinian structures demolished in 2010. One child was killed and 133 Palestinians were injured in 2010 as a result of attacks by Israeli settlers. In addition, over 3700 olive trees were vandalised during the olive harvest. The ongoing impunity continues to favour settlers. Four Israeli settlers were killed in an attack claimed by Hamas and in March 2011 a family of five was murdered in the settlement of Itamar.

Rockets and mortar shells continued to be fired from Gaza and arms smuggling persisted. The firing of rockets from Gaza and retaliatory strikes by the Israeli military escalated in March 2011. Hamas maintained its control over the Gaza Strip. Gilad Shalit, the Israeli soldier abducted by Hamas, remained in captivity. The EU continued to call for his immediate release and for a complete halt to violence. Since the end of Operation Cast Lead in 2009, the Israeli Defence Force has investigated 400 complaints and questioned about 600 officers and soldiers. Out of the 400 complaints, 50 evolved into criminal investigations and three into indictments.

On 31 May 2010 a six-ship flotilla carrying humanitarian aid attempted to break the blockade that Israel had maintained over the Gaza Strip since Hamas took control in 2007 and was intercepted by the Israeli Navy. In the ensuing clashes between Israeli forces and activists there were nine casualties among the activists and several people on both sides were injured. The EU publicly regretted the loss of life and condemned the use of violence. In June the Israeli government established a domestic commission with international observers in charge of investigating the events, which published its report in January 2011³. In August 2010 Israel also agreed to cooperate with a UN investigating panel composed of four members, of whom one is from Israel. Israel did not cooperate with the UN Human Rights Council panel which investigated the events and published its report in September 2010.

Following the flotilla raid, the Israeli government partly eased the blockade on the Gaza Strip. There was a 62% increase in the number of truckloads allowed in between May and October 2010.⁴ However, imports are far from pre-2007 levels. Between June and October 2010 the supply of diesel increased by 50% for transportation and by 125% for power production. Despite this progress, a fundamental change in policy is still required to allow for the reconstruction and economic recovery of the Gaza Strip. With the exception of flowers and strawberries, the ban on exports remains in place. In December the Israeli government

³ Turkey also prepared an investigation report, which came to opposite conclusions on many instances.

⁴ In May 2650.5 truckloads entered the Gaza Strip, as opposed to 4305 in October. Before the closure in 2007 about 10000 truckloads entered the Gaza Strip per month.

announced that some additional exports would be allowed in the future, although this decision remains largely to be implemented.

Israel took further limited steps in 2010 to ease restrictions on movement in the West Bank.

Non-proliferation of weapons of mass destruction and their means of delivery, including ballistic missiles

As regards the EU-Israel informal dialogue on non-proliferation of weapons of mass destruction, the EU continued its efforts to make progress in the implementation of the 1995 Non-Proliferation Treaty (NPT) Resolution on the Middle East. However, there were no new developments during the reporting period.

Combating terrorism

The EU and Israel continued to express strong mutual interest in deepening collaboration in this area. In September 2010 a Workshop on Terrorist Financing & Money Laundering took place in Brussels, with the participation of experts from Israel, the EU and the EU member states.

International organisations

In line with the common objective of promoting effective multilateralism, the EU and Israel continued to develop regular contacts on a number of matters of mutual interest. This included discussions on UN-related matters, such as human rights (including a review of the Human Rights Council), climate change, sustainable development and the preparations for the Rio+20 Conference, the International Criminal Court, UN peacekeeping and EU participation in the UN General Assembly.

In 2010, Israel became a member of the Organisation for Economic Cooperation and Development (OECD).

Regional cooperation

There was no substantial progress on trilateral cooperation, which would involve Israel, the Palestinian Authority and the EU and would cover trade, transport and energy.

3. ECONOMIC AND SOCIAL COOPERATION

Macroeconomic framework

The 2010 recovery of the Israeli economy from the global economic downturn was much faster than in the major developed economies. Output expanded by 4.5 % in 2010, reflecting a strong rebound of private consumption and recovery in fixed investment. The recovery encompassed most industrial sectors of the economy and had a significant impact on unemployment.

Average inflation decreased from 3.3 % in 2009 to 2.8 % in 2010. The real exchange rate remained strong, which has helped to curb imported inflation. The main inflation drivers were rising prices for food and, in particular, housing. If these factors are excluded, core inflation was recorded at around 1.1 %. The government took measures to alleviate the housing

shortage and prevent the expansion of the real-estate bubble. These measures included a reduction in the taxation of capital gains on land and incentives for contractors to complete projects more rapidly.

In 2010 the *shekel* (NIS) continued to appreciate (5.8% against the USD and 12.7% against the EURO), supported by the strong recovery of the economy, the current account surplus and the wide interest-rate differential with key developed economies. The Bank of Israel continued to intervene in foreign exchange markets to prevent damage to exports as a result of rapid appreciation. This policy led to the accumulation of around USD 70 billion (EUR 52.5 billion) in foreign reserves, which entails significant sterilisation costs and undermines the credibility of the free-floating exchange-rate regime.

The fiscal deficit narrowed from 5.1% of GDP in 2009 to around 3.7% of GDP in 2010, on the back of the economic recovery and the effective curbing of public expenditure. Fiscal consolidation should continue in order to bring public debt — at 76.2% of GDP in 2010 — onto a downward path and support monetary policy in its fight against inflation. This would allow for a more gradual tightening of monetary policy and a softer impact on competitiveness. The authorities are committed to ensuring fiscal discipline by establishing biannual targets on the fiscal deficit and ceilings on real expenditure growth. Their implementation will require regular spending reviews at all levels, as well as enforcement of tax collection, especially of indirect taxes. The establishment in the ministry of finance of a commission to examine the tax treatment of non-renewable resources is a positive step, as the appropriate use of the proceeds can facilitate the implementation of several policy options, such as the reduction of public debt or even the establishment of a sovereign wealth fund.

The external sector was challenged by a 15% real appreciation of the *shekel* in 2010. Nevertheless, the current account balance remained positive, even though the surplus slightly narrowed from 3.9% of GDP to 3.1% of GDP in 2009. This was the result of a deterioration in the trade balance. Tourist flows also contributed to the current account surplus with a 26% increase in arrivals.

Employment and social policy

A **poverty** report by the National Insurance Institute, published in November 2010, shows that 24% of the Israeli population lived below the poverty line in 2009 compared with 22% in 2008). Poverty is concentrated among the 20% of the population belonging to the Arab minority (of whom 57% live below the poverty line) and the estimated 10% who are ultra-orthodox Jews (of whom 60% live below the poverty line). The number of poor families increased in 2009 in both the Arab-Israeli and ultra-orthodox communities. According to the same report, poverty among the elderly decreased from 22.7% in 2008 to 20.1% in 2009.

The impact of the global financial and economic crisis had been relatively moderate on Israel's economy and labour market. In the context of fast recovery, the **unemployment** rate dropped to 6.6% in 2010. The majority of the newly employed found jobs in the public service. Few of them found jobs in the business sector. Nevertheless, unemployment rates in the Arab and Ultra Orthodox populations (Haredim) remain high (around 27% and 65% respectively). Labour market participation is extremely low in both groups, especially among Arab-Israeli women and Haredim men. The issue of severe under-employment of Arab-Israeli women was raised during OECD negotiations, but few significant measures have been taken. The level of Haredim participation in the labour market is low, mostly due to a preference for full-time religious study among men. Both groups already represent a fifth of the working age

population. Boosting their labour market participation represents a major challenge. With a view to rebalancing the socio-economic development between the centre and the periphery of the country, an Action Plan exists that targets investment, innovation and skills development in the periphery regions.

In the area of **social inclusion**, the situation of the Arab-Israeli minority remains a matter of concern. Only slightly more than a third of Arab youngsters complete high school with a matriculation certificate. People with disabilities (about one fifth of the population) earn about 34% less than the national average. In the first quarter of 2010, the Israeli government discontinued the reform plan on the welfare of workers earning low salaries by means of income tax credits, despite the Bank of Israel's recommendation to extend the programme across the country and to increase grants.

As regards **social dialogue**, the 2009 legislation on employee rights in the workplace started producing effects. **Women's participation** in social, economic and political life continued to improve. The EU financed a twinning project with ENPI bilateral funds, aimed at providing support to the Equal Employment Opportunities Commission.

4. TRADE-RELATED ISSUES, MARKET AND REGULATORY REFORM

The EU remains Israel's first trading partner. Exports to the EU increased by 24.4% and EU exports to Israel increased by 26.2%. Significant progress was made in tackling market access barriers in Israel in the first half of 2010 by means of a more intensive dialogue with the EU side. However, some issues remain open, including sanitary and phyto-sanitary matters and technical barriers to trade. No significant progress can be reported on the implementation of the **customs**-related part of the Action Plan.

In the area of **agriculture** overall trade in agricultural products, processed agricultural products and fish and fishery products further increased following the entry into force, in January 2010, of the new Agreement in the form of an Exchange of Letters. Bilateral dialogue on Geographical Indications continued during the reporting period. On **free movement of goods and technical regulations**, the EU-Israel ACAA agreement on good manufacturing practice for pharmaceutical products was signed in May 2010. The European Parliament still has to give it its consent. Other priority sectors include pressure vessels and medical devices, and possibly machinery. The Standards Institute of Israel started in July 2010 a review process of the Israeli Standard on safety of toys in order to adopt the European Standard.

In the field of **consumer protection** the regulations regarding the cancellation of a deal by consumers within 30 days and the right to receive their money back entered into force in December 2010.

In 2010 the EU and Israel stepped up **sanitary and phyto-sanitary** cooperation through the preparation of a twinning project that aims to strengthen veterinary administration. Israel continued the process of updating legislation. In February 2010 Israel connected to the external window of the EU's rapid alert system for food and feed (RASFF). The Knesset Committee of Health tabled a draft law setting up a national authority for the supervision of food. In May 2010 the European Commission's Food and Veterinary Office (FVO) carried out a mission to Israel on pesticide controls in fruit and vegetables, which identified some weaknesses in the control system. In November 2010, the FVO carried out an inspection visit on the control of residues and contaminants in live animals and animal products, including

controls on veterinary medicinal products. In January 2010, in cooperation with the EU, Israel managed successfully an outbreak of the highly pathogenic avian influenza.

In line with the ENP Action Plan, the EU-Israel annual Business Dialogue (EUIBD) meeting took place in December 2010. The EUIBD provides for flexible arrangements and opportunities for business contacts between the EU and Israel; however the dialogue could be better structured and its visibility increased.

No substantial progress can be reported with respect to **company law**. During the reporting period Israel started work on amendments to the regulation requiring companies to submit documents to the Companies Registrar not only in Hebrew but also in English. The Corporate Governance Act is still under consideration in the Knesset. In 2011, for the first time since the entry into force of the Companies Law in Israel in 1999, the Israeli Corporations Authority will start to impose fines on companies registered in Israel which have been failing to pay annual fees and submit annual reports. The business licensing reform passed the first reading in parliament in August 2010. According to the proposed reform, the licensing process will be expedited and the specifications will be standardised.

In the area of **accounting**, SMEs in Israel will be entitled to implement the International Financial Reporting Standards for SMEs in their financial reports as of 2011.

No progress was reported in the area of **auditing**.

There were no new developments in the bilateral negotiations for the liberalisation of **services** and establishment in 2010.

In the field of **financial services**, in March 2010 the parliament adopted a new Bank of Israel Law. Monetary policy and decisions are determined by the Monetary Committee. An Administrative Council was also established to supervise the orderly and efficient management of the Bank. The new law provides a strong foundation for the monetary and exchange rate regime, although some aspects of its implementation, including the precise function of the Monetary Committee, have yet to be clarified.

The banking sector remained stable in 2010 and the number of impaired loans fell. A series of regulatory and supervisory measures implemented in 2010 should contribute to strengthening further the stability of banks and non-bank financial institutions. Banks were required to increase core capital by at least 7.5%, while measures concerning supervision, transparency and risk management were implemented in the non-bank sector and with institutional investors. However, there is room for improvement in stress-testing procedures and supervision in the corporate bonds market. There should be greater coordination among the three regulatory bodies of the financial sector, as many market operators are active in a number of supervisory fields.

In August 2010 the parliament approved a law setting up a special economic affairs court to hear corporate and securities cases.

Other key areas

A new agreement on avoidance of double **taxation** between Israel and Estonia entered into force in January 2010 and a similar agreement with Austria was initialled in July 2010.

With regard to **competition policy**, in July 2010 the Ministerial Committee for Legislation approved an amendment to the Anti Trust Law, which would empower the Israel Anti Trust Authority to deal with the concentrations distorting competition. The draft law was submitted to the parliament. No progress can be reported in the field of state aid.

In the area of **intellectual property rights**, Israel joined the Madrid Protocol in September 2010. As a result, Israelis can apply for international registration of trade marks via the Israeli Patents and Trade Marks Authority. According to independent sources, Israel's software piracy levels are below the EU average.

In the area of **public procurement**, a regulation entered into force in July 2010 obliging foreign suppliers who win Israeli local authorities' tenders for over USD 5 million (EUR 3.772 million) to purchase goods in return worth 20-35% of the deal's value, preferably from the same city/town.

Following the expansion of the regulations pertaining to industrial cooperation, and their application to contracts to be issued to foreign companies by health care organisations and other public entities, as of August 2010 international pharmaceutical companies and the manufacturers of medical equipment are required to carry out offset purchases with the State of Israel. In December 2010 a new law obliged the ministry of defence, the ministry of internal security and the Israeli Defence Force to give preference to local textiles producers in their tenders (which are up to 50% more expensive). This law will be valid for two years. These preferences apply except where they run counter to Israel's commitments under international agreements.

The Israel Central Bureau of **Statistics** participated in the activities of the MEDSTAT III programme launched in 2010, in particular in the areas of migration, social policy, trade, energy, transport and agriculture, thereby also continuing cooperation with its neighbouring countries. Moreover, it cooperates in the context of the environmental statistics programme for ENP countries on a Shared Environmental Information System 'SEIS'.

On **enterprise policy**, Israel continued to participate in industrial cooperation activities, including the implementation of the Euro-Mediterranean Charter for Enterprise.

5. COOPERATION ON JUSTICE, FREEDOM AND SECURITY

Regarding the fight against **organised crime**, Israel has not ratified the remaining Protocol to the 2003 United Nations Convention on Transnational Organised Crime on the Illicit Manufacturing of and Trafficking in Firearms, their Parts, Components and Ammunition.

With an estimated figure of 33,000 asylum seekers currently in Israel, the country still lacks a consolidated and consistent policy and legislation on **asylum** and its authorities follow a very restrictive approach towards asylum seekers. The country's policy in the field of asylum was considered also, in the course of 2010, to be revised into further restrictive terms through an Anti-Infiltration bill, but the latter eventually was no longer adopted. The Israeli authorities have yet to set in place a functioning Refugee Status Determination procedure. Beyond the detention period where treatment is granted, the state does not provide asylum seekers with the right to work, nor basic medical and social services, despite the fact that a significant number of asylum seekers who arrive to Israel have been victims of systematic abuse and torture perpetrated by smugglers in the Sinai desert. Furthermore, Israel has difficulties in

adequately coping, from a legal and administrative point of view, with the fact that it has become the country of destination for an increasing number of irregular migrants and asylum seekers from several African countries, who reach its borders coming from Egypt. In order to react to this fact, in July 2010 the government decided to accelerate the construction of a fence along the southern border, and in November 2010 it approved the establishment of an open detention centre near the Egyptian border in order to meet asylum seekers' basic needs.

On the fight against **trafficking of human beings**, a draft legislative measure proposing penal sentences for purchasers of sexual services, with a provision for an educational rehabilitation reprieve for first-time offenders, has not yet been discussed in the Knesset (Israeli parliament). The NGO Task Force on Human Trafficking petitioned the Supreme Court in July 2010 to ban advertising for women's sexual services in public media. Israel remains a destination for persons trafficked for sexual exploitation. While law enforcement agencies continued working against human trafficking, Israel's actions fall short of minimum international standards. Renewed attention needs to be paid to the rehabilitation of victims, including housing and medical service support, in the context of the implementation of the national plan to combat human trafficking.

In the area of the fight against **drugs**, in July 2010 the Knesset outlawed the sale of alcohol at night time in non-catering establishments (for example petrol stations, pharmacies) as a means of addressing the growing problem of youth alcoholism, particularly in the 11-15 age group. Increased police crackdowns reduced access to recreational drugs such as marijuana, leading to an increase in its local production and smuggling networks to Egypt and Lebanon. There has still not been any sustained follow up to the recommendations of the Mini Dublin Group on establishing a central anti-drug unit within the Israeli police as well as on maintaining accurate records of information exchange with neighbouring countries on precursors. Drug trafficking, with its links to national and international organised crime networks, remains an issue of concern. In October 2010 Israel took an active part in the regional Euro-Med Police II programme on drug cooperation alongside its ENP neighbours as well as in the ENP regional seminar on the EU drug monitoring system organised by the European Monitoring Centre for Drugs and Drug Addiction (EMCDDA) and the EU in Brussels.

Concerning the fight against **money laundering**, a draft law extending the anti-money laundering regime to trade in precious stones passed its first reading in the Knesset in December with second and third readings foreseen in 2011. It places significant obligations on dealers with respect to client identification, transaction reporting and record retention for at least five years vis-à-vis the Israel Money Laundering Prohibition Authority. In December 2010, Israel signed and ratified the Framework Convention of the International Anti-Corruption Academy, thus facilitating future international cooperation in education, training and research against corruption in the framework of the United Nations Office on Drugs and Crime. As was the case in 2009, the supervision authorities continued implementing the national control regime based upon the 40 plus 9 Special Recommendations of the Financial Action Task Force. Due diligence, 'Know Your Customer' (KYC) and 'Know Your Business' (KYB) practices continued to be implemented within financial institutions and the financial services industry in line with statutory obligations.

As regards **data protection**, the Israeli Law, Information and Technology Authority organised a final conference for the Twinning project on data protection in November 2010 highlighting increased public awareness in various sectors such as telecommunications, international data transfers and economic outsourcing. On 31 January 2011 the European Commission adopted a decision on the basis of Directive 95/46/EC, declaring the level of

personal data protection in Israel to be adequate. In the field of **police and judicial cooperation**, Europol approved a mandate for negotiations with Israel on an Operational Agreement including a provision that data processing be undertaken in line with international law and that information sourced from the occupied Palestinian territory be marked in advance in a manner identifiable by the EU member state law enforcement authorities.

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As regards civil judicial cooperation, Israel expressed interest in acceding to the Lugano Convention on Jurisdiction and the Recognition and Enforcement of Judgments in Civil and Commercial matters. Israel is not yet a party to the 1996 Hague Convention on Child Protection to which all EU member states will soon accede.

In 2010, Israel began implementing its obligations under the UN Convention against **Corruption**. In international surveys on corruption perception Israel ranks at a level similar to EU member states.

6. TRANSPORT, ENERGY, ENVIRONMENT, THE INFORMATION SOCIETY, RESEARCH AND DEVELOPMENT, SCIENCE AND TECHNOLOGY

In implementing its **transport** policy, Israel continued to focus on the development of integrated transport systems, with a particular emphasis on transport safety and increasing the share of public transport. In June 2010 Israel opened up the public transport market by releasing 17% of the routes of the public transport operator (Egged) for competition. According to the ministry of transport and road safety (MoT), since the start of the reform in public transport 10 new public transport operators have entered the market with a combined market share of about 30%.

Following the cancellation of the tender for the Tel Aviv Light Train, the government decided to finance this project in late 2010. The estimated cost is NIS 11 billion (EUR 2.2 billion). This so-called 'Red Line' is intended to carry 120 million passengers a year. Mass transit use is expected to increase to 430 million passengers a year by 2030.

In the field of civil aviation, Israel is committed to making progress on the signing of a comprehensive aviation agreement with the EU in 2011 following the successful conclusion of a horizontal agreement in 2008. In 2010 the State Controller criticised the Civil Aviation Authority for failing to maintain proper standards of aviation safety. Israel needs to increase resources further in order to ensure efficient safety oversight of air carriers.

As regards the maritime sector two regulations entered into force in mid 2010 aimed at ensuring higher safety standards. One requires Port Service Vessels to install electronic equipment to enable the Port Control Station to keep a constant watch on the movements and location of port service craft. The other, issued as a result of recommendations by the International Maritime Organisation, defines the safety measures surrounding the transit of certain types of dangerous cargo. Israel operates a very effective Port State Control (PSC) system and remained on the White List of the Paris MoU on PSC.

In August 2010 Israel initiated the development of an **energy** master plan for the period up to 2050. The future strategy aims at reducing dependence on fossil fuels, using more renewable energy and increasing energy efficiency. The option to use nuclear generated electricity remains open. In December 2010 the ministry of national infrastructures approved an electricity sector development plan that provides for additional electricity capacity to be built in the next few years. Extensive offshore gas discoveries in 2009 and 2010 provide Israel with new perspectives for greater security of energy supply. In this context, Israel established a committee to propose a fiscal policy conducive to the development of the new resources. The committee's recommendations were published in January 2011. In August 2010 Israel approved a plan to connect the Tamar offshore natural gas well (near Haifa) with Ashdod. Gas deliveries are expected to start by 2013. Also in August 2010 Israel launched the construction of the first (private) independent power producer in the country. Israel continued to construct internal gas pipelines and to assess the feasibility of constructing a Liquefied Natural Gas facility. Israel adapted the Ashkelon-Eilat oil pipeline to facilitate possible Russian and Caspian oil transportation. In July 2010 the Ministry of National Infrastructure adopted an energy efficiency plan 2010-2020. Israel continued to implement energy efficiency measures, in particular with respect to lighting, domestic appliances and the hotel sector. In December 2010 Israel adopted a master plan for photovoltaic installations of up to 750 hectares. It promoted the use of renewable energy sources and implemented measures with respect to solar energy in particular. This has contributed towards developing and implementing the Mediterranean Solar Plan.

The EU remains committed to re-activating trilateral energy cooperation with Israel and the Palestinian Authority, currently stalled because of the regional conflict. The aim is still to establish a joint energy office, thus facilitating the development of projects of common interest, such as the joint 'Solar for Peace' initiative.

In the field of **climate change**, Israel submitted its Second National Communication to the UN Framework Convention on Climate Change. A pilot project for a voluntary greenhouse gas registry was launched. Participating organisations will report on their greenhouse gas emissions once a year, with the first report on 2010 emissions due in June 2011.

Israel prepared and approved additional Clean Development Mechanism Projects. Three of these new projects were registered at the UN level, bringing the overall number of registered projects to 19.

Israel is encouraged to fully implement the Cancun agreement and in particular devise a low carbon development strategy including update information on target or actions that it will implement.

Regarding **environment**, Israel adopted new legislation on waste packaging, as well as new regulations on noise reduction and on the disclosure of information by corporations on the environmental risks of their operations. New or amended legal instruments on asbestos, the marine environment, enforcement, wildlife protection and non-ionising radiation are still under preparation. Preparations started for a National Air Pollution Abatement Programme for 2011–2020. Israel published also a National Biodiversity Strategy and Action Plan. Work continued on implementing existing strategies and plans, where continuous attention is required.

Israel took steps to integrate environmental considerations in other policy areas, such as energy. Israel drove forward the Integrated Pollution Prevention and Control legislation from a pilot phase to a full-scale operation by sector (due to start in 2011). The ministry of

environmental protection published a state of the environment report, continued to distribute environmental information on a regular basis, and carried out activities to inform and involve the public. The implementation of a 2010-2012 work plan on the Pollutant Release and Transfer Register has started.

There were no significant developments in the reporting period with respect to the ratification of the remaining Protocols of the Barcelona Convention for the Protection of the Marine Environment and the Coastal Region of the Mediterranean, nor the ratification of the Gaborone Amendment to the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES). Israel continued to participate in the Horizon 2020 Initiative and in the EU Water Initiative. Cooperation and information exchange took place between the EU and Israel on eco-system services, water, de-pollution and the management of environmental information.

In the field of **civil protection**, the Community Civil Protection Mechanism was mobilised in December 2010 in response to Israel's request for assistance in combating forest fires. Israel was actively involved in the Euro-Mediterranean Programme for the Prevention, Preparedness and Response to natural and man-made Disasters, which reached the mid-term phase of its implementation.

As regards the **information society** sector, in March 2010 the minister of communications and the minister of finance empowered a new public committee which is to present its recommendations on the creation of a new regulatory framework on universal service operators and interconnection tariffs. The adoption of the revised regulatory framework is foreseen in 2011.

The ministry of communications issued regulations aimed at encouraging competition in the mobile telephony market. Six Mobile Virtual Network Operators (MVNO) were granted licences allowing them to enter the market. Other MVNO applications are being considered. Moreover, a reform package was introduced with a view to making it easier to switch to a different provider of mobile telephony services, including shorter maximum contract periods, improved implementation of number portability, and lower penalties for contract termination. Following a long review and hearing of the four mobile operators, in September 2010 the ministry of communications decided to reduce mobile operators' termination rates by over 70%. The reduction will take place gradually, from 1 January 2011 until 2014, and will help reduce competitive distortions in the market.

Israel made significant progress in developing eHealth applications. By 2010 it had established a nation-wide health information network. Electronic medical records and e-prescriptions are used by virtually all the population and physicians.

As regards the **audiovisual** sector, in early 2010 the ministry of communications announced the establishment of an independent National Telecommunications Authority that would replace the ministry. The Authority would include the Broadcasting Authority, which is currently the body in charge of public broadcasting.

In the area of **science and technology**, the already extensive cooperation between the EU and Israel was further boosted. Israel has been involved in the 7th Framework Programme for Research and Development (FP7) as from its inception. As a result of the association Israel pays a financial contribution to the overall EU budget calculated on the basis of its GDP. Since the beginning of the FP7 the participation of Israel in all thematic areas of the FP7 has been

steadily growing. By April 2011, 754 grant agreements were concluded involving 919 Israeli research entities. Additional 88 proposals involving 111 Israeli research entities have been selected for funding and the grants are currently under negotiation. The research themes in which Israeli research teams are particularly strong are Information and Communication Technologies and Health as well as in the Ideas programme. The performance of Israeli universities and research institutes is particularly strong, with these organisations receiving some 70.3% of the overall funding of EUR 352 million going to Israeli participants.

Israeli researchers and enterprises are also participating successfully in research actions under the Joint Technology Initiatives set up pursuant to Article 187 of the Treaty on the functioning of the European Union.

7. PEOPLE-TO-PEOPLE CONTACTS, EDUCATION AND HEALTH

In November 2010, a second bilateral meeting on the implementation of the Joint Declaration with the European Commission on cooperation and dialogue on **education and training** took place in Jerusalem with exchanges of views on approaches to lifelong learning, and the activation of the ‘people to people’ dimension of the EU-Israel Action Plan.

The Council of Higher Education adopted a new strategy in March 2010 and established a new division on quality evaluation. The ministry of education proposed a 50% increase in the higher education budget by 2013 to support its six-year plan to reinvigorate higher education by encouraging excellence and improving teaching quality. While Israeli Arabs comprise 20% of the university-aged population, only one in ten is enrolled in an Israeli university or other higher education institution. Additional efforts are required to redress this situation and to remove obstacles to higher education for Israeli Arabs. In the area of vocational training, the ministry started planning to modernise technological education with a view to increasing student numbers by 10% by 2015. Israeli stakeholders, including the ministry, participated actively in the self-assessment of vocational education and training under the Torino Process. The findings highlighted the need to increase its attractiveness, improve skills relevance to labour-market needs and promote social inclusion and employment for disadvantaged groups and for people living in peripheral regions. Formalised mechanisms are also needed to enhance education and business cooperation.

Israel participated in the third Call for Proposals for **Tempus IV**. Two projects were selected, beginning in the academic year 2010-11. The Council of Higher Education increased staff resources in the National Tempus Office. However, greater visibility should be given to the role of the Higher Education Reform Experts in promoting institutional reforms relevant to the Bologna Process.

In addition, six Israeli students benefited from **Erasmus Mundus Masters** scholarships while student and academic mobility is expected to benefit from 53 grants under Action 2 for the academic year 2010-11. In 2010 a new **Jean Monnet Chair** in European Integration was awarded to Ben Gurion University in the Negev. Israeli universities are encouraged to continue submitting high-level applications under the Jean Monnet programme.

In the field of **culture**, eight projects were selected under a call for proposals for local and regional cultural activities including audiovisual and Arab-Israeli intercultural cooperation. At regional level, Israel was an active participant in the Euro-Med Heritage IV programme. As Israel is not party to the 2005 UNESCO Convention on the Protection and Promotion of the

Diversity of Cultural Expressions, there has been no dialogue or exchange of views on cultural and audiovisual policy. On the same grounds, Israeli cultural organisations could not participate in the call for proposals for the 2010 ENP Special Action under the Culture Programme.

The ministry of education continued to support the development of **youth** exchanges, informal education provision and intercultural dialogue within the context of Israel's participation in the Youth in Action programme. The ministries of education and foreign affairs confirmed Israel's participation in the Euro Med Youth IV programme in September 2010, when a new Financing Agreement was signed for the total cost of EUR 560.000 for Israel's participation in the programme and a Euromed Youth Unit established in the ministry of education.

The EU Delegation continues to make extensive contacts with representatives of Israeli **civil society**. In all, 142 proposals were received under the 2010 EU Partnership for Peace call for proposals while 10 projects were funded under the European Instrument for Democracy and Human Rights (EIDHR) A successful means of developing links between Israeli and EU civil society within the ENP framework is still being sought.

Israel and the EU stepped up their dialogue in the **health** sector. In 2010 Israel started to explore possibilities for cooperation with the European Centre for Disease Prevention and Control. In the context of last year's influenza A(H1N1) epidemic, in January 2010 the EU proposed to establish communication channels with Israel for the exchange of epidemiological information in the event of a health crisis. Israel continued to participate in the 'Episouth' network on communicable diseases for the EU, Mediterranean and Balkan countries.

8. FINANCIAL COOPERATION — 2010 KEY FACTS AND FIGURES

Cooperation framework

Under the National Indicative Programme (NIP) 2011-2013, the European Neighbourhood and Partnership Instrument (ENPI) appropriation for Israel stands at EUR 6 million. The NIP is geared towards supporting the achievement of key policy objectives as outlined in the EU-Israel Action Plan and the approximation of Israeli norms and standards to those of the EU.

Implementation

Implementation of the measures covered by the 2007 Annual Action Programme (AAP) is now complete. There is however no established project pipeline for 2010 and the implementation of the ENPI bilateral allocation faces challenges.

In addition to the bilateral allocation, Israel benefited from cooperation activities financed under the ENPI cross-border, inter-regional and regional programmes, such as the Partnership for Peace Programme for civil society organisations. Israel participates in the Cross-Border Cooperation (CBC) Mediterranean Sea Basin programme (EUR 173.6 million for the whole programme throughout the period 2007-13). The main priorities of the Programme are four-fold: (i) promotion of socio-economic development and enhancement of territories; (ii) promotion of environmental sustainability at the basin level; (iii) promotion of better

conditions and modalities for ensuring the mobility of persons, goods and capital; and (iv) promotion of cultural dialogue and local governance.

Other EU Instruments supplement the ENPI assistance package. Israel benefited from cooperation activities financed under horizontal instruments such as the European Instrument for Democracy and Human Rights (EIDHR) (EUR 1.3 million).



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Implementation of the European Neighbourhood Policy in 2010 Country report: Republic of Moldova

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Implementation of the European Neighbourhood Policy in 2010 Country report: Republic of Moldova

1. OVERALL ASSESSMENT

The Republic of Moldova and the European Union first established contractual relations in 1994 through a Partnership and Cooperation Agreement, which entered into force in 1998. On that basis, an EU-Republic of Moldova Action Plan was adopted in February 2005 for a period of three years and was extended by mutual agreement from February 2008 onwards. In order to provide further guidance for the implementation of the ENP Action Plan, a reform priorities matrix was tabled by the EU side in May 2010, and a yearly implementation tool was adopted at the EU-Republic of Moldova Cooperation Council of June 2010. In the context of the Eastern Partnership, negotiations on a future EU-Republic of Moldova Association Agreement were launched in January 2010, and negotiations since then have been progressing at a very good pace. This Agreement is conceived by both Parties as illustrating the most advanced and ambitious approach to the Eastern Partnership vision of association, including a Deep and Comprehensive Free Trade Area and a comprehensive programme of approximation to EU *acquis*. The negotiations on a Deep and Comprehensive Free Trade Area (DFCTA) will start, in the same framework, once the necessary conditions have been met.

Close cooperation, including at the various levels of the Cooperation Council, the Cooperation Committee and its four subcommittees, enabled both sides to steer the implementation of the Action Plan in 2010. This document reports on overall progress made in the implementation of the EU-Republic of Moldova Action Plan between 1 January and 31 December 2010. Developments outside this period are also considered when deemed relevant. It is not intended to be a general review of the political and economic situation in the Republic of Moldova.

Notwithstanding the unresolved political stalemate over the election of the next President of the Republic, the Republic of Moldova made good progress overall in most areas of the Action Plan. Progress was achieved in the legislative field as well as at the implementation level. Efforts were initiated to address the administrative capacity problems underlined in previous Progress Reports. The Republic of Moldova ratified, without territorial reservations, the Rome Statute of the International Criminal Court. Thanks to a dynamic and constructive political dialogue and cooperation with the EU, the Republic of Moldova was able to secure an unprecedented level of assistance from its international partners for the coming years. At the same time, the underlying political uncertainty and resource constraints prevented large-scale reform. More sustained efforts are needed to fight corruption, to reform the judiciary, prosecution and police, and to implement certain human rights commitments.

The structural vulnerabilities of the economy of the Republic of Moldova severely exposed it to the global crisis. In 2010, with large international financial support and the start of the recovery, the tasks of maintaining basic living standards whilst consolidating public finances – both reflected in the Action Plan – proved somewhat easier to achieve. The authorities maintained strict macroeconomic policies and launched structural reforms. By the end of the

reporting period, a post-crisis return to the macro-economic objectives set out in the Action Plan was well underway. This allowed the EU to disburse significant macro-financial assistance to the country. However, progress towards improving the functioning of the market economy and the business and investment climate through reforms aimed at achieving transparency and predictability of business conditions – another Action Plan objective – was too limited to bear fruit.

The EU proposed an Action Plan on Visa Liberalisation in January 2011.

The Moldovan authorities and civil society representatives participated actively in the multilateral framework of the Eastern Partnership, in particular through open dialogue and their contribution of the working programmes for the four thematic platforms. Together with the bilateral elements of the Eastern Partnership, this contributed to the strengthening of EU-Republic of Moldova relations and reinforcement of the follow-up on the priorities of the ENP Action Plan.

Finally, EU-Republic of Moldova cooperation on all issues pertaining to the Transnistria issue has remained good throughout the year. The Republic of Moldova continued to play a constructive part in the five informal meetings of the so-called “5+2” format, despite the fact that these efforts did not bring real progress towards the resumption of official talks. The Republic of Moldova and the Transnistrian de-facto authorities lent their coordinated support to the EU-sponsored confidence building efforts. The EU Border Assistance Mission to Moldova and Ukraine (EUBAM) has continued to operate smoothly.

2. POLITICAL DIALOGUE AND REFORM

The political dialogue between the Republic of Moldova and the EU was intense, with many high-level contacts. In January 2010, at the initiative of France and Romania, an informal “Group of EU ministers for the European Action of the Republic of Moldova” was set up in Brussels as a ministerial forum to advise the Republic of Moldova on its EU integration path; it met again in Chisinau in September.

Political consultations also took place between the Moldovan government and the EU Political and Security Committee, the Council Working Party on Eastern Europe and Central Asia (which visited the Republic of Moldova in September 2010), and the EU Political Directors. The EU-Moldova Parliamentary Cooperation Committee convened twice.

Democracy and the rule of law

The Republic of Moldova managed to make progress towards compliance with **democratic** principles in a year of severe budget constraints and in the context of protracted political crisis linked to the election of the President of the Republic. The resolution of this crisis through an inclusive process of political consultations among the country’s main political forces remains essential, notably for ensuring the sustainability of the reform process. In particular, training and organisational measures were implemented to strengthen the parliament and the operation of the Central Electoral Commission – key institutions for the Republic of Moldova’s democratic development.

During the year the country engaged in **two major polls**: first, a referendum in September to introduce a system for electing the President by universal suffrage; second, following the failure of the referendum as the minimum voter turnout requirement was not reached, pre-

term parliamentary elections in November. The Organisation for Security and Cooperation in Europe - Office for Democratic Institutions and Human Rights (OSCE/ODIHR) Election Observation Mission, which was present throughout the process, concluded that the elections “met most OSCE and Council of Europe commitments”. In particular it noted that the media ensured that a “broad range of political views and election information” was available to the electorate. Nonetheless it underlined the need for further efforts “to strengthen public confidence in the democratic process”.

The **Election code** was amended in June and September 2010, in order to address a number of deficiencies previously identified by the Venice Commission and the OSCE/ODIHR. Weaknesses remained with regard to the public control of campaign financing and the quality of voters’ lists. If properly established and maintained, the centralised electronic voter register to be set up by law in 2011 could address the latter issue. An amendment modifying the mandate allocation method was strongly challenged by the parliamentary opposition. The timing of its adoption – four months before the elections and without public consultation – was widely perceived as being designed to benefit the parties in power, and was qualified by the OSCE/ODIHR as a breach of the Venice Commission’s Code of Good Practice in Electoral Matters. Nonetheless, the Secretary-General of the Council of Europe and the President of the Venice Commission noted that the amendment did “not appear as an obstacle to the holding of free and fair elections”.

Public administration reform was given new impetus. An e-government Centre was created, with the streamlining of public service delivery as its objective. Institutional development planning methods were revised ahead of major capacity-building efforts which will be supported in part by the Comprehensive Institution Building Programme under the Eastern Partnership. However, reform was slowed down by a long process of re-organisation and the unfinished reform of the civil service. Regarding **decentralisation**, a National Strategy for Regional Development was approved in March 2010 and the process of implementation was launched under the auspices of the new National Coordination Council for Regional Development. However, progress was hampered on the ground due to lack of resources at the local level.

In the field of **regional policy** dialogue Commissioner for Regional Policy J. Hahn signed a joint declaration with Prime Minister V. Filat during a visit in July 2010. However, new elections, government changes and uncertainty about ministerial structures delayed approval and implementation of a work programme until March 2011.

Steps were taken to improve the **justice system** and strengthen the **rule of law**. In July 2010, the Law on the Status of Judges was amended to increase judges’ responsibility, with mixed results. The self-governing bodies of the judiciary were re-cast, in line with a decision of 2008. The implementation of a comprehensive judicial information system, ensuring the random distribution of cases, the recording of court sittings and the publication of court rulings, continued. However, the parliament did not abolish the widely-criticised specialised economic courts. Furthermore, an ongoing conflict between the executive and parliament, on the one hand, and the Supreme Court of Justice, on the other hand, diverted efforts away from reforming the judiciary.

The Law on the Bar was amended to create a self-governing body for lawyers, introduce a system of mandatory training, reform the apprenticeship system, and forbid representation in court by non-lawyers. A corps of private bailiffs was created in June 2010 to improve the execution of judgments. A Superior Council of Public Prosecutors was established, but further

reform of the prosecution was delayed. In November 2010 the government adopted a police reform concept which, if implemented, should lead to improvements in the way police investigators operate. No progress can be reported with regard to the implementation of the Law on Mediation.

The National Institute of Justice stepped up its training and qualification activities for judges and prosecutors. Nevertheless, the existence of a parallel qualification system at the Superior Council of Magistrates, and the direct appointments of judges, continue to raise questions as to the consistency and cost efficiency of public policy in this area.

The main challenge in reforming the justice system remained the limited resources available. While access to justice continued to be improved, with the introduction of a ceiling on case registration fees, other shortcomings of the legal aid system - mainly the lack of resources for its administration - were not addressed. In September 2010 the government adopted an action plan on the funding of the judicial system which began to address resources constraints. The EU, throughout the reporting period in this domain, consistently provided assistance to the Republic of Moldova in this important area, and it remains committed to continue to do so.

Only limited progress was observed in the **fight against corruption**, and more sustained efforts are needed. Awareness-raising campaigns continued; a new version of the Anti-corruption action plan was approved in May 2010 and a Civil Council was established to monitor the activities of the Centre for Combating Economic Crimes and Corruption. The enforcement of the legal framework remained a primary concern: the Council of Europe's Group of States against Corruption (GRECO) concluded that five of its six recommendations made in 2008 (second evaluation round) required further work. The GRECO Report for the third evaluation round comprised all in all 17 recommendations, pointing out the need for further amendments to the criminal law framework and for additional steps to ensure a more transparent party funding system and a new independent and effective mechanism for supervision of financing of political parties and electoral campaigns. Overall, the track-record of high level corruption cases is unsatisfactory. Coordination of law enforcement agencies, information exchange, parallel financial investigations and asset recovery remain problematic.

Human rights and fundamental freedoms

In March 2010 the Republic of Moldova and the EU initiated a structured **dialogue on human rights**. In September 2010 the government submitted a draft **National Action Plan on Human Rights 2011-2014** to the parliament. The draft plan, improved compared to its earlier version, still did not take into account some of the important recommendations made by civil society and international organisations. The reform of the Centre for Human Rights (Ombudspersons) was initiated.

While the government accepted responsibility for the instances of **ill-treatment** and **torture** reported during the post-election events of April 2009, investigation of the alleged abuses progressed slowly and did not address the pleas of the vast majority of the victims. The ad-hoc parliamentary commission of inquiry started work in January 2010, three months after it was set up. Its conclusions, delayed until July 2010, were not acted upon as required, thus creating a sense of impunity. In parallel, the government set up a commission to identify and indemnify the victims and in October 2010 provided compensation to 14 civilians and four policemen.

Limited progress was achieved in the eradication of ill-treatment and torture. The police reform concept of November 2010 did not acknowledge the issue. Whereas the Council of Europe recommended the creation of an independent torture investigation body, only a specialised unit was set up within the Public Prosecution Service, and no independent investigators were designated. The obligations laid down by the UN Committee against Torture to improve the functioning of the National Preventive Mechanism Against Torture were only partially addressed. As regards forensic evidence of physical abuse, the requirements of the Istanbul Protocol were still not met.

In 2010 the government started implementing a National Programme on **gender equality** and a related medium-term plan (2010-2012). It also designed a programme addressing the specific problems of women living in rural and suburban areas. Limited progress was made on the protection of persons from **domestic violence** and **sexual harassment** in the workplace. Courts issued some 40 protection orders under the recently adopted Law on Domestic Violence. In February 2010, the government adopted regulations on shelters for the victims of domestic violence as well as a number of professional guidelines, including for the police. In practice, effective protection remained unavailable in most rural areas, owing to the lack of shelters and appropriate social services.

Steps were also taken to protect **children's rights**, including the re-establishment of the National Council for the Protection of Children's Rights; the designation of special judges for juvenile justice; and the ban on solitary confinement for children in the Republic of Moldova's largest penitentiary. In April 2010, an inter-agency commission set up to address the issues of children left without parental care adopted an Action Plan, although the implementation of this plan has been undermined by the lack of resources. The parliament adopted in May 2010 the legal framework for the adoption of children. The government approved in June 2010 the national action plan for protecting children without parental care in 2010-2011.

The situation with regard to **freedom of expression** and **media pluralism** improved. A new Law on Freedom of Expression, largely in line with OSCE recommendations, was adopted in April 2010. Two TV stations with national coverage and several local TV and radio stations were opened. Observers praised the balanced editorial line of the national broadcasting company Teleradio Moldova following changes in its leadership and the strengthening of its Supervisory Council. This improvement, however, is mostly contingent upon individuals and is not guaranteed by law. The Audiovisual Code and the Electoral Code were amended to better regulate media coverage of electoral campaigns. No restrictions on the freedom of media were reported in the electoral context. Nonetheless, complaints about unfair treatment by the authorities were made by a nation-wide TV channel, a radio station and two newspapers linked to a major opposition party.

In June 2010 legal amendments were made to improve the exercise of the **freedom of association**, notably by avoiding re-registration with the authorities of established civil society organisations. At the same time, there was a fall in the number of violations of the **right to peaceful assembly**, although a number of restrictions continued to be reported. In May 2010, the Chisinau municipality requested the prohibition of the Moldovan gay pride parade, which led to the latter's cancellation for the third year in a row; in June, it withdrew its authorisation of a demonstration organised by a large opposition party.

No significant progress was made with regard to **minority rights** and the **fight against discrimination**. A Law on preventing and combating discrimination was not adopted. A

number of groups (including Roma, persons living with HIV/AIDS, and Lesbian, Gay, Bisexual and Transgender persons) continued to suffer from discrimination. In May 2010, the Committee of Ministers of the Council of Europe listed a number of “issues for immediate action” to combat discrimination. In November 2010, the government started to reflect on a new Action Plan on Roma Discrimination. **Persons with disabilities** also continued to face discrimination as well as pressure towards institutionalisation. However, in July 2010, a national strategy on their social inclusion, supported by an action plan, was adopted; as part of that effort, a roadmap was designed to introduce the World Health Organisation International Classification of Functioning, Disability and Health, and the related policy and regulatory reform measures.

Freedom of religion showed a slight improvement. Religion became an optional class in school, and religious activity by foreign citizens in public places was explicitly allowed. However, the treatment of religious groups not belonging to the mainstream Orthodox church remained problematic. A number of groups (mainly Muslim) continued to be denied registration; and although the authorities condemned the dismantling of the Jewish Chanukah Menorah in Chisinau by an Orthodox community in December 2009, the desecrated object was not replaced, which contributed to a sense of impunity.

No new developments can be reported as regards **trade unions’ rights** and core labour standards (*see under employment and social policy part*).

The execution of judgments of the **European Court of Human Rights** improved throughout the reporting period, but not all measures have yet been taken to address the systemic problems noted in the Court’s decisions.

During the second half of the year, the Republic of Moldova ratified the International Convention on the Rights of Persons with Disabilities. The following remain to be ratified: the Optional Protocol to the latter convention, the International Conventions for the Protection of All Persons from Enforced Disappearance and on the Rights of All Migrant Workers and Members of their Families, and the European Charter of Regional and Minority Languages. The Republic of Moldova continued to cooperate actively with the UN human rights mechanisms, and in June 2010 extended an open invitation to all UN special procedures.

Regional cooperation, cooperation in foreign and security policy, conflict prevention and crisis management

The Republic of Moldova cooperated closely with the EU on regional and international issues, and aligned itself with 38 of the 44 EU **CFSP declarations** open for alignment. In October, the government deposited the ratification documents of the Rome Statute of the **International Criminal Court**.

The Republic of Moldova and Ukraine did not succeed in finding a negotiated solution to their few remaining disagreements over the demarcation of the northern and southern segments of their common border. Whereas bilateral contacts on these issues intensified at the expert level, more attention and effort are needed on this matter at political level given the importance of border management issues in the visa dialogues of the two countries with the EU.

Cooperation for the settlement of the Transnistrian conflict

The Republic of Moldova cooperated with the EU on all issues related to the Transnistria settlement efforts. It played a constructive part in the five informal meetings of the so-called “5+2” format, which yielded long-overdue, though only limited, progress towards the resumption of formal talks. The Deputy Prime Minister in charge of the Transnistrian settlement had frequent informal meetings with the Transnistrian negotiator. The Republic of Moldova and the Transnistrian de-facto authorities lent their coordinated support to the EU-sponsored confidence-building projects, and reactivated their bilateral sectoral working groups. As a result, train passenger traffic to and from Odessa (Ukraine) through the Transnistrian region resumed.

EU Border Assistance Mission to Moldova and Ukraine (EUBAM)

The Republic of Moldova continued to be fully committed to, and participated constructively in the work of the EU Border Assistance Mission to Moldova and Ukraine (EUBAM). A EUBAM branch office was opened in Chisinau in February 2010. With EUBAM support, the Moldovan customs and border guard services continued to enhance their professional capacities, as well as inter-agency cooperation within the Republic of Moldova and between the Republic of Moldova and Ukraine. EUBAM supported the demarcation of the central segment of the Moldovan-Ukrainian State border on the Ukrainian side.

3. ECONOMIC AND SOCIAL REFORM

Macroeconomic framework and functioning of the market economy

The global crisis hit the Moldovan economy hard. GDP contracted by 6% in 2009, with investment and remittances falling by around 30%. The sharp fall in external financing sources exposed a severe financing gap. On 29 January 2010, the IMF agreed to provide financial assistance of approximately USD 560 million (EUR 420 million) spread over three years. This was supplemented by EUR 90 million of EU macro-financial assistance.

In 2010 the Moldovan economy began to recover. Real GDP grew by 6.9%. Private consumption and investment started to rise again, although external demand subtracted again from growth. On a sectoral basis, the recovery was broad-based, with agriculture, industry and services all growing. Exports rebounded strongly but were outpaced by imports, meaning that the persistently high trade balance expanded by about 2% of GDP. The increase was offset by a rise in remittances and labour income and the current account deficit decreased slightly from 8.5 % of GDP in 2009 to 8,3% of GDP in 2010. Foreign direct investment inflows are estimated to have risen to 3.5% of GDP from 2.3% % in 2009 (although still less than a third of the level in 2008). Long term external borrowing increased again together with the official reserves, although also supported by the multilateral and bilateral financial assistance. The weakness on the external accounts subsided in 2010 while the IMF programme and the international donor assistance continued supporting the macro-economic stability and the government's reform agenda.

After decreasing rapidly through 2009, inflation edged up again through 2010, while credit and domestic demand remained subdued. In particular, inflation was driven up by increases in food prices and energy tariffs, the depreciation of the leu, and higher excise rates. The Consumer Price Index rose to 7.41% in 2010 (period average). In response to mounting inflationary pressures, the National Bank of Moldova (NBM) reversed the trend of monetary easing by raising the base lending rate twice in the first quarter of 2010, up to 7% and further

to 8% in January 2011. The National Bank of Moldova (NBM) adopted a more explicit policy of inflation-targeting, with a target of 5% \pm 1,5 percentage point for the end of 2012. The NBM's policies have started to be gauged in quarterly Monetary Policy Reports, the first of which was published in February 2010.

The authorities have focused fiscal and monetary policy on ensuring macroeconomic stability and fiscal consolidation. The government reduced the deficit in 2010 to 2.5% of GDP (from 6.3% in 2009). The reduction was driven by the good performance of revenues linked to the economic recovery, cuts in general public services and reduced debt servicing costs, as well as regulatory rises in taxation contributing to a substantial increase in revenue. The 2010 budget included increases in VAT on gas, and higher excise duties on tobacco products, luxury cars, alcoholic beverages and perfumes. Government debt increased somewhat to around 26% of GDP.

In the context of efforts to put the economy on a reform path, the government has adopted a wide-ranging medium-term structural reform programme ('Rethink Moldova'). The programme received the support of international donors at the Consultative Group meeting of March 2010 organised by the World Bank and by the Commission. In the medium term, the government aims at further narrowing the budget deficit, mainly through an adjustment of current expenditure on wages, goods and services, and subsidies. In line with Action Plan objectives, the government also aims at reforming the civil service and the judiciary; combating corruption; reducing and streamlining business administration, providing greater support to small and medium-sized enterprises, and improving education and health. A total of EUR 1.9 billion (of which EUR 550 million from the EU) were pledged by international donors in support of the programme for the period 2010-13.

Employment and social policy

As 30% of the Republic of Moldova's population lives in **absolute poverty** and 4.5% lives in **extreme poverty**, the impact of the recession on living standards has been acute. The major near-term challenge for the Republic of Moldova is to fight poverty and maintain basic living standards, whilst consolidating public finances.

The economic recovery is not yet reflected in **employment** creation. Unemployment continued to rise and was estimated at 6.5% according to the survey-based ILO methodology at the end of 2010 – while officially registered unemployment is estimated at 3.4% for the same year. Youth unemployment (16-24 years old) also rose, to 18.9%.

In January 2010, the funds for active employment policies (training, mediation, placement in the labour market) increased, but the resources for passive policies remained much higher. Active Labour Market Policies are often not offered as comprehensive packages of employment and training services and do not reach those who are "hard to place". In March 2010, the government approved the 2010 National Action Plan on Employment.

The Republic of Moldova continued convergence towards EU standards in the area of employment and social policy. In May 2010, the government approved national legislation in line with the EU directive on the minimum requirements for safety and health at the workplace, following the ratification of the International Labour Organisation (ILO) Convention on occupational safety and health. The Amendment to Article 20, paragraph 1 of the Convention on the Elimination of All Forms of Discrimination against Women was ratified in September.

No new developments can be reported as regards **social dialogue**.

As regards **labour rights**, the Labour Code was amended in July 2010 with changes aiming at respecting human dignity, preventing discrimination based on gender and against persons infected with HIV, as well as at combating sexual harassment at the workplace. A government Decision of May 2010 transposed into Moldovan national legislation the EU Directive (89/391/EEC) regarding the minimum requirements for **health and safety at the workplace**.

In the area of **social protection**, the Republic of Moldova put in place targeted compensation schemes for heating costs for families receiving social assistance, low wage public sector workers and pensioners on low incomes. The minimum guaranteed income was increased in October 2010 by 40% for the first three months of 2011. Although social aid continued to expand, as of August 2010 it only covers 27% of the poorest 10% of the population and 7.6% of the second poorest. The Republic of Moldova continued to extend the new targeted social assistance scheme and, according to the ministry of labour, Social Protection and Family over two thirds of the eligible households (a target agreed with the IMF) benefited from at least one social allowance by the end of 2010

4. TRADE-RELATED ISSUES, MARKET AND REGULATORY REFORM

The EU remained the Republic of Moldova's most important trade partner. Moldovan exports to the EU increased by 12.8%, while EU exports to the Republic of Moldova increased by 24.7%. The Republic of Moldova's trade balance with the EU remains substantially negative, accounting for EUR 948 million. The EU Autonomous Trade Preferences (ATPs) granted to the Republic of Moldova since March 2008 had a positive impact on trade flows, as the Republic of Moldova used its EU import quotas mainly for non-animal related products. A proposal from the Commission to extend the current ATP Regulation, which would also include a significant increase of the wine quota, will be presented to the Council in May 2011. The negotiation of the Agreement for protection of Geographical Indications made good progress during the reporting period. The legal framework was further developed with, inter alia, the adoption of regulations on the procedure for filing, examination and registration of Geographical Indications, Appellations of Origin and Traditional Specialties Guaranteed. There were no developments in relation to the ecological tax on the eco-declaration on imports of products packed in plastic recipients and in plastic coated paperboard.

The Commission carried out a fact-finding mission to the Republic of Moldova in June 2010 and established a detailed assessment of the Republic of Moldova's preparedness for a **deep and comprehensive free trade area** (DCFTA). It made recommendations on key reforms which the Republic of Moldova would need to undertake in order to start negotiations ("key recommendations"). To address these recommendations the Republic of Moldova adopted an Action Plan in October 2010. The plan was prepared in consultation with the private sector and provides for the creation of Mixed Working Groups for the DCFTA.

As of January 2010 the **Customs** Service of the Republic of Moldova (MDCS) comes under the ministry of finance. The modernisation of the MDCS in line with the EU standards is continuing via the implementation of the 2009-2011 Institutional Development Plan and the Strategy of Professional Training for 2010-2013. In order to strengthen customs control based on risk management, the MDCS developed a risk management action plan. It also drafted new regulations on procedures for risk assessment, analyses, profiling, monitoring and reviewing

of the risk management process, including the reporting system. It furthermore reinforced the central and local levels by means of additional personnel and training. The MDCS set up a specialised IPR division at central level. In June 2010, the Republic of Moldova adopted a law for abolishing customs fees. Since July 2010 the Republic of Moldova has applied the ATA Carnets System for the facilitation of temporary import procedures. The MDCS launched the implementation of the “Trustworthy economic operators” programme which provides for a simplified customs control procedure for reliable companies. In July 2010, the MDCS approved a regulation which outlines the criteria and procedures for obtaining the said status. As far as cooperation with other enforcement agencies at the border is concerned, in April 2010 the MDCS and the Border Guard started implementing a new on-line information exchange system to simplify control procedures.

On the free **movement of goods and technical regulations**, the Republic of Moldova continued to make some progress. The government adopted a draft law on accreditation in August 2010 and submitted it to the parliament. The Republic of Moldova has adopted over 700 EU standards since late 2009.

In the area of **sanitary and phyto-sanitary (SPS)** rules, the Republic of Moldova took further steps towards gradual approximation with EU rules. This is important, *inter alia*, in the context of a future DCFTA. The Republic of Moldova started developing a food safety strategy. It adopted implementing legislation in areas such as hygiene rules and prepared other SPS legislation. The European Commission’s fact-finding mission of June 2010, preparing the DCFTA, showed that the Republic of Moldova will have to make further progress in the sector. In May 2010 the Republic of Moldova adopted rules on food of animal origin and on hygiene for food. The Republic of Moldova trained SPS experts, further strengthened laboratories and continued the identification of animals with a view to developing traceability. In May 2010, the European Commission’s Food and Veterinary Office (FVO) carried out a mission to the Republic of Moldova on residue control in live animals and animal products and the control of veterinary medicinal products. This mission monitored the implementation of the action plan established by the Republic of Moldova following a FVO mission in 2008.

The **business climate** was improved through the adoption in June 2010 of a law on a ‘one-stop-shop’ for business registration and in September 2010 of a new law on Internal Trade that clearly stipulates the authorisation procedures for business activities. The ministry of economy conducted an inventory of the permissive acts issued by public central authorities to entrepreneurs, instruments such as authorizations, permits, certificates, approvals and declarations. The study concluded that only 270 of the 400 or so acts should be maintained.

There were no significant developments on **company law** and the bankruptcy law in 2010.

On **financial services**, while the banking system is well capitalised, there are a large number of non-performing loans, amounting to 17% of all bank loans, and a high proportion of foreign currency denominated loans, around 45%, which heightens exchange rate vulnerability. Partly as a result of this, as well as due to falling deposits, banks significantly tightened their lending criteria. The parliament adopted a Law on Financial Institutions in September 2010. This will also lead to some modifications in the Law on the National Bank of Moldova (NBM). The Strategy for Development of the Non-Banking Financial Sector 2010-2013 was adopted in August 2010. It provides for consolidation of regulatory and surveillance system; development of securities markets; strengthening of a network for loan associations; and reduction of risks as well as protection of the rights and interests of financial

market participants. A draft law on capital markets was presented to the government in September 2010.

There were no new developments in the policy area of **movement of capital and current payments**.

Other key issues

The Republic of Moldova continued to strengthen its **tax** administration and developed a medium-term strategy for its reform (State Tax Service Development Plan for 2011-2015), and a tax compliance strategy for 2011. More efforts are needed in terms of policy formulation. The Republic of Moldova approved a new regulation on VAT refunds in October 2010, which assigns the responsibility for examination of requests for VAT refunds to the heads of local tax units with a view to simplifying the refunds procedure and increasing transparency.

There was no progress in the key area of **competition policy**. Work on the new Law on Competition is still ongoing.

In the field of **intellectual property rights**, the Republic of Moldova adopted a law on copyrights and related rights in July 2010. The National Commission on Intellectual Property started work in July and is to take the lead in implementing and enforcing intellectual property legislation. Enforcement of intellectual property rights remained an issue of concern. The level of piracy and counterfeiting remained high. According to a study by an independent expert organisation, published in May 2010, prevalence of software piracy had risen to 91%. The Republic of Moldova ranks as the third most affected country in the world. The National Commission on intellectual property started work in July 2010. Following the Republic of Moldova's request to negotiate an extension agreement with the European Patent Office (EPO), a feasibility study was launched. The Customs improved its surveillance of the borders by setting up a specialised IPR division and by completing its IPR register, doubling its risk profiles in Asycuda World from 15 to 30.

Approximation of the Moldovan **public procurement** legislation continued on the basis of the 2007 law. An independent Public Procurement Agency was created under the ministry of finance. Sectoral Legislation Approximation Guidelines for convergence towards EU law were developed to help complete the work; the main shortcomings concern the domestic preference for contracts below MDL 2.5 Million (EUR 152,000), the electronic procedure and the appeals procedure. Practice showed increased public confidence in the fairness of the procurement system. Over 900 representatives of contracting authorities were trained in the new procurement systems.

The National Bureau of **Statistics** continued implementing the Strategy for National Statistics Development and Action Plan for 2008-2011. It prepared the upgrade to the Classification of Economic Activities of the Republic of Moldova according to the Nomenclature of activities within the European Union - NACE rev.2 and launched the Consumer Price Index calculator on its web site. In September the government approved the concept for the development of the Statistical Information System. The dissemination of statistical information was further improved.

In August 2010 the Republic of Moldova adopted the Action Plan for the Development of **Accounting and Auditing** in the Corporate Sector for 2009-2014. The new National

Accounting Standards will be implemented from January 2014 except for public entities, starting in 2011. The ministry of finance undertook preparation and broad consultation on the introduction of International Financial Reporting Standards (IFRS) for SMEs as an optional second level reporting standard, whilst retaining the existing National Accounting Standards, which were updated in line with recent developments in IFRS.

During 2010, the ministry of finance started work on measures to improve the organisational structure of the Audit Oversight Council and to ensure operation in line with the EU Directive on Statutory Audit. A Working Group to draft proposals for amendments to the Law on Auditing was set up in September 2010.

On **enterprise policy**, the government continued to implement the Institutional Development Plan (IDP) for 2009-2011 in support of SMEs. It also adopted a national strategy for **consumer protection**, which provides for the cooperation of governmental bodies with civic associations and for some public financial support. The Republic of Moldova improved the compliance evaluation process, reinforced consumer protection, made market supervision more efficient, facilitated domestic trade, eliminated certain administrative constraints and reduced operational costs for authorising trade activities. A new retail price formation mechanism for medicines was also developed.

With regard to the management of **public finances**, the ministry of finance proposed additional amendments to the 2009 law on budget systems and processes in the context of the 2010 Budget Law. Work on budget preparation and implementation methodologies progressed satisfactorily, but the new law on public sector financial management and accountability remains suspended and further reforms are being introduced through other legislation. Weak implementation capacity within the Treasury, including staffing and management, may be hindering progress on developing further budget implementation methodologies.

In July 2010, the government approved the **public internal financial control** development programme, setting out its strategy and action plan for implementation. In September 2010, the parliament approved a new law on public internal financial control and this will enter into force in November 2011. The Central Harmonisation Unit within the ministry of finance continued developing methodological norms for improved financial management and control. Considerable awareness-raising and training effort will still be required in order to explain and implement the new approach to public internal financial control

The Court of Accounts adopted Financial Audit and Performance Audit manuals for **external audit** in line with the International Organisation of Supreme Audit Institutions (INTOSAI) standards and prepared a Development Strategy for 2011-15.

5. COOPERATION ON JUSTICE, FREEDOM AND SECURITY

In the field of **mobility**, in June 2010 the EU and the Republic of Moldova established a visa dialogue examining the conditions for visa-free travel of Moldovan citizens to the EU as a long-term goal. The EU prepared an Action Plan on visa liberalisation and forwarded it to the Republic of Moldova in January 2011. The Action Plan contains two sets of benchmarks and identifies all the measures to be adopted and implemented as well as clear requirements to be achieved.

The implementation of the Visa Facilitation and Readmission Agreements with the Republic of Moldova has continued. The European Commission adopted in October 2010 draft negotiating directives for the renegotiation of the Visa Facilitation Agreement in order to align it with the new Visa Code and to introduce further facilitations. The negotiating directives were approved by the Council in April 2011.

Regarding the **mobility partnership**, new initiatives were included, covering areas such as strengthening organisational and institutional capacity of the Republic of Moldova to regulate legal migration flows, promotion of sustainable use of remittances and their attraction into the local economy, supporting the implementation of the EU-Republic of Moldova visa facilitation and readmission agreements, protection of victims of trafficking, analysing the effects of migration on families left behind, as well as protection of refugees and asylum seekers. The implementation of most of these projects will start in 2011.

As far as the **asylum** system is concerned, the Republic of Moldova continues to be covered by a Regional Protection Programme (RPP) for Eastern Europe (encompassing also Belarus and Ukraine). Phase II of this RPP will start being implemented in 2011. So far the Programme has been successful. The asylum legislation has been aligned with EU standards. However, needs to ensure that the rights of recognised refugees are enforced (i.e. regarding the issuance of travel documents).

In July 2010, the Republic of Moldova adopted the Law on Foreigners, which regulates the entry, stay and exit of foreigners. The law includes provisions for a 'one stop shop' for foreigners to obtain residency permits.

In the area of **border management**, the Republic of Moldova established a National Council on Border Management in September and adopted its Integrated Border Management strategy in November 2010. In addition, it cooperated closely with EUBAM, FRONTEX and other partners in the TYRA joint border control operation. This intelligence-led action enabled Moldovan and Ukrainian agencies to identify illegal migration and contraband channels and to develop a corresponding *modus operandi*.

Concerning the fight against **organised crime**, the ministry of the interior established an inter-agency Working Group in July 2010 to draft a law and a corresponding Strategy for the period 2010-15.

The Additional Protocol to the Council of Europe Convention on Cybercrime concerning the criminalization of acts of a racist or xenophobic nature committed through computer systems, which the Republic of Moldova signed in 2003, remained un-ratified.

With regard to the fight against **trafficking in human beings**, an amendment to the 2005 law in June 2010 specified the state authorities and agencies involved in addressing the issue. In August, the National Committee for Combating Trafficking in Human Beings adopted its second National Action Plan for 2010-11 establishing state policy on coordination; prevention; victim assistance and witness protection; criminal investigation and prosecution. The number of victims still remains high, and much greater efforts are required in order to tackle organised trafficking networks and related corruption activities. The National Referral System for the protection of victims under the ministry of labour, social protection and the family needs to be enhanced. Considerable capacity-building of all relevant stakeholders including law-enforcement agencies is still needed. Further vigorous action to prevent and combat violence against women is also necessary. Measures to improve reintegration of and

assistance to victims should be stepped up. Strengthening cooperation with civil society in these efforts is fundamental.

An inter-ministerial Agreement with the Russian Federation on combating trafficking is being discussed with view to signature in 2011.

Concerning the fight against **drugs**, in December the government approved a National Strategy on Combating Drug Trafficking and Addiction for 2010-2017 as well as a first Action Plan. The Strategy is evidence-based and predicated on targeting both drug demand and supply as well as harm reduction, in line with EU practice. In September, the Anti-Drugs Department of the ministry of the interior participated in the “Narcostop 2010” operation organized by GUAM countries (Georgia, Ukraine, Azerbaijan and the Republic of Moldova) focusing on operational coordination of law enforcement agencies along regional transport corridors. However, drug trafficking and its links with organised crime remains an issue of serious concern which requires intensified inter-agency law enforcement cooperation both nationally and regionally. The development of an integrated approach on drug demand and supply reduction needs investment, particularly in capacity building, training and operational coordination. In October 2010, the Republic of Moldova participated in the ENP regional seminar on the EU drug monitoring system organised by EMCDDA (European Monitoring Centre for Drugs and Drug Addiction) and the Commission in Brussels.

With regard to the fight against **money laundering**, the Centre for Combating Economic Crime and Corruption elaborated a draft National Action Plan against money laundering and the financing of terrorism in February 2010. The Moldovan Financial Intelligence Unit participated in the Egmont Group meeting in October 2010 leading to negotiations on information exchange agreements with Portugal, France, Malta and Azerbaijan. The Republic of Moldova continued to implement the national control regime based upon the 40 plus 9 Special Recommendations of the Financial Action Task Force (FATF) and in line with Council of Europe Moneyval recommendations. Due diligence, ‘Know Your Customer’ (KYC) and ‘Know Your Business’ (KYB) practices continued to be implemented within financial institutions and reporting agencies, in line with statutory obligations.

In the area of **data protection**, the Republic of Moldova signed the Additional Protocol to the 1981 CoE Convention for the Protection of Individual with regard to the Automatic Processing of Personal Data regarding supervisory authorities and trans-border data flows in April 2010.

Regarding **police and judicial cooperation**, the Republic of Moldova actively participated in the information exchange activities of the SECI centre (Southeast European Cooperation Initiative) and with other GUAM countries. In July 2010 the ministry of interior agreed an Action Plan with the General Inspectorate of the Romanian Gendarmerie. The government approved the concept for the reform of the ministry of interior and its subordinated and deconcentrated structures in December 2010. The Republic of Moldova has not yet signed the Second Additional Protocol to the European Convention on Mutual Assistance in Criminal Matters.

With regard to judicial cooperation in civil matters, no progress can be registered regarding the accession of the Republic of Moldova to some important Hague Conventions e. g. conventions on judicial assistance (1965 Convention on the **Service Abroad of Judicial and Extrajudicial Documents** in Civil or Commercial Matters and 1970 Convention on the **Taking of Evidence** Abroad in Civil or Commercial Matters) and on Child protection (1996

Convention on Jurisdiction, Applicable Law, Recognition, Enforcement and Co-operation in respect of Parental Responsibility and Measures for the **Protection of Children**). The implementation of the 1980 Hague Convention on International Child Abduction is also a matter of interest for the Commission.

6. TRANSPORT, ENERGY, ENVIRONMENT, THE INFORMATION SOCIETY, RESEARCH AND DEVELOPMENT

In January 2010 the government started allocating 50% of the fuel excise tax revenues to a road fund. This boosted the implementation of the land **transport** infrastructure policy. The procurement of works for investments financed by various donors made significant progress. As regards the United Nation Economic Commission for Europe (UNECE) - AETR agreement on driving times and rest periods, the ministry of transport developed a security policy for the use of digital tachographs that has been approved by the European Certification Authority (ERCA). As from 1 January 2011, drivers of vehicles equipped with digital tachographs will be fined when conducting international transportations, if they do not have the personal driver card. Furthermore, the Republic of Moldova approved a National Road Safety action plan.

The Republic of Moldova cooperated closely with the European Aviation Safety Agency and plans to achieve a higher level of integration with the EU through the negotiation of a comprehensive aviation agreement aimed at creating a Common Aviation Area.

As regards inland waterways, there is a need to ensure that the Republic of Moldova's inland waterway fleet will meet UNECE requirements. In the maritime sector, the Republic of Moldova's main port, in Giurgiulesti on the Danube River, substantially increased the turnover of goods. Construction work to extend the port for container handling is ongoing. Maritime safety remains an issue of great concern. The Moldovan fleet still figures in the 'High Risk' category of the black list of the Paris Memorandum of Understanding on port state control.

In May 2010 following the entry into force of the new electricity and gas laws (in February 2010), the Republic of Moldova became a member of the **Energy** Community. The Republic of Moldova initiated an update of its energy strategy. The situation in the energy sector remained difficult due to the heavy dependence on (Russian) imports, major inefficiencies and historical debts. In March 2010, the Republic of Moldova adopted a plan to implement the EU acquis in accordance with its obligations under the Energy Community Treaty. In May, the regulator adopted rules to enhance transparency in its decision making. The Republic of Moldova continued to assess ways to address historical gas supply debts including gas supplies to Transnistria. The Republic of Moldova started addressing losses and arrears in the heating sector. Since January, the Republic of Moldova has transferred the responsibility for setting heat tariffs from the municipalities to the energy regulator. In January and May, the Republic of Moldova adjusted heat, electricity and gas tariffs.

The Republic of Moldova pursued preparations to assess the possibility to join, together with Ukraine, the interconnected electricity networks of continental Europe. It continued the construction of the electricity interconnection Gotesti-Falciu (Romania) and further studied the Balti-Suceava (Romania) electricity interconnection. The Republic of Moldova rehabilitated electricity and gas networks and further reduced network losses. It drafted an inventory for the maintenance of gas pipelines. The Republic of Moldova continued to

implement its programme to gasify the country and assessed the possibilities for underground gas storage. The Republic of Moldova and Romania studied the construction of the reversible Ungheni-Iasi gas pipeline.

In July 2010 the Republic of Moldova adopted an energy efficiency law, which provides, inter alia, for the establishment of an energy efficiency agency. The Republic of Moldova took steps towards an energy efficiency programme, the updating of the law on renewable energy, as well as action plans on renewable energy and biofuels. The Republic of Moldova needs to step up its efforts to update and implement its energy strategy in this area.

In the field of **climate change**, the Republic of Moldova completed a first draft National Low Emission Development Strategy and a draft National Climate Change Adaptation Strategy. The Republic of Moldova continued to prepare projects under the Clean Development Mechanism (CDM), even if no new projects were registered at the UN level, leaving the overall number of registered projects at four. The European Commission continued to support the Republic of Moldova in the implementation of the Kyoto Protocol. The Republic of Moldova is encouraged to fully implement the Cancun agreement and in particular devise a low carbon development strategy including update information on target or actions that it will implement

Regarding the **environment**, the legislative framework for environmental policy continues to require further development, and implementation of legislation remains a challenge. There was little development in the preparation of a new environment framework law, a law on environmental impact assessment and a new water law, as well as legislative amendments on nature protection. The Republic of Moldova made progress in developing river basin management plans with neighbouring countries. It also took some steps to promote the integration of environmental considerations into other policy sectors, such as energy. The ministry of environment obtained additional staff, although further strengthening of administrative capacity at all levels remains a major challenge. Coordination between authorities continues to require attention.

Procedures and consultation with the public in the context of environmental assessments continue to require particular attention. The Republic of Moldova finalised a plan for implementing the Aarhus Convention. The Moldova Regional Environmental Centre continued to play an important role in enhancing stakeholder participation and networking in the area of the environment. The Republic of Moldova made no significant progress in the ratification of remaining relevant UNECE protocols. Furthermore, particular attention is needed with regard to the implementation of several agreements which are already ratified.

The Republic of Moldova participated in the EU Water Initiative, including a national policy dialogue, as well as in the International Commission for the Protection of the Danube River. Cooperation and information exchange took place between the Commission and the Republic of Moldova, including on the 2001 national concept of environment policy, water, forestry, waste management, management of environmental information, nature protection and air quality.

In the field of **civil protection**, an administrative arrangement to reinforce cooperation between the authorities of the Republic of Moldova and the EU Civil Protection Mechanism is under preparation. There are also activities under the EaP framework (*please see the sectoral report*).

In the **information society** sector, the National Regulatory Agency for Electronic Communications and Information Technology started the market analysis process, identified six relevant markets and designated the incumbent operator as having significant market power in two of them (wholesale access to network infrastructure at a fixed location and wholesale broadband access). This is expected to lead to obligations imposed on these operators that will open the fixed telecommunications markets to competition. Other important measures concern the management of the National Numbering Plan and the National Table for Frequencies Allocation, the alignment to the EU decision on harmonised numbers for services of social value and the elaboration of the methodology to be used for drafting the cost calculation models for interconnection and access services.

Some positive initiatives are reported in the field of e-government, including the establishment of an e-government centre in August 2010. To improve accessibility in rural areas, the International Telecommunication Union (ITU) will implement a pilot project on the connection of education institutions to broadband Internet in rural areas of the Republic of Moldova. The Republic of Moldova has made progress to improve high speed connectivity with research and education networks. This included the inauguration of the fibre link between the Republic of Moldova and the GEANT network node in Romania, which took place in May 2010. Via this link, the Moldovan research and education community has full access to its European and global partners.

Regarding the **audiovisual** sector, there is a need to ensure that all enacted legislation in the field of media complies with European standards on media regulation, in particular the laws on state secrets and on transparency in the public decision-making process which entered into force in 2009. There is also a need to ensure the further approximation of audiovisual legislation and standards to those of the EU, in particular with regard to the 'Audiovisual media services directive'.

Investment in **Research and Innovation** remains at relatively modest levels. During 2010, the Academy of Science continued to be very active in preparing the Moldovan research community for association to the 7th Framework Programme (FP7), by implementing a comprehensive action plan to increase research capacity. Although the numbers of applications from Moldovan research organisations to FP7 increased slightly in 2010, the overall number of applications still remains relatively low.

The Republic of Moldova continued to participate actively in the International Science and Technology Cooperation Network for Eastern European and Central Asian countries (FP7 IncoNet EECA project), which aims to support a bi-regional EU-EECA policy dialogue and to increase EECA participation in FP7. The Republic of Moldova is a target country under the new FP7 International Cooperation Network for Central Asia and South Caucasus countries (FP7 IncoNet CA/SC) which was launched in April 2010 and aims to strengthen and deepen the EU S&T cooperation with the CA/SC countries.

The Republic of Moldova is also taking an active part in the Black Sea ERA-NET project, the aim of which is to contribute to the coordination of national research programmes (from EU member states and partner countries) targeting the extended Black Sea region. The project consortium for the Black Sea ERA-NET project recently launched a first joint call for research proposals to develop innovative solutions for sustainable development in the region.

7. PEOPLE-TO-PEOPLE CONTACTS, EDUCATION AND HEALTH

The ministry of education drafted a new **Education** Code which was submitted to public consultation in April and presented to parliament in June, but not yet adopted. It includes important provisions on decentralization to the regions, lifelong learning, quality assurance and the involvement of social partners in education. Most higher education institutions have achieved Bologna Process objectives, such as the implementation of a two-cycle system; the quality assurance measures; the European Credit Transfer and Accumulation System (ECTS); and the recognition of diplomas. However, further work is required on the development of a national qualifications framework that is compatible with the European Qualifications Framework (EQF) and on the organization of third cycle for doctoral studies.

In the field of **vocational education and training** (VET), reforms continued to orient training provision towards labour market demands in line with the 2007 National Strategy. The Consultative Council finalised a first draft of a comprehensive National Qualifications Framework with the technical support of the European Training Foundation. The first national report under the Torino Process, spearheaded by the Republican Centre for VET Development, identified the following as future priorities: a clear role for social partners in training provision, learning opportunities for adults and young people outside formal education, and effective financing. As in 2009, EU assistance focused on improving training content in the context of the EU-Republic of Moldova Mobility Partnership with results achieved in the definition of occupational standards and development of a competence-based approach in education and training. Continuing work on social dialogue in education and training is needed in order to enable training provision and policy to better meet the demands of employers and the labour market.

Higher education reform continued to benefit from participation in **Tempus**, with 5 projects selected under the third Call for Proposals for Tempus IV, including support for the creation of doctoral studies in line with policy commitments under the Bologna Process. The programme continues to facilitate implementation of Bologna reforms with all 17 public universities taking part.

Six Moldovan students were awarded scholarships for **Erasmus Mundus** Masters Courses under Action 1. In 2010, Moldova State University became the first Moldovan university to be selected as a full partner in an Erasmus Mundus Action 1 project, delivering a masters course on migration with EU partner universities. Student and academic mobility was further enhanced under Action 2 with the expected award of 66 grants. The Academy of Economic Studies received a **Jean Monnet** project to increase the understanding of the Eastern Partnership by public servants, students and academics.

Moldovan **youth** organisations and young people continued to benefit from participation in the Youth in Action Programme, with a particular increase being noted in the number of young people from the EU who are participating in voluntary service actions in the Republic of Moldova. In the area of **culture**, three Moldovan cultural organizations participated in the 2010 ENP Special Action under the Culture Programme. The ministry of culture began preparing four legislative proposals on the protection of cultural heritage; the first of these – on archaeological sites - was adopted in September.

The government continued to implement its National Strategy for the development of **civil society** 2008-2011. In this respect, the 2008 law on transparency in public decision-making was amended in September, while the strategic partnership between public authorities and

civil society developed further through the facilitation of public dialogue, via the National Participation Council and access to a specific website.

The Republic of Moldova continued to reform the **health** sector. The challenges include disparities in health services related to, *inter alia*, place of residence or wealth. In July 2010, it adopted a primary health care strategy for the period 2010-2013. The Republic of Moldova continued to renovate and build hospitals, and it adopted a hospital development programme in May 2010. It also worked towards a health information system that will be aligned with EU and international practice. In May 2010, the Republic of Moldova adopted measures enhancing state supervision in public health. It also established a Transplantation Agency and started preparations to adapt the law on organs, tissues and cells to EU rules. The Republic of Moldova continued to participate in the Commission's HIV/AIDS think tank. It adopted programmes on the prevention and control of HIV/AIDS and Sexually Transmitted Infections, and on the control of tuberculosis for the period 2011-2015.

8. FINANCIAL COOPERATION – 2010 KEY FACTS AND FIGURES

Cooperation framework

The Mid-Term Review of the programming document confirmed that the Country Strategy Paper adopted in 2007 remains a valid framework for cooperation with the Republic of Moldova. The new National Indicative Programme (NIP) 2011-2013 for the Republic of Moldova was adopted in May 2010 and has a budget of EUR 273.1 million. The programme is geared towards supporting the achievement of key policy objectives as outlined in the EU-Republic of Moldova Action Plan, and pursues three priorities: (1) good governance, rule of law and fundamental freedoms; (2) social and human development; and (3) trade and sustainable development.

The NIP 2011-13 includes a specific appropriation to finance new actions under the Eastern Partnership, notably a Comprehensive Institution Building programme (CIB) (a minimum of EUR 41.2 million) and Cohesion Policy (a minimum of EUR 6.9 million). The CIB Framework Document was signed in November 2010 and identified the following key institutions / institutional clusters for capacity-building support: public administration reform; reform of the justice system and law enforcement institutions; and preparations for a future Deep and Comprehensive Free Trade Area (DCFTA) with the EU.

Implementation

The implementation of measures covered by the Annual Action Programmes (AAP) for 2007, 2008 and 2009 continued. The Sector Budget Support Programme (SBS) in the area of social protection was further implemented; it helped the government cushion the effects of the increase in energy tariffs on the vulnerable layers of the population. The SBS programme in the area of healthcare system reform rewarded the progress made in areas such as: (1) management stewardship of the healthcare system, (2) funding of the healthcare system and mechanisms of payment for healthcare services, (3) the delivery of healthcare services and (4) resource management. The 2009 SBS programme in the area of water and water sanitation experienced some delay due to the Republic of Moldova's only partial compliance with the conditions set for disbursement. Besides, EU assistance continued to be implemented through other aid modalities such as TAIEX, twinning, SIGMA and Technical Assistance. In particular, a High Level Advisory Group of 10 experts was recruited at the request of the

government to provide strategic advice in a number of areas. The EU continued to support reform efforts and committed assistance for a total amount of EUR 66 million under the bilateral appropriation of the European Neighbourhood and Partnership Instrument (ENPI). The AAP 2010 comprises a Sector Policy Support Programme on economic stimulation of rural areas (EUR 45 million), an energy and biomass project (EUR 14 million) and Technical Assistance & Twinning in support of the implementation of the EU-Republic of Moldova ENP Action Plan (EUR 7 million).

In addition to the bilateral allocation, the Republic of Moldova also benefited from cooperation activities financed under the ENPI cross-border, inter-regional and regional programmes. The Republic of Moldova participated in the ENPI Cross-Border Cooperation (CBC) programme Romania/Ukraine/Republic of Moldova (EUR 126.7 million for the whole programme in 2007-2013). Priorities are competitiveness of the border economy, environment, emergencies and interaction between people and communities living in the border areas. The Republic of Moldova also participated in the ENPI CBC Black Sea Basin programme (EUR 21.3 million for the programme in the period 2007-2013 with a perspective of an additional increase in its budget). The main priorities of this programme are to support cross-border partnerships for economic and social development based on combined resources, to share resources and competencies for environmental protection and conservation, and to support cultural and educational initiatives for the establishment of a common cultural environment in the Basin. The Republic of Moldova also participated in South-East Europe Transnational Cooperation Programme to which the country was admitted in May 2008 with the prospect of being able to access ENPI Funds for this co-operation. Since March 2011 ENPI funds are integrated in the South-East Europe programme and are managed by the authorities of the programme as for ERDF. On the other hand, due to its geographical location in the Danube Basin, the Republic of Moldova is part of the Danube macro-region and therefore plays an important role in achieving objectives of the future EU Strategy for the Danube Region as a whole.

Under the ENPI-financed Neighbourhood Investment Facility (NIF), one project was approved for the Republic of Moldova in 2010: the Water Utilities Development Programme (NIF grant contribution: EUR 10 million, total project cost: EUR 31.5 million).

Other EU instruments supplement the ENPI assistance package. The Republic of Moldova benefited from cooperation activities financed under horizontal instruments such as the European Instrument for Democracy and Human Rights (EIDHR) and the Development Co-operation Instrument (DCI) thematic programmes: Non-State Actors and Local Authorities in Development (NSA-LA), Investing in People, Migration and Asylum, and Environment and sustainable management of natural resources including energy. The EU adopted a EUR 90 million package, tied to public finance reforms and improvements in financial stability in 2010, under the Instrument for Macro-Financial Assistance.

In 2010 the European Investment Bank signed lending operations to the Republic of Moldova for an amount of EUR 150 million of which: (1) EUR 75 million to upgrade the quality of Moldovan wine production and (2) EUR 75 million to support the rehabilitation and upgrade of priority roads.

Donor coordination

In 2010, the EU Delegation in the Republic of Moldova played an important role in the coordination of assistance activities in particular among EU member states. Most donors signed the “Partnership principles” with a view to enhancing donor coordination in the future.



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JOINT STAFF WORKING PAPER

**Implementation of the European Neighbourhood Policy in 2010
Country Report: occupied Palestinian territory**

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JOINT STAFF WORKING PAPER

Implementation of the European Neighbourhood Policy in 2010 Country Report: occupied Palestinian territory

1. OVERALL ASSESSMENT

The Palestinian Authority (PA) and the European Community first established contractual relations in 1997 when the EC and the Palestine Liberation Organisation (PLO), on behalf of the PA, concluded an Interim Association Agreement on trade and cooperation. The trade part of the agreement cannot be fully implemented due to obstacles raised by Israel, which considers it incompatible with the economic provisions of the Oslo Agreements (the Paris Protocol). On the basis of the agreement, the EU-PA European Neighbourhood Policy Action Plan (ENP AP) was approved in May 2005 for a period of three to five years.

This document reports on the overall progress made on the implementation of the EU-PA ENP AP between 1 January and 31 December 2010, although developments outside this period may be considered where appropriate. For further information on regional and multilateral sector processes, please refer to the sectoral report.

In addition to a number of high-level visits to both Brussels and the occupied Palestinian territory (oPt), four subcommittees and one joint committee were held successfully in the course of 2010. These meetings demonstrated the PA's increased institutional and coordination capacity. Work has also started on a new Action Plan, which is expected to be concluded in 2011. Throughout the reporting period, the EU continued to support the PA with a view to contributing to the implementation of the two-state solution.

The PA also submitted a formal request to increase the current number of four subcommittees. This increase is in line with existing practice in the other ENP partner countries and would demonstrate its increased institutional capacity. The main priorities of the new Action Plan are consistent with the PA's statebuilding plan and the new Palestinian National Plan (PNP 2011–2013).

The reformist agenda of the government is producing good results. The PA has made steadfast progress in building its capacity to run the future State of Palestine. This was acknowledged in the World Bank's report for the Ad Hoc Liaison Committee (AHLC) meeting in September 2010, which also highlights the main issues ahead of summer 2011, when the state building plan implementation should be completed. Reforms were limited to institutions in the West Bank.

Progress in many areas (governance, public finance management) was achieved in a context of occupation, where Israeli incursions into areas formally under the control of the PA continued. There has also been some progress on the rule of law. However, concerns about human rights violations, in particular by the security forces, have not declined and further efforts are needed to strengthen the judiciary. The late cancellation of the local elections in the West Bank in July 2010 casts some doubt on the capacity of the Palestinian political forces to compete democratically. The economic and social situation in Gaza remains grim due to the blockade. The EU has proposed a comprehensive package to upgrade the Kerem Shalom

crossing, and intends to further contribute to the eventual opening of all Gaza crossings for aid, trade and persons.

The economy of the oPt continued to grow in 2010 by 9,3%. In this period, the Palestinian Authority, through fiscal performance broadly in line with the 2010 budget, reduced its fiscal deficit. There was also progress in the implementation of the structural reforms set out in the Palestinian Reform and Development Plan, and reflected in the AP, in particular on improving financial accountability and on sound management of public finances. Also, the PA made some progress in reducing dependency on international aid and supporting private sector activity. Further actions are planned for the near future.

Despite several reconciliation efforts, no progress can be reported towards bridging the internal split between the governance structure in the West Bank under President Mahmoud Abbas and the Hamas-led de facto authority in the Gaza Strip. The latter imposes a strict military regime and reports confirm a steady deterioration of humanitarian indicators in the Gaza Strip.

The achievements of the state-building agenda of Prime Minister Salam Fayyad's government need to move ahead in parallel with progress in the political process. The latter looks increasingly difficult especially in view of renewed settlement construction in the West Bank and recent developments in East Jerusalem.

2. POLITICAL DIALOGUE AND REFORM

Development of enhanced political dialogue and cooperation

In September **Middle East Peace Process (MEPP) negotiations** between Israelis and Palestinians were launched, with support of the US, the EU and the Quartet, following a four-month period of proximity talks. Talks reached an impasse shortly after the decision by the Israeli government to end the settlement moratorium on 27 September 2010.

The implementation of the Palestinian Reform and Development Plan (PRDP) progressed in 2010. Efforts made in setting up a national monitoring and evaluation mechanism have borne initial results. In July 2010, the ministry of planning provided the first monitoring report on the PRDP, which used qualitative data in the analysis of progress achieved under the Plan. The newly-established Anti-Corruption Commission has not yet become visibly operational.

The PA aims to continue with structural reforms to increase efficiency in the public sector, reduce dependency on international aid, and support private sector activity. In this respect, a number of important reforms are planned, including streamlining social assistance, privatising electricity distribution, enhancing the legal and regulatory framework for businesses, improving the sustainability of the public pension system, and implementing civil service reform.

Democracy and the rule of law

Despite the long-standing insistence of the international community on the elaboration of a system of civilian oversight over all security services, there is still little evidence of greater integration of security services under the umbrella of the ministry of interior. The EU Police Mission in the occupied Palestinian territory (EUPOL COPPS), continued to provide training, including training on human rights, to help build a professional civil police. The EU is

investing substantial resources in reinforcing the rule of law through support to the main actors in the justice sector as well as to the civil police.

In June 2010, the government adopted the Justice and Rule of Law National Sector Strategy 2011–2013, which provides a basis for the continuous strengthening of the three **justice sector** institutions: the ministry of justice (MoJ), the High Judicial Council (HJC) and the Attorney General's Office .

Under the auspices of the Office of the President, these institutions worked with the Palestinian Bar Association and a representative of the military court system to produce a draft joint memorandum of understanding which clarifies their respective mandates. The MoJ has been especially active in drafting and reforming legislation. The ongoing and significant reform of the Criminal Code involves all relevant institutions. The MoJ also set up a Human Rights Unit in the ministry.

The PA continues to be ruled under the emergency powers conferred on the government by President Abbas. Legislation is adopted by Presidential decree without passing through the Palestinian Legislative Council (PLC). Limited democratic oversight over the PA is carried out by civil society organisations and by informal sessions of remaining PLC members in Ramallah. The Hamas PLC members in the Gaza Strip claim legitimate representation and hold regular sessions in which laws are being adopted, further widening the political and institutional divide between West Bank and the Gaza Strip.

The decision to postpone local elections in July 2010 met only limited political resistance from the small PLO faction and from civil society organisations. Nevertheless four electoral lists, with the assistance of three human rights NGOs, challenged the Cabinet's decision in court. In December, the HJC ruled that the Cabinet's decision was illegal but did not provide clear guidance on how and when to organise new elections. The EU continued with financial support for the development of the Central Elections Commission and launched a new capacity-building programme for the PLC Secretariat, to prepare this fragile institution for an effective resumption of parliamentary business.

Human rights and fundamental freedoms

The situation of **human rights** and **fundamental freedoms** continued to suffer setbacks.

The Independent Commission for Human Rights (ICHR) received numerous complaints related to violations to the right to proper legal process and just procedures in the West Bank and in Gaza. Most of the complaints received refer to actions by the security services. Palestinian human rights organisations report little progress regarding arbitrary detention. The ongoing tensions between the two major political factions have resulted in a continued trend of arrests on political grounds. In total, 655 complaints were documented by the ICHR over political detention in the West Bank and 60 in the Gaza Strip.

Human rights organisations continue to record steadily complaints of human rights abuses by the security services in the whole of the oPt, including the West Bank. After the marked decline in November 2009, complaints about torture and ill-treatment in detention (mainly police interrogations and intelligence services) have risen again. Although the PA claims as an achievement the fact of 'stopping torture in detention centres and taking punitive measures against violators', there is no documented evidence of the punishment of violators in the absence of sufficient transparency in the military court system and of disciplinary

mechanisms in the security services. The oPt continues to benefit from the European Initiative for Democracy and Human Rights support.

The United Nations Office of the Coordinator for Humanitarian Affairs (OCHA) report on protection of civilians indicates that since the beginning of 2010, Israeli forces have injured 1145 Palestinians in the West Bank during demonstrations or clashes, a 45% increase compared to the equivalent period in 2009. Israeli forces conducted a weekly average of 90 search and arrest operations in the West Bank (including East Jerusalem) in 2010. Such operations also often resulted in damage to property.

In 2010, 71 Palestinians (including 24 civilians) were killed and 283 (including 246 civilians) were injured in the context of Palestinian-Israeli conflict in the Gaza Strip. The majority of casualties occurred near the fence dividing Israel and the Gaza Strip. Israeli restrictions on access to areas up to 1500 metres from the fence continue. 17% of the Gaza Strip's territory is within 1500 metres of the fence. In 2010, 91 Palestinian workers have been injured in incidents related to restrictions on access to land near the fence.

Children have remained significant victims of the conflict. In the first half of 2010, four Palestinian children lost their lives and 141 were injured in incidents directly related to the conflict; two were killed as a result of internal violence. In addition, one child was killed and two were injured as a result of handling of explosives.

At the end of December 2010, 6252 Palestinians were being detained in Israel. This number had slightly decreased throughout 2010 from 6831 in January 2009. With regard to the practice of administrative detention, the number of Palestinians detainees (those held without charge or trial) also decreased compared to the previous reporting period. At the end of December 2010, 205 Palestinians were being held in administrative detention in Israel, compared with 278 in December 2009.

Limitations on the freedom to demonstrate are still enforced. In 2010 Israel renewed Order 101, which severely restricts the right of assembly of persons protesting in the West Bank. At the end of June 2010, there were 31 Palestinian human rights defenders from the West Bank villages of Ni'lin, Bil'in, Budrus, Nabi Saleh, Beit Ummar and Al-Ma'sara held in Israeli custody. The Office of the European Union Representative, together with EU member states, followed up and monitored the military court cases against prominent Palestinian human rights defenders who had peacefully protested against the separation barrier, e.g. Abdallah Abu Rahma - the head of the Bil'in Popular Committee against the Wall and Settlements. The EU issued a statement in August 2010 expressing concerns over his conviction, as by the EU he is considered as a Human Rights Defender committed to non-violent protests against the route of the Israeli separation barrier through his West Bank village of Bil'in.' The EU reiterated that it considered the route of the Israeli separation barrier, where it is built on Palestinian land, to be illegal.

No **death sentences** were issued in the West Bank during the reporting period. Death penalty sentences have continued to be issued in the Gaza Strip. In total, 17 death sentences were issued by the de-facto Gaza authorities for murder and treason and three executions were carried out.

Demolitions continued in the West Bank, including East Jerusalem, reaching a total of 431 Palestinian structures demolished in 2010. Most of the demolitions took place in the Jordan Valley while 78 structures were demolished in East Jerusalem. The EU has expressed its deep

concern about this and has urged the Israeli authorities to prevent the demolition of Palestinian homes and the issuing of eviction orders in East Jerusalem and the rest of the West Bank. The EU called on the Israeli authorities to suspend these practices, considering them an obstacle to peace, contrary to the Israeli Roadmap obligations and to international law.

Settler violence against Palestinians and their property continued between July and October 2010, including vandalism against a mosque in Beit Faijjar village, Bethlehem, on 4 October and against a girls' secondary school in As Sawiya village, Nablus, on 27 October. The ongoing impunity continues to favour settlers. In 2010, one child was killed and 133 Palestinians were injured in attacks by Israeli settlers. In addition, over 3700 olive trees were vandalised during the olive harvest. On the other hand, four Israeli settlers were killed.

The EU has reminded Israel of its obligations according to international law and international humanitarian law vis-à-vis the Palestinian population in the occupied Palestinian territory.

Respect for **freedom of religion** has not improved and is hampered by access restrictions imposed by the Israeli authorities. The Israeli army imposed a general closure of the West Bank during Easter. As a result, many Palestinians of Christian faith wishing to participate in the Easter ceremony at the Church of the Holy Sepulchre were not able to do so. Access to Haram-al-Sharif (El Aqsa Mosque)/Temple Mount was on many occasions closed or limited to men above the age of 50.

Access and movement in the West Bank has generally improved, with the smallest number of obstacles since 2005. The closure of the Gaza Strip continued.

Financial accountability and sound management of public finances

In 2010, the ministry of finance continued to modernise its Financial Management Information System and to adapt its financial regulations to ongoing treasury reforms, including the introduction of a commitment control system.

In the first half of 2010, the ministry produced a draft Public Financial Management Strategy for 2011–13 as part of the Palestinian National Development Plan. It also continued to improve the transparency of public finances by providing monthly website information on PA public debt from June 2010. In August, the government approved an action plan for the reform of the public pension systems as a measure to ensure the PA's long-term financial sustainability.

In the area of **internal audit**, with EU assistance the ministry of finance initiated the first phase of decentralisation while continuing to conduct checks and risk assessments under the supervision of its High Level Audit Committee.

With regard to **external audit**, the State Audit and Administrative Control Bureau (SAACB) finalised its 2008 financial statement in September 2010, while its 2009 statement is due to be sent to the President, Cabinet and Legislative Council Secretariat in early 2011. Work also continued on preparing for the modernisation of the Audit law.

On **corruption**, the 2005 law on illegal gains was amended in June 2010 leading to the establishment of a new anti-corruption commission. Ongoing progress on internal audit reforms, the work of the Audit Committee and the enhanced capacity of the SAACB bode well for fraud prevention.

3. ECONOMIC AND SOCIAL REFORM

Macroeconomic framework and functioning of the market economy

In 2010, the GDP of the oPt rose by 9.3% compared to 7.4% in 2009. Growth was due to significant amounts of international donor assistance, to further relaxation of restrictions on movement of goods and access to people in the West Bank and to the lifting of certain import controls in the Gaza Strip. Public services, construction, agriculture and external trade all expanded, while manufacturing remained subdued (*see section on trade*).

The economy of Gaza grew rapidly at the start of the year driven by inflows of humanitarian aid, as well as goods entering through tunnels at the Egyptian border. A large amount of donor aid continued to be channelled into small scale infrastructure projects, including the construction and rehabilitation of roads, water networks, sewage systems, schools and clinics, and residential housing. Disbursements from the EU-financed Gaza Private Sector Recovery Programme, implemented in co-operation with the PA (EUR 22 million committed in 2009) began in 2010. The aim of this programme is to provide support to re-launching legitimate private sector businesses which had been destroyed or damaged by "Operation Cast Lead". These actions are of short impact on the population in Gaza. Long term interventions that are currently hampered by access restriction to Gaza are urgently needed particularly in the water sector to avoid a disaster to happen in the near future.

While these factors helped boost private sector activity, the economies of both the West Bank and Gaza remain severely constrained. Real GDP is more than 10% below the level of 1999 in the West Bank and at least 40% below that level in Gaza. The revival in economic activity has therefore come from a low base and is still held back by current restrictions. For example, in the West Bank, agriculture is hindered by sanctions on products, such as fertilisers, considered to pose a threat to security, and access to land. Consequently, while agricultural output has risen, it still only accounts for around 5.5% of GDP, compared to 13% in 1994.

Inflation rose slightly in 2010 to 3.7% compared to 2.8% in 2009 due to sharp rises in food prices toward the end of 2010 and despite tighter monetary policy in Israel and the relaxation of some import restrictions in the Gaza Strip. FAO has estimated that 96% of staple food items are imported, in addition to other food commodities used for production; hence the economy is highly exposed to shifts in international food prices, which have returned to the levels of 2008. In the West Bank, unemployment fell to 15% of the total labour force while in the Gaza Strip it remains at around 40%. Fiscal performance was broadly in line with the 2010 budget. The recurrent fiscal deficit narrowed to 16% of GDP in 2010 from 26% in 2009. This was the result of continued progress by the Palestinian Authority on the PRDP for 2008–10, which aims at increasing revenue, reducing expenditure and restoring fiscal sustainability. The improved tax collection has partly supported the increase of the gross revenue. Current expenditure, including the public sector wage bill and net lending, fell over the same period. However, due to lower than expected international aid, the PA was obliged to borrow from domestic banks and accumulate arrears on existing loans. The PA plans to progressively consolidate public finances in order to reduce reliance on international aid and encourage private sector growth. At the same time, the PA aims to make public expenditure more effective by shifting resources away from wages and subsidies and toward investment. A comprehensive public pension reform action plan for 2010–12 was adopted in July 2010.

Employment and social policy

The **unemployment** rate decreased from 25% in 2009 to 24% in 2010 (20% in the West Bank and 40.5% in the Gaza Strip) — note that International Labour Organisation (ILO) standard unemployment figures do not take into account workers discouraged from seeking jobs. The labour force participation rate remained very low and fell from 41.6% in the third quarter of 2009 to 40.5% in the fourth quarter of 2010. The PA continued to work with the ILO on an **employment** programme and on promoting the inclusion of women in the labour market. The ILO also supported specific job creation and skills development programmes in Gaza.

As regards **social dialogue**, in February 2010 the Tripartite Labour Policies Committee launched a declaration outlining its vision, plan of action and institutional framework. The declaration focuses on improving industrial relations and promoting effective and transparent governance of the labour market through social dialogue. The planned measures include revision of labour agreements in line with Arab and international standards, enhancement of the labour administration and inspection and reform of labour legislation.

The standard of living in the oPt is exceptionally low in comparison to other partner countries, with an overall poverty rate of 55%; an estimated 80% of people living below the poverty line in the Gaza Strip. To increase **social protection** and advance the fight against **poverty**, the ministry of social affairs finalised its first ‘Social Protection Sector Strategy’. The ministry is now developing a business strategy, on the basis of which an Action Plan 2011–2013 will be drawn up.

In June 2010, the PA launched the Cash Transfer Programme (CTP), as part of the Palestinian National Programme for Social Protection. The CTP targets families below the extreme poverty line. The CTP is now well established in the West Bank and in November 2010 the Gaza Strip announced its wish to be covered by it. The Gaza Strip beneficiaries are expected to be fully included in the new system in the first half of 2011. The EU, apart from providing the majority of the funds for social security payments, has also actively supported the reform of the social security system in co-operation with the ministry.

From July to December 2010, the EU contributed EUR 16 million to two rounds of the Vulnerable Palestinian Families programme payments as part of the CTP. An average of over 50 000 extremely poor households from the West Bank and the Gaza Strip benefited from the CTP.

In August 2010, the Council of Ministers approved an action plan for the reform of the public **pension system**. The plan includes the consolidation of the pensions’ administration of all four schemes within the Pensions Authority, the elimination of early retirement, and a gradual increase in the retirement age.

4. TRADE-RELATED ISSUES, MARKET AND REGULATORY REFORM

After two years of contraction, bilateral trade between the EU and the oPt increased during the reporting period: exports from the oPt to the EU increased by 43.7% while EU exports to the oPt increased by 56.8%. The oPt trade with the EU and other partners in the region remains very limited.

The ninth Union for the Mediterranean Trade Ministerial Meeting, which took place in Brussels in November 2010, endorsed a package of measures to facilitate trade in Palestinian

products with other Euro-Mediterranean partners in line with the EUROMED Trade Roadmap for 2010 and beyond. In December 2010, the EU and the PA initialled a draft agreement on further liberalisation of trade in agricultural products, processed agricultural and fish and fishery products. Further market opening on the EU side is expected to support the development of the economy of the West Bank and the Gaza Strip.

During the reporting period, the ministry of **agriculture** worked on the implementation of the Agricultural Sector Strategy and on the formulation of the relevant Action Plan aiming, among other things, at setting up sustainable agriculture, capable of achieving both food security and competitiveness in the local and foreign markets.

Access and movement in the West Bank generally improved. The restrictions on trade in goods and in access between urban areas were eased in the West Bank (but not with East Jerusalem). This helped support internal trade. Over 10 % of obstacles to movement of goods and persons, such as check points, were removed, leaving an estimated 500 obstacles in place in the West Bank. Despite the easing of the Gaza Strip blockade in June 2010, imports of raw materials and capital goods continue to be heavily restricted and the ban on exports continues to depress the economy.

The PA customs, with EU assistance, completed the implementation of the third phase of the automated system for **customs** data ‘ASYCUDA World’. As a result, the latest version of the system was rolled out, new customs procedures (including a direct trader input mechanism) were launched, and customs staff, employees of line ministries and users from the private sector, were trained. The ‘Al Siyadeh’ programme, which aims at modernising the administrations responsible for revenue collection and border management, is under implementation. The PA set up a customs prosecution department and worked on the establishment of customs courts, with a view to better enforcing customs revenue collection. As far as legislation is concerned, in spite of several attempts with the help of donor states, there is still no approved Palestinian customs code. All activities in the area of customs, including actions to obtain WCO membership, are undertaken by the PA as part of its state-building process. Regarding the strengthening of cooperation to combat irregularities and fraud in customs, the PA participated in the ‘SIROCCO’ joint operation carried out in June 2010. SIROCCO is a joint customs operation, coordinated by the European Commission Anti-Fraud Office (OLAF) and carried out by the customs administration of the EU and 11 partner countries from the southern rim of the Mediterranean¹.

No progress can be reported on the unification of **tax** administrations of the West Bank and the Gaza strip due to the political situation. In December 2010, the IMF recommended the elaboration of a medium-term strategy with a view to laying the foundations of a modern revenue administration. Increased enforcement efforts, combined with economic growth, led to improved performance in terms of domestic tax revenue collection.

Concerning **free movement of goods and technical regulations**, there is no progress to report.

The PA and the EU stepped up dialogue on **sanitary and phyto-sanitary (SPS)** issues. A TAIEX SPS assessment mission visited the oPt to prepare a gap analysis on legislation and

¹ SIROCCO focused on deep sea containers loaded in China or the United Arab Emirates and arriving in countries of the Union for the Mediterranean. Around 40 million cigarettes, 1243 kg of hand-rolled tobacco, 7038 litres of alcohol and 8 million other counterfeits were seized during the operation.

institutional capacity. The PA is upgrading its SPS legislation and expressed interest in gradual approximation with EU standards with a view to developing a ‘farm to fork’ approach. In 2010, the PA adopted a law on animal health.

Improvements in the areas of starting a business and enforcing contracts contributed to a better **business climate**. The Company Law and the Consumer Protection Law are still awaiting adoption, and there is still no legal regime for **competition**.

No progress is to be reported in the areas of **accounting and auditing**.

In the field of **financial services**, the banking sector has been largely unaffected by the global economic crisis due to limited exposure to global financial markets and conservative lending practices. However, the sector has built up substantial credit exposure to the PA and its employees. This makes it particularly sensitive to public finances. The banking sector also continued to face an ongoing problem of excess liquidity as Israeli banks do not accept cash deposits from banks in the West Bank. In 2010, the Palestinian Monetary Authority (PMA) continued to implement Basel II standards, including guidelines on the disclosure of financial information and regulations governing mergers.

Progress was recorded in the enforcement of the ‘fair lending regulations’ and in the implementation of the new payment system. In August 2010, the PMA adopted regulations on mergers and acquisitions procedures. The PMA credit scoring system became fully operational in July 2010, as part of the online credit registry, and the system contributed to the growth recorded in private sector deposits. The president signed the new banking law in November 2010.

Other key areas

The PA drafted a revised law on **public procurement** that will unify procurement procedures in PA ministries and agencies. It will replace all the previous laws and acts governing PA procurement on its entry into force, planned for 2011.

The Palestinian Central Bureau of **Statistics** (PCBS) completed phase one of its ‘Metadata System’ and a special website was launched to serve that purpose. A special team was formed to revise, further develop, document, and disseminate metadata. So far, the PCBS has documented more than 20 surveys on the new system, which uses the Accelerated Data Programme. The first ever agriculture census was implemented in the oPt, partly funded by the EU. The PCBS continued to benefit from EU assistance including through the recently launched MEDSTAT III programme.

With a view to ensuring an appropriate legal framework for a modern statistics system based on impartiality, reliability, transparency and confidentiality of data, the PCBS carried out a Special Data Dissemination Standard (SDDS) exercise in order to check its ability to meet SDDS requirements in terms of periodicity and timeliness. In September 2010 the PCBS also received the ‘ISO 9001’ certificate for 2008.

The PA continued to strengthen **public finance management** through several actions, in particular enhancements to the financial management information system, including the introduction of a commitment control system and a budget preparation module accessible to all government departments.

On **enterprise policy**, the PA continued the implementation of the Euro-Mediterranean Charter for Enterprise and its participation in industrial cooperation activities. The European Palestinian Credit Guarantee Fund implemented the largest private sector recovery programme in the Gaza Strip. The ministry of national economy presented a new SME strategy during the first meeting of the Private Sector Development & Trade Sector Working Group in July 2010.

5. ENERGY, ENVIRONMENT, TRANSPORT, RESEARCH AND DEVELOPMENT

Due to the political situation, **transport** operators' activities remained mostly limited to the national territory. Nevertheless, the transport sector contributes directly to 8% of GDP. In 2010, the ministry of transport introduced a new regulation on the Higher Traffic Safety Council. The Palestinian Traffic Law and related regulations were completed. The ministry is involved in the 'national spatial plan project', preparing road and transport master plans, and it is completing studies to merge the current 90 public transport companies into four companies and redistribute the bus routes. Active Palestinian participation in the technical dialogue on transport through EUROMED structures and its involvement in setting up the future Trans-Mediterranean transport network are important.

The oPt remained heavily dependent on **energy** imports from Israel. Energy reforms continued on the basis of the energy action plan 2009–2011. The Palestinian Energy Authority launched an Energy Sector Strategy for 2011–2013. In February 2010, on the basis of the 2009 Electricity Law, the PA set up the Electricity Regulatory Council under the Palestinian Energy and Natural Resources Authority. It drafted implementing legislation for the electricity law on, for example, tariffs and the promotion of the use of renewable energy sources.

The PA continued to transfer electricity supply services from municipalities to newly established regional distribution companies. It began a feasibility study on the construction of a power plant in the Northern West Bank. It pursued the upgrade and reconstruction of electricity networks on the West Bank and in Gaza. More than 99% of Palestinians now have access to electricity although it remains a challenge to electrify villages between settlements. The PA pursued the installation of pre-paid electricity meters in the West Bank and started a pilot project in the Gaza Strip.

The PA continued the implementation of an energy efficiency programme and remained committed to developing the use of renewable energy, also in trilateral cooperation with the EU and Israel. In 2010, with EU support, the PA began preparations for the electrification of 50 isolated West Bank villages through the development of photovoltaic solar projects. The PA also continued to work on a pilot wind energy project for the Hebron hospital and finalised a feasibility study on a 10 MW solar plant in Jericho.

The EU remains committed to re-activating trilateral energy cooperation with the Palestinian Authority and Israel, which is stalled due to the regional conflict. The aim remains establishing a joint energy office and facilitating the development of projects of common interest, such as the joint 'Solar for Peace' initiative.

In the field of **climate change**, the Council of Ministers approved the setting-up of a National Committee on Climate Change.

The state of the **environment** in the Gaza Strip remains a serious concern. Works on the first phase of the Northern Gaza wastewater treatment plant were concluded and preparations for the second phase are under way. In the West Bank, preparations for the construction of wastewater treatment plants and landfills continued.

The EQA plans to review and update the environmental law and other related bylaws. Draft bylaws were prepared on waste management, hunting, nature reserves and stone quarries. Environmental standards are being developed or updated on the use and disposal of treated sludge, the treatment of industrial wastewater, ambient air quality and gas emissions from heavy duty vehicles. The EQA developed an Environment Sector Strategy for 2011–2013 and updated the emergency plan on nature protection. The Council of Ministers adopted a National Solid Waste Management Strategy and a Wastewater Strategy for 2011–2013.

A major challenge is to revive administrative implementation capacity. There is a need for coordination between relevant authorities with regard to the management and the use of fresh water resources.

Representatives of the PA participated in activities under the Horizon 2020 Initiative and the EU Water Initiative. Cooperation and information exchange took place between the European Commission and the PA, including on water, waste management, de-pollution and management of environmental information.

In the field of **civil protection**, representatives of the PA were actively involved in the Euro-Mediterranean Programme for Prevention, Preparedness and Response to natural and man-made Disasters, which has reached mid-term implementation.

Concerning **information society** issues, the Ministry of Telecommunications and Information Technology issued ‘The Palestinian National Authority Statement of National Telecommunications Policy’ in April 2010. The difficult situation with Israel does not allow the oPt authorities to manage spectrum — the rights to use frequencies to operate in the oPT are granted by the Israeli authorities — and available frequencies are apparently insufficient to cope with market developments (two active operators, with total penetration reaching 80%). For the fixed line market, the Palestine Telecommunications Company (Paltel) still holds a monopoly. Paltel’s internet and data services are offered via a number of subsidiary companies. Local loop unbundling has yet to be regulated.

Concerning **audiovisual** issues, the ministry of information submitted a new draft of the broadcasting law to the Cabinet in March 2010. This draft addressed concerns expressed about an earlier version of the law which imposed certain restrictions on media freedom.

In the area of **research and technology**, participation by Palestinian researchers in Seventh Framework Programme (FP7) up to March 2011 has substantially improved (82 Palestinian applicants, of which 11 are main listed) — mainly in agriculture, the environment and socio-economic humanities — accessing about EUR 1 million.

6. PEOPLE-TO-PEOPLE CONTACTS, EDUCATION AND HEALTH

In March 2010, the ministries of education and higher education adopted the Education Development Strategic Plan as the new Education Strategy for 2011–13 with renewed focus on equitable access, quality, planning and management, special needs and education in Jerusalem. Draft strategies on early childhood and adult **education** were also prepared.

Education accounts for over 30% of PA expenditure with plans for rapid expansion, though investment remains heavily dependent on donor support. In October 2010, staff and board members of the Commission for the Development of the Teaching Profession were designated. Adoption of the national teaching professional standards and teacher licensing can only proceed when the Commission has been set up. The ministry defined and tested core standards in pilot classrooms as of September 2010 alongside a draft teacher code of conduct. In the area of **higher education**, the EU/World Bank Tertiary Education project concluded in December 2010 with good results in terms of programme development and institutional management as well as on improving competitiveness and developing partnerships with industry.

Improving the quality and labour-market relevance of **vocational training** and education remains a priority under the Education Strategy. The ministries of education and higher education and of labour adopted a revised Technical Education and **Vocational Training** strategy in November 2010 to establish a coherent national system based on technical skills development for employment. The EU undertook to support its implementation through a three-year sector support programme. It will foster local development through reinforced partnerships between public training institutions and the private sector while anticipating labour market training demand. Both ministries demonstrated strong commitment to the **Torino Process** spearheaded by the European Training Foundation in particular on the study on linking education and business. In this context, the development of entrepreneurial learning and the development of quality assurance systems were identified for future work.

The **Tempus** programme continued to support reform of higher education and greater cooperation with EU universities with three projects selected under the third Tempus IV call for proposals. No Palestinian students or scholars benefited from scholarships under **Erasmus Mundus** Action 1 in 2010 but student and academic mobility was enhanced through the expected award of 37 grants for the academic year 2010–11 under Action 2. Greater effort is required to ensure Palestinian participation in all actions. For the first time, in 2010 a **Jean Monnet** module on European integration and a project for a conference on the EU and the Middle East were awarded to An-Najah National University.

The ministry of **youth** and sport published its Cross-Sector National **Strategy for Youth** 2011–13 in November incorporating joint policy plans in areas such as education, health, the environment, culture, sports and recreation. Its implementation demands continuing multi-stakeholder involvement. Palestinian young people and youth organisations continued to benefit from the opportunities offered by the Youth in Action Programme, through youth exchanges, voluntary service and cooperation activities in non-formal education. In November 2010, the ministry confirmed Palestinian participation in Euro-Med Youth IV, officially launching the programme and capacity building activities in December.

In the area of **culture**, Palestinian organisations continued active participation in the regional Euromed Heritage IV. In addition, three Palestinian cultural organisations were selected under the call for proposals of the 2010 ENP Special Action under the Culture Programme.

In terms of cooperation with **civil society**, the European Union's Partnership for Peace Programme continued support for projects contributing to conflict resolution and mutual understanding in areas such as science education, protection of shared cultural heritage and peace education. However, the political situation continues to seriously impede project implementation, principally due to obstacles to free movement and access.

In March 2010, the PA adopted a new **health** strategy covering 2011–2013. Its priorities include: governance, human resources, healthy lifestyle, access to quality health services, financing, aid effectiveness, public-private partnerships and cross-sectoral cooperation. The EU continued to substantially support the Palestinian health sector. The PA built or expanded primary health clinics and, in August 2010, opened the Ramallah medical complex. The political situation in the region (e.g. the split between the Gaza Strip and the West Bank, the situation in East Jerusalem, Israeli restrictions on the movement of persons and goods) continues to have a negative impact on the physical and mental health of Palestinians. The health situation in Gaza, particularly, is deteriorating. In March 2010, in the context of last year's influenza A (H1N1) epidemic, the EU and the PA established communication channels for the exchange of epidemiological information in the event of a public health emergency of international concern. The PA pursued participation in the 'Episouth' network on communicable diseases for the EU, Mediterranean and Balkan countries.

The EU has increased the annual allocations it provides to support Palestinian health, education and economic-development institutions in East Jerusalem.

7. FINANCIAL COOPERATION — 2010 KEY FACTS AND FIGURES

Cooperation framework

Due to the continuing emergency situation in the West Bank and Gaza there is no National Indicative Programme (NIP) under the European Neighbourhood and Partnership Instrument (ENPI) covering the period 2011–2013. Funding committed under the bilateral allocation of the ENPI to the occupied Palestinian territory for 2010 came to EUR 377.9 million.

Implementation

Most of the assistance is channelled through the '*Mécanisme Palestino-Européen de Gestion de l'Aide Socio-Economique*' (PEGASE) which is geared to supporting the achievement of key policy objectives as outlined in the Palestinian Reform and Development Plan (PRDP) covering the years 2007–2010 and the Palestinian National Plan (2011–2013) soon to be adopted. PEGASE provides significant direct financial support to the PA to pay the salaries and pensions of essential service providers, both in Gaza and the West Bank, in particular doctors, nurses and schoolteachers. PEGASE is also intended to help the PA become the cornerstone of the future Palestinian State by moving away from the emergency assistance provided under the previous Temporary Implementation Mechanism and focusing more on institutional capacity-building and social and economic development. To this end, the EU is investing substantial resources in reinforcing the rule of law through support to the main actors in the justice sector and to the civil police. It has also actively supported the reform of the social security system.

The EU also provides significant funding to the United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA) responsible for the provision of health, education and social services to the Palestine refugee population in West Bank and Gaza, and in the neighbouring countries. UNRWA benefited in 2010 from a total of EUR 102.7 million from ENPI and other EU instruments.

The implementation of the measures covered by the 2009 and 2010 financial years is under way. Progress is being made in the provision of infrastructure facilities for various Palestinian institutions and of technical assistance to PA ministries which have a vital role to play in state-building, notably the ministry of social affairs, ministry of finance and ministry of planning and administrative development. Projects aimed at reinforcing Palestinian schools and hospitals in East Jerusalem are also being implemented.

In addition to this bilateral allocation, the occupied Palestinian territory continues to benefit from cooperation activities financed under the ENPI multi-country and regional programmes, in particular the 'Partnership for Peace' initiative for civil society organisations.

Other EU instruments supplement the ENPI assistance package. The oPt benefited from cooperation activities financed under horizontal instruments such as the European Instrument for Democracy and Human Rights (EIDHR- oPt continues to benefit from its country-based support strategy, with an allocation of EUR 1.2 million) and the Development Cooperation Instrument (DCI) thematic programmes: Non-State Actors and Local Authorities in Development (NSA-LA), Investing in People and Food Security. These thematic lines have the additional advantage of permitting the EU to intervene directly in support of civil society organizations in the Gaza Strip. The Food Facility provided EUR 39.7 million for the period January 2009 to June 2011, taking account in particular of the difficult situation in the Gaza Strip. The occupied Palestinian territory also benefited from humanitarian assistance provided by the European Commission (EUR 51 million in 2010, of which EUR 14 million is allocated to UNRWA). Overall the total allocation for the Palestinian refugees in the oPt and Lebanon in 2010 amounts to EUR 58 million and the total allocation to UNRWA equals EUR 16.5 million.

Donor coordination

The EU is the largest donor to the PA and UNRWA and plays a major role as a reliable, predictable and punctual provider of support. Under a specific EU lead donor group and with the support of the European Commission as secretariat and facilitator, 12 EU sector strategies have been developed in cooperation with the PA in the following sectors: Security (UK), Justice (COM), Public Finance Management (COM), Education (France), Health (Italy), Private Sector Development (COM), Agriculture (Spain), Water and Waste Water (Germany), Electricity (COM), Jerusalem (COM), Municipal Development and Local Government (Denmark) and Refugees (COM). This represents significant progress towards the Paris Declaration aid effectiveness principles, and will soon allow coordinated programming between the EU, its member states and the PA.



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Implementation of the European Neighbourhood Policy in 2010 Sector Progress Report

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JOINT STAFF WORKING PAPER

Implementation of the European Neighbourhood Policy in 2010 Sector Progress Report

1. INTRODUCTION

The Lisbon Treaty and the establishment, in 2011, of the European External Action Service provide new opportunities for the EU to strengthen relations with its neighbours. The European Neighbourhood Policy's (ENP) aims to deepen political dialogue and cooperation and to achieve a very substantial degree of economic integration with the Eastern and Southern neighbours.

Against this background, it is key to continue strengthening sector dialogue and sector cooperation with ENP partners in a wide range of areas such as: employment; social policy; trade and trade related matters; justice and home affairs issues, including migration, mobility and security; transport; environment; climate change; energy; student mobility; education, culture and health.

Sector dialogue supports the ongoing, longer-term, deep reform process of partners both in the South and the East. Sector reform contributes to greater prosperity for all citizens including the youth and underpins efforts towards better governance. Sector cooperation also helps prepare partners to negotiate and, in the future, to implement deep and comprehensive free trade agreements. Through the transfer of sector reform experience, the EU is able to support approximation of legislation, strengthen the capacity and enforcement capabilities of institutions and prepare the sector stakeholders for reform. Sector dialogue can also be conducive to conflict prevention and resolution, for example as in the case of Transnistria. It can also support state building, as in the case of the occupied Palestinian territory.

In 2010, sector dialogues were held in numerous fora including in sector subcommittees and working groups under the bilateral agreements with ENP partners. Several new subcommittees with the South Caucasus countries were launched in 2010. High level and technical dialogues, as well as exchanges in the context of European Neighbourhood and Partnership Instrument (ENPI) projects, also contributed to strengthening sector relations with ENP partners.

The present report provides an overview of ENP partners' progress, in 2010, on a range of sectoral policies. It also describes certain ENPI related issues (Neighbourhood Investment Facility, TAIEX, Twinning, SIGMA). Bilateral financial cooperation is dealt with in the country progress reports. This report furthermore summarises progress on preparation for the participation of ENP partners in EU programmes and agencies. The document is completed by Annexes on these issues, on political and economic indicators and on mobility.

2. SOCIAL REFORM AND DEVELOPMENT

The measures to boost employment, increase social cohesion, reduce inequalities and ensure inclusive growth were negatively affected by the lasting impact of the global financial and economic crisis on already strained public finances and budgets.

The **employment** situation improved in some countries in step with the global economic outlook, while other countries continued to struggle. In nearly all countries, the labour market remains segmented with a high share of informal employment and precarious work situations and the development of the skills needed to support the diversification of the economy, investment and the modernisation of the labour market remains a major challenge. Poor employment and social prospects for the young generation in particular, nurtured discontent and contributed to social unrest in the Southern region.

Efforts to reduce **poverty** in the ENP partner countries were curbed by the necessity to contain budget deficits. The remittances were on the increase from 2009, but generally still below the 2008 level, impacting particularly *Armenia* and the *Republic of Moldova*.

Reforms of pension systems are under way in several countries and the provisions for **social protection** were reviewed in most ENP countries in an attempt to counter the impact of the global recession on the vulnerable population as well as on public finances. Social inclusion approaches often suffer from uncoordinated interventions of a multitude of institutions and players and from the related lack of capacity to cooperate efficiently on delivering services to the people. Under these circumstances, the efforts for **social inclusion** were rather marginal, but *the Republic of Moldova* ratified the UN convention on the rights of disabled persons.

The framework for **social dialogue** was undergoing a slow change, and modest changes were introduced in 2010 in most countries, most notably in the legislation but the impact on the ground of the modest changes introduced in legislation in 2010 has yet to be confirmed in the general climate of limited independence and poor capacities of social partners.

The provisions for **social protection** were reviewed in most ENP countries in an attempt to counter the impact of the global recession on the vulnerable population, as well as on public finances. Under these circumstances, the efforts directed towards **social inclusion** were rather marginal, although *the Republic of Moldova* ratified the UN convention on the rights of disabled persons.

The participation of **women** in economic and political life made little progress, although the highest ever share of female candidates in the *Lebanese* municipal elections (8.2%) is a welcome sign of improvement. *Egypt* organised training events for women community leaders, while *Lebanon*, *Tunisia* and *Morocco* directed their efforts at combating domestic violence.

Sustainable development

Despite the global environment of financial and economic crisis, most of the partner countries' economies performed well in 2010. However, the lack of structural reforms, the high unemployment rates and persistent levels of poverty remain disappointing and endanger the long term objective of **sustainable development**, including environmental protection.

3. TRADE, MARKET AND REGULATORY REFORM

Some progress was made in 2010 in the area of **trade and economic integration**. Negotiations on the Deep and Comprehensive Free Trade Agreement (DCFTA) with *Ukraine* continued through several negotiation rounds in 2010, although progress was rather limited. Progress in the negotiations on the trade related part of the framework agreement with *Libya* was also slow. A fact-finding mission to explore the possibility of DCFTA negotiations with *the Republic of Moldova* took place in June 2010 and the European Commission presented its key recommendations in October 2010. *Armenia* and *Georgia* continued to make progress in their DCFTA preparations. A Commission proposal for extending the current ATP Regulation for the Republic of Moldova, which would also include a significant increase in the wine quota, was presented to the Council for approval.

There was good progress regarding the negotiation of agreements on further liberalisation of trade in agricultural, processed agricultural products and fish and fishery products with the Mediterranean partners; the EU-*Egypt* agreement entered into force in June 2010, and the EU-*Morocco* agreement was signed in December 2010. Also in December 2010, the Commission and the *Palestinian Authority* initialled a draft agreement which is expected to support the development of the economy of the West Bank and the Gaza Strip. Negotiations with *Tunisia* continued fruitfully and some exploratory talks on possible future negotiations on the liberalisation of trade in agricultural, processed agricultural and fish and fisheries products took place with *Lebanon* in May 2010.

Negotiations with the Mediterranean ENP partners on the liberalisation of services and the right of establishment made little progress in 2010.

The Agreement on Conformity Assessment and Acceptance for Industrial Products (ACAA) with *Israel* was signed in May 2010 in the sector of Good Manufacturing Practice of Pharmaceuticals.

Good progress was made in the area of protection of "Geographical Indications" (GIs). In July 2010, the European Union and *Georgia* concluded negotiations on a bilateral agreement for the protection of their respective GIs. The GI's negotiations with *the Republic of Moldova* proceeded fruitfully during the reporting period. GIs are handled with *Ukraine* in the framework of the negotiations on the Deep and Comprehensive Free Trade Agreement. Moreover, in the framework of the agreement on further liberalisation of trade in agricultural, processed agricultural products and fish and fishery products, the EU and *Morocco* agreed to start negotiations on GIs within three months following the entry into force of the agreement.

Some progress was achieved in the negotiations of Protocols establishing a Dispute Settlement Mechanism applicable to disputes under the trade provisions of the bilateral Association Agreement with the Mediterranean partners. The EU and *Egypt* signed the protocol in March 2010, while the protocol with *Lebanon* was signed in December 2010.

The 9th Union for the Mediterranean Trade Ministerial meeting, which was held in Brussels on 11 November 2010, endorsed a package of measures to facilitate trade in *Palestinian* products with other Euro-Mediterranean partners in line with the Euromed Trade Roadmap for 2010 and beyond. The ministerial meeting also agreed that the working priorities for 2011 should focus on the following issues: a Euro-Mediterranean trade and investment facilitation mechanism; enhanced cooperation with the business community on Euro-Mediterranean trade

and investment relations; reinforced cooperation in the area of the fight against piracy and counterfeiting in the Euro-Mediterranean region; and enhanced sectoral cooperation

As reported last year, some **customs** administrations in partner countries, such as *Israel, Morocco, the Republic of Moldova* and *Tunisia*, have already implemented a large part of the customs-related commitments in their respective Action Plans and are continuing their reform process. *Georgia* and *Jordan* amended their customs legislation with the introduction of a new Code and a temporary law amending the customs law. Several ENP partners are implementing national strategic plans to modernise customs services (*the Republic of Moldova, Jordan, and Morocco*) and to enhance the automation of customs procedures (*Armenia, Lebanon, Georgia, Jordan, and the Republic of Moldova*). Several partners, such as *Georgia* and *the Republic of Moldova* are strengthening the use of risk analysis. An interactive English version of the website of the *Egyptian Customs Authority* is now available to operators. The facilitation of trade for reliable operators remains a priority, and several countries continued their efforts to ensure the security of the supply chain based on international standards (WCO) and made progress on the concept of “authorised economic operators” (AEO). Several countries are working towards the creation of a single window environment. The question of customs ethics is being tackled in most countries, but it remains a concern, especially in *Ukraine*, where cumbersome, bureaucratic and restrictive customs controls are applied, and in *Azerbaijan*. *Georgia* and *Ukraine* have made no real progress towards ensuring the proper implementation of WTO-compatible customs valuation rules. Several Mediterranean partners (*Egypt, Jordan, Lebanon, Morocco, oPt, Syria* and *Tunisia*) participated in the "SIROCCO" joint customs operation conducted in June 2010. SIROCCO is a joint customs operation, coordinated by OLAF and carried out by the customs administration of the EU and eleven partner countries from the southern rim of the Mediterranean. The customs services in the region, and in particular *the Republic of Moldova* and *Morocco*, also reinforced IPR protection and the fight against pirating and counterfeiting. The European Commission and the State Customs Committee of *Belarus* continued discussions on issues of common interest.

On **standards, technical regulations and conformity assessment**, most ENP partner countries continued their preparatory work towards the conclusion of bilateral agreements on Conformity Assessment and Acceptance of Industrial Products (ACAAs). In May 2010, the EU and *Israel* signed an ACAA agreement in the sector of Good Manufacturing Practice of Pharmaceuticals. *Egypt* and *Tunisia* are also well advanced in their ACAA preparations.

Negotiations on the **liberalisation of services and establishment** with *Egypt, Israel, Morocco* and *Tunisia* made no progress in 2010.

Regarding **sanitary and phyto-sanitary (SPS)** issues, the ENP partners continued to make progress in 2010. As stated in last year’s report, substantial efforts remain necessary in order to achieve the ENP Action Plan objectives and to prepare for (possible) future deep and comprehensive free trade agreements between the EU and ENP partners. ENP partners adopted a food safety strategy (*Georgia*) or made progress with the preparation of such a strategy (*Armenia, the Republic of Moldova, Ukraine*). Most ENP partners adopted or prepared legislation which, to some extent, is increasingly approximated with EU standards. The European Commission and the *occupied Palestinian territory* initiated a gap analysis regarding SPS legislation and institutional capacity which was supported by TAIEX.

ENP partners trained SPS staff and strengthened laboratories (*Armenia, Azerbaijan, Georgia, the Republic of Moldova and Ukraine*). In 2010, additional ENP partners were connected to the external window of the EU's Rapid Alert System for Food and Feed (*Armenia, Azerbaijan, Israel, Jordan*). In 2010, the European Commission's Food and Veterinary Office carried out fourteen inspection visits to ENP countries covering various sectors (*Egypt, Georgia, Israel, Jordan, the Republic of Moldova, Morocco and Ukraine*). In April 2010, Eastern ENP partners participated in a seminar on handling food emergencies and crises, organised jointly by the Commission and the European Food Safety Authority and held in Kyiv. A similar event for Mediterranean ENP partners was held in October 2010 in Parma. The EU and the ENP partners continued exchanging experience through other training events, including in the context of the Commission's 'Better Training for Safer food' programme. In July 2010, the EU and the Eastern partners held a first meeting on SPS and animal welfare issues under the Eastern Partnership panel on trade and trade-related regulatory approximation. The EU and its partners pursued SPS cooperation through ongoing (twinning) projects under the ENPI. A new twinning was launched with *Israel*. SPS cooperation with *Belarus* continued, including on the subject of rabies.

All countries made efforts to improve their **business climate**, but only some of them managed to improve their comparative ranking in the global race. The main beneficiaries were new entrepreneurs, because many countries have made it easier to set up a company. Increased transparency in the functioning of public institutions is likely to benefit the business climate throughout the region. The legal framework for the **establishment** of a company by non-nationals did not change in 2010. Other changes in **company law** concerned business registers in Egypt and Israel, minimum capital in Jordan, and investor protection in Georgia.

In 2010, most of the partner countries worked on the implementation of their respective **tax** administration reform. Activities range, for example, from the development of electronic declaration systems, (*Armenia, Georgia, Tunisia*) to the development of risk-based controls (*Armenia*). Both *Georgia* and *Ukraine* adopted a new Tax Code and most of the partners continued to expand the network of bilateral treaties on the avoidance of double taxation with EU Member States. *The Republic of Moldova* approved a new regulation on VAT refunds in October 2010, aimed at simplifying the refunds procedure and increasing transparency, while the VAT collection and management system in *Ukraine* remained dysfunctional.

In the field of **competition policy**, some countries (*Armenia, Egypt, Georgia, Ukraine*) continued their reforms towards establishing a modern competition policy. However, overall, there are still many challenges in implementing competition policies in many ENP countries (*Azerbaijan, Jordan, Lebanon, the Republic of Moldova, Morocco, Tunisia*) where an adequate legal and institutional framework is not yet in place.

The legal protection of **intellectual property rights** was reinforced in particular in the Eastern Partnership countries, where *Armenia* adopted a law on trademarks, *Georgia* a law on design and an amendment to the patent law, and *the Republic of Moldova* a law on copyrights. *Ukraine* acceded to the Singapore treaty and the Strasbourg agreement. Jordan amended the trademark fees' schedule. Vigorous enforcement of the legal provisions is still needed, as demonstrated by the high rankings of the EaP countries in the report of May 2010 by the Business Software Alliance, where they all appear on the world list of the fifteen highest piracy rates.

On **financial services**, despite the effects of the global financial and economic crisis, most partner countries continued to make some progress in implementing the modernisation of

their financial sectors. New banking laws (*Israel, Jordan, the Republic of Moldova, Palestinian Authority, Ukraine*) and laws regulating the non banking financial sector (*Azerbaijan, Egypt, the Republic of Moldova, Morocco*) were under consideration in several ENP countries.

Most countries improved their **public procurement** mechanisms either by drafting or adopting new laws, by setting up procurement agencies or review authorities, or by developing electronic procurement systems. Training the economic operators to understand the new system was an important part of the implementation of the reforms.

In the area of free **movement of capital and payments**, ENP partners made modest progress. *Morocco* facilitated the availability of international credit cards, but *Ukraine* reinstated some restrictions.

All ENP partner countries further improved their **statistics** with a view to conforming more closely to European and international standards. They have recently introduced new legislation, worked on development plans and provided to the EU a considerable number of statistical data in various areas including trade, energy and demography.

Many of the developments in **consumer protection** came about through other areas of co-operation, such as the air services agreements that the EU signed with *Georgia* and *Jordan*, and which include, among others, harmonisation with EU rules in that area. In *Ukraine* the financial sector regulators developed consumer protection measures for financial services. *Jordan* developed a specific consumer protection law and *Lebanon* reactivated its consumer protection council. In July 2010, *Israel* initiated a review of the Israeli standard on the safety of toys with a view to adopting the EN European Standard. *Jordan* transposed several European standards and prepared draft regulations in some priority sectors (e.g. electrical products and electronic appliances, toys and gas appliances equipment).

As regards co-operation in the field of **public internal financial control** (PIFC) in the framework of public finance management, *the Republic of Moldova* and *Ukraine* continued their reform efforts by establishing and implementing control systems and internal audit. Inter-Ministerial cooperation to prevent irregularities needs ongoing attention. Reforms gathered pace in *Armenia* and *Georgia*, while initiatives stagnated in *Azerbaijan*. Steady advances were made in *Jordan, the occupied Palestinian territory, and Morocco* and *Tunisia*, but they lost momentum in *Egypt* and *Lebanon*. Public internal financial control, which is based on advanced principles such as managerial accountability and operationally independent and decentralised internal audit, can only develop successfully under the principle of transparency inherent in a democratic state order.

In the area of **enterprise policy**, many regional activities took place in both ENP south and ENP east.

The Mediterranean partner countries continued implementing the 2009-2010 work programme on Euro-Mediterranean industrial cooperation and the Euro-Mediterranean Charter for Enterprise. *Syria*, together with *Egypt* and the *Palestinian Authority*, launched a regional survey on the added value of the Charter process and on the possible need to revise the Charter. *Jordan* consulted partner countries on their priorities for future Charter activities. Based on a proposal from *Tunisia*, the European Training Foundation completed a very successful pilot project on entrepreneurial learning in higher education. Exchange of knowledge and good practice continued with the publication of a directory of on-line

manuals, the development of a Euro-Mediterranean good practice data base and the participation of Mediterranean partner countries in many European and Euro-Mediterranean events, including those organised by the regional, EU-supported 'Invest in MED' programme and under the dialogue on the textile sector.

The Eastern Partnership economic platform created a specific panel for 'Small and Medium Enterprises' (SME panel), which provides a forum for exchange on enterprise policies in the six eastern partnership countries and in the EU. A number of projects were launched under the SME Flagship Initiative, namely East-Invest (networking); TAM/BAS (advisory services) and SME Facility (funding). Also, the Eastern partner countries welcomed the "Enterprise Policy Performance" project, conducted by the European Commission, the OECD, the European Training Foundation (ETF) and the European Bank for Reconstruction and Development (EBRD).

The general tendency in the ENP area is towards applying the International Financing Reporting Standards for **accounting** at least for major companies with international exposure. Regarding **audit** *Egypt* started up the operations of an independent oversight board, *the Republic of Moldova* further developed its board, and *Israel* developed plans to establish such a board.

4. COOPERATION ON JUSTICE, FREEDOM AND SECURITY

In the field of **migration**, dialogue with ENP partners was pursued mainly at bilateral level through the available institutional frameworks, such as the Justice and Home Affairs Subcommittees and the Working Groups on Migration. New subcommittees on Justice and Home Affairs were established with *Armenia* and with *Azerbaijan*. The European Commission supported dialogue in this field also at regional level, in particular through the EUROMED Migration project II.

The EU signed **visa** facilitation and readmission agreements with *Georgia*, which entered into force in March 2011. Progress has been made in the EU-*Ukraine* visa dialogue which entered into the operational phase in November 2010 on the basis of an action plan setting out all technical conditions to be met by Ukraine before the possible establishment of a visa-free travel regime. As regards *the Republic of Moldova*, following the launch of the visa dialogue, in June 2010, a similar action plan on visa liberalization with a view to the visa dialogue entering a fully operational phase was presented in January 2011.

The implementation of the Visa Facilitation and Readmission Agreements with both *Ukraine* and *the Republic of Moldova* continued. In October 2010, the Commission adopted draft negotiating directives for the renegotiation of the Visa Facilitation Agreements in order to align them with the new Visa Code and introduce further facilitations.

Regarding the **Mobility Partnership** with *the Republic of Moldova*, new initiatives were included, covering areas such as strengthening organisational and institutional capacity of the country to regulate legal migration flows, the promotion of sustainable use of remittances and their attraction into the local economy, supporting the implementation of the EU-Republic of Moldova visa facilitation and readmission agreements, protection of victims of trafficking, analysing the effects of migration on families left behind, as well as protection of refugees and asylum seekers. The implementation of most of these projects will start in 2011.

The mobility partnership with *Georgia* entered the implementation phase with a project on the reintegration of migrants and other activities. Several other projects have been approved for

funding, with implementation starting shortly. Discussions started in 2010 between the EU, *Armenia* and a group of EU Member States for the establishment of a Mobility Partnership with *Armenia*.

ENP partners continued to enhance their **border management** capacities to combat cross-border and organised crime. They also further approximated the border and law-enforcement authorities to EU standards. Efforts to professionalise border management services need to be resolutely pursued, including through technical training of staff in order to maintain the capacity to ensure effective border controls and surveillance. The continuing work on border demarcation and delimitation serves to underpin the above efforts, as well as contributing to overall regional security. *The Republic of Moldova* and *Ukraine* adopted Integrated Border Management Strategies.

The third and fourth meetings of the Eastern Partnership Integrated Border Management (IBM) Panel were held in Brussels in June and in Chisinau in November 2010. The Panel took stock of the development of the Eastern Partnership IBM Flagship Initiative, which includes training activities to enhance the surveillance capacity of the Eastern partners, as well as pilot projects on technical equipment and border-crossing infrastructure.

Regarding **the fight against organised crime**, the First Protocol to the UN Convention against Trans-national Organised Crime to Prevent, Suppress and Punish the Trafficking of Persons, especially Women and Children, has been signed and ratified by all partners except *Morocco*. Neither *Jordan* nor *Morocco* have signed or ratified the Second Protocol against the Smuggling of Migrants by Land, Sea and Air. The Third Protocol against the Illicit Manufacturing of and Trafficking in Firearms, Their Parts, Components and Ammunition remains to be signed and ratified by *Armenia*, *Egypt*, *Jordan*, *Israel* and *Ukraine*. As was the case in 2009, the full and effective implementation of established national plans and strategies against all forms of organised crime, particularly in the context of regional cooperation, remained a priority for all partner countries.

Most ENP partners continued to implement the national action plans adopted **to fight trafficking in human beings**, including victim support measures, while working on the design and adoption of successor action plans. In this regard, renewed attention needs to be paid to the rehabilitation of victims, including social and medical services. In 2010, substantial new laws were adopted in *Egypt* and drafted in *Lebanon*. *Azerbaijan* and *Ukraine* ratified the 2005 Council of Europe Convention on Action against Human Trafficking completing the ratification of this important instrument by all ENP partners who are members of the Council of Europe.

Most ENP partners continued to develop and implement national strategies to combat **money laundering and the financing of terrorism**, incorporating the 40 + 9 FATF (Financial Action Task Force) recommendations. The work of MoneyVal continues to serve as a reference point for reform. The Council of Europe's 2005 Convention on the Laundering, Search, Seizure and Confiscation of the Proceeds from Crime and on the Financing of Terrorism has yet to be signed by *Azerbaijan* and *Georgia*. In 2010, *Morocco* and *Tunisia* indicated their intention to apply to join the Egmont Group.

Regarding the fight against **drugs**, all partner countries continued implementing their obligations under the 1988 UN Convention against Illicit Traffic in Narcotic and Psychotropic Substances, and other international instruments. Continued attention to human resource development and capacity building within designated national authorities and other law

enforcement agencies is still required. As stated in 2009, effective intelligence-sharing among ENP partners and other geographical neighbours on drugs production and trafficking supply routes is critical for regional cooperation. The implementation of an integrated approach requires structured cooperation with civil society groups, including the development of harm-reduction and rehabilitation programmes. In October 2010, ENP partners including *Belarus, Libya* and *Syria* participated in a TAIEX-funded regional seminar on the EU drug monitoring system and the prospects for technical cooperation with the European Monitoring Centre for Drugs and Drug Addiction (EMCDDA). *Jordan* joined the Council of Europe's Pompidou Group in 2010, while the latter's cooperation with *Algeria, Egypt, Lebanon, Morocco* and *Tunisia* continued under the MedNet network with training seminars on drug treatment, school surveys (MedSPAD), supply indicators and data collection.

On **police and judicial cooperation**, *Azerbaijan, Georgia* and *the Republic of Moldova* did not sign the 2001 Second Additional Protocol to the European Convention on Mutual Assistance in Criminal Matters to protect individual rights in the processing of personal data. This protocol is still awaiting ratification by *Armenia* and *Ukraine*.

In the area of **criminal law** cooperation, *Azerbaijan* ratified the Council of Europe Convention on Cybercrime, but *Georgia* has yet to ratify it. *Azerbaijan* and *Georgia* did not sign the 2003 Additional Protocol of that Convention concerning the criminalization of acts of a racist and xenophobic nature committed through computer systems. In 2010, *Armenia* signed the Council of Europe Convention on the Protection of Children against Sexual Exploitation and Sexual Abuse, whereas it has still to be ratified by *Azerbaijan, Georgia, the Republic of Moldova* and *Ukraine*. In addition, the 1997 Additional Protocol to the Convention on the Transfer of Sentenced Persons has yet to be signed by *Azerbaijan* and ratified by *Armenia*. As was the case in 2009, further attention is required in order to ensure the ratification and effective implementation of these Conventions. Non-Council of Europe ENP partners are encouraged, where possible, to accede to the 1983 Council of Europe Convention on the Transfer of Sentenced Persons and its 1997 Additional Protocol, as well as the 2001 European Convention on Cybercrime and its 2003 Additional Protocol. In 2010, *Lebanon* and *Morocco* indicated their interest in acceding to the European Convention on Cybercrime.

With regard to **civil law**, *Belarus, Egypt, Georgia, Israel, Jordan* and *Ukraine* continued their cooperation under the Hague Conference on Private International Law working on international protection of children, family and property relations, legal cooperation and commercial and finance law. In this context, and in order to improve international legal assistance and cooperation, ENP partners are encouraged, as they were in 2009, to accede - if they have not already done so - to the 1980 Hague Convention on Civil Aspects of International Child Abduction; the 1996 Hague Convention on Parental Responsibility and the Protection of Children; the 1965 Hague Convention on the Service Abroad of Judicial and Extrajudicial Documents and the 1970 Convention on Taking of Evidence Abroad in Civil or Commercial Matters.

With the assistance of The Hague Conference, *Algeria, Egypt, Lebanon, Jordan, Morocco* and *Tunisia* participated in the work of the Judicial Conference on Cross-Frontier Family Law Issues – the so-called “Malta Process” which seeks to promote expert dialogue on international child protection and **family law** issues. The Malta Process is recognised by these ENP partners as a point of reference in deliberating on and settling cross-frontier family law disputes.

In the context of the Malta Process, *Egypt, Lebanon, Jordan, Morocco* and *Tunisia* took part in December 2010 in two successful judicial seminars held in Rabat (Morocco) on cross-border protection of children and families, related to the 1980 and 1996 Hague conventions and organized by the Supreme Court of Morocco and the Hague conference on Private International Law with the financial support of the TAIEX instrument.

As regards **data protection**, *Azerbaijan* and *Ukraine* ratified the 1981 Convention for the Protection of Individuals with regard to Automatic Processing of Personal Data. The latter is yet to be ratified by *Armenia* and *Azerbaijan*. Ratification is essential in terms of developing further judicial and police cooperation, as well as exchange of data with EUROJUST and Europol. The 2001 Additional Protocol to the Convention, regarding supervisory authorities and trans-border data flows, has yet to be ratified by *Armenia* and *the Republic of Moldova* and signed by, *Azerbaijan*, and *Georgia*. A law on data protection entered into force in *Morocco*.

Regarding **judicial reform**, work continued in order to enhance the capacity and efficiency of the judiciary in line with relevant national reform strategies. Efforts to secure greater judicial independence, effectiveness and impartiality faltered in several partner countries (*Armenia, Azerbaijan, the Republic of Moldova* and *Ukraine*), while certain advances were noted in others (*Georgia, Jordan*). A new reform strategy was adopted for the *occupied Palestinian territory*, whereas the situation did not change substantially in other ENP partner countries. National programmes for the continuing training of judges, prosecutors and court staff continued to be implemented in several partner countries (*Egypt, Jordan, Morocco, occupied Palestinian territory*) along with the upgrading of court administrative procedures and the improvement of automated case management (*Armenia, Georgia, the Republic of Moldova, Morocco*). Improvements in access to justice were also noted in *the Republic of Moldova* and the *occupied Palestinian territory*. No tangible progress was noted in the area of judicial reform in *Lebanon*, although there were some signs of a political commitment to comprehensive reform in *Egypt* and *Tunisia* following recent developments there.

In the area of **penitentiary reform**, progress remained slow across *Armenia, Azerbaijan, Georgia, Egypt, the Republic of Moldova, Morocco, Ukraine* and *Tunisia*, while reform advanced in *Jordan* in cooperation with international partners. Prison overcrowding, including for remand prisoners, use of ill treatment and torture and lack of access by human rights and international observers to penitentiary facilities remain significant unaddressed issues in most ENP partner countries. The use of parole and other alternatives to detention and long-term incarceration need to be explored in parallel with improvements to medical and social care.

In the area of **juvenile justice**, there was a dialogue with *Georgia, Jordan, Morocco* and *Ukraine* on the development of appropriate protection policies for child and young offenders by law enforcement agencies. Customised juvenile justice approaches, including juvenile parole boards, are necessary in order to develop appropriate prevention and probation policies. The application of international standards and norms on juvenile justice, particularly the 1985 UN Standard Minimum Rules for the Administration of Juvenile Justice (Beijing Rules) and the 1990 UN Guidelines for the Prevention of Juvenile Delinquency (Riyadh Guidelines), serve as one of the main reference points for policy dialogue.

All partner countries except *Syria* completed ratification of the 2005 UN Convention against **Corruption**. As a complement to their international obligations under the above Convention, *Egypt* and *Tunisia* have yet to sign the 2003 African Union Convention on Preventing and

Combating Corruption. Cooperation with civil society in the implementation of national anti-corruption plans remains critical in all partner countries in order to fight corruption in both the public and private sectors. Enhanced vigilance is required in relation to transparency in public procurement, in order to guarantee the accountability of public officials.

In 2010, the Council of Europe's Criminal Law Convention on Corruption and its 2003 Additional Protocol, aimed at protecting domestic and foreign judicial arbitrators and jurors from corruption, entered into force in *Ukraine*. The latter was not signed by *Azerbaijan* and *Georgia*.

With regard to civil service and **public administration reform**, further advances in planning for a professional and accountable civil service were noted in *Jordan*, *the Republic of Moldova*, *the occupied Palestinian territory* and *Ukraine*, while the pace slackened further in *Armenia*, *Azerbaijan*, *Egypt*, *Georgia* and *Lebanon*. The absence of comprehensive reform strategies incorporating schedules for implementing ethics codes and strengthening the quality of public service through training poses a serious obstacle to further advances in the case of each ENP partner.

Regional cooperation under the **Euro-Mediterranean Justice Programme** with the participation of all Mediterranean ENP partners including *Algeria* and *Syria* continued in 2010, covering the themes of access to justice and legal aid, resolution of cross-border family conflicts and criminal and prison law.

All Mediterranean partners, including *Algeria* and *Syria*, participated actively in the **EuroMed Police II** programme which covers joint cooperation activities and seminars for senior officers on specialized topics of practical police cooperation in all fields of organized crime, terrorism, drug and weapons trafficking.

5. TRANSPORT, ENERGY, CLIMATE CHANGE, ENVIRONMENT, CIVIL PROTECTION, RESEARCH AND INNOVATION, INFORMATION SOCIETY, AUDIOVISUAL SECTOR

Regarding **transport**, the partner countries continued to implement sector reforms to increase the efficiency, safety and security of transport operations.

In the aviation sector, negotiations on more comprehensive Euro-Mediterranean aviation agreements were launched with *Tunisia*. In December 2010, the EU signed comprehensive air services agreements with *Georgia* and with *Jordan*. The agreements will open the respective markets and integrate Jordan and Georgia into a Common Aviation Area with the EU. Jordan and Georgia will harmonise their legislation with European standards and implement EU aviation rules in areas such as aviation safety, security, environment, consumer protection, air traffic management, competition issues and social aspects. Negotiations on a Common Aviation Area agreement with *Lebanon* and *Ukraine* advanced slowly and need to be accelerated, particularly in view of the importance of safety aspects in *Ukraine*. Most countries continued to implement a policy of gradual introduction of EU standards. However, the civil aviation administrations (in particular in relation to safety oversight) and the performance of carriers need to be strengthened.

In the road sector, a number of countries made substantial progress regarding the introduction of the digital tachograph under the UN-ECE AETR agreement on driving times and rest periods.

Reform of the rail sector is ongoing. In some countries (*Egypt*) very comprehensive railway restructuring plans made good progress, while in other countries (*Jordan, the Republic of Moldova* or *Armenia*) rail policy concentrated on the upgrading or construction of new railway infrastructure.

Partner countries paid particular attention to maritime safety standards. However, certain partners need to step up their efforts to implement these standards, especially *Georgia* and *the Republic of Moldova*, which are still considered a high risk flag and remain on the black list of the Paris Memorandum of Understanding on port state control. *Egypt, Lebanon* and *Ukraine* also remained on the black list.

A number of important initiatives to promote regional transport cooperation continued. The Euro-Mediterranean Transport Working Groups met regularly and agreed on further steps to implement both the regulatory reform and related actions of the Regional Transport Action Plan for the Mediterranean for the period 2007-2013 in respect of transport network planning (RTAP). EC-funded technical support is ongoing and multi-faceted. As part of the SAFEMED II project to develop Euro-Mediterranean co-operation in the field of maritime safety and security, in late 2010 a number of countries indicated their willingness to share their AIS (Automatic identification systems) data with the rest of the Safemed project beneficiary countries through the use of the already established EC/EMSA MED AIS Regional Server located in Rome, Italy. Furthermore, in the framework of the Motorways of the Sea-MEDAMOS project, work has started on the development of a roadmap for a Motorway of the Seas network in the Mediterranean, which also connects to the Trans European Transport network (TEN-T). A short list of priority projects drawn up by the Euro-Mediterranean Transport Infrastructure Working group has received practical technical assistance in 2010 with a view to their realization. These projects lie at the basis of the implementation of the missing infrastructure links of the Trans Mediterranean Transport network (TMN-T). Under the Euro-Mediterranean Aviation Project, plans have been developed to create a cell within the EASA which is fully devoted to cooperation with the Mediterranean Partners during the period 2011-2013. This will favour the harmonisation of the standards and procedures of air safety between the European Union and the Mediterranean Partners. Regional cooperation with Eastern partners has continued to make progress in the Eastern Partnership and TRACECA framework. Regarding the Eastern Partnership, transport cooperation was launched in May 2010 under 'Platform 2 on Economic Integration and Convergence with EU Policies'. Transport cooperation will focus in particular on road safety. The TRACECA Coordinating project has used a participatory methodology that was developed to identify the list of TRACECA infrastructure priority projects which were presented at the first TRACECA Investment Forum, held on 12 October 2010 in Brussels. Most of the projects presented, for instance the "Road/Armenian project "North-South Corridor" and Road/Georgia Zestaponi-Samtredia Motorway Widening, will be financed through EIB loans and grant schemes. As a follow-up to this exercise, several projects were earmarked to receive practical technical assistance. The foundations have been laid to develop a regional maritime safety and security strategy in the Black Sea and Caspian Sea. Also, in order to enhance maritime trade and port operations and establish Motorways of the Sea for the Black Sea and the Caspian Sea, a number of pilot projects have been developed, with the close involvement of both the public and private sectors.

The EU and the ENP partners enhanced **energy** dialogue and cooperation. The ENP partners took some steps towards reform, increasingly aimed at achieving a measure of approximation with EU rules and enhanced efforts on energy efficiency and renewable energy.

Bilateral energy dialogue and cooperation continued, particularly in the energy subcommittees and in the context of ENPI energy projects. The first ever meetings of the energy subcommittees were held, in October 2010, with *Armenia* and *Georgia*. In October 2010, the Commission and *Egypt* held an energy dialogue under the EU-Egypt Memorandum of Understanding (MoU) on a strategic partnership. In November 2010, the Georgian Prime Minister and the Energy Commissioner co-chaired a Georgia energy investment conference in Brussels. Also in November 2010, the EU-*Ukraine* Summit endorsed the fifth progress report on the implementation of the EU-*Ukraine* Memorandum of Understanding (MoU) on Energy cooperation. In October 2010, the European Commission and *Belarus* held an energy dialogue. Negotiations on an Energy MoU with *Algeria* have not yet been concluded. The energy dialogue with *Libya* continued in the context of the EU-*Libya* framework agreement negotiations.

At regional/multilateral level, the EU and the Eastern partners consolidated cooperation under the Eastern Partnership (EaP). A second series of EaP Energy Security Platform meetings were held in May and October 2010, focusing on security of supply, oil supply and energy efficiency. In addition, in July 2010 an EaP workshop on electricity interconnection was held. The EU and the Eastern partners continued their cooperation, including in the context of the 'Baku initiative' for EU-Black Sea/Caspian energy cooperation. The areas of (project) cooperation remained market integration, regulatory convergence, networks, energy efficiency and renewable energy.

The EU and the Mediterranean ENP partners made progress in the context of the Euro-Mediterranean energy cooperation. Partners took steps, with EU support, towards the future realisation of the Mediterranean Solar Plan and the Euro-Mediterranean gas and electricity rings. Projects aimed at the integration of the Maghreb (concluded in 2010) and Mashrek energy markets, regulation, energy statistics, energy efficiency and renewable energy also continued. In June 2010, *Algeria, Morocco and Tunisia* adopted an action plan for the period 2010-2015, confirming their intention to establish a Maghreb electricity market as a preparation for gradual integration with the EU energy market. As reiterated during the dialogue with the parties, the European Commission remains committed to re-activating the trilateral energy cooperation with Israel and the Palestinian Authority, which has stalled due to the regional conflict. The aim remains to establish a joint energy office and to facilitate the development of projects of common interest, such as the joint "Solar for Peace" initiative.

ENP partners adopted new energy strategies (*Belarus, Lebanon*), implemented existing strategies, continued preparing new policies (*Egypt, Israel*) or announced plans to update policies (*Jordan, the Republic of Moldova*). Partners continued their efforts to enhance the (future) use of domestic energy resources such as hydrocarbons (*Azerbaijan, Israel, Jordan and Tunisia*), renewable energy sources, uranium (*Armenia, Egypt and Jordan*) and oil shale (*Armenia, Egypt, Jordan and Morocco*). In April 2010, *Egypt, Jordan, Morocco, Syria, Turkey* and energy companies (including from the EU) signed a declaration on the establishment of an oil shale cooperation centre. The EU supported this process.

In 2010, several ENP partners continued their preparations towards a degree of approximation with the internal energy market. In May 2010 *the Republic of Moldova* became a member of the Energy Community, following the entry into force of the new electricity and gas laws. In December 2010, *Ukraine* ratified the Energy Community Treaty and became a member in February 2011. In July 2010 *Ukraine* adopted a new gas law which the EU considers to be a sound basis for starting to align with the EU and Energy Community rules. In May 2010, *Armenia* applied to become an observer of this Community. *Georgia*, which is currently an

observer under the Energy Community, looked into the possibility of membership. In February 2010, the *occupied Palestinian territory* established the electricity regulatory council.

ENP partners continued to develop, construct and refurbish energy infrastructure, including power plants (to deal with growing demand) and energy networks. The main gas and oil export pipelines of Baku-Tbilisi-Erzurum (Turkey) and Baku-Tbilisi-Ceyhan (Turkey) also brought Caspian resources to the EU in 2010. In June 2010, *Azerbaijan* and Turkey agreed on gas pricing and transit through Turkey. This is a major step in the development of the Azerbaijani Shah-Deniz-II gas field and the strategic Southern Gas Corridor. The EU-European Investment Bank-World Bank study for a Caspian Development Corporation was pursued with the central purpose of aggregating gas demand in support of the Corridor's development. In September 2010, the Heads of State of *Azerbaijan*, *Georgia* and Romania, as well as the Hungarian Prime Minister, endorsed the AGRI project (Azerbaijan-Georgia-Romania Interconnection). The aim of the project is to export liquefied natural gas from Azerbaijan, via a Georgian Black Sea terminal, to Romania and beyond. *Azerbaijan*, *Georgia*, Lithuania, Poland and *Ukraine* continued working towards a Euro-Asian Oil Transportation Corridor. *Azerbaijani*, *Georgian* and Bulgarian companies further studied the possibilities of developing compressed natural gas supply to the EU across the Black Sea from the Georgian coast.

Following up the joint 2009 EU-*Ukraine* conference on the modernisation of the Ukrainian gas transit system, the EU agreed to support a feasibility study and an environmental and social impact study on the modernisation of the Ukrainian gas networks and underground gas storage facilities. In September 2010 the EU, the European Investment Bank, the EBRD and the World Bank agreed to consider the reconstruction of sections of the Urengoy-Pomary-Uzhgorod gas pipeline as a 'fast track' project. *Tunisia* continued to implement the project to double the capacity of the gas interconnection with Italy. *Algeria* continued the construction of the "Medgaz" interconnection with Spain and the preparations for the "GALSI" interconnection with Italy.

Regarding electricity, *Ukraine* and *the Republic of Moldova* continued with preparations to join the interconnected electricity networks of continental Europe in the future. Financing for a technical study is being identified. *Belarus* explored with Lithuania and Poland the possibilities for electricity interconnections. *Armenia* and *Georgia*, as well as *Armenia* and *Iran*, made progress on new electricity interconnections. *Azerbaijan*, *Georgia* and Turkey continued to work towards the Black Sea Electricity Transmission Line. *The Republic of Moldova* further prepared electricity interconnections with Romania. *Morocco* launched the construction of a third electricity connection with Spain. *The occupied Palestinian territory* and *Jordan* continued studying an additional electricity interconnection. *Tunisia* continued work on an electricity interconnection with Italy.

ENP partners made further efforts to promote and use renewable energy sources and to increase energy efficiency. Strategies and laws in these areas were launched or are in preparation (*Algeria*, *Armenia*, *Egypt*, *Israel*, *Jordan*, *the Republic of Moldova*, *Morocco* and *Ukraine*) and institutions were established or strengthened (*Azerbaijan*, *Lebanon* and *Morocco*). ENP partners further prepared and commissioned solar and wind power plant projects. In October 2010, *Georgia (Tbilisi)* hosted a major conference of the EU-supported Covenant of Mayors, aiming at promoting energy efficiency and the use of renewables at local level.

Armenia and *Ukraine* continued the safety upgrading of their nuclear power plants and strengthened the nuclear regulatory authorities. *Armenia* and Russia agreed to construct, expectedly in the period 2012-201/18 a new nuclear power plant. *Armenia* continued to prepare a decommissioning strategy for the Medzamor Nuclear Power Plant, as well as a nuclear fuel/radioactive waste strategy. In 2010, *Ukraine*, the European Commission and the International Atomic Energy Agency (IAEA) completed their joint evaluation of the nuclear safety of the country's nuclear power plants. The evaluation concluded that there was full compliance with most of the IAEA's standards. Ukraine is making progress in addressing the cases of non-full compliances. *Ukraine* took further steps to restore the Chernobyl site to an environmentally safe condition. *Belarus*, *Egypt* and *Jordan* further prepared their plans to construct a nuclear power plant. *Jordan* launched the construction of a nuclear research reactor.

In the field of **climate change**, some partners (*Armenia*, *Egypt*, *Israel* and *Morocco*) submitted national communications to the UN Framework Convention on Climate Change, including greenhouse gas inventories, vulnerability assessments and mitigation and adaptation measures. *The Republic of Moldova* completed a first draft National Low Emission Development Strategy and a draft National Climate Change Adaptation Strategy. *Israel* launched a pilot project for a voluntary greenhouse gas registry. *Georgia* organised a second Climate Week to raise awareness among stakeholders. In the *oPt*, the Council of Ministers approved the establishment of a National Committee on Climate Change.

The majority of partner countries continued to prepare investment projects to promote the use of the Joint Implementation and Clean Development Mechanism under the Kyoto Protocol. Some new projects in *Egypt*, *Israel*, *Jordan* and *Ukraine* were registered at UN level, but the vast majority of projects have still not yet been formally registered. In the reporting period, international discussions and negotiations on a post-2012 climate change regime continued. The EU remains fully committed to the UN negotiating process with a view to concluding a robust and effective legally binding international agreement. All partner countries are encouraged to fully implement the Cancun agreement and in particular devise a low carbon development strategy including update information on target or actions that they will implement.

Overall, there was only modest progress in the field of **environment**. *Egypt* and *the Republic of Moldova* took some steps to strengthen environmental administration. Enhanced administrative and implementation capacity, as well as enhanced resources, are still required in partner countries, including cooperation and co-ordination between the different authorities. *Ukraine* adopted a National Environment Strategy until 2020. In the *oPt*, the Environmental Quality Authority developed an Environment Sector Strategy for 2011-2013. Several partner countries took steps to prepare (*Georgia*) or review and implement (*Jordan*) their overall environment strategies and action plans. Some partner countries continued to prepare (*Armenia*, *Georgia*, *Morocco* and *the Republic of Moldova*) or review (*Jordan*) environmental framework legislation. As regards issue-specific legislation and implementing legislation, *Israel* adopted new legislation on the packaging of waste, *Jordan* approved new instructions on environmental audit and *Tunisia* adopted a Decree setting emission limit values for air pollution from fixed sources. *Algeria* is preparing new legislation on air quality and environmental liability. Implementation and enforcement of environmental legislation continues to require attention. *Azerbaijan* established the State Commission for Integrated Water Management and also strengthened environmental authorities. *Egypt* took some steps to enhance administrative capacities with regard to integrated coastal zone management and marine pollution. As regards sector-specific strategies, programmes and plans, *Egypt* designed

a waste management master plan for Cairo as a model for the rest of the country. *Azerbaijan* submitted a National Implementation Plan for 2007–2020 under the Stockholm Convention on Persistent Organic Pollutants (POPs), and *Armenia* established inventories of landfills, obsolete pesticides and PCBs. *Lebanon* began to prepare a National Water Strategy. *Morocco* launched a programme for the protection of biodiversity and published a new strategy for the management of water resources. In *oPt*, the Council of Ministers approved a Water and Wastewater Strategy for 2011-2013.

Overall, partner countries took limited steps to integrate environment considerations into other policy sectors. Most partners still need to complete or strengthen procedures for EIA, in particular with regard to public participation. State-of-the-environment reports were prepared or published in *Georgia* and *Israel*. *Morocco* started work on drawing up regional reports on the state of the environment in five out of sixteen regions. In most partner countries, further attention is required with regard to access to information and public participation.

In January 2011, *Armenia* ratified the Protocol on Strategic Environmental Assessments to the UNECE Convention on Environmental Impact Assessment in a Trans-boundary Context. Overall progress remained limited in terms of ratifying and signing international and regional environment conventions and protocols. Furthermore, implementation of the many already ratified agreements remains a challenge in most cases. Partner countries participated actively in various regional initiatives, such as the Horizon 2020 Initiative and the Eastern Partnership Flagship Initiatives. Partner countries also continued to participate in activities under the EU Water Initiative, including national policy dialogues in some countries. REC *Caucasus* and REC *Moldova* continued to play an important role in enhancing stakeholder participation and networking in the area of the environment. The European Commission held a further technical environment meeting with *Belarus* in October 2010. Environment sub-committees with *Armenia* and *Georgia* met for the first time. Construction and upgrading of environment related infrastructure continued, including with the support of EU financing instruments such as the Neighbourhood Investment Facility (NIF), EU Member States and International Financial Institutions. Many partners showed a continued interest in EU experiences, and are increasingly ready to converge with key elements of the EU's environment directives.

In the field of **civil protection**, the Community Civil Protection Mechanism was mobilised in December 2010 to assist *Israel* to combat forest fires. Discussions with *the Republic of Moldova* on an administrative arrangement are underway. Partner countries continued to participate in the Eastern Partnership flagship initiative and the Euro-Mediterranean Programme on preparedness of and response to man-made and natural disasters.

Reforms in the **Information Society** field are well advanced in most ENP countries, and some are progressing towards the establishment of truly independent telecoms regulators. However, in many cases the political situation does not yet allow the introduction of key institutional safeguards supporting genuine independence (such as budget autonomy, separation of regulatory and commercial activities, transparent criteria for the appointment and dismissal of the board members, etc). Except for *Azerbaijan*, *Belarus*, *Israel*, and the *occupied Palestinian territory*, partner countries have established independent regulatory authorities. *Syria* recently established a regulator. There is a need to continue to strengthen administrative capacity or the independence of the regulator in many countries, in particular in *Algeria*, *Armenia*, *Egypt*, *Lebanon* and *Ukraine*. Overall, those countries which have opened the telecoms markets the most (in relative terms), such as *Israel*, *Jordan* and *Morocco*, have clearly benefited and are the countries where the share weight of the ICT sector on the GDP is the highest in the region (14% in *Jordan*, 12.5% in *Morocco*).

At regional/multilateral level, the Mediterranean partners continued to be involved in the second phase of EUMEDCONNECT (whose high-capacity IP-based data-communications network serves the research and education communities in seven countries across the southern Mediterranean) and the activities supported by the Euro-Mediterranean Group of European Regulators (EMERG). For example, in May 2010 a high level workshop on the establishment of "Independent Regulatory Authorities" took place in Beirut (Lebanon). Under the Eastern Partnership (EaP), a similar workshop took place for Eastern regulators in the field of electronic communications in Vienna in October 2010. A first informal network of regulators of the EaP was established, enabling the development of further contacts with a view to providing expertise and sharing of best practice in the field of telecoms regulation. In September 2010 the "High-Performance Computing Infrastructure for South East Europe's Research Communities" (HP-SEE) project was launched, thereby complementing the linking of the research and education communities around the Black Sea with a computation infrastructure. This brings the Black Sea community to a level similar to that of their European partners. The Black Sea Interconnection (BSI) project was concluded in 2010 and HP-SEE is continuing and enhancing its services. BSI has served as a role model for the Central Asian CAREN initiative.

Partner countries made limited progress in the **audiovisual** sector. While many Mediterranean partners still need to set up agencies or strengthen their administrative capacities, media freedom actually seems to be deteriorating in some Eastern partner countries, notably *Ukraine*.

Regarding **research and innovation**, ENP partner countries were very interested in increasing their participation in the 7th Research Framework Programme (FP7) and strengthened their national contact points as well as their research system. Countries that had paid particular attention to building a strong national contact points network, such as *Egypt*, *Morocco*, *Ukraine* and *Tunisia*, reaped the benefits in the form of increased success under the FP7. The participation of several countries (*Algeria*, *Armenia* and *Lebanon*) remained below their potential. In 2010, first negotiations started with *the Republic of Moldova* on FP7 association. *The Republic of Moldova* adopted a comprehensive action plan with a view to preparing its possible association with the FP7. *Israel*, the only ENP country already fully associated with the FP7, continued to perform at a high level. A Science and Technology Agreement between the EU and *Algeria* is currently in preparation. *Egypt* and *Syria* strengthened their cooperation with the Enterprise Europe Network. *Tunisia* joined this network and *Morocco* submitted an application to join it.

At regional/multilateral level, a second call for proposals, ERA-WIDE, was issued for all ENP countries in July 2010, with a deadline for submission of March 2011. The call aims to develop the research strategy of research centres, and to increase cooperation capacity and networking with EU Member States and FP7 associated countries. Participation in ERA-WIDE should improve the quality of research activities and/or promising research centres under all FP7 thematic priorities. In January 2010, *Egypt* hosted the 'Euromed Innovation Marketplace' in Cairo, in the framework of the Union for the Mediterranean,. This event provided a platform for researchers, scientists, business people, inventors and policy makers from Mediterranean and EU countries to meet, network and further develop projects, business ideas and partnerships.

Eastern partner countries continued to play an active part in the International S&T Cooperation Network for Eastern European and Central Asian countries (FP7 IncoNet EECA project). The network aims to support a bi-regional EU-EECA policy dialogue on science and

technology and to increase EECA participation in FP7. Some countries also played an active part in the Black Sea ERA-NET project, which aims to contribute to the coordination of national research programmes (from EU Member States and partner countries) targeting the extended Black Sea region. A first call for proposals was launched in 2010, which aims to promote collaborative research for innovative solutions concerning sustainable development and focusing on energy, climate change and environmental research.

6. HUMAN CAPITAL AND PUBLIC HEALTH

Education and training

Higher Education

Most ENP partners adopted medium-term strategic approaches for higher education development for the period up to 2015, including governance reforms and changes to the legal and budgetary expenditure frameworks. As in 2009, the Bologna Process continued to act as the main policy reference framework for higher education reform in all partner countries¹. ENP partners advanced on quality assurance and on the adaptation of higher education provision to the three-cycle structure. Reference to and use of the European Credit Transfer System (ECTS) increased for the purposes of academic credit transfer, as well as mutual recognition of degrees. In conjunction with the above, Bologna Process Diploma Supplements were introduced in *Ukraine* and continued to be applied in *Georgia, the Republic of Moldova* and *Tunisia*. Other ENP partners are encouraged to adopt the former or similar national measures to provide greater transparency of higher education qualifications. The introduction of quality assurance mechanisms, ensuring equal and transparent access to higher education and the development of university autonomy remain key policy goals. Strengthening partnerships with enterprises and industry remains critical in order to ensure the relevance of taught programmes and to enhance the employment prospects of higher education graduates. In March, *Egypt, Israel, Jordan, Morocco* and *Tunisia* participated in the second meeting of the Bologna Policy Forum in Vienna, focusing on mobility issues and how best to promote “brain circulation” through international cooperation. The Vienna Ministerial Conference also officially launched the European Higher Education Area as envisaged under the 1999 Bologna Declaration.

A total of 89 students from ENP partner countries were awarded Erasmus Mundus Masters Course scholarships under Action 1 of Erasmus Mundus in 2010, and two doctoral candidates received fellowships to take part in Erasmus Mundus Joint doctorates (Action 1). Since 2009, it has been possible for higher education institutions from ENP and other third countries to be involved in Erasmus Mundus Master Courses and Erasmus Mundus Joint Doctorates as full

¹ Only Ukraine, Moldova, Georgia, Armenia and Azerbaijan are formal signatories to the Bologna Declaration. The Bologna Declaration of June 1999, signed by 29 European Ministers of Higher Education, foresees the establishment of a European Higher Education Area by 2010. The Bologna Process aims to put in motion the reforms necessary for its creation, namely: the introduction of a three-cycle system (bachelor/master/doctorate), quality assurance and mobility and recognition of qualifications and periods of study. Armenia, Azerbaijan, Georgia, the Republic of Moldova and Ukraine joined the Bologna Process at the Bergen Conference in May 2005. Southern ENP partners adopted a declaration calling for the establishment of a Euro-Mediterranean Higher Education Area at the First Euro-Mediterranean Ministerial Conference on Higher Education and Scientific Research in Cairo in June 2007.

partners from the outset. ENP universities and higher education institutions are encouraged to use this opportunity to strengthen the link with their EU counterparts.

In addition, student and academic mobility is forecasted to receive an additional boost in the academic year 2010-11 under the Action 2 (Partnerships). Total realised mobility flows between ENP partner countries and the EU came to 1 138 for the academic year 2009-10 including 913 students and academics from ENP partner countries.

Under Action 1, it is now possible for higher education institutions from ENP and other third countries to be involved in Erasmus Mundus Master Courses (EMMC) and Erasmus Mundus Joint Doctorates (EMJD) as full partners from the outset. ENP universities and higher education institutions are encouraged to use this opportunity to strengthen links with their EU counterparts.

In 2010, 52 university graduates from ENP countries benefitted from master's scholarships to study at the College of Europe (Bruges and Natolin). In addition, 48 graduate students from ENP countries and the Russian Federation received scholarships to follow a master's degree in European Integration Studies in European universities for the academic years 2010-11 and 2011-12 under a special pilot project.

There was a significant increase in participation from ENP partner countries in the Jean Monnet Programme in 2010. For the first time ever, one Jean Monnet teaching module each was selected from universities in *Armenia*, *Azerbaijan* and *Egypt*, while one module and a conference were selected from the *occupied Palestinian territory*. One new conference and teaching module was selected in *the Republic of Moldova* and *Morocco* respectively, while a conference and two new Chairs were selected in *Ukraine*. ENP partner universities are encouraged to continue submitting high quality applications under the Jean Monnet programme in order to improve understanding of European integration and wider relations with the European Union, as well as to promote academic research, teaching and free and open debate on issues of mutual interest.

In the context of the Eastern Partnership, Jean Monnet seminars were held in *Ukraine* in October and in Brussels in December 2010. In the same context, an exploratory round table to present the eTwinning programme for schools, its cooperation opportunities and technical requirements took place in *the Republic of Moldova* in October, to discuss the potential partial opening of the programme to Eastern Partnership countries.

Tempus continued supporting higher education reform across all partner countries by promoting voluntary convergence with developments in the EU. A third Call for Proposals for Tempus IV was launched, eliciting a strong response from all ENP partner countries with a particular interest in multi-country and inter-regional projects (ENP and the Russian Federation) under the broad themes of curricular and governance reform and higher education and society. A total of 34 projects from ENP countries were selected under the Call, with a further eight projects for the Russian Federation. Tempus issued three policy-relevant publications in 2010: a review of university governance, the state of play of the Bologna Process in all Tempus countries for 2009-10, and a specific report on the same for the countries of the Southern Mediterranean. In addition, overviews of the higher education systems in the different Tempus partner countries were published on the Tempus website providing interesting insight of the national systems. Furthermore, the Commission took preparatory measures to facilitate *Libya's* full participation in the programme as from the fourth Call for Proposals (2011), including the establishment of a National Tempus Office.

The work of the Higher Education Reform Experts (HERE) continued, including a specific regional training seminar on quality assurance for the Southern Caucasus in *Georgia* in November 2010. Two general experts meetings as part of the Bologna Process training seminars were held, in Tallinn in June 2010, on recognition of studies and in Cyprus, in November 2010, on the social dimension of higher education. Moreover, a regional seminar on university governance involving experts from Eastern European countries (including Russia) took place in Kyiv in April 2010.

As in 2009, ENP partners are encouraged to refer to the European Standards and Guidelines for Quality Assurance in Higher Education (ESG) and, where applicable, to join the European Quality Assurance Register (EQUAR). In pursuing the internationalisation of higher education, greater attention should be paid to the professional development of academic and administrative staff, as well as to promoting the active involvement of students in decision-making processes, particularly in the areas of mobility and changes to curricular content.

Vocational Education and Training

The reform of vocational education and training (VET) made advances in most partner countries, with the implementation of the initial phases of national reform strategies, including adoption of changes to the legal framework and governance structures. The direction of reform is predicated on the gradual introduction of competence-based training standards in a lifelong learning perspective, as well as cumulative investments in infrastructure, curricular development and teacher training. Coordination between involved ministries, state agencies and donors in all partner countries remains a critical factor influencing the overall dynamics and quality of agreed reform initiatives. Partner countries continue to face particular challenges in providing initial and continuing training adapted to labour market and future skill needs. Participative approaches and social dialogue on VET as well as vocational training quality are equally important items on the reform agenda. The development of entrepreneurial training and apprenticeships with industry support is not yet fully embedded into reform-thinking in partner countries and requires further investment. Equity and access to vocational education and training, particularly for women and in rural areas, are also pressing concerns.

As in 2009, work continued apace on the design of agreed national qualification frameworks aligned or modelled on the European Qualifications Framework (EQF) with the support of the European Training Foundation (ETF). The latter began implementing a regional qualifications project in the construction and tourism sectors involving *Egypt, Jordan, Morocco* and *Tunisia*, while continuing a cross-regional project on entrepreneurship as a key competence in professionally oriented higher education, in line with the Euro Mediterranean Enterprise Charter involving all ENP Mediterranean partners and pre-accession countries. A regional conference on social partnership took place in this context. Support was provided for the skills development basket of the Mobility Partnerships with *the Republic of Moldova*. ETF completed the dissemination of the MEDA ETE (Education and Training for Employment) project in December providing practical examples and results of measures to maximize youth employment in the areas of entrepreneurship and e-learning for the information of decision-makers in all ENP Mediterranean partners and Turkey.

In the context of the work of the Eastern Partnership, the Black Sea Labour Market Reviews were discussed at a regional conference on 'Labour Markets and Employability of Human Capital' in Ukraine in October. This regional report is based on country studies of which the reports on *Azerbaijan* and *Belarus* were published in 2010.

The Torino Process (a participatory review of progress in vocational education and training policy in ENP partner countries, the Russian Federation, Western Balkans, Turkey and Central Asia) completed its first year of evidence-based policy work and analysis in cooperation with national Ministries and interested stakeholders in thirteen partner countries. The draft national reports and the parallel Business and Education Studies were discussed in national seminars with ENP partners to corroborate their findings and identify future medium-term policy priorities and challenges. Algeria did not yet confirm interest in participating in the process.

Youth

All partner countries continued to promote **youth** exchanges and informal education as a means of enhancing understanding and intercultural dialogue, as well as ensuring better social integration of young people. Medium term national youth strategies and approaches were adopted in *Egypt*, *Morocco* and the *occupied Palestinian territory*. As was the case in 2009, the formulation and development of coherent national youth policies remained weak in all ENP partner countries, with actions between concerned state agencies often being uncoordinated. The integration of youth needs into wider reform plans in health, social welfare, justice and employment remained a critical issue. The full relevance and cost-effectiveness of investment in youth work in terms of tackling drug addiction, addressing social exclusion and facilitating young peoples' integration into working life needs to be underlined.

Levels of participation registered for actions under Youth in Action increased in all partner countries compared to 2009. The programme supports youth exchanges, voluntary service and youth cooperation activities in non-formal education. All ENP partners concerned confirmed their participation in the Euro Mediterranean Youth IV programme, which was launched in 2010. It promotes intercultural dialogue by stimulating and encouraging mutual comprehension between young people in the Euro-Mediterranean region, combating stereotypes and prejudices, and enhancing the sense of youth solidarity through the promotion of active citizenship.

Culture

By the end of 2010, all partner countries except *Israel*, *Lebanon* and *Morocco* had ratified the 2005 UNESCO Convention on the Protection and Promotion of the Diversity of Cultural Expressions. Signature of the Convention is essential for the further development of cultural cooperation, as it is now part of the Union's legal order.

In 2010, a specific programme for strengthening regional capacities for cooperation in the cultural sector was launched under the Eastern Partnership. The aim of the Eastern Partnership Culture Programme is to support the role of culture in the region's sustainable development and to promote capacity building and regional cooperation between public and non-profit based civil society organisations in the region and with the EU. In addition, Eastern partners participated for the first time in an enlarged meeting of the National Cultural Contact Points in March under the Culture Programme.

In order to complement the Kyiv Initiative and to further enhance policy dialogue on culture, *Armenia*, *Azerbaijan*, *Georgia*, *the Republic of Moldova* and *Ukraine* should expedite, where applicable, the signature and ratification of the 2000 European Landscape Convention and the

2005 Council of Europe Framework Convention on the Value of Cultural Heritage for Society.

In 2010, a Special Action for ENP countries which have ratified the 2005 UNESCO Convention - *Armenia, Azerbaijan, Belarus, Egypt, Georgia, Jordan, the Republic of Moldova, occupied Palestinian territory, Tunisia and Ukraine* – was launched under Strand 1.3 (Cooperation Projects with Third Countries) of the Culture Programme. A total of 170 applications were submitted by cultural organisations from the eligible ENP countries. Sixteen projects were selected involving 24 ENP partner organisations. The themes covered cultural heritage; visual arts; performing arts; literature, books and reading; architecture, design and the applied arts, multi-media and new technologies and interdisciplinary activities.

In October 2010, the Commission published a report ‘Towards a Strategy for Culture in the Mediterranean Region’. This serves as a basis for the elaboration of a Euro Mediterranean Strategy for Culture, a process which was launched at the 2008 culture ministerial. In the report, external experts made proposals on how to design a future strategy sensitively and efficiently in areas such as cultural policy, access to culture, regional collaboration and intercultural dialogue.

Implementation of the twelve 2009 projects under the Euro-Med Heritage IV programme began during the reporting period. The projects include the preservation of written heritage, the promotion of intangible cultural heritage, youth outreach and engagement in culture, and the management of water heritage. The first Conference on Cultural Policies in the Arab region took place in *Lebanon* in June 2010, providing an opportunity for dialogue between ministries and cultural operators on how best to advance cultural cooperation within wider socio-economic development.

The Anna Lindh Euro-Mediterranean Foundation continued to implement the ‘Restore Trust, Rebuild Bridges’ Initiative in cooperation with the Alliance of Civilizations, as a means to promote conciliation, dialogue and confidence-building between peoples in the Middle East. The Foundation also continued implementing a special programme on Arab Children’s Literature² as part of its triennial Action Plan. The first Anna Lindh Report on Euro-Mediterranean Intercultural Trends and Mutual Perception was published in April 2010, providing a scientific analysis of the status of intercultural trends among the peoples of the region, with recommendations for policy makers, civil society organisations and opinion leaders for the positive advancement of exchanges in the region.

Public health

ENP partners sustained **health** sector reform, generally on the basis of existing strategies. In 2010 *the occupied Palestinian territory* adopted a new health strategy covering 2011-2013. *The Republic of Moldova* adopted a primary health care strategy for 2010-2013. The ongoing health sector challenges of ENP partners are still communicable and non-communicable diseases, the improvement of primary health care, greater efficiency in the sector, financial sustainability and better access to health services, in particular for the most vulnerable. In 2010 the European Commission, with reference to last year’s Influenza A (H1N1) epidemic,

² The “Arab Children Literature Programme” is a regional programme launched in 2006 with the support of Swedish Aid (SIDA) which seeks to strengthen the intellectual, social and emotional development of children in the Arab region through developing childrens’ literature and promoting reading for pleasure. It is implemented in five focus countries Egypt, Jordan, Lebanon, the occupied Palestinian territory and Syria.

proposed to additional ENP partners to establish communication channels for the exchange of epidemiological information in the event of public health emergencies of international concern. In 2010, such channels were established with *Armenia, Azerbaijan, Belarus, Georgia, the occupied Palestinian territory and Ukraine*. The European Commission invited ENP countries to the high level EU global health conference, which was held in June 2010 in Brussels.

The EU continued, in its health dialogue with partners, to promote the implementation of key international health agreements, namely the International Health Regulations and the Framework Convention on Tobacco Control (FCTC). In June 2010, *Tunisia* ratified the FCTC. The fight against HIV/AIDS and tuberculosis remained a challenge in the Eastern neighbourhood. Also in 2010, the European Commission invited *Belarus, the Republic of Moldova and Ukraine* to its HIV/AIDS Think Tank. In 2010, *Georgia* adopted a strategic plan on combating HIV/AIDS covering the period 2011-2016.

The EU and the Mediterranean ENP partners maintained cooperation in the EpiSouth Network for Communicable Diseases Control in Southern Europe and the Mediterranean. In 2010, the launch of the second phase of the EpiSouth project was prepared. The EU, the ENP partners, the European Centre for Disease Prevention and Control (ECDC) and the World Health Organisation (WHO) maintained their contacts on health policy issues, in particular through the HIV/AIDS Think Tank and the EpiSouth project. In 2010, *Israel* started to explore possibilities for enhanced interaction with ECDC. The ECDC provided assistance to *Syria* in the context of an ongoing EU supported health project.

7. CROSS-BORDER COOPERATION

In the area of **Cross-Border Cooperation (CBC)**, thirteen of the planned fifteen programmes under the ENPI are being implemented. After a slow start the programmes are gaining momentum. They have launched their first (and in some cases their second) call for proposals and finalised the selection of the projects. In addition to nearly EUR 1 billion of Community funding (from both Heading 4 and the European Regional Development Fund), a number of Member States (Estonia, Finland and Sweden) and the Russian Federation decided to co-fund the programmes with an additional EUR 150 million. For the Russian Federation, the CBC is the main financial instrument for cooperation with the EU.

Two CBC programmes (*Spain-Morocco* and the CBC Atlantic Programme) were not submitted by the deadline of 30 June 2010. They were therefore cancelled and their funds have been re-allocated. The contribution from the European Regional Development Fund has to those programmes been returned to Spain to support external cross border co-operation within the framework of the cohesion policy. The Mid-Term Review of the ENPI CBC Strategy Paper was conducted in 2010 and the new Indicative Programme 2011-13 is being finalised with a view to its adoption by the European Commission in 2011.

8. OPERATIONAL ASPECTS

During 2010, **TAIEX**³ continued to provide valuable support in assisting the transition and reform processes. ENP partners availed of its advice and technical assistance to support convergence with European practices and standards across a wide range of policies. The

³

TAIEX provides short-term technical assistance and advice on convergence with EU legislation, best practices and standards and on related administrative capacity needs, technical training and peer assistance, as well as a data base and information network that facilitates the monitoring of approximation measures, see also : <http://taiex.ec.europa.eu>

European Commission ensured that TAIEX events were consistent with the country-specific sector policy dialogue. The table and charts in the annex reflect the extent to which ENP partner countries used this instrument in the period up to 31 December 2010. The European Commission also included them in multi-country TAIEX events on topics of common interest.

ENP partners continued to benefit from the **twinning**⁴ instrument under the European Neighbourhood and Partnership Instrument. In 2010 the long-term twinning of experienced EU Member State officials with their peers in an ENP partner country continued to contribute to reforms and to the transfer of EU regulatory and institutional experience.

By the end of 2010, 151 twinning covenants had been established or are being implemented, whilst 128 covenants were still being prepared or were under negotiation with 12 ENP partner countries. These 279 twinning projects are broadly spread among ENP partner countries and across a wide range of sector policies (see annex).

In 2010, **SIGMA** continued to work with *Armenia, Azerbaijan, Georgia, Egypt, Jordan, the Republic of Moldova, Morocco, Tunisia and Ukraine*, while extending its reach to *Lebanon*. It supports governance and public administration reforms in areas such as administrative law and administrative justice, public expenditure management, internal and external audit, public procurement, civil service reform and regulatory management. As a joint initiative of the OECD and the European Union, SIGMA assisted the national reform teams of ENP partners by providing ‘peer practitioner’ expertise, consisting of either OECD staff or public servants from within Member State administrations. A total of 54 reform-support activities took place in 10 ENP countries up to the end of 2010, principally in the areas of policy-making, public procurement, financial control and public administration reform (see annex).

In June 2010, the **CIUDAD** programme⁵ (Cooperation in Inter Urban Development and Dialogue) commenced implementation of 21 intra- and inter-regional (East-South) projects promoting cooperation between **local and regional authorities** in capacity building for improved governance in sustainable urban development and planning. The programme also sustains an extensive network of over 170 partners and associates from 27 EU and ENPI countries, as well as thematic groups on energy efficiency, solid waste management and cultural heritage and sustainable tourism.

9. NEIGHBOURHOOD INVESTMENT FACILITY

In 2010 the **Neighbourhood Investment Facility (NIF)** completed its third year of operation. This is a financial instrument providing grant support to lending operations by the EIB, the EBRD, and other European finance institutions in support of projects in the European Neighbourhood region.

The NIF was created to pursue three objectives:

- (1) Establishing better energy and transport infrastructure interconnections between the EU and neighbouring countries and among neighbouring countries themselves;

⁴ http://ec.europa.eu/europeaid/index_en.htm

⁵ <http://www.ciudad-programme.eu>

- (2) Addressing threats to our common environment, including climate change;
- (3) Promoting equitable socio-economic development and job creation through support for small and medium-sized enterprises and the social sector.

In order to accomplish these objectives the NIF makes use of a broad range of measures, embracing co-financing through direct grants, loan guarantees, interest rate subsidies, and technical assistance for project preparation and supervision. In order to maintain consistency with policy objectives, operations are evaluated according to a set of Strategic Orientations and priority criteria. A revised set of Strategic Orientations has been adopted for 2011-2013.

In 2010, €110 million from the EU budget were allocated as a grant contribution to the NIF, bringing the total EU budget contribution to € 295 million in 2007-10⁶. This was supplemented by a Member State grant funding contribution to the 'NIF Trust Fund', of approximately €78 million (see Annex for an overview of the Member State pledges).

In its third year of operations, 15 projects were approved (13 projects in 2009 and 15 in 2008). These projects received a total financing of €121,5 million from the NIF (an increase of 9,8% when compared to €110,7 million in 2009), and contributed to leverage loans from European Finance Institutions amounting to €2,54 billion.

By financing these large projects, the NIF supports the reform priorities agreed with ENP partner countries and contributes to the investment necessary to further integrate the EU and its neighbours. The full list of projects approved in 2010 and an overview of the distribution of NIF contributions per country, sector and objective are presented in the Annex.

10. EU PROGRAMMES AND AGENCIES

During 2010, the European Commission made progress with the participation, under certain conditions, of ENP partners in **European Union programmes and agencies**. Participation serves to support the ENP partner countries' efforts to strengthen administrative and regulatory capacities in various policy fields. ENP partners are eligible to participate or to cooperate in a wide range of Union programmes⁷. In terms of participation in Union Programmes, negotiations to enable participation were successfully concluded with *the Republic of Moldova, Morocco and Ukraine*, leading to the signature of the Protocols in September, October and November 2010 respectively. The Protocol that was concluded with Israel in 2008⁸ to enable it to participate in Union programmes is still awaiting the consent of the European Parliament before it can be formally concluded. To date, it remains provisionally applicable.

With regard to participation in the work of **EU agencies**, preliminary technical cooperation on drug monitoring between **EMCDDA** (European Monitoring Centre on Drugs and Drug Addiction) and ENP partners took place in October. Technical cooperation arrangements on aviation safety continued between **EASA** (European Aviation Safety Agency) and *Armenia, Azerbaijan, Georgia, Israel, the Republic of Moldova, Morocco and Ukraine*. Technical

⁶ For the 2007-2013 period, the European Commission has earmarked a total amount of €700 million for the NIF

⁷ For a full list of these programmes, see "Other relevant Commission Documents" at http://ec.europa.eu/world/enp/documents_en.htm

⁸ Official Journal L129 of 17/05/2008, pp 39-43

contacts also continued between ENP partners and **EFSA** (European Food Safety Agency) and between some partners and **ECDC** (European Centre for Disease Prevention and Control). Technical cooperation arrangements with **FRONTEX** are in force with *Georgia, the Republic of Moldova* and *Ukraine*, while they remain under discussion with *Egypt* and *Morocco*. Formal contacts also exist between **EUROJUST** and *Egypt, Israel, the Republic of Moldova, Morocco* and *Ukraine*, while **EUROPOL** approved the start of negotiations on an operational agreement with *Israel* in October.

Overview of Annexes

- (1) Governance related indicators for ENP partner countries
- (2) Tables of international human rights' conventions binding ENP partner countries
- (3) Main macroeconomic indicators of ENP partner countries
- (4) Tables on trade between the EU and the ENP partner countries
- (5) Tables on committee and programmed amounts under ENPI
- (6) Tables on mobility under Youth In Action, Erasmus Mundus, TEMPUS IV, scholarships in European Integration Studies, scholarships College of Europe
- (7) Tables of TAIEX events with ENP partner countries
- (8) Tables on SIGMA
- (9) Tables on twinning projects with ENP partner countries
- (10) Neighbourhood Investment Facility projects

Governance / Freedom of the Press / Human Rights & Fundamental Freedoms

	GOVERNANCE					FREEDOM OF PRESS										HUMAN RIGHTS & FUNDAMENTAL FREEDOM																
	Transparency International CORRUPTION PERCEPTION INDEX					World Bank REGULATORY QUALITY					Reporters Without Borders WORLWIDE PRESS FREEDOM INDEX					World Bank VOICE AND ACCOUNTABILITY					Freedom House POLITICAL RIGHTS					Freedom House CIVIL LIBERTIES						
	2006	2007	2008	2009	2010	2006	2007	2008	2009	2006	2007	2008	2009	2010	2006	2007	2008	2009	2006	2007	2008	2009	2010	2006	2007	2008	2009	2010	2006	2007	2008	2009
Algeria						26,3	28,6	22,2	20,5	40,00	40,50	31,33	49,56	47,33	21,6	20,2	19,7	17,5	6	6	6	6	6	5	5	5	5	5				
Armenia	2,9	3	2,9	2,7	2,6	59	60,2	61,8	60,5	25,50	23,63	22,75	31,13	27,50	26,9	30,3	28,8	25,6	5	5	5	6	6	4	4	4	4	4				
Azerbaijan	2,4	2,1	1,9	2,3	2,4	34,1	2,1	42,5	43,8	47,00	55,40	53,63	53,50	56,38	14,9	14,9	13,5	13,3	6	6	6	6	6	5	5	5	5	5				
Belarus	2,1	2,1	2,0	2,4	2,5	4,3	5,3	6,7	7,1	57,00	63,63	58,33	59,50	57,00	4,3	5,3	6,7	7,1	7	7	7	7	7	6	6	6	6	6				
Egypt	2,8	3,4	2,8	2,8	3,1	35,1	3,4	49,03	48,6	46,25	58,00	50,25	51,38	43,33	17,8	11,5	14,4	15,2	6	7	6	6	6	5	6	5	5	5				
Georgia	2,8	3,4	3,9	4,1	3,8	44,4	58,7	68,80	70	21,00	20,83	31,25	18,83	23,25	44,7	42,3	40,4	43,1	3	3	4	4	4	3	3	4	4	4				
Israel	5,9	6,1	6	6,1	6,1	78	82,5	86	81,4	12,00	13,25	8,83	23,75	23,25	70,2	69,7	68,3	67,3	1	1	1	1	1	2	2	2	2	2				
Jordan	5,3	4,7	5,1	5	4,7	62,9	62,1	62,8	61,4	27,50	40,21	36,00	31,88	37,00	28,8	27,4	26,9	24,6	5	5	5	5	6	4	4	4	5	5				
Lebanon	2,7	2,5	2,6	2,5	2,2	8,8	15,5	20,8	17,1	62,50	66,50	61,50	64,50	63,50	1,9	1,9	1,9	2,8	7	7	7	7	7	7	7	7	7	7				
Lithuania	3,6	3	3	2,5	2,5	51,7	47,6	48,3	50,5	27,00	28,75	14,00	15,42	20,50	31,3	34,1	35,6	35,5	5	4	5	5	5	4	4	4	4	3				
The Republic of Moldova	3,2	2,8	2,9	3,3	2,9	41,5	42,7	47,8	48,1	19,17	24,75	21,38	33,75	19,13	32,7	36,5	38,9	38,9	3	3	3	4	3	4	4	4	4	4				
Morocco	3,2	3,5	3,5	3,3	3,4	47,9	51	52,7	51,9	24,83	33,25	32,25	41,00	47,40	28,4	29,3	27,9	26,5	5	5	5	5	5	4	4	4	4	4				
Occupied Palestinian Territory						11,7	6,8	14	49,5	47,00	32,00	51,25	69,83	56,13	29,3	24	22,6	20,4	5	4	5	5	6	5	6	6	6	6				
Syria	2,9	2,4	2,1	2,6	2,5	7,8	9,2	15	13,3	63,00	66,00	59,63	78,00	91,50	4,8	4,3	4,3	5,7	7	7	7	7	7	7	6	6	6	6				
Tunisia	4,6	4,2	4,4	4,2	4,3	58	56,8	55,6	54,3	53,75	57,00	48,10	61,50	72,50	19,9	13	11,5	11,4	6	6	7	7	7	5	5	5	5	5				
Ukraine	2,8	2,7	2,5	2,2	2,4	32,7	36,4	39,1	31,4	26,50	26,75	19,25	22,00	46,83	45,7	45,2	47,1	47,4	3	3	3	3	3	2	2	2	2	2				

State of Ratification / Signature of selected Human Rights Conventions

Source: <http://treaties.un.org/>

State of ratification/ signature of major HR conventions *	ICCPR International Covenant on Civil and Political Rights OP1 OP2	ICESCR International Covenant on Economic, Social and Cultural Rights OP	CEDAW Convention on the Elimination of All Forms of Discrimination against Women OP	CAT Convention against Torture OP Right to Individual Complaint (Art.22)	CRC Convention on the Rights of the Child OP AC OP SC
ALGERIA	ICCPR 12/09/1989 OP1 - 12/09/1989 OP2 - NO	12/09/1989 OP - NO	CEDAW 22/05/1996 -R OP - NO	CAT 12/09/1989 OP - NO Art. 22 11/05/1994	CRC 16/04/1993 OP-AC – 06/05/2009 OP-SC - 27/12/2006
ARMENIA	ICCPR 23/06/1993 OP1 - 23/06/1993 OP2 - NO	13/09/1993 OP – 29/09/2009	CEDAW 13/09/1993 OP - 16/09/2006	CAT 13/09/1993 OP 14/09/2006 Art. 22 - NO	CRC 23/06/1993 OP-AC - 30/09/2005 OP-SC - 30/06/2005
AZERBAIJAN	ICCPR 13/08/1992 OP1 - 27/11/2001 OP2 - 22/01/1999	13/08/1992 OP-25/09/2009	CEDAW 10/07/1995 OP - 1/06/2001	CAT 16/08/1996 OP 28/01/2009 Art. 22 4/02/2002	CRC 13/08/1992 OP-AC - 3/07/2002 OP-SC - 3/07/2002
BELARUS	ICCPR 12/11/1973 OP1 - 30/09/1992 OP2 - NO	12/11/1973 OP - NO	CEDAW 04/02/1981 OP - 3/02/2004	CAT 13/03/1987 OP – NO Art. 22 - NO	CRC 1/10/1990 OP-AC - 25/01/2006 OP-SC - 23/01/2002
EGYPT	ICCPR 14/01/1982 OP1 - NO OP2 - NO	14/01/1982 OP - NO	CEDAW 18/09/1981 R OP - NO	CAT 25/06/1986 OP - NO Art. 22 - NO	CRC 6/07/1990 R OP-AC - 6/02/2007 OP-SC - 12/07/2002
GEORGIA	ICCPR 3/05/1994 OP1 - 3/05/1994 OP2 - 22/03/1999	3/05/1994 OP - NO	CEDAW 26/10/1994 OP - 30/07/2002	CAT 26/10/1994 OP - 9/08/2005 Art. 22 30/06/2005	CRC 2/06/1994 OP-AC – 03/08/2010 OP-SC - 28/06/2005

ISRAEL	ICCPR 3/10/1991 OP1 - NO OP2 - NO	3/10/1991 OP - NO	CEDAW 3/10/1991 R OP - NO	CAT 3/10/1991 R OP - NO Art. 22 - NO	CRC 3/10/1991 OP-AC - 18/07/2005 OP-SC - 23/07/2008
JORDAN	ICCPR 28/05/1975 OP1 - NO OP2 - NO	28/05/1975 OP - NO	CEDAW 1/07/1992 R OP - NO	CAT 13/11/1991 OP - NO Art. 22 - NO	CRC 24/05/1991 R OP-AC - 23/05/2007 OP-SC - 4/12/2006
LEBANON	ICCPR 3/11/1972 OP1 - NO OP2 - NO	3/11/1972 OP - NO	CEDAW 16/04/1997 R OP - NO	CAT 5/10/2000 OP - NO OP – 22/12//2008 Art. 22 - NO	CRC 14/05/1991 OP-AC - 11/02/2002 OP-SC - 8/11/2004
LIBYAN ARAB JAMAHIRIYA	ICCPR 15/05/1970 OP1 - 16/05/1989 OP2 - NO	15/05/1970 OP - NO	CEDAW 4/02/1981 – R OP - 18/06/2004	CAT 16/05/1989 OP - NO Art. 22 - NO	CRC 15/04/1993 OP-AC - 29/10/2004 OP-SC - 18/06/2004
MOROCCO	3/05/1979 OP1 - NO OP2 - NO	3/05/1979 OP - NO	CEDAW 21/06/1993 R OP - NO	CAT 21/06/1993 R OP - NO Art. 22 19/10/2006	CRC 21/06/1993 R OP-AC - 22/05/2002 OP-SC - 2/10/2001
REPUBLIC OF MOLDOVA	ICCPR 26/01/1993 OP1 - 23/01/2008 OP2 - 20/09/2006	26/01/1993 OP - NO	CEDAW 1/07/1994 OP - 28/02/2006	CAT 28/11/1995 OP - NO OP 24/07/2006 Art. 22 - NO	CRC 26/01/1993 OP-AC - 7/04/2004 OP-SC - 12/04/2007
SYRIAN ARAB REPUBLIC	ICCPR 21/04/1969 OP1 - NO OP2 - NO	21/04/1969 OP - NO	CEDAW 28/03/2003 OP - NO	CAT 19/08/2004 OP - NO Art. 22 - NO	CRC 15/07/1993 OP-AC - 17/10/2003 OP-SC - 15/05/2003
TUNISIA	18/03/1969 OP1 - NO OP2 - NO	18/03/1969 OP - NO	CEDAW 20/09/1985 R OP - 23/09/2008	CAT 23/09/1988 R OP - NO Art. 22 22/09/1988	CRC 30/01/1992 R OP-AC - 2/01/2003 OP-SC - 13/09/2002

State of ratification/ signature of major HR conventions *	CERD Convention on the Elimination of all Forms of Racial Discrimination Right to Individual Complaint (Art.14)	CMW Convention on Migrant Workers	Rome Statute International Criminal Court	CED International Convention for the Protection of All Persons from Enforced Disappearance	CRPD Convention on the Rights of Persons with Disabilities OP
ALGERIA	CERD 14/02/1972 Art. 14 12/09/1989	21/04/2005	28/12/2000	6/02/2007	04/12/2009 OP – 30/03/2007
ARMENIA	CERD 23/06/1993 Art. 14 - NO	NO	1/10/1999	10/04/2007	30/03/2007 OP – 22/09/2010
AZERBAIJAN	CERD 16/08/1996 Art. 14 27/09/2001	11/01/1999	NO	06/02/2007	28/01/2009 OP- 28/01/2009
BELARUS	CERD 08/04/1969 Art. 14 - NO	NO	NO	NO	NO OP - NO
EGYPT	CERD 1/05/1967 Art. 14 - NO	19/02/1993 - R	26/12/2000	NO	14/04/2008 OP - NO
GEORGIA	CERD 2/06/1999 Art. 14 30/06/2005	NO	5/09/2003	NO	10/07/2009 OP – 10/07/2009
ISRAEL	CERD 3/01/1979 R Art. 14 - NO	NO	31/12/2000	NO	30/03/2007 OP - NO

JORDAN	CERD 30/05/1974 Art. 14 - NO	NO	11/04/2002	NO	31/03/2008 OP-30/03/2007
LEBANON	CERD 12/11/1971 R Art. 14 - NO	NO	NO	06/02/2007	14/01/2007 OP-14/01/2007
SYRIAN ARAB JAMAHIRIYA	CERD 03/06/1968 Art. 14 - NO	NO	18/06/2004	NO	01/05/2008
REPUBLIC OF MOLDOVA	CERD 26/01/1993 Art. 14 - NO	NO	12/10/2000	06/02/07	21/09/2010 OP - NO
MOROCCO	CERD 18/12/1970 R Art. 14 19/10/2006	21/06/1993	8/09/2000	06/02/2007	08/04/2009 OP - 08/04/2009
SYRIAN ARAB REPUBLIC	CERD 21/04/1969 Art. 14 - NO	02/06/2005	29/12/2000	NO	10/06/2009 OP - 10/06/2009
TUNISIA	CERD 13/01/1967 Art. 14 - NO	NO	NO	06/02/2007	02/04/2008 OP – 02/04/2008
UKRAINE	CERD 20/06/1974 R Art. 14 28/07/1992	NO	20/01/2000	NO	04/02/10 OP – 04/02/10

last update 1 December 2010

* **date of signature in bold**; date of ratification in standard. Also in bold where an instrument has been neither signed nor ratified ("NO").

MACRO-ECONOMIC INDICATORS

	Real GDP growth						Inflation						GDP per capita					
	(% change)						(period average)						(in EUR)					
	2005	2006	2007	2008	2009	2010	2005	2006	2007	2008	2009	2010	2005	2006	2007	2008	2009	2010
Algeria	5,3	1,8	3,1	3,6	2,2	3,9	1,6	2,5	3,5	4,4	5,7	4,4	2.580	5.461	5.677	5.921	5.987	6.168
Armenia	14,0	13,3	13,7	6,8	-14,2	2,6	0,6	2,9	4,4	9,0	3,5	8,1	1.223	1.584	2.081	2.524	1.885	2.075
Azerbaijan	26,4	34,5	25,0	10,8	9,3	5,0	5,3	11,4	19,7	15,4	0,6	7,4	2.086	6.022	7.866	8.746	9.777	9.852
Belarus	9,4	9,9	8,6	10,0	-0,2	7,6	10,3	7,0	12,1	13,3	10,1	7,7	2.476	1.959	2.647	3.778	3.457	4.344
Egypt	9,4	6,8	7,1	7,2	4,7	5,1	11,4	7,6	9,5	18,3	11,8	11,1	1.004	1.373	1.650	2.022	2.257	2.570
Georgia	9,6	9,4	12,3	2,3	-3,8	6,3	8,3	9,2	9,2	10,0	1,7	7,1	1.196	1.406	1.690	1.981	1.754	1.981
Israel	5,3	5,2	5,3	4,1	0,7	4,5	1,3	2,1	0,5	4,6	3,3	2,8	16.232	16.858	17.337	19.379	19.713	21.980
Jordan	7,2	8,2	8,9	7,2	2,3	3,4	3,5	7,5	5,4	14,9	-0,7	5,7	1.601	3.421	3.644	3.813	3.861	3.932
Lebanon	2,6	0,6	7,5	8,5	9,0	8,0	-0,7	5,6	4,1	10,8	1,2	5,0	4.403	4.350	4.450	4.859	6.489	7.008
Libya	9,9	5,9	6,0	2,8	-1,6	10,3	2,9	1,4	6,2	10,4	2,4	4,5	6.294	7.208	8.023	10.567	6.973	9.379
Moldova	6,6	4,8	3,0	7,8	-6,0	6,9	11,0	12,8	12,4	12,7	0,0	7,4	668	757	902	1.160	1.097	1.234
Morocco	3,0	7,8	2,7	5,6	4,9	4,2	1,0	3,3	2,0	3,7	1,0	2,2	1.368	2.124	2.411	2.813	2.855	2.839
Occupied Palestinian Territory	6,0	-4,8	-1,2	7,1	7,4	9,3	3,5	3,8	2,7	9,9	2,8	3,7	1.287	1.248	1.229	1.566	1.529	1.625
Syria	6,0	5,2	6,3	5,2	5,0	4,0	7,2	10,0	3,9	15,7	2,6	3,4	1.039	1.171	1.399	1.700	2.018	2.187
Tunisia	4,2	5,3	6,3	4,5	3,1	1,0	2,0	4,5	3,1	4,9	3,8	4,8	2.302	2.448	2.550	2.707	2.735	2.880
Ukraine	2,7	7,3	7,9	2,3	-14,8	4,2	13,6	9,1	12,8	25,2	15,9	9,4	1.465	1.830	2.235	2.650	1.829	2.266

	Unemployment						Central Government Balance						Gross Public Debt					
	(% officially registered)						(% of GDP)						(% of GDP)					
	2005	2006	2007	2008	2009	2010	2005	2006	2007	2008	2009	2010	2005	2006	2007	2008	2009	2010
Algeria	15,4	12,3	13,8	11,3	10,2	9,9	11,9	13,9	6,2	9,0	-5,4	-1,9	27,3	21,7	11,8	6,6	8,1	7,3
Armenia	8,2	7,2	6,7	6,3	7,0	6,7	-2,0	-2,1	-2,2	-1,2	-7,9	-4,9	24,3	18,7	17,4	16,1	40,6	44,0
Azerbaijan	1,1	1,0	0,9	0,9	0,9	1,0	-2,3	-2,7	-2,3	-9,5	-14,9	-16,6	11,1	9,5	7,4	5,9	6,7	4,6
Belarus	1,5	1,2	1,0	0,8	0,9	1,0	-0,6	1,4	-0,2	0,0	-1,8	-2,6	9,6	11,0	11,6	10,7	20,0	22,4
Egypt	10,5	10,6	8,9	8,7	9,4	9,7	-8,4	-8,1	-7,3	-6,8	-6,6	-8,0	104,4	98,8	87,1	76,6	76,2	74,1
Georgia	13,8	13,6	13,3	16,5	16,9	15,0	-2,4	-3,0	-4,7	-6,3	-9,2	-6,6	36,6	28,9	22,9	25,0	37,3	39,5
Israel	9,0	7,7	7,3	6,1	7,5	6,6	-1,9	-1,0	0,0	-2,2	-5,1	-3,7	95,9	84,4	78,1	76,8	77,7	76,2
Jordan	9,0	13,2	13,1	12,7	12,9	13,4	-10,0	-6,7	-8,6	-9,8	-10,3	-7,8	84,2	69,6	67,5	58,3	64,7	62,4
Lebanon	na	na	na	na	na	na	-8,5	-11,2	-10,8	-10,0	-8,6	-7,4	178,0	180,0	168,0	160,0	148,0	139,0
Libya	na	na	17,0	20,7	na	na	29,4	31,1	28,6	30,3	7,0	12,9	7,0	5,4	4,9	6,3	9,7	8,1
Moldova	7,3	1,5	1,4	1,4	3,1	3,4	1,6	-0,3	-0,2	-1,0	-6,3	-2,5	32,0	29,8	26,8	21,3	24,4	26,3
Morocco	10,8	9,7	9,8	9,6	9,1	9,8	-5,5	-2,1	0,2	0,4	-2,1	-4,3	62,1	66,1	62,6	56,8	56,9	59,8
Occupied Palestinian Territory	23,8	23,6	21,5	26,0	25,0	24,0	-17,7	-30,2	-26,0	-21,6	-25,9	-16,0	-29,4	7,3	10,3	7,3	6,1	3,2
Syria	8,0	8,3	8,4	8,6	8,5	8,3	-5,0	-3,5	-3,4	-2,2	-2,8	-3,7	32,7	34,0	28,8	25,7	23,8	25,5
Tunisia	14,2	14,3	14,1	12,6	13,3	14,0	-3,0	-3,0	-2,9	-1,0	-3,0	-3,0	52,5	48,8	45,9	43,3	42,8	43,1
Ukraine	4,4	3,8	3,3	2,9	3,4	2,2	-2,3	-1,4	-2,0	-3,2	-8,7	-6,5	18,4	13,9	12,3	20,5	35,3	41,3

	Current Account Balance						Trade Balance						Foreign Direct Investment					
	(% of GDP)						(% of GDP)						(net, % of GDP)					
	2005	2006	2007	2008	2009	2010	2005	2006	2007	2008	2009	2010	2005	2006	2007	2008	2009	2010
Algeria	20,6	24,7	22,6	20,1	0,3	4,4	25,7	29,1	25,3	23,7	5,6	12,8	1,1	1,8	1,4	2,3	2,0	2,2
Armenia	-3,9	-1,4	-6,4	-11,8	-16,0	-14,6	-13,2	-14,0	-17,3	-22,8	-24,4	-24,6	5,1	7,0	8,8	7,8	8,4	7,0
Azerbaijan	1,3	17,7	27,3	33,7	23,7	26,1	25,0	36,9	46,1	47,1	33,9	38,2	3,5	-6,1	-16,4	-1,1	0,3	1,0
Belarus	1,6	-1,8	-6,7	-8,6	-13,0	-16,0	1,0	-4,5	-8,9	-10,3	-14,1	-16,9	1,0	0,4	3,0	3,5	3,6	2,4
Egypt	3,2	1,6	1,7	0,5	-1,6	-1,4	-11,6	-11,2	-15,5	-16,2	-11,7	-10,5	4,3	5,6	8,1	7,5	3,6	3,7
Georgia	-10,9	-15,1	-19,7	-22,7	-11,2	-9,9	-18,9	-23,9	-26,8	-29,8	-22,3	-22,2	7,1	13,7	15,5	12,2	6,1	5,0
Israel	3,4	5,3	2,5	1,2	3,9	3,1	-0,2	0,6	-1,7	-1,3	0,0	-1,5	1,0	-0,1	1,2	0,9	1,4	-1,2
Jordan	-17,9	-11,6	-17,6	-9,6	-5,0	-7,0	-42,0	-34,4	-37,9	-34,4	-29,2	-24,6	12,0	22,1	11,5	11,8	5,1	6,2
Lebanon	-13,4	-5,6	-7,1	-11,3	-9,7	-11,3	-28,4	-13,5	-18,2	-18,7	-16,2	-15,9	8,0	11,9	7,5	8,9	10,7	10,0
Libya	38,9	44,6	41,7	40,7	15,6	19,9	41,2	42,9	38,5	42,0	21,8	27,8	2,4	2,6	1,1	-2,0	2,1	2,0
Moldova	-7,6	-11,4	-15,3	-16,3	-8,5	-8,3	-40,6	-46,4	-51,9	-52,9	-35,7	-37,4	6,4	7,4	12,1	11,7	2,3	3,4
Morocco	1,8	2,0	-0,3	-6,4	-5,8	-7,1	-13,8	-14,9	-18,8	-21,9	-17,9	-19,5	2,7	3,1	3,1	2,3	0,8	1,0
Occupied Palestinian Territory	-7,5	-8,0	-0,8	8,7	1,9	-8,9	-67,2	-63,7	-57,7	52,8	55,0	-52,3	na	na	na	na	na	
Syria	1,0	2,7	1,1	-1,5	-4,9	-3,9	-0,5	2,7	-1,3	3,9	3,9	-1,8	2,7	2,6	2,8	4,2	2,6	1,3
Tunisia	-1,1	-2,0	-2,6	-3,8	-2,9	-4,5	-6,8	-8,1	-11,0	-8,9	-8,5	-10,9	2,6	3,2	6,0	5,7	3,3	3,3
Ukraine	2,9	-1,5	-3,7	-7,1	-1,5	-2,1	-1,3	-4,8	-7,4	-8,9	-3,7	-6,3	8,7	5,3	6,5	5,5	4,0	4,2

The EU's Trade Balance with Partner Countries

millions of euro

	2005			2006			2007			2008			2009			2010		
	Imports	Exports	Balance	Imports	Exports	Balance	Imports	Exports	Balance	Imports	Exports	Balance	Imports	Exports	Balance	Imports	Exports	Balance
Algeria	20.887	10.494	-10.393	24.156	9.968	-14.188	20.585	11.251	-9.335	28.259	15.363	-12.895	17.382	14.777	-2.605	20.800	15.523	-5.278
Armenia	514	419	-95	339	478	138	354	604	250	318	670	352	161	534	374	257	557	300
Azerbaijan	2.508	1.495	-1.012	5.448	1.955	-3.494	7.349	1.593	-5.756	10.609	2.062	-8.547	7.333	1.612	-5.721	9.754	2.347	-7.406
Belarus	3.422	3.234	-187	4.462	4.393	-69	4.381	4.836	456	4.661	6.372	1.711	2.580	4.982	2.401	2.627	6.717	4.090
Egypt	5.230	8.493	3.263	7.654	9.081	1.427	7.035	10.405	3.370	8.234	12.742	4.508	6.173	12.662	6.489	7.071	14.767	7.696
Georgia	276	681	405	471	926	454	459	1.090	631	735	1.214	479	519	878	359	556	1.155	599
Israel	9.749	13.544	3.795	9.992	13.972	3.980	11.356	14.264	2.908	11.241	14.055	2.814	8.911	11.457	2.546	11.082	14.463	3.382
Jordan	391	2.349	1.958	233	2.677	2.444	222	2.666	2.444	302	2.955	2.653	176	2.603	2.427	239	2.782	2.542
Lebanon	216	3.175	2.958	225	3.198	2.973	309	3.311	3.003	357	3.919	3.562	256	4.206	3.951	330	4.719	4.390
Libya	19.813	3.590	-16.224	26.068	3.676	-22.391	27.398	4.162	-23.236	35.133	5.751	-29.382	20.788	6.313	-14.475	27.300	6.689	-20.610
Moldova	435	1.080	645	514	1.183	669	727	1.494	767	748	1.708	960	516	1.227	712	582	1.530	948
Morocco	9.104	11.838	2.735	7.218	10.473	3.255	8.085	12.376	4.291	8.404	14.452	6.048	6.559	11.940	5.382	7.715	13.630	5.914
occupied Palestinian territory	10	47	36	13	39	26	14	46	32	7	61	54	6	51	45	9	80	71
Syria	3.012	2.860	-152	3.480	3.001	-478	3.385	3.208	-177	3.609	3.471	-138	2.320	3.078	758	3.539	3.647	108
Tunisia	6.812	7.974	1.162	7.628	8.719	1.091	8.977	9.505	529	9.500	9.909	409	7.901	9.021	1.120	9.513	11.072	1.559
Ukraine	8.655	13.281	4.625	9.873	18.263	8.390	12.395	22.379	9.983	14.527	25.096	10.569	7.896	13.922	6.026	11.322	17.338	6.016
Total	91.034	84.552	-6.482	107.774	92.002	-15.773	113.031	103.190	-9.840	136.644	119.800	-16.843	89.477	99.263	9.789	112.696	117.016	4.321

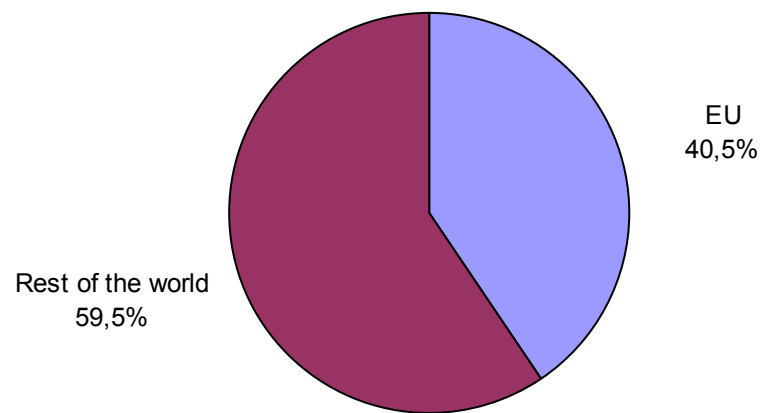
Source: EUROSTAT (Comext, Statistical regime 4)

EU Share of Partner Countries' Imports and Exports

	EU share of total Partner Country imports (%)					EU share of total Partner Country exports (%)				
	2005	2006	2007	2008	2009	2005	2006	2007	2008	2009
Algeria	61,2	55,2	51,3	53,1	50,6	53,9	51,6	46,2	52,2	51,9
Armenia	35,3	35,7	34,7	30,8	27,4	46,7	48,1	48,8	53,9	44,5
Azerbaijan	29,9	30,8	29,4	28,2	26,7	54,2	56,9	28,6	57,7	45,5
Belarus	21,6	22,6	21,9	22,0	23,0	44,7	46,2	43,9	43,5	43,8
Egypt	35,3	31,8	31,4	32,1	31,9	38,2	43,0	37,4	34,8	29,9
Georgia	31,5	30,3	30,7	27,9	30,0	25,4	26,3	34,1	22,5	21,2
Israel	39,4	38,3	37,0	34,9	37,3	29,7	28,3	29,9	29,2	26,1
Jordan	25,0	23,9	25,0	21,3	21,4	3,6	3,3	3,3	3,9	3,0
Lebanon	45,3	40,7	38,6	36,8	37,5	11,3	10,2	11,5	12,4	10,0
Libya	56,2	50,0	48,4	48,6	45,6	76,5	75,7	79,8	76,9	75,1
Moldova	45,5	46,9	48,6	43,7	43,6	38,7	47,3	51,6	48,8	52,4
Morocco	54,1	57,7	57,3	58,7	59,2	73,0	62,3	62,2	58,9	62,0
occupied Palestinian territory	-	-	-	-	-	-	-	-	-	-
Syria	25,0	22,2	20,9	19,7	21,2	32,7	33,0	29,1	28,4	26,0
Tunisia	70,1	65,9	71,9	64,3	68,2	80,2	77,2	76,7	72,2	72,8
Ukraine	33,8	43,3	44,9	33,8	34,0	30,2	28,7	29,9	27,4	24,0

Source: IMF (DoTS)

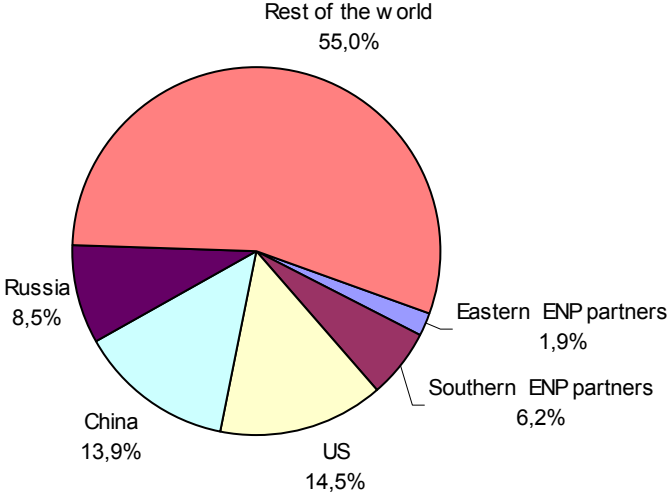
**Partner countries' trade with the EU and the rest of the world 2009
(East and South)**



Total trade volume: €446.984 million

Source: IMF (DoTS)

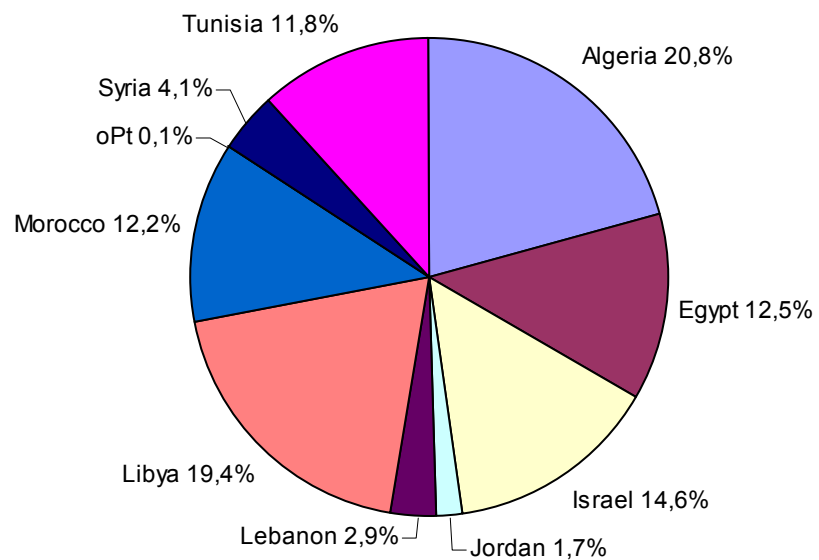
EU trade with the world 2010



Total EU trade with the world: €2.839.888 million

Source: EUROSTAT (Comext, Statistical Regime 4)

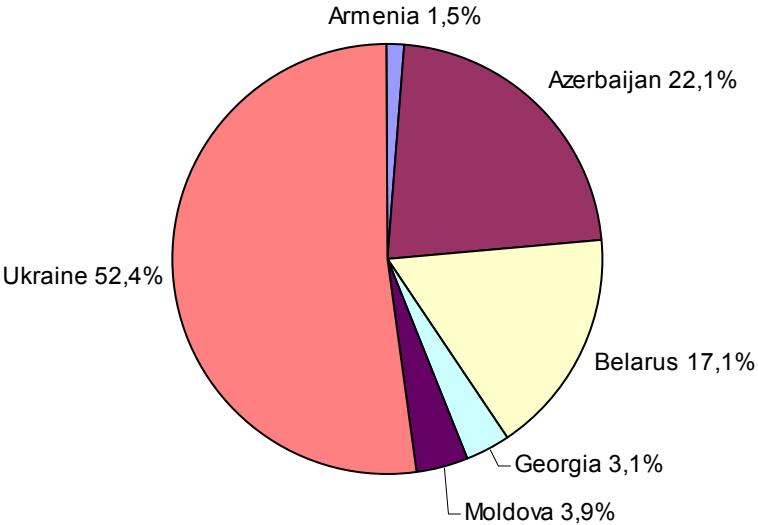
Breakdown of Southern ENP partners' trade with the EU 2010



Total trade volume: €174.971 million

Source: EUROSTAT (Comext, Statistical regime 4)

Breakdown of Eastern ENP partners' trade with the EU 2010



Total trade volume: €54.742 million

Source: EUROSTAT (Comext, Statistical regime 4)

ENPI Commitments 2007-2010 - Current Prices M €						
Country	2007	2008	2009	2010	Total 2007-2010	Average 2007-2010
Algeria	57,00	32,50	35,60	59,00	184,10	46,03
Armenia	21,00	24,00	24,70	27,70	97,40	24,35
Azerbaijan	19,00	22,00	20,00	7,00	68,00	17,00
Belarus	6,00	5,00	10,00	10,00	31,00	7,75
Egypt	137,00	149,00	140,00	192,00	618,00	154,50
Georgia	24,00	90,30	70,90	37,20	222,40	55,60
Israel	2,00	2,00	1,50	2,00	7,50	1,88
Jordan	62,00	65,00	68,00	70,00	265,00	66,25
Lebanon	50,00	50,00	43,00	44,00	187,00	46,75
Libya	2,00	4,00	0,00	12,00	18,00	4,50
Moldova	40,00	62,30	57,00	66,00	225,30	56,33
Morocco	190,00	228,70	145,00	158,90	722,60	180,65
occupied Palestinian territory	452,70	387,00	352,60	377,90	1570,20	392,55
Russia	13,00	5,00	18,00	26,50	62,50	15,63
Syria	20,00	20,00	40,00	50,00	130,00	32,50
Tunisia	103,00	73,00	77,00	77,00	330,00	82,50
Ukraine	142,00	138,60	116,00	126,00	522,60	130,65
Total	1340,70	1358,40	1219,30	1343,20	5261,60	1315,40
Regional						
Regional/Interregional Cooperation East	143,70	112,00	126,30	200,80	582,80	145,70
Regional/Interregional Cooperation South	177,80	171,50	223,80	194,30	767,40	191,85
Total	321,50	283,50	350,10	395,10	1350,20	337,55
Cross-Border Cooperation ENPI *	4,20	60,00	69,20	68,40	201,80	50,45
Grand Total	1666,40	1701,90	1638,60	1806,70	6813,60	
*Funding for cross-border cooperation under ENPI is complemented by funding coming from the European Regional Development Fund (ERDF). EUR 219.1 million were allocated under ERDF in the period 2007-10 for that purpose.						

ENPI Allocations 2011-2013 - Current Prices M €

Country	ENPI allocations 2011-2013	Aid average per capita (€ per yr)
Algeria	172,00	1,71
Armenia	157,32	16,29
Azerbaijan	122,49	4,84
Belarus	80,26	2,74
Egypt	449,29	2,10
Georgia	180,29	13,65
Israel	6,00	0,28
Jordan	223,00	13,27
Lebanon	150,00	13,32
Libya	60,00	3,35
Moldova	273,14	23,69
Morocco	580,50	6,37
Occupied Palestinian Territory	504,00	44,91
Russia	45,00	0,11
Syria	129,00	2,33
Tunisia	240,01	7,94
Ukraine	470,05	3,35

Regional Cooperation East	262,32
Regional Cooperation South	288,00
Interregional Cooperation	862,67
Cross-Border Cooperation	292,86

Youth in Action mobility figures 2010

Youth in Action ⁹				
Country/Year	Youth Exchanges and Youth Workers Mobility		Voluntary Service	
	2009	2010	2009	2010
<i>Armenia</i>	351	334	67	67
<i>Algeria</i>	91	55	0	1
<i>Azerbaijan</i>	231	163	8	4
<i>Belarus</i>	221	253	10	11
<i>Georgia</i>	344	356	60	47
<i>Egypt</i>	79	102	13	4
<i>Israel</i>	183	220	10	7
<i>Jordan</i>	94	61	4	2
<i>Lebanon</i>	68	109	3	4
<i>Republic of Moldova</i>	309	228	11	13
<i>Morocco</i>	116	84	4	6
<i>occupied Palestinian territory</i>	142	90	2	6
<i>Syria</i>	10	24	0	0
<i>Tunisia</i>	108	97	1	7
<i>Ukraine</i>	641	707	86	105
Overall Total per Action	2988	2883	279	284

⁹ Provisional figures gathered at application level for participants in projects submitted at decentralised level.

Mobility under

Erasmus Mundus, Action 2, 2010-2011

<u>ENP Country</u>	<u>Total Mobility Flows for academic year 2010-2011*</u>
ARMENIA	34
ALGERIA	81
AZERBAIJAN	33
BELARUS	80
EGYPT	102
GEORGIA	59
ISRAEL	65
JORDAN	34
LEBANON	27
REPUBLIC OF MOLDOVA	66
MOROCCO	79
OCCUPIED PALESTINIAN TERRITORY	50
SYRIA	26
TUNISIA	77
UKRAINE	100
GRAND TOTAL	913

*Figures based on the projected mobility flows by 1 September 2011, subject to possible adjustment upwards

Erasmus Mundus Action 1 – Erasmus Mundus Masters Scholarships				
	Students		Scholars	Joint Doctorate Candidates
Country/Year	Academic year 2009- 2010	Academic year 2010-2011	Academic year 2009-2010	Academic year 2010-2011*
<i>Algeria</i>	5	3	6	
<i>Armenia</i>	13	6	1	
<i>Azerbaijan</i>	3	1	2	
<i>Belarus</i>	5	6	2	
<i>Egypt</i>	7	8	2	
<i>Georgia</i>	9	7	2	1
<i>Israel</i>	8	6	13	1
<i>Jordan</i>	1	1		
<i>Lebanon</i>	3	2	2	
<i>Republic of Moldova</i>	10	6	1	
<i>Morocco</i>	3	4	7	
<i>occupied Palestinian territory</i>	2	2		
<i>Syria</i>		1		
<i>Tunisia</i>	10	6	2	
<i>Ukraine</i>	29	30	8	
Overall Total	124	89	48	

The 2010 selection of Erasmus Mundus Masters Courses scholars take place throughout the academic year. Final figures per nationality for 2010 to 2011 will therefore only be available following the submission of final reports

Tempus IV- number of projects per country accepted in 2010						
Country	Total Projects	National Projects	Multi Country Projects	Joint Projects	Structural Measures	As Grant Holder
<i>Algeria</i>	6	0	6	5	1	
<i>Armenia</i>	4	1	3	2	2	
<i>Azerbaijan</i>	2	1	1	2		1
<i>Belarus</i>	2		2	2		
<i>Egypt</i>	4	2	2	4		
<i>Georgia</i>	5		5	4	1	1
<i>Israel</i>	2	1	1	1	1	1
<i>Jordan</i>	5	2	3	5		1
<i>Lebanon</i>	7	1	6	6	1	1
<i>Republic of Moldova</i>	5	1	4	5		
<i>Morocco</i>	8	1	7	7	1	
<i>occupied Palestinian territory</i>	3	1	2	3		1
<i>Syria</i>	4	2	2	3	1	
<i>Tunisia</i>	7	1	6	5	2	
<i>Ukraine</i>	5		5	5		

ENP and Russian Federation: Scholarships in European Integration Studies in European universities 2010

The figures refer concurrently to scholarships awarded for academic years 2010-11 and 2011-12 as certain masters courses extend over 12 months

Country	Scholarships Awarded
<i>Algeria</i>	
<i>Armenia</i>	3
<i>Azerbaijan</i>	3
<i>Belarus</i>	4
<i>Egypt</i>	1
<i>Georgia</i>	10
<i>Israel</i>	3
<i>Jordan</i>	1
<i>Lebanon</i>	
<i>Libya</i>	
<i>Morocco</i>	1
<i>Moldova</i>	3
<i>occupied Palestinian territory</i>	1
<i>Syria</i>	
<i>Tunisia</i>	
<i>Ukraine</i>	10
<i>Russian Federation</i>	8
Total for ENP countries plus Russian Federation	48

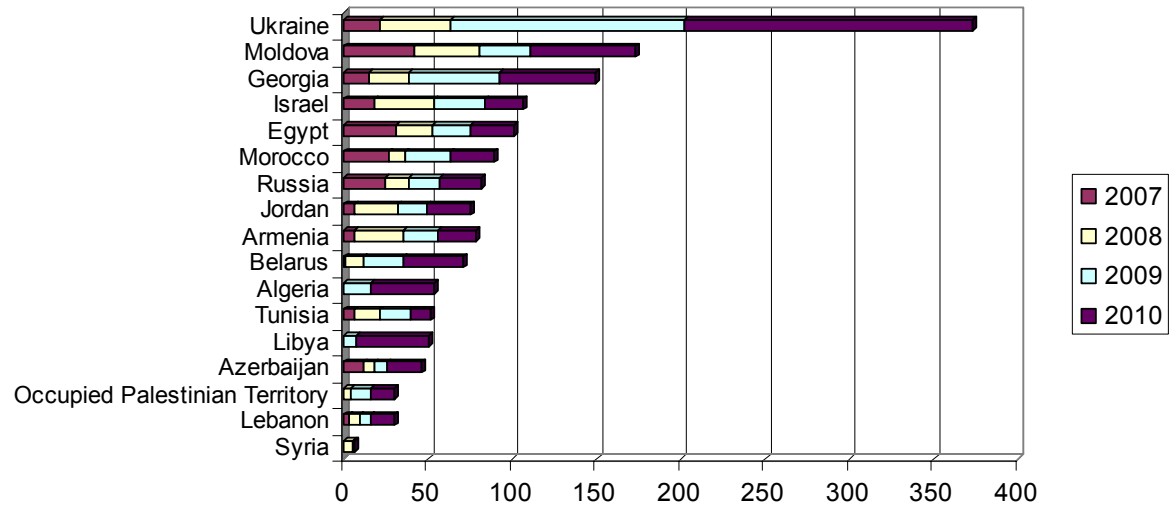
ENP Scholarships to the College of Europe 2010	
<i>52 scholarship grants were awarded as follows</i>	
Country	Scholarships Awarded
<i>Algeria</i>	3
<i>Armenia</i>	6
<i>Azerbaijan</i>	5
<i>Belarus</i>	8
<i>Egypt</i>	1
<i>Georgia</i>	4
<i>Israel</i>	
<i>Jordan</i>	
<i>Lebanon</i>	1
<i>Libya</i>	
<i>Morocco</i>	4
<i>Moldova</i>	10
<i>occupied Palestinian territory</i>	
<i>Syria</i>	
<i>Tunisia</i>	1
<i>Ukraine</i>	9
Total for ENP countries	52

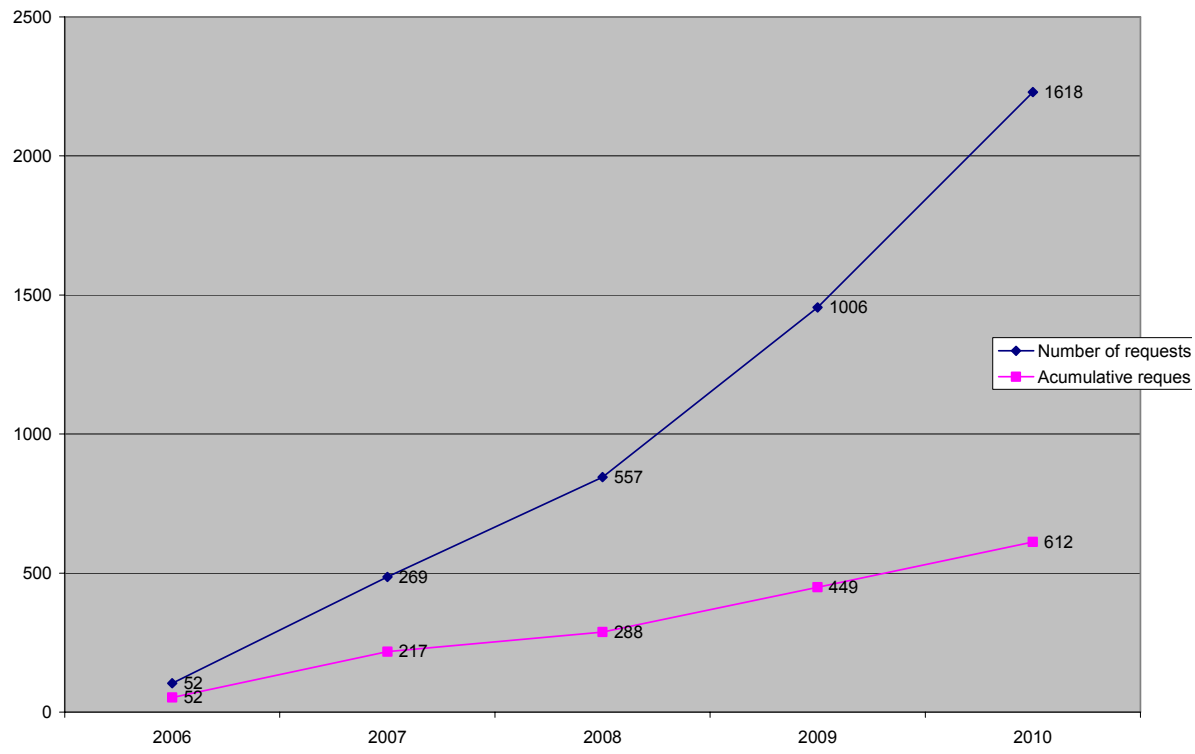
Breakdown of TAIEX requests from ENP partner countries and the Russian Federation

Number of requests per country

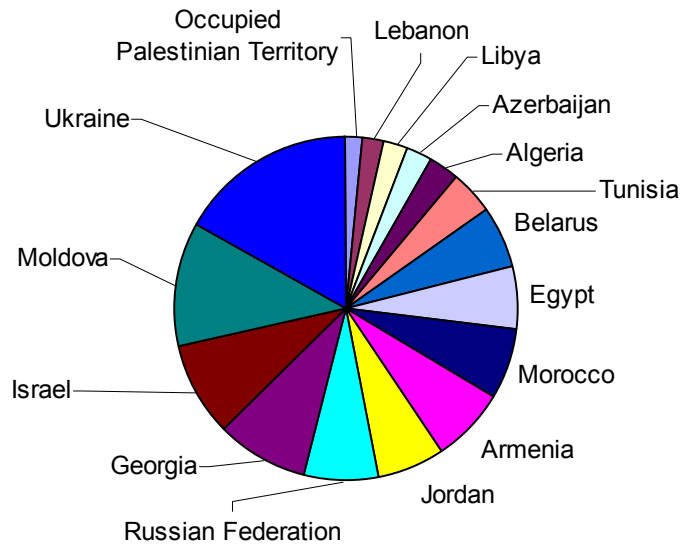
	2007	2008	2009	2010	Total
Algeria			16	38	54
Armenia	7	29	20	22	78
Azerbaijan	12	6	8	20	46
Belarus	1	11	24	35	71
Egypt	31	22	22	26	101
Georgia	15	24	54	56	149
Israel	18	36	30	22	106
Jordan	7	25	17	29	78
Lebanon	3	7	6	14	30
Libya			8	43	51
Moldova	42	39	30	62	173
Morocco	27	10	26	26	89
Occupied Palestinian territory		4	12	14	30
Russian Federation	25	14	18	25	82
Syria		5	1		6
Tunisia	7	15	18	12	52
Ukraine	22	41	139	172	374
Total	217	288	449	616	1570

Number of requests per country

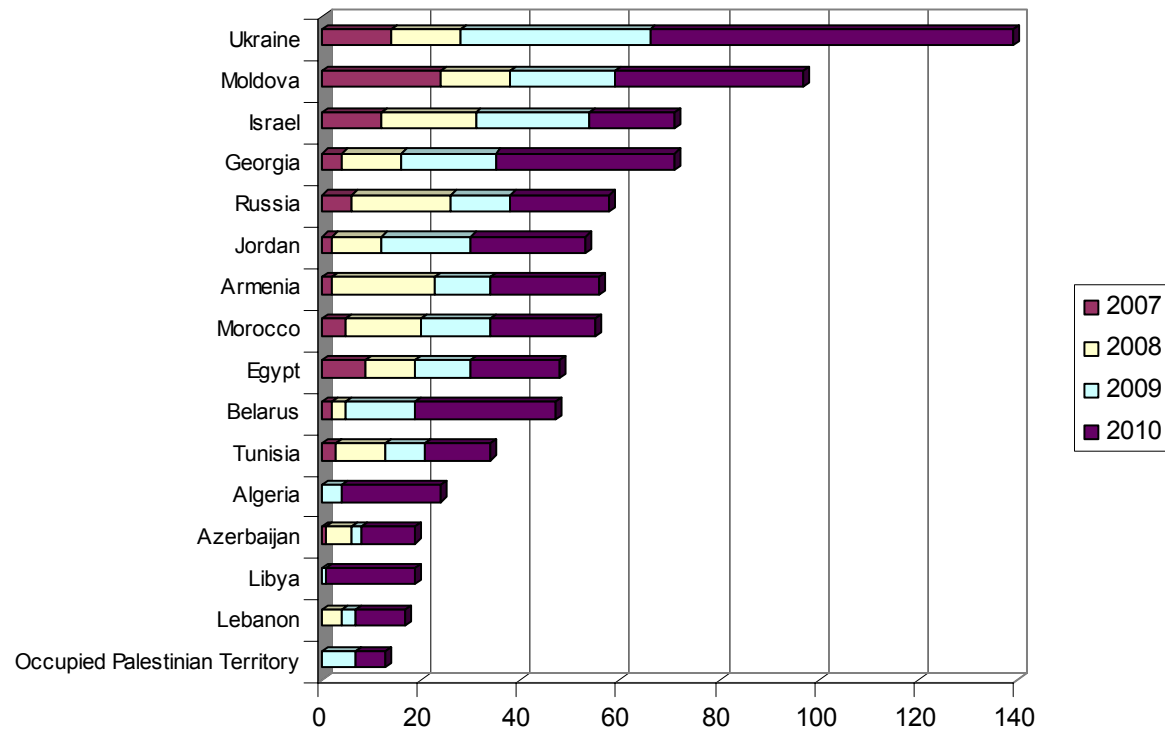




Single country events 2007- 2010 (Total: 821)



Single country events

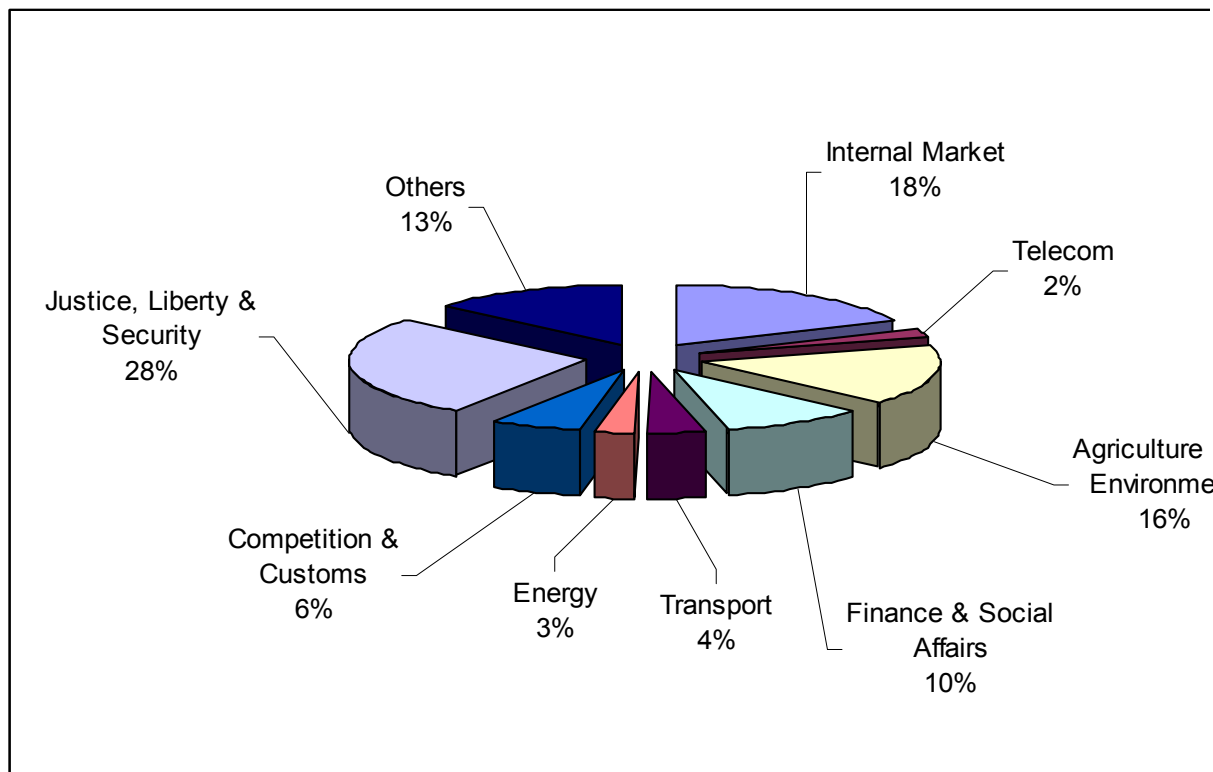


Number of participants (single and multi-country events)

	2007	2008	2009	2010	Total
Algeria	93	106	36	357	592
Armenia	42	221	235	700	1198
Azerbaijan	33	148	78	308	567
Belarus	308	79	370	776	1533
Egypt	139	179	410	771	1499
Georgia	142	130	282	757	1311
Israel	315	422	465	376	1578
Jordan	75	49	425	527	1076
Lebanon	24	61	78	352	515
Libya			10	1596	1606
Moldova	559	476	585	697	2317
Morocco	55	353	298	389	1095
occupied Palestinian territory	15	14	178	76	283
Russia	437	617	309	915	2278
Syria	10	16	14	17	57
Tunisia	131	149	75	501	856
Ukraine	899	294	1093	2925	5211
Total	3.277	3.314	4.941	12040	23572

** attended at no cost to TAIEX

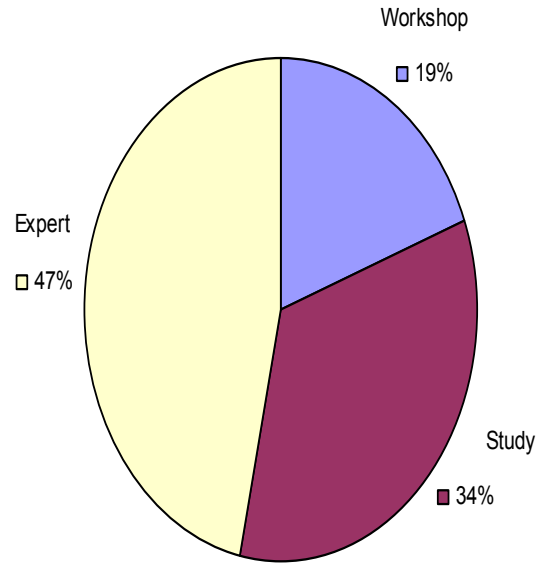
Taixex breakdown of events by sector 2008 – 2010



Type of assistance requested 2007-2010

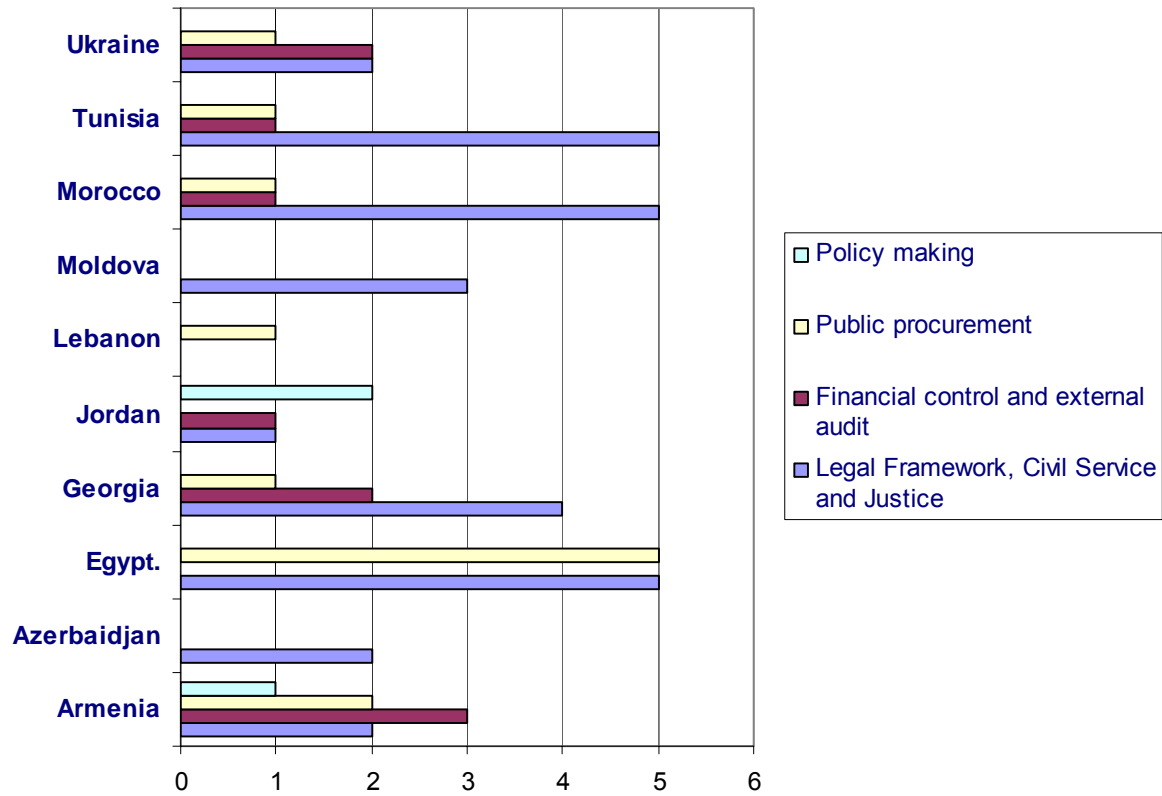
	Workshop	Expert mission	Study visit	Total
Algeria	5		49	54
Armenia	19	31	28	78
Azerbaijan	13	13	20	46
Belarus	8	33	30	71
Egypt	40	24	37	101
Georgia	39	69	41	149
Israel	17	42	47	106
Jordan	22	34	19	75
Lebanon	4	13	13	30
Libya	2	4	45	51
Moldova	29	64	80	173
Morocco	25	16	48	89
occupied Palestinian territory	6	16	8	30
Russian Federation	5	30	47	82
Syria		1	5	6
Tunisia	6	17	29	52
Ukraine	60	129	184	373
Total	300	536	730	1566

Type of assistance requested 2007-2010



SIGMA**Activities per country/sector 2010**

N°	Country	Sector	N° of actions
1.	Armenia	Legal Framework, Civil Service and Justice	2
		Financial Control and External Audit	3
		Public Procurement	2
		Policy-making	1
2.	Azerbaijan	Legal Framework, Civil Service and Justice	1
		Public Procurement	1
3.	Egypt	Legal Framework, Civil Service and Justice	5
		Policy-making	5
4.	Georgia	Legal Framework, Civil Service and Justice	4
		Financial Control and External Audit	2
		Public Procurement	1
5.	Jordan	Legal Framework, Civil Service and Justice	1
		Financial Control and External Audit	1
		Policy-making	2
5.	Lebanon	Public Procurement	1
6.	Moldova	Legal Framework, Civil Service and justice	3
7.	Morocco	Legal Framework, Civil Service and Justice	5
		Financial Control and External Audit	1
		Public Procurement	1
8.	Tunisia	Legal Framework, Civil Service and Justice	4
		Financial Control and External Audit	1
		Public Procurement	1
9.	Ukraine	Legal Framework, Civil Service and Justice	2
		Financial Control and External Audit	2
		Public Procurement	1



**Twinning projects
ENPI South (per country)**

Country	2005-2010 Launched/ongoing/ terminated	2005-2010 Under preparation/ identification/project ideas	TOTAL
Algeria	5	10	15
Egypt	13	20	33
Israel	5	2	7
Jordan	16	7	23
Lebanon	7	5	12
Morocco	21	26	47
Tunisia	24	22	46
TOTAL	91	92	183

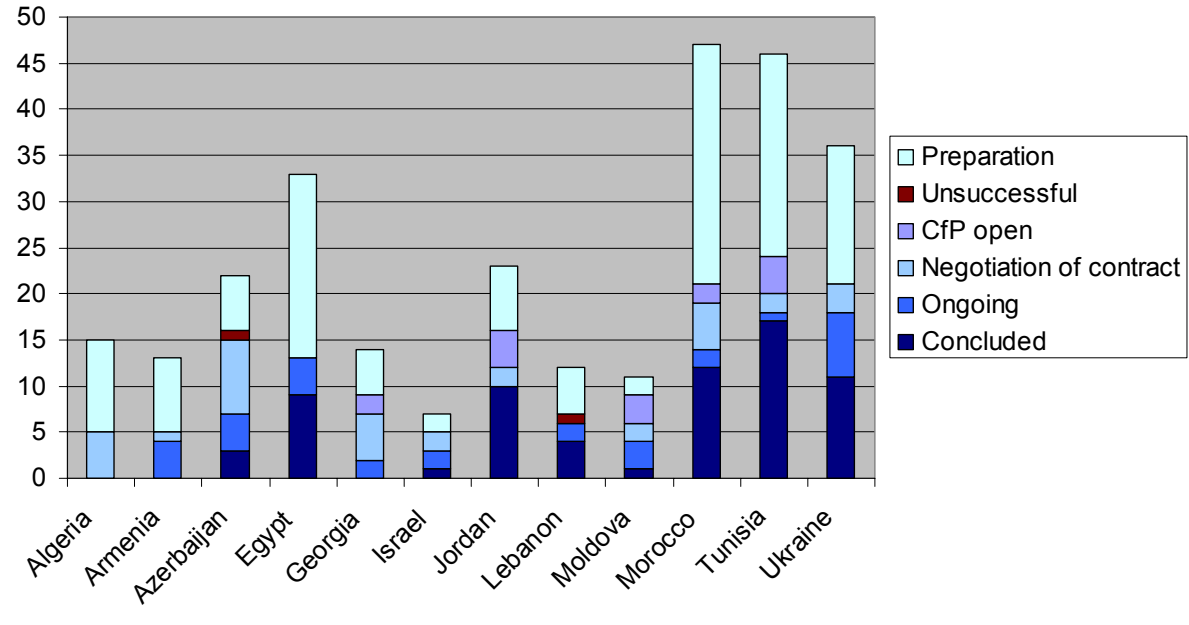
**Twinning projects
ENPI East (per country)**

Country	2005-2010 Launched/ongoing	2005-2010 Under preparation/ identification/project ideas	TOTAL
Armenia	5	8	13
Azerbaijan	16	6	22
Georgia	9	5	14
Moldova	9	2	11
Ukraine	21	15	36
TOTAL	60	36	96

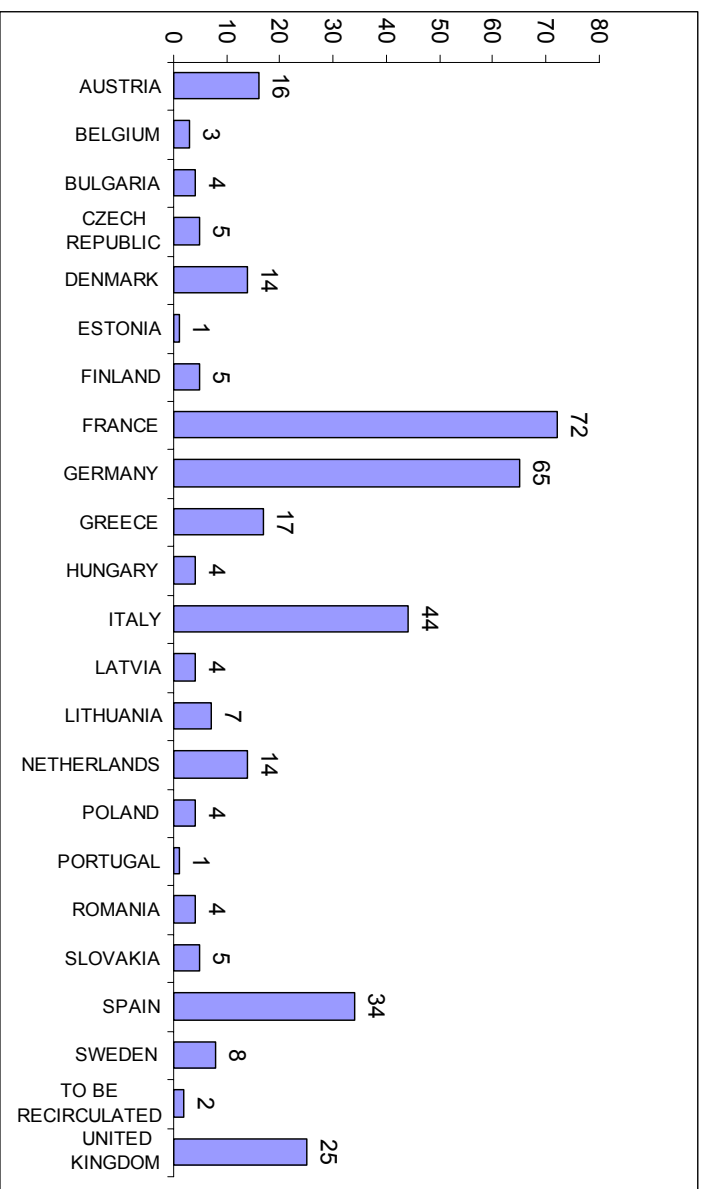
Twinning projects ENP 2005-2010 (per sector)

Finance & Internal Market	62
Trade & Industry	47
Justice & Home Affairs	39
Health & Consumer Protection	20
Employment & Social Affairs	18
Environment	16
Transport	15
Energy	12
Agriculture	14
Telecommunications	8
Other	28
TOTAL	279

Twinning projects in the ENPI region, per country
Total of 279 projects for 12 countries -151
launched/ongoing/concluded - 128 preparation/project ideas



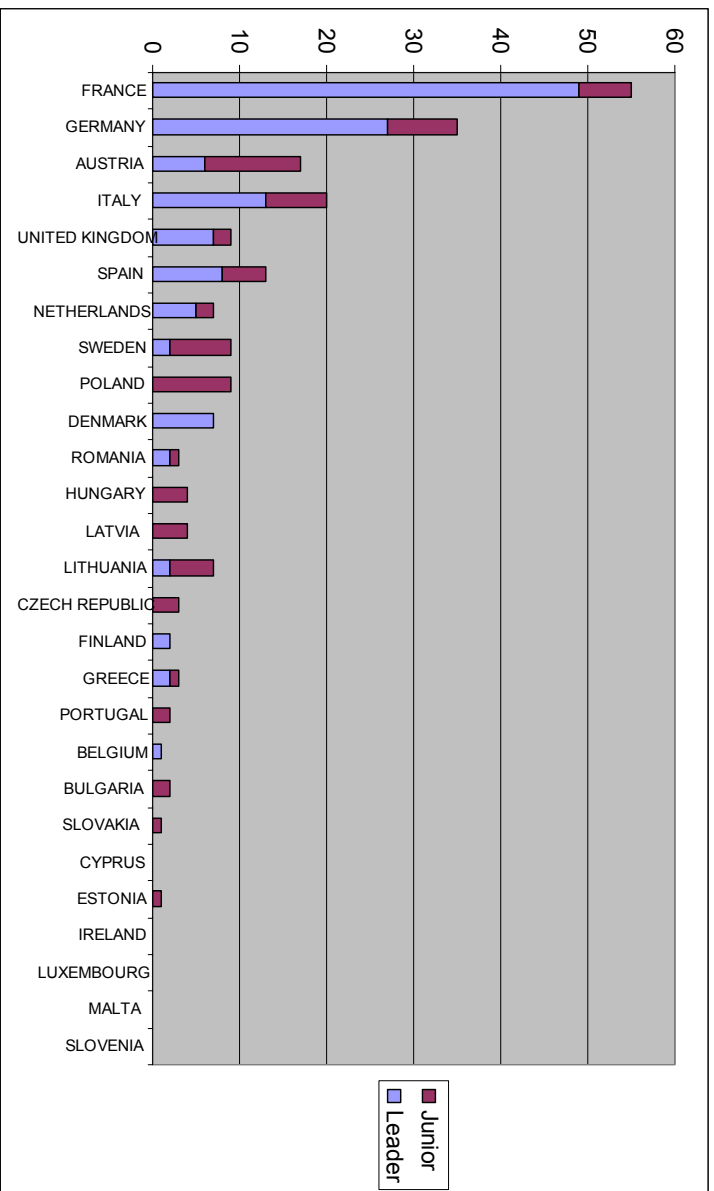
**Number of Twinning proposals
by Member State 2006 – 2010**
*358 Proposals from 22 Member States for
 151 ENP-Twinning Calls for Proposals (21.12..2010)*



Member States selected in awarded Twinning projects 2005-2010

21 EU Member States Selected for

134 attributed ENP-Twinning (21.12.2010)



**Neighbourhood Investment Facility (NIF): List of projects approved
for a contribution in 2010**

Projects in the ENP East Region:

The NIF contribution to the nine projects approved for the East amounts to €47,5 million. The total amount for these projects is approximately €0,75 billion.

Country	Name of the project	Consortium of European Financing Institution	Sector	NIF contribution (€million)	Total project cost (€ million)
NISIA	Tunis High Speed Urban Railway (14M + 14M)	AFD, EIB, KfW	Transport	28	550
YPT	Combined Renewable Energy Masterplan for Egypt	KfW, AFD, EIB	Energy	3	up to 500
YPT	Egyptian Power Transmission	EIB, AFD, KfW	Energy	20	762
YPT	Improved Water and Wastewater Services Programme Upper Egypt (IWSP 2)	KfW, AFD, EIB	Water/Sanitation	10	300
YPT	Technical Assistance for the implementation of a 20 MW PV Grid Connected Power Plant Project in Egypt	AFD, EIB, KfW	Energy	0,8	up to 100
RDAN	Jordan Electricity Transmission	EIB, AFD	Energy	2,2	up to 150
OCCO	National Sanitation Programme	AFD, EIB, KfW	Water/Sanitation	10	176
Total				74,0	1.788,0

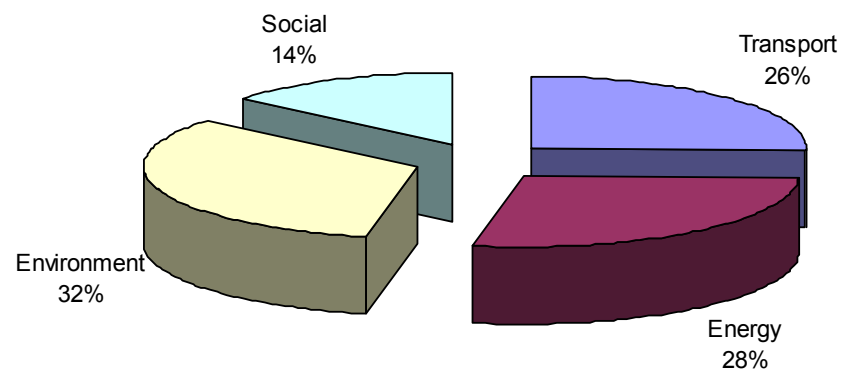
Projects in the ENP South Region:

The NIF contribution to the seven projects approved for the South amounts to €74 million.

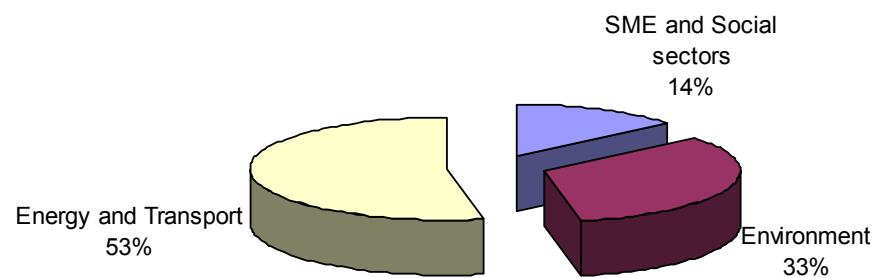
The total amount for these projects is approximately €1,7 billion.

Country	Name of the project	Consortium European Financing Institution	Sector	NIF contribution (€million)	Total project cost (€million)
NISIA	Tunis High Speed Urban Railway (14M + 14M)	AFD, EIB, KfW	Transport	28	550
YPT	Combined Renewable Energy Masterplan for Egypt	KfW, AFD, EIB	Energy	3	up to 500
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RDAN	Jordan Electricity Transmission	EIB, AFD	Energy	2,2	up to 150
OCCO	National Sanitation Programme	AFD, EIB, KfW	Water/Sanitation	10	176
			Total	74,0	1.788,0

Distribution of NIF contribution by Sector 2010



Distribution of NIF contribution by Objectives by Sector 2010



**Neighbourhood Investment Facility: Contributions pledged
by Member States 2008-2010 (as of 31/12/2010)**

List of Member State direct contributions (officially announced)	Pledge (2008-10)	Additional pledges made in 2009	Total
Germany	27.5	7.5	35
France	15	5	20
Poland	3		3
Czech Republic	3		3
Spain	2		2
Austria	2	2	4
Bulgaria	2		2
Estonia	1		1
Finland	1	1	2
Greece	1		1
Italy	1		1
Luxembourg	1		1
Portugal	1		1
Romania	1		1
Sweden	1		1
Total	62.5	15.5	78



EUROPEAN COMMISSION

HIGH REPRESENTATIVE OF THE
EUROPEAN UNION FOR
FOREIGN AFFAIRS AND
SECURITY POLICY

Brussels, 25.5.2011
SEC(2011) 646 final

JOINT STAFF WORKING PAPER

Implementation of the European Neighbourhood Policy in 2010 Country Report : Ukraine

{COM(2011) 303 final}
{SEC(2011) 637 final}
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{SEC(2011) 650 final}
{SEC(2011) 651 final}
{SEC(2011) 652 final}

JOINT STAFF WORKING PAPER

Implementation of the European Neighbourhood Policy in 2010 Country Report : Ukraine

1. OVERALL ASSESSMENT

Ukraine and the EU first established contractual relations in 1994 through a Partnership and Cooperation Agreement (PCA) which entered into force in 1998. On that basis, an EU-Ukraine Action Plan (AP) was adopted in February 2005 and progress in its implementation was monitored and reported on until November 2009, when it was replaced by the EU-Ukraine Association agenda. The Association agenda builds on the substantial progress made in negotiating the EU-Ukraine Association Agreement (AA). This Agreement is conceived by both parties as illustrating the most advanced and ambitious approach to the Eastern Partnership vision of association, including a Deep and Comprehensive Free Trade area (DCFTA) and a comprehensive programme of approximation to the EU *acquis*.

In 2010 an intensive and varied range of EU-Ukraine meetings took place, most formally at the level of the EU-Ukraine Summit, the Cooperation Council and the seven subcommittees. In addition progress in implementing the Association agenda was reviewed at the level of Joint Committee of Senior Officials. More broadly, Ukrainian authorities and civil society representatives participated actively in the multilateral framework of the Eastern Partnership, and contributed to the working platforms. On a bilateral basis, Ukraine and the EU also discussed institutional capacity building in the framework of the Eastern Partnership Comprehensive Institution Building Programme.

This document reports on the overall progress made in implementing the EU-Ukraine Association agenda between 1 January and 31 December 2010, although developments outside this period are also considered when deemed relevant. It should be noted that in addition and complementary to the Association agenda, the EU side provided Ukraine with a 'matrix' of reform priorities with a view to providing further guidance to Ukraine's reform efforts. Correspondingly the EU focused, in its highest-level dialogue with Ukraine, on a set of core 'reform priorities', such as an inclusive constitutional reform, electoral and judicial reform and energy sector reform.

This report effectively assesses progress made in preparing for the entry into force of the EU-Ukraine Association Agreement, since the Association Agenda is designed to pave the way for this. It is not a general review of the political and economic situation in Ukraine. For information on regional and multilateral sector processes, readers should refer to the sectoral report.

In 2010 Ukraine took positive steps to establish a framework for potential reforms, notably by bringing the IMF Standby Agreement back on track, adopting a Comprehensive Economic Programme (under the supervision of the Committee on Economic Reforms established by the Presidential decree of 17 March 2010) and achieving significant fiscal consolidation, with promises of more to come if tax and pension reforms could be successfully implemented. The existence of a more stable political situation suggested that, with the right motivation and will,

the government could take forward a set of core reforms with the potential to bring the country closer to European standards and values as enshrined in the Association Agenda.

Particular achievements in 2010 include the adoption of a Public Procurement Law which should play an important role in curbing corruption and in increasing competitiveness, and the adoption of a Gas Sector reform law which paved the way for Ukraine's accession to the Energy Community in February 2011, providing significant potential to modernise and restructure its energy industries and infrastructure, and with potentially very large economic benefits.

These reforms go in the right direction and have been bolstered by EU technical support. Their success rests on implementing regulations and measures, which will need to be monitored closely if these advances are to be consolidated. In the case of public procurement, for example, respect for international norms is needed in all implementing regulations and amendments if there is to be no further disruption to the substantial portion of EU assistance channeled through budget support.

Economic reforms did not extend to all areas: perceptions of the business and investment climate continued to be adversely affected by a series of obstacles and irritants such as corruption, non-transparent tax (particularly Value Added Tax) and customs regimes, and the absence of an independent judiciary and a reliable legal environment.

As regards the political domain, there are fewer positive signs. Ukraine has experienced a deterioration of respect for fundamental freedoms notably as regards the freedom of the media, freedom of assembly and democratic standards. Regarding democracy in particular, after the generally good conduct of presidential elections at the beginning of the year, the local elections in October were heavily criticised by international and domestic observers, in particular as regards the legal framework and the poor administration of the electoral process. The adoption of an election code which meets European standards and which is supported across the main political groupings is crucial to the democratic legitimacy of future elections in Ukraine. This issue is at the top of the EU's agenda in Ukraine.

An Action Plan on Visa Liberalisation was announced at the EU-Ukraine Summit in November 2010. This Action Plan gives rise to a comprehensive range of legislative and other measures linked to verifiable benchmarks, and its implementation has started.

A comprehensive reform of the judiciary and fight against corruption remain key challenges. Respect for rule of law in criminal investigations and prosecutions, including the principle of a fair, impartial and independent legal process, must be guaranteed in order to ensure that the criminal law is not used for political ends. It is important to ensure that the process of Constitutional reform is transparent and inclusive. As regards the EU-Ukraine Association Agreement, 2010 saw further substantial progress in negotiations on Political Dialogue and Reform, Political Association, and Cooperation and Convergence in the Field of Foreign and Security Policy. Progress was also made on Institutional Provisions, General and Final Provisions and on economic and sector cooperation issues, which have been provisionally closed. The Justice, Freedom and Security chapter is close to final agreement. Negotiations on the DCFTA part of the agreement continue and both sides have reiterated their intention to conclude these negotiations in 2011.

2. POLITICAL DIALOGUE AND REFORM

The EU and Ukraine maintained regular political dialogue during the year, notably at the EU-Ukraine Summit and the Cooperation Council. In addition, political dialogue meetings took place between the Ukrainian government and the EU Political and Security Committee, the Council Working Group on Eastern Europe and Central Asia, the EU Foreign Ministers and the EU Political Directors. The EU-Ukraine Parliamentary Cooperation Committee met in both Brussels and Kyiv. The latter included a visit to Odessa.

Democracy and rule of law

No progress was noted in the reporting period with respect to promoting an inclusive **constitutional reform**. The National Constitutional Council, set up in 2007 to work on drafting a new Constitution, was disbanded in April 2010. In September 2010, following an appeal by 252 MPs from the ruling coalition, the Constitutional Court ruled that the constitutional amendments of December 2004 had been adopted in violation of the relevant constitutional procedure. On these legal grounds, the 1996 Constitution has been reinstated. Subsequently, the parliament adopted a new law on the Cabinet of Ministers as well as amendments to the parliamentary Rules of Procedure and to 32 other laws, aimed at bringing the legal framework in line with the 1996 Constitution. Experts consider that a number of these amendments gave even wider powers to the President and further weakened parliamentary control over the executive.

In December 2010, the Venice Commission issued an opinion which concluded that the 1996 Constitution does not provide sufficient checks and balances and encouraged the Ukrainian authorities to engage in a comprehensive process of constitutional reform based on established procedures and involving all the relevant players.

In November 2010, the President established a Commission for the Strengthening of Democracy and Rule of Law which was tasked “to unite efforts of the state authorities, political parties, civil society organisations, other institutions of the civil society for the strengthening of democracy and rule of law”. Its main task was to follow up on constitutional amendments (in particular those required to further reform the judiciary and the prosecutor’s office), the Venice Commission recommendations and the fulfilment of Ukraine’s obligations before the Council of Europe (CoE). Just after the reporting period, the President set up a special working group to prepare the concept of the future Constitutional Assembly that will draft amendments to the Constitution.

As reported in the previous year, the overall conduct of the presidential **elections** in early 2010 was positively assessed by the International Election Observation Mission. At the same time, the practice of amending the electoral framework in the middle of the electoral process was criticised. Local elections were postponed from spring to October 2010. In July 2010 the parliament adopted a new version of the law on local elections, which was widely criticised by local and international election experts. In August, at an extraordinary plenary session, the parliament adopted additional amendments to that law. These amendments addressed a number of issues but left some important ones untouched. Most independent domestic and international election observers criticised the conduct of the local elections as being a step backwards compared with other post-2005 elections. The Election Observation Mission of the Congress of Local and Regional authorities of the CoE highlighted a number of weaknesses and noted in particular that the local elections were ‘not of a standard [we would have] wished to see’ as Ukraine ‘had already shown it can do better’.

In November 2010, the President set up a working group to improve the electoral legislation with the aim of bringing it into line with international democratic standards and speeding up its codification. Since 2002, the Organisation for the Security and Cooperation in Europe — Office for Democratic Institutions and Human Rights (OSCE/ODIHR) has recommended the adoption of a single election code. For its part the EU has funded the drafting of an election code (drawing on expertise from the OSCE/ODIHR), which has been registered in parliament and has been positively assessed by the Venice Commission. However, the working group has not used this draft election code as a source document for preparing future draft legislation. The working group did not include, as full-fledged members, either independent experts or representatives of civil society organisations, nor does it include a significant number of representatives of the opposition. Subsequent to the reporting period, assurances have been given to the EU concerning the broadening of representation in the working group, and this aspect will be closely followed in 2011.

The reinstatement of the 1996 Constitution has led to uncertainty regarding the date of parliamentary elections. In February 2011, just after the reporting period, the parliament adopted a series of constitutional amendments proposed by the governing coalition whereby the term of office of the national parliament and of local government councils is extended from four to five years. The draft amendments also envisage that the next parliamentary elections should take place in October 2012 and the next presidential elections in March 2015. Some provisions of the current legislation on political parties continue to contradict other legislative provisions as well as the provisions of the European Convention on Human Rights and European standards in the field of political parties. The dependence of political parties on private funding is a problem which remains to be solved.

The legislation on **judicial reform** was rapidly drawn up by the new presidential administration and adopted in July 2010, without waiting for the opinion of the VC. In October, the Venice Commission issued its opinion on the law on the Judicial System and the Status of Judges. The opinion acknowledged some progress in a limited number of areas but contained strong criticism of a number of points, notably the risk that the executive would have greater control over the judiciary. The law weakens the powers of the Supreme Court and at the same time gives the High Council of Justice more authority to appoint and dismiss judges. These shortcomings need to be addressed urgently. A start was made when, in December, the removal of the head of Ukraine's Internal Security Service from membership of the High Council of Justice: this action eliminated an important potential conflict of interest and a risk for the independence of the judiciary. No progress can be reported on the adoption of a draft Code of Criminal Procedure or on the law reforming the Prosecutor's Office, which passed in first readings in the parliament in 2009. Similarly no progress was made in reforming the Bar and setting up a professional Bar Association. At the end of the year a number of criminal investigations were initiated against former government officials — including the former Prime Minister. These actions have drawn criticism regarding the potential use of the criminal justice system for political purposes.

With regard to the **fight against corruption**, no progress was achieved in 2010. Regrettably, in December, parliament abolished the anti-corruption package of legislation and other measures which had been adopted in 2009 but never implemented. On the same day, the parliament approved in first reading a draft law on the principles of preventing and combating corruption. Shortly after the reporting period, the commission in charge of fighting corruption was abolished.

Only limited progress can be reported on **strengthening local self-government**. In September 2010, amendments were adopted to the Law on the City of Kyiv, separating the post of the elected Mayor from the post of the Head of the City State Administration. The latter is appointed directly by the President and holds the main executive powers.

With regard to **public administration reform**, work continued on drafting framework legislation on the civil service, ministries and central executive bodies, but without presenting a comprehensive strategy for reform in this area. In October 2010 the president announced a far-reaching re-structuring of the central executive apparatus. This announcement was followed in December by decisions to reduce radically the number of ministries and executive agencies and their respective staff and to recast a number of government agencies as ‘central executive bodies’. While these reforms have the potential to increase efficiency by reducing the levels of bureaucratic control in Ukraine, it is important to ensure they are counterbalanced by appropriate inter-institutional checks and balances.

The **Ombudsman’s** activities need further support to strengthen the independence and effectiveness of the office and to raise its profile. In August 2010 a position of **Ombudsman for Children’s Rights** was created, as a deputy to the Parliamentary Ombudsman for Human Rights.

Human rights and fundamental freedoms

A deteriorating situation was observed in the field of **human rights, fundamental freedoms and the rule of law**. The EU expressed concern over the deteriorating respect for fundamental freedoms and democratic principles in Ukraine. Such trends were also criticised by the OSCE Representative on Freedom of the Media, in the October resolution on Ukraine issued by the Parliamentary Assembly of the CoE and in statements from international and domestic human rights organisations. There were reported cases of harassment and prosecution of human rights activists.

Just after the reporting period, in January 2011, the parliament adopted the law on access to public information which was welcomed by the OSCE Representative on Freedom of the Media. Other commitments related to laws on public service broadcasting, media ownership transparency and privatization of print media, and the abolition of the “public morality law” remain unfulfilled.

As regards **media freedom**, during the reporting period, the number of cases of violence against and intimidation of journalists increased, and little progress was reported in investigating such cases. Increasingly frequent controls were reportedly carried out at media premises both in Kyiv and the regions. The investigation into the disappearance of a Kharkiv journalist Vasyl Klymentiyev in August has not been completed.

Implementation of the judgments of the **European Court of Human Rights** remains an area of concern. The high number of pending cases against Ukraine reflect structural problems within the judiciary system in dealing with human rights issues.

Civil society organisations and opposition parties have complained about restrictions on the **freedom of assembly**. In particular, opposition parties complained that the police gave preferential treatment to supporters of the Party of Regions. People who took part in a peaceful demonstration against the new Tax Code are being prosecuted for damaging the pavement of the square where they gathered. In June 2010 the parliament adopted, at first

reading, a draft law on peaceful assemblies which was criticised by some civil society organisations for imposing restrictions on the freedom of assembly. In October 2010 the Venice Commission welcomed the new draft as an improvement over the previous one but identified a number of issues still to be addressed to make it compliant with European and international standards. No progress can be reported regarding the adoption of a new law on civil society organisations, despite numerous debates on the issue. The existing law, adopted in 1992, has a number of shortcomings.

No progress was reported on the adoption of comprehensive **anti-discrimination** legislation, as recommended by UN and CoE monitoring bodies.

As regards respect for the rights of persons belonging to **national minorities**, there continued to be sporadic reports of incidents of anti-Semitism, including the use of anti-Semitic messages by one of the candidates in the presidential elections. Other national minorities continued to be the object of discrimination and racism including, in particular, the Roma and the Crimean Tatar communities. Further efforts are needed to increase awareness of racial discrimination and to fight it. In February 2010, an Action Plan for 2010-2012 was adopted by an Inter-agency Working Group set up to tackle xenophobia, interethnic and racial intolerance. In November, people watching a film on the Transgender Day of Remembrance were attacked by masked men. The local police classified the attack as ‘hooliganism’ but the victims were pressing the police to register the acts as ‘hate crime’. The event was followed by an EU demarche. No steps have been taken to develop a modern legal framework on ensuring the rights of minorities, and continuous efforts are needed to ensure implementation of the CoE Framework Convention for the Protection of National Minorities and the European Charter for Regional or Minority Languages. The ministry of education and science reversed the decision of the previous government to carry out school leaving tests only in Ukrainian and re-introduced the option of pupils taking these tests in national minority languages. Just after the reporting period, Ukraine submitted a draft law on languages for the review of the Venice Commission.

Poor conditions in detention facilities leading to cases of **torture and ill-treatment** remained serious, and systemic human rights violations by law-enforcement agencies continue to be reported. Impunity in this regard is a matter of concern. The ministry of interior’s department on Human Rights Monitoring, whose job it was to monitor respect for human rights within the police force, was abolished despite the positive results achieved in 2009. A National Preventive Mechanism has yet to be established in spite of the September 2007 deadline, which was set when Ukraine ratified the Optional Protocol to the UN Convention against Torture in 2006.

Institutional capacity in implementing **equal treatment** policies has improved and some progress can be reported. A department for the Family and Gender Policy was established within the ministry for family, youth and sport and an inter-ministerial commission was set up to address claims of gender discrimination. In the course of the year, the authorities launched a substantial raft of gender initiatives and coordination exercises among executive agencies in order to implement national gender policies. Domestic violence remains at high levels.

In March 2010, the UN Convention on the **Rights of Persons with Disabilities** and its Optional Protocol came into force. Progress has been achieved especially in ensuring that national legislation complies with the Convention and its Optional Protocol. However, overall progress on access to social services for the disabled remained uneven throughout the country, as it depends on effective decisions and policies at local level.

Some progress has been achieved in the area of **children's rights**. The national legislation has been brought into line with the UN Optional Protocol on the Sale of Children, Child Prostitution and Child Pornography (UN CRC OPSC), as was recommended by the UN Committee on the Rights of the Child in 2007. In January 2010, Ukraine adopted a law to combat child pornography. For its part, the EU helped organise a series of regional seminars aimed at better implementing The Hague Convention on the Civil Aspects of International Child Abduction.

Progress was made in the area of **trade union rights and core labour standards**: in November 2010 the government, trade unions and employers signed a new general agreement which will apply for the next two years (2011 -2012). The agreement is intended to increase labour productivity, create new jobs and raise the average salary by 17.8% in 2010, by 15% in 2011 and by 16% in 2016. The government undertook to create an advisory tri-partite committee working with central executive bodies.

Regional and international issues, cooperation on foreign and security policy, WMD non-proliferation and disarmament, conflict prevention and crisis management

Ukraine continued to cooperate actively with the EU on regional and international issues, and aligned itself with 26 out of 44 CFSP declarations in which it was invited to take part.

Ukraine's participation in the EU's 'Atalanta' naval operation was initiated, building on the positive experience of its participation in EU operations in the Balkans. In November 2010 the EU and Ukraine reached agreement on financing activities under the project on 'Bio-safety and bio-security improvement at the Ukrainian anti-plague station (UAPS) in Simferopol'.

Ukraine cooperated constructively with the EU on all questions related to the **Transnistria** settlement efforts. It took part in informal meetings of the so-called '5+2' format.

No progress was made on ratifying or implementation of the Rome Statute of the **International Criminal Court**. For the EU, this remains a core element for the foreign policy titles of the Association Agreement, and will therefore be pursued in the negotiations.

Ukraine and the Republic of Moldova failed to find a negotiated solution to their few remaining disagreements over the demarcation of the northern and southern segments of their common border. More effort and attention to this issue are needed in the ongoing visa dialogues between the two countries and the EU.

EU Border Assistance Mission to the Republic of Moldova and Ukraine (EUBAM)

Ukraine continued to be fully committed to, and participated constructively in, the work of EU Border Assistance Mission to the Republic of Moldova and Ukraine (EUBAM). With EUBAM support, the professional capacities of the Ukrainian customs and border guard services were further enhanced, as was inter-agency cooperation within Ukraine and between the Republic of Moldova and Ukraine. EUBAM supported the demarcation of the central (Transnistrian) segment of the Moldovan-Ukrainian state border on the Ukrainian side.

3. ECONOMIC AND SOCIAL REFORM

Macroeconomic framework and functioning market economy

Ukraine was among the countries in the EU neighbourhood that were hardest hit by the global economic and financial crisis. However, in 2010 Ukraine's economic fortunes improved in parallel with the rebound in other regions and in the context of a more stable domestic political situation following the presidential election and the subsequent formation of a majority government. Re-establishing a Stabilisation Agreement with the IMF and agreeing on an Economic Reform Programme, under the Supervision of the President's Committee on Economic Reforms, were important achievements in 2010.

The Ukrainian recovery was initially export-led, but spread to consumer demand over the course of 2010. Investment also recovered in 2010, albeit only in the second half of the year and relatively timidly, considering the favourable base effect stemming from its drastic contraction during the crisis. This in part reflected problems in the operating environment for businesses, as well as companies' continued difficulties with access to finance (loans by domestic banks to non financial companies barely increased in real terms in 2010).

On the external front, the positive adjustment of the current account that had resulted from the crisis-related contraction of imports during 2009 continued through the first half of 2010, before starting to reverse as domestic demand picked up. The current account slipped back into deficit. The full year current-account deficit is estimated at USD 2.9 billion (2,1 % of GDP).

Nonetheless, 2010 was a successful year overall for Ukraine in terms of external economic stabilisation. The country was able to tap various sources of external financing. Notably, this included a return to capital markets with a combined USD 2.5 billion of sovereign Eurobonds issued in September and December 2010. The government also secured a USD 2 billion revolving loan from a Russian state-owned bank and, most importantly, a new USD 15 billion Stand-by Arrangement (SBA) with the IMF. This began in July 2010 and runs until the end of 2012. (The previous SBA stalled in November 2009 over Ukraine's lack of compliance with agreed programme parameters). Meanwhile, negotiations between Ukraine and the EU on a macro-financial assistance loan of EUR 610 million were launched, but not concluded, in 2010.

The combination of multilateral, bilateral and private external borrowing by the government, along with a gradual return of external lending to private borrowers in Ukraine, allowed the National Bank of Ukraine (NBU) to replenish its foreign exchange reserves from a low of USD 24.1 billion (EUR 17.6 billion.) in February 2010 to USD 34.6 billion (EUR 26.2 billion) at year-end.

Domestically, the NBU managed to control inflation relatively well in 2010. Following three years of double-digit increases in consumer prices, the year-average headline inflation in 2010 came to 9.4%. Core inflation was slightly lower, at 8.6%, reflecting the fact that part of the price pressure stemmed from increases in excise taxes and administered prices, notably for gas and communal heating services. These were implemented in line with the reform programme agreed between Ukraine and the IMF with a view to gradually bringing retail energy prices to cost recovery levels, thereby reducing the need for state transfers to Naftogaz. In its fiscal policy, Ukraine broadly followed the consolidation course agreed with the IMF under the July 2010 SBA. At just over 5 % of GDP, the general government deficit was even lower than the initial IMF programme target, although this positive development was offset by the higher-than-mandated deficit of Naftogaz, which occurred despite the gas price hikes implemented under the programme.

In 2010 Ukraine adopted a new Budget Code, on the basis of which the authorities drew up a 2011 budget in line with the consolidation benchmarks agreed with the IMF. Then, in December 2010, the IMF completed its first programme review under the SBA and released the second tranche of its programmed financial support of USD 1.5 billion (or EUR 1.2 billion).

Employment and social policy

The economic recovery positively influenced the **employment** situation. According to official labour market figures, unemployment declined from 9.6% in 2009 to 8.8% in 2010, while the number of jobs rose slightly. However the informal sector still represents a substantial share of employment. At the end of 2010, 564 000 persons were officially registered as unemployed, of which 55% were women and 42% young job seekers. The 2010 budget specifically supported, for the first time, young job seekers and people looking for their first job. Some 323 000 people benefited from this. In September 2010 the Cabinet of Ministers approved a resolution on the national employment policy for the period 2010-2011.

Under the state insurance scheme, the State Employment Services (SES) supported people who had lost their job and assisted those who were looking for a new job. In 2010 the SES opened seven vocational educational training centres to train and retrain people according to the demands of the labour market, and there are plans to open ten more. The government drafted a decree 'On rules governing agreements concluded by the economic operators concerning training, retraining and better qualifications for workers'. The draft law on a national qualification system, submitted to the parliament in May 2010, uses the SES labour market analysis as the basis for the annual educational plan to be implemented by the ministry of education and science and other ministries.

As regards social protection and the fight against **poverty**, Ukraine prepared amendments to laws on social protection and the rehabilitation of disabled people. The draft amendments promoted equal employment opportunities, the fight against discrimination and barrier-free access for the disabled. The government continued to support persons with difficult living conditions and who face difficulties competing on the labour market. The minimum salary rose slowly during 2010, reaching 922 UAH (or EUR 88) per month in December. Pensions were also increased during the reporting period. The concept for reforming and improving the delivery of social services is under discussion at the ministry of labour and social policy.

In June 2010, the Committee for Economic Reforms, operating under the President, endorsed a draft **social protection** reform programme. This aims to give poor people better access to the social protection system and ensure that social assistance is targeted more effectively. Only 56.8% of those living below the absolute poverty line currently receive social assistance and only 23% of social transfers reach the poor.

Ukraine adopted the law on **social dialogue**, which was promulgated by the President in January 2011. The law is expected to improve the institutional framework and the functioning of social dialogue.

No progress can be reported regarding the adoption of the long-awaited amended Labour Code. Concerns were expressed by the ILO on the non conformity of certain provisions with its basic standards, notably regarding the right to strike.

Ukraine signed international agreements on mutual employment with Latvia, Lithuania, Poland and Portugal and on mutual social protection with Bulgaria, Estonia, Spain, Latvia, Lithuania, Slovakia and Czech Republic.

In the area of **agriculture**, in June 2010, the ministry of agrarian policy issued an instruction on a departmental programme for the socio-economic development of rural communities.

In order to improve the competitiveness of agricultural production, as well as quality schemes, the ministry established the Agricultural Wholesale Markets Development Group and organised an International Agricultural Wholesale Market Investor Forum with the participation of experts and representatives from EU member states. During the reporting period Ukraine adopted the law on the ‘Wholesale Markets of Agricultural Products’.

In the field of **regional policy** dialogue changes first in the government and then in ministerial structures meant that no progress was made in implementing the agreed work plan for the Memorandum of Understanding on Regional Policy dialogue signed in July 2009, other than the launching of an OECD Territorial Review. When ministerial structures will be finalised, the Regional Policy dialogue and implementation of a revised programme will be continued as of 2011.

4. TRADE-RELATED ISSUES, MARKET AND REGULATORY REFORM

During the reporting period, bilateral **trade** between Ukraine and the EU rebounded, although total trade did not reach its 2008 level. EU exports to Ukraine increased by 24.5 % compared to 2009 and Ukraine’s exports to the EU increased by 43.4 %. Five rounds of negotiations for a EU-Ukraine DCFTA were held during the reporting period.

There was very limited progress on implementing the **customs**-related priorities of the Association agenda. Customs procedures are being computerised, but the risk-based customs control system still needs to be substantially upgraded. An updated version of the harmonised system for the classification of goods (HS) was adopted in January 2011. . The State Customs Service of Ukraine (SCSU) took preparatory steps to join the common transit system. Preparations are under way for special customs controls during the EURO 2012 football championship, and in particular for action to protect intellectual property rights. Further steps are needed to tackle the problems arising from cumbersome, bureaucratic and restrictive customs controls . The procedures for verifying customs valuation are still not in line with World Trade Organisation (WTO) rules, as transaction values are routinely questioned and minimum prices arbitrarily used. Integrity remains an area of serious concern.

On **free movement of goods and technical regulations**, in May 2010 the government adopted a decree ‘on approving the plan for priority measures regarding the reform of the system of technical regulation’. In December 2010 the President signed the Laws on Market Surveillance and General Product Safety. A draft law on ‘liability for damage rendered by the defect of a product’ was submitted to Parliament. Under the administrative reform announced by the President in December, the State Committee on Technical Regulation and Consumer Policy (DSSU) would be reorganised as the State Service on Technical Regulation. It is not clear whether the reform will address the long-standing institutional challenges in the Ukrainian system of technical regulation.

There are concerns over measures relating to the **export of grain**. The introduction of additional grain quality checks by Ukrainian customs and the quotas for grain exports imposed in October by the Ukrainian government go against the spirit of trade provisions in the PCA. They also raise serious concerns in terms of WTO compatibility.

In the area of **establishment and company law**, the Parliament adopted a law on licensing. This law clarifies which types of economic activities are subject to licensing procedures. The Parliament also adopted two laws on the state registration process — one concerning the registration of legal entities and the other relating to plans for an electronic registration system.

Ukraine continued gradually bringing its **sanitary and phyto-sanitary (SPS)** standards into line with the EU's, and there was progress on the SPS negotiations for the DCFTA. In July 2010, Ukraine adopted rules on the frequency of veterinary-sanitary inspections at enterprises, applying strengthened hygiene rules based on the Hazard Analysis Critical Control Point (HACCP) system. Ukraine established a working group that started work on reforming the food safety inspection system on the basis EU standards. It further modernised laboratories and trained SPS staff. In 2010, the European Commission's Food and Veterinary Office (FVO) carried out four inspection visits. Two missions in the poultry sector concerned, respectively, animal health issues and animal production. The other missions focused on the dairy sector and on checking for residues and contaminants in live animals and animal products, including checks on veterinary medicinal products. In August 2010, the EU's veterinary emergency team carried out a mission to help Ukraine develop control and eradication measures for African swine fever. Additional attention should be paid to transparency when amending or proposing legislation. The new procedure for authorising imports of animal products deserves special attention, as does the draft legislation on water and on the certification of meat, dairy and poultry products.

Negotiations on **services** continued in the context of the overall DCFTA negotiations.

As regards **financial services**, Ukraine is recovering from the global financial crisis, although the banking sector in Ukraine remains fragile. Financial sector reforms are focused on ensuring an adequate level of capitalisation and strengthening the independence of the National Bank of Ukraine (NBU). In 2010, the financial sector regulators developed several concept papers and actions plans for prudential supervision, insurance, implementing International Financial Reporting Standards (IFRS) in non-bank financial institutions, protecting consumers of financial services and developing credit cooperation systems. In November 2010, a draft law amending the existing Law on Financial Services Market was submitted to the Cabinet of Ministers. It aims to establish the legal framework for a unified public financial policy on financial services, to strengthen the coordination between and accountability of financial sector regulators and to strengthen their operational independence.

Insurance markets remain problematic in Ukraine. As part of the President's reform plans, Ukraine decided to draft a new insurance law in 2011 in order to bring Ukrainian legislation into line with Solvency II requirements.

In the field of **accounting**, banking institutions are legally required to issue IFRS statements, but not all of them have complied. The mandatory use of IFRS for all banking institutions by 2011 is a condition of the IMF Stand-By agreement. Legislative and non-legislative preparatory work is under way to extend IFRS reporting to non-banking financial institutions.

No progress can be reported in the field of **audit and accounting**.

Ukraine and the IMF assessed regulatory restrictions to the **free movement of capital**. In October 2010, the NBU re-instated the requirement for banks to deposit there for six months 20% of the foreign currency credits or deposits received from non-residents.

The Ukrainian **business and investment climate** remains unstable, reflecting unpredictable and non-transparent decision-making by the authorities and the economic operators and lack of trust in the judiciary. Controversies between the business community and the government arose over the issuance of VAT bonds and the new proposed Tax Code (*see below*). Ukraine's failure to respect WTO rules on customs valuation has created considerable problems for European companies across various sectors throughout 2010, contributing to the perception of a deteriorating business climate. A study ordered by the European Business Association indicates that the apparent stability resulting from the presidential elections makes Ukraine more attractive for investment, though this is mitigated by the negative perceptions of increased government and customs interference in business, worsened corruption and lack of progress with court system reform.

Other key areas

Concerns remain in the **taxation** area. In particular, tax legislation and the functioning of the administration are not fully in line with the principles of good governance and fair tax competition. A final, comprehensive strategic plan for tax administration is still lacking. On 2 December, the parliament approved the Tax Code incorporating presidential amendments. The revised law integrates various earlier laws and regulations in a single document, keeps intact the existing simplified taxation regime for individual entrepreneurs and limits the powers tax authorities can exercise *vis-à-vis* business, with the aim of rectifying some problematic issues. Implementation of the new code will require a close monitoring, especially as regards the application of fines and fees for tax violations, the registration of newly-established entities, the taxation of intermediaries and the mechanism for comparing the value of products.

Indirect taxation has been a focus of interest during 2010. The government made an effort to settle VAT refund arrears by the end of 2010, issuing VAT bonds in August with a face value of UAH 16.4 billion (EUR 1.44 billion) or 1.6% of GDP. This measure cleared a large part of the arrears that the state had built up on VAT refunds to companies. Nevertheless, it was controversial within the business community, both domestically and abroad, as companies felt compelled to register (seeing the bond scheme as the only way of being paid at all), even though the bonds offered a coupon inferior to market yields from comparable government bonds. Indeed, companies in need of cash for their operations had to sell the bonds at a discount of reportedly 20-30% of face value. There were also complaints about the preferential treatment of companies with close ties to the authorities, while other enterprises reported that part of their VAT refund claims were not recognised and remained unpaid.

According to the new Code, compliant taxpayers will, from March 2011, be eligible for automatic VAT refunds aimed at simplifying the refund procedures and making them more transparent. The maximum periods for VAT refunds under a regular system have been established. Some of the compliance criteria for automatic VAT refunds cause concern.

In the field of **competition policy**, two draft laws had their first reading in parliament — one raising the notification thresholds for concentrations and the other introducing criminal

liability for serious competition infringements. A third draft law under consideration aims to increase the powers of the Anti-Monopoly Committee to collect evidence in investigations. Steps towards better transparency are also being taken with the publication of decisions online, open hearings and improved access to documents. Ukraine has no law regulating **state aid**, but in early 2010 the government issued a decree to increase transparency and reform the concept of state aid.

Ukraine reinforced its international commitments in the field of **intellectual property rights (IPR)** with the entry into force of the Singapore Treaty and the Strasbourg Agreement. Authorities continued their *ex officio* actions, carrying out a number of seizures, and 50 criminal responsibility court cases were opened in 2010. Nevertheless, pirated and counterfeit goods remain widespread. At 85%, Ukraine shares 13th place in an independent expert organisation's ranking of the countries with highest prevalence of software piracy.

A new law on **public procurement** came into force on 30 June 2010. Among other things, it set up the Anti-Monopoly Committee as the new, independent review body providing remedies and review procedures which are now closer to EU standards. Further legislative proposals in line with European and international standards were also prepared in 2010 but have yet to be adopted. In addition, legislative amendments giving rise to possible exclusions from public tendering were a source of concern in early 2011. This influenced the overall assessment of public financial management in Ukraine, so that disbursements from sectoral budget support operations were suspended.

In the framework of a twinning programme, the State **Statistics** Committee of Ukraine (SSCU) assessed its own work in the light of the European Statistics Code of Practice and found its activity to be in line with international practice. Improvement of methodology continued. Ukrainian experts met their Polish counterparts to compare trade data and identified possible reasons for discrepancies. In August 2010, SSCU signed a protocol with the customs authorities to obtain more complete information on cargo declarations with a view to improving trade statistics.

On **enterprise policy**, there were several initiatives in support of Small and Medium-sized Enterprises (SMEs) in 2010. The state registry for companies is being simplified, as are checks on businesses. A draft law on bankruptcy and licensing is before Parliament. In May 2010, the State Committee of Ukraine for Regulatory Policy and Entrepreneurship prepared the presidential ordinance necessary for Ukraine to take part in the European Small Business Act initiative.

The government cancelled the planned draft law on **public internal financial control**, opting instead to widen the scope of the Budget Law to facilitate the development of internal audit.

With regard to **external audit**, a Peer Review with the support of SIGMA¹ took place in 2010, providing a basis for future policy decision-making. As in 2009, there is still a need for closer cooperation between Ministries and state agencies to prevent fraud and serious irregularities.

¹ Sigma (Support for improvement in Governance and Management) is a joint initiative of the OECD and the European Union, principally financed by the EU.

5. COOPERATION ON JUSTICE, FREEDOM AND SECURITY

In the field of **mobility**, an Action Plan towards visa liberalisation was announced at the EU-Ukraine Summit in November 2010. The implementation of the Visa Facilitation and Readmission Agreements with Ukraine has continued. The Commission has adopted in October 2010 draft negotiating directives for the renegotiation of the Visa Facilitation Agreement in order to align it with the new Visa Code and to introduce further facilitations. The negotiating directives were approved by the Council on in April 2011.

The State Border Guard Service pursued **border management** reforms in line with the targets of the 2015 plan in terms of infrastructure, career development and personnel training. In May 2010, it signed an 18-month cooperation agreement with FRONTEX covering risk analysis, joint operations and management. In October 2010, Ukraine adopted an Integrated Border Management Concept followed by an Action Plan. Even closer cooperation is still needed between the State Border Guard Service and the Customs Service to optimise information exchange at all operational levels. In the framework of Ukraine's preparations to co-host the 2012 European Football Championship, an EU-funded twinning project on public order and crowd control completed its activities in March and a security meeting was held with Poland in February 2010.

Ukraine continued discussions on **border demarcation** with the Republic of Moldova under the auspices of the EUBAM, but ongoing tensions concerning in particular the region of Palanca continue to have a negative impact on regional security. A Common Border Security Assessment Report (CBSAR) is issued jointly by both countries every month and a customs data exchange (PAIES) is in place.

Important shortcomings in the field of **migration and asylum** remain both in the legislation and in its implementation. Ukraine has to improve substantially its refugee protection and asylum system. Ukraine still does not have appropriate asylum legislation in place and recent administrative changes regarding the asylum authority contributed to the increase of the backlog in dealing with asylum requests. The rights of recognized refugees are not respected (i.e. housing, education, access to the labour market).

Ukraine continued to fight against **organised crime**, implementing its obligations under the 2003 United Nations Convention on Trans-national Organised Crime through regional cooperation to tackle the trafficking of persons and the smuggling of migrants. However, Ukraine's capacity to tackle organised crime continued to suffer from institutional fragmentation. A national strategy and action plan are urgently required to determine the powers and responsibilities of the various law enforcement agencies and to ensure that they work together. As in 2009, the Third Protocol on the Illicit Manufacturing and Trafficking of Firearms, Their Parts, Components and Ammunition remains unsigned.

In September 2010, Ukraine ratified the CoE Convention on Action against **Trafficking in Human Beings**. The various law-enforcement agencies are still discussing a draft law that would provide more severe penalties for trafficking crimes and give victims greater protection. Ukraine continued cooperating with EU member states and Interpol on technical information exchanges. Cooperation with civil society also continued apace. Further efforts are needed to combat internal trafficking and to develop protection and rehabilitation measures for victims of forced prostitution and labour exploitation particularly in the construction and agriculture sectors

In January 2010 the ministry of health signed a Memorandum of Understanding with the European Monitoring Centre for **Drugs** and Drug Addiction (EMCDDA) and in September it adopted a National Drugs Strategy for 2010-15. Meanwhile, cooperation continued with civil society organisations on demand reduction. There is an urgent need for better financing of drug monitoring and for more reliable information on drug prevalence, particularly among youth and other high-risk groups. The absence of a drug-substitution programme within prisons and detention facilities is a cause for concern. It remains crucial for the Ukrainian authorities to work systematically with civil society groups on developing an integrated approach to this problem. Ukraine took part in the ENP regional seminar on the EU drug monitoring system organised by EMCDDA and the Commission in Brussels in October 2010.

In the area of the fight against **money laundering** and economic crimes, Ukraine continued implementing its national control regime in the light of the recommendations made by Moneyval's 2009 Third Round Mutual Evaluation Report in relation to coordination between law enforcement agencies on anti-corruption. The 2005 Council of Europe Convention on the Laundering, Search, Seizure and Confiscation of the Proceeds from Crime and the Financing of Terrorism was ratified in November 2010 and a law on prevention and countermeasures against the laundering of the proceeds of crime and the financing of terrorism was adopted in May 2010. Serious inroads into the prosecution of money laundering cases have yet to be made. In March 2010, Ukraine acceded to the Council of Europe Criminal Law Convention on Corruption and its Additional Protocol.

In the area of **police and judicial cooperation** the parliament adopted the law on Personal Data Protection in June 2010 which entered into force in January 2011. In September Ukraine ratified the 1981 Council of Europe Convention for the Protection of Individuals with regard to the Automatic Processing of Personal Data. Ratification of the former and its Additional Protocol on supervisory authorities and trans-border data flows will enable further development of cooperation with Europol and Eurojust. Cooperation between the EU and Ukraine is based on the Conventions of the Hague Conference on Private International Law and concentrates on family law. In this context Ukraine has recently signed the 2007 Maintenance Convention

6. TRANSPORT, ENERGY, ENVIRONMENT, THE INFORMATION SOCIETY, RESEARCH AND DEVELOPMENT

In the context of broader administrative reform, the Ministry of **Transport** and Communications was re-named the Ministry of Infrastructure and will now cover tourism in addition to transport and communications.

In October 2010, the Cabinet of Ministers approved the transport strategy to 2020. To implement the strategy the ministry will have to submit to the Cabinet a shorter-term implementation programme covering the period until 2015.

Under the UNECE²-AETR agreement on driving times and rest periods, Ukraine made substantial progress on introducing the digital tachograph. In June 2010 the acceptance of applications for the provision of cards for digital control devices started.. Ukraine plans to draw up a road safety strategy.

² United Nations Economic Commission for Europe

The Presidential Programme of Economic Reforms for 2010-2014 stipulates that action plans are to be drawn up in 2011 for implementing the 2009 railway reform programme.

One round of negotiations on a comprehensive aviation agreement between the EU and Ukraine took place in March 2010. Ukraine has not replied to the latest Commission proposals. In November 2010 the Ukrainian parliament passed the draft Air Code at first reading.

Ukraine needs to ensure that its inland waterway fleet will meet recent UNECE requirements. Maritime safety also remains an issue of concern: Ukraine has not yet approved the national maritime safety concept. Ukraine will need to step up enforcement if it wants to be removed from the black list of the Paris Memorandum of Understanding on port state control.

Ukraine and the EU consolidated their **energy** cooperation during 2010. In July, Ukraine adopted a new gas law, which the EU considers a sound basis for the alignment of the Ukrainian gas market with EU and Energy Community rules. In September, the Protocol on Ukraine's accession to the Energy Community Treaty was signed. In November, the EU-Ukraine Summit adopted the fifth progress report on the implementation of the Memorandum of Understanding on Energy cooperation. In December, Ukraine ratified the Treaty, paving the way for its membership in February 2011.

In August 2010, Ukraine increased by 50% its gas tariffs for households and municipal heating companies. This is a significant step towards improving the financial viability of Naftogaz. Further action is needed to restructure Naftogaz, to increase transparency in the gas sector and to ensure full-cost coverage for gas supplies to industry. Ukraine continued to work towards membership of the Extractive Industry Transparency Initiative, aiming at transparency of hydrocarbons revenues. Ukraine took some steps to strengthen the regulator, including through EU-supported training. New laws are being drafted on electricity, energy sector regulation, the compulsory installation of gas meters and gas and electricity settlements. In February 2010, Ukraine began the process of corporatising the electricity transmission operator 'Ukrenergo'. An energy reform programme is being prepared.

Following-up the joint 2009 EU-Ukraine conference on the modernisation of the Ukrainian gas transit system, the EU agreed to support a feasibility study and environmental and social impact study on the modernisation of gas networks and underground gas storage. This study, which started in February 2011, is part of the due diligence process of the European Investment Bank (EIB), the European Bank for Reconstruction and Development (EBRD) and the World Bank. In September 2010, the involved donors also agreed to consider a 'fast track' project on the reconstruction of sections of the Urengoy-Pomary-Uzhgorod gas pipeline. Ukraine further developed its plans to construct a Liquefied Natural Gas terminal at the Black Sea coast and continued working on a draft oil stocks law. Together with Azerbaijan, Georgia, Lithuania and Poland, Ukraine continued to develop a Euro-Asian Oil Transportation Corridor. Ukraine moved ahead with preparations to assess the possibility to join, together with the Republic of Moldova, the interconnected electricity networks of continental Europe. Ukraine further upgraded its electricity networks.

In March 2010, Ukraine adopted an energy efficiency programme for the period 2010-2015, aiming at a 20% decrease in Ukraine's energy intensity, a 15% decrease in the volume of harmful emissions into the environment and a 50% decrease in heat losses in the housing sector compared to 2008. Ukraine worked on draft laws on energy efficiency and energy efficiency in buildings. In July 2010, Ukraine adopted a law establishing by January 2011 a

regulatory commission for communal services with the power to set communal services tariffs. Ukraine continued to work towards a restructuring strategy for coal.

Regarding nuclear energy, the EU-Ukraine-International Atomic Energy Agency (IAEA) evaluation of the safety of Ukraine's nuclear power plants was completed. Generally, it concluded that they are fully compliant with most of the IAEA's standards. Ukraine is making progress in addressing the identified shortcomings. In 2010, it further upgraded the safety of its nuclear power plants as part of the €1.5 billion upgrade package for 2010-2017. It expressed interest in applying for Euratom and EBRD loans to help finance this package. It continued strengthening its Nuclear Regulatory Authority and made good progress in restoring the Chernobyl site to an environmentally safer condition.

In the field of **climate change**, further steps were taken to draft legislation on emission trading. Ukraine took steps to prepare and approve new Joint Implementation projects, 30 of which were registered at UN level, bringing the overall number of registered projects to 48. The European Commission continued to support Ukraine in implementing the Kyoto Protocol. Ukraine is encouraged to fully implement the Cancun agreement and in particular devise a low carbon development strategy including update information on target or actions that it will implement.

Ukraine adopted a national **environment** strategy to 2020, and started to prepare a national environment action plan. Ukraine amended its legislation (Land and Water Codes) on integrated coastal zone management and adopted a new law prohibiting the felling of woodland areas in and around Kyiv. Amendments to the State Programme 2006 – 2020 on Drinking Water are being prepared. Ukraine actively participated in developing an Integrated River Basin Management Plan for the Tisza river, which was adopted by the parties in December 2010. Ukraine took some steps to promote the integration of environmental considerations into other policy sectors such as energy. Continued efforts are needed to develop legislation, to implement existing strategies and plans and to further enhance monitoring and enforcement. Ukraine still faces a major challenge in strengthening its administrative capacity at all levels. Coordination between authorities continues to require particular attention.

Ukraine made no significant progress on the UNECE protocols,³ which it still has not ratified. Moreover, it must give attention to implementing several agreements it has already ratified.

In September 2009, the Espoo Convention's Implementation Committee meeting decided that its conclusions regarding the Bystroe Deep Water Canal should be addressed at the next session of the Meeting of the Parties scheduled for June 2011. In 2010 several meetings were held with the Romanian side on the disputed issues. As regards Aarhus Convention, an action plan on the implementation of the Convention and a decree on public participation were adopted in December 2009. Ukraine continued to cooperate in a compliance review of both conventions, a final project report of which was submitted in August 2010 to the Ukrainian side

³ The Protocol on Strategic Environmental Assessment to the UNECE Convention on Environmental Impact Assessment in a Transboundary Context and the following protocols of the UNECE Convention on Long-Range Transboundary Air Pollution: Protocol on Persistent Organic Pollutants; Protocol on Heavy Metals; Protocol on Further Reduction of Sulphur Emissions; Protocol concerning the Control of Emissions of Volatile Organic Compounds or their Trans-boundary Fluxes.

While some steps were taken to improve procedures and consultation with the public, continued efforts are needed including in the context of environmental assessments.

Ukraine took part in the EU Water Initiative, through (for example) a national policy dialogue. It also took part in the International Commission for the Protection of the Danube River and in the Commission on the Protection of the Black Sea against Pollution. Cooperation and information exchange took place between the European Commission and Ukraine, including on water, forestry, waste management, management of environmental information, nature protection and air quality.

During the reporting period there was no significant development on **civil protection**. However, in February 2011 Ukraine ratified the 1993 ILO Convention on the Prevention of Major Industrial Accidents which is expected to provide a framework for mapping and cleaning up various industrial sites where large quantities of hazardous chemicals are currently stored in unsupervised conditions.

In the **information society** sector, limited progress can be reported in the field of electronic communications regulation. The parliament still needs to adopt several draft laws, notably those simplifying market entry procedures for some electronic communications services and strengthening the regulator's independence. At present the regulator does not have the powers to establish a level playing field in the telecommunications market. Ukraine prepared amendments to the telecommunications law. In the absence of an appropriate legal framework for interconnection, the Antimonopoly Committee established that eight operators hold a monopoly in the call termination markets. Subsequently, the National Commission for Communications Regulation (NCCR) set termination rates for dominant operators. In July 2010, the parliament adopted a law which introduced number portability. The implementation of number portability will be important for improving the functioning of the market and for consumers.

In October 2010 the government formally launched the tendering procedure for privatising the state-owned fixed-line incumbent operator Ukrtelecom. (The government retains a 92.8% stake in the company).

Regarding the **audiovisual** sector, the Ukrainian parliament is currently reviewing a draft law which envisages giving 'must carry' status to all Ukrainian TV channels on pay-TV platforms. The draft law would have the effect of seriously limiting freedom of reception and retransmission as established in the Convention on Transfrontier Television ratified by Ukraine and the Audiovisual Media Services Directive, the EU audiovisual *acquis* on audiovisual. If adopted, the draft law would be a serious step backwards in the alignment of Ukrainian legislation with European standards on media.

Ukraine continued to update its **research and innovation** policy with more direct and sustainable economic development objectives. Ukraine's participation in the 7th Research Framework Programme (FP7) continued to be encouraging with an increased number of successful proposals in 2010. As of November, 91 Ukrainian research entities were involved in successful FP7 research projects, receiving an EU contribution of EUR 8.08 million. The possibility to associate Ukraine to FP7 is being explored. The ongoing bilateral 'Bilat-Ukr' project organised various seminars and workshops supporting Ukraine's participation in FP7. As part of this project, analysis has been carried out on the issues of scientists' mobility, research infrastructures and innovation as a basis for fostering EU-Ukraine collaboration in

these areas. The EU-Ukraine Science and Technology (S&T) cooperation agreement is in the final stages of being renewed for a further period of five years.

Ukraine continued to participate actively in the International Science & Technology Cooperation Network for Eastern European and Central Asian countries (FP7 IncoNet EECA project), which aims to support a bi-regional EU-EECA policy dialogue on science and technology and to increase EECA participation in FP7. In October 2010, an IncoNet Brokerage Event for the FP7 energy theme was organised in Kyiv by the FP7 National Information Centre.

Ukraine took an active part in the Black Sea ERA-NET project which aims to help coordinate national research programmes (from EU member states and partner countries) targeting the Black Sea region as a whole. The project consortium for the Black Sea ERA-NET project recently launched a first joint call for proposals to promote collaborative research on innovative approaches to sustainable development in the region.

7. PEOPLE-TO-PEOPLE CONTACTS, EDUCATION AND HEALTH

In 2010, particular attention was given to all levels of **education**, with new reform plans to accelerate convergence with the developments in the EU. Reform objectives include strengthening educational governance, improving quality and accessibility, and ensuring the continuity of education levels and financing. In August, the government identified **pre-school education** as a new reform priority. It adopted a concept for a state programme of pre-school education development to 2017, with objectives and benchmarks closely aligned with those of the EU's Education and Training 2020 targets.

The ministry of education and science initiated secondary curriculum reform in August with the adoption of two state programmes 2010-15 to improve ICT, science and mathematics education and to enhance teaching skills. Secondary education was reduced from 12 to 11 years.

The draft law on **higher education** encompasses key aspects of the Bologna Process including implementing the three-cycle system, enhancing university autonomy and facilitating student involvement in university governance, as well as providing a legal basis for external assessments. In March, the Cabinet issued an order on diploma supplements to university degrees to better facilitate degree recognition and student mobility. Most higher education institutions achieved the Bologna Process goals of implementing a two-cycle system, quality assurance measures, ECTS and recognition of diplomas. However, there are still major challenges as regards implementing the third cycle, adapting curricula to labour market needs and setting up an independent quality assurance agency.

After a break of five years the ministry of education revived the work of the National Inter-Sector Committee on **vocational education and training**, ensuring employer and trade union input into policy discussions. The draft law on a national qualifications framework, prepared by the Confederation of Employers in 2009, was re-submitted to parliament following the input of other stakeholders. The Tri-partite Committee on Vocational Guidance convened in November 2010. One key challenge that remains is to get businesses involved in defining the content of training courses, so as to maximise trainees' employment prospects. The ministry demonstrated strong commitment to the Torino Process, which analyses vocational education and training policy. The ministry assessed its own work using the agreed methodology.

Ukraine continued to benefit substantially from its active participation in **Tempus**. Five new projects were selected under the third Tempus IV Call for Proposals, including support for the development of doctoral studies. A total of 28 Ukrainian students benefited from **Erasmus Mundus** Masters Course scholarships during the 2010-11 academic year. Student and academic mobility to the EU continued to develop through the expected award of 99 individual mobility grants under Erasmus Mundus Action 2, for the 2010-11 academic year.

Three new Ukrainian projects were selected under the **Jean Monnet** Programme in 2010, including, for the first time, two Jean Monnet Chairs in Kyiv (Kyiv-Mohyla Academy) and Donetsk (State University) — on EU relations and economic issues, respectively.

Ukrainian young people, youth workers and **youth** organisations continued to benefit from the Youth in Action programme in youth exchanges, voluntary service actions and youth activities in non-formal education. Further national efforts promoting intercultural dialogue and drug prevention activities through youth exchanges and informal education would be welcome.

In the area of **culture**, Ukraine ratified the UNESCO Convention on the Protection and Promotion of the Diversity of Cultural Expressions in March 2010. During the year, Ukrainian cultural organisations took part in three projects under the ENP Special Action which forms part of the Culture Programme. To advance its regional cooperation within the framework of the Eastern Partnership and the Kyiv Initiative, Ukraine is once again encouraged to ratify the 2005 CoE Framework Convention on the Value of Cultural Heritage for Society.

The Presidential Programme on Economic Reform announced an ambitious reform of the **health** sector, aiming at better quality healthcare services, greater financial sustainability, improved access to services (in particular in rural areas) and a healthier lifestyle. Implementation requires sustained effort. In April 2010, in the context of last year's influenza (H1N1) epidemic, the Commission and Ukraine established communication channels for exchanging epidemiological information in the event of a public health emergency of international concern. In 2010, Ukraine signed a license agreement with the Commission under which the EU's pictorial health warnings could be displayed free of charge on tobacco packaging. Ukraine continued the fight against HIV/AIDS and tuberculosis, and took part (as in previous years) in the Commission's HIV/AIDS think tank. The health sector dialogue between the EU and Ukraine was enhanced by – among other things – Ukraine's participation in the EU's global health conference in June 2010.

8. FINANCIAL COOPERATION — 2010 KEY FACTS AND FIGURES

Cooperation framework

The Mid-Term Review of the programming document confirmed that the Country Strategy Paper adopted in 2007 remains a valid framework for cooperation with Ukraine. The new National Indicative Programme (NIP) 2011-2013 for Ukraine was adopted in March 2010 and has a budget of EUR 470.1 million. The programme is geared towards supporting the achievement of key policy objectives, as outlined in the EU-Ukraine Association agenda, and pursues three priorities: (1) good governance and the rule of law, (2) facilitation of the entry into force of the EU-Ukraine AA (including the DCFTA and (3) sustainable development.

The NIP 2011-2013 includes a specific appropriation to finance new actions under the Eastern Partnership, notably a Comprehensive Institution Building programme (CIB) (a minimum of

EUR 43.4 million) and Cohesion Policy (a minimum of EUR 30.8 million). The CIB Framework Document was signed in October 2010. It sets out the four priority areas for support: one is ‘horizontal’ (the steering and implementation process for the AA and DCFTA) and three are ‘vertical’ (sanitary and phyto-sanitary regulations, state aid control and migration).

Implementation

Implementation of the measures covered by previous Annual Action Programmes (AAP) from the period 2007-2009 is underway. The three sectoral budget support operations (1) ‘Support to the implementation of Ukraine’s energy policy’, (2) ‘Promoting mutual trade by removing technical barriers to trade between Ukraine and the European Union’ and (3) ‘Support to the implementation of Ukraine’s strategy in the area of energy efficiency and renewable sources of energy’ are being implemented, although one disbursement was delayed pending timely confirmation of the improved situation in the country regarding public financial management, notably in the field of public procurement.⁴ Two further sectoral budget support operations ‘Support to the implementation of an environmental strategy in Ukraine’ and ‘Support to the Implementation of the transport strategy of Ukraine’ were agreed at the end of the year. The two Twinning and ENP Support Technical assistance projects are being implemented, as is the project on ‘Readmission-related assistance and EUBAM-flanking measures’.

Support for the reform of the judiciary was one of the priority areas for EU assistance. It also provided for an intensive training programme attended by 2029 judges, court administrators and auxiliary court staff.

In 2010, the EU continued to support Ukraine's national reform efforts and committed assistance for a total amount of EUR 126 million under the bilateral envelope of the European Neighbourhood and Partnership Instrument (ENPI). The 2010 AAP focused on the following priorities: justice, local and regional development, energy efficiency and environment, technical assistance and border management. Of the overall amount committed, EUR 10 million was allocated to the justice sector, EUR 17 million to community based approaches to local development, EUR 12 million for a joint cooperation initiative in Crimea and EUR 10 million for energy efficiency. The 2010 AAP includes one sectoral budget support operation on border management, worth EUR 66 million. Additionally, a twinning and technical assistance project has been identified for the sum of EUR 11 million.

In addition to the bilateral allocation, Ukraine benefited from cooperation financed under the ENPI cross-border, inter-regional and regional programmes. Ukraine took part in the following four ENPI Cross-Border Cooperation (CBC) programmes: (i) Poland-Belarus-Ukraine (EUR 186.2 million for the whole programme in 2007-13). The priorities are to increase competitiveness of the border area, improving the quality of life, networking and people-to-people cooperation; (ii) Hungary-Slovakia-Romania-Ukraine (EUR 68.6 million for the whole programme in 2007-13). The priorities are to promote economic and social development, enhance environmental quality, increase border efficiency and support people-to-people cooperation; (iii) Romania-Ukraine-Republic of Moldova (EUR 126.7 million for the whole programme in 2007-13). Priorities are competitiveness of the border economy, environment, emergencies and interaction between people and communities living in the

⁴ EUR 12 million were released as a first tranche under the ‘Support to the implementation of Ukraine’s strategy in the area of energy efficiency and renewable sources of energy’ sector budget support.

border areas; (iv) Black Sea Basin (EUR 21.3 million for the whole programme in 2007-13). The main priorities of this programme are to support cross-border partnerships for economic and social development based on combined resources, to share resources and competencies for environmental protection and conservation, and to support cultural and educational initiatives for the establishment of a common cultural environment in the Basin. There is as yet no specific national legislation to promote cross-border and regional cooperation. Existing CBC programmes at local and regional levels have aimed to facilitate civil society cooperation as well as other external cooperation programmes.

Ukraine also participates in the ‘Central Europe’ and ‘South-East Europe’ Transnational Cooperation Programmes developed under the European Regional Development Fund (ERDF) to which the country was admitted in May 2008.

Under the ENPI-financed Neighbourhood Investment Facility (NIF), two feasibility studies were approved in 2010 for EUR 2.5 million. These are expected to leverage loans from European financial institutions for modernising Ukraine’s gas transit corridors and underground gas storage facilities.

Other EU Instruments supplement the ENPI assistance package. Ukraine benefited from cooperation activities financed under horizontal instruments such as the European Instrument for Democracy and Human Rights (EIDHR) and the Development Cooperation Instrument (DCI) thematic programmes: ‘Environment and sustainable management of natural resources including energy’ and ‘migration and asylum’. Ukraine remained one of the main direct beneficiaries of the Instrument for Nuclear Safety Cooperation (INSC). Funding in 2010 amounted to about EUR 21.1 million for supporting radioactive waste management, assisting the State Nuclear Regulatory Committee of Ukraine (SNRCU) and enhancing the Operational Effectiveness, Safety Performance and Human Resources’ effectiveness of NNEG Energoatom and its nuclear power plants.

Negotiations for the disbursement of about EUR 610 million of macro-financial assistance to Ukraine were launched in 2010, but have not yet been concluded.

In 2010 the European Investment Bank (EIB) agreed to lend Ukraine about EUR 15.5 million for the Mykolayiv Vodokanal project, which is aimed at modernising water supply and treatment in the town of Mykolav.

Donor coordination

In 2010 the EU Delegation in Ukraine regularly coordinated assistance cooperation with the EU member states and, in the absence of a structured government-led mechanism, coordination with other development partners. The EU Delegation contributed actively to the major donor group’s work as well. Poland and the United Kingdom agreed to provide some bilateral support for the preparatory phase of the CIB programme, working together within the framework of enhanced EU coordination. Furthermore the Commission and 14 member states have launched the Joint Cooperation Initiative in Crimea (JCIC), aimed at promoting the development of the region.



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JOINT STAFF WORKING PAPER

**Implementation of the European Neighbourhood Policy in 2010
Country Report: Egypt**

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JOINT STAFF WORKING PAPER

Implementation of the European Neighbourhood Policy in 2010 Country Report: Egypt

1. OVERALL ASSESSMENT

Egypt and the European Community first established contractual relations in 1976 by the signing of a Cooperation Agreement. The EU-Egypt Association Agreement entered into force in June 2004 and constitutes the legal basis for EU-Egypt relations. On this basis, and in the framework of the European Neighbourhood Policy (ENP), the EU-Egypt ENP Action Plan was approved in March 2007 for a period of three to five years.

In 2008 Egypt expressed its interest in enhancing relations with the EU. The Association Council in April 2009 gave a political commitment to work in this direction. An *ad-hoc* group was established to discuss possible areas for deeper cooperation.

Assessment of progress during the reporting period

This document reports on progress made in the implementation of the EU-Egypt ENP Action Plan between 1 January and 31 December 2010. Developments outside this period are taken into consideration when deemed relevant. They concern in particular the popular demonstrations which started on 25 January 2011 and lead in February to the resignation of President Hosni Mubarak and the establishment of temporary rule by the army. This report does not present a general review of the political and economic situation in Egypt. For information on regional and multilateral sector processes, please refer to the sectoral report.

The Association Council, the Association Committee and seven of the eight sub-committees met in 2010 within the framework of the EU-Egypt Association Agreement. An Economic Dialogue took place and the Working Group on Migration, Social and Consular Affairs met. The *ad-hoc* group on enhancing relations held two meetings in the first half-year and the dialogue stalled towards the end of the year.

The lack of credibility of the results of the 2010 legislative elections engendered a deep sense of frustration and discontent among opposition groups and in much of the population. In the Shura Council elections (Upper Chamber) in June and the People's Assembly elections (Lower House) in November/December, the ruling National Democratic Party obtained more than 90% of the seats. Numerous cases of irregularities and vote rigging were reported throughout the country.

Egypt was subject to the Human Rights UN Universal Periodic Review in 2010. The Egyptian authorities accepted most of the recommendations made, and rejected some, but have yet to begin putting their commitments into practice. The Emergency law, which has been in force for 29 years, was extended in May 2010 for two years. Against this background, the state security apparatus continued to exercise unrestrained power over the population.

Egypt remained a key trading partner for the EU in the region. Trade integration advanced in June 2010 with the entry into force of the EU-Egypt agreement on further liberalisation of

trade in agricultural, processed agricultural products and fish and fishery products. However, the process towards liberalisation of trade in services stagnated.

Challenges remained in finding the right social policy mix that would enable the benefits of growth to be more evenly spread among various social groups and in providing access to education and health to the nearly 40% of the population who live in poverty.

During 2010 the economy had started to regain momentum through a pick-up in exports and investment as well as partly due to structural reforms. At the same time fiscal and monetary measures taken by the authorities in the past years have contributed positively to reduce both the budget and the current account deficit which helped to maintain macro-economic stability. Against this background, the objectives of the Action Plan – consolidating the progress made with a view to improving macroeconomic stability and to promoting growth and employment, and moving towards a functioning market economy – were reasonably well fulfilled in the period under examination.

On the whole, Egypt's progress in the implementation of the Action Plan was concentrated in the areas of trade and economic reform. There was no progress on political and social reforms.

Events following the 25th January protests

The democratic deficit, police brutality and impunity, corruption and poor living standards triggered popular discontent. Inspired by the Tunisian revolution, popular demonstrations in Egypt began on 25 January 2011, organised mainly by the youth movements. They started in Cairo but quickly spread to other major cities. Following 18 days of protests, President Hosni Mubarak resigned on 11 February 2011. The governance of the country was handed over to the Supreme Council of Armed Forces.

The military council suspended the constitution, dissolved parliament and declared rule for six months or until elections are held. The council has promised a democratic transition leading to open presidential and parliamentary elections. A new transitional government was sworn in on 7 March 2011

Following a referendum on constitutional amendments held on 19 March 2011, the date for new parliamentary elections was set to September 2011 and presidential elections two months later. The state of emergency is to be abolished prior to the elections. The conduct of the March referendum indicates more transparency and fairness in reflecting the people's vote.

The mass demonstrations of January 2011 and the ensuing departure of former President Mubarak have opened a period of deep change for Egypt. Commitments made by the temporary government established by the military have started addressing several of the political issues that have been a constant obstacle to deepening EU-Egypt relations. If these changes are consistently translated into action during and beyond the transition period, Egypt could go a long way towards meeting the objectives put forward in the Action Plan and implementing the values at the core of the 'advanced status' under the ENP and the principles laid out in the Partnership for Democracy and Shared Prosperity. Security sector reform and enhanced civilian control over enforcement agencies will be particularly critical.

As regards the Egyptian economy, the revolutionary events experienced at the beginning of 2011 have had immediate negative repercussions on the Egyptian economy by affecting tourism revenue and capital flows and by disrupting domestic economic activity. The precise

consequences are difficult to quantify at such an early stage but economic growth in 2011 is set to be lower than in 2010, while the budget deficit is expected to widen significantly.

2. POLITICAL DIALOGUE AND REFORM

Democracy and the rule of law

The year was marked by **legislative elections**; in the interim elections to the Shura Council (Upper Chamber) in June 2010, the ruling National Democratic Party (NDP) won 80 of the 88 seats. In the People's Assembly (Lower Chamber) elections, which were held in end November/early December, the NDP secured 420 seats out of 508. This figure rises to over 90% with the addition of independent deputies known to be NDP members. The women's quota of 64 seats was filled. The Muslim Brotherhood independent deputies lost all their 88 seats. After the first round the Muslim Brotherhood and Al Wafd withdrew from the elections, claiming voting and ballot box irregularities. The voter turn-out was remarkably low and varies between the official figure of 23% and civil society estimates of 5%.

Despite the government's stated commitment to transparency, local civil society organisations were largely prevented from observing the elections. The High Election Commission received numerous reports of irregularities, including limited access to polling stations for observers and candidates' representatives, media restrictions, vote rigging and violence. The EU High Representative for Foreign and Security Policy expressed disappointment over reported irregularities, asked for appropriate follow-up and reiterated the EU's offer for international observation of the elections. The Higher Election Commission ruled that only a handful of claims of irregularities were valid. Administrative Courts ruled that election results in a number of constituencies were invalid; the rulings were challenged by the state.

On 13 February 2011 the Supreme Council of Armed Forces dissolved both houses of parliament. New parliamentary elections are to be held in September 2011 and should be followed by presidential elections two months later.

The **state of emergency**, in force for 29 years, was extended by a Presidential Decree on 10 May 2010 for an additional two years until 31 May 2012, despite a previous commitment to remove the law once appropriate counter-terrorism legislation had been introduced. The application of the law has been limited to cases of terrorism and its financing, and drug trafficking. However, the government has retained a number of powers which include the restriction of all forms of public gathering, including public demonstrations, and the power to search any person or place without abiding by the Law on Criminal Procedures. The Supreme Council of Armed Forces undertook in February 2011 to remove the state of emergency "when the security situation allows". This was later changed to "before the elections are held".

No progress was made on the **independence of the judiciary**, which remained subject to the Emergency law. The State Security Emergency Courts and the military courts continue to exercise jurisdiction over cases related to national security, but not limited only to these. Civilians continue to be tried before these specialised courts whose judgements are not open to appeal.

Efforts were made to gradually improve the **administration of justice**, including the establishment of specialised child-friendly courts, training of judges and automation of justice. The EU approved financing of EUR 10 million in support of this effort.

The government continued the **reform of local administration** through the implementation of the national decentralisation strategy, testing pilot projects in several governorates nationwide.

Some efforts could be noted in the fight against **corruption**. The national Transparency and Integrity Committee (TIC) released its third report in February 2010 suggesting improvements in adopting new legislation, raising efficiency of the state administration, conducting field research, enhancing the role of the media and pursuing international cooperation. In October 2010 the Attorney General recommended the establishment of a national anti-corruption committee to work on implementing the UN Convention against Corruption, including cooperation with civil society. Development of e-government services, online publication of government procurement procedures and the active role of civil society contributed to enhancing transparency. An EU programme with UNODC will support implementation of the UN Convention.

In February 2011 the public prosecutor began investigating a growing list of former ministers and NDP officials on grounds of corruption, and formally sought the co-operation of the EU and other partners in freezing the assets of a number of those under investigation.

Human rights and fundamental freedoms

Egypt's human rights record was subject to the 2009-2010 **Universal Periodic Review (UPR)**. Out of the recommendations made, Egypt agreed to speed up the adoption of anti-terrorism legislation, to consider lifting the state of emergency, change the definition of torture, strengthen its policy on the rights of the child, consult NGOs in drafting the new NGO law, fight against discrimination and violence against religious minorities, combat trafficking in human beings and promote the rights of migrants. Egypt rejected recommendations on discrimination, abolishing the death penalty, the NGO law and foreign funding, allowing independent trade unions, election monitoring, torture, and libel. Consultation between the government and civil society took place during the UPR process, although a number of those who participated were critical of the quality of the consultation. To date no steps have been taken towards implementing the recommendations. Many of these areas are being supported through a bilateral programme on human rights.

Concerning the **death penalty**, there are no official data available on the carrying out of death sentences. At the UN General Assembly, Egypt voted against the Resolution on a Moratorium on the Use of the Death Penalty.

Egypt has six pending mandatory periodic reports to UN treaty bodies. It has not extended an open invitation to UN Special Procedures. Egypt hosted the visit of the Special Rapporteur on Trafficking in persons, especially women and children.

Conditions in prisons and detention centres, as well as the estimated large number of administrative detainees, remain a cause for concern. Access to the places of detention is limited to the Public Prosecutor. Egypt did not grant access to the UN Special Rapporteur. The military leadership gradually began releasing political prisoners in February 2011, although a number of activists were detained by the military during the same period.

In the UPR process Egypt committed to reformulating the definition of **torture** in accordance with the UN Committee against Torture (CAT). Torture and ill treatment, mainly in police stations, State Security investigation centres and places of detention, remain a very serious human right abuse. Seven cases of death in detention are listed in the 2010 report of the United Nations High Commissioner for Human Rights (UNHCHR). Following the death of

blogger Khaled Said in Alexandria in June 2010, EU Heads of Mission issued a statement calling for the proper investigation of police abuse allegations and prosecution of offenders. The death caused widespread revulsion in Egypt and triggered a debate on torture and police impunity that subsequently merged into the popular demonstrations in January 2011 which, under the banner 'we are all Khaled Said', called for an end to police brutality and torture. In March 2011 the State Security Investigation Office, carrying most of the blame for the torture cases, was dissolved and is to be replaced by a new national security agency.

Egypt has not yet responded to the repeated requests made since 1996 (and echoed by the EU) for an invitation to be issued to the UN Rapporteur on Torture to visit Egypt. It is not a party to the Optional Protocol of the UN Convention Against Torture (OPCAT).

The scope for **freedom of expression** has expanded in recent years, as evidenced by the growing number of independent newspaper, television and internet news and media outlets in Egypt. However, the election period at the end of November 2010 witnessed a number of restrictive measures, limiting the work of journalists and media, restricting text message news services and satellite broadcasting. Human rights organisations reported an increase in the harassment and detention of internet bloggers and journalists.

At the end of January 2011, when the popular demonstrations intensified, the Egyptian authorities first blocked the access to the social networking websites, then ordered the switching off of all internet and e-mail services. The three mobile networks were shut down nation-wide, and subsequently in selected areas such as Cairo. Mobile phone text messaging was blocked for a longer period.

Freedom of association and freedom of assembly continue to be restricted by the Emergency law and the NGO law, and by trade union legislation. The registration, operation and funding of non-governmental organisations remain under the control of the Ministry of Social Solidarity, with the involvement of the Ministry of the Interior. There was no progress on the revision of the NGO law.

Despite the provisions of the Egyptian constitution on **freedom of belief**, Copts and other non-Muslims continue to face discrimination and inaction from the authorities to effectively ensure the equality of all citizens in law and in practice. Incidents of sectarian tension and violence between Christian and Muslim communities continued in 2010. The worst expression of violence took place on New Year's Day 2011, when a bomb was detonated outside a Coptic church in Alexandria, killing more than 20 people and injuring around 100. Two Coptic protestors, angered at a refusal to convert a community centre into a place of worship, were killed when confronted by police in Cairo in November.

The draft unified code on places of worship was withdrawn from parliament. The draft code was intended to establish equal rules for all religions on the construction and maintenance of places of worship. Copts have been pressing the authorities for several years to ease restrictions on permits for constructing churches.

Although Egypt is a signatory to the 1951 Refugee convention and to its 1967 Protocol, hosting some 41,000 registered refugees, violation of the **rights of migrants, refugees and asylum seekers** continue to be reported. Some migrants in need of international protection (in particular those fleeing from Eritrea) have difficulties to have access to asylum. In 2010, 34 unarmed refugees and asylum seekers were killed at the Israeli–Egyptian border. A number of Egyptian border police were killed in clashes with criminal gangs of human traffickers and smugglers in the frontier area with Israel. The EU, the United Nation High Commissioner for Refugees (UNHCR) and civil society organisations have all expressed concerns about

hundreds of refugees and asylum seekers from Sub-Saharan Africa being held hostage and mistreated by illegal traffickers in Sinai, a region where UNHCR is not permitted to carry out its mandate. Egypt has still not adopted adequate asylum legislation. Refugees registered with the UNHCR face great difficulties in finding jobs and meeting minimum survival needs. Unfortunately Egypt has not yet lifted the reservations which the country made when joining the Geneva Convention, and which prevent even refugees registered with UNHCR from having access to some forms of social assistance. Egypt has been designated for the implementation of the Regional Protection Programme (also covering Libya and Tunisia), which now needs to be developed.

The National Council for Women (NCW) continued promoting **rights of women**, combating discrimination and violence against them. A draft **personal status law** defining and regulating marriage and divorce, amending the Personal Status Law has not yet been put before the parliament. The law on sexual harassment has been withdrawn from parliament without any indications about future adoption. The strategy to combat violence against women is still under preparation.

Efforts to combat **female genital mutilation** continued, and positive results have been reported. Nonetheless, the practice remains widespread. Women's rights and the fight against FGM were supported through EU programmes. Egypt maintains its reservations on the provisions of the Convention on Elimination of all forms of Discrimination against Women (CEDAW). In the framework of the UPR process Egypt promised to lift its reservation to Article 2 on non-discriminatory policy measures and to consider lifting the reservation on provisions related to marriage and family life.

With regard to **rights of the child**, Egypt undertook in the UPR review to strengthen the legal framework to combat all crimes against children. Significant progress has been made on the right of identity. Amendments to the Child Law recognize the legal right to free birth registration and give the mother the right to obtain a birth certificate for her child under her name, even if the marriage relationship cannot be proven. The amended law also includes specific provisions for family financial assistance.

Revisions to the legislation (Law 126) introduced the prohibition of work for children under 15, and the obligation of medical checks before work. An ongoing project with the support of UNICEF and the US Department of Labour addresses the worst forms of child labour and occupations.

Egypt has not signed the Hague Convention on the Civil Aspects of International Child Abduction.

Limited progress was made as regards **fundamental social rights and core labour standards**. The Egyptian case was reviewed by the International Labour Organization (ILO) Committee on the Application of Standards at the ILO annual Labour Conference. Egyptian authorities undertook to review the labour legislation in order to comply with ILO Convention No. 87 on the Freedom of Association and Protection of the Right to Organise. No draft legislation was submitted to the parliament.

With regard to **rights of persons belonging to minorities**, relations between the Bedouins and the government remained tense. Several clashes occurred in the Sinai between Bedouins and the police. The situation in the Sinai is complicated by the government's security concerns for the area and the need to safeguard the borders and control smuggling activities.

Cooperation on foreign and security policy, regional and international issues, conflict prevention and crisis management

Egypt is an active partner on CFSP matters. Egypt has been part of the renewed efforts in 2010 to find ways for a comprehensive solution to the **Middle East Peace Process**. It contributed to the re-launch of the Israeli-Palestinian direct peace negotiations in September 2010 and hosted the second round in Sharm el Sheikh the same month.

Egypt has a strong engagement in **Africa** and played an active role in the Africa-EU political dialogue ahead of the Africa-EU Summit in Tripoli in November 2010. Egypt actively supported developments in Sudan, promoting reconstruction activities in Darfur and mediation between North and South Sudan ahead of the referendum on the secession of South Sudan. Egypt began to adopt a more conciliatory approach in its dialogue with Nile Basin states seeking a greater share of Nile river waters. However, Egypt and Sudan opposed the Cooperative Framework Agreement signed in May by Ethiopia, Kenya, Rwanda, Tanzania and Uganda.

Egypt continued in its role as co-president of the **Union for the Mediterranean** (UfM) throughout 2010 and co-chaired five Ministerial level meetings.

In February 2010 Egypt expressed its interest to participate in the EU **crisis management operations** in the framework of the European Security and Defence Policy. Egypt was included in the group of third countries with which the EU is ready to conclude a framework agreement on their participation in EU crisis management operations.

Since the political dialogue on **counter-terrorism** between the EU and Egypt which was held in Brussels in March 2009, Egypt has expressed a willingness to deepen the cooperation. Dialogue continued within the sub-committee on political matters and the sub-committee on justice and security. For several years Egypt has declared its intention to introduce a new anti-terrorism law in preparation for rescinding the Emergency law. The anti-terrorism legislation is still awaiting discussion by the parliament.

Egypt continued to play an active role on multilateral **non-proliferation and disarmament** fora, most notably in the Non-Proliferation Treaty (NPT) Review Conference in May 2010. Establishment of a Middle East zone free of nuclear weapons and all other weapons of mass destruction (WMD) remains a key security objective for Egypt. EU services continued close consultations with Egypt on the planned EU seminar in 2011 on Middle East security and WMD non-proliferation.

In 2010, the EU established a regular political dialogue with Egypt on non-proliferation and disarmament issues. The first meeting, held in Brussels in February 2010, focused on the preparations for the 2010 NPT Review Conference and the Arms Trade Treaty negotiation process.

Egypt has not yet signed the Ottawa Convention on the Prohibition of the Use, Stockpiling, Production and Transfer of Anti-Personnel Mines and on their Destruction. It signed the Rome Statute of the International Criminal Court in 2000, but has not yet ratified it.

3. ECONOMIC AND SOCIAL REFORM

Macroeconomic framework and functioning market economy

In fiscal year 2010¹, the Egyptian economy outperformed expectations, with a very positive GDP growth of 5.1% – up from 4.7% in fiscal year 2009. This growth was driven mostly by private sector consumption, on the back of three government fiscal stimulus packages, each amounting to roughly 1% of GDP.

However, the global economic crisis did affect some key growth sectors in Egypt, such as the Suez Canal and remittances, which at the end of 2010 were still below their pre-crisis level. Foreign Direct Investment also remained at low levels, while exports suffered as a result of weak consumer demand from the main trading partners, such as the EU and USA.

Having peaked at an average of 18% in fiscal year 2008, inflation dropped to an estimated 11% in fiscal year 2010. The Central Bank of Egypt (CBE) started loosening monetary policy accordingly since the beginning of 2009 on the back of a negative external demand shock that gradually slowed inflation. The Central Bank intends to introduce an inflation targeting regime.

Although fiscal year 2010 was a difficult year, owing to tax reforms, the government deficit increased to 8 % of GDP from 6.6% of GDP in fiscal year 2009. The size of the fiscal deficit and the high public debt-to-GDP ratio of around 75% remain a constraint for Egypt's overall macroeconomic strategy. However, the government is committed to a gradual fiscal consolidation strategy that can be stepped up if the gains from the improved economic activity permit. Ongoing reforms, such as the introduction of VAT and the reduction of fuel subsidies for the industrial sector, are commendable and will help to keep the deficit under control.

During the global crisis, a widening trade deficit, lower tourism revenues, lower remittances and lower Suez Canal revenues served to push the current account into negative territory for the first time since the 1990s. A slight improvement was recorded in the current account deficit of the fiscal year 2010: it narrowed to 1.4% of GDP, compared to 1.6% of GDP in fiscal year 2009.

The Egyptian pound continued to largely track USD-EUR movements, although exchange rate flexibility appears to have increased. On the back of high inflation differentials with Egypt's trading partners and a relatively stable currency in nominal terms, the real exchange rate has appreciated in the recent past (the real effective exchange rate appreciated by around 21% in fiscal year 2009 and is estimated to have appreciated further in fiscal year 2010). Even though non-oil export performance has been good, suggesting that structural reforms have helped productivity, further real appreciation could have a negative impact on medium-term growth prospects.

Employment and social policy

In spite of a general upward trend recorded in human development over the past 20 years, geographical disparities remain, with extremely high **poverty** levels in upper Egypt (43.7%) and significant inequalities between rural and urban areas throughout the country. Egypt continued to implement the "1000 villages most in need" programme initiated in 2009 and there is a special programme to address urban areas. Living conditions remain very poor for the estimated 20% of Egyptians living on less than \$ 1 (EUR 0.76) per day. The Ministerial Committee for Social Development was enlarged by including the Minister of State for

¹ The fiscal year 2010 runs from July 2009 until June 2010.

Family and Population, the National Council for Youth, the National Council for Sports, the General Authority for Adult Education and the Post Authority.

Social dialogue continued to take place in an over-structured framework, and bilateral social dialogue remained underdeveloped. However, the establishment of a new trade union centre was announced on 31 January 2011. Egypt has yet to adapt the Labour Law and Trade Unions Act in compliance with the International Labour Agreements to which it is a party. The provisions on social dialogue, child labour, health and safety at work, sending labour abroad, training centres and collective bargaining are among the issues to be included in future legislative amendments.

There was no development towards establishing the Economic and Social Council.

Unemployment remains a major problem in Egypt, in particular for young people. After having risen to 9.4% in 2009 (from 8.7% the previous year), unemployment rose again in 2010 to 9.7% (around 2.37 million people). The Youth Action Plan to promote youth employment was revised to take account of the impact of the economic crisis and presented to the Cabinet of Ministers. There are three policy priorities: (i) Technical Vocational Education and Training (TVET) to increase youth employability; (ii) Enterprise development, to improve the success rate of micro, small and medium enterprises (SMEs); (iii) Labour market policies and programmes, to activate the minimum wage rule and its enforcement, and to upgrade employment offices and encourage the establishment of private recruitment agencies. The Ministry of Manpower and Immigration restructured some employment offices to lay the basis for developing a National Employment Agency but the approach to establish this Agency has yet to be developed.

An occupational health and safety Strategy was developed with the support of a Twinning project, which ended in July 2010 as well as pilot actions in one governorate.

Egypt prepared a new draft law on **social insurance and pensions**. The new law would add new social categories to the beneficiaries, ensure a better maintenance of the benefits' and pensions' real value in conditions of inflation, combat illiteracy, improve the income generating capacity of families and reinforce the partnership with NGOs.

The National Council for **Women** (NCW) has organised training courses for women community leaders and awareness campaigns to enhance the participation of women in political, economic and social life. NCW opened a Business Women Centre in Cairo and aims to establish similar centres in all governorates. An Ombudsman was established at the NCW. Three-quarters of women remain outside the labour force.

Some progress was achieved in the area of **agriculture**. During the reporting period the Ministry of Agriculture and Land Reclamation presented the Business Plan covering the period 2010 – 2017 that will implement the National Strategy's recommendations. The plan encompasses nine Development Programmes. They address *inter alia* agricultural human resource needs, sustainable development of natural resources – particularly land and water - improving production to meet food security needs and upgrading the livelihood of rural populations. The investments of approximately EGP 107 billion (around EUR 14.3 billion) over seven years will be shared between the private sector (approximately 54%) and the government (46%). Although the productivity of agriculture is increasing, Egypt is still dependent on imports, especially as far as cereals are concerned. The food trade deficit accounts for 17% of the total trade deficit. Furthermore, food insecurity and malnutrition remain an issue for the country, despite the large food safety net system which absorbs 7% of

the State budget's subsidies (1.8% of GDP). An EU Rural Development Programme implemented by the Ministry of Agriculture will support these reforms by improving water use, farming methods and income for farmers.

4. TRADE-RELATED ISSUES, MARKET AND REGULATORY REFORM

During the reporting period, bilateral **trade** between Egypt and the EU regained its increasing trend and exceeded the trade volumes of 2008. In 2010 Egypt's exports to the EU increased by 14.5% and EU exports to Egypt increased by 16.6%. The dismantling of Egypt's tariffs applicable to imports of industrial goods originating in the EU proceeded as laid down in the Association Agreement. The EU-Egypt agreement on further liberalisation of trade in agricultural products, processed agricultural products and fish and fishery products entered into force in June 2010. Egypt did not adopt any new trade distortive measures, such as export taxes and export bans, during the reporting period. However, the Ministerial Decree of September 2010 extended the application of trade restrictive measures regarding Egyptian rice exports until 1st October 2011. The export ban on Portland cement and clinkers expired on 1st October 2010. In November 2010, the EU and Egypt signed the Protocol establishing a Dispute Settlement Mechanism applicable to disputes under the trade provisions of the EU-Egypt Association Agreement.

Limited progress was registered during the reporting period as far as the implementation of the **customs**-related sections of the Action Plan was concerned. The new customs law was still not approved by parliament. The interactive English version of the Egyptian Customs Authority website has been in operation since September 2010. Egypt participated in the "SIROCCO" operation carried out in June 2010. SIROCCO is a joint customs operation, coordinated by the European Commission Anti Fraud Office (OLAF) and carried out by the customs administration of the EU and 11 partner countries from the southern rim of the Mediterranean².

On **free movement of goods and technical regulations**, Egypt continued its active preparations for the negotiation of an Agreement on Conformity Assessment and Acceptance of Industrial Products (ACAA). Egypt selected the following priority sectors to be approximated with EU technical legislation: toys, gas appliances, construction products, electrical appliances, pressure equipment, medical devices, machinery and vehicles and their parts. Draft Egyptian legislation, aligning the new legislative framework (on accreditation, conformity assessment and market surveillance) was submitted to the European Commission for assessment. In October 2010, the Egyptian draft legislation on Liability for Defective Products was aligned to the relevant EU Directive. A memorandum of understanding and cooperation agreements were signed with European notified bodies in the priority sectors. Egypt also continued to adopt EU standards in the priority sectors.

Regarding **sanitary and phyto-sanitary (SPS)** issues, the draft law establishing a single food safety authority remains under discussion in parliament. The unified food law, aimed at introducing the 'farm to fork approach', is still in a preparatory phase. As Egypt provided sufficient guarantees regarding controls, the European Commission allowed potato exports also for the 2010/11 season. The European Commission's Food and Veterinary Office (FVO)

² SIROCCO focused on deep sea containers loaded in China or the United Arab Emirates and arriving in countries of the Union for the Mediterranean. Around 40 million cigarettes, 1243 kg of hand-rolled tobacco, 7038 litres of alcohol and 8 million other counterfeits were seized during the operation.

carried out three missions to Egypt on pesticide residues in fruit and vegetables, horses and the production of casings. Egypt started to address the deficiencies identified by FVO. Following the missions, the European Commission suspended Egyptian casings exports to the EU. It also suspended trade in horses, due the outbreak of a serious horse disease in the region. Egypt pursued the fight against animal diseases including avian influenza, which has had a serious impact on human beings and animals since its outbreak in 2006.

In the field of **establishment, business climate and company law**, there was no progress on the adoption of the draft Unified Company Law. The General Authority for Investments, which is the only institution responsible for company registration since July 2009, operated a one-stop-shop benefiting from an ISO 9001 certificate and worked on a system of electronic registration for companies. A new law on Public-Private Partnerships (PPP) was enacted in May 2010. It is expected that the law will facilitate foreign direct investments (FDI) as it eliminates the preference for Egyptian contractors and some performance requirements. The new law has the potential to contribute to the improvement of Egypt's infrastructure in areas such as hospitals, roads, railways, ports and wastewater treatment. However, caution is needed in relation to the associated potential increase in contingent liabilities. The Ministry of Housing has already planned a PPP tender for a major wastewater facility west of Cairo, and other PPP tenders are under preparation.

In March 2010, the Egyptian Corporate Responsibility Centre launched an index for social and environmental corporate governance: Egypt Stock Exchange Economic Social and Governance Index based on a Standard and Poor's methodology.

Egypt's strategy for regulatory reform and administrative simplification started to bear fruit: from March 2009 to July 2010, more than 34,000 regulations that affect the business environment in Egypt were identified and introduced into an electronic database; about 30% of the inventoried regulations have been reviewed and streamlined since 2009.

Bilateral negotiations for the liberalisation of **services** and establishment made no progress.

On **financial services**, Egypt weathered the global financial crisis relatively well, as the level of financial intermediation is low and the state maintains a strong presence in the financial sector. Thanks also to progress in reforming the government debt management and pensions Egypt's creditworthiness was never in doubt. The Central Bank of Egypt strengthened banking supervision by enforcing minimum capital requirements, improving assessment of state owned banks, providing resolution to non-performing loans and working towards introducing the Basel II framework. The Egyptian Financial Supervisory Authority (EFSA) continued supervising all non-banking financial transactions and markets. Several draft laws, e.g. on mortgages, licensing for non banking companies, and pension funds are under preparation. A regulation aimed at separating life and non-life insurance services is also under consideration. A draft law on micro-finance companies is before Parliament.

Other key areas

There was limited progress in the implementation of the priorities of the Action Plan related to **tax**. The 2010/11 budget included an across-the-board tax increase of 40% for cigarettes and 100% for tobacco.

In the area of **competition policy**, the most recent amendments to the Competition Law are awaiting approval by the parliament. They mainly address the issue of full leniency, and

possibly mergers and acquisitions. The Egyptian Competition Authority (ECA) and the Regulator for Telecommunications are currently discussing a memorandum of understanding that would clarify the respective competences and establish a coordination mechanism between them. In 2010, the ECA published three decisions and pursued their investigations. The ECA also worked on a number of market studies. ECA was active in awareness raising and dissemination of information; it regularly organizes training events and seminars in the field of competition. On **state aid**, ECA is working on a paper that would help provide a better understanding of state aids, including in reference to WTO and EU law, to be disseminated among various stakeholders.

In the area of **Intellectual property rights**, Egypt made no progress in the ratification of the Rome Convention for the Protection of Performers, Producers of Phonograms and Broadcasting Organisations, the International Convention for Protection of New Varieties of Plants (UPOV) and the Budapest Treaty on the International Recognition of the Deposit of Micro-organisms for the Purposes of Patent Procedures. There is an ongoing reduction of software piracy, and piracy rates as measured in a study by an independent organisation have declined since 2006 to 59% in the 2010 edition.

Egypt drafted executive regulations for the implementation of the law governing **public procurement**, based on the 2009 gap analysis conducted by the Organisation for Economic Co-operation and Development (OECD). The Ministry of State for Administrative Reform developed the platform for e-procurement, which is divided into three parts: publishing, bidding and evaluation. The first part is expected to be operational and made mandatory at the end of 2010. The Ministry of Finance amended the executive regulations on public bids and tenders in September 2010. The new guidelines prescribe the publication of a full list of all specifications, a copy of the draft contract to be signed, noting the rights and obligation of the contracting parties, and the timeline for the tender. Contractors will also be required to identify all deliveries provided under the advance payment, with the possibility of seizure of the contractor's letter of guarantee as a penalty.

During the first half of the year the Central Agency for Public Mobilization and Statistics (CAPMAS) developed a draft national **statistics** law with the assistance of the EU Twinning project.

Egypt finalised the revision of its **accounting**, broadly in compliance with the International Financial Reporting Standards. A new authority, the Audit Oversight Board - which is a member of the International Forum of Independent Audit Regulators - began supervising the quality of the work of registered auditors on the basis of the new **auditing** standards, which fully reflect international standards.

With regard to **public financial management**, the Ministry of Finance created a fiscal decentralisation committee in February 2010 which was responsible for overseeing all public finance reforms, including internal audit. The pace of reform remains slow and there remains a need to develop the internal audit function for overall budgetary expenditure. Greater transparency is needed in external audit.

On **enterprise policy**, Egypt continued to participate in the industrial cooperation activities, including the implementation of the Euro-Mediterranean Charter for Enterprise at national level. Particular efforts were also made to improve SMEs' access to finance and to information, notably via training in corporate governance, the creation of an SME web portal and capital injected by the Social Fund for Development into microfinance institutions. In

June 2010, the Ministry of Investment announced a set of new laws and amendments aimed at developing the legal framework governing investment in Egypt. This includes modernising non-banking financial services, with a focus on SMEs and microfinance, and adapting legislation.

5. COOPERATION ON JUSTICE, FREEDOM AND SECURITY

No progress was reported on **border management**. Egypt had declined to enter into dialogue on this issue.

Egypt has bilateral **migration** agreements in place, including provisions on the economic and social rights of migrants. No major developments were noted in the reporting period (*see also section 2*).

In March 2010, the European Commission and the UN launched the Joint Migration and Development Initiative in cooperation with the Egyptian Ministry of Foreign Affairs to help small scale actors to contribute more fully to linking **migration** and development. Egypt is rapidly becoming a key transit country for migrants and refugees from sub-Saharan Africa (to Europe and other neighbouring countries), placing strains on public services and leading to localized tensions. Migrants and refugees are also vulnerable to organized crime and exploitation, particularly smuggling and trafficking networks.

On **asylum**, Egypt remains committed to the principle of *non-refoulement*, hosting some 41,000 registered refugees. However, it has no domestic procedures and institutions for asylum, opting to cooperate with UNHCR through a Memorandum of Understanding. In the **fight against organised crime**, the parliament adopted the Organ Transplant Law in March 2010, regularising organ transplants within Egypt and banning their commercial trade abroad in order to curb illicit trade in human organs. In April 2010, it adopted a Law on Human Trafficking, which criminalised all forms of **human trafficking** including prostitution, slavery, child exploitation in pornography and forced labour. This important law is predicated on a comprehensive approach of prevention, legal protection and assistance to victims, while providing for rehabilitation and education programmes, including cooperation with non-governmental organizations. The National Coordinating Committee to Combat and Prevent Human Trafficking took several support measures, including the establishment of a victim hotline and an intensive media campaign. Egypt made no progress on ratification of the Third Additional Protocol to the 2003 United Nations Convention against Transnational Organised Crime on the Illicit Manufacturing of and Trafficking in Firearms, Their Parts, Components and Ammunition.

Regarding the **fight against drugs**, limiting the drug supply and trafficking continued to be Egypt's priority, with particular attention being paid to eradicating drug cultivation, trade networks and precursors. The Ministry of the Family and Population oversaw the implementation of preventive and harm reduction programmes through schools, youth networks and higher education institutions in cooperation with civil society. As was the case in 2009, there is still a need for a greater exchange of information between all agencies involved, with renewed attention to developing drug-abuse and harm-reduction programmes in prisons. Egypt participated in the ENP regional seminar on the EU drug monitoring system organised by EMCDDA (European Monitoring Centre for Drugs and Drug Addiction) and by the Commission in Brussels in October 2010. Egypt participated in the work of the Council of Europe's Pompidou Group from June 2010 onwards.

In the area of the fight against **money laundering**, as was the case in 2009, the relevant supervisory authorities continued to implement the national control regime based upon the ‘40 plus 9’ Special Recommendations by the Financial Action Task Force (FATF). The financial services industry pursued the application of ‘Know Your Customer’ (KYC) and ‘Know Your Business’ (KYB) practices. Egypt pursued regional cooperation within the Middle East and North Africa Financial Action Task Force (MENAFATF) and Egmont Groups.

With regard to international **police and judicial cooperation**, Egypt continued to work on the signature and ratification of the various instruments to which it is party under the Hague Conference on Private International Law. International police and judicial cooperation was successfully pursued, particularly in the area of cross-frontier family disputes, with Egypt showing an interest in capacity building in forensic medicine.

6. TRANSPORT, ENERGY, ENVIRONMENT, THE INFORMATION SOCIETY, RESEARCH AND DEVELOPMENT

The implementation of the ambitious **transport** reform programme suffered considerable delays. The Ministry of Transport (MoT) approved a new organisation chart, which includes the creation of a Strategic Environmental Assessment (SEA) unit and a Public Private Partnership (PPP) unit. The new chart should be implemented in early 2011. In March 2010, the unified transport law was presented to the Parliament.

Egypt completed the first phase of the rail sector reform. This led to a thorough restructuring and, most importantly, to the introduction of a new safety culture.

In the field of civil aviation, negotiations between the European Commission and Egypt on the horizontal agreement were not completed. The EU encourages Egypt to conclude the negotiations speedily.

As regards Inland Waterways, the Prime Minister decided, in March, to start restructuring the inland waterway sector with the aim of transferring river ports and barge operations to the private sector.

In the Maritime Sector, the Minister of Transport’s decree of October 2009, stating that the Egyptian ‘partner share’ in all companies in the maritime services must be not less than 51%, creates a barrier to the liberalization of services. Despite discussions with EU Member States, Egypt has shown no sign that it intends to amend the decree. The Egyptian flag remained on the black list of the Paris Memorandum of Understanding on Port State Control.

In October 2010, the EU and Egypt, through **energy** dialogue, took forward the implementation of their 2008 Memorandum of Understanding on a strategic partnership on energy. The parties agreed, inter alia, to cooperate on preparing an Energy White Paper. The paper is to be based on the Egyptian energy strategy – 2030, which was adopted by the Supreme Council for Energy in February 2010. The strategy aims, inter alia, to open up the energy sector, which includes the establishment of a gas and oil regulator and the gradual elimination of price distortions.

Egypt continued with studies on the future use of domestic oil shale and uranium. It wishes to become an energy bridge for the region and the EU. With a view to its rapidly growing energy needs, Egypt continued the construction of new electricity generators. The country faced electricity shortages and reduced gas exports. The draft acts on the reform of the electricity

and petroleum sectors are still in a preparatory phase. In July 2010, Egypt adopted new electricity tariffs. Egypt further developed its electricity and gas networks and prepared electricity interconnections with its neighbours.

Egypt worked towards a renewable energy master plan. It commissioned a solar power plant and further developed additional solar plants. It made advances on wind power plants, which are expected to become the mainstay of green power production. These projects, jointly financed by European Development Banks and EU grant funds, contribute, inter alia, to the development of the Mediterranean Solar Plan. Egypt continued implementing energy efficiency measures, including on efficient lightning.

Egypt further pursued work for the construction of a nuclear power plant, which is expected to be located on the Mediterranean coast in the El-Dabaa area. In May 2010, it adopted a comprehensive nuclear energy and radiation law, which provides, inter alia, for the establishment of an independent nuclear regulator. The EU and Egypt continued cooperation regarding the Egyptian nuclear regulator under the Nuclear Safety Cooperation Instrument.

In the field of **climate change**, Egypt submitted its Second National Communication to the UN Framework Convention on Climate Change, including a greenhouse gas inventory, mitigation and adaptation measures. Egypt prepared and approved further Clean Development Mechanism (CDM) projects. Two new such projects were registered at the UN level, bringing the overall number of registered projects to seven. Egypt is encouraged to fully implement the Cancun agreement and in particular devise a low carbon development strategy including update information on target or actions that it will implement. Regarding the **environment**, Egypt continued to implement the national environmental action plan (2002-2017). Actions are underway in fields such as reducing vehicle emissions and strengthening of the air quality monitoring network. The legislative framework continues to require further development, in particular with regard to implementing legislation. New legislation on water and wastewater, as well as on waste management, is still under preparation. Egypt introduced a gradual ban on the transport of hazardous and toxic substances on the River Nile. A national solid waste management strategy and an integrated coastal zone management strategy are still under preparation. A waste management master plan for Cairo was designed as a model for the rest of the country. Continuing attention is required in order to implement existing strategies and plans and to further enhance monitoring and enforcement.

Egypt took some steps to enhance administrative capacities with regard to integrated coastal zone management and marine pollution. However, strengthening administrative implementation capacity at all levels of the country, including coordination between authorities, remains a major challenge. Steps were taken to integrate environment considerations in other policy areas, such as transport.

Egypt continued to publish environmental information on a regular basis, and carried out some activities to inform and involve the public. Public consultation is still not mandatory for certain environmental impact assessment studies.

Egypt took some further steps towards acceding to the Integrated Coastal Zone Management Protocol to the Barcelona Convention for the Protection of the Marine Environment and the Coastal Region of the Mediterranean. There were no significant developments as regards ratifying the amendments to its Land-Based Sources Protocol and its Emergency Protocol. The implementation of already ratified agreements requires particular attention.

Egypt continued to participate in the Horizon 2020 Initiative and the EU Water Initiative. Cooperation and information exchange took place between the European Commission and Egypt, including on water, waste management, de-pollution and management of environmental information.

In the field of **civil protection**, Egypt was actively involved in the Euro-Mediterranean Programme for the Prevention, Preparedness and Response to natural and man-made Disasters.

The Ministry of Communications and **Information Technology** launched the first worldwide internet domain name using Arabic letters. As part of Egypt's "Green ICT Strategy", the ministers for Communications and Information Technology and for Environmental Affairs signed a Memorandum of Understanding regarding a Green Information and Communication Technology (ICT) Strategy, which aims to reduce the adverse environmental impacts resulting from the expanding use of ICT devices.

The National Telecommunications Regulatory Authority (NTRA) announced its new numbering plan, and the board of directors of NTRA awarded two licences for the construction and operation of (fibre-based) access telecommunications networks in closed compounds. There are no new developments or plans regarding the introduction of a second fixed telephony licence. Consequently, this market remains a *de facto* monopoly.

Egypt established a national institution (CERT) to support early discovery and containment of information on security attacks and incidents. It is also developing a new framework for licensing new triple play services for voice data and video. There were a number of developments in Egypt in the field of e-Learning: inauguration of new projects in schools as part of the Smart Schools Network Project and the organisation of a workshop on technological infrastructure in schools. During 2010, Egypt also launched new projects in the field of e-government at local level.

There is no progress to report on **audiovisual** issues.

In the area of **research and innovation**, the Egyptian Ministry of Higher Education and Scientific Research continued to implement its reform strategy (2007-2012). Egypt significantly increased the participation of Egyptian researchers in the European framework programme for research (FP7), also thanks to the setting up of a network of thematic National Contact Points. Three new thematic contact points were appointed for Energy, Environment and Science in Society, bringing the total number of contact points to 42. Up to March 2011 Egypt had a very high number of applicants, 790, of which 109 were successful in submitting a proposal, receiving a total contribution of about EUR 10 million. The thematic areas which provoke the main interest are Health, Environment, Food, Agriculture & Biotechnologies and ICT. In September 2010, a high-level Delegation from Egyptian Research Centres visited the JRC-Ispra site; five Egyptian research organisations have four collaborative ventures with the Joint Research Centre. Egypt strengthened its co-operation with the Enterprise Europe Network.

7. PEOPLE-TO-PEOPLE CONTACTS, EDUCATION AND HEALTH

Egypt pursued **education** reforms on the basis of the National Strategic Plan for pre-university education 2007-12, with EU financial support, with advances on fiscal decentralisation, school-based, curricular and textbook reforms, as well as use of ICT. Implementation of the first two phases of the Teachers' Cadre was achieved in the context of

public service reform, but challenges still remain for early-childhood, girls and out-of-school education, as well as on special educational needs. A key unaddressed aspect of reform is the permeability between secondary education streams and student progression from secondary-technical to tertiary education. The reform of university admission (*Thanawiya Amma*) will be crucial in this context. The General Authority for Literacy and Adult Education continued implementing the National Plan for Adult Literacy, focusing on integrating literacy, adult education and measures to prevent school drop-out, in cooperation with civil society

The Government approved the third phase (2012-17) of the Higher Education Master Plan in October 2010 which provides for the establishment of a Supreme Council of Education, compatibility of higher education with international reference points, including on credit transfer (ECTS), reform of vocational training within higher education institutions and adoption of a national qualifications framework (NQF). Quality assurance is prioritised with additional resources to improve quality and ensure institutional accreditation. In this respect, the work of the National Authority for Quality Assurance and Accreditation in Education (NAQAEE) made good progress, completing the development of quality standards and accreditation manuals for all education branches while establishing links with European accreditation bodies. It is also tasked with NQF development. The Ministry of Higher Education showed growing interest in the development of technological training centres, as well as in reforms under the Bologna Process. Higher education would benefit from further decentralisation and the use of performance-based funding as a means to improve cost-effectiveness

In the field of **technical vocational education and training**, the Inter-Ministerial Committee on Human Resources Development initiated discussions on the implementation of the 25-year strategy to reform the whole system, with attention to the realignment and definition of mandates as well as the NQF. Immediate attention is required to address the serious mismatch between training content and delivery and labour-market needs. The EU-funded TVET programme served as a catalyst in securing consensus on the policy choices ahead. Its establishment of 12 sector-based enterprise training partnerships laid the foundation for future reform work. The Ministries of Education, Industry, Manpower and Migration participated actively in the self-assessment analysis under the Torino Process and its linked Education and Business Study. This led to the discussion and validation of its finding in a national dissemination workshop in October, co-organised by the European Training Foundation (ETF) and the Egyptian Observatory for Education, Training and Employment. In December, the Ministry of Higher Education approved a proposal for the design of a national career guidance and counselling system, developed by the National Task Force on Career Guidance with ETF support.

Egyptian universities and higher education institutions participated actively in the third call for proposals under **Tempus IV**, resulting in the selection of four projects contributing to staff capacity building and innovative curriculum development. Eight Egyptian students were awarded **Erasmus Mundus** Masters scholarships, while student and academic mobility will be further enhanced with the expected award of 108 grants under Erasmus Mundus Action 2 for the academic year 2010-11. In addition, one Egyptian organisation is taking part in a project to promote European higher education in sustainable development under Action 3. In 2010 a **Jean Monnet** module and a Chair in Euro-Mediterranean relations were awarded to Cairo University for the first time.

The National Council for **Youth** (NCY) continued implementing youth empowerment programmes in line with its four year plan (2006-10), in coordination with national

stakeholders and civil society. Egyptian young people and youth organisations continued to benefit from the opportunities offered by the **Youth in Action** Programme, which supports exchanges, voluntary service and cooperation in the field of youth and non-formal education. Egypt confirmed its participation in the Euro Med Youth IV programme.

In the area of **culture**, the Parliament adopted a new Law on Antiquities. Work proceeded on the ratification of the UNESCO Convention on Underwater Cultural Heritage. Investment in capacity to ensure full implementation remains a challenge, as does coordination between all of the actors concerned. In June 2010, the Ministry of Culture engaged in a positive dialogue with cultural operators in the framework of the first Conference on Cultural Policies in the Arab region to be held in Beirut. Four Egyptian cultural organizations participated in projects selected as part of the 2010 ENP Special Action under the Culture Programme. In the context of EU bilateral cooperation, work proceeded on a project to enhance creativity and access to culture as a means of development. Egypt also continued to play an active part in the regional Euro-Med Heritage IV programme.

Egypt, with considerable EU assistance, continued the reform of the **health** sector, particularly by further implementing its “Family health model”. The model aims at universal coverage, financial sustainability and better quality. For example, Egypt established additional primary health care facilities and made progress with the renovation of hospitals. In June 2010, the draft health insurance law was submitted to Parliament, although negotiations on the future financial sustainability of the health system have been difficult. Egypt completed a first pilot project on health insurance management in Suez and launched additional pilot projects. Egypt continued to monitor influenza A (H1N1). The EU and Egypt enhanced the health sector dialogue through the health reform programmes financed by the EU as well as, inter alia, by Egypt’s participation in the EU’s global health conference of June 2010. Egypt continued to take part in the ‘Episouth’ network on communicable diseases for the EU, Mediterranean and Balkan countries.

8. FINANCIAL COOPERATION – 2010 KEY FACTS AND FIGURES

Cooperation framework

The Mid-Term Review of the programming document confirmed that the Country Strategy Paper adopted in 2007 remains a valid framework for cooperation with Egypt. The new National Indicative Programme (NIP) 2011-13 for Egypt was adopted in March 2010 and has a budget of EUR 449.3 million. The programme is geared towards supporting the achievement of key policy objectives as outlined in the EU-Egypt ENP Action Plan and pursues three priorities: (1) political reform and good governance, (2) competitiveness and productivity of the economy, and (3) socio-economic sustainability of the development process.

Implementation

Implementation of the measures covered by the previous NIP (2007–2010) is underway. In the Education Sector, the National Strategic Plan is being rolled out to improve the quality of and access to education, with most of the major system reforms and particularly those targeting school-based reform, advancing the reform of the civil service and modernisation of schooling. In the transport sector, the reform programme has regained momentum and it is improving in the areas of institutional and regulatory structures, as well as the planning of inland waterways, railways and roads. The support to social development has had an impact

in deprived rural areas of Egypt, including the generation of 1,651 permanent and 251 temporary job opportunities, 2,260 new drinking water connections, 30 health care units and 795 medical mobile clinics. Women are being empowered through literacy and vocational training.

In 2010, the EU continued to support the national reform efforts in Egypt and committed assistance for a total amount of EUR 192 million under the bilateral envelope of the European Neighbourhood and Partnership Instrument (ENPI). The new 2010 Annual Action programme (AAP) focused on sustainable development and improving the competitiveness and productivity of the Egyptian economy. Within this envelope, a EUR 120 million reform support programme in the water sector will help strengthen institutional structures and promote more efficient use of water resources, while also protecting public health and the environment. Cooperating with other EU donors, a EUR 20 million contribution was made to a EUR 300 million Wind Farm project that will produce clean renewable energy, limiting greenhouse gas and other emissions. An additional EUR 20 million to the ongoing Research, Development and Innovation programme will help to facilitate Egypt's move towards a knowledge-based economy, while a EUR 10 million Justice Reform Programme will target the juvenile justice system and the fight against trafficking in human beings. The successful twinning programmes receive a further EUR 10 million, while EUR 9 million is provided to support the efficiency and transparency of public administration. Finally, EUR 3 million was allocated to a cultural programme to broaden access to cultural activities across the country.

The 2010 AAP also included a sector budget support operation in the water sector and twinning projects for a value of around EUR 5 million in support to the Egyptian Water and Electricity Regulators, as well as Consumer Protection and Real Estate Taxation. Twinning operations were being implemented, among others, in the areas of maritime safety, water quality management, postal management and tourism. Other programmes from 2007 and 2008 include a Waste Water project, as well as support to Good Governance, Human Rights and Civil Society.

In addition to the bilateral allocation, Egypt also benefited from cooperation activities financed under the ENPI cross-border, inter-regional and regional programmes. Egypt participates in the Cross-Border Cooperation (CBC) Mediterranean Sea Basin programme (EUR 173.6 million for the whole programme in the period 2007-13). The main priorities of the Programme are four-fold (i) promotion of socio-economic development and enhancement of territories, (ii) promotion of environmental sustainability at the basin level, (iii) promotion of better conditions and modalities for ensuring the mobility of persons, goods and capitals and (iv) promotion of cultural dialogue and local governance.

Under the ENPI-financed Neighbourhood Investment Facility (NIF) contributions, four projects in Egypt were approved in 2010, committing EUR 34 million in grants and technical assistance, expected to leverage broadly EUR 1.6 billion in loans from European Finance Institutions in the water, energy and power sector.

Other EU Instruments supplement the ENPI assistance package. Egypt benefited from cooperation activities financed under horizontal instruments such as the European Instrument for Democracy and Human Rights (EIDHR) and the Development Co-operation Instrument (DCI) thematic programmes: Non-State Actors and Local Authorities in Development (NSA-LA) and Investing in People (IIP). Egypt also benefited from other instruments such as the Instrument for Nuclear Safety Cooperation (INSC), strengthening the capabilities of Egypt's

Atomic Energy Authority and its National Centre for Nuclear Safety and Radiation Control by linking it to EU nuclear regulatory authorities.

The European Investment Bank has signed finance contracts in 2010 for an amount of EUR 906 million in the Energy and Refinery sectors in Egypt, aimed at improving electricity supply and distribution and increasing refining capacity.

Donor coordination

In 2010, the EU Delegation in Egypt ensured the coordination of assistance activities to support the Egyptian authorities who are dedicated to implementing the aid effectiveness agenda. In 2010 progress was made in setting up a mutual accountability mechanism between the Egyptian authorities and the donor community. This is taking place in the context of the 'Cairo Agenda for Action' and the drafting of a 'Situation Analysis' that summarises Egypt's key development challenges. From this analysis a number of core areas have been selected to enable donors to focus their financial support.



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JOINT STAFF WORKING PAPER

Implementation of the European Neighbourhood Policy in 2010 Country Report: Jordan

1. OVERALL ASSESSMENT

Jordan and the European Community first established contractual relations in 1977 by signing a Cooperation Agreement. An EU-Jordan Association Agreement (AA) entered into force in 2002. It sets out in more detail the specific areas in which relations can be developed bilaterally. On this basis, the EU-Jordan European Neighbourhood Policy Action Plan (ENP AP) was approved in January 2005, for a period of three to five years. It supports the national reform process articulated in Jordan's ten-year national agenda and the initiative '*We are all Jordan*' which form the basis for Jordan's National Social and Economic Development Programme.

In 2010 EU–Jordan meetings took place at the level of the Association Council (in October), and subcommittees.

This document reports on progress made on the implementation of the EU-Jordan ENP AP between 1 January and 31 December 2010, although developments outside this period are also taken into consideration when deemed relevant. It is not a general review of the political and economic situation in Jordan. In addition, for information on regional and multilateral sector processes, please refer to the sectoral report.

The ninth EU-Jordan Association Council's meeting announced political agreement on the 'advanced status' partnership and the conclusion of technical negotiations on the new EU-Jordan ENP Action Plan. The 'advanced status' reflects the ambitious character of the partnership based on the overarching objective of promoting peace, stability and prosperity and on the core values shared by Jordan and the EU, i.e. the rule of law, good governance and respect for human rights. They constitute an essential element of the Association Agreement and of the new ENPAP. Jordan is the second ENP partner country (after Morocco) with whom the EU has agreed an 'advanced status' partnership, but it is the first one to have concluded the negotiations for a new ENP AP.

Towards implementation of the ENP Action Plan, progress included the adoption of the temporary 'Personal Status' Law, which strengthens women's rights when divorcing, and the recent amendment of the Public Gatherings Law (rallies can take place without prior authorisation of a governor). In other areas, two concrete achievements of the EU-Jordan cooperation were the signing of a comprehensive air services agreement leading to a gradual opening-up of these markets (first country in the Near East to reach such a comprehensive Agreement with the EU) and the signing in February 2011 of the Protocol for Dispute Settlement in bilateral trade.

Recurrent postponements in the implementation of key reforms have undermined the population's trust in the implementation capacity of the government and its true commitment for reform. Jordan needs to respond to the legitimate expectations of the population and meet the many challenges which lie ahead, notably in the areas of rule of law, good governance and human rights. One of the urgent issues to be addressed is the revision of the temporary

electoral Law, which currently maintains an electoral system favouring tribal affiliations over political party development. The fight against corruption should also be enhanced in order to strengthen people's trust in institutions, democracy and economic development.

Outside the reporting period, the continuation of peaceful demonstrations at the beginning of 2011 led to the resignation of the government. In his Letter of Designation of the new prime minister, King Abdullah asked the new government to launch political reforms which, if fully implemented, will go a long way in addressing the issues highlighted above and implementing core values of the 'enhanced status' partnership and key commitments of the EU-Jordan ENP Action Plan negotiated in 2010.

Jordan's economy has weathered the global economic crisis relatively well and its economic performance gained momentum in 2010, yet Jordan is confronted with important challenges in order to address the expectations of the population in the socio-economic area. Moreover, partly reflecting a narrow export base, Jordan faces persistently large current account deficits and needs to place public finances on a more stable footing and to increase private sector activity to promote growth and raise employment, as reflected in the objectives of the AP. In 2010, the authorities maintained a broadly satisfactory track record in policies to support macroeconomic stability, raise sustainable growth, and establish a fully functioning market economy.

2. POLITICAL DIALOGUE AND REFORM

Democracy and the rule of law

Confronted with strong criticism from different strands of society, Prime Minister Samir Rifai reshuffled his government in July 2010, affecting the ministries of education, justice, agriculture, tourism and media affairs and communication.

Parliamentary elections took place in November 2010, one year after King Abdullah II dissolved the parliament. The elections were governed by a temporary election law adopted in May 2010. This law maintained the single-non-transferable-vote electoral system (known in Jordan as the 'one man, one vote' system) which favours the representation of sparsely populated rural areas and hampers political party development. The new temporary Law increased the number of seats in the Chamber of Deputies (lower house of the parliament) from 110 to 120 and additional seats were allocated to large urban areas such as Amman, Zarqa and Irbid. The number of seats reserved for women increased from six to twelve. In addition to domestic monitoring, for the first time, the government accepted international observers (on the day of elections only) and facilitated electoral observation by diplomatic missions. The Islamic Action Front, the main opposition party, eventually boycotted the elections. Out of 120 members of the Chamber of Deputies, 83 are new and 13 are women.

According to domestic and international NGOs, the elections were an improvement over the 2007 polls, but structural changes are needed to increase voter confidence and allow fairer representation.

Samir Rifai was re-appointed prime minister and his cabinet sworn in November 2010. At the opening session of the parliament, King Abdullah emphasised the need to enhance the relations between the legislative and executive authorities and asked the government to submit to the parliament, as a matter of priority, a draft of the temporary Election Law and the Decentralisation Law. Peaceful demonstrations took place in 2010 and continued at the

beginning of 2011 asking the country's prime minister to step down and the government to curb rising prices, unemployment and corruption. Samir Rifai resigned on 1 February 2011 and King Abdullah designated Dr Marouf Bakhit as new prime minister; the new government was sworn in on 9 February. In the Letter of Designation, King Abdullah said the new government should 'take practical, speedy and tangible steps to launch real political reform', to achieve comprehensive modernisation and development. The King singled out a new elections law, more involvement by civil society institutions in public life, freedom of expression, a more effective role for youths and strengthening the economy's competitiveness as the major tasks of the new government. The full implementation of these reforms will go a long way in implementing core values of the 'enhanced status' partnership and key commitments of the EU-Jordan ENP AP as negotiated in 2010.

The Judicial Upgrading Strategy for 2010–2012 focuses *inter alia* on enhancing the **independence and integrity of the judiciary**, attracting distinguished staff to develop law courses at universities, and developing the criminal justice system. As part of the positive discrimination policy, twenty female judges were expected to join the judicial system before the end of the year.

Corruption remains a serious matter of concern and a priority for the government. According to the Jordanian anti-Corruption Commission, 890 cases were dealt with in 2010 (compared with 834 in 2009).

Human rights and fundamental freedoms

In October 2010, the UN Human Rights Committee reviewed the 4th periodic report submitted by the Government of Jordan on measures taken to implement the International Covenant on **Civil and Political Rights**. In its concluding observations, the Committee highlighted some positive achievements in recent years, at the same time raising some concerns about women's rights, torture and ill-treatment in detention centres, child labour and freedom of the media.

The UN Committee against **torture** submitted its contribution on Jordan's 2nd periodic report, while the UN Special Rapporteur on torture and other cruel, inhuman or degrading treatment or punishment conducted a follow-up to the implementation of recommendations formulated following his visit to Jordan in 2006. Both reports raised concerns about the right of detainees to prompt access to a lawyer, the absence of sufficient legal safeguards against torture, and the absence of compensation to victims of torture.

Jordan has pending mandatory periodic reporting to be submitted to three UN treaty bodies. It has extended an open invitation to UN special rapporteurs, already provided in 2006.

Jordan continues to apply a *de facto* moratorium on the application of the **death penalty** since May 2006, but five death sentences were issued in 2010. Jordan did not ratify the 2nd Optional Protocol to the International Covenant on Civil and Political rights. A third Resolution on a moratorium on the use of the death penalty was adopted in December 2010 by the UN General Assembly. Jordan abstained.

Five new correctional and rehabilitation centres are being built in 2010, which has helped to reduce the persistent overcrowding situation of previous years and improved the living conditions of the inmates.

In March, the State Security Court banned news **media** from covering corruption allegations against public officials. In April, the cabinet approved the temporary law on ‘Press and Publications’. Cases involving journalists accused of harming the internal and external security of the state are now transferred from the State Security Court to the exclusive competence of the Amman Court of First Instance. However, the law still authorises the imprisonment of journalists for criticism of the King, the Royal Court or religious symbols, thereby encouraging self-censorship.

In August, in response to the criticism from international and domestic human rights and media activists, the government approved a temporary Law on ‘**Information Systems Crimes**’, the so-called ‘Cyber Crimes Law’, amending several provisions of the legislation which undermined the freedom of online media by making news websites vulnerable to prosecutions and lawsuits.

Regarding **freedom of assembly**, no progress was made in 2010. However, in February 2011, the new government endorsed an amendment to the Public Gatherings Law which no longer requires a prior written authorisation of the governor to stage rallies. Organisers of rallies will need to notify the ministry of interior 48 hours in advance only. Regarding core labour standards, no progress can be reported on the ratification of the International Labour Organisation Convention 87 on Freedom of Association and Protection of the Right to Organise.

On rights of **women**, in July 2010 Jordan presented the 5th Convention on the Elimination of All Forms of Discrimination against Women (**CEDAW**) Report to the UN Committee as part of its commitments. It maintained its reservations related to the transmission of nationality to children and to inheritance rights. Jordan is not party to the optional protocol of CEDAW. Progress can be reported, as in October the temporary Law on ‘Personal Status’ was adopted.. The law includes the establishment of an alimony fund for divorced women, the registration of property in the name of female inheritors, an increase in restrictions on the marriage of minors, the lessening of the burden of proof in the judicial process of divorce, and the consideration of psychological violence by the courts in cases of divorce.

The National Centre for Human Rights and the Ombudsman’s Bureau signed a Memorandum of Understanding boosting efforts to improve **information-sharing and protection of citizens’ rights**. The two organisations will work together to better document human rights violations.

In the field of **foreign domestic workers’ rights**, Jordan has taken significant strides in strengthening their legal protection through the amendment of Jordan labour law in 2009, guaranteeing monthly salary payment into the worker’s bank account, a weekly day of rest, paid annual and sick leave, and a 10-hour working day. The government should further publicise the new requirements and closely monitor the enforcement of the adopted legislation.

The 65th UN General Assembly adopted in October 2010 a resolution proposed by King Abdullah on an annual ‘**World Interfaith Harmony Week**’ between all religions, faiths and beliefs. This initiative provides a platform for religious institutions worldwide to speak out in their communities for peace among religions.

Cooperation on foreign and security policy, regional and international issues, conflict prevention and crisis management

The EU kept a regular dialogue with Jordan on **CFSP**-related matters and international issues. Jordan remains a strong supporter of a comprehensive solution to the Middle East Peace Process (MEPP) and pursues efforts to resolve the Palestinian-Israeli conflict on the basis of the two-state solution. Jordan played a constructive role in promoting the stability of the region, especially regarding the Holy Sites in Jerusalem.

In 2010, Jordan continued to be the 7th largest contributor of police and military personnel to UN international peacekeeping operations worldwide (3.977 participants – December 2010) in some 12 missions.

Jordan is stillhosting a large number of Iraqi refugees, whose overall number is however still disputed. By the end of November 2010, the total number of Iraqi refugees registered by the United Nations High Commissioner for Refugees in Jordan was 31.476, down from 38.744 a year earlier (decrease by 18,8%).

3. ECONOMIC AND SOCIAL REFORM

Macroeconomic framework and functioning market economy

The Jordanian economy gained momentum in 2010 but the recovery is set to be gradual. Real GDP growth rose to 3.4% in 2010 from 2.3% in 2009. Investment and external trade both increased after contracting slightly in 2009. Private consumption continued to grow at a rate similar to that of 2009, helped by reductions in personal taxation and higher remittances, but constrained by tighter government finances. While demand from major export markets remained subdued, it was offset by rising demand from Iraq. Export earnings were also boosted by strong growth in the tourism sector. Gross fixed investment grew marginally despite government cuts to capital expenditure as a part of a fiscal consolidation drive. FDI inflows increased slightly in 2010 to around 2.5% of GDP, which is still well below pre-crisis levels.

The current account deficit (including grant aid) widened to 7% of GDP in 2010 from 5% of GDP in 2009. This was mainly on account of import growth that outpaced growth in exports, due partly to reductions in government expenditure and despite rising food and fuel prices. Exports were led by the food, pharmaceuticals, and mining sectors. However, Jordan's export base remains narrow with the trade deficit estimated at 24.6% of GDP in 2010. The surplus in the services balance increased partly on account of rising tourism revenue.

Inflation rose to 5.7% by the end of 2010 due to the base effect of negative inflation through much of 2009 and the rise in international commodity prices, while the outlook is set to remain moderate due to restrained lending and further fiscal consolidation. The Central Bank of Jordan (CBJ) cut its benchmark interest rate to 2.25% in February 2010, while bank lending rates remained high at around 9%. This continues to restrain business credit, which rose by an estimated 10% in 2010.

Employment and social policy

In August 2010, the Department of statistics published **poverty** data. Between 2006 and 2008 around 13% of the population was living on less than 1 JOD (EUR 0.97) a day. Since 2006, 11 new *poverty pockets* — areas where 25% or more of the residents live under the poverty line — developed, bringing the total to 32, of which 13 are in Mafraq. These pockets are mostly rural.

The Social Security Corporation (SSC) postponed the implementation of the maternity insurance scheme and unemployment insurance until September 2011 to allow full coverage from the outset. The extension of social security coverage is progressing in eight of the twelve governorates of the country with a plan to cover around 909,000 workers (or 55% of those employed in the formal sector) in 2010. Moreover, the SSC carried out studies and field surveys with the aim to extend coverage to additional governorates.

Unemployment continued to rise in 2010 to an average of 13.4% of the labour force compared with 12.9% for the year 2009. The unemployment rate of women is more than twice that of men and their participation in the labour force is the lowest worldwide (14.9%) despite increase in education levels of women. 19% of young graduates are jobless. The persistent unemployment can be attributed to a range of factors: a long-term decline in public sector employment (between 1979 and 2010, employment in the public sector decreased by almost half); the presence of a large number of foreign workers in manufacturing, telecommunications and construction; a rapidly growing population with 60,000 new entrants to the labour market yearly, a geographical mismatch with most jobs (85%) created in urban areas whereas the majority (60%) of unemployed is in rural areas; and skills mismatches between young educated people and market demand. In July 2010, the cabinet approved amendments to the **labour law** with a view to improving labour conditions. These include financial compensation in cases of arbitrary termination, a revision of the calculation of annual holidays and a ceiling on overtime. The law also stiffens penalties against offending employers and imposes a quota for the employment of persons with disabilities.

In the area of **social dialogue**, the legislation establishing a tripartite committee dealing with the approval of labour union entered into force in May 2010. In January 2010, the Economic and Social Council (ESC), in collaboration with the University of Jordan and the Public Security Directorate, organised a conference on the rule of law and social tension. The policy recommendations were submitted to the government in March 2010.

In the area of **social inclusion and social protection**, Jordan approved the social security law in April 2010 as a temporary law. Administrative and technical arrangements for implementing the new law are under preparation.

4. TRADE-RELATED ISSUES, MARKET AND REGULATORY REFORM

In 2010, the overall bilateral **trade** between Jordan and the EU increased slightly, but the trade balance remained strongly in favour of the EU. Compared to the previous year, Jordanian exports to the EU increased by 36.2% while EU exports to Jordan increased by 6.9%. In the reporting period tariff dismantling continued in line with the provisions contained in the EU-Jordan Association Agreement.

The Protocol for Dispute Settlement in bilateral trade with the EU, initialled in 2009, was signed in February 2011. Before its entry into force the Protocol needs to go through the ratification process in the Jordanian parliament and the assent procedure in the European Parliament. In order to promote trade, Jordan adopted in 2010 the National Foreign Trade Strategy and the National Industrial Strategy for 2010–2013. Work is also ongoing to put into place a National Export Strategy and a Services Sector Strategy. In October 2010, Jordan approved a bylaw exempting from income tax companies' income generated by the export of originating goods, except for phosphate potash, cement and fertilisers. The bylaw also exempts from income tax income generated by exporting information and technology services.

The Cabinet approved in July 2010 a temporary law amending the **customs** law, which includes new provisions on the enforcement of intellectual property rights and on simplified procedures in line with the Kyoto Convention. The new law abolishes the requirement to certify import invoices in Jordanian consular missions and provides for simplified conditions to accede to the customs broker profession. The automation of the customs administration is proceeding: more than 75% of all export/import transactions are dealt with through the Automated Single Window which, at the end of the reporting period, applied in nine major customs centres. The implementation of an inter-agency cooperation between the Jordan Customs (JC), the ministry of agriculture, the Jordan Institution for Standards and Metrology Organisation and the Jordanian Food and Drugs Administration remained difficult. The number of companies participating in the 'Golden List' programme, facilitating trade for reliable traders, increased in the reporting period to reach 27 companies. These measures should improve trade efficiency and reduce customs' red tape. As such, they were included as part of the results to be achieved by the ongoing EU Trade and Transport Facilitation budget support programme, started in 2009. Regarding the strengthening of cooperation to combat irregularities and fraud in customs, Jordan participated in the 'SIROCCO' joint customs operation carried out in June 2010. SIROCCO is a joint customs operation, coordinated by the European Commission (Anti-Fraud Office -OLAF) and carried out by the customs administration of the EU and 11 partner countries from the southern rim of the Mediterranean¹.

Concerning **free movement of goods and technical regulations**, preparations to negotiate an Agreement on Conformity Assessment and Acceptance of Industrial Products (ACAA) continued. Amendments to the law on standards and metrology as well as a draft accreditation law have been presented to the newly elected parliament. Their adoption is already pending for years and is indispensable to move the process forward. The 3rd revision of the draft technical regulation on product safety is ready for consultation with the EU. Jordan transposed several European standards and prepared draft regulations in some priority sectors (e.g. electrical products, toys and gas appliances) for approximation with the relevant EU directives. A draft consumer protection law is under preparation. A twinning project is due to start in 2011 in order to implement the Road Map for the conclusion of the ACAA, adopted in 2009.

Regarding **sanitary and phyto-sanitary** (SPS) issues, Jordan continued the preparation of a new food law that aims at approximation with EU standards. In February 2010, Jordan connected to the external window of the EU's rapid alert system for food and feed (RASFF). In the same month, the European Commission carried out a mission to Jordan on animal health surveillance regarding horses. The mission did not report major shortcomings.

Regarding the **right of establishment**, there are still no plans to adopt a regulation enabling 100% foreign ownership in transport services, insurance agent services, travel agencies and tour operators.

The draft amendments to the **company law** have been finalised and are expected to be sent shortly to the parliament. The proposed amendments include lowering the minimum capital requirement to 1 JOD (EUR 0.97) for a Limited Liability Company. To strengthen the legislative framework, the government developed a draft 'Bankruptcy and Re-organisation Law', which is currently being reviewed by public and private sector stakeholders.

¹ SIROCCO focused on deep sea containers loaded in China or the United Arab Emirates and arriving in countries of the Union for the Mediterranean. Around 40 million cigarettes, 1243 kg of hand-rolled tobacco, 7038 litres of alcohol and 8 million other counterfeits were seized during the operation.

In 2010 improvements in the areas of starting business and obtaining a construction permit helped to **improve the business environment**. Nevertheless, Jordan's competitiveness decreased in 2010, which is reflected by the loss of four positions in the World Bank 'Doing Business' study.

No progress reported in the areas of **accounting and auditing**.

Concerning **services**, Jordan and the EU held preparatory discussions for the bilateral negotiations on the liberalisation of trade in services and the right of establishment.

In the field of **financial services**, the Jordanian banking system remains sound and has proven resilient to the global financial crisis. Several measures were taken by CBJ to further enhance effective banking supervision in compliance with the Basel II principles. These included guidelines for risk management (February 2010); introduction of an automated data collection system to improve off-site monitoring of banks (June 2010); enhanced cross-border bank regulation through regular supervision and on-site inspections of international branches and subsidiaries of Jordanian banks, and improvements to its early warning system. In addition, the authorities passed the law establishing a private credit bureau in June 2010, which should promote bank and non-bank private credit flows.

Jordan Enterprise Development Corporation (JEDCO) worked with the European Investment Bank on establishing the first two venture capital funds in Jordan, a capital for growth fund and an early stage fund. The EU strongly supports JEDCO in its efforts to help SMEs in the services sectors to export, internationalise and access bank credits. This support is provided through two EU-funded programmes: "Services Modernisation" and the "Enterprise and Export Development, both agreed in 2008-2009.

Other key areas

In 2010, the Income and Sales **Tax** Department (ISTD) adopted, under its Strategic Plan 2010–2014, all the secondary legislation needed for the implementation of the income tax law and the general tax law, which entered into force in January 2010. Moreover, Jordan developed and tested the audit tracking system, which aims to enable the ISTD to have more accurate information on arrears. It also developed and tested a risk-based audit selection system.

In the field of **competition**, no progress was made.

Little progress can be reported in the field of **intellectual property rights** (IPR). In May 2010, the ministry of trade and industry amended the trademarks fees schedule. The ministry conducted — along with international organisations such as World Intellectual Property Organisation and International Development Law Organisation — several workshops to raise awareness of intellectual property rights in various sectors in Jordan. National research institutes and universities are adopting new IPR policies and new administrative instructions for the offices managing their IPRs. A technology transfer network was established, with a centralised Intellectual Property Commercialisation Office at El Hassan Science City. In 2010, the network registered 16 patents. According to an independent study, Jordan has steadily improved on software piracy since 2006. The piracy rate was 57% in 2010.

The ministry of public sector development drafted a revision of the bylaw on **public procurement**. The draft is under review by a SIGMA expert mission and by the World Bank. Jordan continued to negotiate the accession to the World Trade Organisation's (WTO) Agreement on Government Procurement. It also continued to implement the e-procurement

programme, with an overall objective to increase the efficiency and transparency of the procurement process and to improve services at lower costs.

The Department of **Statistics** continued to implement the National Statistical Strategy 2008–2012, to introduce international standards and best practices. The Department has progressively reached a sound level of statistical capacity, thanks to improvement of IT infrastructure and human resources. The Department is building a national statistical system in collaboration with other stakeholders. Three pilot stakeholders' databases have been identified: the ministry of labour, the Social Security Corporation and the Department of Civil Status Bureau.

With regard to **public internal financial control**, the ministry of finance continued to prepare a reform strategy for the period 2010–13. Effective reform will require improved coordination with the Jordanian Audit Bureau, including definition of respective roles in the internal control system and public external audit. This is one of the areas of work that the EU is funding through its “Public Financial Management” budget support programme, signed at the end of 2010. This programme, a continuation of the first one launched in 2007, among other measures, is also supporting the implementation of the mentioned ISTD audit-tracking system.

On **enterprise policy**, Jordan participated in industrial policy activities, including the implementation of the Euro-Mediterranean Charter for Enterprise at a country level. The cabinet approved the Industrial Policy strategy in September 2010. It aims to create an industry-friendly environment, to protect sensitive and vulnerable industries in both private and public sectors and to encourage foreign and local investment partnership initiatives. It also proposes to develop special economic zones in two regions. The same public-private partnership approach is being followed in the ongoing development of a comprehensive Jordan Export Promotion Strategy.

5. COOPERATION ON JUSTICE, FREEDOM AND SECURITY

Cooperation with Jordan on **border management** progressed further. Thanks to earlier EU assistance, border management has become more efficient, especially in relation to document examination, profiling and counter-trafficking measures.

Despite severe strains on its economy and infrastructure, Jordan continues to host a large number of migrants and refugees from neighbouring countries.

With regard to the fight against **organised crime**, the National Committee for the Prevention of Human Trafficking officially launched its National Strategy and Action Plan for 2010–2012 to **combat human trafficking** in March 2010. The ministry of labour drafted a plan and guidelines for opening a long-term shelter for those affected by human trafficking and plans to establish a trafficking unit under joint jurisdiction with the Public Security Directorate.

With regard to **counter-terrorism**, Jordan benefited from exchanging information and best practices in the regional EUROMED Police programme. In addition, the investigation and analysis capacity of the Public Security Directorate was improved up to EU and international standards (ISO 17025), following a twinning programme in March 2010.

Jordan continued to implement the National Strategy on the fight against **drugs**, focusing on law enforcement, prevention, harm-reduction and rehabilitation measures. The Anti-Narcotics

Department of the Public Security Directorate continued to take measures to increase public awareness about drugs in cooperation with other government agencies, universities and civil society groups. Jordan joined the Mediterranean Network for cooperation on drugs and addictions (MedNet) in May 2010 and hosted a regional seminar in September 2010 to prepare the ground for a school survey and the establishment of a drug treatment reporting system. Jordan pursued its interest in joining the Council of Europe's Pompidou Group.

With regard to the fight against **money laundering** and the financing of terrorism, the government approved two temporary laws amending the 2007 Anti-money Laundering law and the Terrorism Funding law, in May and September 2010 respectively. It also tasked the Anti-Money Laundering Unit, located in the Central Bank, with following up on crimes related to the financing of terrorism and with adopting a cash declaration system at the borders. However, the work of lawyers and accountants is not subject to the reporting provisions of the 2007 law. Due diligence, 'Know Your Customer' (KYC) and 'Know Your Business' (KYB) practices continued to be implemented within financial institutions in line with statutory obligations, alongside customised training for judges, prosecutors and lawyers on the applicable legal framework. Jordan signed a Memorandum of Understanding with the UK Serious Organised Crime Agency on information and intelligence exchange in December 2010.

Jordan participated actively in Euro-Med regional programmes on **police and justice** (EUROMED Justice II, EUROMED Police II and EUROMED Migration III). The Jordanian Gendarmerie joined the Association of the European and Mediterranean Police Forces and Gendarmeries with Military Status in October 2010.

No progress can be registered regarding the accession of Jordan to some important international Conventions such as the 1980 Hague Convention on the Civil Aspects of International Child Abduction; the 1996 Convention on Parental Responsibility and the Protection of Children; the 1965 Hague Convention on the Service Abroad of Judicial and Extrajudicial Documents in Civil or Commercial Matters; the 1970 Hague Convention on Taking of Evidence Abroad in Civil or Commercial Matters. The dialogue on international child protection and family law issues in the context of Jordan's participation in the Judicial Conference on Cross-Frontier Family Issues, the 'Malta Process', has continued in 2010.

6. TRANSPORT, ENERGY, ENVIRONMENT, THE INFORMATION SOCIETY, RESEARCH AND DEVELOPMENT

In 2010, the ministry of **transport** continued to implement the National Transport Strategy 2009–2011. Jordan adopted three temporary laws in the course of 2010; the Law on Railroads establishing the Jordan Railway Corporation, the Law on Passenger Public Transportation and the Law on Land Transport Regulatory Commission. The latter establishes an independent Commission mandated to regulate public transportation, land freight and railway transport. To promote renewal of the road haulage fleet, as of April 2010 only trucks that are less than five years old can be imported and registered in Jordan.

The ministry is being restructured. Four main departments (Railway Transport, Planning and Studies, Transport Monitoring, and Human Resources) and one unit for Accident Investigation were created and are operational. In the rail sector, Jordan prepared the railway network project inter-connecting the railway network of the Gulf Cooperation Council countries with the Middle East ports.

In December 2010, Jordan and the EU signed a comprehensive air services agreement. The agreement will open these markets and integrate Jordan into a Common Aviation Area with the EU. As a result of the agreement, Jordan will harmonise its legislation with European standards and implement EU aviation rules in areas such as aviation safety, security, environment, consumer protection, air traffic management, competition issues and social aspects. The agreement will enable all EU airlines to operate direct flights to Jordan from anywhere in the EU and give reciprocal rights to Jordanian carriers. Cross-investments between Jordan and Europe will be encouraged, allowing EU carriers to set up a subsidiary in Jordan and vice-versa. The agreement will remove all restrictions on prices, routes and quotas of flights between Jordan and the EU.

In the maritime sector, in 2010 the main challenge remained the improvement of port efficiency and the integration of maritime transport into the multi-modal logistics chains. In April 2010 a memorandum of cooperation has been signed, establishing a 'Motorways of the Sea' between the ports of Aqaba and Trieste.

The EU and Jordan stepped up **energy** cooperation. Jordan is highly dependent on (costly) energy imports and therefore aims increasingly at energy efficiency, the use of renewables and other domestic energy sources including oil shale, gas and uranium. Jordan signed oil shale related agreements with an Estonian Company in May, with a view to electricity generation and oil production. In February 2010, Jordan agreed with a French company to mine domestic uranium. Jordan explored further options for gas imports from the Caspian and the Middle East. In 2010, Jordan, Lebanon, Syria and Turkey decided to establish a free trade area and expressed the wish to enhance regional energy cooperation. Jordan wishes to become a regional energy hub.

The draft energy sector law, which includes the establishment of a regulator, awaits adoption by parliament. After the commissioning, in the autumn of 2009, of the country's first independent power plant (IPP), a second IPP is under construction. Jordan decided to privatise an electricity generating company. In October 2010, the government moved towards the liberalisation of the oil sector by 2015. Jordan further developed its electricity network as well as international interconnections (e.g. plans for a further link with the West Bank).

In February 2010, Jordan adopted the law on renewable energy and energy efficiency. It includes the establishment of a fund to support projects. Jordan has prepared implementing legislation for this law. Several wind and solar power projects are in progress, some as part of the Mediterranean Solar Plan. The EU expects to provide strong support in this area and is already funding the construction of a wind and solar power pilot site, as signed in May 2010. Jordan also assesses possibilities to exploit geothermal energy and to use more bio-fuel. It continued also with the development of its first nuclear power plant. In November 2010, Jordan shortlisted three companies for constructing the plant. Jordan launched the construction of a 5 MW nuclear research reactor that will produce radioisotopes for the medical sector.

In the field of **climate change**, the inter-ministerial committee on climate change followed up on the implementation of the Second National communication to the UN Framework convention on Climate Change, submitted in 2009. Preparation of a National Adaptation Action Plan is under way with the identification of priority projects, in particular in the water sector.

Jordan continued to prepare Clean Development Mechanism Projects. One new project was registered at the UN level, bringing the overall number of registered projects to two.

Jordan is encouraged to fully implement the Cancun agreement and in particular devise a low carbon development strategy including update information on target or actions that it will implement.

The ministry of **environment** continued to implement the strategic plan for 2007–2010, with a focus on awareness-raising and green economy opportunities. The legislative framework still requires further development, especially as regards implementing legislation. A revision of the Environment Framework Law started in December 2010 with EU support. New instructions on environmental audit were approved. Jordan continued with the preparation of new legislation on air quality, water and waste management and environmental liability. Work continued on the regulation of waste streams. The phasing out of plastic bags is ongoing.

On industrial pollution, Jordan took measures regarding inspection at industrial sites. Continued attention is required to implement existing strategies and plans and to further enhance monitoring and enforcement. Jordan took further steps to pursue the decentralisation of environmental responsibilities. Further strengthening of administrative capacity is still a major challenge, and coordination between authorities also requires attention.

The reform of the water sector policy and institutional set-up continued. In line with the 2009–2020 Jordan Water Strategy, adopted in 2009, the decentralisation of water supply and sanitation services continued, with the establishment of a new regional water utility in the Northern region. Jordan is also revising the relevant legislation. A tariffs revision was approved and water subsidies were decreased. A draft law enabling the establishment of a regulatory commission has been in discussion for some time and the commission was expected to be in place in 2011. However, its establishment is now postponed for at least three more years, according to recent information.

Jordan took some steps to integrate environmental considerations into other policy sectors, such as energy. Jordan took further steps to revise the permits system. The state-of-the-environment report, finalised in 2009, was published and Jordan continued to carry out some activities to inform and involve the public. A pilot strategic environmental impact assessment was launched.

Implementation of ratified international and regional conventions and protocols requires particular attention. Jordan still needs to clarify its next intended steps with regard to the ratification of the Gaborone amendment to the Convention on International Trade in Endangered Species (CITES).

Jordan continued to participate in the Horizon 2020 Initiative and in the EU Water Initiative. Cooperation and information exchange took place between the EU and Jordan, including on water, de-pollution and management of environmental information.

In the field of **civil protection**, Jordan was actively involved in the Euro-Mediterranean Programme for the Prevention, Preparedness and Response to natural and man-made Disasters, which reached mid-term implementation.

In the reporting period the ministry of **information and communications technology** (MoICT) identified the necessary steps to implement its six priorities for the promotion of Information and Communication Technology (ICT) in the years 2010–2012. The MoICT and the ministry of interior launched the Civil Status and Passports e-service which allows display of and access to the required civil records. This e-service is part of a group of e-services introduced by the Tax, Land and Surveys departments, the ministry of trade and industry and the ministry of foreign affairs. Furthermore, the ministry of justice in cooperation with the e-government program at MoICT launched in October 2010 the non-criminal record certificate issuance e-service. Internet usage reached 27.2% of the population in June 2010.

On the regulatory side, the Telecommunication Regulatory Commission (TRC) adopted its Strategic Plan 2010–2013. The main objectives of the plan are to ensure effective regulations and fair competition in the ICT and postal sectors, and the affordability and timely access to broadband internet services. TRC also initiated a market review process in order to define relevant markets susceptible to *ex-ante* regulation, to analyse those markets to determine whether any operator and/or service provider enjoys a position of ‘dominance’ in a relevant market, and to develop and introduce specific regulatory remedies to mitigate the effects of dominance. In March 2010, the first private provider launched the first phase of the third generation (3G) services, which covered many areas in west Amman, Irbid and Zarqa. The MoICT continued implementing the National Broadband Network programme, aiming at connecting schools, government departments, hospitals and health centres via high-capacity fibre optic cables. At the end of 2010 there were 178 stations covering the different governorates of Jordan.

As regards the **audiovisual** sector, the two regulatory bodies, responsible respectively for telecom (TRC) and audiovisual sectors (Audiovisual Commission), were planned to be merged, but no progress has been made towards guaranteeing the independence of new regulator.

In the area of **research**, the first meeting of the Joint Committee under the EU-Jordan 2009 Science and Technology Agreement took place in November 2010. Jordan intends to restructure its research centres by reducing the fragmentation of the centres of excellence and improving their quality. The High Council for Science and Technology (HCST) worked during 2010 on setting the national Research and Development (R&D) priorities in all scientific research fields.

The participation of Jordan in the seventh Framework Programme (FP7) could be improved. Up to March 2011, Jordan had - 216 applicants of which 35 were successful. There is a strong potential to increase Jordanian participation in the FP7 themes ‘Food-Agriculture-Biotechnologies’ and ‘Environment’. HCST established Jordan’s Information Point to provide advice and individual assistance about EU-funded R&D activities, to enhance Jordanian participation in FP7 and to improve cooperation and networking with European research teams.

7. PEOPLE-TO-PEOPLE CONTACTS, EDUCATION AND HEALTH

In the area of **education**, the second phase of the Education Reform for the Knowledge Economy commenced in March 2010, prioritising school-based development, improving teaching and learning methods, special education and revision of monitoring and evaluation systems. The ministry of education extended the timeframe of its five year strategic

development plan to 2014 while securing an increase in its overall budget. Renewed emphasis is given to improving educational infrastructure, the learning environment and human resource development. The ministry prepared proposals for reform of governance structures in higher education to improve efficiency, equity and quality of public expenditure.

In **vocational training**, sector reform advanced at a reduced pace due to understaffing and lack of coordination between stakeholders including the ministries of labour, education and higher education. The social partners remained committed to playing an active role in defining and implementing demand-driven training provision. The Centre for Accreditation and Quality Assurance was not formally established; continuing fragmentation of information sources on the labour market and human resources is hampering inclusive work on reform and development of continuing training and lifelong learning. To try to improve this situation, the EU and Jordan have signed a Financing Agreement in October 2010 for a budget support programme that will try to address the shortcomings mentioned above and provide a new momentum to the sector reform process.

Jordan participated actively in **Tempus**, benefiting from five projects under the 3rd call for proposals for Tempus IV for the academic year 2010–11. One Jordanian student was awarded an **Erasmus Mundus** Masters scholarship, while student and academic mobility was further enhanced with the expected award of 49 grants under Erasmus Mundus Action 2 for the academic year 2010–11. Jordanian universities are encouraged to submit high-quality applications under the **Jean Monnet** programme, as to date none has emerged.

Jordan continued to promote the benefits of **youth** exchanges, voluntary service and inter-cultural dialogue as part of regional cooperation. Jordanian young people and youth organisations participated in youth exchanges, voluntary service and cooperation activities in youth work and informal education under the Youth in Action programme. The ministry of youth and sport confirmed participation in the EUROMED Youth IV programme.

In the area of **culture**, Jordanian cultural organisations participated in four projects under the Call for Proposals of the 2010 ENP Special Action under the Culture Programme. Jordan also participated actively in the regional EUROMED Heritage IV programme. For the first time, three Jordanian cultural organisations applied to Phase III of the EUROMED Audiovisual programme.

Jordan pursued the implementation of its Strategic Plan 2008-2012 for **health** sector reform. Jordan sustained its participation in the ‘Episouth’ network on communicable diseases for the EU, Mediterranean and Balkan countries.

8. FINANCIAL COOPERATION — 2010 KEY FACTS AND FIGURES

Cooperation framework

The Mid-Term Review of the programming document confirmed that the Country Strategy Paper adopted in 2007 remains a valid framework for cooperation with Jordan. The new National Indicative Programme (NIP) 2011–13 for Jordan was adopted in May 2010 and has a budget of EUR 223 million. The programme is geared towards supporting the achievement of key policy objectives as outlined in the EU-Jordan Action Plan and pursues four priorities: (1) supporting Jordan’s reform in the areas of democracy, human rights, media and justice; (2) trade, enterprise and investment development; (3) sustainability of growth; (4) support for implementation of the action plan.

Implementation

The implementation of the measures covered by the Annual Action Programmes (AAP) 2007, 2008 and 2009 is under way. Substantial results have already been achieved in the reform of the public finances management system. In the area of education, significant progress has been made in the education system reform through strong budget support from the EU to this sector in 2006 and 2007. Another programme will improve the provision of vocational education and training that is targeted to the needs of the population and the economy. In the trade and investment area, three large programmes, aimed at facilitating the investment climate and the competitiveness of the Jordanian economy, are now under way. The first EU-Jordan programme on capacity building in the area of renewable energies has just started. Other programmes that are currently being implemented include overall support for the implementation of the Action Plan and for justice reform and good governance.

In 2010, the EU continued to support Jordan's national reform efforts and committed assistance for a total amount of EUR 70 million under the bilateral envelope of the European Neighbourhood and Partnership Instrument (ENPI). Under the new NIP, the 2010 AAP covered three of the four priorities mentioned above. Within this envelope, EUR 10 million was allocated to the water sector, and another EUR 10 million to the improvement of democratic governance. The 2010 AAP also included a sector budget support operation of EUR 45 million on Public Financial Management reform, to continue the support provided under the 2007 programme. Additionally, support to the decentralisation process continued through a EUR 5 million programme aimed at promoting local economic development.

Twinning is an extensively used tool in EU cooperation with Jordan. Six new twinning projects have been identified in 2010, covering very diverse sectors, from agriculture to management of the police force. Recent projects support the work of the Anti-Corruption Commission, the Telecommunications Regulatory Commission and the agreement on Conformity Assessment and Acceptance of Industrial Products.

In addition to the bilateral allocation, Jordan also benefited from cooperation activities financed under the ENPI cross-border, inter-regional and regional programmes. Jordan participated in the ENPI Cross-Border Cooperation (CBC) programme Mediterranean Sea Basin (EUR 173.6 million for the whole programme in the period 2007–13). The main priorities of the Programme are four-fold (i) promotion of socio-economic development and enhancement of territories, (ii) promotion of environmental sustainability at the basin level, (iii) promotion of better conditions and modalities for ensuring the mobility of persons, goods and capital and (iv) promotion of cultural dialogue and local governance.

Under the ENPI-financed Neighbourhood Investment Facility (NIF) contributions, one project in Jordan was approved in 2010², committing EUR 2.2 million in grants, expected to leverage EUR 150 million in loans from European Finance Institutions in the energy sector.

Other EU Instruments supplement the ENPI assistance package. Jordan benefited from cooperation activities financed under horizontal instruments such as the European Instrument for Democracy and Human Rights (EIDHR) and the Development Cooperation Instrument (DCI) thematic programmes, including the Non-State Actors and Local Authorities in Development (NSA-LA). Furthermore, a programme under the Instrument for Nuclear Safety Cooperation (INSC) was started in Jordan in early 2010, financed under the 2008 AAP of this

² Jordan Electricity Transmission.

instrument. The project has a budget of EUR 1 million and is dedicated to the development and the strengthening of the Nuclear Safety Authority of Jordan. A second project of EUR 1.2 million was approved under the 2010 AAP, in order to provide the necessary follow-up in this area. Under the Instrument for Stability, Jordan is engaged in a regional cooperation programme to create Centres of Excellence in CBRN risk mitigation (chemical, biological, radiological and nuclear incidents). This large project is expected to receive global support in the range of EUR 7 million from the EU. Over the period 2012–2013 significant funds will be channelled for capacity building in this area.

Jordan also received support from the European Commission's humanitarian aid budget line in the range of EUR 2 million per year for the Iraqi refugees in Jordan. Operations were implemented by international organisations, notably UNHCR, in the sectors of protection, health care, Non-Food Items and psychosocial support.

Donor coordination

In 2010, the EU Delegation in Jordan ensured the coordination of assistance activities, through close contacts and joint work with other donors and with the ministry of planning and international cooperation. The Delegation, together with the EU member states, has been instrumental in establishing the Donors and Lenders Consultation Group already in 2000, for which UNDP provides the Secretariat. The Delegation chaired several of the sector working groups which report to the main Group.



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JOINT STAFF WORKING PAPER

Implementation of the European Neighbourhood Policy in 2010 Country report: Georgia

1. OVERALL ASSESSMENT

Georgia and the EU first established contractual relations in 1996 through a Partnership and Cooperation Agreement which entered into force in 1999. On this basis, the EU-Georgia European Neighbourhood Policy Action Plan (ENP AP) was approved in November 2006 for a period of five years.

In 2010, the EU and Georgia held meetings of the Cooperation Council, the Cooperation Committee, and subcommittees on trade, economic and related legal issues and on justice, liberty and security issues, plus one round of the EU-Georgia dialogue on Human Rights.

This document reports on progress made in the implementation of the EU-Georgia ENP Action Plan between 1 January and 31 December 2010 although developments outside this period are also taken into consideration where relevant. It is not a general review of the political and economic situation in Georgia. For information on regional and multilateral sector processes, please refer to the sectoral report.

The EU and Georgia agreed to move forward with deepening and broadening EU-Georgia relations within the Eastern Partnership (EaP) framework. Negotiations on an EU-Georgia Association Agreement (AA) were launched in July 2010. The negotiations progressed at a good pace in the second half of 2010.

This Agreement is conceived by both Parties as illustrating the most advance and ambitious approach to the Eastern Partnership vision of association, including a Deep and Comprehensive Free Trade Area (DCFTA) and a comprehensive programme of approximation to EU *acquis*. Negotiations on a DCFTA will start, in the same framework, once the necessary conditions have been met. Georgia made progress in implementing key recommendations in areas of technical barriers to trade, food safety, competition and intellectual property rights. Georgia also initiated work to build the necessary institutional capacity for the trade negotiation process.

Overall, Georgia made progress in the implementation of the ENP AP priorities throughout 2010, especially in reforming the justice system, improving the conduct of elections, increasing women's rights, carrying out constitutional reform, reforms in trade and business related areas, and regional development, as well as substantially curbing administrative corruption. One of the major achievements was the entry into force of the new criminal procedure code in October 2010. Georgian authorities worked intensively to ensure the new code was successfully implemented. Continuing these efforts and effectively implementing the legislation will be key to ensuring its long-term success.

At the same time, Georgia needs to accelerate its efforts to consolidate democracy, especially as regards political and media pluralism. The rights and integration of minorities and corruption among high-ranking officials remain areas where more efforts are needed. Other

major challenges include freedom of association, labour rights, employment and social policies, poverty reduction and agricultural development. In the field of labour rights and core labour standards, ILO expressed concerns with the lack of compliance, by Georgia, with core labour conventions. If unaddressed, these concerns put at risk Georgia's continuing inclusion in the EU's General System of Preferences (GSP+) which allows Georgia to benefit from trade preferences from the EU.

After the double shock of military conflict with Russia in August 2008 and the global economic crisis, in 2010 the Georgian economy showed signs of recovery. In line with its commitments in the ENP AP and with the International Monetary Fund (IMF) Stand-By Arrangement, the country preserved a prudent fiscal and monetary policy stance and made progress in increasing exchange rate flexibility. Limited recovery in Foreign Direct Investment (FDI) inflows, however, meant Georgia's external position remained vulnerable given the need to finance the large current account deficit. The country is still dependent on external official financing.

The EU continued to lend full support to Georgia's territorial integrity and sovereignty and to a peaceful resolution of the existing conflicts. The EU continued to fully implement its post-war assistance pledge of up to EUR 500 million as announced in the October 2008 donors' conference. The *Geneva International Discussion* continued as the single forum for structured dialogue between the parties to the conflict. The EU Monitoring Mission (EUMM), as the only agreed international presence on the ground, continued its efforts in support of a stabilisation of the security situation. However, it was unable to carry out its mandate in the whole territory of Georgia given that it was prevented from getting access to the breakaway regions of Abkhazia and South Ossetia. The start of the implementation of the Government of Georgia's "State Strategy on Occupied Territories: Engagement through Cooperation" did not lead to a fundamental change of the situation. Throughout 2010 the EU continued to remind Russia of its commitments under the EU-mediated ceasefire agreement with Georgia on 12 August 2008 and the implementation plan of 8 September, which have not yet been fulfilled.

2. POLITICAL DIALOGUE AND REFORM

Democracy and the Rule of Law, Human Rights and Fundamental Freedoms

Local **elections**, in which the Tbilisi Mayor was directly elected for the first time, took place in May 2010 in a calm atmosphere. The Election Code was amended in advance of the local elections, including changes in the procedure for electing the Chairman of the Central Election Commission. International observers reported that the elections marked evident progress towards meeting international standards; however, shortcomings continued to be observed in the pre-election and post-election periods, mainly with regard to abuse of administrative resources and the functioning of the complaints resolution mechanism. The Election Code Working Group resumed its work in November 2010, in order to further amend the code by autumn 2011, to allow a full year of implementation before the next scheduled elections.

Amendments to the Georgian **constitution** were drafted by the Constitutional Commission and adopted by the parliament in October 2010. Most amendments will enter into force in 2013, after the presidential elections. The constitutional reform aimed at ensuring a more balanced separation of powers, reducing the powers of the president so as to strengthen the

parliament's role, improving the system of checks and balances and reinforcing the independence of the judiciary. However, the new amendments do not guarantee parliament's oversight function as they make it very difficult for parliament to mount a vote of no confidence in the government. The process and pace of the constitutional reform were also criticised, as the constitution was adopted by the parliament on the same day that the final opinion of the Council of Europe (CoE) Venice Commission was published.

There was continued progress in 2010 on the reform of the criminal **justice** system. The new Criminal Procedure Code entered into force in October 2010, introducing a number of substantial changes to the current system of criminal proceedings in Georgia, notably the introduction of jury trials in criminal cases. Throughout 2010, Georgian authorities worked intensively to ensure the successful implementation of the new code through various training programmes for justice sector professionals, public awareness campaign and the introduction of the new Integrated Criminal Case Management System.

Progress was also noted on strengthening the **independence of the judiciary**, as the new constitution provides for judges to be appointed for life. However, the CoE Venice Commission and the civil society expressed concern over the long probation periods before appointment. Judges on probation are more exposed to political influence. The 'Law on Rules of Communication with Judges in Common Courts' was amended in February 2010. It does not prohibit correspondence with a judge, but increases the fine for all illegal correspondence and extends the law to officials serving in political positions. Amendments were also made to the 'Law on Disciplinary Responsibility and Disciplinary Proceedings of Judges', changing the procedure for the election of the chairman of the disciplinary board, in order to minimise the possibility of political influence over disciplinary procedures against judges.

As for **access to justice**, the free Legal Aid Service of the Ministry of Corrections and Legal Assistance continues to provide legal assistance to citizens throughout the country, including to vulnerable groups. However, a set-back was reported in 2010. The Government of Georgia decided that the Legal Aid Service will start providing legal representation to citizens in civil and administrative cases in January 2013, and not as initially planned for January 2011, due to the lack of capacity within the service.

No progress was noted on **civil service reform** in 2010. There are no laws or legal provisions regulating salaries or training of civil servants in Georgia. A new Civil Service Code was drafted, but is not in line with the principles and standards outlined by the OECD (SIGMA). The Civil Service Bureau (CSB) mainly concentrates on fighting petty corruption in the public service and not on its overall reform. In line with this, an online system of asset declaration for civil servants was established by the CSB.

Limited progress was made in 2010 regarding **decentralisation** and development of a national strategy for local self-government reform. The Action Plan on Regional Development, adopted in November 2010, provides for a new 'Law on Regional Development' to be drafted in 2011, which will include various legislative steps to increase local self-governments' competences. The new Constitution also contains a chapter on local self-government, but the provisions remain vague and in need for clarification with regard to the definition and organisation of local powers.

In the field of **Regional Policy dialogue** the city of Tbilisi organised a seminar together with TAIEX to which representatives of the European Commission and of a number of European Regions were invited. Following the meeting, the Georgian minister of regional development

and infrastructure with a group of officials was invited to the 2010 REGIO Open Days-European Week of Cities and Regions in Brussels, during which discussions were held with Commissioner for Regional Policy J. Hahn. As a result a joint declaration on Regional Policy Dialogue was signed in February 2011 and an agreed work programme is being implemented.

Since the 'Rose Revolution', Georgia was relatively successful in curbing administrative **corruption**. Progress was noted in criminalising corruption, avoiding conflicts of interest and protecting whistleblowers. A new Anti-Corruption Strategy and Action Plan drafted by the Anti-corruption Interagency Coordinating Council was adopted in 2010. There were a number of corruption-related investigations and charges brought against public officials. However, concerns remain on corruption at political level, not least because of weak control over political party financing, the lack of transparency in procurement and privatisation processes, weak accountability of high-ranking officials for reserve funds, insufficient protection of property rights and a lack of transparency in media financing and ownership.

Human rights and fundamental freedoms

Georgia is party to the main international and regional **human rights** instruments, and to most of their optional protocols. Georgia has been party to the Rome Statute of the International Criminal Court since 2003. A meeting of the Human Rights Dialogue between the EU and Georgia was held in 2010. It provided for a good general exchange of views on human rights and fundamental freedoms in Georgia.

The Public Defender (**Ombudsman**) continues his independent monitoring of human rights violations in Georgia. The powers of the Public Defender were increased in 2010. The government supported the role of the Public Defender's Office (PDO), through increased budgetary allocations, inviting it to participate in the EU-Georgia human rights dialogue and by including the Office as a beneficiary of the Comprehensive Institution Building Programme.

Throughout 2010, the PDO carried out its first year of monitoring as National Preventive Mechanism under the Optional Protocol of the UN Convention against **Torture** (OPCAT). In September 2010, the Council of Europe Committee for the Prevention of Torture (CPT) issued its report on a visit to Georgia in February 2010. It reported several prisoners' complaints of ill-treatment and abuse of authority by prison staff, which have not been thoroughly investigated by the Georgian authorities.

Inhuman and degrading **detention conditions**, often caused by overcrowding in prisons, remain a major area of concern, together with inadequate healthcare in prisons, as was also reported by the CPT. The treatment and situation of psychiatric patients is also of concern. Limited progress was noted in the improvement of material conditions in prisons and in police detention establishments, and in the provision of legal aid to persons in police custody. Amendments made to the Criminal Code of Georgia in February and July 2010 represented a positive step towards the liberalisation of criminal policies in Georgia. The implementation of these amendments and a more substantial revision of the criminal legislation and sentencing policies are important to address the problems caused by increasing prison population.

The lack of transparency of **media** ownership and the difficulty of access to public information continues to pose serious problems for the independent media in Georgia. The Parliament is scheduled to discuss a package of measures to guarantee transparency of media ownership, by amending all related legislation, including the Law on Broadcasting. The

Georgian Public Broadcaster's coverage of the period before and during the local elections of May 2010 was reported to be more balanced compared to previous election periods, albeit still polarised.

There has been no progress reported on the integration and the rights of ethnic, religious and sexual **minorities** in Georgia. The 'National Integration Strategy: National Concept for Tolerance and Civic Integration' was adopted in May 2009 but there is no follow-up report on the state of the implementation of the action plan for 2010. The CoE Framework Convention for the Protection of National Minorities has not been fully transposed into domestic legislation and the European Charter for Regional and Minority Languages has still not been signed by Georgia. On the repatriation and integration of the Meskhetian population to Georgia, the period for applications to return ended at the end of 2009 with more than 6000 people seeking repatriation. The Georgian government set up a database for these applications and started assessing them, but the process has been very slow. A specific action plan to effectively ensure the repatriation, resettlement and integration of Meskhetians has still not been developed and the government's capacity to deal efficiently with the applications remains a subject of concern.

In March 2010, parliament adopted the Law on **Gender Equality** drafted in consultation with local NGOs, international organisations and government bodies. The Advisory Council on Gender Equality Issues in the parliamentary Speaker's office is active on women's rights, gender equality and domestic violence and contributed to the adoption of the new law. The law provides for the strengthening of women's political participation and gender-responsive planning and budgeting by the government. Women continue to suffer from a gender pay gap: the average monthly salary of formally employed women remained, on average, 43% less than men in the third quarter of 2010.

Progress was noted in the reform of the **juvenile justice** system where the amendments to the Criminal Code lifting the age of criminal responsibility from 12 to 14 years of age entered into force in February 2010. The amendments also granted the prosecutor discretionary power to divert juveniles from criminal prosecution in order to encourage alternatives to criminal prosecution. Progress was also made on the specialisation of staff within the criminal justice system and in setting up a separate juvenile parole board to consider applications for early conditional release.

Cooperation on Foreign and Security Policy

Since June 2007, Georgia has been invited to align with CFSP declarations on a case by case basis. In 2010, Georgia aligned with 28 out of 44 CFSP declarations which they were invited to support. There was intense political dialogue with the Georgia in 2010, including through two Political and Security Committee Political Dialogues in June and September 2010, and visits by the Commissioner for Enlargement and Neighbourhood Policy and the High Representative of the European Union for Foreign Affairs and Security Policy to Georgia in April and July 2010 respectively.

Strengthening regional cooperation

Southern Caucasus Integrated Border Management (SCIBM), promoted by the EU between Georgia, Armenia and Azerbaijan, started in March 2010 (see chapter on cooperation on justice, freedom and security). The Regional Environmental Centre (REC) for the Caucasus

worked on information and public participation, environmental policy and local environmental action plans (see chapter 6, part on environment).

Cooperation on settling conflicts within Georgia's internationally recognised borders

Georgia continued to implement the internally displaced persons (IDPs) Action Plan, which was reviewed in May 2010. In tandem with the review, a new 'IDP Housing Strategy and Working Plan' was drafted. The latter outlines the remaining needs and challenges in providing durable housing solutions for all remaining IDP families due to limited availability of funding. From June to August 2010 and in January 2011, thousands of IDPs illegally occupying idle buildings in Tbilisi were forcefully evicted. Although, according to the Georgian government, most of the evicted people had already received durable housing or were not in need of them, many were offered relocation to far-away rural areas, with limited prospects of earning a living. Many international human rights associations, the international donor community in Georgia and local NGOs criticised the process and the manner in which these evictions were carried out. With the support of UNHCR and other donors, the Government developed Standard Operating Procedures for evictions. However, implementation of these procedures is inconsistent, which often creates unmet expectations in IDPs. Also, more efforts are needed to help with socio-economic reintegration and to give IDPs a means of earning a living. A number of projects exist, including some financed by the EU, but a comprehensive socio-economic State strategy for IDPs is not in place.

The EU remains committed to respect for Georgia's territorial integrity and sovereignty and peaceful conflict resolution. The EU continues to fully implement its post-war assistance pledge of up to EUR 500 million as announced in the October 2008 donors' conference. Through this support, tens of thousands of IDPs have received durable housing and some limited efforts were made to integrate them socially and economically in the host communities. Other conflict-affected people have also received assistance, and a constructive dialogue between communities living across the conflict divide has been fostered through civil society. (*See chapter on financial cooperation.*)

The EU has been taking an active role as a co-chair, together with the UN and the OSCE, of the '**Geneva International Discussions**', set up in 2008 as a forum for dialogue and the only platform allowing an ongoing political conflict resolution process. In the course of 2010, six rounds of 'Geneva Discussions' took place.

Throughout 2010, the EU continued to remind Russia of its commitments under the EU-mediated **ceasefire agreement** with Georgia of 12 August 2008, which have not yet been fulfilled. In October 2010, Russia pulled out of Perevi village adjacent to the administrative boundary line with the Georgian region of South Ossetia.

An EU civilian monitoring mission (**EUMM**) with 340 observers was set up in October 2008 to monitor and analyse the stabilisation process. In September 2010, the EUMM's mandate was extended for another year. However, continued refusal of access to the breakaway regions for the EUMM results in asymmetrical implementation of the Mission's mandate.

In July 2010, the Government of Georgia approved an Action Plan to implement the '**Strategy on Occupied Territories: Engagement through Cooperation**'. The Action Plan is to provide a 'human-centred approach' designed to 'reduce isolation and improve welfare' for people living in Abkhazia and the South Ossetia regions of Georgia. The 'Modalities for Engagement of Organisations Conducting Activities in the Occupied Territories of Georgia',

which are the implementing modalities for the Action Plan and the Law on Occupied Territories, were adopted in October 2010. These regulate the actions of donors and their implementing partners in carrying out international assistance projects in the breakaway regions. The international community has expressed concerns about these regulations and the restrictions imposed, recommending changes; however, only a few of these changes were accepted by the Georgian government. Successful implementation of the Georgian Strategy and Action Plan, and the continuation of international assistance projects for peaceful conflict resolution, will depend on the implementation of the ‘modalities’ in a practical and enabling manner.

On 23 November 2010, President Saakashvili made a unilateral ‘**non-use of force**’ pledge at the European Parliament, stating that Georgia would only use peaceful means to restore control over Abkhazia and South Ossetia.

Georgia continued to implement the IDP (internally displaced persons) Action Plan, which was reviewed in May 2010. In tandem with the review, a new ‘IDP Housing Strategy and Working Plan’ was drafted. The latter plan outlines the remaining needs and challenges in providing durable housing solutions for all remaining IDP families due to limited availability of funding. From June to August 2010 and in January 2011, thousands of IDPs illegally occupying idle buildings in Tbilisi were forcefully evicted. Although, according to the Georgian government, most of the evicted people had already received durable housing or were not in need of them, many were offered relocation to far-away rural areas, with limited prospects of earning a living. Many international human rights associations, the international donor community in Georgia and local NGOs criticised the process and the manner in which these evictions were carried out. With the support of UNHCR and other donors, the government developed Standard Operating Procedures (SOPs) for evictions. However, implementation of these procedures is inconsistent, which often creates unmet expectation in IDPs. Also, more efforts are needed to help with socio-economic reintegration and to give IDPs a means of earning a living. A number of projects exist, including some financed by the EU, but a comprehensive socio-economic state strategy for IDPs is not in place.

3. ECONOMIC AND SOCIAL REFORM

Macroeconomic framework and functioning market economy

In the aftermath of the double shock of the military conflict with Russia of August 2008 and the global crisis, the Georgian economy is showing signs of recovery. Following two years of low or negative growth, 2010 saw a revival of economic activity. After a contraction of activity by 3.8% in 2009, in 2010 real GDP grew by 6.3%.

On the back of the economic recovery, the government decided to tighten its budgetary and monetary policies. In line with its commitment under the IMF Stand-By Arrangement, the fiscal deficit was reduced from 9.2% of GDP in 2009 to 6.6% in 2010. Expenditure containment was the main strategy behind this fiscal consolidation, although recovering tax revenues were also an important factor. Tax revenue increased by almost 10% in comparison to 2009 and thus more than compensated the falls from the previous year caused by the global crisis. The tightening of monetary policy began in the summer, with the key policy interest rate being moderately increased, to keep inflation under control. However, while CPI inflation in 2010 was 7.1% on average, it picked up at the end of the year, reaching 10.2%. In late 2010, to bring down inflation pressures, the monetary authorities further increased the base

interest rate and introduced higher reserve requirements acting in line with their commitment to macro-economic stability under the ENP AP and the IMF Stand-By Arrangement. The authorities also reviewed agricultural policy, announcing greater political commitment to promoting growth and jobs in the agricultural sector.

While the economic recovery seems to be taking hold, the external economic situation remains vulnerable as the financing of the large current account deficit remains uncertain. By weakening domestic demand, the crisis contributed to a halving of the current account deficit in 2009. However, the deficit remains very large, at 9.9% of GDP in 2010, and it is expected to increase further in 2011. The trade deficit, which reached 22.2% of GDP in 2010, has been the main driver of the large current account deficit. Georgia's exports continue to suffer from the trade embargo imposed by Russia in 2006 and extended in 2008. Georgia's exports to the EU countries have remained low and the opportunities offered by the GSP+ remain under-exploited. While a certain shift in trade and changes in its export profile have recently taken place, Georgia's exports continue to need diversification. Overall, the Georgian export performance remains far below its potential.

FDI inflows were adversely affected by the crisis and declined to USD 550 million (ar. EUR 415 million) in 2010 in thus remaining significantly below their 2009 level when they reached USD 750 million (EUR 566 million). This disappointing performance puts at risk the financing of the current account and the build up of international currency reserves and shows that foreign investor confidence, which was hard hit by the conflict with Russia in 2008, has still not returned. It also reflects the loss of steam of the privatisation process, as many of the most attractive state companies and assets have already been sold.

Consistent with the monetary authorities' commitment within the IMF Stand-By Arrangement to increasing exchange rate flexibility, the National Bank of Georgia (NBG) continued its less interventionist exchange rate policy. The depreciation against the USD during the first half of the year reversed in June 2010, with the appreciation allowing a slight recovery in foreign reserves. However, although gross international reserves have recovered from a trough of USD 1.5 billion (EUR 1.13 billion) reached during the crisis to USD 2.3 billion (EUR 1.73 billion) at the end of 2010, net international reserves remained low, at USD 825 million (EUR 622 Million). A further vulnerability in the balance of payments relates to the fast increasing external public debt, up from 16.8% of GDP in 2007 to 34.1% of GDP in 2010, and a significant need for a debt roll-over in the next few years.

In September 2008, the IMF approved an 18-month Stand-By Arrangement for Georgia, worth USD 750 million (EUR 566 million). During the third programme review, approved by the IMF Executive Board in August 2009, the Stand-By Arrangement was extended until 14 June 2011 and the financing package increased, bringing total access to IMF resources under the arrangement to USD 1.17 billion (EUR 883 million). On 12 January 2011, the IMF Board completed the 7th and the 8th reviews, concluding that performance under the programme has been broadly satisfactory. However, the authorities indicated that they did not intend to draw on the instalment of around USD 153 million (EUR 115 million) that became available.

Employment and social policy

The labour market has benefited only marginally from the economic recovery, with the unemployment rate decreasing only moderately from its 2009 height of almost 17% to around 15%. There is a need to thoroughly address the mismatch between skills and labour market needs, but Georgia has no specific **employment** strategy in place and no employment

implementing agency. More generally, there is no overall social sector strategy, although there are several medium-term action plans to address particular policy areas, covering social exclusion and protection issues for children at risk, the disabled, those with learning difficulties, IDP families, and trafficking.

In the field of **labour rights and core labour standards**, the March 2010 report of the ILO Committee on Freedom of Association repeats the ILO's concern on the implementation of two key conventions, on Freedom of Association and Protection of the Right to Organise, and on Right to Organise and Collective Bargaining. The Labour Code and the Law on Trade Unions need to be amended in order to comply with core labour standards, notably regarding the criteria for establishing trade unions, protection against anti-union discrimination, the right to strike. In addition, the Committee re-stated ILO continued concerns as regards the implementation of the Conventions on Equal Remuneration, on Discrimination, and on Holidays with Pay.

In the area of **social dialogue**, the tripartite constituents reached an agreement, in May 2010, on the minimum changes to be introduced to the labour code, particularly with regard to anti-union discrimination. However, these changes have not yet been introduced. Moreover, the Georgian Trade Union Conference has made allegations of anti-union discrimination and government interference in the check-off system, which suggests persisting interference by the government in social dialogue. As regards **social assistance**, the government continued to implement the 2009 Children Action Plan and in November 2010 approved an action plan for the Major Areas of Child Care System Reform for 2011-12. The child welfare reform process continued in the reporting period. The government supports the development of children's homes for small groups and plans to close down all the 31 big institutions by the end of 2013.

In June 2010, the system of means testing for targeted social assistance was revised and new criteria adopted to define households whose socio-economic conditions are below the poverty line. The government also adopted rules on setting up a unified database of socially vulnerable families, evaluation of their social-economic conditions and their registration.

In 2010, **agricultural** production continued to decline. All the major constraints (e.g. lack of consistent sector strategy, weak public services, fragmented supply chains, limited access to credit, outdated production techniques, etc.) remain so far unaddressed. In particular, the government has not taken any significant measure to improve access to credit facilities for farmers yet. However, some positive signals came in 2010 from the ministry of agriculture, which has drafted a comprehensive national strategy for the sector, for approval beyond the reference period. Limited availability of funding reduced the ministry's ability to implement traditional support measures such as funding for mechanisation programmes, free distribution of fertilisers and subsidies for grape production.

In February 2010 the government created the Georgian Agriculture Corporation, a state-owned company aiming to become the operational arm of the ministry of agriculture. The process of privatisation of state-owned land continued steadily during the year.

Overall, most of the public efforts in the sector follow top-down approaches, with limited engagement of civil society and with a focus on attracting big investors, rather than on promoting rural initiatives that could benefit farmers more directly.

In the reporting period there was no progress regarding **sustainable development**. The ministry of environment and management of natural resources has not yet started to draft the

relevant strategy.

4. TRADE-RELATED ISSUES, MARKET AND REGULATORY REFORM

After a decline in 2009, **bilateral trade** grew during the reporting period; EU exports to Georgia increased by 31.6% compared to the previous year, while exports of Georgian products to the EU increased by 7.1%. However, there is a need for further diversification of Georgian exports, which remain concentrated in a few commodities of low value added (in particular, mineral products formed 71.8% of Georgia's exports to the EU in 2010).

Georgia continued to benefit from the special incentive arrangement for sustainable development and good governance — the GSP+ — within the EU Generalised System of Preferences (GSP). These enhanced preferences should help to diversify Georgia's export structure and improve its export performance. However, the above-mentioned, if unaddressed, put at risk Georgia's inclusion in the GSP+ given that it is conditional on the country's compliance with the core ILO and UN conventions.

At the beginning of 2010, Georgia increased above the rates bound in its WTO schedules the customs duties applied to imports of some industrial and agricultural products. In March 2010 Georgia ended this breach of WTO rules. In the course of 2010, Georgia rectified other breaches in WTO rules: it lowered the tariff rates applied to imports of spirits to the levels bound in its WTO schedules and it equalised excise taxes on imported and domestically produced tobacco products.

Intensive dialogue was held on preparations for the start of negotiations on a DCFTA with the EU based on the EU key recommendations. Good progress was made in drafting and adopting strategies and preparing the necessary legislation in the key regulatory areas as reported below in the sections on sanitary and phytosanitary measures, free movement of goods and technical regulations, intellectual property rights and competition. However, in order to become ready for DCFTA negotiations, Georgia will need to accomplish additional work, in particular as regards practical implementation of reforms in the key regulatory areas and building adequate institutional structures and administrative capacity for the negotiating process.

In January 2010, the Georgian National Investment Agency (GNIA) established an Export Promotion Department. The GNIA launched in September 2010 a new export web portal focussing on the needs and interests of Georgian exporters, including facilitating partner searches for foreign companies. In 2010, the GNIA also held events to promote export and to ensure the trade community was regularly consulted on and informed of export procedures.

In July 2010, the EU and Georgia concluded negotiations on a bilateral agreement for the protection of their respective 'geographical indications'. The agreement, which is the first of this kind with an ENP partner, will foster trade in agricultural products and foodstuffs originating in the territories of both Georgia and the EU.

Georgia made progress on revenue management. The Revenue Service, the agency responsible for **customs** and taxation issues under the ministry of finance, was transformed into a legal entity under public law from April 2010 with a view to making it more business oriented. In September 2010, Parliament approved a new Tax Code which entered into force in January 2011. The existing Customs Code provisions were reduced from 250 articles to 36 articles and included in the new Tax Code. The impact of these changes will have to be

evaluated in the light of the implementing regulations, which have yet to be adopted. The Georgian customs continued upgrading its risk-analysis system. It set up an Operational Management Division in the Customs Control Department, which operates as a central unit with specially trained officials. Mobile x-ray screening systems are used to control vehicles and a database is now in place. A tracking system for vehicles in transit is also operational and scanned images are attached to the transit documents via the Automated System of Customs Data (ASYCUDA). The Georgian customs drafted standard procedural manuals for customs officials on customs infringement, definition of sanctions and border customs procedures in Tbilisi International Airport, Poti Sea Port and the Kutaisi Free Industrial Zone. Concerning ethics and human resources, the ministry of finance adopted two orders which regulate recruitment and training of probationers in the Customs Service. A comprehensive human resources strategy is being drafted. Georgia now applies the updated version of the Harmonised Commodity Description and Coding System (HS 2007). The ministry of finance prepared a draft amendment to the Law on Customs Fees aiming to abolish customs administrative fees. Georgia amended the Valuation chapter of the Customs Code and enacted the relevant implementing provisions with a view to clearly defining procedures for determining the customs value according to WTO principles. Georgia should continue to ensure that measures are taken to align the policy on customs administrative fees, to simplify and coordinate post clearance controls, to improve the uniformity of customs controls and decisions across the administration and to upgrade customs capacity for checking cross-border movement of counterfeit and pirated products. Additional acts, for example on integrated tariff and advance customs rulings (BTI and BOI), need to be adopted.

Georgia made some progress on the **free movement of goods and technical regulations**. Government adopted a Strategy on Standardisation, Accreditation, Conformity Assessment, Technical Regulation and Metrology together with a Programme on Legislative Reform and Adoption of Technical Regulations in respectively July and August 2010. The drafting of a Code on Safety and Free Movement of Products started and is to be finalised and adopted in 2011. A new single agency in charge of market surveillance - Technical and Construction Inspection Agency - was set up through merging of the two existing agencies in this field and development of a market surveillance strategy is planned for 2011.

In the area of **sanitary and phytosanitary (SPS)** issues, in December 2010 Georgia adopted a food safety strategy aiming at aligning this sector with EU and international standards. Georgia plans the approximation with key EU 'horizontal' legislation by 2014. In 2010, Georgia drafted and adopted several implementing acts such as the hygiene rules for food and feed business operators, including simplified rules for smaller operators. It also adopted rules on inspections and traceability. Georgia prepared draft laws on food safety, hygiene, registration of food establishments and labelling of food products. In 2010, Georgia started implementing food safety provisions that had been suspended since 2006. As a result, registration of food business operators started in February 2010. Georgia also initiated compulsory inspections of traceability requirements, however only for food business operators exporting to the EU, in July 2010. The Food Safety Law was amended to extend inspections and traceability to all food and feed operators starting January 2011. In September 2010, Georgia adopted the Annual State Control Programme of Food Business Operators. In December 2010, the Government adopted the General Plan for Food and Feed Crisis Management. Georgia further upgraded laboratories and opened new slaughterhouses. Georgia developed an SPS training programme and worked on training of experts. The National Service for food safety, veterinary and plant protection prepared an institutional gap assessment. In October 2010, the European Commission's Food and Veterinary Office carried

out a mission to Georgia on the control of fishery products and a follow-up process is ongoing to help Georgia to meet the requirements for exporting these goods to the EU. Georgia continued to monitor animal diseases such as African swine fever and foot and mouth disease. Overall, nevertheless, Georgia will need to make further significant progress in the SPS sector in order to align it with the EU and international standards. In particular, legislation including its implementation and enforcement, institutional development and animal disease surveillance need continued attention.

In the area of **business climate, establishment and company law**, Georgia implemented a very efficient registration system for new enterprises through one-stop offices, whereby a company can be registered and necessary permits be given in half a day. It rose to 12th place overall in the 2011 World Bank 'Doing Business' study, in particular thanks to improvements in access to credit and investor protection. Changes made to the Law on Entrepreneurs in April 2010 reaffirmed the requirement to register a company charter in the Registry, specifying the minimum content of the charter. This minimum content includes information on the shareholders, the director(s), the managing bodies of the company and the decision making rules, restrictions on the representation power of director(s), and information on any insolvency, bankruptcy or rehabilitation of the company. The further amendments made in October 2010 set a time limit of four months for the liquidation of a company.

2010 was also the first full year when the new provisions on **audit** applied to the following entities: (a) accountable companies (as defined by the Law on Securities Market), the securities which are admitted to the stock exchange, (b) companies licensed by the National Bank of Georgia (such as banks, insurance companies, brokerage companies, etc.); and (c) companies with more than 100 shareholders. Audits are to be conducted by an auditor who is legally and economically independent from the company, its directors and shareholders.

On **financial services**, since December 2009 the NBG has acted as the single regulator of financial services, including supervision of commercial banks, insurance companies and the securities market. In 2010, it focused on a gradual transition towards a risk based supervision system. The banking sector's high levels of capital and provisioning provided adequate buffers against adverse shocks, but continued close supervision of banks remains critical. In 2010, the NBG introduced new measures and policy instruments designed to increase the effectiveness of monetary policy.

Other key areas

In September 2010, Parliament approved a new **Tax Code** which entered into force in January 2011. The new code introduced the concept of 'micro' and 'small' businesses. A different tax regime will be applied to individuals and companies involved in small businesses. Under the new code, companies will submit tax declarations on a quarterly basis. The new tax code also reduces the duration of legal proceedings for tax appeals from a maximum of 125 days to 65 days. The Revenue Service introduced e-filing of tax-returns, that enables taxpayers to file declarations electronically, directly or through their representatives. Negotiations on avoidance of double taxation are still ongoing with Spain, Cyprus, Slovenia, Hungary, Slovakia and Sweden. Georgia continues to apply an excise tax on the export of scrap metals.

With regard to **competition policy**, progress was made. The Comprehensive Strategy in Competition Policy was adopted in December 2010. In line with the Strategy, the Georgian Government is currently drafting a general framework competition law (covering antitrust, including abuse of dominant position, merger control and state aid rules). The Presidential

Resolution issued in February 2010 set up an Agency for Free Trade and Competition, which is an independent entity under public law, no longer under the ministry of economic and sustainable development. The Agency is in the process of recruiting new staff. It still needs to be given adequate powers and resources.

Georgia continued in 2010 to align its legislative framework on **intellectual property rights** with EU standards, which is of particular importance in the DCFTA process. In this context, 3 TAIEX-funded study missions to MS IP Offices took place.

A new Law on Design (separate from the Patent Law) was drafted and subsequently adopted in June 2010. The amended Patent Law introducing the supplementary protection certificate entered into force in June 2010. A Government decree was adopted in July 2010 to bring the system of fees into compliance with international requirements (the Trade-Related Aspects of Intellectual Property Rights — TRIPS — agreement). Under this Decree, IPR registration fees are now equal for local and foreign persons, and so comply with the WTO requirement on non-discrimination. The Trademark Law was amended, introducing an accelerated procedure for trademark registration (at the applicant's request, subject to an additional charge).

The criminal procedural code that entered into force in October 2010 authorises the prosecutor to act *ex officio* in cases involving IPR. According to an independent expert organisation, Georgia has the highest prevalence of pirated software (95%) of any country. Overall, IPR protection and enforcement will require additional efforts.

The new law on **statistics** entered into force in February 2010. The new set up increased the independence of the National Statistical Office, formerly a department of the ministry of economic and sustainable development, and now a legal entity under public law ('Geostat'). However, the Geostat budget is still set by the ministry and is not sufficient to improve the quality of statistics.

On **enterprise policy**, some progress was made. The Bank of Georgia promoted access to finance through a 'Small and Medium Enterprise (SME) Lending' credit line, approved in July 2010. It allows the Bank to develop its lending programmes countrywide in the relevant business segments, providing essential support for longer-term financing of micro, small and medium sized enterprises.

With regard to the management of **public finances**, the ministry of finance continued to implement its reform plan 2009-2011 including measures improving oversight and regulation of public procurement. Reform of public finance management, consistent with the objectives of the Action Plan, is one of the conditions of EU macro-financial assistance.

Based on the October 2010 amendments to the Law on State **Procurement**, in December 2010 Georgia introduced a new, electronic procurement system for all types of contract, irrespective of size and nature. There is no other public procurement system in Europe that would allow such extensive use of e-auctions. For the first time, all procurement records and data will be stored electronically, and, according to the State Procurement Agency (SPA), much of this information will be accessible to the public. Price will be used as the main criterion to determine the winner of a contract and a technical evaluation and qualification compliance check is done with the winning tenderer only. Georgia has applied the Common Procurement Vocabulary since 2010. To prepare for the implementation of the new legislation, the SPA has adopted an E-procurement Implementation Action Plan that provides for training in the new procedures for procuring entities and bidders, as well as the purchase

of IT equipment and software for the E-platform. The SPA also intends to conduct awareness raising campaigns for the wider public.

A newly established council that includes representatives of the State Procurement Agency and several representatives of NGOs will address complaints of irregularities and shortcomings in the procurement process.

In terms of **public internal financial control**, in March 2010 parliament approved the law on State Internal Financial Control and Audit, which will gradually establish internal audit units within all ministries. The law is not in line with international standards on managerial accountability and separation of audit from inspection. The ministry of finance decision to abolish its Central Harmonisation Unit for financial management and control in September 2010 and to dismiss its staff raises questions about the overall commitment to reform in terms of investment of staff resources and internal enforcement.

In the area of **external audit**, the Chamber of Control adopted its 2010–2011 Capacity Development Plan and in November 2010 updated the ‘Strategic Development Plan for 2010–2012’. The documents provide for the approval of compliance audit manuals, the introduction of a quality control system, staff recruitment and targeted training.

5. COOPERATION ON JUSTICE, FREEDOM AND SECURITY

The third meeting of the EU-Georgia Subcommittee on Justice, Freedom and Security took place in Tbilisi in July 2010.

In the area of **border management**, Georgia continued to implement the Action Plan on integrated border management adopted in 2009 while participating actively in the Southern Caucasus Integrated Border Management (SCIBM) regional programme, which was launched in March 2010. Border crossing points with Azerbaijan were fully equipped and refurbished with state funds.

In addition, in October 2010 the ministry of internal affairs signed a two-year Operational Agreement with FRONTEX on cooperation to counter irregular migration and cross-border crime and on strengthening working relations with EU member states. In August, the ministry also drafted Joint Standard Operational Procedures with the Revenue Service of the ministry of finance, with the support of the Border Support Team of the EU Special Representative.

In the field of **migration**, the EU and Georgia signed visa facilitation and readmission agreements, which entered into force in March 2011. The EU-Georgia Mobility Partnership entered the implementation phase, with the start of a three-year project on the reintegration of returning migrants and a number of bilateral activities with EU member states. Georgia started issuing only biometric passports as of April 2010.

On the **fight against organised crime**, the ministry of internal affairs continued to prepare for accession to the Third Protocol to the UN Convention on Transnational Organised Crime on the Illicit Manufacturing of and Trafficking in Firearms, Their Parts and Components and Ammunition. Georgia ratified the European Convention on Cybercrime in October 2010. It did not ratify the 2007 CoE Convention on the Protection of Children against Sexual Exploitation and Sexual Abuse, which it signed in 2009.

With regard to the **fight against trafficking in human beings**, the ministry of internal affairs continued to implement the National Anti-Trafficking Action Plan 2009–10 while drafting the successor plan in October 2010 for the period 2011–12 in consultation with civil society organisations. Moreover, Georgia hosted regional cooperation meetings with law enforcement agencies (police, border guards, and judiciary) from the Republic of Moldova and Turkey in July and September 2010 respectively, with a focus on experience-sharing and improving cooperation.

Regarding the **fight against drugs**, Georgia has not yet adopted a National Drugs Strategy incorporating both demand and supply reduction actions. However, the substance of international legal instruments on prevention and enforcement is incorporated into national legislation. The ministry of health hosts the National Focal Point since 2009 but, as yet, the latter has no drugs monitoring system. There are various reports on the drug situation and drug treatment projects are implemented in cooperation with civil society. However, the negative social attitude towards drug addicts does act as an obstacle.

In the field of **money laundering**, Georgia actively continued cooperation in the context of the Egmont and Eurasian FATF groups and Moneyval. The 2005 CoE Convention on the Laundering, Search, Seizure and Confiscation of the Proceeds from Crime and the Financing of Terrorism remains unsigned. The 2003 Additional Protocol to the CoE Criminal Law on Corruption aiming to protect arbitrators and jurors from bribery also remains unsigned.

A draft law on **data protection** was presented to Parliament in September with a view to signature of the Additional Protocol to the 1981 CoE Convention for the Protection of Individual with regard to the Automatic Processing of Personal Data regarding supervisory authorities and trans-border data flows. To give the former practical effect, an independent national data protection supervisory authority needs to be set up.

In the area of international and regional **judicial cooperation**, in November 2010, CEPOL (External Working Group) approved a proposal for conclusion of a cooperation agreement with the Georgian Police Academy and the ministry of internal affairs. Georgia did not sign the Second Additional Protocol to the CoE Convention on Mutual Assistance in Criminal Matters to protect individual rights in the processing of personal data. As pointed out in 2009, a solid system for the protection of personal data is essential to advance cooperation with the EU member states, with Europol and with EUROJUST. Georgia also did not sign the European Convention on the Transfer of Proceedings in Criminal Matters. With regard to judicial cooperation in civil matters, Georgia has not yet acceded to important conventions in the framework of the Hague Conference on Private International Law, e. g. **conventions on judicial assistance** (1965 Convention on the Service Abroad of Judicial and Extrajudicial Documents in Civil or Commercial Matters and 1970 Convention on the Taking of Evidence Abroad in Civil or Commercial Matters) and on **child protection** (1996 Convention on Jurisdiction, Applicable Law, Recognition, Enforcement and Co-operation in respect of Parental Responsibility and Measures for the Protection of Children). The implementation in Georgia of the 1980 Hague Convention on International Child Abduction is also a matter of interest for the EU

6. TRANSPORT, ENERGY, ENVIRONMENT, THE INFORMATION SOCIETY, RESEARCH AND DEVELOPMENT

In July 2010 the United **Transport** Administration, established in 2009, came under the umbrella of the ministry of economy and sustainable development. In the road sector, Georgia adopted a detailed action plan in 2010 to implement the 2009 Road Safety Strategy. Georgia intends to introduce road worthiness testing for all vehicles only in 2013. During the reporting period, Georgia pursued investment in the railway sector, which included preparing for the Tbilisi railway bypass.

In December 2010 the EU and Georgia signed a comprehensive air services agreement. The agreement will allow Georgia to become a full partner of the EU in aviation and will open the respective markets and integrate Georgia into a wider European Common Aviation Area. As a result of the agreement, Georgia will harmonise its legislation with European standards and implement EU aviation rules in areas such as aviation safety, security, the environment, consumer protection, air traffic management, economic regulation, competition issues and social matters.

In the field of maritime transport, Georgia is committed to regaining the EU recognition of certificates from Georgian sea farers that was revoked in late 2010. Georgia started work on a new Flag State Annual Inspection Policy, underlining its will to remove its flag from the 'High Risk' category on the black list of the Paris Memorandum of Understanding on port state control.

Georgia and the EU stepped up **energy** dialogue, inter alia, through the first ever energy subcommittee, held in Tbilisi in October 2010. In November 2010, the Georgian Prime Minister and the Energy Commissioner co-chaired a Georgia energy investment conference in Brussels. In 2010, Georgia ensured oil and gas transit through the Baku-Tbilisi-Ceyhan and the Baku-Tbilisi-Erzurum pipelines. Georgia puts great emphasis on the development of the Southern Gas Corridor including Nabucco and White Stream (gas pipeline crossing the Black Sea). In September 2010, the Heads of State of Georgia, Azerbaijan and Romania and the Hungarian Prime Minister endorsed the AGRI (Azerbaijan-Georgia-Romania Interconnection) project. This aims to export liquefied natural gas from Azerbaijan, through a Georgian Black Sea terminal, to Romania and beyond. Azerbaijani, Bulgarian and Georgian companies further studied possibilities to develop compressed natural gas supply to the EU across the Black Sea from the Georgian coast. Georgia, Azerbaijan, Lithuania, Poland and Ukraine continued work towards a Euro-Asian Oil Transportation Corridor.

An observer to the Energy Community, Georgia initiated studies on possible membership. Georgia amended the law on electricity and natural gas, with regard to third party access to the grid and reserve capacity rules among other issues. Georgia continued to develop a new electricity tariff methodology; it increased electricity tariffs in July 2010. Georgia implemented its large-scale investment programme for constructing and rehabilitating small and large hydro power plants and gas and electricity networks. It further worked on the construction of the Black Sea Electricity Transmission Line (Azerbaijan-Georgia-Turkey). Georgia and Armenia started constructing an electricity interconnection. In October 2010, Tbilisi hosted a major conference of the EU-supported Covenant of Mayors, aiming at promoting energy efficiency and the use of renewables at local level.

In the field of **climate change**, the second National Environmental Action Plan for 2011–2014, currently under preparation, identifies climate change as a priority issue. A second

Climate Week took place, during which more than 100 climate-related awareness raising events were carried out. Georgia plans to draft an overall climate change strategy, taking into account the findings of the Second National Communication to the UN Framework Convention on Climate Change, submitted in 2009. Two adaptation programmes developed under the Second National Communication are under implementation and preparations for a Nationally Appropriate Mitigation Action strategy have started. Georgia took steps to prepare and approve further Clean Development Mechanism (CDM) projects even if no new projects were registered at the UN level, leaving the overall number of registered projects at two. The EU continued to support Georgia in implementing the Kyoto Protocol. Georgia is also encouraged to fully implement the Cancun agreement and in particular devise a low carbon development strategy including update information on target or actions that it will implement.

With regard to the **environment**, the ministry of environment and natural resources protection continued to draft the second National Environmental Action Plan for 2011–2014, which identifies as priority the following environment sectors: waste management, water resources, air quality, land resources, nuclear and radiation safety, biodiversity, disaster management, mineral resources, forestry and the Black Sea. Limited progress was made in developing the legislative framework including an environmental code and the related implementing legislation. The legislative framework continues to require further development. Continued attention is required to implement existing strategies and plans and to further enhance monitoring and enforcement. Georgia took some steps to promote the integration of environmental considerations into other policy sectors, such as energy and regional development. A state-of-the-environment report was drafted but has not yet been published.

Georgia has not yet ratified the Protocols under the UN Economic Commission for Europe (UNECE) Convention on Long-Range Trans-boundary Air Pollution, nor signed the UNECE Convention on the Protection and Use of Trans-boundary Watercourses and International Lakes. It has not become a party to the UNECE Convention on the Trans-boundary Effects of Industrial Accidents or the UNECE Convention on Environmental Impact Assessment in a Trans-boundary Context. Furthermore, the implementation of several agreements already ratified requires particular attention. Georgia participated in the EU Water Initiative, including a national policy dialogue, and in the Commission on the Protection of the Black Sea against Pollution.

The **REC for the Caucasus** carried out regional activities in 2010 mainly in the fields of information and public participation, environmental policy and local environmental action plans. REC also further improved its internal management, fund-raising and visibility in 2010. Nevertheless, it carries over a deficit from previous years which impedes its activities.

Concerning developments in the field of **civil protection**, there are activities under the EaP framework (*please see the sectoral report*).

In the **information society** sector the Georgian telecoms regulator, the Georgian National Communications Commission (GNCC), is working towards approximation with the EU regulatory framework for electronic communications and ensured greater market opening. In 2010, the GNCC completed the review of both mobile and fixed call termination markets, reducing termination rates by approximately 50% via the imposition of cost accounting methods.

In March 2010 Georgia decided to introduce fixed and mobile number portability from 2011. Georgia also drafted a new numbering plan to be introduced in 2011, which will rationalise the national numbering space and provide for more efficient management.

In the area of **research** Georgia increased its level of participation in the 7th Framework Programme (FP7). As of November 2010, 24 research groups had successfully applied, receiving some EUR 1.7 million of EU funding. The highest level of successful participation was in the research infrastructure, international cooperation and health parts of the programme. Georgia continued to participate actively in the International Science and Technology Cooperation Network for Eastern European and Central Asian (EECA) countries (FP7 IncoNet EECA project), which aims to support bi-regional EU-EECA dialogue and to increase EECA participation in FP7. A workshop on EU-EECA collaboration in energy research was held in Tbilisi in October 2010, scientific areas of mutual for the EU and EECA interest were identified for potential inclusion in future FP7 calls for research proposals. Georgia is a target country under the new FP7 International Cooperation Network for Central Asia and South Caucasus countries (FP7 IncoNet CA/SC) which was launched in April 2010 and aims to strengthen and deepen the EU S&T cooperation with the CA/SC countries, as well as with the Republic of Moldova.

Georgia is also taking an active part on the Black Sea ERA-NET project, which aims to contribute to the coordination of EU Member States' and partner countries' research programmes targeting the extended Black Sea region.

7. PEOPLE-TO-PEOPLE CONTACTS, EDUCATION AND HEALTH

In January 2010 the ministry of education and science announced further **education** reforms for 2010–15 including higher and secondary vocational education with a focus on structures, quality assurance and the role of executive institutions. A new law on the Development of Quality Assurance of Education was adopted in September 2010 transferring regulation of accreditation to the National Centre for Quality Enhancement. New rules on admission to higher education institutions based on unified national exams were adopted in July 2010 with amendments to the charter of the Teachers' Professional Development Centre from June 2010. Greater clarity is required on retraining incentives and efficient use of resources if promised school reforms are to be realised. Georgia pursued its approximation and alignment with European standards, benefiting from an ongoing twinning project in support of the Bologna Process.

Concerning **vocational education and training**, in September 2010 parliament adopted substantial amendments to the law on vocational education ensuring a clear link between vocational and higher education, increasing flexibility and aligning provision with lifelong learning principles. However, there was limited consultation by the government on the amendments in the law and over 14 VET centres were closed.. The government adopted a National Qualifications Framework in December 2010 broadly in line with the European Qualifications Framework, covering the whole education and training continuum. The new Centre for Education Quality Enhancement coordinated intensive cooperation with employers on occupational standards and adopted over 100 new standards by the end of 2010. The Adult Education Association developed a National Lifelong Learning Strategy. Through a large programme of voucher-financing, the National Teacher Professional Development Centre oversaw the professional development of some 20 000 primary and secondary education teachers through subject and professional in-service training, an essential premise for

implementation of the new teacher certification process which started in 2010 and which will become mandatory as from 2014.. An assessment of vocational training and education-business cooperation was carried out by the European Training Foundation under the Torino Process.

Higher education reform in Georgia continued to benefit from participation in **Tempus**, with five projects selected under the third Call for Proposals for Tempus IV including one led by a Georgian university. Georgia also continued its active participation in **Erasmus Mundus** in the academic year 2010-11 with the expected award of seven scholarships for Erasmus Mundus Master's Courses under Action 1 and a further 56 mobility grants for students and academics under Action 2. Tbilisi State University received continuing support for its Jean Monnet chair in European law.

Georgian young people and **youth** organisations continued to benefit from the Youth in Action Programme through exchanges, voluntary service and youth cooperation activities in non-formal education. A national Youth Information Centre in Tbilisi, with branches in several regions, opened in 2010.

In the field of **culture** Georgian cultural organisations participated in four projects under the 2010 Special Action for ENP countries under the Culture Programme. A first twinning project on cultural heritage conservation started in June 2010 between the Georgian National Museum and the Foundation of Prussian Cultural Heritage (*Stiftung Preussischer Kulturbesitz*). To advance regional cooperation as part of the EaP and the Kyiv Initiative, Georgia is urged to ratify the 2005 CoE Framework Convention on the Value of Cultural Heritage for Society.

Georgia pursued reform of its **health** sector. Household health expenditure remains high and coverage by health insurance low. In February 2010, in the context of last year's influenza A(H1N1) epidemic, the EU and Georgia established communication channels for exchanging epidemiological information in the event of a public health emergency of international concern. In 2010, Georgia adopted a national HIV/AIDS strategic plan for 2011–2016. In October 2010, Georgia published a draft national HIV/AIDS monitoring and evaluation framework.

8. FINANCIAL COOPERATION — 2010 KEY FACTS AND FIGURES

Cooperation framework

The Mid-Term Review of the programming document confirmed that the Country Strategy Paper adopted in 2007 remains a valid framework for cooperation with Georgia. The new National Indicative Programme (NIP) 2011–13 for Georgia was adopted in May 2010 and has a budget of EUR 180.3 million. The programme is geared to supporting the achievement of key policy objectives as outlined in the EU-Georgia ENP AP and pursues four priorities: (1) support for democratic development, the rule of law and governance; (2) support for economic development and ENP AP implementation; (3) poverty reduction and social reforms and (4) support for peaceful settlement of Georgia's internal conflicts.

The NIP 2011–13 includes a specific appropriation to finance new actions under the EaP, notably a Comprehensive Institution Building Programme (CIB) (with a minimum allocation of EUR 30.9 million) and Cohesion Policy (a minimum of EUR 7.4 million). The CIB

Framework Document was signed in October 2010 and identified three areas of key priorities including: support for government structures for coordination of enhanced agreement negotiations; support for trade policy reform; and consolidation of democratic reforms through the strengthening of oversight institutions.

Implementation

Implementation of measures covered by the Annual Action Programmes (AAPs) 2007, 2008 and 2009 is under way. The first Sector Budget Support (SBS) Programme in Public Finance Management (PFM), financed under AAP 2007, has been completed.

Under the AAP 2008, an SBS on Justice has been implemented with major results achieved by the government in areas such as probation, legal aid, juvenile justice and support for Georgia's Public Defender. The AAP 2009 for Georgia focused on Vocational Education and Training and on the implementation of Technical Assistance and Twinning Programmes.

In 2010 a total of EUR 37.2 million was committed to Georgia under the bilateral envelope of the European Neighbourhood and Partnership Instrument (ENPI). The AAP 2010 was approved in June 2010 and includes an SBS for PFM reforms aiming at: improving government capacity to manage, coordinate and monitor the reform of the PFM system; further improving budget preparation, execution and monitoring; enhancing the capacity of the Chamber of Control; and harmonising procurement systems in line with EU best practice. The same AAP earmarked EUR 7.2 million for a Technical Assistance Facility for EU-Georgia ENP AP implementation and a further EUR 19 million for a Sector Policy Support Programme for Regional Development. The latter will contribute to: (a) enhancing the capacity of central and local authorities; (b) streamlining institutional, legislative and territorial arrangements; (c) improving legislation and regulations to reduce local self-government dependency on the central level; (d) improving statistical instruments; and (e) improving civil society participation at local level.

In the aftermath of the August 2008 conflict and after some EUR 8 million were provided in direct humanitarian assistance, the EU has granted some additional funding to Georgia, largely through three Special Measures (adding up to EUR 105 million) in support of IDPs. The first two programmes have already been completed providing decent living conditions (by means of durable housing) and livelihoods to IDPs who lost their homes as a result of the conflict. In 2010, the third programme (EUR 43.5 million) was launched and will provide accommodation and socio-economic integration for all Georgian IDPs (including those from the conflict in the early 1990s) and to their host communities.

In addition to the bilateral allocation, Georgia also benefited from cooperation activities financed under the ENPI cross-border, inter-regional and regional programmes. Georgia takes part in the ENPI Cross-Border Cooperation (CBC) programme Black Sea Basin (EUR 21.3 million for the programme in the period 2007–13; the overall allocation was planned to be increased). The main priorities of this programme are to support cross-border partnerships for economic and social development based on combined resources, to share resources and competencies for environmental protection and conservation, and to support cultural and educational initiatives for the establishment of a common cultural environment in the Basin.

Under the ENPI-financed Neighbourhood Investment Facility (NIF), three projects were approved in the water sector in 2010, committing EUR 15 million in grants, expected to leverage EUR 167 million in loans from European Finance Institutions.

Other EU instruments supplement the ENPI assistance package. Georgia benefited from cooperation activities financed under horizontal instruments such as the European Instrument for Democracy and Human Rights (EIDHR) and the Development Cooperation Instrument (DCI) thematic programmes Non-State Actors and Local Authorities in Development (NSA-LA) and Food Security.

Georgia also continued to benefit from the Instrument for Stability to: (1) support a more balanced coverage of political parties; (2) contribute to the repatriation/integration of the Meskhetians; (3) support confidence building measures along and across the Administrative Boundary Line between Georgia and South Ossetia and Abkhazia, (4) advise Georgia on its policy towards the breakaway regions and (5) introduce the concept of transitional justice.

Moreover, as part of the October 2008 European Union pledge to Georgia, a second instalment of Macro-Financial Assistance has been prepared. It amounts to a maximum of EUR 46 million, half to be made available in the form of grants, the remainder in loans. A first tranche shall be disbursed in 2011.

Donor coordination

The EU Delegation has continued to actively promote coordination of assistance activities in the country, especially among EU donors. The government should play a stronger role in donor coordination in the future.



EUROPEAN COMMISSION

HIGH REPRESENTATIVE OF THE
EUROPEAN UNION FOR
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JOINT STAFF WORKING PAPER

A Medium Term Programme for a renewed European Neighbourhood Policy (2011-2014)

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JOINT STAFF WORKING PAPER

A Medium Term Programme for a renewed European Neighbourhood Policy (2011-2014)

1. MEDIUM TERM GOALS

In the course of the next four to five years partner countries taking decisive steps towards reforms can expect to conclude an Association Agreement (East) or enter in a “Partnership for Democracy and Shared Prosperity” (South). This will be accompanied by enhanced mobility and people to people contacts (e.g. including through the possible establishment of mobility partnerships), economic integration through industrial cooperation, SME development, and increased trade relations with the EU (e.g. through the establishment of Deep and Comprehensive Free Trade Areas and the conclusions of other agreements, e.g. in agriculture, services and establishment of Agreements on Conformity Assessment and Acceptance of Industrial products for priority sectors), deeper sector integration (e.g. through the integration in a pan-European energy market and the participation in EU programmes and agencies in accordance with the opening possibilities granted in each programmes and with the general guidelines regarding the participation in EU Agencies). It will also be accompanied by appropriate financial resources and new tools.

2. A MEDIUM TERM PROGRAMME

The Communication “A new response to a changing Neighbourhood” identifies the steps towards these goals and suggests a number of actions through which the EU can support partner countries reform efforts. This Medium Term programme maps out in more detail these actions, defines the expected timeline for their implementation and identifies the responsibility for their implementation within the EU institutions. In order to ensure results, assistance will also need to be focused on a limited number of agreed core priority sectors.

2.1. Actions to be implemented across the entire neighbourhood

Action	Responsibility	Timing ¹	Details
TO SUPPORT PROGRESS TOWARDS DEEP DEMOCRACY			
Supporting Deep Democracy			
<i>Better define the benchmarks “deep democracy” benchmarks against which the EU will assess progress of partner countries and adapt its level of support d in the communication. On that basis a consistent approach to differentiation will be devised.</i>	EEAS	2 nd half 2011	
A Partnership with Societies			
<i>Enhanced Human Rights Dialogues</i>	EEAS/Partners	Continuous - starting 2 nd half 2011	<p><i>The dialogues will focus, inter alia, on:</i></p> <ul style="list-style-type: none"> • <i>The effective implementation of international and regional human rights and humanitarian law conventions.</i> • <i>The effective implementation of recommendations from international and regional human rights treaty monitoring bodies.</i> • <i>Effective implementation of commitments made by the partner countries themselves in the context of the</i>

¹ The timing referred in this table provides an approximate indication on when the implementation of the various actions will start. Depending on the action, to start may mean a negotiation session, a meeting, a seminar or an internal paper leading to a proposal or mapping a process,

			<p><i>UN Universal Periodic Review.</i></p> <ul style="list-style-type: none"> • <i>The lifting of reservations to UN human rights conventions.</i> • <i>The cooperation with UN special human rights mechanisms.</i> • <i>The establishment of, and the monitoring of progress towards, concrete benchmarks in particular in the following areas: freedom of association and assembly, freedom of expression, independent monitoring and observation of elections, women's rights, fight against torture and death penalty (moratorium and steps towards formal abolition).</i>
<i>Monitoring gender equality in the context of Human Rights dialogues and the relevant sub-committees and promote exchange of experiences</i>	<i>EEAS / DG JUST / Partners</i>	<i>Continuous - starting 2nd half 2011</i>	
<i>Enhance the institutionalised mechanism of regular and systematic dialogue with Civil Society organisations and social partners at country level</i>	<i>EEAS/ EU Delegations / DG DEVCO</i>	<i>Starting 2nd half 2011</i>	
<i>Systematically involve Civil Society Organisations and social partners in the policy dialogue and promoting reforms at national level.</i>	<i>EU Delegations / DG DEVCO / DG EMPL</i>	<i>Starting 2nd half 2011</i>	
<i>Promote social dialogue and social partners' capacity, including through the Euro-Med Social Dialogue Forum</i>	<i>DG EMPL</i>	<i>Starting 2nd half 2011</i>	

<p><i>Civil Society Facility</i></p>	<p><i>DG DEVCO/ EEAS /</i></p>	<p><i>2nd half 2011</i></p>	<p><i>The Facility will be articulated in three components:</i></p> <p><i>1. Increase involvement of CSOs in sector policy dialogues between the EU and partner countries and in the implementation of bilateral programmes in relevant fields</i></p> <p><i><u>Description:</u> In order for CSOs to become stronger partners in the implementation of ENP objectives they need strengthened capacities and information to identify entry points and contribute to bilateral and regional cooperation. A collective reflection is required on how to associate CSOs in formulation and implementation of sector reforms and new aid modalities such as budget support.</i></p> <p><i>2. Strengthening CSOs through support to regional or country projects</i></p> <p><i><u>Description:</u> CSOs in the ENP region need reinforced direct access to funding to support projects relevant in the context of the ENP (e.g. monitoring implementation or accompanying ENP Action Plans priorities and regional political agendas). A specific regional call could be identified as a flagship activity, supporting region wide issues.</i></p> <p><i>3. Increased support for stand-alone country-based bilateral projects and programmes targeting the strengthening of civil society and the capacity of civil society actors</i></p> <p><i><u>Description:</u> Encouraging partner governments to reinforce CSO capacities and their involvement in</i></p>
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			<i>domestic policy and decision-making processes.</i>
<i>European Endowment for Democracy</i>	<i>EEAS / DG DEVCO</i>	<i>2nd half 2011</i>	
<i>To establish a process of regional convergence towards the regulatory framework for electronic communications and for an audiovisual and media regulatory framework that guarantees freedom of information and the respect of human rights, favours social participation and ultimately allows the exchange of broadcasts and programmes both within the region and the broader area of the Neighbourhood.</i>	<i>DG INFSO / EEAS</i>	<i>2nd half of 2011</i>	<i>Dedicated EU-Southern Neighbourhood partners committee as well as ad hoc conferences should be established to complement and to provide the regional/neighbourhood perspective to activities currently engaged at the level of the Joint Action Plans.</i>
<i>Communication and public diplomacy strategy</i>	<i>EEAS/DG DEVCO</i>	<i>Earliest 2nd half 2012</i>	<p><i>The public diplomacy strategy will include:</i></p> <ul style="list-style-type: none"> • <i>Support for media freedom and access to information;</i> • <i>Support for press and TV media for the treatment of subjects (press reports, TV programmes) related to principles and achievements of the ENP;</i> • <i>Support for media co-operation between EU and Partner countries resulting in joint journalistic work;</i> • <i>Support for the development of online and multilingual information illustrating ENP with special focus on youth audiences;</i> • <i>Support for the organisation of public events related to ENP programmes and projects (such as public conferences, travelling exhibitions or festivals).</i>
Intensifying political and security co-operation			

<i>Integrate more systematically confidence building measures in cooperation programmes and ensure coherence between the Instrument for Stability (IfS), the European Neighbourhood and Partnership Instrument (ENPI) and CFSP/ESDP instruments</i>	<i>EEAS / DG DEVCO</i>	<i>Continuous - Starting in 2012</i>	
<i>Enhance support for confidence building measures</i>	<i>EEAS/DG DEVCO</i>	<i>Starting 2012</i>	
TO SUPPORT SUSTAINABLE ECONOMIC AND SOCIAL DEVELOPMENT			
Sustainable economic growth and job creation			

<p><i>European Neighbourhood Programme for Agriculture and Rural Development - ENPARD.</i></p>	<p><i>EEAS/DEVCO/DG AGRI</i></p>	<p><i>Starting 2nd half of 2011</i></p>	<p><i>The programme would build upon best practice experienced in developing rural areas, in particular in enlargement countries. A combined approach of investment support and building up of administrative capacities through technical assistance would permit the modernisation of the agricultural production aligned to EU quality and food safety standards, hence preparing thus countries to operate more effectively in the EU single market and create new opportunities at local level.</i></p>
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<p><i>The EU will strengthen its regular bilateral economic dialogues with partner countries as to monitor and discuss macroeconomic and financial issues of common interest</i></p>	<p><i>DG ECFIN/ EEAS/ Eurostat/DG TRADE/ Partners</i></p>	<p><i>Starting 2nd half 2011</i></p>	
<p><i>Enhanced dialogue on employment and social policies</i></p>	<p><i>DG EMPL</i></p>	<p><i>Starting from 2nd half 2011</i></p>	<p><i>This activity will build on and further develop Euro-Med dialogue on employment and social policy, cooperation within the Eastern Partnership, which will be complemented by bilateral activities as appropriate.</i></p>
<p><i>Share industrial and enterprise policies, programmes and good practice across sectors and in some priority sectors (textiles, tourism, space, SMEs, raw materials) spur entrepreneurship, improve the business environment, help micro, small and medium-sized enterprises to grow, create jobs and</i></p>	<p><i>DG ENTR/DG DEVCO</i></p>	<p><i>Starting second half 2011</i></p>	<p><i>A support can be provided through a policy dialogue under the Euro Med Industrial Cooperation and the Eastern Partnership.</i></p>

<i>export</i>			
<i>Discuss with EIB and other stakeholders the possible role for the European Investment Fund to the Eastern and Southern Neighbourhood</i>	<i>DG ECFIN / EEAS</i>	<i>2012</i>	
<i>Explore options to provide legal security to investors and traders in neighbouring countries through an enhanced investment protection scheme.</i>	<i>DG TRADE/EEAS/DG ECFIN</i>	<i>2012</i>	
<i>Encourage local development around FDIs to maximise benefits for host areas and examine measures including guarantees to promote direct investment from EU SMEs.</i>	<i>DG DEVCO / DG ECFIN/ ENTR</i>	<i>1st half 2012</i>	
<i>Support the organisation of investors' conferences in countries already engaged in the transition process, and in support of the</i>	<i>DG ENTR / DG DEVCO / EEAS</i>	<i>Starting from 2nd half 2011</i>	

<i>national programmes developed by the government.</i>			
<i>Proposal for a framework Regulation on Macro Financial Assistance</i>	<i>DG ECFIN</i>	<i>2nd half 2011</i>	<i>With the Framework Regulation the Commission intends to create a formal legal instrument for MFA that would speed up the decision-making for individual MFA operations so that the instrument can better help beneficiary countries withstand short-term external financial pressures, while supporting them in adopting adjustment measures designed to restore a sustainable balance-of-payments position. It would also make the decision-making process comparable to that of other external instruments.</i>
Strengthening trade ties			
<i>Establish a realistic and transparent set of benchmarks for each of the Internal Market areas and for the relevant horizontal areas in order to support progressive economic integration with the Internal Market</i>	<i>EEAS with DG MARKT, DG TRADE and other relevant COM services depending on the sector</i>	<i>2012</i>	<i>This could be done in the new generation Action Plans</i>
<i>Conclude bilateral DCFTAs based on progressive regulatory convergence towards the EU acquis in selected sectors or areas of mutual interest and building on their participation in a wider system of diagonal cumulation of origin</i>	<i>DG TRADE/EEAS/ Partner countries</i>	<i>Continuous</i>	
<i>Establish a process for allowing partners that have concluded DCFTAs and have a</i>	<i>DG ENTR/ DG MARKT/ DG</i>	<i>2013</i>	

<i>fully functioning independent judiciary and an efficient public administration and have made significant progress towards eradicating corruption into “the non-regulated area” of the Internal Market for goods.</i>	<i>TRADE/EEAS</i>		
<i>Strengthening sanitary, veterinary and phytosanitary standards as a key element to develop agriculture and food industries notably by participation to trainings of the Better Training for Safer Food programme</i>	<i>DG SANCO/ EEAS/ Partners</i>	<i>Ongoing</i>	
<i>Enhance the technical support given to our partners in order to speed the preparation of Agreements for Conformity Assessment and Acceptance of Industrial Products (ACAA).</i>	<i>DG ENTR</i>	<i>Ongoing</i>	

<i>Widen the scope for exchange of public expertise including through TAIEX</i>	<i>DG DEVCO/EEAS/DG ELARG</i>	<i>2012</i>	<i>TAIEX will remain the predominant instrument to channel additional financing for exchange of short-term expertise and support progressive economic integration in the EU Internal Market. The Commission will also seek to promote and provide additional financing for the secondment of officials to the EU institutions and Member States, financing participation of partner country officials to EU events, as well as for short term training.</i>
Enhancing Sector Co-operation			
<i>Work towards the development of a Common Knowledge and Innovation Space linked to smart growth and the EU Innovation Agenda, so as to strengthen the policy dialogue, national and regional capacity building and cooperation in research and innovation.</i>	<i>DG RTD / EEAS / DEVCO / DG HOME</i>	<i>Continuous. Starting 2nd half of 2011</i>	
<i>Step up cooperation with partner countries in the field of information and communication technology to support the development of a digital economy</i>	<i>DG INFSO / EEAS</i>	<i>Starting 2nd half of 2011</i>	
<i>Assist partner countries in fulfilling the legislative prerequisites for participation in the work of EU agencies on the basis of</i>	<i>DG DEVCO</i>	<i>Continuous</i>	

<i>existing guidelines for such participation.</i>			
<i>Provide support to potential beneficiaries of EU programmes</i>	<i>DG DEVCO</i>	<i>Starting in 2nd half of 2012</i>	<i>Inform potential beneficiaries of the opportunities provided by EU programmes and assist them in preparing good proposals.</i>
<i>Provide co-financing for participation to selected EU programmes of countries having concluded a framework agreement</i>	<i>DG DEVCO / EEAS/ other relevant COM services</i>	<i>Starting in 2nd half 2012</i>	<p><i>EU Programmes in which the participation of partner countries could be co-financed</i></p> <ul style="list-style-type: none"> • <i>Customs 2013,</i> • <i>Competitiveness and Innovation Framework Programme (CIP²) - Entrepreneurship and Innovation;</i> • <i>SESAR - Joint Undertaking;</i> • <i>Competitiveness and Innovation Framework Programme (CIP) - Intelligent Energy-Europe,</i> • <i>Competitiveness and Innovation Framework Programme (CIP) - ICT Policy Support;</i> • <i>Public Health.</i> • <i>The 7th Framework Programme for Research and Development (the Republic of Moldova only)</i> <p><i>In addition partner countries that have made more progress on regulatory convergence in the area of covering food and feed law, animal health and welfare and plant health rules can be admitted to training events currently being offered to EU member states only.</i></p>

² The CIP will come to an end in 2013 and participation in the Programme is subject to some conditions

<p><i>Promotion of enhanced action on climate change addressing low-carbon development including access to renewable energy and enhanced resilience to climate impacts (adaptation); action to assist in implementing the Cancun agreement and further future steps towards a comprehensive global climate regime.</i></p>	<p><i>DG CLIMA / EEAS/ DG DEVCO</i></p>	<p><i>Starting 2nd half of 2011</i></p>	
<p><i>Increased policy dialogue aimed at gradual convergence with key elements of the environmental acquis and accession to multilateral environmental agreements that are transposed into EU acquis</i></p>	<p><i>DG ENV / EEAS/ /DG DEVCO</i></p>	<p><i>Starting 2nd half of 2011</i></p>	
<p><i>Gradual establishment of an integrated energy market based on converging regulatory frameworks, including safety and environmental standards, the development of new partnerships on renewable energy sources and energy efficiency, and nuclear safety</i></p>	<p><i>DG ENER / EEAS</i></p>	<p><i>Continued</i></p>	
<p><i>Commission Communication “The EU energy policy: engaging with partners beyond our borders” will include further</i></p>	<p><i>DG ENER (lead) in co-operation with EEAS and DG</i></p>	<p><i>2nd t half of 2011</i></p>	

<i>proposals on energy cooperation with partner countries</i>	<i>DEVCO</i>		
<i>Communication on transport relations with the EU's neighbouring countries;</i>	<i>DG MOVE / EEAS</i>	<i>2nd half of 2011</i>	<i>The Communication will focus at closer market integration in the transport sector and better infrastructure connections, while addressing administrative bottlenecks with a focus on safety and security issues, and enhancing cooperation with various EU transport agencies</i>
<i>Elaborate a more strategic approach and cooperation on maritime affairs , aiming at enhancing cooperation across maritime sectors and allowing for sustainable economic development.</i>	<i>DG MARE</i>	<i>2012</i>	
<i>Establish two regional consultative committees with eastern and southern neighbours respectively in the area of Agriculture and Rural Development to regularly review the harmonisation process and exchange best practices in key areas</i>	<i>DG AGRI/EEAS</i>	<i>2012</i>	
<i>Initiate policy dialogues on regional policy and social cohesion in furtherance of EU policy objectives with interested partners as appropriate</i>	<i>DG REGIO / DG EMPL</i>	<i>2012</i>	
<i>Promotion and implementation of the use of European and internationally recognised standards and methodology for the production of statistics, necessary for</i>	<i>ESTAT</i>	<i>Starting 2012</i>	

<i>developing and monitoring of policy achievements in all policy areas.</i>			
<i>Expand sector co-operation in specific areas</i>	<i>Relevant DGs</i>	<i>Starting in 2012</i>	<p><i>Areas where sector co-operation with partner countries could be further expanded</i></p> <ul style="list-style-type: none"> • <i>Sustainable fisheries management and fisheries control.</i> • <i>Strengthening the effectiveness, transparency and accountability of the public financial management system including audit, control and anti-fraud bodies and measures.</i> • <i>Space (Common technological Platform, Space Agency).</i> • <i>Sport.</i>
<i>Enhance further cooperation in the field of civil protection and disaster risk reduction through a continuation of the existing Programmes for the Prevention Preparedness and Response to Natural and Man-Made Disasters - PPRD South (ENPI South) and PPRD East (ENPI East).</i>	<i>DG DEVCO/ DG ECHO</i>	<i>From 2012 onwards</i>	
Migration and mobility			
<i>Pursue the process of visa facilitation for selected ENP partners and visa liberalisation</i>	<i>DG HOME/EEAS</i>	<i>ongoing</i>	

<i>for those most advanced</i>			
<i>Develop existing Mobility Partnerships and establish new ones</i>	<i>DG HOME/EEAS</i>	<i>From 2nd half 2011</i>	<i>See also proposal to initiate the process leading to mobility partnerships with specific southern neighbours under 2.3 below</i>
<i>Capacity building measures implemented in partnership with the partner countries through the EU agency on border security (Frontex), the European Asylum Support Office (EASO) and EUROPOL in the areas of border management, asylum and law enforcement co-operation</i>	<i>DG DEVCO /DG HOME / FRONTEX / EASO / EUROPOL /EEAS</i>	<i>Starting in 2012</i>	
<i>Develop the Regional Protection Programme designated in April 2010 covering Egypt, Libya and Tunisia.</i>	<i>DG HOME / DG DEVCO</i>	<i>2nd half 2011</i>	
<i>Measures leading to facilitating the issuing of visas to students, researchers and businessmen</i>	<i>DG HOME/EU Member States</i>	<i>Starting 1st half of 2011</i>	<p><i>Measures leading to the issuing of visas to students, researchers and businessmen based, inter alia, on the facilitations offered by the EU Visa Code, may include:</i></p> <ul style="list-style-type: none"> <i>• Improved information to the public on the procedures and conditions for applying for a visa</i> <i>• Consider waiving visa fees and to issuing multi-entry visa to the certain categories of visa applicants.</i> <i>• EU funded training for member states consular staff at EU level to enhance knowledge of the legal framework and promote a harmonised application of the Visa Code and the practical instructions on the implementation of the Code</i> <i>• enhanced representation arrangements between</i>

			<i>member states</i> <ul style="list-style-type: none"> • <i>Common Applications Centres to improve consular coverage</i>
SIMPLIFIED AND COHERENT POLICY AND PROGRAMMING FRAMEWORK			
Clearer priorities through stronger political steering			
<i>Intensification of contacts between Commissioners and line Ministers</i>	<i>COM/Partners</i>	<i>Continuous-starting 2nd half 2011</i>	
<i>Proposals to intensify the political dialogue</i>	<i>COM/EEAS</i>	<i>By the end of 2011</i>	<i>High level sectoral policy dialogue to be under the lead of relevant Commission services</i>
<i>New generation of Action plans including more precise benchmarks and a clearer sequencing of actions</i>	<i>EEAS/COM/Partners</i>	<i>Continuous as old AP expires</i>	
<i>Agree on a list of short term priorities with key reform steps and EU responses</i>	<i>EEAS/COM/Partners</i>	<i>Yearly</i>	
<i>Increasingly forthright regular reports on Action Plans implementation</i>	<i>EEAS / EU Delegations / COM</i>	<i>Continuous</i>	
Funding			
<i>Implement the decision to allocate additional</i>	<i>BUDG/EEAS/</i>		<i>Submitting concurring budget proposals to the Budget</i>

<i>financial resources to the ENP</i>	<i>DEVCO</i>		<p><i>Authority:</i></p> <ul style="list-style-type: none"> • <i>transfers for 2011;</i> • <i>Amending Letter for 2012;</i> • <i>Re-programming for 2013.</i>
<i>Adopt the Commission proposal to amend Article 23 of the ENPI regulation. This will make available additional resources (approximately EUR 225 million in the period 2011-13) to finance SMEs under the Facility for Euro Mediterranean Investment and Partnership (FEMIP)</i>	<i>Council</i>	<i>Ongoing</i>	
<i>Reallocation of the resources stemming from the cancelled Governance Facility to finance the new initiatives stemming from the ENP review</i>	<i>EEAS/DEVCO</i>	<i>2nd half 2011</i>	<i>The Governance Facility was established in 2007 as a mechanism to draw the partners' attention on the importance of Democratic Governance and encourage their efforts to comply with higher standards through an extra allocation to the best performers in terms of governance. Since then, the ENPI allocation system was revised to better reflect governance performance overtime and the country allocations for 2011-13 reflect more closely the progress in governance and reform. In addition the review has highlighted that the financial incentives provided in this form have not been a driver of change. Discontinuing the facility provides the possibility to reallocate funding in support of proposals emerging from the review most of which have a direct impact on political and economic governance.</i>

<i>Involving the EIB and the EBRD</i>			
<i>Work towards the extension of the latter's mandate to selected Southern partners</i>	<i>DG ECFIN</i>	<i>2nd half 2011</i>	
<i>Planning for 2013 and beyond</i>			
<i>Proposal for a new European Neighbourhood Instrument (ENI) 2014-20: 1) with adequate resources; 2) providing for increased differentiation, stricter conditionality and incentives for best performers and 3) including specific components modelled on the EU Cohesion and Rural development policies</i>	<i>EEAS/COM</i>	<i>2nd half 2011</i>	<p><i>The new ENI should be increasingly policy-driven, focused on jointly agreed priorities in view of economic, social and sectoral integration and enhanced political cooperation, and provide incentives for best performers. To adequately support the new ENP vision and ensure full coherence between the policy and the financial assistance the new instrument should have the following characteristics:</i></p> <ul style="list-style-type: none"> <i>• Appropriate financial support should be made available for co-operation with partner countries under the new Multi-annual Financial Framework.</i> <i>• The objectives and scope of the future neighbourhood instrument should reflect the renewed policy vision and drive promotion of economic integration through DCFTAs and regional integration agreements.</i> <i>• In line with increased performance-based differentiation, future funding should reflect readiness to move forward with reforms-related commitments taken in the context of DCFTAs or mobility negotiations.</i> <i>• Drawing funding from internal and external headings of the EU budget should be used more systematically, in particular for infrastructure interconnections.</i> <i>• Where appropriate the Commission should bring</i>

			<p><i>implementation closer to the beneficiaries by gradually moving towards a more generalised use of country systems.</i></p> <ul style="list-style-type: none"> • <i>Ensure the protection of financial interests of the EU and the partner countries</i> • <i>Cross Border co-operation should be strengthened and simplified.</i> <p><i>Consideration should also be given to strengthen joint monitoring with the view of reallocating funds from non-performing to performing projects.</i></p>
<i>Simplify the programming process</i>	<i>EEAS / DG DEVCO</i>	<i>2012</i>	<i>For those countries with whom a “new generation” action plan (or equivalent document) has been agreed a <u>Single Support Framework</u> will be proposed. The SSF will focus on identifying those Action Plan priorities that require EU assistance and earmark financial support to them. The SSF will be gradually introduced and have the same duration of the Action Plan.</i>
<i>Work towards launching pilot joint programming exercises with interested Member States.</i>	<i>EEAS/DG DEVCO</i>	<i>2012</i>	
<i>Communication on budget support including proposals for incorporating increased attention for shared values into budget support arrangements</i>	<i>DG DEVCO</i>	<i>2nd half of 2011</i>	

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2.2. Strengthening the Eastern partnership

Action	Responsibility	Timing	Details
<i>Intensify engagement with non-governmental stakeholders, including parliaments (using the European Parliament-established EURONEST), regional actors in cooperation with the Committee of the Regions, the European Economic and Social Committee business and civil society (using the EaP Civil Society Forum and its national platforms);</i>	<i>EEAS/COM</i>	<i>Continuous, starting 2nd half of 2011</i>	
<i>Promote visibility of EaP bilateral and multilateral activities, including flagship initiatives.</i>	<i>EEAS / DG DEVCO/ DG TRADE</i>	<i>Continuous, starting 2nd half of 2011</i>	
<i>Promote new initiatives in the area of Culture following the successful implementation of the Special Action 2009 and 2010 of Culture Programme and the Eastern Partnership Culture programme;</i>	<i>EEAS / DG EAC / DG DEVCO</i>	<i>2012/2013</i>	
<i>Further expand structured cooperation for non-formal education and capacity building for young people, youth workers and youth organisations (Youth in Action)</i>	<i>EEAS / DG EAC / DG DEVCO</i>	<i>From 2nd half of 2011</i>	

<i>Exploring the possibility to extend the Convention of Pan Euro-Mediterranean Trade Preference to the EU Eastern Neighbours</i>	<i>DG TRADE/DG ENTR</i>	<i>2012</i>	
<i>Establish a cooperation framework for transport policy and infrastructure planning under the Eastern Partnership initiative</i>	<i>DG MOVE / EEAS</i>	<i>2nd half of 2011</i>	
<i>Increased participation of partners in Erasmus Mundus, Tempus and partial extension of eTwinning.</i>	<i>DG EAC/DG DEVCO/EEAS</i>	<i>From 2nd half of 2011</i>	
<i>Establish a Business Forum and organise in co-operation with Business Europe, business roundtable in selected partner countries</i>	<i>DG ENTR / EEAS/DG TRADE</i>	<i>From 2nd half of 2011</i>	<i>To be based on the experiences from previous initiatives, e.g. the Trade Panel work on the involvement of business organisations in the EaP, and its cooperation with Business Europe and Eurochambres.</i>
<i>Further intensification of cooperation in the areas of energy, environment, climate;, following among others the accession to the European Energy Community by Ukraine and the Republic of Moldova;</i>	<i>DG ENV / DG CLIMA /DG ENER</i>	<i>Continuous, Starting 2nd half of 2011</i>	
<i>Maintain the full integration of the research and education communities in the region within the e-infrastructure (e.g. GEANT for networking, EGI for grids and distributed computing).</i>	<i>DG INFSO</i>	<i>Continuous</i>	

<i>Build on existing Regional policy dialogues already launched with Ukraine, Moldova and Georgia, to expand activities responding to interests of the countries concerned within the scope of limited resources</i>	<i>DG REGIO</i>	<i>Starting from second half 2011</i>	
<i>Develop policy dialogue on employment and social policies</i>	<i>DG EMPL</i>	<i>2012</i>	
<i>Explore possibilities for further development of cooperation in the areas of Justice, Freedom and Security for partners both in the East and the South (for the East on the basis of the JHA Eastern Partnership Action Plan foreseen by the Stockholm Programme);</i>	<i>DG HOME/ DG JUST/ EEAS / DEVCO</i>	<i>2nd half of 2011</i>	
<i>Intensify the fight against smuggling along the Eastern Border on the basis of an Anti-Smuggling Action Plan;</i>	<i>OLAF/DG TAXUD</i>	<i>1st half of 2011</i>	<i>To address effectively the problem of smuggling of alcohol and tobacco into the EU, a number of short, medium and long term actions have been identified to be carried out with the help of Member States and neighbouring third countries along the EU Eastern Border.</i>
<i>Step up customs cooperation with Ukraine, the Republic of Moldova and Belarus;</i>	<i>DG TAXUD</i>	<i>2nd half of 2011</i>	<i>To recast customs cooperation with the Eastern partners planned under Strategic Frameworks by developing safe and fluid trade lanes; promoting risk management and fight against fraud and investing in customs modernisation.</i>
<i>Explore possibilities for cooperation on the Common Security and Defence Policy (CSDP).</i>	<i>EEAS</i>	<i>2nd half of 2011</i>	

<i>Roadmap for the future implementation of the EaP.</i>	<i>EEAS / Relevant DGs</i>	<i>1st half of 2011</i>	
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2.3. Building the Partnership for Democracy and Shared Prosperity in the Southern Mediterranean

Action	Responsibility	Timing	Details
Democratic transformation			
<i>Invite partner countries to step up their co-operation with the Council of Europe by pursuing a “Partner for Democracy” status in the Council of Europe Parliamentary Assembly and take steps towards accession to a number of governance related conventions</i>	<i>EEAS / DG HOME</i>	<i>Continuous Starting 1st half of 2011</i>	<p><i>List of the Council of Europe Conventions to which EU Southern Neighbours are encouraged to accede:</i></p> <ul style="list-style-type: none"> • <i>Convention on Laundering, Search, Seizure and Confiscation of the Proceeds from Crime and on the Financing of Terrorism (CETS 198);</i> • <i>Convention on Cybercrime (ETS 185);</i> • <i>Convention on Action against Trafficking in Human Beings (CETS 197);</i> • <i>Convention on the Protection of Children against Sexual Exploitation and Sexual Abuse (CETS 201).</i> • <i>Criminal Law Convention on Corruption (ETS.173);</i> • <i>Civil Law Convention on Corruption (ETS. 174);</i> • <i>Additional Protocol to the Criminal Law Convention on Corruption (ETS 191);</i> • <i>Convention on the Prevention of Terrorism (CETS 196);</i>

			<ul style="list-style-type: none"> • <i>European Convention on Mutual Assistance in Criminal Matters (ETS 30);</i> • <i>Second Additional Protocol to the European Convention on Mutual Assistance in Criminal Matters (CETS.182);</i> • <i>European Convention for the Prevention of Torture and Inhuman or Degrading Treatment or Punishment (CETS 126);</i> • <i>European Convention on Extradition (ETS 24).</i>
<i>Establish a suitable mechanism to support partner countries increased co-operation with the Council of Europe.</i>	<i>DG DEVCO/ EEAS</i>	<i>2nd half of 2011</i>	
<i>Comprehensive institution building programmes for democratic reforms based on the rule of law to assist partner countries in building governance and modernising their administrations and societies in the reform of their security sector</i>	<i>EEAS/DG DEVCO</i>	<i>2012</i>	<i>Comprehensive institution building programme will draw on EU experience in democratic transition and build on existing experiences in the Neighbourhood.</i>
Partnership with people			
<i>Commission communication on a comprehensive approach to migration between the countries of the Southern Neighbourhood region and the European Union</i>	<i>DG HOME</i>	<i>1st half of 2011</i>	<p><i>This Communication will suggest a plan for the management of migration and refugee flows in cooperation with South Mediterranean countries.</i></p> <p><i>The Communication will propose a model of Mobility</i></p>

			<p><i>Partnership and propose countries with which such Partnerships could be developed. The conclusion of such Partnerships should be preceded by a Senior Officials ' dialogue aimed at preparing them.</i></p> <p><i>The selection of the countries with which the Senior Officials dialogue should be initiated will be made by the European Council of 24 June 2011, on the basis of the suggestions made by the Commission's Communication of 24 May and of the Conclusions of the Justice and Home Affairs Council of 9-10 June.</i></p>
<p><i>Senior Officials dialogue on migration, mobility and security with selected South Mediterranean countries proposed for the preparation of a Mobility Partnership.</i></p>	<p><i>DG HOME/ EEAS/</i></p>	<p><i>Starting 2nd half of 2011</i></p>	
<p><i>Negotiations and implementation of Mobility Partnerships with selected South Mediterranean countries (i.e. Egypt, Morocco, Tunisia)</i></p>	<p><i>DG HOME / EEAS / EMPL</i></p>	<p><i>Starting end of 2nd half of 2011/ beginning of 2012</i></p>	<p><i>Mobility Partnerships, cover initiatives such as visa and legal migration arrangements; capacity building on legal frameworks for (economic) migration; support to manage remittances for improved development outcomes, more efficient matching of labour demands and needs, including through networks of employment agencies; return and reintegration programmes; upgrading of the asylum systems to EU standards etc. In return for increased mobility, partners must be ready to strengthen border management, fight against irregular migration and trafficking in human beings accept the return and reintegration of irregular migrants (return arrangements and readmission agreements) and</i></p>

			<p><i>effectively fight trans-border organised crime and corruption.</i></p> <p><i>The assistance of the European Training Foundation may be sought to help a more efficient matching of skills and labour demand.</i></p>
<p><i>Development of a more integrated approach to employment, skills and mobility and policy cooperation starting with exchange of good practice in promoting youth employment and exchange of expertise among Public Employment Services.</i></p>	<p><i>DG EMPL</i></p>	<p><i>Starting 2nd half 2011 / 1st half 2012</i></p>	
<p><i>Allocate funding and implement co-operation projects to support preparations for and implementation of the Mobility Partnerships.</i></p>	<p><i>EEAS/DG DEVCO</i></p>	<p><i>2nd half of 2011</i></p>	
<p><i>Explore the possibility to launch cooperation with interested partners and relevant International Organisation (e.g.: UNWTO, UNESCO, Council of Europe) on joint trans-national cultural tourism projects.</i></p>	<p><i>DG ENTR / EEA / partners / International Organisations</i></p>	<p><i>2012</i></p>	
<p><i>Further expand student and academic staff mobility within university partnerships (Erasmus Mundus) and structured cooperation for university modernisation (Tempus) and of Young people (Youth in Action) and extend parts of the e-Twinning</i></p>	<p><i>DG EAC/DG DEVCO/EEAS</i></p>	<p><i>2nd half of 2012</i></p>	

<i>action.</i>			
Sustainable and inclusive economic development			
<i>Conclude on-going bilateral negotiations on trade in services and establishment and bilateral negotiations or agreements with Southern Mediterranean Countries on agricultural , processed agricultural, fish and fishery products</i>	<i>DG AGRI/DG TRADE/DG ENTR/EEAS/Partners</i>	<i>Ongoing</i>	<p><i>Negotiations on the liberalisation of trade in services and establishment are on-going with Egypt, Israel, Morocco and Tunisia, and will soon be launched with Jordan.</i></p> <p><i>The Agricultural Trade Agreement with Morocco is pending EP consent. The Agricultural Trade Agreement with the Palestinian Authority was signed on 13 April and will be sent to the EP for consent.</i></p> <p><i>Negotiations on an Agricultural Trade Agreement with Tunisia could resume as soon as Tunisian authorities signal readiness. No other negotiations are on-going with other Southern Mediterranean partners</i></p>
<i>Negotiate Agreements for Conformity Assessment and Acceptance of Industrial products (ACAA) providing free movement of industrial products in specific sectors through mutual acceptance of conformity certificates.</i>	<i>DG TRADE/ EEAS/ ENTR/ Partners</i>	<i>Ongoing</i>	<i>Preparations for ACAA negotiations have been on-going for several years with all ENP Southern neighbours. These look at both legislative and infrastructure aspects in priority sectors selected by the partner country. A first ACAA was signed with Israel in 2010, and discussions are ongoing with other Southern Mediterranean countries, aiming at launching negotiations as soon as possible. In the light of preparations already carried out</i>

			<i>Egypt and Tunisia, negotiations with these countries could be launched in the second half of 2011.</i>
<i>Make progress in the review of pan-Euro-Mediterranean preferential rules of origin within the framework of the single regional Convention on pan-Euro-Mediterranean preferential rules of origin</i>	<i>DG TAXUD</i>	<i>ongoing</i>	<i>Preparatory work is on-going. Discussions on the 'list rules', which is the priority for Mediterranean countries, based on the EU position in the framework of the pan-Euro-Med working group on rules of origin, will start in the autumn 2011.</i>
<i>Implementation of the working priorities agreed by Union for the Mediterranean Trade Ministers in November 2010 and in particular the Establishment of a Euro-Mediterranean Trade and Investment Facilitation mechanism</i>	<i>DG TRADE/DEVCO</i>	<i>Starting in May 2011</i>	<i>The Euro-Mediterranean Trade and Investment Facilitation mechanism will be an information tool on trade and investment conditions in the region. This project should encourage regional integration and enhance transparency for economic operators. A first meeting in May will serve to launch the setting up of a network of focal points and to start discussing draft terms of reference of the technical assistance project.</i>
<i>Start preparations for future DCFTA negotiations with southern neighbours engaged in a process of democratic transformation and committed towards economic reforms and opening. This includes, at this stage, Morocco, Tunisia, Egypt and Jordan. On the basis of the progress made in the scoping process, the Commission would present proposals for negotiating directives to open negotiations.</i>	<i>DG TRADE/EEAS/ Partners</i>	<i>Starting 2nd half of 2011</i>	<i>Our shared medium to long term objective with Southern Mediterranean partners will be the establishment of deep and comprehensive free trade areas, building on the current Euro-Mediterranean Association Agreements and on the European Neighbourhood policy Action Plans and tailored-made to the actual situation and needs of Southern Mediterranean partners.</i> <i>Before engaging in negotiations, significant preparatory work will be needed with Southern Mediterranean partners in order to identify jointly our interests and needs in these future negotiations. If the political situation allows, preparations for these agreements with some of our neighbours could be</i>

			<p><i>launched during 2011.</i></p> <p><i>Capacity building on all areas covered by these negotiations will be necessary prior, during and after the negotiations</i></p>
<p><i>Launch dialogue between the EU and the neighbouring countries concerning policies, initiatives and best practices on sustainable tourism.</i></p>	<p><i>ENTR / DEVCO</i></p>	<p><i>Starting in 2012</i></p>	<p><i>The feasibility of extending some of the EU initiatives, knowledge networks and platforms to MED countries will be examined. This is expected to spread knowledge and best practices on sustainable and cultural tourism that would benefit decision-makers on both sides of the Mediterranean and to facilitate business to business contacts, tourism SMEs' internationalisation and cooperation.</i></p>
<p><i>Strengthening Euro-Mediterranean industrial cooperation by continuing implementing the Euro-Mediterranean Charter for Enterprise, promoting investment, innovation, technology transfer, sustainable enterprise development and encouraging co-operation in sectors of particular relevance to Mediterranean neighbour countries, e.g. textiles, processed agricultural products, extraction of raw materials and space</i></p>	<p><i>DG ENTR / DG DEVCO</i></p>	<p><i>2011-2012</i></p>	<p><i>Proposed activities for 2011-2012</i></p> <p><i>Horizontal activities: Sharing information, knowledge, tools and good practice at the regional level; improving the business environment to spur entrepreneurship, help EU and Mediterranean SMEs to grow, export and compete in the global economy; seminars on topics such as administrative simplification, entrepreneurial learning, access to finance, innovation, public-private dialogue, skills development and the SBA;. a new evaluation of progress in implementing the Charter; a survey on sustainable enterprise development in MED countries; draft amendments to the Charter; opening of EU networks and activities relating to innovation ; a Euro-Mediterranean repository of digital trades.</i></p>

			<p><i>Sector-specific activities</i></p> <p><i>Textiles: Sharing best-practices and in-depth discussions among key stakeholders on challenges facing the textile and clothing sector and on possible future directions and concrete actions to innovate the sector and to enhance its industrial competitiveness within the framework of the Euro-Mediterranean Dialogue on the future of the textile industry</i></p> <p><i>Raw materials: in 2011-2012, information will be exchanged on developments regarding raw materials which are of particular importance for countries in the region</i></p> <p><i>Space: A new EuroMed Transport technical assistance contract for € 2.1M supporting the countries with the introduction of EGNOS related services in the Mediterranean region is about to start. A new EuroMed Transport contract will be signed with ESA (European Space Agency) for € 1.6M to speed up the setting up of the RIMS in the Mediterranean region and with Eurocontrol for € 800k to create a roadmap for use of EGNOS in civil aviation. A new financing decision to extend the coverage of EGNOS (European Geostationary Navigation Overlay Service) to Eastern Europe, in particular the complete Ukrainian territory</i></p>
<i>Promote Euro-Med employment and social policy dialogue, including through Euro-Med Social Dialogue Forum</i>	<i>DG EMPL</i>	<i>Starting 2nd half 2011</i>	<i>To be launched by Euro-Med Employment High Level Employment Group and Euro-Med Social Dialogue Forum in 2nd semester 2011</i>

<i>Pilot programmes inspired by the EU cohesion policy to promote economic, social and territorial cohesion (drawing inter alia on the pilot regional development projects launched under the Eastern Partnership)</i>	<i>EEAS/DEVCO/DG REGIO/ DG EMPL</i>	<i>Starting 2nd half of 2011</i>	
<i>Support the extension of EBRD mandate to Egypt and other southern neighbours.</i>	<i>DG ECFIN</i>	<i>Ongoing</i>	
<i>Explore the possibilities for joint programming with interested member states in countries undergoing democratic transition.</i>	<i>EEAS</i>	<i>Starting 1st half of 2011</i>	
Regional Co-operation			
<i>Communication to promote sub-regional co-operation in the Maghreb</i>	<i>EEAS/COM</i>	<i>First half of 2012</i>	
<i>Enhance support for the Agadir Agreement,</i>	<i>DG TRADE/DEVCO</i>		<i>If so requested, the Commission will enhance its support for the Agadir Agreement, which represents the most appropriate instrument at this stage to foster economic integration and trade and investment flows amongst Southern Mediterranean countries, through technical support to the extension of the Agadir Agreement both geographically and in terms of scope (e.g. in areas such as services and investment or regulatory areas) and</i>

			<i>through the continuation of the support to the Agadir Technical Unit.</i>
<i>Implementation of a Mediterranean Maritime Strategy to enhance maritime safety, security and surveillance</i>	<i>MARE / MOVE</i>	<i>ongoing</i>	

Annex

Summary of the main elements raised by Member States and Partner Countries during the ENP review consultations

This is a summary of the main elements brought up during consultations and discussions held by the Commission so far in the context of the ENP strategic review exercise (as of 22 November 2010). Consultations have involved EU member states, ENP partner countries as well as civil society organisations and academics from throughout the region. The summary below may not be fully comprehensive and does not present the views or perceptions of the Commission or of the European Union.

Long-term vision

Overall, there has been a strong affirmation of the vision, along the lines of Article 8 of the Lisbon Treaty, of a space involving the EU and its neighbours where political co-operation is as close as possible and economic integration is as deep as possible, supported by high-level political dialogue, legislative approximation and regulatory convergence. Clearly, the level of ambition each of the partners and the EU want to set for their relations will determine how far and how quickly we will move toward this vision.

When it comes to economic integration, the long-term goal that has been highlighted by most ENP partners is full integration in the EU internal market once a sufficient degree of approximation with the EU acquis has been reached by partner countries and the related administrative capacity fully developed. But this goal also raises some issues. On the EU side there are legitimate concerns that the extension of freedom of movement in particular should not lead to lessened security within the EU itself. Partner countries also point out that the reforms linked to legislative approximation and the establishment of Deep and Comprehensive Free Trade Areas involve costs that have to be borne well before their benefits can be reaped and for which support will be needed.

The key to address such issues may lie in a gradual approach based on a clearer and more rigorous differentiation, including in the support made available by the EU to partners that undertake with determination the necessary reforms.

Medium-term

Working towards this vision means focussing our medium-term efforts on a number of key issues.

First there is a request from partner countries for more concerted political steering in our relations. We need to reflect within the EU on the best manner to address this request without increasing the number of formal meetings. An enhanced, continuous and substantial dialogue not only among Foreign Ministers but also Ministers in other sectors of close co-operation can help us address misunderstandings and resolve difficult issues in a spirit of confidence and partnership.

Second, we should intensify our joint efforts on democratic standards, the rule of law and human rights, which are central to building a strong long-term relationship and a necessary first step towards a higher degree of integration in the EU market. There is clear scope for more work on strengthening the judiciary and its independence, on making public

administration more responsive to citizens' needs and on curbing corruption. We also need to strengthen the role of civil society in policy development and policy monitoring.

Third, we should seize the opportunity provided by the negotiations on Association Agreements (AAs) and Deep and Comprehensive Free Trade Areas (DCFTAs) to encourage economic reforms that will promote investments. Deeper co-operation in co-ordinating our macro-economic policies has also been highlighted as a way to draw the lessons from the recent financial and economic crisis and is consistent with the external dimension of the EU's own 2020 strategy.

Fourth, we need to take a fresh look at how we can promote mobility in spite of the political difficulties surrounding this issue. We need to give answers in the shorter term to students, researchers and businessmen whose mobility is essential to advance our co-operation. We should look more closely at the opportunities that the EU Visa Code offers in this respect. It has also been suggested that we could seek to develop a broader, win-win, approach to mobility and migration where security concerns can also be addressed.

Fifth, we need to look at what the EU can do to help advance protracted conflicts towards a resolution. Partners are asking the EU to be more active and to allocate more resources to confidence building. They expect that, with the Lisbon Treaty, the EU will be able to deploy all its instruments in a more coherent way.

Sixth, we need to see how we can deepen sectoral co-operation on policies that flank the Internal Market, particularly (but not only) in energy, transport, environment, climate change, education, industrial co-operation and technology transfer. The participation of partners in a number of EU programmes would be beneficial in this context.

Policy and financial instruments

To advance on these objectives we need to upgrade our policy and financial instruments.

There is a unanimous perception that ENP Action Plans have proven their worth as a central policy implementation tool. There is also a strong demand for successor documents to better steer our joint efforts and facilitate a more effective use of resources from the national and EU budgets. This involves more focus, clearer sequencing and more measurable benchmarks.

Several proposals have also been made to seek a greater involvement of partners in policy-shaping. This may be an important pre-requisite to success in the long run.

The European Neighbourhood and Partnership Instrument (ENPI) is seen as a step change in the way EU assistance is delivered, but there is clear room for further improvement and partner countries have asked the EU to look more closely at its pre-accession assistance for inspiration. Work on the successor of the ENPI could offer an opportunity to strengthen the link with the jointly agreed reform priorities of the ENP and to make financial support faster, more efficient and more flexible in responding to emerging needs. All partners have also underlined the need to accompany economic integration, market opening and regulatory convergence with appropriate financial support.

Finally, while there is broad support for the multilateral initiatives that flank our bilateral relations, there are also suggestions that the scope and decision-making procedures of some of these may need to be revisited.



COMMISSION
EUROPÉENNE

LA HAUTE REPRÉSENTANTE DE
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**Mise en oeuvre de la politique européenne de voisinage en 2010
Rapport pays : Maroc**

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DOCUMENT DE TRAVAIL CONJOINT DES SERVICES

Mise en oeuvre de la politique européenne de voisinage en 2010 Rapport pays : Maroc

1. EVALUATION D'ENSEMBLE

Le Maroc et la Communauté européenne ont signé leurs premiers accords en 1969 et 1976. L'Accord d'association, entré en vigueur en 2000, a permis un développement des relations UE-Maroc dans un grand nombre de secteurs. Sur cette base, le Plan d'action élaboré conformément à la politique européenne de voisinage (PEV) entre l'UE et le Maroc a été adopté en juillet 2005 pour une période de cinq ans. Son application a été prolongée jusqu'à l'adoption d'un nouveau plan en cours de négociation. En 2008, le Maroc et l'UE ont adopté un document conjoint UE-Maroc sur le renforcement des relations bilatérales (statut avancé).

Ce rapport présente une vue d'ensemble des progrès effectués dans la mise en œuvre du plan d'action PEV entre le 1^{er} janvier et le 31 décembre 2010. Néanmoins, des événements survenus en dehors de cette période ont également été pris en compte lorsqu'ils ont été considérés comme importants. Le présent document n'est pas un rapport général et exhaustif sur la situation économique et politique du Maroc. En outre, pour des informations sur les processus sectoriels régionaux et multilatéraux, il conviendra de se référer au rapport sectoriel.

Durant la période de référence, des réunions entre l'UE et le Maroc se sont tenues à plusieurs niveaux : le Sommet, le Conseil d'association, le comité d'association et sept sous-comités, ainsi que plusieurs dialogues.

Le bilan de la deuxième année de mise en œuvre du document conjoint/statut avancé est globalement positif et devrait se traduire par davantage de réalisations concrètes en 2011. Le 1^{er} Sommet Maroc-UE a eu lieu en mars. Le dialogue politique et la coopération entre l'UE et le Maroc au sein du Conseil des droits de l'homme des Nations unies se sont développées. Il y a aussi eu des avancées en matière de coopération parlementaire, avec, au mois de mai, la première réunion de la commission parlementaire mixte UE-Maroc. En février 2010, le Maroc a demandé le statut de « Partenaire pour la démocratie » auprès de l'Assemblée parlementaire du Conseil de l'Europe. S'agissant du rapprochement du cadre législatif, le gouvernement n'a pas encore articulé une démarche concertée et cohérente afin d'en déterminer les objectifs prioritaires, la portée et le rythme, comme le Roi l'a demandé dans son discours du Trône de 2010. Toutefois, quelques actions concrètes ont été menées: les discussions sur le nouveau plan d'action visent à y intégrer des références à l'acquis communautaire, tandis que des réunions de présentation de l'acquis communautaires ont eu lieu en octobre dans les trois secteurs pilotes: les services financiers (assurances), les marchés publics et les normes et la réglementation techniques (qualité et sécurité).

Comme les années précédentes, le Maroc a été en 2010 un partenaire actif dans la politique de voisinage et a enregistré des progrès dans de nombreux domaines du plan d'action. En matière de démocratie et de protection des libertés fondamentales, le Maroc a réalisé des avancées importantes dans les années précédentes mais le tableau est contrasté pour 2010. Ainsi, la levée des réserves à la convention internationale en matière de discrimination contre les

femmes, annoncée depuis 2007, n'a pas été traduite par un dépôt des instruments auprès de l'ONU. Les amendements relatifs au droit de rassemblement et d'association proposés par le tissu associatif en juin 2007 n'ont pas encore été repris. Le nouveau code de la presse n'a toujours pas été adopté. Les restrictions à l'encontre des journalistes et des médias continuent. Les partis politiques ont appelé à la rédaction d'un livre blanc sur les médias, à finaliser en 2011.

La réforme de la justice reste un défi essentiel pour asseoir l'état de droit et consolider la crédibilité des réformes. Plus d'un an après le discours du Trône de 2009, qui a défini les orientations de la réforme, la création de groupes de travail pour mettre en œuvre ces orientations et l'augmentation du budget de la justice, le ministère de la justice a déposé au secrétariat général plusieurs projets de loi qui couvrent les différents volets de la réforme. Il est fondamental que les décisions prises et leur mise en œuvre soient en ligne avec le haut niveau d'ambition fixé dans les déclarations initiales et avec l'importance politique, économique et sociale de la réforme en cours. Dans ce cadre, le renforcement de l'indépendance de la justice assume une importance primordiale car elle répondrait à une forte attente soulignée par la société civile. L'UE a signalé qu'elle était prête à soutenir ce processus lorsque son contenu sera mieux détaillé.

L'annonce, au début de l'année 2011, d'une importante réforme constitutionnelle, qui sera soumise à referendum et qui vise notamment le renforcement des pouvoirs du gouvernement et l'indépendance de la justice, a confirmé l'engagement du Maroc dans l'approfondissement de l'état de droit et de la monarchie constitutionnelle. Si ce haut niveau d'ambition se confirme dans les faits, cette réforme contribuera largement à mettre en œuvre les valeurs au cœur du 'statut avancé' et les principes proposés par l'Union européenne dans le cadre du Partenariat pour la démocratie et la prospérité partagée.

Le dialogue politique et de sécurité avec l'UE et la concertation dans les enceintes multilatérales se sont considérablement développés, tandis que le Maroc joue un rôle actif dans l'Union pour la Méditerranée et le dialogue Afrique-UE.

Trois accords bilatéraux négociés au cours des dernières années ont été signés en 2010 : le protocole à l'accord d'association relatif à la participation du Maroc aux programmes communautaires, l'accord sur la libéralisation du commerce en matière de produits agricoles, de produits agricoles transformés, de poissons et de produits de la pêche et l'accord sur le règlement des différends commerciaux. Des offres concernant la négociation sur le commerce des services et le droit d'établissement ont été échangées. Les négociations sur l'accord de réadmission n'ont pas encore abouti.

Le gouvernement a poursuivi ses efforts de mise en œuvre des réformes structurelles. Bien que la crise financière puis économique internationale ait souligné certaines faiblesses de l'économie marocaine, notamment le manque de compétitivité, celle-ci a démontré une certaine capacité de résistance. Sa performance globale, avec une croissance de 4,2 % du PIB, est inférieure à celle de 2009. Conformément aux objectifs du plan d'action, le gouvernement a continué à appliquer des politiques macro-économiques globalement prudentes. D'importantes mesures de mise en œuvre du plan « Maroc vert » pour la réforme de l'agriculture ont été prises, en particulier en matière institutionnelle et administrative. Des efforts seront encore nécessaires pour rendre effective cette réforme, notamment son volet relatif à l'agriculture dite solidaire.

En matière sociale, les allocations budgétaires sont relativement importantes par rapport au budget général et au PIB mais demeurent en deçà des besoins réels du pays. Des progrès au niveau du taux de scolarisation, de la scolarisation des filles et de la lutte contre l'abandon scolaire ont eu lieu grâce à la mise en œuvre de différents programmes. L'analphabétisme régresse mais demeure encore significatif. Si l'on constate une amélioration des indices de pauvreté, les défis sociaux restent énormes et nécessiteront une action soutenue et cohérente pour permettre un rattrapage des très faibles indicateurs de développement humain et la création d'un système de redistribution des fruits de la croissance fondé sur les droits sociaux.

En conclusion, si 2010 a été une année importante pour le renforcement du partenariat Maroc-UE dans le cadre du statut avancé, le défi de 2011 est de renforcer la traduction en réalisations concrètes les nombreux engagements pris dans le cadre de ce statut, notamment en matière de rapprochement réglementaire, et d'accélérer la mise en pratique des nombreuses réformes annoncées, en particulier dans les domaines politique et social et en matière d'indépendance de la justice.

2. DIALOGUE POLITIQUE ET REFORMES

L'UE et le Maroc ont maintenu un dialogue politique régulier tout au long de l'année. Le premier Sommet UE-Maroc s'est tenu à Grenade en mars 2010. Un **dialogue politique** a aussi eu lieu dans le cadre du conseil d'association du 13 décembre 2010, en particulier sur la question du Sahara occidental. Au mois de mai 2010 a eu lieu la première réunion constitutive de la commission parlementaire mixte UE-Maroc.

Démocratie et État de droit

La **réforme de la justice** reste un défi essentiel à relever et demande un engagement accru, 23 projets de loi ont été envoyés au secrétariat général du gouvernement sur les différents axes de la réforme (entre autres la révision du statut de la magistrature et du greffe, l'amélioration des conditions de travail des magistrats et des fonctionnaires de la justice ainsi que la révision du code de procédure pénale). L'indépendance de la justice reste en particulier un point critique et l'importance de son renforcement est régulièrement rappelée par les experts et la société civile. En plus du projet MEDA « Modernisation des juridictions », qui s'est achevé en juin 2010 et a permis de déployer un système informatisé pour la gestion des affaires, l'UE s'est dite prête à appuyer, dans le cadre du programme indicatif national 2011-2013, cette essentielle réforme de la justice lorsque celle-ci sera mieux définie. Par ailleurs, la loi de finances 2010 prévoit pour la deuxième année consécutive une importante augmentation du budget de la justice.

En matière de lutte contre la **corruption**, le niveau général reste élevé mais la situation s'est légèrement améliorée par rapport à l'année précédente selon les enquêtes internationales en matière de perception de la corruption. Le décret d'application de la loi sur la déclaration du patrimoine a été publié au Bulletin officiel en février 2010. Le gouvernement a adopté en octobre 2010 un nouveau plan de lutte contre la corruption 2010-2012, qui prend en compte les recommandations de l'Instance centrale de prévention de la corruption (ICPC). Un premier projet de loi sur l'accès à l'information a été élaboré par le ministère de modernisation des secteurs publics et soumis pour avis aux départements ministériels concernés, avant d'être présenté pour discussion avec les organisations de la société civile. Dans un même ordre d'idées, l'ICPC a élaboré un avant-projet de loi pour la protection des victimes et dénonciateurs de la corruption a été adopté le 1^{er} avril 2011 par le Conseil des Ministres. En

parallèle, l'ICPC a lancé en novembre 2010, en partenariat avec le ministère de l'industrie et du commerce, la Confédération générale des entreprises du Maroc (CGEM), le ministère de la justice et le ministère des affaires économiques et générales, un portail pour la dénonciation sécurisée en ligne des actes de corruption dans les marchés publics (www.stopcorruption.ma).

La commission consultative de la **régionalisation**, installée par le Roi en janvier 2010, a reçu comme mandat de faire son rapport sur le modèle marocain de régionalisation avancée pour juin 2010, puis a vu sa mission prolongée jusqu'à la fin de l'année. Toutes les régions du pays seront concernées par ce projet de régionalisation, ainsi que le Sahara occidental, qui sera parmi les premiers bénéficiaires. La commission royale a procédé à une large consultation des élus locaux et régionaux, a auditionné des experts étrangers et utilisé des études comparatives menées par le Conseil de l'Europe.

Droits de l'homme et libertés fondamentales

La coopération entre l'UE et le Maroc dans le cadre du Conseil des droits de l'homme et de l'Assemblée générale des **Nations Unies** s'est intensifiée au cours de l'année 2010.

Le Maroc n'a pas encore **adhéré** au protocole facultatif n°1 du pacte sur les droits civils et politiques concernant les procédures de plaintes (PIDCP), ni au protocole facultatif se rapportant à la convention contre la torture. La ratification de la convention internationale pour la protection des personnes contre toutes les disparitions forcées est toujours en cours. Le texte de ratification de la convention internationale pour les droits des personnes handicapées n'a pas encore été publié au Bulletin officiel marocain. Le Maroc n'a pas encore **levé ses réserves** concernant la convention contre la torture, ni concernant la convention internationale sur l'élimination de toutes les formes de discrimination raciale.

En ce qui concerne la **peine de mort**, le Maroc continue à appliquer un moratoire de fait, et n'a pas adhéré au protocole facultatif n° 2 du PIDCP visant à abolir la peine de mort.

Le Maroc n'a pas encore donné suite aux recommandations que le Comité pour l'élimination de la discrimination raciale (CERD) a émises lors de sa 77^{ème} session de Genève en août 2010, suite à l'examen du rapport périodique du Maroc.

Le Maroc doit toujours donner suite à deux des recommandations de l'**examen périodique universel** (EPU) concernant la ratification du statut de Rome et à la demande visant à ce que le Maroc adresse une invitation permanente à toutes les procédures spéciales.

Le conseil consultatif des droits de l'homme (CCDH) a présenté à la presse, en janvier 2010, un rapport sur la mise en œuvre des recommandations de l'**Instance équité et réconciliation** (IER). Même si ce bilan peut être considéré comme positif, notamment en ce qui concerne l'indemnisation des victimes, la couverture sanitaire et la réparation communautaire, la mise en œuvre des recommandations essentielles de l'IER, notamment celles visant à assurer la séparation des pouvoirs au niveau de l'État et l'indépendance du pouvoir judiciaire, à consolider les garanties constitutionnelles des droits de l'homme et à mettre en œuvre une stratégie nationale de lutte contre l'impunité, reste une priorité .

Le Maroc a développé ses contacts avec le Conseil de l'Europe dans le domaine des droits de l'homme et des libertés fondamentales et a organisé, dans ce contexte, un séminaire en février 2010 à Rabat sur les perspectives de coopération entre les deux parties. Le Maroc a également

demandé d'obtenir le statut de « Partenaire pour la démocratie » auprès de l'Assemblée parlementaire du Conseil de l'Europe.

En matière de **liberté de la presse**, plusieurs mesures restrictives contre les médias tant marocains qu'étrangers, en particulier touchant la liberté de mouvement, ont été constatées en 2010. Un séminaire, organisé dans le cadre de l'Instrument européen pour la démocratie et les droits de l'homme (IEDDH) et auquel était associée la société civile, s'est tenu à Rabat en septembre 2010. Les recommandations issues de ce séminaire portaient sur la réforme du code de la presse et les relations entre justice et presse ; l'accès à l'information et la protection des sources journalistiques ; la déontologie des journalistes et des entreprises de presse. Concernant le projet de code de la presse, celui-ci a été retiré suite au lancement fin janvier du dialogue national « Médias et société ». Un livre blanc est attendu dans le prolongement de ce dialogue, qui a réuni partis politiques, représentants de la presse, ministère de la communication, parlementaires et citoyens. Ce livre blanc devrait fixer les objectifs politiques à long terme, permettre une refonte du code de la presse et entamer une réflexion sur la professionnalisation du métier de journaliste.

Des atteintes à la **liberté d'expression et de manifestation** des défenseurs des droits de l'homme, notamment dans le territoire du Sahara occidental, ont également été signalées. Les violences qui ont eu lieu à Laâyoune en novembre 2010 étaient particulièrement préoccupantes.

En matière de droit **d'association**, des cas de refus de délivrer le récépissé de constitution et l'impossibilité pour ces associations nouvellement créées de commencer leur activité 60 jours après la notification de leur constitution continuent d'être rapportés. En matière de **rassemblement**, des refus ont touché plusieurs demandes d'autorisation de manifestations liées aux droits de l'homme et des violations ont été constatées par des ONG concernant des violences de la part des forces de l'ordre lors de la dispersion de rassemblements. Des amendements relatifs au droit de rassemblement et d'association proposés déjà en 2007 par le tissu associatif n'ont pas encore été repris. Les manifestations qui se sont déroulées à partir du 20 février 2011 dans un climat pacifique ont toutefois permis aux participants d'exprimer ouvertement un certain nombre de revendications socio-économiques et politiques.

Les **conditions de vie carcérales** restent préoccupantes, notamment en raison de l'engorgement des prisons, de la malnutrition, des déficiences des soins médicaux, ainsi que du recours quasi systématique à la détention préventive et de l'absence de mesures alternatives aux peines privatives de liberté.

En ce qui concerne les **droits culturels et linguistiques**, la chaîne télévisée en langue amazigh annoncée depuis 2006 a officiellement été lancée le 6 janvier 2010 et bénéficie d'une bonne audience.

S'agissant des **droits des femmes**, malgré son engagement répété à lever ses réserves à la convention internationale sur l'élimination de toutes les formes de discrimination à l'égard des femmes (CEDEF), le Maroc n'a toujours pas déposé d'instrument de retrait auprès des Nations unies. Par ailleurs, le Maroc n'a pas encore adhéré au protocole facultatif de la CEDEF. Le projet de loi sur la violence conjugale déposé en février 2010 au secrétariat général du gouvernement n'a pas encore été adopté. Des difficultés persistent dans l'application du **code de la famille**, notamment en raison du fait que ses dispositions restent méconnues tant des membres du corps judiciaire que des ayants droit, et parce qu'elles ne sont pas appliquées de manière uniforme dans toutes les régions du pays. La création du

Fonds d'entraide familiale est inscrite dans le projet de loi de finances 2011. Concernant enfin la **promotion du rôle des femmes dans le développement économique, social et politique**, un « Agenda de l'égalité » 2010-2015, constituant un plan d'action gouvernemental à moyen terme, a été adopté par le Conseil de gouvernement. Le « Programme stratégique à moyen terme pour l'institutionnalisation de l'égalité et l'équité entre les genres dans le secteur de l'emploi, la formation professionnelle, la protection sociale et les conditions de travail » a été présenté officiellement en novembre 2010 par le ministère de l'emploi et de la formation professionnelle.

En ce qui concerne les **droits des enfants**, le ministère du développement social, de la famille et de la solidarité (MDSFS) a rédigé en 2010 trois rapports relatifs aux droits des enfants : les 3^{ème} et 4^{ème} rapports périodiques du Maroc relatif à la convention des droits de l'enfant (CDE), le rapport relatif à la mise en œuvre du protocole facultatif à la CDE concernant l'implication des enfants dans les conflits armés, et le rapport relatif à la mise en œuvre du protocole facultatif additionnel à la CDE relatif à la vente des enfants, la prostitution des enfants et la pornographie impliquant les enfants, qui est en cours de finalisation. Les projets de loi sur la lutte contre le travail des enfants et les conditions de travail et d'emploi du personnel domestique sont toujours en suspens au niveau du secrétariat général du gouvernement.

En matière de **droits sociaux fondamentaux et de normes fondamentales du travail**, la loi créant le Conseil économique et social a été publiée au Bulletin officiel du 18 mars 2010. Le Conseil a été installé officiellement le 21 février 2011 avec une centaine de membres. Le Maroc n'a pas encore ratifié la convention 87 de l'Organisation internationale du travail (OIT) sur la liberté syndicale et la protection du droit syndical. La ratification de cette Convention est actuellement à l'étude en concertation avec les partenaires sociaux dans le cadre du dialogue social dans l'attente de trouver un accord sur la situation de certaines catégories de personnes non couvertes par le Code du travail. Cependant le Maroc déclare que le code du travail inclut les dispositions de la convention.

Sujets régionaux et internationaux, coopération dans les domaines des relations étrangères et de la sécurité, prévention des conflits et gestion des crises

La coopération entre l'UE et le Maroc au sein du Conseil des droits de l'homme des Nations unies s'est renforcée. Le Maroc s'est également activement investi dans le partenariat Afrique-UE sur la gouvernance démocratique et les droits de l'homme.

Au moment où l'UE prépare une stratégie régionale en matière de **lutte antiterroriste** au Sahel, le Maroc a réitéré son intérêt à coopérer dans ce domaine. Le Maroc a indiqué avoir approuvé un projet d'accord avec Europol.

Le Maroc n'a pas encore ratifié le statut de Rome de la **Cour pénale internationale**, bien qu'il en soit l'un des signataires.

En matière de coopération régionale, les pays de l'Union du Maghreb Arabe (UMA) se sont mis d'accord pour créer une zone de libre-échange intermaghrébine. Toutefois, la coopération régionale au sein de l'UMA progresse peu et reste entravée par des obstacles politiques. Toutefois la coopération régionale au sein de l'UMA progresse peu et continue à se heurter à des obstacles politiques. Le Maroc participe activement aux initiatives du dialogue 5+5 et soutient les efforts visant à l'organisation d'un sommet du dialogue 5+5 et au renforcement des mécanismes de coordination du dialogue

Après deux ans de blocage, les exportations de voitures marocaines sous le régime de l'accord d'Agadir sont en augmentation vers l'Egypte et commencent vers la Tunisie

3. RÉFORME ÉCONOMIQUE ET SOCIALE

Cadre macroéconomique et fonctionnement de l'économie du marché

En 2010, l'économie marocaine a enregistré une croissance d'environ 4,2 %, contre 4,9 % en 2009. Le ralentissement est principalement dû à la faible croissance du secteur agricole. Après avoir connu une forte expansion en 2009 grâce à une récolte exceptionnelle, le secteur a été partiellement touché par les inondations qui ont affecté la production de fruits. D'autres secteurs de l'économie ont, par contre, connu une croissance plus tonique : le secteur de l'exploitation minière a connu une expansion rapide, liée à la demande externe de phosphates; les secteurs de la pêche, des services et du tourisme ont, eux aussi, bénéficié d'une croissance soutenue. La faible performance du secteur agricole a contribué à un ralentissement de la croissance de la consommation privée étant donné que 40 % de la main d'œuvre est encore employée dans ce secteur. Les investissements et les exportations ont repris après de brusques chutes en 2009. Les flux d'IED ont augmenté d'environ 1,5 % par rapport à 2009 et sont susceptibles de progresser graduellement.

Le déficit de la balance des opérations courantes est estimé entre 4 et 5% du PIB pour 2010, principalement en raison du renchérissement des matières premières. Les recettes d'exportation ont été stimulées par une forte demande de phosphate brut et de produits à base de phosphate. Le producteur de phosphate contrôlé par l'État, l'Office chérifien des phosphates, met en œuvre un programme d'expansion significative visant à augmenter la production de 70 %. L'augmentation des recettes d'exportation s'est accompagnée par une augmentation de la valeur des importations, reflétant la hausse du prix des matières premières, ce qui a entraîné une aggravation du déficit commercial. Les coûts d'importation de pétrole brut et de gaz de pétrole liquéfié ont fortement augmenté, ainsi que le coût des produits alimentaires de base. La détérioration de la balance commerciale a été partiellement compensée par l'augmentation des rapatriements de fonds et des recettes du tourisme, qui ont augmenté de plus de 5 %.

L'inflation a augmenté légèrement en 2010 (2,2 % contre 1 % en 2009), principalement à cause de la hausse des prix des produits alimentaires et du carburant; les augmentations de prix ont été en partie compensées par les subventions versées par le gouvernement, reportant une partie de la charge sur les finances publiques. Le gouvernement a suspendu les droits d'importation sur le blé pour faire face aux restrictions d'approvisionnement externe. La baisse de la production nationale de blé a accentué la pression sur les prix.

Malgré la légère intensification des tensions inflationnistes, la Bank Al-Maghrib (BAM) a décidé de ne pas resserrer la politique monétaire et a maintenu son taux à 3,25 %. En mars dernier, la BAM a également réduit le niveau des réserves obligatoires de 8 % à 6 %. Signe d'une confiance internationale raffermie, le Maroc s'est vu attribuer le statut «investment grade» en mars 2010 par l'agence de notation Standard and Poor's. En septembre, le pays a également émis sur le marché international les premières obligations d'État depuis trois ans, soit EUR 1 milliard en euro-obligations à dix ans, qui ont été sursouscrites. Les réserves de change ont légèrement augmenté en 2010, se maintenant à un niveau confortable d'environ sept mois d'importations, et supérieures au niveau de la dette extérieure.

Le déficit des finances publiques est passé de 2,1 % du PIB en 2009 à 4,3 % en 2010. Du côté des recettes, les impôts indirects et les droits de douane ont rebondi après avoir fortement diminué en 2009, tandis que les impôts directs ont baissé sous l'effet des réductions des taux d'imposition effectifs à partir de janvier. Du côté des dépenses, une pression importante a été générée par les subventions aux carburants et aux produits alimentaires. Les dépenses au titre de ces subventions se sont élevées à environ 2 % du PIB, ce qui est encore bien en dessous des 5 % enregistrés en 2008. Le niveau d'endettement a légèrement augmenté, passant de 57 % du PIB en 2009 à 60% du PIB en 2010.

Déterminé à renforcer la compétitivité et à diversifier l'économie, et en conformité avec les objectifs du plan d'action, le gouvernement a lancé une stratégie pour le développement de la logistique commerciale, impliquant un investissement de 7 milliards de dollars d'ici à 2015, largement soutenu par des opérateurs privés. La stratégie comprend l'élaboration d'un réseau national intégré, un cadre de gouvernance nationale et le développement des compétences.

L'emploi et la politique sociale

En matière d'**emploi**, l'inadéquation entre la demande et l'offre de compétences reste prononcée et le marché du travail souffre d'une forte segmentation. Cependant les mesures anti-crise ont atténué les effets de la crise globale dans plusieurs secteurs.

Le taux de chômage moyen est passé de 9,1% en 2009 à 9,8% en 2010. Le chômage se concentre surtout dans les zones urbaines, avec un taux estimé à 13,7 % (il est de 3,9 % dans les zones rurales). Cet écart important est dû au manque de possibilités d'emploi pour la population urbaine jeune et éduquée, tandis qu'un niveau élevé d'agriculture de subsistance assure l'emploi dans les campagnes. Malgré des efforts du gouvernement relatifs à une politique active de l'emploi, la création d'emplois de qualité et d'emplois non agricoles formels reste faible. L'emploi informel dans l'agriculture (40 % de l'emploi total se trouve dans ce secteur, y compris la pêche) et dans les secteurs du commerce et des services entraîne des situations de fragilité et de vulnérabilité. Selon les estimations, près de 20 % de la population urbaine active âgée de 25-34 ans et près d'un tiers des jeunes citadins de 15-24 ans seraient au chômage. Cette situation est un facteur important d'explication de l'émigration vers l'Europe.

En liaison avec la croissance plus rapide de la population totale que de la population active, le taux d'activité n'a guère évolué, passant de 49,9 % en 2009, à 49,6 % en septembre 2010. Le taux d'activité des femmes a également peu progressé (25,9 %).

En matière de **dialogue social**, la loi organique relative au Conseil économique et social a été promulguée en mars 2010. Ce dernier a été mis en place en février 2011. Un round tripartite gouvernement-syndicat-patronat a eu lieu en mai 2010 où le point d'achoppement était essentiellement l'augmentation des salaires. Trois syndicats ont décidé de ne plus participer au dialogue social relatif au secteur public en juin 2010 (la CDT s'étant retirée en mai 2010 pour toutes les négociations) invoquant un non-respect des engagements et un manque de résultats concrets. Il ne reste donc plus que le syndicat affilié au parti gouvernemental (UGTM). Le dialogue social au niveau de l'entreprise reste peu développé. La consultation des différents partenaires sociaux sur le projet de loi organique concernant le droit de grève continue depuis 2009. Le nouveau texte protégerait l'exercice du droit de grève et renforcerait la liberté et les droits syndicaux en conformité avec les conventions.

Malgré les évolutions enregistrées dans la **lutte contre la pauvreté** et la **protection et l'inclusion sociales**, les disparités tant sociales que spatiales persistent. La dernière étude du Haut-Commissariat au Plan (HCP) sur « Le Maroc des régions », publiée en 2010, met en évidence que les inégalités régionales se sont particulièrement accentuées ces dernières années sur le plan économique. Cinq régions (sur seize) contribuent à elles seules à plus de 60 % du PIB national et représentent 57 % de la consommation nationale. L'enquête du HCP montre que les 10 % des plus riches de la population ont un revenu 17 fois supérieur à celui des 10 % les plus pauvres.

La priorité du gouvernement dans ce domaine reste la mise en œuvre de l'initiative nationale de développement humain (INDH) au niveau des 403 communes rurales et des 256 quartiers urbains les plus défavorisés. Concernant la 1^{re} phase de l'INDH (2005-2010), le bilan arrêté en septembre 2010 par la coordination nationale de l'INDH fait état de 22034 projets réalisés ou en cours, au profit de 5,4 millions de bénéficiaires et représentant un budget de DH 13 milliards (EUR 1,2 milliards), dont 60 % financés par l'INDH. Les projets concernent en majorité l'amélioration de l'accès aux services sociaux et aux infrastructures de base (75 %) et les activités génératrices de revenus (15 %). Depuis le lancement de son programme en 2007, l'appui de l'UE (EUR 60 millions) a contribué au développement d'infrastructures publiques dans les 403 communes ciblées, et a plus particulièrement appuyé l'amélioration de la qualité technique des projets financés et le développement des capacités des communautés rurales en terme de planning, mise en œuvre et politique d'entretien des petites infrastructures réalisées.

En ce qui concerne la réforme du système de retraite, une Commission nationale présidée par le Premier Ministre a été établie ainsi que trois commissions techniques.

Le «Programme stratégique à moyen terme pour l'institutionnalisation de l'égalité et l'équité entre les **genres** dans le secteur de l'emploi, la formation professionnelle, la protection sociale et les conditions de travail» a été présenté officiellement en novembre 2010.

Le bilan de la mise en œuvre du plan «Maroc vert» (PMV) pour la période de référence fait état d'avancées aux niveaux institutionnel et législatif ainsi qu'en termes de mobilisation des partenaires et d'incitation à l'investissement. Par contre, les résultats sont plus mitigés en ce qui concerne le lancement des opérations sur le terrain. L'UE a quant à elle lancé fin 2010 un programme d'appui de EUR70 millions en soutien au pilier 2 du PMV, ledit pilier visant une agriculture dite "solidaire", pratiquée généralement en zones difficiles. Le ministère de **l'agriculture** a lancé sa troisième opération de valorisation des terres agricoles relevant du domaine public afin d'encourager des exploitants externes à investir, par le biais de contrats de location à long terme et sur la base de projets de mise en valeur rentable. Suite aux importantes inondations survenues pendant le premier semestre 2010, le ministère de l'agriculture a débloqué une enveloppe de DH 270 millions (EUR 24 millions) pour des mesures d'urgence en faveur des populations rurales les plus touchées (réhabilitation et création d'infrastructures de base et reconversion des cultures perdues).

Le ministère de l'agriculture a créé une nouvelle agence pour la valorisation et la protection des zones oasiennes et la production d'huile d'argan. Sur la base de la loi relative à l'introduction de signes distinctifs pour les produits du terroir, deux premiers produits ont été labellisés: l'huile d'argan et l'huile d'olive Tiout/Chiadma dans la province d'Errachidia. Huit nouveaux produits du terroir ont par ailleurs été identifiés pour être labellisés. Concernant l'établissement de conventions d'agrégation entre les acteurs locaux, dans un but de structuration des filières et d'appui aux petits exploitants, au cours de 2010, les 42 premières conventions d'agrégation ont été signées et 7 projets d'agrégation ont été lancés.

4. QUESTIONS LIÉES AU COMMERCE, MARCHÉ ET RÉFORME RÉGLEMENTAIRE

Pendant la période de référence, le **commerce bilatéral** a recommencé à croître : de 2009 à 2010, les exportations marocaines vers l'UE ont enregistré une augmentation de 17,6 % tandis que les exportations de l'UE vers le Maroc ont augmenté de 14,1 %. L'UE demeure le premier partenaire commercial du Maroc. Le démantèlement tarifaire est en ligne avec les délais prévus par l'accord d'association. Il n'y a toutefois pas eu, pendant la période de référence, de progrès sur des points de blocage récurrents mais sur des points mineurs (peaux, produits usagés - voir rapports précédents). La mesure de sauvegarde appliquée aux importations de carreaux de céramique a pris fin le 31 décembre 2010. Cependant, une déclaration préalable à l'importation a été instaurée le 1^{er} janvier 2011 pour une durée de 9 mois. Deux autres enquêtes pour l'application éventuelles de mesures de sauvegarde sur deux produits ont conclu à l'abandon de la mise en place de cette mesure. L'accord sur la libéralisation des produits agricoles transformés et de la pêche et l'accord sur le règlement des différends en matière commerciale ont été signés lors de la réunion du Conseil d'association de décembre 2010. Ils doivent encore être ratifiés par le Parlement marocain et obtenir l'accord du Parlement européen.

Le processus de modernisation des **douanes** se poursuit avec succès. Le système de catégorisation pour la facilitation du commerce s'est étendu à un nombre croissant d'entreprises. Un décret de juillet 2010 établit la base juridique du statut d'opérateur économique agréé (OEA) et détermine les conditions permettant d'y accéder.

Le Maroc a poursuivi les activités pour l'adoption, en janvier 2011, de la nomenclature combinée (NC) dont l'entrée en vigueur est prévue pour le deuxième semestre de 2011. Le Maroc a, en janvier 2010, inauguré un Observatoire de l'éthique douane-secteur privé, chargé de la collecte et de l'analyse des informations sur la corruption, du développement des propositions pour améliorer l'intégrité et du suivi régulier de la situation. Concernant la lutte contre le piratage et la contrefaçon, le rythme des interventions de la douane aux frontières continue à augmenter. Suite à la signature d'un arrangement administratif en 2009, la coopération entre l'Office européen de lutte antifraude (OLAF) et les douanes marocaines progresse. Le Maroc a participé à l'opération « Sirocco » en juin 2010. Sirocco est une opération douanière conjointe, coordonnée par l'OLAF et menée par les administrations douanières de l'UE et de 11 pays partenaires de la rive sud de la Méditerranée¹.

Concernant le **mouvement de biens et les réglementations techniques**, les préparatifs en vue de la négociation d'un accord sur l'évaluation de la conformité et l'acceptation des produits industriels (ACAA) ont continué. Les secteurs prioritaires définis par le Maroc sont les appareils électriques, les matériaux de construction, les appareils à gaz, les jouets et les machines. La loi sur la normalisation, la certification et l'accréditation, déjà en vigueur depuis décembre 2009, ne sera mise en œuvre qu'en avril 2011, après la période de référence du présent rapport. L'Institut Marocain de Normalisation et le Comité Marocain d'Accréditation seront mis en place à ce moment-là. Le projet de loi relatif à la sécurité des produits et des services n'est toujours pas adopté. Le Maroc est membre du Comité européen de normalisation (CEN) depuis juillet 2010 et membre associé d'ILAC. L'affiliation du Maroc au Comité européen de normalisation électrotechnique (CENELEC) et au Forum

¹ L'opération Sirocco visait les conteneurs de haute mer en provenance de Chine et des Émirats Arabes Unis destinés aux pays de l'Union pour la Méditerranée. Environ 40 millions de cigarettes, 1243 kilos de tabac roulé à la main, 7038 litres d'alcool et 8 millions d'autres produits contrefaits ont été saisis au cours de l'opération.

d'accréditation international (IAF) est en cours. Un plan d'adoption des normes harmonisées a été établi. Les autorités marocaines ont choisi le secteur des normes et des réglementations techniques comme un des secteurs pilotes du statut avancé avec l'Union Européenne.

En ce qui concerne les questions **sanitaires et phytosanitaires** (SPS), le Maroc a poursuivi l'alignement sur les règles de l'UE. La loi relative à la sécurité sanitaire des denrées alimentaires, reprenant les principes généraux de la législation alimentaire de l'UE, a été promulguée en février 2010. Le Maroc prépare la législation secondaire pour la mise en œuvre de cette loi. L'Office national de sécurité sanitaire des aliments, formellement établi en 2009, est devenu opérationnel en 2010. En juillet 2010, le Maroc a créé le Comité national des mesures sanitaires et phytosanitaires, qui a pour mission de contribuer à l'élaboration de la politique en matière SPS et à la mise en œuvre de celle-ci.

Le Maroc continue à œuvrer pour la mise en place d'un système national d'identification et de traçabilité des animaux. En avril et mai 2010, deux missions de l'Office alimentaire et vétérinaire de la Commission européenne se sont déroulées, l'une concernant le contrôle de la production de boyaux, l'autre concernant les contrôles de santé animale mis en place pour les mollusques bivalves vivants. Le Maroc a continué à lutter contre les maladies animales, et notamment la peste des petits ruminants (moutons, chèvres).

La protection des investisseurs et la clôture d'entreprises ont connu une amélioration substantielle et contribué à un meilleur **climat des affaires**.

En matière de **liberté d'établissement et de droit des sociétés**, un projet sur la réforme de la loi sur les sociétés à responsabilité limitée a été adopté en Conseil des Ministres en octobre 2010. Le projet a pour objectif de supprimer l'exigence du capital minimum, la possibilité de libérer partiellement les apports en numéraire d'au moins le quart du montant souscrit et la simplification de certaines procédures. Le code général de gouvernance d'entreprise a été complété en juin 2010 par un code de bonnes pratiques de gouvernance des établissements de crédit.

Dans le domaine des **services**, les négociations bilatérales sur la libéralisation du commerce des services et l'établissement n'ont pas progressé en 2010.

En matière de **services financiers**, la crise mondiale n'a eu que peu d'effets sur le secteur financier, qui est sain, bien capitalisé et a des liens limités avec les marchés financiers internationaux. La politique menée par la Bank Al-Maghrib (BAM) vise à renforcer les règles prudentielles dans le secteur bancaire par l'alignement progressif des ratios de solvabilité des banques sur les critères de Bâle II. Le gouvernement a adopté le décret d'application de la nouvelle mouture du texte de loi encadrant la titrisation et devant élargir le périmètre des actifs titrisables (jusqu'ici limité aux établissements de crédit et aux actifs représentatifs de créances hypothécaires détenues par les banques) afin de permettre à cette nouvelle technique de financement de jouer pleinement son rôle de diversification des instruments de financement du tissu économique et de refinancement des trésoreries bancaires. Un renforcement du rôle et des prérogatives du [Conseil déontologique des valeurs mobilières](#) (CDVM) en matière de surveillance est prévu. Le Conseil des ministres a approuvé, en juin 2010, la loi relative à l'ouverture du capital de la bourse et celle portant sur le marché à terme des instruments financiers. Les autorités marocaines ont choisi le secteur des services financiers comme un de secteurs pilotes du statut avancé avec l'Union Européenne, en commençant par les assurances.

Autres domaines essentiels

Il n'y a pas d'événement significatif à signaler concernant la mise en œuvre du plan d'action en matière de **fiscalité**.

En matière de **politique de la concurrence**, il n'y a pas eu d'avancées significatives. Il importe de continuer à sensibiliser les magistrats à la politique de concurrence afin de renforcer la pratique des enquêtes sur la concurrence sous l'autorité judiciaire. La sensibilisation des consommateurs est également essentielle afin d'instaurer une culture de la concurrence dans la société.

En ce qui concerne la **propriété intellectuelle et industrielle**, le Bureau marocain des droits d'auteur a signé, en mai 2010, un contrat programme avec le ministère de la communication, qui lui apportera un soutien financier pour la période 2010-2012. Cet accord vise à mettre à niveau le secteur de la création par une restructuration du Bureau. Une commission consultative sera mise sur pied afin d'assurer le suivi des stratégies en matière de droits d'auteur. Pour sa part, le ministère s'engage à adopter un texte juridique relatif à la «copie privée», à modifier l'arsenal juridique et à accélérer le processus d'adoption des conventions internationales relatives à Internet. La convention de Rome (protection des artistes interprètes ou exécutants, des producteurs de phonogrammes et des organismes de radiodiffusion) reste à ratifier. En décembre 2010, l'Office européen des brevets et le Maroc ont signé un accord sur la validation des brevets européens au Maroc. Cet accord entrera en vigueur après la promulgation des dispositions légales nécessaires à sa mise en œuvre par le Parlement marocain. Cet accord, qui est le premier du genre, permet au demandeur d'un brevet européen de faire valider au Maroc sa demande de brevet et son brevet délivré par l'OEB. L'accord de validation crée un environnement juridique plus certain pour les déposants étrangers, puisque leurs brevets auront au Maroc la même portée qu'en Europe. Il s'agit d'un facteur positif pour l'investissement étranger.

Selon une organisation indépendante, deux tiers des logiciels informatiques sur le marché marocain sont piratés, ce qui souligne l'importance du suivi judiciaire et de l'efficacité de la législation sur le terrain pour répondre aux objectifs du plan d'action. Les **marchés publics** font partie des trois secteurs sélectionnés comme étant prioritaires pour avancer concrètement en matière de convergence réglementaire dans le cadre du statut avancé. Le nouveau projet de décret qui vise le rapprochement de la législation marocaine avec les normes européennes, a fait l'objet de consultations et est en cours de finalisation.

Le Haut Commissariat du Plan (HCP) a adopté un plan d'action à moyen terme relatif au système d'information **statistique** au Maroc. Ce plan concerne tous les aspects de la production statistique, aussi bien méthodologique, logistique, organisationnel qu'institutionnel, notamment la coordination, les nouvelles technologies, l'élargissement de champs des opérations de collecte, la fréquence de certaines enquêtes et le développement et la mise en place d'un cadre global de garantie de la qualité. L'agriculture, les questions sociales et l'environnement sont parmi les secteurs prioritaires qui devraient être soutenus par des données statistiques. Le Maroc, par l'entremise du HCP, participe activement au consortium en charge du programme MEDSTAT III.

En matière de **comptabilité et d'audit**, l'utilisation des normes comptables internationales (International Financial Reporting Standards, IFRS) reste obligatoire pour les banques mais les sociétés cotées en bourse peuvent appliquer des normes de comptabilité marocaines. Pas de progrès indiqués dans le domaine d'**audit**.

En matière de **circulation des capitaux**, le Maroc maintient son orientation vers une libéralisation progressive mais prudente des moyens de paiement. La loi de finances 2011 prévoit des mesures d'assouplissement ou de relèvement de plafond, notamment pour les entreprises voulant investir à l'étranger : celles-ci pourront investir jusqu'à DH50 millions (EUR 4,5 millions) et jusqu'à DH 100 millions (EUR 8,9 millions) pour les investissements ciblés sur l'Afrique.

Le projet de loi sur la **protection des consommateurs**, largement inspiré des directives communautaires concernant les clauses abusives, les contrats à distance, la publicité trompeuse et la publicité comparative, et sur certains aspects de la vente et des garanties des biens de consommation, a été adopté à l'unanimité par la Chambre des représentants en juillet. La Chambre des conseillers l'a approuvé lors de la session d'automne; cependant le texte doit repasser devant la Chambre des représentants pour que celle-ci se prononce sur les amendements adoptés par les conseillers (notamment concernant le commerce électronique).

Concernant la **politique d'entreprise**, le Maroc a continué à participer aux activités déployées dans le cadre de la coopération industrielle, notamment la mise en œuvre de la charte euro-méditerranéenne pour l'entreprise. L'Agence marocaine de développement des investissements (AMDI) est opérationnelle depuis janvier 2010. En juin 2010, l'agence a organisé une campagne de presse sur les investissements, et elle a établi deux antennes dans l'Union européenne, l'une à Paris et l'autre à Madrid. L'AMDI a également créé un guichet d'accueil afin de prendre en charge toutes les procédures administratives des investisseurs. La mise en place du programme de travail de cette Agence est appuyée par l'UE au travers de son Programme d'appui aux Investissements et aux Exportations. Le Maroc a introduit la candidature en vue de participer à Enterprise Europe Network.

En ce qui concerne la gestion et le contrôle des **finances publiques**, le ministère de l'économie et des finances continue de piloter la réforme de la gestion des ressources budgétaires, conjointement avec le ministère de la modernisation des secteurs publics en charge du dossier de la réforme des ressources humaines au sein de l'administration publique. L'UE appuie cette importante réforme de l'administration publique depuis 2004 au travers de ses programmes PARAP I (clôturé en 2009) et II, programmes dont la dotation globale s'élève à EUR 150 millions. Concernant le volet budgétaire de la réforme, la phase opérationnelle de diffusion des nouveaux modes de gestion se généralise progressivement à l'ensemble des administrations. La commission consultative de la régionalisation (CCR), chargée de la déconcentration et de la décentralisation budgétaire, s'est réunie pour la première fois en janvier, concrétisant ainsi la volonté d'approfondir les réformes de la gouvernance des finances publiques.

Dans le domaine du **contrôle financier interne**, l'Inspection générale des finances (IGF) et les inspections ministérielles ont apporté des améliorations significatives tant au niveau de l'organisation et de la méthodologie des audits qu'au niveau du suivi des conclusions et des préconisations des rapports. En 2010, le contrôle interne a posteriori exercé par la division de l'audit et de l'inspection de la trésorerie générale s'est rapproché des pratiques recommandées au plan international, notamment par l'adoption d'une approche fondée sur le risque. De plus, le projet d'informatisation intégrée de la chaîne de la dépense publique (GID) visant à améliorer la fiabilité d'ensemble du système budgétaire et comptable s'est aussi généralisé à l'ensemble de l'administration et l'IGF s'est dotée d'un système informatique de gestion des missions qui permettra un suivi automatique des recommandations formulées par les auditeurs. La Cour des comptes a remis au Roi son rapport pour l'année 2008, présentant

notamment une évaluation de la fiabilité et de la pertinence des systèmes de contrôle interne des administrations et établissements publics.

5. COOPÉRATION EN MATIÈRE DE JUSTICE, DE LIBERTÉ ET DE SÉCURITÉ

En matière de **renforcement de la gestion des frontières**, le centre de formation sur la migration et la surveillance des frontières créé au sein de l'École de formation des cadres des forces auxiliaires a commencé ses activités. En novembre 2010, le Conseil du gouvernement a adopté un projet de décret relatif aux conditions de délivrance et de retrait des titres de séjour des étrangers au Maroc qui est en cohérence avec les principes et approches de l'UE.

Les échanges d'information sur les questions de **migration légale** se sont poursuivis régulièrement. La bonne coopération dans ce domaine entre le Maroc et l'Espagne a continué au cours de l'année 2010.

En revanche, les négociations de **l'accord de réadmission** UE-Maroc n'ont été marquées par aucun progrès substantiel.

Dans le domaine de l'asile et des réfugiés, le Maroc reste confronté à des problèmes structurels, notamment l'absence d'un cadre légal et institutionnel en matière d'asile, dont la refonte est toujours à l'étude. Le Haut Commissariat pour les réfugiés (HCR) est de facto le seul à mener la procédure d'asile en absence d'une procédure nationale. Il n'existe pas non plus de statut reconnu pour les réfugiés et les demandeurs d'asile. Toutefois, les personnes qui s'enregistrent auprès du HCR sont généralement protégées contre le refoulement.

En ce qui concerne la lutte contre **la criminalité organisée**, le Maroc n'a pas ratifié les deux protocoles additionnels à la convention des Nations Unies contre la criminalité transnationale organisée: le protocole relatif au trafic illicite de migrants par terre, air et mer et le protocole visant à prévenir, réprimer et punir la traite des personnes, en particulier des femmes et des enfants.

En ce qui concerne la lutte contre le **trafic de stupéfiants**, le Maroc a intensifié ses actions de lutte contre la culture de la résine de cannabis dans la perspective d'éradiquer complètement cette culture à l'horizon 2018. Le Maroc privilégie une approche globale de la lutte anti-drogue comprenant la prévention, le développement socio-économique de la région du Nord et la recherche d'activités alternatives pour les populations locales, notamment dans le cadre du plan Maroc Vert-Millennium Challenge Account. En octobre 2010, les services de la sûreté nationale ont notamment démantelé un important réseau criminel pratiquant le trafic de cocaïne et de résine de cannabis. Ce réseau, disposant de ramifications en Amérique latine, en Europe et en Afrique, acheminait la drogue depuis le Mali vers l'Europe par voies terrestre, maritime et aérienne.

Le ministère de la santé continue à mettre en œuvre son plan d'action 2008-12 pour le suivi médico-psychologique des toxicomanes et l'accueil et l'orientation de leur famille. Dans ce cadre, un service d'addictologie à Casablanca forme des médecins, des psychologues et des acteurs associatifs. Le rapport 2010 de l'Office de Nations unies contre la drogue et le crime (ONUDD) indique que la tendance en matière de consommation du cannabis au Maroc reste stable, mais que la consommation des drogues touche de plus en plus les jeunes.

En ce qui concerne le **blanchiment des capitaux**, le projet de jumelage institutionnel de l'UE

au bénéfice de l'unité des traitements de renseignements financiers (UTRF) s'est achevé en avril 2010. Les principales missions de l'unité comprennent le traitement et la diffusion des renseignements relatifs au blanchiment des capitaux, l'analyse des résultats des enquêtes et des inspections et la collaboration avec les services et autres organismes nationaux et internationaux concernés. Bien que le cadre normatif pénal et préventif soit globalement en phase avec les standards internationaux et ceux de l'UE, un rapprochement complet des législations répressive et préventive serait souhaitable. Publiée fin janvier 2011, la nouvelle loi de lutte contre le blanchiment des capitaux modifie celle de 2007. Elle élargit la liste des infractions liées au terrorisme et renforce l'obligation de vigilance et de contrôle. Les règles du devoir de vigilance des banques et institutions financières par rapport aux identités (Know Your Client - KYC) et activités commerciales de leurs clients (Know Your Business - KYB) du GAFI (Groupe d'action financière internationale) sont appliquées.

La loi sur la **protection de données personnelles** de 2008, promulguée le 12 février 2009, est entrée en vigueur en juillet 2010 avec l'installation de la Commission nationale de contrôle de la protection des données à caractère personnel. Dorénavant le Maroc doit démontrer que ses citoyens peuvent bénéficier de cette nouvelle législation et qu'ils jouissent de la possibilité de soumettre un recours indépendant devant la Commission nationale en cas de violation dans leurs droits.

La **coopération judiciaire et policière** a continué de se développer de manière satisfaisante avec plusieurs États membres, dans plusieurs domaines, notamment le droit de la famille, l'extradition, l'entraide judiciaire, l'assistance aux personnes détenues et le transfert des personnes condamnées. De nouvelles conventions bilatérales sont en préparation avec la Russie, les États-Unis et l'Azerbaïdjan.

Au niveau de la coopération multilatérale dans le cadre de la Conférence de La Haye de droit international privé, il est à souligner que le Maroc a adhéré récemment à d'importantes Conventions comme la Convention de 1980 sur l'enlèvement international d'enfants, la Convention de 1965 sur la signification des actes et la Convention du 1970 sur l'obtention de preuves. Le Maroc a coopéré avec le Conseil de l'Europe pour la formation des juges dans le domaine de la cybercriminalité et envisage d'adhérer à la convention européenne sur la cybercriminalité. La procédure pour la préparation des négociations en vue d'un accord stratégique entre Europol et le Maroc est en cours. Par ailleurs, plusieurs magistrats marocains ont bénéficié d'actions de formation menées par Eurojust et un échange de vues concernant un accord avec le CEPOL a eu lieu. Le Maroc participe activement au programme Euro-Med Justice II et Euro-Med Police II.

6. TRANSPORT, ÉNERGIE, ENVIRONNEMENT, SOCIÉTÉ DE L'INFORMATION, RECHERCHE ET DÉVELOPPEMENT

Le ministère des équipements et des **transports** poursuit sa stratégie pour faire du transport durable un impératif pour la période 2008-2012. La composante "environnementale" et la notion de "transport durable" s'inscrivent désormais en toile de fond dans toutes les nouvelles décisions d'investissement.

La poursuite des grands chantiers a permis d'ouvrir, en juin 2010, un nouveau tronçon d'autoroute entre Marrakech et Agadir (233 km) ainsi qu'un nouveau tronçon de la rocade financée par l'Union européenne. La rocade méditerranéenne sera achevée en 2011-2012.

La demande de financement pour le tronçon TGV Tanger/Casablanca n'a pas reçu de suite favorable de la part de la BEI. Afin de mieux se positionner par rapport au transport routier, l'Office national des chemins de fer (ONCF) a poursuivi ses efforts de réduction des coûts logistiques pour le transport de marchandises en modernisant son réseau et en poursuivant le développement progressif des interconnexions multimodales.

En ce qui concerne le transport routier, la mobilité en milieu urbain représente une des préoccupations majeures. Les premières rames du tramway qui reliera Salé à Rabat ont été livrées et mises en service au cours de 2010. Les études pour le lancement du tramway de Casablanca ont été lancées. Le nouveau code de la route est entré en vigueur en octobre 2010. Il couvre la protection des usagers, le permis à points, le contrôle technique et la protection des conducteurs professionnels.

Le renforcement de l'administration de l'aviation civile se poursuit. La convergence avec la réglementation de l'espace aérien communautaire est la première priorité du ministère des transports.

Malgré la crise et le retrait d'un des investisseurs, l'Agence spéciale Tanger Méditerranée a pu maintenir le lancement effectif de la seconde phase du complexe portuaire Tanger Med II, une autre infrastructure majeure. En juin 2010, le trafic passager qui était desservi au départ de Tanger ville a été transféré au port de Tanger MED I. Le Maroc accueille favorablement la politique maritime intégrée (PMI) de l'UE et souhaite renforcer sa coopération dans ce cadre en matière de sécurité et de sûreté maritimes et de prévention de la pollution.

Le Maroc a poursuivi la mise en œuvre de sa stratégie **énergétique** 2020-2030. Il a renforcé ses capacités d'étude et d'analyse prospective du secteur de l'énergie. En juin 2010, le Maroc a lancé une étude sur un schéma de régulation du secteur électrique. Le projet de loi sur la libéralisation du marché de l'électricité est toujours à l'examen. En juin 2010, le Maroc, la Tunisie et l'Algérie ont adopté un plan d'action pour la période 2010-2015, affirmant leur volonté de créer un marché maghrébin de l'électricité permettant à ces pays d'assurer une intégration progressive au marché de l'UE. Le Maroc a lancé le chantier en vue de la réalisation d'une troisième interconnexion électrique avec l'Espagne. Pour faire face à la croissance de la consommation électrique, le Maroc met en œuvre son programme d'investissement dans des capacités supplémentaires d'ici 2015. Le Maroc a lancé une étude portant, entre autres, sur des pistes de décompensation du gaz butane. L'option de développer de l'énergie nucléaire à long terme est toujours à l'étude. Le Maroc a annoncé la mise en place d'un cadre légal et fiscal concernant les schistes bitumineux domestiques à vocation d'hydrocarbures et d'un comité national d'expertise. Le Maroc continue le développement d'un terminal de gaz naturel liquéfié et annonce la réalisation d'une étude de faisabilité pour une deuxième raffinerie.

En mars 2010, le Conseil des Ministres a adopté le projet de loi relative à l'efficacité énergétique.

En janvier 2010 le Maroc a adopté la loi relative aux énergies renouvelables et à la transformation du Centre de développement des énergies renouvelables en Agence pour le développement des énergies renouvelables et de l'efficacité énergétique, ainsi que la loi portant création de l'Agence marocaine pour l'énergie solaire. En mars 2010, le Maroc a lancé, dans le cadre de son plan d'énergie solaire, un projet visant à construire une centrale électrique solaire à Ouarzazate. En juin 2010, il a lancé un programme d'énergie éolienne, l'objectif étant d'atteindre 2000 MW de capacité éolienne d'ici 2020. Plusieurs projets de construction

de parcs éoliens ont été mis en service ou lancés. Des projets d'efficacité énergétique dans les secteurs du bâtiment, de la santé, des écoles et du tourisme ont également été lancés.

Dans le domaine du **changement climatique**, le Maroc a présenté la deuxième communication nationale à la convention cadre des Nations unies sur le changement climatique, qui comprend notamment un inventaire des émissions de gaz à effet de serre, une stratégie d'atténuation des effets des gaz à effet de serre d'ici 2030, des études adaptatives et socio-économiques et une étude sur le renforcement des capacités nationales. La préparation de plans régionaux de lutte contre le réchauffement climatique a été lancée.

Le Maroc a continué la préparation des projets relevant du mécanisme de développement propre (MDP), même si aucun nouveau projet n'a été enregistré au sein des Nations unies, le nombre total de projets enregistrés restant à cinq. Le Maroc prépare également un premier MDP programmatique qui couvrira l'ensemble du secteur des déchets solides. Le Maroc est encouragé à mettre en œuvre l'Accord de Cancun et en particulier d'élaborer une stratégie de développement peu générateur de carbone et fournir des informations sur les objectifs ou les actions d'atténuation qu'il compte engager. Le Conseil national sur **l'environnement** s'est réuni en février 2011 pour valider le projet de charte nationale de l'environnement et du développement durable, lancée en janvier 2010.. Le cadre législatif doit encore être précisé, en particulier en ce qui concerne les dispositions d'application. Le Maroc a adopté la loi sur les aires protégées, une nouvelle loi visant à interdire les sacs et sachets non dégradables ou non biodégradables, ainsi que des décrets d'application dans les domaines de la gestion des déchets et de la qualité de l'air. La nouvelle législation sur la protection du littoral, la gestion des déchets, les installations industrielles, le commerce international des espèces de la faune et de la flore sauvages menacées d'extinction et l'accès à l'information, est toujours en cours de préparation. Le Maroc a lancé un programme pour la protection et la valorisation de la biodiversité et publié une nouvelle stratégie de gestion des ressources en eau. Des programmes de lutte contre la pollution industrielle et atmosphérique ainsi qu'un inventaire des émissions atmosphériques par région et par secteur sont en préparation. La mise en œuvre des stratégies et des plans existants est en cours mais requiert toujours une attention continue, ainsi que le suivi et l'application des réglementations. Le Maroc a étendu le réseau de stations de surveillance de la qualité de l'air dans les grandes villes, adopté un objectif de recyclage de 20 % des déchets et réalisé 12 décharges contrôlées.

La stratégie de décentralisation vers les services et les observatoires régionaux se poursuit. Le renforcement des capacités de suivi et de mise en œuvre aux niveaux local et régional reste un défi, y compris la coordination entre les différentes structures administratives. Le Maroc a mené quelques actions afin d'intégrer les préoccupations environnementales dans d'autres politiques sectorielles, telles que la politique industrielle.

La préparation de rapports sur l'état de l'environnement sur une base régionale a été lancée dans cinq régions sur seize. Pour les cinq régions concernées, la mise en place d'un système d'information environnemental est prévue dans la loi de finances de 2010.

Durant la période de référence, il n'y a pas eu d'évolutions marquantes en ce qui concerne la ratification des protocoles de la convention de Barcelone sur la protection du milieu marin et du littoral de la Méditerranée. La mise en œuvre des accords déjà ratifiés requiert une attention particulière. Le Maroc a continué à participer à l'initiative Horizon 2020 et à l'initiative de l'UE sur l'eau. La Commission européenne et le Maroc ont coopéré et échangé des informations, y compris sur la gestion de l'eau, la dépollution industrielle et la gestion de l'information environnementale.

Dans le domaine de la **protection civile**, le Maroc a pris part aux activités du programme Euro-Med pour la prévention, la préparation et la réponse aux désastres naturels et humains, qui est arrivée à mi-parcours.

En ce qui concerne la **société de l'information**, après la révision en 2009 de la «Stratégie nationale e-Maroc», on a assisté en 2010 à des évolutions importantes dans la cadre du Plan «Maroc Numérique 2013». Le programme est doté d'une enveloppe de EUR 500 millions, financée en partie par les opérateurs, qui y contribuent à hauteur de 0,5 % de leur chiffre d'affaires. Maroc Telecom a signé avec l'Agence nationale de réglementation des télécommunications du Maroc (ANRT) une convention portant sur la 4^e et dernière tranche du PACTE (Programme d'accès aux télécoms), qui permettra de couvrir 1573 localités. Le programme englobe 7338 communes rurales parmi les plus difficiles d'accès, pour un investissement global estimé à DH 2,8 milliards (EUR 250 millions). Il est prévu que d'ici la fin 2011, l'ensemble de la population de ces provinces aura accès au téléphone mobile, pourra appeler les secours en cas d'urgence, être en contact avec ses proches et, plus généralement, sortir de son isolement.

Selon l'ANRT, au 30 septembre 2010, le parc des abonnés à la téléphonie mobile a dépassé les 31 millions d'abonnés (soit une croissance de plus de 26% par rapport à 2009). L'accès à Internet continue sa progression et enregistre une augmentation de 57,13 % en 2010. Pour couvrir les provinces du sud, Maroc Telecom a lancé le segment Agadir-Dakhla du câble à fibre optique, opérationnel dès le début de l'année 2011. Cette liaison permettra d'améliorer la desserte du sud en service 3G et en Internet à haut débit. Le réseau de câbles en fibre optique de Maroc Telecom compte plus de 20 000 kilomètres et supporte des débits très élevés pour des services de qualité sur l'ensemble du territoire national.

En automne 2010, le Maroc a lancé la 2^{ème} phase du programme INJAZ pour l'aide à l'équipement des étudiants marocains. Les élèves ingénieurs et assimilés ainsi que les doctorants en sciences et techniques seront équipés en ordinateurs portables et en accès Internet en leur accordant une subvention à concurrence de 85 %, plafonnée à DH 3600 (EUR 320). Dans le cadre de la 1^{ère} phase, quelque 15 000 étudiants ont bénéficié du programme.

Dans le **secteur audiovisuel**, il n'y a pas de développement à signaler pour 2010.

La participation du Maroc aux programmes cadres de **recherche** reste significative. Dans le contexte du 7^e programme-cadre (FP7), 529 participants marocains ont soumis des propositions, ce qui fait du Maroc le second participant des pays partenaires méditerranéens après l'Égypte. Quatre-vingt-dix-sept participants ont été retenus. Les projets portent essentiellement sur l'environnement et l'agriculture. Un projet de jumelage d'appui au Système national de la recherche (SNR) débutera durant le premier semestre 2011. Le comité de suivi de l'accord de coopération S&T, regroupant des représentants de la direction générale de la recherche de la Commission et des représentants du département en charge de la recherche scientifique marocain, s'est déjà réuni cinq fois. Les conclusions ont notamment porté sur les possibilités d'amélioration de la participation du Maroc au 7^e programme-cadre.

7. CONTACTS ENTRE LES PEUPLES, ÉDUCATION ET SANTÉ

En matière **d'éducation**, le gouvernement a poursuivi la mise en œuvre du plan d'urgence pour la période 2009-2012 vise à stimuler l'excellence et l'initiative au lycée et à l'université, et à rendre la scolarité obligatoire jusqu'à l'âge de 15 ans. Le plan bénéficie, entre autres, d'un

appui de EUR 93 millions de l'UE pour les composantes relatives à la réduction des taux d'abandons scolaire, au renforcement de l'efficacité professionnelle et à la stimulation de la gouvernance du secteur. Des progrès ont été accomplis au niveau du taux net de scolarisation (93,9 % en 2009-2010), de la scolarisation des filles et de la lutte contre l'abandon scolaire (programme Tayssir). Le Maroc a également progressé en ce qui concerne l'accès à l'enseignement secondaire, même s'il demeure bas, surtout en milieu rural et pour les filles. Malgré ces avancées, un grand nombre d'enfants en obligation scolaire sont toujours non scolarisés et plus de 300.000 enfants ont décroché pendant l'année académique 2009-10. Le premier rapport du Conseil supérieur de l'enseignement a souligné le poids de l'abandon scolaire et du redoublement. D'importants défis demeurent afin de réduire le taux élevé d'analphabétisme (estimé à 32 % en 2010) et d'assurer la certification des acquis des bénéficiaires des programmes ainsi que les compétences des formateurs. C'est dans cette optique que l'UE a renforcé en 2010 son soutien financier à la stratégie marocaine d'alphabétisation. Un projet de loi prévoyant une agence nationale de l'alphabétisation a, par ailleurs, été proposé au Conseil du gouvernement en mars.

En ce qui concerne la **qualité de l'enseignement**, le Centre national de l'évaluation et des examens poursuit la mise en œuvre du programme national d'évaluation des acquis (PNEA), notamment concernant les préparatifs en vue de la participation aux études internationales d'évaluation des compétences des élèves en mathématiques et sciences (TIMSS) et en lecture (PIRLS). Au niveau de **l'enseignement supérieur**, la réforme du cycle de doctorat et la mise en place des premiers centres d'études doctorales continuent dans le cadre de l'alignement du système marocain sur le processus de Bologne. L'adoption du système ECTS, ciblant une meilleure reconnaissance des acquis académiques, ainsi que la mise en œuvre du supplément au diplôme, sont en cours. Le renforcement de la diversification de l'offre de formation universitaire, son adaptation aux besoins du marché du travail ainsi que le développement d'un système national d'évaluation institutionnelle restent des priorités. Le Maroc a participé en mars au deuxième forum politique du processus de Bologne, qui s'est tenu à Vienne.

Dans le domaine de la **formation professionnelle**, le ministère de l'emploi et de la formation professionnelle poursuit la mise en œuvre de ses plans d'action, en particulier le Plan d'Urgence et le Pacte National pour l'Emergence Industrielle et l'investissement lancé en 2009. Le gouvernement cible en particulier la réingénierie de l'offre selon l'approche des compétences et le développement de l'apprentissage et l'adéquation aux besoins des entreprises des ressources humaines. L'Instance Nationale d'Evaluation a lancé la première évaluation globale du dispositif en octobre et la Fondation Européenne pour la Formation (ETF) a accompagné la mise en place du cadre national de certification des qualifications (CNC) à travers le développement d'un plan global pour la période 2011-13. Le Maroc a participé activement à l'analyse et à l'auto-évaluation du progrès et des contraintes de la formation professionnelle dans le cadre du Processus de Torino pilotées par l'ETF, dont les résultats ont été officiellement restitués au pays lors d'un séminaire national début 2011.

Huit projets marocains ont été sélectionnés dans le cadre du troisième appel d'offre de **Tempus IV** relatif à l'année académique 2010-2011. En 2010, 4 étudiants et 7 universitaires marocains ont été sélectionnés pour une bourse de mobilité dans le cadre de l'action 1 du programme **Erasmus Mundus**. En outre, 86 étudiants et enseignants devraient bénéficier de bourses de mobilité académique dans le cadre de l'action 2. Un nouveau module Jean Monnet portant sur les relations entre l'UE et la Méditerranée a été sélectionné en 2010 au sein de l'Université Hassan II Mohammedia-Casablanca. Dans le domaine **culturel**, la participation des organisations culturelles marocaines à l'appel d'offres de l'action spéciale 2010 pour les PEV dans le cadre du programme Culture n'a pas été possible. Toutefois, le Maroc a entamé

en octobre les procédures internes menant à la ratification de la convention de l'UNESCO sur la protection et la promotion de la diversité des expressions culturelles. Le ministère de la culture a identifié l'assistance juridique et la conservation et la gestion des sites historiques comme ses priorités de coopération future. Le Maroc continue à participer au programme régional Euro-Med Héritage IV.

Dans le domaine de la jeunesse, les organisations de jeunesse marocaines ont pu bénéficier des opportunités de participation aux projets d'échange, de volontariat et de coopération dans l'éducation non formelle dans le cadre du programme Jeunesse en action. Ce programme vise à développer et à renforcer la mobilité des jeunes et le dialogue interculturel. Le Maroc a confirmé sa participation au nouveau programme régional Euro-Med Jeunesse IV en décembre. Le ministère de la jeunesse et du sport a lancé une stratégie nationale en décembre 2010, qui vise à mettre en place un programme d'employabilité des jeunes et à renforcer les capacités des associations des jeunes.

Le Maroc a continué, avec un accompagnement important de l'UE, qui a lancé fin 2009 un programme d'appui de EUR 86 millions la réforme du secteur de la **santé**. Malgré certaines avancées, les indicateurs sur la santé demeurent défavorables (mortalité infantile et maternelle notamment). Le budget du secteur de la santé a certes été augmenté en 2010, mais les moyens restent insuffisants. Le Maroc a poursuivi la généralisation progressive de la couverture médicale à l'ensemble de la population. La phase pilote du programme de couverture médicale pour les plus démunis (RAMED, pour lequel l'UE fournit depuis 2007 un appui spécifique de EUR 40 millions) a enfin été lancée. En décembre 2010, les ministères de la santé, de l'intérieur et de l'économie et des finances ont décidé d'étendre progressivement le RAMED à l'ensemble des régions du pays en 2011. En janvier 2010, la Commission européenne a proposé au Maroc, avec pour toile de fond l'épidémie de la grippe A (H1N1) de 2009, d'établir des vecteurs de communication en vue de l'échange d'informations épidémiologiques en cas d'urgence de santé publique de portée internationale. Le Maroc a poursuivi sa participation au réseau «Episouth» concernant les maladies transmissibles et couvrant les pays méditerranéens et les Balkans. Il a participé, en octobre 2010, au forum de la société civile de la Commission européenne dans le domaine du VIH/SIDA.

8. COOPÉRATION FINANCIÈRE – DONNÉES ET CHIFFRES CLÉS EN 2010

Cadre de coopération

L'examen à mi-parcours du cadre de programmation a confirmé que le document de stratégie du Pays adopté en 2007 reste un cadre pertinent pour la coopération avec le Maroc. Le nouveau programme indicatif national (PIN) 2011-13 pour le Maroc a été adopté en mai 2010, le budget étant fixé à EUR 580,5 millions, ce qui représente une augmentation du budget alloué au Maroc par rapport au PIN antérieur de près de 20% sur une base annuelle. Cette augmentation substantielle est étroitement liée à l'obtention du Statut avancé et constitue un effort financier important de la part de l'Union européenne, en ligne avec l'engagement du Maroc en matière de réforme. Le programme vise essentiellement à soutenir la réalisation des principaux objectifs stratégiques contenus dans le plan d'action UE-Maroc et cible cinq priorités: (1) le secteur social (afin de contribuer à la résorption de l'habitat insalubre, au renforcement de la couverture médicale, et au développement socio-économique du Nord); (2) la modernisation de l'économie (par un soutien au Plan Maroc Vert); (3) le renforcement institutionnel (appui important à la mise en œuvre des engagements pris par l'UE et le Maroc dans le cadre du Statut avancé et soutien à la réforme de l'administration publique); (4) les

droits de l'homme et la gouvernance (appui programmé à la future réforme de la justice ainsi qu'à la mise en œuvre de l'Agenda de l'égalité femmes-hommes); et, enfin, (5) l'environnement (appui, d'une part, à l'intégration de normes environnementales dans l'économie marocaine et, d'autre part, à la politique forestière).

Mise en œuvre

La mise en œuvre des projets lancés dans le cadre des programmes d'action (PAA) annuels 2007, 2008 et 2009 progresse de manière satisfaisante. Dans les secteurs sociaux, les principaux résultats engrangés par ces programmes en 2010 touchent entre autres au renforcement du soutien à la stratégie nationale d'alphabétisation, à l'amélioration des conditions de scolarisation et des taux de scolarisation en lien avec le soutien au plan d'urgence, à la réduction de la mortalité en couches et des enfants en bas âge et à l'extension des accouchements en milieu hospitalier. Sur le plan économique, le soutien à la mise en œuvre du plan d'urgence industriel et à la réforme du secteur de l'énergie a déjà permis une restructuration institutionnelle substantielle, visant à accroître l'efficacité des différents acteurs. La réforme de l'administration publique progresse quant à elle régulièrement et devrait aboutir, en 2011, à l'adoption d'une nouvelle loi organique des finances. En 2010, la Commission européenne a continué de soutenir le Maroc dans la mise en œuvre de ses réformes et a engagé un montant total de EUR 158,9 millions, au titre de l'Instrument européen de voisinage et de partenariat (IEVP), la totalité sous forme d'appuis budgétaires sectoriels. Le nouveau PAA 2010 se concentre sur les aspects socio-économiques. EUR 70 millions ont ainsi été alloués au programme d'appui au Plan Maroc Vert, EUR 55 millions au programme de désenclavement des populations isolées, tandis que les programmes d'appui au plan d'urgence pour l'éducation et à la stratégie nationale d'alphabétisation ont été dotés de EUR 20 millions, et de EUR 10 millions supplémentaires respectivement. Par ailleurs, 7 projets de jumelage sont en cours et 1 autre a été lancé au cours de l'année 2010.

Le Maroc bénéficie également d'activités de coopération financées au titre des programmes interrégionaux et régionaux de l'IEVP. Bien qu'éligible au volet « Coopération transfrontalière » de l'IEVP, le Maroc ne participe pas à ces programmes.

Dans le cadre de la facilité d'investissement pour le voisinage (FIV), un projet de soutien au plan national d'assainissement a été approuvé en 2010 pour un montant de EUR 10 millions, avec un important levier en termes de mobilisation de prêts des institutions financières européennes. La Banque européenne d'investissement a effectué des opérations de prêts en 2010 dans le secteur des transports. EUR 220 millions ont ainsi été alloués pour les autoroutes du Maroc et EUR 200 millions pour la réalisation d'infrastructures dans le port Tanger-Med.

D'autres instruments de l'UE complètent le paquet d'assistance de l'IEVP. Le Maroc bénéficie des actions de coopération dans le cadre des instruments horizontaux, tels que l'Instrument européen pour la démocratie et les droits de l'homme (IEDDH), ainsi que des programmes thématiques au titre de l'Instrument de financement de la coopération au développement (ICD), notamment Acteurs non étatiques et autorités locales en développement (ANE-AL). Par ailleurs, dans le domaine de la sécurité nucléaire, l'Instrument de stabilité finance un programme de contrôle des exportations.

Coordination des donateurs

En 2010, la délégation de l'UE a joué un rôle important dans la coordination des programmes multi-bailleurs de fonds lancés en 2009 au Maroc dans les domaines de la santé et de

l'éducation. Par ailleurs, cette année a vu le lancement de la première délégation de gestion d'une contribution d'un État membre de l'UE (la Belgique) à la Commission européenne, dans le cadre de l'appui à la mise en œuvre de l'initiative nationale de développement humain.



COMMISSION
EUROPÉENNE

LA HAUTE REPRÉSENTANTE DE
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DOCUMENT DE TRAVAIL CONJOINT DES SERVICES

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1. ÉVALUATION D'ENSEMBLE

La Tunisie et la Communauté européenne ont établi des relations contractuelles en 1976 en signant un accord de coopération. L'accord d'association avec la Tunisie, entré en vigueur en 1998, identifie plus en détail les secteurs spécifiques dans lesquels les relations sont développées bilatéralement. Sur cette base, le plan d'action conformément à la politique européenne de voisinage (PEV) entre l'UE et la Tunisie a été adopté en juillet 2005, pour une période de cinq ans. Le plan d'action est arrivé à échéance en juillet 2010 mais les parties ont décidé, d'un commun accord, d'en prolonger la durée le temps qu'un nouveau plan d'action soit finalisé.

Ce rapport présente une vue d'ensemble des progrès faits dans la mise en œuvre du plan d'action PEV entre le 1^{er} janvier et le 31 décembre 2010. Néanmoins, des développements en dehors de cette période ont également été pris en compte lorsqu'ils ont été considérés comme importants. Cela concerne en particulier les événements de janvier 2011 ayant conduit au départ de Tunisie de l'ancien président de la République, ainsi que la mise en place d'un nouveau gouvernement de transition. Le présent document n'est pas un rapport général et exhaustif sur la situation politique et économique en Tunisie. En outre, pour des informations sur les processus sectoriels régionaux et multilatéraux, il conviendra de se référer au rapport sectoriel.

L'année 2010 a été marquée par une forte contestation sociale dans le sud et le centre du pays qui a pris une ampleur croissante et a débouché en janvier 2011 sur un mouvement révolutionnaire réclamant un profond changement politique et social. Ce mouvement a conduit au départ de Tunisie du président de la République et la formation d'un gouvernement de transition. Ce gouvernement a immédiatement pris d'importantes mesures de libéralisation de la vie politique et d'amélioration des conditions d'exercice des libertés d'association, d'expression et de la presse. De nombreux opposants politiques ont été libérés de prison ou autorisés à rentrer en Tunisie.

L'UE s'est immédiatement félicitée de cette révolution démocratique à laquelle elle a commencé à apporter son soutien. Les immenses aspirations de la population tunisienne et les mesures de libéralisation politique déjà prises devront se concrétiser par la tenue d'élections présidentielles et législatives démocratiques et transparentes.

En matière de démocratie et de droits de l'homme, le gouvernement du Président Ben Ali a pris en 2010 des mesures allant à l'encontre des objectifs fixés par le Plan d'action et notamment du respect des libertés d'association et d'expression, par exemple avec la modification de l'article 61 bis du Code pénal. Les mesures déjà annoncées par le gouvernement de transition permettent d'envisager que les objectifs du plan d'action soient désormais pleinement atteints et que des objectifs ambitieux soient inscrits dans le nouveau plan d'action permettant d'obtenir un statut avancé. D'importantes réformes devront être mises en œuvre afin de modifier le cadre législatif et réglementaire et les pratiques de l'ancien

régime, pour asseoir durablement l'État de droit, élément essentiel d'un véritable rapprochement avec l'UE.

En 2010, la reprise économique s'est confirmée, grâce notamment au dynamisme des exportations. En accord avec les engagements pris dans le cadre du plan d'action de la PEV, le gouvernement a déployé des efforts pour maintenir une position prudente en matière de politique budgétaire. Toutefois, en raison de la succession des mesures fiscales anticrise, l'assainissement budgétaire et la réduction de la dette publique n'ont pas été poursuivis. Les progrès visant à améliorer les performances et la compétitivité de l'économie tunisienne - un autre objectif du plan d'action - ont été limités. Les événements politiques de la fin de l'année 2010 ont conduit à un ralentissement de l'activité économique et ont mis en lumière les problèmes auxquels est confrontée la Tunisie, en particulier le manque d'un développement économique durable et inclusif. Les disparités sociales demeurent préoccupantes, notamment dans des régions moins développées. La création d'emplois de qualité est restée faible, notamment pour les jeunes diplômés. La relance d'un véritable dialogue sociale réformé est jugé essentielle pour une reprise économique durable.

En matière commerciale, les négociations sur la poursuite de la libéralisation progressive du commerce des produits agricoles, des produits agricoles transformés et des produits de la pêche ont enregistré des progrès notables. L'accélération de ces négociations en 2011, sur la base de possibles nouvelles concessions mutuelles, surtout dans le domaine agricole, devrait permettre leur finalisation rapide, créant ainsi de nouvelles opportunités de développement agricole pour les deux parties. En revanche, celles concernant la libéralisation du commerce des services et du droit d'établissement n'ont pas enregistré de progrès significatifs.

Durant la période de référence, des réunions UE-Tunisie ont eu lieu au niveau du conseil d'association et de sept sous-comités ou groupes de travail. En 2010, la Tunisie et l'Union européenne ont entamé des discussions sur le nouveau plan d'action devant traduire le renforcement des relations bilatérales qu'avait demandé la Tunisie en 2008, et pour lequel l'UE a demandé qu'un rapprochement avec l'UE s'accompagne d'engagements plus forts de la part de la Tunisie, notamment dans les domaines politiques et de la gouvernance. Ces négociations pourront être conclues avec le gouvernement tunisien qui sera élu à l'issue d'élections qui devront être démocratiques et transparentes, et qui devraient se tenir avant la fin de l'année 2011. Ce renforcement des relations dans le cadre d'un statut avancé implique des engagements plus contraignants des parties dans tous les domaines, qu'il s'agisse de l'État de droit et de la gouvernance, de l'économie et du commerce ou des questions sociales.

La révolution démocratique de janvier 2011, dont les orientations devront être confirmées à l'occasion et au-delà des prochaines élections, permettra d'envisager un renforcement substantiel des relations bilatérales avec l'UE et de faire de la Tunisie un partenaire privilégié de l'UE dans la région, en pleine compatibilité avec les valeurs au cœur du statut avancé et les principes du Partenariat pour la démocratie et la prospérité partagée.

2. DIALOGUE POLITIQUE ET REFORMES

Démocratie et État de droit

Au cours de l'année 2010, la Tunisie a poursuivi une politique restreignant très sévèrement l'exercice des libertés fondamentales. Les garanties liées à la liberté d'expression, d'association et de participation à la vie politique sont restées lettre morte. Un décalage

important persistait entre la législation nationale et les engagements internationaux, d'une part, et leur application concrète et quotidienne, d'autre part. L'autorisation de la tenue d'une conférence de presse de Human Rights Watch (HRW) en octobre sur la liberté d'association et l'annonce de l'ancien président tunisien de mettre en place une commission nationale en vue de trouver une solution définitive au conflit concernant la ligue tunisienne pour les droits de l'homme, avaient été des décisions positives mais trop modestes.

En décembre 2010, des manifestations ont démarré dans la région du centre ouest du pays, après l'immolation de Monsieur Mohamed Bouazizi, jeune diplômé de la ville de Sidi Bouzid à qui la police avait confisqué son étal de fruits et de légumes, unique source de revenus pour sa famille. Les manifestations ont progressivement gagné l'ensemble du pays à la faveur d'une vague de contestation grandissante contre les mauvaises conditions économiques et sociales dans le centre et le sud du pays, ont progressivement gagné l'ensemble du pays et ont pris une tournure de plus en plus politique à l'encontre du régime du président Ben Ali. Outre la colère provoquée par le comportement brutal de la police et l'usage disproportionné de la force (qui a entraîné en tout 219 décès selon un bilan provisoire établi par les Nations unies), les manifestants s'en sont pris à la corruption et au népotisme de l'entourage de l'ancien président, qui avait acquis de manière irrégulière des intérêts financiers dans une grande partie de l'économie tunisienne. Le refus de l'armée de tirer sur les manifestants a accéléré le départ du président Ben Ali.

Après le départ de ce dernier, la mise en œuvre des dispositions de la Constitution a permis l'amorce d'une transition constitutionnelle. Des partis d'opposition ont été accueillis au sein du gouvernement ; le Rassemblement constitutionnel démocratique, parti de l'ancien président et dominateur au sein des Assemblées et de la vie politique, a fait l'objet de violentes critiques de la part de la population, qui ont conduit à la dissolution de son bureau politique. En janvier 2011, de nouveaux partis politiques ont été autorisés. De même, plusieurs opposants politiques au régime de l'ancien président Ben Ali ont été autorisés à rentrer en Tunisie et se sont déclarés candidats aux prochaines élections.

La situation du **système judiciaire et pénal** est totalement insatisfaisante. Au cours de l'année 2010, plusieurs décisions de justice ont confirmé le manque d'indépendance de la justice. En outre, plusieurs organisations de défense des droits de l'homme ont dénoncé le manque de respect des procédures judiciaires et du droit à la défense et des droits des détenus. Ainsi, des **prisonniers politiques**, principalement ceux qui sont accusés d'activités islamistes, continuaient à être victimes de multiples condamnations pour les mêmes faits et à subir des abus concernant les droits de la défense. Le nouveau gouvernement nommé en janvier 2011 a annoncé la préparation d'une loi d'amnistie. Dans le cadre de sa coopération technique, l'UE a soutenu l'amélioration de la formation des avocats et du fonctionnement du tribunal administratif. Disposant d'un budget important consacré à la justice au titre du programme de coopération 2011-2013, l'UE est disposée à soutenir une réforme en profondeur du système judiciaire, visant à en assurer l'indépendance vis-à-vis du pouvoir exécutif, y compris en avançant à 2012 le soutien prévu pour les réformes dans le secteur de la justice.

Au début de 2011, une nouvelle loi a été promulguée qui vise à fournir une aide juridictionnelle devant le tribunal administratif, renforçant les possibilités de recours contre les décisions administratives en faveur des catégories les plus défavorisées. Une autre loi a introduit la possibilité d'un recours auprès du tribunal administratif pour excès de pouvoir des décrets à nature réglementaire.

La **corruption** demeure un problème. Une commission d'enquête a été mise en place en janvier 2011 afin de faire la lumière sur les soupçons de corruption entourant de nombreuses personnes étroitement liées à l'ancien président. Les autorités tunisiennes ont également demandé à l'UE d'appuyer leurs efforts en vue de geler les avoirs de plusieurs personnes, dont l'ancien président Ben Ali, qui sont soupçonnés d'avoir procédé au blanchiment des capitaux acquis en abusant de leurs fonctions ou de leur position. En réponse à cette demande, le conseil des ministres de l'UE a pris des mesures restrictives à l'encontre de plusieurs personnes, qui sont entrées en vigueur fin janvier 2011.

Respect des droits de l'homme et des libertés fondamentales

Dans le domaine des **droits de l'homme** pendant la présidence de M. Ben Ali, il existait un décalage persistant entre les positions officielles de soutien aux libertés fondamentales et au respect des droits de l'homme et l'application concrète des lois. En 2010, un amendement à l'article 61 bis du code pénal a créé des obstacles supplémentaires à l'action des défenseurs des droits de l'homme, en faisant peser sur eux de lourdes sanctions en cas de contacts avec l'étranger. La nature du précédent régime a été mise en exergue à l'occasion des répressions des manifestations populaires qui ont eu lieu tout d'abord dans la région de Ben Guerdane en octobre 2010, puis dans tout le pays à partir du 17 décembre 2010. L'utilisation disproportionnée de la force, et notamment les tirs à balles réelles par les forces de sécurité, ont causé plusieurs dizaines de morts parmi la population civile.

Après le départ de l'ancien Président et la mise en place du gouvernement de transition, plusieurs mesures de libéralisation ont été prises qui ont permis de réduire ce décalage. Le nouveau gouvernement a notamment pris des mesures qui ont conduit à des progrès immédiats en matière de liberté d'expression et d'association. La liberté de parole retrouvée a permis que s'engagent, dans tous les médias, de très riches débats concernant l'avenir de la Tunisie et la réparation des erreurs du passé. En outre, le gouvernement a mis en place une commission nationale d'enquête sur les événements qui ont eu lieu entre le 17 décembre 2010 et le 14 janvier 2011, et a procédé à l'indemnisation des victimes des répressions policières.

La visite du rapporteur spécial de l'ONU sur la promotion et la protection des droits de l'homme dans la lutte antiterroriste a eu lieu en janvier 2010. Malgré l'annonce en 2008 d'une décision d'accueillir trois autres rapporteurs spéciaux du Conseil des droits de l'homme (torture, justice, défenseurs des droits de l'homme) ainsi que des représentants de la Commission africaine des droits de l'homme, ceux-ci n'ont pas reçu d'invitation à se rendre dans le pays. La Tunisie n'a toujours pas adressé d'invitation permanente aux procédures spéciales.

La Tunisie a soumis, en juillet 2010, un rapport aux organes conventionnels des Nations unies au titre de la convention internationale relative aux droits des personnes handicapées.

La Tunisie n'a pas encore adhéré aux protocoles facultatifs du pacte international des droits civils et politiques. La Tunisie n'a pas encore ratifié le protocole additionnel à la convention contre la torture et autre peines ou traitements cruels, inhumains ou dégradants. La Tunisie maintient ses réserves en ce qui concerne la primauté du droit international sur le droit interne et sur la possibilité de saisine automatique des cours internationales, en considérant que sa constitution prime sur les traités et conventions internationaux. Toutefois, le gouvernement de transition a annoncé en janvier 2011 son intention de lever certaines réserves à des conventions internationales et d'adhérer à certains protocoles additionnels.

La **peine de mort** est toujours inscrite dans la législation, mais elle n'est plus appliquée depuis 1991.

En ce qui concerne les **conditions de vie carcérale et les droits des détenus**, la Tunisie a adopté des mesures visant à faciliter la réinsertion des anciens détenus et à appliquer des peines alternatives à la prison, mais ces conditions restent insatisfaisantes. Plusieurs organisations de défense des droits de l'homme ont dénoncé le manque de respect des procédures judiciaires, du droit à la défense et des droits des détenus par les autorités du gouvernement de l'ancien président. Le Comité international de la Croix-Rouge (CICR) a continué son programme de visites aux prisons tunisiennes. En 2010, le CICR a effectué 48 visites dans 31 lieux de détention abritant quelque 27 000 détenus. Des visites ont également eu lieu en janvier 2011, après la prise de fonction du gouvernement de transition. Malgré l'annonce de la promesse de permettre à Human Rights Watch d'avoir accès aux prisons, le gouvernement de l'ancien président Ben Ali n'a pas donné son accord pour finaliser le mémorandum d'entente avec HRW. La visite, en janvier 2010, du rapporteur spécial des Nations unies pour la promotion des droits de l'homme dans la lutte antiterroriste a permis d'éclaircir un peu la situation des détenus, notamment ceux condamnés à des peines de prison sur la base de la loi antiterroriste. Malgré ses nombreuses requêtes, les autorités tunisiennes lui ont cependant refusé l'accès aux locaux d'interrogatoire de la police judiciaire. En janvier 2011, après la mise en place du gouvernement de transition, le ministre de la justice a édicté une circulaire enjoignant aux autorités carcérales de respecter les lois et réglementations en vigueur et de prendre en compte la dimension humanitaire dans leurs rapports avec les détenus, notamment la préservation de leur dignité. De nombreuses prisons ont été endommagées lors des événements du mois de janvier, qui ont donné lieu à des mutineries dans certaines prisons. Plusieurs milliers de détenus se sont enfuis et 72 ont trouvé la mort.

Les nombreuses entraves à la liberté d'expression, d'association et de participation à la vie politique tout au long de l'année 2010 n'ont pas permis d'atteindre les objectifs du Plan d'action. La société civile tunisienne indépendante, plus particulièrement les défenseurs des droits de l'homme, ont continué à faire l'objet de restrictions et d'entraves. La Tunisie est restée marquée par un système politique verrouillé et des médias (y compris l'internet) fortement contrôlés. Cette censure et le manque de liberté d'opinion et d'expression ont été un des éléments qui ont contribué à la vague de contestation populaire de décembre 2010.

En ce qui concerne **la liberté d'expression et la liberté de la presse**, l'accès aux sources indépendantes d'information est resté très difficile pendant toute l'année 2010, mais a connu une libéralisation totale dès le départ de l'ancien président Ben Ali et la mise en place du gouvernement de transition. Les journaux étrangers ont été de nouveau autorisés, l'accès à l'internet a été libéralisé, des journalistes ont été libérés, et la presse écrite et audiovisuelle a retrouvé une liberté de parole et de critique inconnue depuis plusieurs années.

Il n'y a pas d'information disponible sur des progrès à noter dans le domaine de la **protection des données**

La **liberté d'association** a continué à subir des entraves systématiques au cours de l'année 2010, notamment à cause du décalage entre la lettre de la loi et sa mise en œuvre. Les pratiques constatées les années antérieures, telles que les entraves aux activités des associations, ont persisté. Toutefois, les nouvelles autorités ont annoncé leur volonté de réformer la législation afin d'assurer la liberté d'association.

En matière de droits de la **femme**, plusieurs progrès ont été enregistrés. Un amendement au code de la nationalité tunisienne prévoit, en particulier, l'octroi de la nationalité tunisienne à tout enfant né de père tunisien ou de mère tunisienne, en Tunisie ou à l'étranger; à tout enfant né de mère tunisienne et de père inconnu, sans nationalité ou de nationalité inconnue; et à tout enfant né en Tunisie de mère tunisienne et de père étranger, en supprimant l'obligation de la déclaration conjointe de la mère et du père avant l'âge de 19 ans. En novembre 2010, l'ancien président avait annoncé une réforme qui porterait sur le retrait de la première réserve à la convention internationale sur l'élimination de toutes les formes de discrimination à l'égard des femmes (CEDEF), de même que le retrait de la déclaration générale faite à propos de la même convention. La Tunisie n'a toujours pas levé ses réserves en ce qui concerne l'héritage, l'autorité parentale et la garde des enfants ainsi que le mariage avec un non-musulman. Toutefois, les nouvelles autorités ont annoncé leur intention de lever certaines réserves à la CEDEF.

La situation des **droits sociaux fondamentaux et des normes du travail** établis en vertu des conventions de l'Organisation internationale du travail (OIT) n'a pas évolué au cours de la période de référence. La mise en œuvre effective des conventions fondamentales de l'OIT doit encore être assurée. La part importante du secteur informel dans l'économie entrave l'application uniforme du code du travail.

Sujets régionaux et internationaux, coopération dans les domaines des relations étrangères et de la sécurité, prévention des conflits et gestion des crises

Le dialogue avec l'UE, y compris en matière de **PESC et PESD**, est encore modeste et se déroule essentiellement dans un cadre bilatéral. Une coopération beaucoup plus intense en matière de sécurité et de défense a lieu dans le cadre du dialogue 5+5 et la Tunisie y joue un rôle actif, notamment en abritant le centre euro-maghrébin de recherche et d'études stratégiques pour la Méditerranée occidentale. Les difficultés auxquelles fait face l'Union pour la Méditerranée n'ont pas empêché la Tunisie de continuer à prôner le renforcement de la coopération régionale.

La collaboration technique bilatérale s'est également poursuivie dans le cadre des accords en matière de sécurité et de défense conclus avec la France, l'Italie, le Portugal et la Belgique, notamment en matière de formation et d'entraînement. Des exercices militaires communs ont lieu régulièrement dans le cadre de l'initiative défense du dialogue 5+5.

La Tunisie continue à jouer un rôle actif dans le dialogue politique Afrique-UE, qui a lieu dans le cadre du partenariat commun Afrique-UE, notamment en tant que chef de file pour la mise en œuvre des partenariats pour les objectifs du millénaire pour le développement et pour la science, la société de l'information et l'espace.

En matière de coopération régionale, les pays de l'Union du Maghreb arabe (UMA) se sont mis d'accord pour créer une zone de libre-échange intermaghrébine. Toutefois, la coopération régionale au sein de l'UMA progresse peu et continue à se heurter à des obstacles politiques, malgré l'attitude positive de la Tunisie. La Tunisie participe activement aux initiatives du dialogue 5+5. Une réunion des ministres des affaires étrangères dans le cadre du dialogue 5+5 s'est tenue à Tunis en avril 2010. La Tunisie soutient les efforts visant à l'organisation d'un sommet du dialogue 5+5 ; elle souhaite également un renforcement des mécanismes de coordination.

La lutte contre le **terrorisme** fait l'objet d'une législation sévère et de moyens considérables. Cette lutte semble efficace sur le plan interne pour réduire les risques terroristes mais a été

utilisée pour mettre en œuvre des mesures policières et administratives restreignant les libertés fondamentales. En outre, la législation anti-terroriste a été souvent utilisée comme prétexte pour emprisonner des personnes qui avaient émis des critiques à l'égard du régime de l'ancien président.

Le terrorisme, notamment dans la région sahélo-saharienne, est une menace croissante pour les pays du Sahel et les ressortissants étrangers, en particulier européens, qui s'y rendent ou y résident. Les pays du Maghreb font face aux conséquences de la fragilisation de la sécurité dans les pays du Sahel. La Tunisie coopère dans ce domaine sur des bases bilatérales.

La Tunisie n'a pas encore ratifié le statut de Rome de la **Cour pénale internationale**. Toutefois, le gouvernement transitoire nommé en janvier 2011 a indiqué qu'il considérait la ratification du statut de Rome comme l'une de ses priorités.

3. REFORME ECONOMIQUE ET SOCIALE

Cadre macroéconomique et fonctionnement de l'économie du marché

En réponse aux perspectives de croissance modérées, la Tunisie a poursuivi la mise en œuvre de son plan de relance budgétaire mis en place en 2009 et principalement destiné à stimuler les investissements publics dans les domaines de l'infrastructure, de l'éducation, de l'énergie et de la santé, mais aussi d'autres secteurs économiques essentiels, tels que le tourisme. En outre, pour soutenir les entreprises exportatrices, l'État a pris à sa charge une partie de leurs contributions sociales et de leurs primes d'assurance à l'exportation. Le déficit budgétaire de l'État central s'est maintenu à 3 % du PIB en 2010 et a été financé par des sources domestiques, telles que les recettes des privatisations, et des sources externes, telles que les subventions de gouvernements étrangers. La dette publique brute s'est démarquée de sa tendance à la baisse entre 2006-2008 et s'est stabilisée au niveau de 2009, soit 43,1 % du PIB. Dans l'ensemble, malgré les mesures fiscales anticrise, la situation des finances publiques de la Tunisie reste stable dans une large mesure, étant donné que la dette extérieure à court terme est faible et que le gouvernement envisage de revenir à l'assainissement budgétaire à moyen terme, une fois la croissance du PIB stabilisée à un niveau approprié. La Tunisie a donc fait des efforts pour s'en tenir à une orientation budgétaire prudente en ligne avec les engagements pris dans le plan d'action de la PEV. Mais la situation macro-économique en 2011 après la révolution est devenue plus difficile et des efforts supplémentaires seront néanmoins nécessaires pour atteindre à moyen terme l'assainissement budgétaire, alors même que le gouvernement de transition fait déjà face à d'importantes pressions pour augmenter les dépenses budgétaires.

L'inflation s'est inscrite en légère augmentation, l'indice des prix à la consommation passant de 3,7 % en 2009 à 4,8 % en 2010, principalement à cause de la hausse des prix des denrées alimentaires.

Cependant, la conduite de la politique monétaire générale est restée stricte. La Banque centrale de Tunisie a maintenu son taux directeur à 4,5 %. Pour réduire la pression exercée par un excès de liquidités dans le système bancaire, les réserves obligatoires ont été augmentées à deux reprises en 2010, successivement en mars et mai. À moyen terme, les autorités restent déterminées à cibler l'inflation.

La balance commerciale extérieure du pays s'est détériorée légèrement en 2010 par rapport à l'année précédente, le déficit courant étant passé de 2,9 % à 4,5 % du PIB. La vive hausse des exportations au premier trimestre de l'année a été plus que compensée par une croissance encore plus forte des importations de biens d'équipement et de produits intermédiaires. Les recettes provenant du tourisme et les rapatriements de fonds sont restés relativement stables. L'augmentation des investissements directs étrangers (IED) a contribué au financement du déficit des comptes courants, mais cette augmentation est restée limitée, l'IED ne représentant que 3,3 % du PIB, comme en 2009. Les réserves brutes ont diminué de 0,5 milliard, pour s'élever à 9,5 milliards de dollars USD à la fin de 2010 (ce qui correspond à six mois d'importations de biens et de services prévus pour l'année 2011). Les autorités monétaires ont poursuivi leur politique de réduction d'intervention sur le marché des changes, commencée en 2009. Le dinar tunisien est indexé sur un panier de devises, dans lequel l'euro est affecté de la pondération la plus importante. Les autorités monétaires se sont engagées à laisser plus de latitude aux forces du marché pour définir le taux de change. La devise devrait devenir pleinement convertible et les mouvements de capitaux devraient être entièrement libérés d'ici à 2014. Les réserves de devises devront être augmentées afin de préparer la Tunisie à la libéralisation des capitaux.

La situation politique en Tunisie et dans la région a entraîné une détérioration conjoncturelle de la situation économique depuis le début de l'année 2011. La forte baisse du tourisme, la diminution du commerce extérieur et des investissements directs étrangers, les dégâts matériels occasionnée par les affrontements et les événements en Libye ont eu des conséquences économiques négatives. Sans remettre en cause la solidité d'ensemble et les fondamentaux de l'économie tunisienne, ces faits compliquent la situation économique à ce moment délicat de transition vers la démocratie et réduisent la marge de manœuvre budgétaire du gouvernement pour faire face aux demandes des catégories sociales et des régions négligées par les politiques de développement économique antérieures. L'UE a engagé des discussions avec le gouvernement tunisien sur un possible renforcement de son soutien au cours de 2011 et soutient également le projet du gouvernement tunisien d'organiser mi-2011 une conférence internationale visant à renforcer la confiance des investisseurs étrangers.

Emploi et politique sociale

Les programmes gouvernementaux ont contribué à limiter les effets négatifs de la crise économique mondiale, mais ils n'ont pas apporté de réponse à la création d'**emplois** de qualité et à absorber une main-d'œuvre abondante. Les réformes n'ont pas réussi à réduire les déséquilibres entre les compétences des diplômés et la demande de l'économie. Malgré des mesures de la politique active de l'emploi la Tunisie n'a pas réussi à réduire le taux de **chômage** élevé de 14 %, avec près d'un diplômé universitaire sur cinq sur le marché de l'emploi et un taux de chômage supérieur à 30 % parmi les jeunes de moins de 25 ans. Ces éléments ont contribué à amplifier les pressions socio-économiques fin 2010 - début 2011 et alimenté la vague de contestation sociale qui s'en est suivie. Est à remarquer l'importante coopération entre l'UE et les autorités tunisiennes dans ce domaine en 2010, avec la mise à point d'un important programme visant à l'amélioration de la qualité de l'éducation, à une meilleure articulation entre éducation et emploi et à la création de passerelles entre les deux secteurs. Les structures du **dialogue social** sont assez développées suite à la signature de 51 conventions collectives sectorielles couvrant 1,5 million de travailleurs du secteur privé.

La capacité des partenaires sociaux reste limitée (tripartite et bipartite), notamment en ce qui concerne le dialogue social au sein des entreprises. La liberté syndicale a été largement entravée jusqu'au changement politique de début 2011 qui a mené à un rôle renforcé de la

confédération syndicale prédominante, l'UGTT, dans la phase de transition. La croissance économique en Tunisie n'a pas réussi à assurer la cohésion sociale dans le pays, malgré des divers programmes d'**inclusion sociale**. Le taux officiel de pauvreté, établi par le Programme des Nations unies pour le Développement (PNUD), est de 2,55 % mais des analyses récentes l'estiment à 3,8 %, voire bien plus dans les zones défavorisées. Le Fonds de solidarité nationale continue à œuvrer pour améliorer les conditions de vie dans les zones très défavorisées disposant de peu d'infrastructures.

En matière de **protection sociale**, la réforme de l'assurance maladie a abouti à la mise en place d'un système de couverture quasi universel et à la création de la Caisse nationale de l'assurance maladie, qui est désormais chargée de la conduite et de la gestion du nouveau régime d'assurance maladie sous l'égide du ministère des affaires sociales. En 2010, le taux de couverture en matière de sécurité sociale était estimé à 95 %.

La Tunisie a continué à améliorer **la condition de la femme**, s'attaquant plus particulièrement à la question de la violence domestique. Elle a, dans le cadre de cette politique, formé des agents de la police et de la justice et a ouvert une ligne verte disponible en permanence. Des centres d'accueil pour les victimes ont été créés à Tunis et à Sousse. L'enquête nationale menée dans le cadre de la stratégie nationale de prévention contre les comportements violents en famille a été poursuivie en 2010.

4. QUESTIONS LIEES AU COMMERCE, MARCHÉ ET RÉFORME RÉGLEMENTAIRE

L'amélioration relative de la conjoncture économique internationale pendant la période de référence a eu un impact positif sur les échanges entre l'UE et la Tunisie et, en général, sur le **commerce** extérieur de la Tunisie. Les importations de l'UE en provenance de Tunisie ont augmenté de 20,4 % tandis que les exportations de l'UE vers le marché tunisien ont enregistré une augmentation de 22,7 %. Les négociations sur la libéralisation des échanges pour les produits agricoles, les produits agricoles transformés et de la pêche, conformément à la feuille de route euro-méditerranéenne pour l'agriculture, ont enregistré quelques progrès avec une volonté de part et d'autre de conclure ces négociations en 2011. Le Parlement n'a pas encore ratifié l'accord sur le système de règlement des différends en matière commerciale, signé en décembre 2009. Concernant le volet commercial de l'accord d'association, le dialogue pour la résolution des obstacles à l'importation de vins, bières et spiritueux est en cours.

La modernisation des services des **douanes** continue par l'adoption de mesures destinées à faciliter le commerce, telles que l'amélioration du fonctionnement du système informatique des douanes tunisiennes (SINDA), l'instauration d'une nouvelle procédure pour l'enlèvement des conteneurs au port de Radès ou la mise en ligne de la version en langue arabe du site web de la douane. La Tunisie a participé à l'opération « Sirocco » en juin 2010. Sirocco est une opération douanière conjointe, coordonnée par l'OLAF et menée par les administrations douanières de l'UE et de 11 pays partenaires de la rive sud de la Méditerranée¹.

Concernant **le mouvement de biens et les réglementations techniques**, les préparatifs pour les négociations de l'accord sur l'évaluation de la conformité et l'acceptation des produits

¹ L'opération Sirocco visait les conteneurs de haute mer en provenance de Chine et des Émirats Arabes Unis destinés aux pays de l'Union pour la Méditerranée. Environ 40 millions de cigarettes, 1243 kilos de tabac roulé à la main, 7038 litres d'alcool et 8 millions d'autres produits contrefaits ont été saisis au cours de l'opération.

industriels (ACAA) ont bien avancé. Les deux premiers secteurs prioritaires choisis pour ouvrir les négociations sont les industries électriques et les matériaux de construction. Le Conseil interministériel a adopté, en juillet 2010, un projet de loi sur la sécurité des produits industriels. Des projets de décrets relatifs aux secteurs des industries électriques et produits de la construction ont été élaborés. En octobre 2010, l'organisme tunisien pour l'accréditation, TUNAC, a ajouté à l'accord multilatéral (MLA) avec l'organisme européen d'accréditation (EA), signé en 2008, le volet sur la certification des systèmes de gestion de la qualité et de gestion de l'environnement, ce qui porte le nombre de MLAs à 4 sur les 7 requis par l'ACAA. En 2010 a commencé la mise en œuvre d'un programme européen visant entre autre à adapter l'infrastructure qualité tunisienne aux besoins du marché européen afin de pouvoir conclure des ACAA. Ce programme faisait suite à un jumelage spécifique déjà en cours.

En ce qui concerne les questions **sanitaires et phytosanitaires**, (SPS) la Tunisie a publié un décret en septembre 2010 concernant les registres de l'identification des animaux et la procédure de l'identification. Elle a également adopté un décret fixant les mécanismes de surveillance, de contrôle et de maîtrise des risques sanitaires liés aux infections à la salmonelle chez les volailles. Le projet de loi cadre concernant la sécurité sanitaire des aliments, reprenant les principes de la législation alimentaire de l'UE, n'a pas encore été adopté. En vue de la mise en œuvre du plan d'action, la Tunisie devrait continuer à renforcer le cadre législatif et faciliter une meilleure coordination entre les intervenants dans le domaine SPS.

En ce qui concerne **le droit d'établissement et le droit des sociétés**, on note une certaine amélioration **du climat des affaires**, notamment grâce aux mesures prises pour faciliter le paiement des impôts.

En matière de **services**, il n'y a pas eu de progrès dans les négociations pour la libéralisation du commerce des services et du droit d'établissement.

En matière de **services financiers**, les résultats du secteur financier restent solides en dépit de la crise financière internationale. Les banques ne dépendent pas du financement extérieur et ont tiré parti d'une croissance des dépôts.

La libéralisation totale des échanges (convertibilité du dinar) en matière de paiements et de **mouvements de capitaux** reste l'objectif de la Tunisie, mais il n'y a pas eu d'assouplissement du cadre réglementaire au niveau des opérations en capital, des paiements courants ou des comptes de résidents et non-résidents.

Dans le domaine de **traitement des ressortissants tunisiens au sein de l'Union**, l'UE a lancé les discussions techniques avec la Tunisie pour conclure un accord sur la mise en œuvre de la coordination de la sécurité sociale.

Autres domaines essentiels

En juin 2010 le Conseil des ministres a engagé un nouveau projet de **réforme fiscale**. Ce projet prévoit, entre autres, la réalisation du programme de fiscalité électronique, visant notamment à généraliser la télé déclaration, ainsi que la mise aux normes internationales des prestations fournies aux personnes assujetties. Pour ce qui est de la rationalisation des différentes niches fiscales actuellement en vigueur, aucun progrès n'a été enregistré.

En matière de **politique de la concurrence**, l'activité (avis, saisines, enquêtes) et les ressources humaines du Conseil de la concurrence se sont renforcées en 2010. Le Conseil a été saisi par le ministre du commerce pour effectuer une étude sur le cadre réglementaire et sur le comportement des opérateurs dans des secteurs de services clefs, comme la marine marchande, les agences de notation de crédit, les groupements interprofessionnels et les marchés de produits agricoles et de la pêche. À la suite de ces améliorations, l'accent devrait maintenant se porter sur la mesure de l'impact de l'activité du Conseil sur l'environnement concurrentiel (nombre de demandes d'enquêtes, nombre de cas résolus, durée moyenne de résolution des saisines et enquêtes, etc.). En matière d'aides d'État, il n'y a pas de progrès à signaler.

En ce qui concerne la **propriété intellectuelle et industrielle**, le Conseil national contre la contrefaçon a adopté en janvier 2010 un programme de lutte contre la contrefaçon qui s'intègre dans le cadre du plan national. Le programme prévoit (i) le renforcement du cadre réglementaire, (ii) la programmation et le suivi (visant à créer un programme de contrôle commun dans le domaine des marques, de la propriété intellectuelle et artistique et du commerce à distance), (iii) la protection des marques, et (iv) la communication et la sensibilisation. La Tunisie a organisé des actions de sensibilisation, de formation et d'information des opérateurs.

En 2010, La Tunisie a organisé une campagne d'information intitulée «Contrefaçon risque de toute façon». L'étude publiée en mai 2010 par une organisation indépendante démontre une légère diminution du taux de piratage des logiciels, qui passe de 73 à 72 %.

L'OCDE a organisé, dans le cadre du programme SIGMA financé par l'UE, deux ateliers en Tunisie, respectivement sur la passation des **marchés publics** et le développement durable et sur la dématérialisation de la passation des marchés. Les restrictions en matière d'éligibilité continuent à frapper les fournisseurs étrangers.

En matière de **statistiques**, la Tunisie a poursuivi la mise en œuvre de son programme national 2007-2011 visant à améliorer les statistiques en incluant l'amélioration des registres d'entreprises et des comptes nationaux, l'utilisation plus grande des données administratives, le développement des statistiques sociales et du travail. L'environnement, la politique régionale et le développement des entreprises sont parmi les secteurs prioritaires qui devraient être soutenus par des données statistiques. L'office statistique bénéficie en outre de l'aide de l'Union européenne au travers du programme MEDSTAT III récemment lancé.

La législation en matière de **comptabilité** converge vers les normes internationales plutôt que celles de l'UE. Cette évolution doit être soulignée compte tenu du processus d'intégration économique avec l'UE.

Concernant la **politique d'entreprise**, la Tunisie a continué à participer aux activités de coopération industrielle, notamment la mise en œuvre de la Charte euro-méditerranéenne pour l'entreprise. En 2010, la Tunisie a adhéré à Enterprise Europe Network.

S'agissant de la gestion des **finances publiques**, le gouvernement a approuvé en juin le schéma directeur de mise en œuvre de la réforme de la gestion budgétaire par objectifs (GBO), dont les principaux éléments sont la création d'instances décisionnelles centrales et la création des unités GBO dans huit ministères pilotes (agriculture, santé, enseignement supérieur et secrétariat à la formation professionnelle, transport, industrie, finance et

équipements et emploi). Cette réforme est étroitement accompagnée par le Programme d'appui à la Gestion budgétaire par objectif, initié en 2008.

En ce qui concerne le **contrôle financier interne**, le diagnostic des finances publiques appliquant la méthodologie «Dépenses publiques et responsabilité financière» (PEFA) a été achevé par la Tunisie conjointement avec l'UE et la Banque mondiale en juin 2010. Ce diagnostic confirme que le système de gestion des finances publiques tunisien fonctionne bien en général et, dans la plupart des cas, en conformité avec les normes internationales. Néanmoins il a aussi relevé des faiblesses et des insuffisances qui doivent être corrigées.

Dans le domaine de l'**audit externe**, la Cour des comptes a publié en juillet 2010 son rapport annuel présentant les travaux réalisés dans son programme annuel 2008-2009 ainsi que les actions entreprises jusqu'à la mi-2010, portant sur le contrôle de gestion, l'évaluation des programmes publics et les analyses financières sectorielles. Comme celui de 2009, le rapport n'a toutefois pas inclus la déclaration de conformité entre les comptes de gestion des comptes publics et le compte général de l'administration des finances, ce qui ne paraît pas conforme aux principes de l'Organisation internationale des institutions supérieures de contrôle des finances publiques (INTOSAI). De plus, il n'est pas public. Les rapports de la Cour des comptes gagneraient grandement à être plus largement diffusés et à être examinés notamment par la commission des finances des deux Chambres.

La Tunisie continue d'œuvrer pour la **protection des consommateurs**.

5. COOPERATION EN MATIERE DE JUSTICE, DE LIBERTE ET DE SECURITE

Pendant la période de référence, la Tunisie a poursuivi ses efforts en matière de **contrôle des frontières** et de lutte contre l'immigration irrégulière en se dotant des équipements et infrastructures nécessaires pour un contrôle efficace. La Tunisie avait fait l'objet d'une visite exploratoire de l'Agence FRONTEx en juin 2007 afin d'établir les paramètres d'une future coopération et d'une assistance technique ponctuelle. Une autre mission avait été proposée pour 2009, mais les autorités tunisiennes ont décliné l'invitation. Dans la période après la révolution, la question de la migration irrégulière vers l'Europe a pris une importance capitale, suite à la forte pression socio-économique et au relâchement du contrôle des frontières par les forces de sécurité. L'UE est disposée à renforcer la coopération avec la Tunisie sur ces questions.

Comme indiqué l'année passée, malgré la ratification des instruments internationaux contre la **criminalité organisée**, et notamment la convention de l'ONU de 2000 contre la criminalité transnationale organisée et ses trois protocoles additionnels, la législation nationale n'est toujours pas conforme à ces conventions.

Une loi sur la **traite des êtres humains** est en préparation, couvrant notamment les catégories de victimes potentielles, y compris les mineurs non accompagnés, ainsi que des dispositions permettant la protection et la prise en charge des victimes. Les ministères de l'intérieur et de la justice ont élaboré un projet de loi sur la cybercriminalité visant à faire adhérer la Tunisie à la convention du Conseil de l'Europe sur la cybercriminalité. La Tunisie est encouragée à ratifier la convention du Conseil de l'Europe sur la traite des êtres humains. L'accès aux informations officielles sur la criminalité organisée et les trafics illicites, y compris des êtres humains, reste limité. L'absence de données rend difficile une évaluation de la situation et reste un obstacle à l'approfondissement du dialogue dans ce secteur.

Malheureusement la Tunisie continue à ne pas mettre en place une loi et des capacités administratives dans le domaine de l'asile, ainsi qu'à ne pas agréer avec l'UNHCR un Accord de Siège. La Tunisie a été choisie pour le Programme de Protection Régionale en avril 2010 qui concerne également la Libye et l'Égypte qui doit être maintenant développé. En matière de **lutte contre la drogue et le trafic illicite des stupéfiants**, et plus particulièrement de répression, la Tunisie a poursuivi la mise en œuvre de ses obligations internationales. S'agissant du volet prévention et traitement, la Tunisie suit une approche thérapeutique classique comprenant l'installation de centres de traitement dans les prisons.

La Tunisie participe au Centre de coordination de la lutte anti-drogue en Méditerranée (CECLAD) et s'est montrée préoccupée par les routes du trafic, qui passent par le Sahel, et par leurs liens avec le terrorisme. En octobre 2010, la Tunisie a participé au séminaire régional sur le système de monitoring de l'UE sur les drogues organisé à Bruxelles par l'Observatoire européen des drogues et des toxicomanies (OEDT) et la Commission européenne. Sa participation au réseau méditerranéen MedNET de coopération sur les drogues et les addictions, coordonné par le Groupe Pompidou au sein du Conseil de l'Europe, s'est poursuivie.

Dans le cadre de la mise en œuvre de la loi sur le **blanchiment d'argent** et le terrorisme, le ministère des finances s'est doté de la capacité de geler les biens issus de la criminalité. Les règles d'application aux institutions financières, aux non-résidents et aux prestataires de services tels que les avocats et les notaires ont été élargies. La Tunisie a poursuivi les démarches dans le cadre de sa demande d'adhésion au Groupe Egmont.

Le niveau de **coopération judiciaire et policière** demeure insuffisant pour répondre aux objectifs du plan d'action. L'absence d'information publique et transparente rend l'échange d'informations et l'identification de programmes conjoints difficile. Dans le domaine de la coopération judiciaire civile, la Tunisie n'a signé aucune des conventions de la conférence de La Haye sur le droit international privé. La Tunisie a participé aux activités organisées dans le cadre des programmes régionaux Euro-Med Justice II et Euro-Med Police II. La coopération policière avec les services secrets de certains États membres proches s'est poursuivie dans le cadre du réseau MédiClub.

6. TRANSPORT, ENERGIE, ENVIRONNEMENT, SOCIETE DE L'INFORMATION, RECHERCHE ET DEVELOPPEMENT

Dans le domaine de la politique des **transports**, la Tunisie a mis l'accent sur la logistique, l'objectif étant de réduire les coûts de 20 % à 15 % du PIB, à l'instar des taux atteints dans les pays émergents. Elle entend s'adapter aux nouveaux modèles de transport axés sur l'intermodalité et table sur un doublement des flux logistiques, qui passeraient de 95 millions de tonnes en 2007 à 190 millions de tonnes en 2016.

Le principal projet en matière de transport ferroviaire – le réseau ferré régional de Tunis – à démarré à la fin de 2010. Il a pour but de décongestionner les zones urbaines, d'améliorer la sécurité routière et de réduire les émissions de gaz à effet de serre.

En novembre 2010, la Tunisie s'est déclarée prête à entamer des négociations avec l'UE en vue de la création d'un espace aérien commun. Dans le secteur maritime, des efforts structurels restent à faire, en poursuivant la politique de libéralisation et en renforçant le rôle des acteurs institutionnels en matière de sécurité, de sûreté et de contrôle de la pollution des

eaux. En juillet 2010, dix-huit partenaires tunisiens et français réunis à Marseille dans le cadre du projet européen MedaMos ont conclu un protocole d'accord pour « conforter leurs relations et renforcer la compétitivité et la fluidité de l'axe maritime méditerranéen ». Dans le cadre du projet d'autoroute de la mer, un protocole d'accord a été signé en juillet 2010 entre les deux ports Radès-Marseille.

Concernant **la politique de l'énergie**, la Tunisie a poursuivi le développement et l'exploitation des nouveaux champs d'hydrocarbures. Le raccordement des nouveaux consommateurs au réseau gazier se poursuit. La Tunisie a annoncé le projet de doublement de la capacité du gazoduc Tunisie-Italie.

En juin 2010, la Tunisie, le Maroc et l'Algérie ont adopté un plan d'action pour la période 2010-2015, visant à créer un marché maghrébin de l'électricité et permettant une intégration progressive au marché de l'UE. Pour faire face à la croissance de la consommation électrique, la Tunisie met en œuvre un programme d'investissements pour se doter de capacités supplémentaires d'ici à 2030. La Tunisie a continué à œuvrer à la réalisation d'une interconnexion électrique avec l'Italie. Des études ont été menées concernant la construction éventuelle d'une centrale nucléaire ainsi que l'élaboration d'un cadre législatif et réglementaire adapté à l'énergie nucléaire. Une étude est en cours en vue d'établir un régulateur de l'énergie. Plusieurs projets dans le domaine de l'énergie solaire ont été lancés dans le cadre d'un plan solaire national. La valorisation du biogaz est également étudiée. L'étiquetage des appareils domestiques et leur remplacement par des modèles plus efficaces continuent.

Dans le domaine du **changement climatique**, la deuxième communication nationale à la convention cadre des Nations unies sur le changement climatique, comprenant un inventaire des émissions de gaz à effet de serre, reste en phase finale de préparation. Une stratégie nationale sur le changement climatique, qui sera liée au XII^e plan économique et social, est en préparation. La Tunisie a finalisé une stratégie d'adaptation du secteur de la santé publique et prépare une stratégie d'adaptation au changement climatique du secteur du tourisme.

La Tunisie a également préparé des projets relevant du mécanisme de développement propre (MDP), mais aucun nouveau projet n'a été enregistré au sein des Nations unies, le nombre total de projets enregistrés restant à deux. La Tunisie est encouragée de mettre en œuvre l'Accord de Cancun et en particulier d'élaborer une stratégie de développement peu générateur de carbone et fournir des informations sur les objectifs ou les actions d'atténuation qu'elle compte engager.

Le nouveau code de **l'environnement** reste en préparation et le cadre législatif doit toujours être élaboré, en particulier en ce qui concerne les dispositions d'application. La Tunisie a adopté un décret fixant les valeurs limites des polluants de l'air provenant de sources fixes. Des projets de loi sont en cours de préparation dans les domaines de la pollution sonore et du diagnostic environnemental obligatoire pour les établissements les plus polluants. Le programme pour la gestion des eaux usées était en cours d'approbation à la fin de la période de référence. La mise en œuvre des stratégies et des plans existants, tels que le plan d'action 2009-2014 sur l'Écolabel tunisien ainsi que l'Alliance public-privé pour l'environnement, requiert toujours une attention continue ainsi que le suivi et l'application des réglementations. L'Union européenne soutient, à travers le Programme "Environnement Energie", des actions spécifiques, notamment en matière de dépollution et de maîtrise d'énergie, mises en œuvre par le gouvernement tunisien. Dans le Golfe de Gabès, la pollution marine et côtière demeure un

problème environnemental majeur. La Tunisie a annoncé le lancement d'un nouveau projet visant le transport et la mise en décharge contrôlée des phosphogypses.

Le renforcement de la capacité administrative de mise en œuvre aux niveaux régionaux et locaux reste un défi, y compris la coordination entre les autorités. Quelques activités ont été mises en œuvre afin d'intégrer les préoccupations environnementales dans d'autres politiques sectorielles, telles que l'énergie.

Un rapport sur l'état de l'environnement en 2009 ainsi que des rapports régionaux sont en cours de préparation. La Tunisie a mené quelques actions afin d'informer et d'impliquer le public. Il y a eu néanmoins en 2010 un besoin continu d'accorder une plus grande attention à la participation publique et à l'accès à l'information, y compris en ce qui concerne les évaluations de l'impact sur l'environnement.

Il n'y a pas eu de développements significatifs en ce qui concerne la ratification des protocoles de la convention de Barcelone sur la protection du milieu marin et du littoral de la Méditerranée. La mise en œuvre des accords déjà ratifiés requiert toujours une attention particulière. La Tunisie a continué à participer à l'initiative Horizon 2020 et l'initiative de l'UE sur l'eau. La Commission européenne et la Tunisie ont coopéré et échangé des informations, y compris sur la gouvernance environnementale, la dépollution et la gestion de l'information environnementale.

Dans le domaine de la **protection civile**, la Tunisie a pris part aux activités du programme Euro-Med pour la prévention, la préparation et la réponse aux désastres naturels et humains, qui est à mi-parcours.

En ce qui concerne **la société de l'information**, fin novembre 2010, le gouvernement a approuvé les projets de loi portant sur l'échange des données et instituant le cadre juridique de la mise en ligne des marchés publics et des archives nationales. Par ailleurs, la Tunisie a pris des mesures pour compléter l'infrastructure de base et l'intranet dans l'administration.

En mai 2010, l'entrée d'un troisième opérateur (Orange Tunisie) sur le marché tunisien a modifié une situation de duopole existant depuis sept ans (Tunisie Télécom, l'opérateur historique qui a le monopole sur le fixe, et Tunisiana, filiale du groupe égyptien Orascom et premier opérateur sur le marché des mobiles avec 5,2 millions d'abonnés). Par ailleurs, Tunisie Télécom a acquis, en juin 2010, le fournisseur d'accès à Internet Topnet, et tissé des partenariats avec des institutions publiques pour la mise à niveau de l'administration électronique. Tunisie Télécom a lancé, avec la Banque centrale, des services de paiement mobile et bénéficie, depuis l'automne, d'une licence 3G avec déploiement prochain de services.

Dans le domaine de la **recherche et de l'innovation**, la participation de la Tunisie au 7^e programme-cadre de recherche de la Commission européenne s'est accrue. Quatre-cent soixantesix participants tunisiens ont soumis des propositions et soixante-seize contrats ont été signés avec les institutions tunisiennes sélectionnées pour une contribution totale de l'Union de 8 millions d'euros, principalement dans les domaines de l'agriculture, de l'environnement, de la santé et des technologies de l'information et de la communication.

En juillet 2010, un amendement de la loi portant création de l'Agence nationale de promotion de la recherche et de l'innovation (ANPRI) a été promulgué suite au remaniement du 14

janvier 2010. La nouvelle configuration gouvernementale née de ce remaniement a, entre autres, conféré une dimension nouvelle à la «Technologie» (développement de l'innovation technologique dans l'entreprise industrielle) au sein du ministère de l'industrie, rebaptisé à cette occasion MIT (ministère de l'industrie et de la technologie). Le ministère de l'enseignement supérieur, de la recherche scientifique et de la technologie, désormais MESRS, se concentre à présent sur l'enseignement supérieur et la recherche scientifique. Pendant l'année 2010, un programme de coopération entre UE et Tunisie en matière de Recherche et Innovation a été mis à point, dans lequel cette Agence assumera un rôle de premier plan

7. CONTACTS ENTRE LES PEUPLES, EDUCATION ET SANTE

La Tunisie a poursuivi la modernisation de son système d'**éducation** et bénéficié d'un appui important de l'UE.

Dans le domaine de l'**enseignement supérieur**, la généralisation du système «Licence Master Doctorat» (LMD) préconisé par le processus de Bologne s'est confirmée dans la plupart des établissements délivrant le diplôme de licence et de master. Le système de transfert de crédits ECTS est en place aux derniers niveaux mais pas encore pour le doctorat. L'établissement d'une agence nationale d'évaluation de l'enseignement supérieur avant 2013 est en cours et l'utilisation du supplément au diplôme développé dans le cadre du processus de Bologne est généralisée.

Le ministère de l'emploi et de la formation professionnelle a participé activement à l'analyse des progrès et des contraintes de **la formation professionnelle** dans le cadre du processus de Turin, mené par la fondation européenne pour la formation (ETF). En dépit d'un accès difficile aux sources, l'exercice a permis de rassembler les principaux acteurs de la formation professionnelle, d'analyser et d'évaluer le système et de travailler à l'élaboration des politiques à venir. Le ministère a élaboré une stratégie sectorielle visant à appuyer les politiques de l'emploi et à améliorer la productivité et l'adéquation entre les compétences et les besoins du marché de l'emploi.

Depuis l'année académique 2010-2011, la Tunisie a participé activement au troisième appel d'offres dans le cadre de **Tempus IV**, bénéficiant de 7 projets. Six étudiants et deux universitaires ont obtenu des bourses d'études pour un master conjoint en 2010 dans le cadre du programme **Erasmus Mundus** qui attribue aussi des bourses de mobilité académique à 86 étudiants et enseignants dans le cadre de l'action 2. Une participation tunisienne au programme Jean Monnet serait souhaitable afin d'améliorer la compréhension du processus d'intégration européenne et de susciter un débat sur les questions liées à l'UE.

Des organisations de **jeunesse** tunisiennes ont participé aux projets d'échange, de volontariat et de coopération dans l'éducation non formelle qui se sont déroulés dans un des États membres de l'UE dans le cadre du programme «Jeunesse en action» qui vise à développer la mobilité des jeunes et le dialogue interculturel.

Dans le domaine de la **culture**, les activités des associations culturelles et les créations artistiques sont restées contrôlées par le pouvoir tout au long de 2010 mais ont connu une libéralisation avec le changement politique intervenu en janvier 2011. La Tunisie a poursuivi en 2010 sa participation active au programme régional Euro-Med Héritage IV. Trois associations culturelles tunisiennes ont participé aux projets sélectionnés dans le cadre de l'action spéciale du programme Culture pour les pays couverts par la PEV en 2010.

Comme déjà indiqué en 2009, dans le domaine de la coopération avec la **société civile**, plusieurs projets ont été lancés en Tunisie dans le cadre de l'instrument «Acteurs non étatiques». Tout au long de l'année 2010, il a été difficile de maintenir un contact régulier avec les personnes qui représentent la société civile indépendante, notamment du fait de la menace que faisait peser le nouvel article 61 bis du code pénal. En outre, les autorités refusaient l'enregistrement des associations indépendantes de la société civile. Le changement politique de janvier 2011 a entraîné une libéralisation radicale qui a permis la création et l'enregistrement de nombreuses organisations de la société civile qui ont retrouvé un rôle important dans l'espace public.

La Tunisie a continué les réformes du secteur **santé** visant, entre autres, un meilleur accès aux soins de qualité et la réforme de l'assurance maladie. Elle a accentué ses efforts dans le domaine des maladies non transmissibles et a proclamé 2010 «année pour la lutte contre le cancer». En juin 2010, la Tunisie a ratifié la convention cadre de l'OMS pour la lutte anti-tabac. La Tunisie a continué à participer au réseau «Episouth» concernant les maladies transmissibles et couvrant les pays méditerranéens et les Balkans.

8. COOPERATION FINANCIERE – DONNEES ET CHIFFRES CLES EN 2010

Cadre de coopération

L'examen à mi-parcours du cadre de programmation a confirmé que le document de stratégie adopté en 2007 reste un cadre pertinent pour la coopération avec la Tunisie. Le nouveau programme indicatif national (PIN) 2011-13 pour la Tunisie, doté d'un budget de EUR 240 millions, a été adopté en mai 2010. Ce programme vise essentiellement à soutenir la réalisation des principaux objectifs stratégiques contenus dans le plan d'action UE-Tunisie et poursuit quatre priorités: (1) l'appui au secteur de l'emploi (réforme du marché du travail pour faciliter la rencontre entre la demande et l'offre de travail, soutien à l'amélioration de l'employabilité des jeunes diplômés et développement de l'emploi et des systèmes de protection sociale liés à l'emploi); (2) la poursuite des réformes économiques (approfondir l'intégration à l'économie mondiale et au marché communautaire, accroître la compétitivité de l'économie tunisienne et faciliter les échanges de biens et de services et les investissements); (3) l'appui au développement et à la compétitivité des entreprises (des secteurs agricole, industriel et des services en vue de les préparer à la pression concurrentielle et aux opportunités offertes par l'accord de libre échange avec l'UE et les négociations en cours pour l'approfondir) et (4) l'appui au secteur de la justice.

Mise en œuvre

Les projets inscrits dans les programmes d'action annuels (PAA) 2007, 2008 et 2009 sont en cours de mise en œuvre. Parmi les principaux programmes financés par l'UE figurent l'appui à la Tunisie pour lutter contre la crise économique (EUR 50 millions destinés à des mesures de réponse à la crise avec une enveloppe complémentaire de EUR 20 millions allouée en 2010), l'appui à la réforme de la gestion budgétaire par objectifs (EUR 30 millions), la contribution à la maîtrise de l'énergie et à la protection de l'environnement (programme environnement et énergie, EUR 33 millions) ainsi que la poursuite des jumelages entre les administrations européennes et tunisiennes.

En 2010, l'UE a continué à soutenir la Tunisie en matière de réformes et a engagé des aides d'un montant total de EUR 77 millions au titre de l'Instrument européen de voisinage et de

partenariat (IEVP). Le PAA 2010 se focalise sur deux priorités: renforcer le soutien à la réaction tunisienne et financière et appuyer les politiques de gestion des ressources en eau. Ainsi, EUR 20 millions ont été alloués au programme d'appui à l'intégration bis. De plus, EUR 57 millions ont été alloués au programme d'appui aux politiques publiques de gestion des ressources en eau pour le développement rural et agricole. Sept jumelages ont été lancés pendant le deuxième semestre de l'année dans les secteurs suivants: emploi et affaires sociales, finances, justice et affaires intérieures, commerce et industrie et transport.

La Tunisie bénéficie également d'activités de coopération financées au titre des programmes transfrontaliers, interrégionaux et régionaux de l'IEVP. Dans le cadre de la coopération transfrontalière (CBC), la Tunisie participe au programme transfrontalier à travers le programme du Bassin maritime Méditerranée (EUR 173,6 millions pour tous les pays participant au programme sur la période 2007-13). Dans le cadre de ce programme, les pays participants s'engagent à promouvoir quatre secteurs: développement socio-économique, durabilité environnementale, meilleures conditions pour la mobilité des personnes, des biens et des capitaux, dialogue culturel et gouvernance locale. La Tunisie a également poursuivi sa participation à un programme bilatéral Italie-Tunisie (EUR 25 millions).

Dans le cadre de la facilité d'investissement pour le voisinage (FIV), un projet a été approuvé en Tunisie pour un montant total de EUR 14 millions. Il devrait permettre de mobiliser EUR 550 millions sous forme de prêts des institutions financières européennes dans le secteur des transports.

D'autres instruments de l'UE complètent le paquet d'assistance de l'IEVP. La Tunisie a bénéficié des actions de coopération dans le cadre des instruments horizontaux tels que l'Instrument européen pour la démocratie et les droits de l'homme (IEDDH), ainsi que des programmes thématiques au titre de l'Instrument de financement de la coopération au développement (ICD), notamment acteurs non étatiques et autorités locales en développement. Dans le cadre de l'instrument de stabilité, la Tunisie s'est engagée sur la voie de la coopération régionale afin de créer des centres d'excellence pour mitiger le risque CBRN (chimique, biologique, radiologique et nucléaire). Les fonds disponibles actuellement pour ce projet d'envergure sont d'environ EUR 7 millions. Sur la période 2012-2013, des fonds importants seront utilisés pour des activités de renforcement des capacités.

En 2010, la BEI a signé des contrats de prêts d'un montant total de 498 millions d'euros pour financer les opérations suivantes: dans le secteur des transports, construction d'un tronçon de voie ferrée (EUR 119 millions); dans le secteur de l'énergie, projet de construction d'une centrale à cycle combiné (EUR 194 millions) et projet de construction de 660 km de ligne à haute tension (EUR 185 millions).

Coordination des donateurs

Le gouvernement tunisien ne s'est pas résolument engagé sur les questions de l'efficacité de l'aide et sur la mise en œuvre des engagements de la déclaration de Paris. Outre les réunions sur la coordination de la coopération, des réunions de consultation et de coordination avec les États membres ainsi qu'avec les autres bailleurs de fonds ont été organisées par la délégation de l'UE. Les représentations locales des États membres et des autres bailleurs de fonds ont été constamment tenues au courant de l'évolution des discussions avec le gouvernement. Grâce à ces réunions, une complémentarité entre les programmes d'assistance des différents acteurs en Tunisie a pu être assurée.