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Accompanying the :

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

ON STRENGTHENING THE EUROPEAN NEIGHBOURHOOD POLICY

Overall Assessment

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1) Context

The present Communication on the European Neighbourhood Policy (ENP) is the first general review of the implementation of this policy since its inception. In addition to the Communication proper, country-specific progress reports on the implementation of the first seven Action Plans are being published, together with this overall assessment and a more detailed technical assessment on sectoral issues. These reports document the progress which has been made, and provide a basis for the suggested enhancements to the ENP which are put forward in the Communication.

The circumstances of each country are very different, and the jointly-agreed reform agendas set out in the Action Plans are likewise different. Certain Action Plans cover three years (Israel, Moldova, Ukraine), the others cover five years. Each Action Plan reflects the specific circumstances and reform priorities of the country concerned, and builds on the commitments which these countries have already made in regional or international fora. To take just one example, both Moldova and Ukraine, as members of the Council of Europe and the OSCE, have already undertaken more substantial commitments in the human rights and governance field than have other ENP partners. The individual Progress Reports accompanying this Communication must therefore be read each on their own merits, and in the context of the EU's overall relations with that particular country

Within the broad range of agreed actions set out in each Action Plan, the sequencing and prioritisation established for the first one or two years of implementation also varies significantly among the different partner countries, reflecting the specific circumstances of each country. The "Implementation Tools" established for Ukraine and Moldova and used in reporting to those Cooperation Councils, and the sequencing established in the relevant sub-committee meetings for Israel and Jordan, have proven very useful in steering and monitoring progress in Action Plan implementation. Such tools will be further strengthened as implementation proceeds.

2) Progress by partners in Action Plan implementation

ENP partners are very diverse politically, economically, socially and culturally. It is therefore rather difficult to produce an overall cross-country analysis of the implementation of the ENP. There are however certain overall trends that can be identified, and certain general conclusions to be drawn.

Within each Action Plan, the governance field is perhaps the most difficult in which to achieve and measure progress. With different cultures and challenges, and different levels of commitment, each partner has addressed these issues in its own way. The enhanced dialogue on human rights that has taken place with southern partners deserves special mention. There has also been progress by several partners in the reform of electoral systems, in judicial reform and in public-sector governance. The picture is more mixed as regards respect for fundamental rights, however, with less progress by certain partners in addressing issues such as restrictions on press freedom, intimidation of NGOs, political prisoners, ill-treatment in police custody, and extra-judicial killings.

Political dialogue and cooperation with ENP partners has been significantly enhanced in most cases, with enhanced dialogue in sub-committees in certain cases, and greater cooperation with certain partners on CFSP issues (with two partners aligning with many of the EU's

foreign policy statements) and as regards the ESDP (with one partner participating in the EU's ALTHEA military operation in Bosnia and Herzegovina).

ENP partners have had a mixed macro-economic experience in the last two years. Some have experienced moderate to strong growth throughout the period, while others have recovered in 2006 after a sharp decline in growth in 2005. Certain countries have been hard hit by rising energy prices and in one case by the blockage of some traditional markets. The drastic decline in all economic indicators in the Palestinian Territories remains a case apart and a major cause for concern.

Progress has likewise been mixed in fighting poverty. Some ENP partner countries have made significant progress in strengthening social and human-resource development policies, though further sustained effort is required by all. At the other extreme, the situation in the Palestinian Territories causes grave concern. Education and health are being given increased attention in all partner countries. Most partner countries now have national sustainable development strategies in place.

Most partners have national sustainable development strategies in place or are in the process of reviewing them. National inter-ministerial structures exist in most cases, but they hold regular meetings only in a limited number of countries. A key challenge is therefore for most countries to activate the existing structures, in order to ensure a truly cross-sectoral approach to sustainable development.

Negotiations on trade are progressing with all Mediterranean partners (agriculture and services). Preparatory work is under way with Ukraine and Moldova (respectively "deep FTA" and autonomous trade preferences). Work on conformity agreements shows a promising start, while in the fields of customs or the economic regulatory framework, the ENP has made progress.

The ENP has been particularly useful with certain partners in addressing the shared challenge of migration. An agreement on readmission and visa facilitation was initialled with one partner in October 2006, and negotiations are being prepared with two others. Cooperation on combating organised crime, terrorism and drugs has also advanced in a number of cases.

Reform and modernisation in transport, energy, public finance management, the information society, and the environment is a challenging task, but has been pursued actively by most partners. Detailed technical dialogue, building on Action Plan priorities, has proved its worth. With the support of the Tempus programme, partner countries have pursued their reform and modernisation efforts in the area of higher education.

Dialogue and coordination on maritime issues are examples of a new thematic dimension to the ENP, which should facilitate the development of joint action and other concrete forms of cooperation in maritime affairs. A number of ENP partners and the EU have strong maritime interests. The EU should therefore be prepared for launching a coordinated dialogue on integrated maritime governance.

3) Developments in individual partner countries

A comprehensive review of progress in Action Plan implementation in each of the seven countries concerned is given in the respective country Progress Reports, and it is only by reading these detailed reports that a balanced picture of progress can be obtained. The Progress Reports cannot be compared with each other however, but only with the commitments in the

respective Action Plans. Nevertheless, the following developments may usefully be highlighted in each country. Further details on the work of sectoral reform, modernisation and transition, whether in the field of economy and trade, or in sectors such as transport, energy and the environment, are provided in a specific Sectoral Progress Report.

Ukraine

With the preparation and conduct of overall free and fair parliamentary elections in March 2006, accompanied by a free debate in the press, Ukraine consolidated the breakthrough in conducting a democratic election process that began with the Orange Revolution and which is also a key element of the EU-Ukraine ENP Action Plan. Considerable progress has been made towards consolidating respect for human rights and the rule of law. Initial steps have been taken in the fight against corruption and on the reform of the judiciary, which are particular challenges. There has been good cooperation between the EU and Ukraine on foreign policy, with Ukraine aligning with EU positions on many issues. Good progress has been made on Ukraine-Moldova border management. Agreements on visa facilitation and readmission have been successfully negotiated and initialled. Progress has been made in various trade and trade-related areas, including last steps in the WTO accession process, but further reforms are needed to improve the business climate. While progress is needed on nuclear safety issues, energy cooperation has advanced substantially.

Moldova

Faced with a difficult internal and external situation, implementation of the Action Plan in Moldova is well underway, and the Action Plan has become the central point of reference in the domestic reform process. Good progress has been made on trade-related issues, cooperation with international financial institutions (IFIs) and on poverty reduction, but more needs to be done on the investment and business climate. Good progress has also been made on Moldova-Ukraine border management, which has positive implications for the Transnistria issue. Democratic reforms are underway and some progress is being made on governance issues, with first steps being taken also on the reform of the judiciary, the fight against corruption and organised crime, which are particular challenges. Overall, Moldova is showing commitment, but the implementation of reforms requires to be given greater attention, including in areas with good legislative progress.

Israel

The implementation of the Action Plan has paved the way for a significant development of EU-Israel cooperation in the areas of political dialogue, trade and investment promotion, justice and security, science and technology, including space cooperation, as well as higher education. Furthermore technical workshops on a large number of specific subjects relating, for example, to preventing terrorist financing, promoting judicial and police cooperation, protecting the environment, combating racism/xenophobia/anti-semitism have been organised. The process of implementing the Action Plan has thus helped to better define the path and framework of EU-Israel relations while enabling the deepening and strengthening of co-operation in a wide spectrum of areas.

Jordan

Jordan's reform priorities are laid down in its National Agenda, a long term reform-oriented programme published in November 2005, complemented by the initiative "we are all Jordan" which aims to ensure wider support from the Jordanian population. These Jordanian reform

agendas formed the basis of the ENP Action Plan through which the Commission supports the national efforts. Overall, Jordan has shown a real commitment to working towards a number of political and economic reforms. Results have been achieved in the fields of anti-corruption, public finance management, protection of human rights. Others are currently debated, such as reform of the electoral system. In addition, Jordan decided to converge with relevant EU acquis on standards for industrial products, sanitary and phyto-sanitary matters. The EU and Jordan have also increased cooperation on trade, with negotiations on liberalisation of trade in agriculture products (concluded) as well as on services (on-going). However, more needs to be done in the next four years to translate commitments into concrete progress.

The Palestinian Authority

The Action Plan was designed to provide support to Palestinian reforms and institution building in the context of preparing for a future Palestinian state. Some initially encouraging steps towards reform were realised between 2005 and early 2006, for example on public financial management. Following the formation of a Hamas-led PA government, the EU suspended political contacts and cooperation with that government, pending its acceptance of the Quartet principles. The EU would be ready to resume co-operation and further work on the Action Plan as soon as a government is formed with a programme reflecting the Quartet principles.

Tunisia

The EU-Tunisia ENP Action Plan, linked to Tunisia's own reform priorities, has become the reference framework for a deeper dialogue on economic and trade issues. Progress has been made on economic and social reforms, as well as in some sectors e.g. transport, energy and scientific research. Little progress was registered on political issues, as evidenced by slow preparations for a subcommittee on human rights and democracy, slow progress on freedom of association and expression, and on implementing the programme for modernizing the justice system.

Morocco

Morocco's real engagement with the Neighbourhood Policy as a response to its ambition for an "advanced status" in its relations with the Union has led to a significant enhancement of cooperation since the adoption of the ENP Action Plan. The Action Plan is also an anchor-point for Morocco's ongoing reform processes. Morocco has implemented important reforms in most of the main areas of the Action Plan (e.g. liberalization of the audiovisual sector, lifting reservations to some human rights international conventions, financial sector, transport, and environment). The EU and Morocco have also reached landmark agreements in aviation, fisheries and participation in the Galileo satellite navigation system. Cooperation on migration issues has strengthened considerably and negotiations on a readmission agreement are still on-going. Morocco is a strategic partner of the EU in the fight against terrorism. The government continues to pursue political, economic and social modernisation policies which will permit the jointly-agreed objectives of the Action Plan to be attained if the pace of reforms continues. However, the modernisation of the judiciary needs to be pursued further and reducing poverty and creating jobs remain serious challenges.

4) Progress by the EU in supporting Action Plan implementation

The EU has also been addressing its own commitments in supporting our neighbours in their reform efforts.

In the political, trade and JLS fields, and in sectors such as transport, energy, the environment and research, much of the core work has been carried forward through enhanced dialogue, or through negotiations on new trade or readmission agreements. EC technical and financial support has had a significant impact here, for example through technical assistance and twinning in relation to trade and market reform, to migration issues, or to energy or transport policy.

Together with this Communication, the Commission has presented a separate Communication on the participation of ENP partners in EC agencies and programmes. This provides a comprehensive inventory of relevant agencies and programmes, and spells out the conditions and procedures necessary to enable the participation of ENP partners in those agencies or programmes of greatest mutual interest.

Assistance, *per se*, is not at the core of the ENP – the funding available is not there to “buy reform”, but to support a reform process already agreed upon. Nevertheless, the Commission has made every effort, working together with ENP partners, to focus current assistance on the core priorities set out in the ENP Action Plans. This has included the adjustment of existing programmes to address Action Plan priorities, and the introduction of new tools (TAIEX and Twinning) responding directly to the need for specific reform-related advice and assistance. The existing TAIEX programme has been extended to cover ENP countries, with more than 20 activities requested or being implemented, while more than one hundred twinning programmes are already under preparation or in the early stages of implementation with ENP partners. Financial assistance has also been increased, working in particular through the EIB and EBRD.

The Commission has also made every effort to ensure that our future assistance responds fully to ENP policy requirements, and is truly “policy-driven”. The new European Neighbourhood and Partnership Instrument (ENPI) will be available from January 2007, providing an increase in total funding for ENP partners (a 32% increase in real terms), and considerably increased flexibility in the type of assistance which we can provide. New possibilities for cross-border cooperation will be available, and a dedicated scholarship programme is being developed. Detailed programming for the period 2007-10 is being finalised, fully reflecting of the priorities set out in the respective ENP Action Plans. Proposals for a substantial increase in the EIB lending mandate are before the Council. It will be important also for Member States, in their own bilateral cooperation programmes, to reflect on how these can best reflect ENP priorities.

5) Conclusion

The ENP is a young policy, being implemented on the ground only since early last year. The ambitious reform agendas set out in the agreed Action Plans can only be achieved in the longer haul, and much remains to be done. Nevertheless, as has been indicated in the Communication proper and detailed in the country-specific Progress Reports, the first eighteen months of implementation have laid the groundwork for significant progress – and this is reflected in notable developments across many policy areas. The EU must now take steps to further strengthen the ENP, and the Communication sets out a number of concrete suggestions to this end.