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

**Taking stock of the European Neighbourhood Policy**

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

## Taking stock of the European Neighbourhood Policy

### 1. INTRODUCTION

The European Neighbourhood Policy (ENP) has transformed relations between the EU and its neighbours<sup>1</sup>. Since its launch in 2004, political contacts have increased in profile and intensity. Trade has increased at double digit rates, aided by a steady process of liberalisation and regulatory convergence. EU assistance has been tailored to partners' reform needs and its volume in the current Financial Framework has increased by 32 %.

However, much remains to be done if the ENP's goals of shared stability, security and prosperity are to be achieved. The Lisbon Treaty recognises this by committing the EU to the development of a special relationship with neighbouring countries aiming at establishing an area of prosperity and good neighbourliness (Art. 8 TEU). The policy will also benefit from greater consistency, coherence and coordination of the Union's external policy brought about by the appointment of the High Representative/Vice-President and establishment of the European External Action Service, as well as from the appointment of a Commissioner with a specific regional mandate allowing him to devote extra attention to the ENP and the countries it covers.

Against this background, the Commission, at the outset of this new term, considered it useful to take stock of the progress achieved since the launch of the policy. The analysis presented here will serve to guide the further development of the ENP, to make best use of the new possibilities opened by the Lisbon Treaty and to optimize the ENP's contribution to the EU's longer-term objectives, including the 2020 agenda.

The Staff Working Documents annexed to this Communication report in more detail about the implementation of the ENP with each partner in 2009.

### 2. ENP BILATERAL COOPERATION 2004-2009

The ENP aims to deepen political dialogue and cooperation with each of the neighbours and to achieve a very substantial degree of economic integration with them. It is a partnership for reform that offers "more for more": the more deeply a partner engages with the Union, the more fully the Union can respond.

Reflecting this dynamic, there has been an on-going **strengthening of contractual relations**. Association Agreements (AAs) were concluded with most southern partners by 2004. An AA with *Syria* is ready for signature. In the East, in line with the objectives of the Eastern

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<sup>1</sup> Algeria, Armenia, Azerbaijan, Belarus, Egypt, Georgia, Israel, Jordan, Lebanon, Libya, Republic of Moldova (hereafter "Moldova"), Morocco, Palestinian Authority, Syria, Tunisia and Ukraine.

Partnership (EaP)<sup>2</sup> which created a specific eastern dimension to the ENP, the Partnership and Cooperation Agreements of the 1990's are being replaced by much more ambitious AAs.

By early 2007, twelve partners had agreed ENP **Action Plans** with the EU to help them steer their reforms. As the first generation of ENP Action Plans expires, work is ongoing to prepare successor plans, building on the experience acquired.

Through this framework, the EU is gradually building a deeper relationship with its neighbours than ever attempted before. A dense network of nearly 100 sub-committees permits regular and intense exchanges on all issues of common interest, ranging from governance and democracy to transport and health sector reform, and contributing to increased confidence and reciprocal knowledge. The success of this approach has also prompted several southern partners (*Morocco, Israel, Jordan, Egypt, Tunisia* and the *Palestinian Authority*) to seek further enhancement of bilateral relations.

## 2.1. Improving governance and addressing protracted conflicts

The ENP expresses the joint commitment of the EU and its partners to the shared values of democracy, rule of law and human rights and the EU's full support to the democratisation efforts undertaken by its neighbours. ENP cooperation takes place in a difficult political context, including protracted conflicts, and achievements vary from country to country. Progress in this area remains essential for partner countries' long-term stability and prosperity.

Whereas accession to **human rights and fundamental freedoms** conventions and protocols moved forward, their implementation raises concerns. There has been progress, for example on the protection of the rights of women, with the criminalisation of female genital mutilation in *Egypt*, increased participation of women in political life in *Morocco* and *Jordan* and some first actions in relation to "honour crimes", notably in *Lebanon* and *Jordan*. In *Ukraine*, an important step towards increased media freedom was the abolition of the practice of issuing 'temniki' (instructions by the authorities on what to report). However, advances in the fight against torture are insufficient. Serious problems also persist in many countries as regards the respect for freedom of expression, particularly in the media, freedom of association and freedom of assembly. The space for civil society actors and human rights defenders remains unduly limited. The death penalty still exists in *Algeria, Belarus, Egypt, Israel, Jordan, Lebanon, Libya, Morocco, the occupied Palestinian territory, Syria* and *Tunisia* and is regularly applied in *Belarus, Egypt, Libya* and *Syria*. Regarding asylum-seekers and refugees, most ENP countries do not provide adequate assistance and protection<sup>3</sup>. Some of them have not yet adhered to the 1951 Convention on refugees, nor to its 1967 Protocol, and others have not yet established the legal framework required for its implementation.

In many countries neither the legislative framework for **elections** nor their conduct comply with international standards. By contrast, the recent presidential elections in *Ukraine* and the 2<sup>nd</sup> round of parliamentary elections in *Moldova* were free and fair. Some electoral legislation passed in recent years improved the quality of elections, notably in *Morocco* and *Lebanon*. *Lebanon*, together with the *occupied Palestinian territory*, also benefitted from EU electoral

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<sup>2</sup> Joint Declaration of the Prague Eastern Partnership Summit, Prague, 7 May 2009.

<sup>3</sup> The EU has continued to support asylum capacities in the ENP countries including in the form of Regional Protection Programmes (*Ukraine, Moldova*).

assistance and EU Electoral Observation Missions – the only such cases in the Southern Neighbourhood.

Significant investments to enhance the capacity and efficiency of the **judiciary** were made, but judicial independence, effectiveness and impartiality are still a matter of concern in most countries. The reform of **public administration** remains one of the significant unmet challenges for partner countries.

All partners with Action Plans have completed ratification of the 2005 UN Convention against **Corruption**, but corruption perception indicators show an overall change for the worse over the period.

**→ The need to encourage good governance remains pressing, both as a goal in itself, and because it ultimately underpins political stability and economic growth.** Progress on political reform will be a core element for the development of enhanced relations with the partners.

The EU Border Assistance Mission to *Ukraine* and *Moldova* (EUBAM), established in 2005, illustrates the potential of the ENP to contribute to **conflict prevention and resolution**. EUBAM aims to bring transparency at the Ukrainian-Moldovan border and to foster a business environment that demonstrates to economic operators, including those in Transnistria, the advantages of working on the basis of Moldovan legislation to benefit from international (and EU) trade preferences. It thus works around the conflict to generate mutual confidence and understanding.

On *Georgia*, the EU has been providing strong political, technical and financial support in an effort to alleviate the needs arising from the conflict in 2008 and also with a view to peaceful resolution of conflicts within Georgia's borders. The EU provided substantial post-conflict support to Georgia, including a post-conflict assistance package of up to EUR 500 million. The EU has also been taking an active role as a co-chair, together with the UN and the OSCE, of the "Geneva talks", which is the only platform allowing for an on-going political conflict resolution process. An EU civilian monitoring mission (EUMM) was set up to monitor and analyse the stabilisation process.

**→ The unresolved conflicts in the Neighbourhood continue to hinder the development of partner countries and can pose risks to the EU's own security.** The Lisbon Treaty now opens up new possibilities for more integrated EU efforts at conflict prevention and resolution making use of all relevant instruments.

## 2.2. Promoting mobility

Contacts between people across borders promote mutual understanding as well as business and cultural ties. They are crucial for any meaningful engagement of the EU with its neighbours. The Commission is committed to improved mobility and contacts between people across its Neighbourhood. This can and must be done in ways that also improve security, enhancing legal and regular mobility of *bona fide* travellers and ensuring tighter control on those who could exploit mobility for criminal purposes.

All together 2.09 million EU Schengen visas were issued in our Neighbourhood in 2008. If one considers only the thirteen EU Member States that were part of the Schengen area in 2004, the number of visas was 1.3 million, up 13% from 1.15 million in 2004, in line with the

world-wide trend. However, citizens from the eastern neighbours did not need a visa to enter the eastern Member States before their respective accessions in 2004 and 2007. The number of visitors from the eastern neighbours to the EU actually decreased after that year.

The EU has already taken concrete steps to make it easier, cheaper and faster for our neighbours to enter the EU. Agreements on **visa facilitation** with *Ukraine* and *Moldova* have resulted in visa fee reduction or waivers for over one third of applicants. Readmission agreements have helped to tackle irregular migration and fully ensure the security of the EU and of its partners. Negotiations for such an agreement with *Georgia* have been concluded. Other measures (**Mobility Partnerships**) have also been agreed with *Georgia* and *Moldova* to promote legal migration, to facilitate legitimate cross-border travel, fight irregular migration and harness the positive impact of migration for the economic development of the EU's partners.

In addition, the EaP has opened the prospect of short stay **visa liberalisation** as a long-term goal for the EaP partners, provided conditions for secure and well-managed mobility are in place. A dedicated, structured dialogue on visa liberalisation is already underway with *Ukraine* and another is set to start with *Moldova*.

In its reports the Commission has repeatedly highlighted the need for the EU to facilitate legitimate short term travel also with EU southern partners. Regrettably this has not advanced significantly.

The Commission attaches particular importance to the mobility of students, researchers and academics. The **Erasmus Mundus programme** supports higher education reforms and greater institutional links with the EU, and has had an excellent uptake in the ENP region. In 2007-2009, thanks to Erasmus Mundus grants, over 3,250 students and academics from partner countries could pursue studies in EU universities for up to three years. 474 students and academics from the EU benefited from similar periods of study in universities in partner countries. Furthermore, **Marie Curie Actions** provide mobility and career development opportunities for researchers from Europe and neighbouring countries.

More generally, given that mobility is also hampered by factors other than the visa regime, there may be scope for further dialogue and co-operation on other measures such as recognition of academic and professional qualifications or portability of rights.

→ **Mobility of persons is progressing but could be improved/stepped up.** Visitors from our Neighbourhood go through cumbersome and lengthy procedures when applying for visas to visit the EU. These are expected to be addressed by the new Visa Code applicable since April 2010. The Commission wants, moreover, to improve further the mobility of *bona fide* business people, tourists, students and academics and intends to propose the following measures:

- **Roadmaps** to a visa-free regime for short stays with *Ukraine*, with which the EU already carries out a visa dialogue, and *Moldova*, with which such a dialogue is set to start soon. Progress will depend on fulfilment of all the necessary conditions.
- **Visa facilitation and readmission agreements with the eastern partners** that do not yet have such agreements, namely *Armenia*, *Azerbaijan* and *Belarus*.
- **Visa facilitation agreements with our southern partners too, provided there is also progress in migration management including readmission agreements**

- **Practical measures** based on the EU Visa Code to improve EU visa delivery and consular coverage in the EaP area. If successful, these measures would then be extended to the whole Neighbourhood.
- Further dialogue on measures to facilitate EU **labour market access** to ENP countries' nationals, including improving information on the existing legal channels for migration and mobility as well as of available job opportunities and necessary labour market skills.

### 2.3. Advancing economic integration

The EU offers economic integration with its Internal Market, reflecting a long term strategic vision of easily traded products and services, simple establishment of companies, increased foreign direct investment in the partner countries and a high level of social, consumer and environmental protection.

This offer is embodied in the Commission's strategy for the establishment of **Deep and Comprehensive Free Trade Areas (DCFTAs)**. Going beyond a simple tariff dismantling, they also cover market access in services, investment, public procurement and many other sectors, choosing approximation to EU law in areas where this can lead to increased trade. All partners with Action Plans have subscribed to this approach.

The ENP does not seek to export the EU *acquis* wholesale. However, with only a few regulatory models in a globalised world, the EU model tends to be attractive to partners, reducing the 'invention costs' of political and economic costs of reform. Thus many partners have adopted a broad-ranged approach to convergence with EU policies and regulatory standards.

#### *Trade, market access and regulatory alignment*

The EU's **trade** with the ENP region grew during the period 2004-08, with EU exports rising by 63% and imports by 91%. Energy products represent a large component of the latter. However, even excluding these, imports from the ENP region grew by 31%. As a proportion of the EU's world trade, exports to the ENP region grew from 5.7% to 6.7% and imports from the region grew from 5.4% to 6.9%, reflecting a steadily advancing economic integration.

Trade with the eastern partners evolved in a particularly dynamic manner, albeit from a relatively low starting point: the region's share of EU exports nearly doubled from 1.26% to 2.1%, and its share of EU imports grew from 0.8% to 1.4%. The economic downturn hit the eastern partners very hard, and this also led to a contraction of trade with the partners in 2009.

Preliminary steps tailored to the needs of the different partners have been taken towards deeper economic integration. These include the introduction of Autonomous Trade Preferences (*Moldova*), which provide for duty and quota free access to the EU markets for all products (except for certain agricultural products for which some concessions are nevertheless given), and the negotiation of a number of sectoral agreements, such as agreements on trade in agricultural, processed agricultural and fishery products (*Egypt, Israel, Morocco*) or Agreements on Conformity Assessment and Acceptance of Industrial Products (ACAAs) which aim at the recognition of equivalence in technical regulations, standardisation and conformity assessment in selected sectors (one agreement has been concluded with *Israel*, while *Egypt* and *Tunisia* are actively preparing for negotiations). For example, the achieved level of full liberalisation of processed agricultural products in bilateral trade between the EU

and *Israel* is as high as 95%, and for the remaining 5% some additional preferences have been exchanged. Negotiations for the liberalisation of services and the right of establishment are also ongoing (*Morocco, Tunisia, Israel and Egypt*). Since 2008, a complete free trade regime on industrial products is achieved with *Tunisia*.

Negotiations on the first DCFTA are already ongoing with *Ukraine* and preparations are underway to allow for opening negotiations with *Moldova, Georgia and Armenia*.

The results brought by this process of integration include:

- The **customs** administrations of the partner countries made efforts to strengthen their operational capacities through plans that introduce modern customs techniques, such as risk management, post clearance controls, the concept of “authorised economic operators” (AEO) and the single window approach.
- Partner countries have been quick to adopt the EU regulatory model for **electronic communications** in order to stimulate growth and develop knowledge-based economies. The ENP has supported partner governments willing to open their market, and promoting a market-oriented behaviour by incumbent operators. Steps such as the opening of the market for fixed telephony and for advanced services such as Internet, as well as the tendering of additional mobile licenses have been taken, in order to align with the EU, one of the most competitive markets in the world. In the case of *Egypt*, the ICT sector is expected to contribute to exports growth from EUR 175 million in 2005 to EUR 770 million in 2010 and also significantly contribute to job creation. The increasing use of information and communication technologies is an important factor contributing to the democratization of societies.
- The implementation of **common aviation area with the neighbouring countries** is a key dimension of EU's external aviation policy, with the ultimate objective of a single air transport market covering up to 60 countries and 1 billion people. In 2006, a Euro-Mediterranean Aviation Agreement was signed with *Morocco*. The year after, the number of air passengers carried between Morocco and the EU jumped by 17% (compared with an increase in air traffic worldwide of 6%), with the emergence of 52 new routes and the entry of 12 new airlines on the market. Similar agreements have been initialled with *Georgia* and *Jordan*, while negotiations are taking place with *Israel, Lebanon, Tunisia* and *Ukraine*, and a mandate has been given for negotiations with *Algeria*. Such agreements not only have a positive impact on traffic and economic growth but also are essential tools for promoting the highest standards achieved by the EU in terms of safety, security and air traffic management. The Commission's approach will be detailed in an initiative on EU air transport external policy by end 2010.

→ **Market opening has benefited both the EU and partners.** The opening of markets in sectors where partners have a competitive advantage is essential for their economies. Trade liberalisation and the establishment of DCFTAs will be pursued.

→ **The EU and partners can capitalise on the attractiveness of a shared regulatory environment.** As the economic space in which EU norms and standards are used expands, the world-wide acceptance of the EU regulatory model is promoted. This can give EU and partners' economic operators a competitive advantage: they already produce for the wider EU market, and the more the EU norms and standards are accepted the more their access to foreign markets is facilitated. The fact that the crisis has not led to a reversal of economic

reforms reflects the resilience of the transition process on which we are building our neighbours' prosperity as well as our own.

### ***Boosting the business environment***

The ENP supports economic reforms for a better business and investment climate. In the South, the main tool for business reforms is the Euro-Mediterranean Charter for Enterprise, adopted in 2004. The Charter is inspired by best-practice from the EU and has been adopted by partner countries as a reference for their reform agendas. In view of the success of this approach, it is planned to integrate key features of the European Union's Small Business Act (SBA) into the Charter. There are also plans to initiate a similar process in the context of the EaP.

The monitoring of the Charter's implementation and various surveys, such as the World Bank's 'Doing Business' report, show good progress in improving the **business climate** in the ENP region. For example, the time needed for the registration of companies is now down from 79 days in 2004 to 13 days in 2010 in *Jordan*.

**→ More needs to be done to promote a business and investment friendly environment.** In particular, partners need to continue to improve the regulatory environment for businesses, to fight corruption, to encourage entrepreneurship and innovation, to upgrade skills and to improve access to finance for small and medium-sized enterprises (SMEs), which are engines of economic growth.

### ***Towards an ENP social agenda***

The principle of addressing a wide range of **social policy** issues as part of the ENP has been endorsed by the partners, reflecting the understanding that social cohesion is conducive to a better business climate and necessary to legitimise and sustain reforms. The Action Plans contain provisions in fields such as employment policy, social dialogue, labour rights, social inclusion, social protection, gender equality and equal treatment for all. This represents a comprehensive social agenda with clearly-defined priorities and timeframes which, however, remains to be fully implemented. For example, there has been progress on legislation to promote decent work and pension reform, but advances on employment policy, trade union rights, social dialogue or equal opportunities are uneven.

**→ The success of these socio-economic reforms in shaping a fully shared ENP social agenda requires that partners sustain this political commitment and allocate sufficient administrative and human resources for the implementation of necessary reforms.**

## **2.4. A shared responsibility for the environment**

Protecting the **environment** is a shared responsibility for the EU and the partners, and joint efforts are needed to successfully address concerns. Partner countries are aware of the challenges but, despite the compelling economic arguments in favour of strong action on environment in order to avoid much higher future clean-up costs, their allocated resources are not sufficient. While numerous international commitments and processes exist, implementation often lags behind. A key objective of the ENP is therefore to work with partners to achieve better strategic planning, prioritisation and stronger administrative capacity.

Progress has varied from country to country. Examples of good progress include the reform of the environment administration in *Jordan*, cooperation within the Regional Environmental Centre for the Caucasus, the Horizon 2020 Initiative and a draft environment strategy in *Ukraine*.

Many partners are showing a growing interest in EU experience, and are today increasingly willing to converge with EU environment directives. Regulatory convergence should continue to be at the core of the ENP as well as cooperation on environmental governance. In the context of the Europe 2020 strategy, the EU aims to move towards a more sustainable and resource-efficient economy, an area where the EU and partners can beneficially cooperate. In addition, stronger cooperation is urgently needed on biodiversity conservation including to raise awareness of the economic benefits derived from ecosystem services and, conversely, of the costs of losing them.

Partners have also expressed a desire to work with the European Environment Agency (EEA) and the ENP has offered this possibility. Using EU financial assistance, the EEA is assisting partners to strengthen collection and management of environmental data. The ENP has also contributed to greater openness and accountability in environment policy, through the involvement of NGOs.

Another aspect that could be further developed in the future is a more co-ordinated governance of maritime-related activities. Stronger co-operation would be useful not only on sustainable management of fisheries resources, including effective control of fishing activities, but also on broader issues related to integrated maritime surveillance, maritime spatial planning and other maritime policy matters including the professional qualification of seafarers. The EU will also continue to support ENP partners in their efforts to ratify and implement the United Nations Convention on the Law of the Sea (UNCLOS).

**→ While tangible progress does not happen overnight in this complex area, it is essential to build on these results in order to raise environmental standards across the region.** Improved environment protection through continued convergence with key elements of EU legislation, improved environmental governance, higher resource efficiency and appropriate use of ecosystem services will underpin long-term sustainable development.

## **2.5. Working together to address climate change**

Addressing the issue of climate change is a priority for the entire global community. Partner countries are increasingly raising climate change in their dialogue with the EU, in view of the Copenhagen Accord, the ongoing negotiations for a post-2012 agreement and the EU leadership in this field. Through the ENP, the EU can support partners in the mainstreaming of climate considerations into their policies. While the partner countries do not rank among the largest greenhouse gas emitters, they have important potential to pursue further efforts of mitigation (e.g., through increased energy efficiency or promotion of sustainable transport) as well as adaptation (e.g., in the fields of agriculture, water management or preparedness to address natural hazards such as floods and drought).

**→ The Commission will continue to call on partners that have not yet done so to associate themselves with the Copenhagen Accord as soon as possible and to provide information on the targets and actions that they will implement.** The EU remains fully committed to the UN negotiating process with a view to concluding a robust and effective

legally binding international agreement. The EU is prepared to deepen dialogue and cooperation activities on climate change mitigation and adaptation.

## 2.6. Sustainable energy for citizens and industry

The EU and the partners share the interest of maintaining stable, secure and clean energy supplies for their citizens and industry and to move towards low-carbon energy resources. The Commission's 2007/2008 energy and climate change package set a bold framework to address energy challenges including the development of an external energy policy. The gas dispute between *Ukraine* and *Russia* in the winter of 2008/2009 highlighted the need to deal urgently with energy security. The Commission's 2008 second strategic energy review<sup>4</sup> calls for relations to be stepped up with partners, which are important producer and transit countries for the EU.

In this context, partners took many steps to initiate sector reform and gradual alignment with EU policy. The EU signed Energy **Memoranda of Understanding** or Declarations with *Azerbaijan, Belarus, Egypt, Jordan, Morocco* and *Ukraine*.

Several partners revised or are revising their energy strategies, with a new focus on energy efficiency and renewable energy. Partners took steps towards gradual convergence with the internal energy market rules, adopting new legislation, strengthening the regulatory environment and progressively eliminating price distortions. In 2009, the Energy Community ministerial approved, under certain conditions, the accession of *Moldova* and *Ukraine* to the **Energy Community Treaty**. *Georgia* became an observer to this Community.

The EU and the partners have cooperated to develop energy networks. In March 2009, the Commission held an international conference on the modernisation of *Ukraine's* gas transit system. The EU also worked with partners towards the realisation of the **Southern gas corridor**, including Nabucco and the trans-Caspian transportation project. The EU supported *Moldova* and *Ukraine* in their plans for future interconnection to the electricity networks of continental Europe.

In the Southern Neighbourhood, cooperation initiatives were focused on the development and integration of energy markets, including the development of South-South and North-South interconnections. The Mediterranean Solar Plan took shape with the elaboration of a strategy document and the launching of several pilot initiatives and programmes supported by the international financing institutions.

In the Eastern Partnership context, the works of the Platform 3 "energy security" was launched with a work programme 2009-2011.

The EU and partners operating civil nuclear power plants (*Armenia* and *Ukraine*) continued cooperation on nuclear safety and security. The EU also started a dialogue on these issues with partners envisaging to build such plants.

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<sup>4</sup> An EU Energy security and solidarity action plan – COM (2008) 781 of 13 November 2008.

→ A strengthened energy cooperation of the past years is necessary to cope with the fast growing energy needs in the South and with the investments and reforms needs both in the South and the East. In particular, energy efficiency and the promotion of renewable energy will be a key objective for our cooperation with ENP partners.

## 2.7. Financial instruments responding to policy objectives

The implementation of the ENP is supported by the European Neighbourhood and Partnership Instrument (ENPI) with a budget of some EUR 11.5 billion (2007-13). After a mid-term review of ENPI programming documents, country allocations better reflect the needs, the levels of ambition and progress and the absorption capacity of partners. The review was conducted in cooperation with partner countries and taking into account the result of an unprecedentedly wide consultative process involving civil society, EU Member States and other donors.

The **policy focus** of financial co-operation has been further strengthened. Legislative approximation and regulatory convergence are being promoted through wider use of TAIEX and twinning. By the end of 2009 over 1000 TAIEX actions had been financed, 114 twinning covenants had been established and 110 more were being prepared. Comprehensive Institution Building programmes are being developed to build capacity in a limited number of core institutions that are central in preparing the ground for future AAs with EaP partners.

- In early 2009, the EU deployed a team of high-level advisers in *Armenia* to support the implementation of the ENP Action Plan (EUR 2.8 million). The advisers provide high-level technical advice to design, steer and implement reforms aimed at strengthening the capacity of the Presidency and the legislative, executive and judiciary powers with a particular focus on democracy, good governance, rule of law and the market economy.
- Following an agreement reached in December 2009, the EU deployed a High Level Policy Advisory Mission to *Moldova* in April 2010. It will offer expertise to public institutions to help accelerate political association and further economic integration between the EU and Moldova.
- In *Tunisia* progress towards an ACAA has been supported through a wide-ranging twinning operation (EUR 1.3 million) focusing on harmonisation of legislation and capacity-building in the government administration. This was later complemented by a larger sector support operation (EUR 23 million) focused on quality infrastructure and support to enterprises.
- In *Ukraine* to support the implementation of the Memorandum of Understanding on energy cooperation, two sector operations have been initiated in the areas of energy policy and energy efficiency/renewables (EUR 145 million). They were supplemented by twinning operations on electricity and gas market regulation.
- In the *Mediterranean*, Commission support for Horizon 2020 of over EUR 13 million is building capacity, developing monitoring systems and preparing green investment projects for EIB and other financial institutions.

The **Neighbourhood Investment Facility (NIF)** provides grant support to leverage lending operations in partner countries by the EIB, the EBRD, and other European financial institutions. The EU Budget grant contribution amounted to EUR 185 million in 2007-09. In addition Member States contributed EUR 47 million to the 'NIF Trust Fund'. These funds contributed to leveraging loans for EUR 4.76 billion, for investments that will also contribute to advance regional co-operation initiatives and to re-launch economic growth. In 2004-2009, grant funding of about EUR 90 million provided through the Euro-Mediterranean Facility for Investment and Partnership (FEMIP) contributed to leveraging EIB loans in excess of EUR 10 billion.

The mid-term review of the EIB's external mandate for the period 2007-2013 highlighted the need to further increase policy coherence between EU policy and EIB financing. To that effect the Commission has proposed<sup>5</sup> that EIB guaranteed financing cover three high-level horizontal objectives, namely climate change, social and economic infrastructure, and local private sector development, including SMEs, and to establish regional operational guidelines. In the Neighbourhood, the Commission proposal broadens the scope of EIB financing, while the guidelines will help to reinforce the policy focus of EIB activity and to ensure complementarity with the corresponding EU assistance measures. The Commission has also proposed to allocate additional EUR 2 billion under the mandate in the area of climate change, of which up to EUR 1 billion could be used in neighbouring countries.

To respond to the economic and financial crisis the Commission has also mobilised macro-financial assistance in favour of *Armenia, Georgia, Moldova* and *Ukraine*.

→ ENPI country allocations now reflect in a more objective and transparent manner the degree to which the values underpinning the ENP are effectively shared. The objectives of the Governance Facility (to reward progress on governance-related reforms) having been mainstreamed, the Commission intends to **review the operation of the Facility** as of 2011 to provide more targeted support for governance improvement.

→ **The Commission calls on the Council to adopt its proposal to amend Article 23 of the ENPI regulation.** This would, inter alia, make available additional resources (EUR 35 million per year) to finance the FEMIP.

→ **For both the EU and partners to fully benefit from market opening and to make it sustainable, partners' economies must be helped to become more buoyant.** Partner countries have a largely untapped potential for growth, and as their principal and – by reason of geographic proximity – obvious trading partner, the EU has a direct interest in supporting their economic development. The logic that linked the development of the Internal Market and that of the Structural Funds also applies in relation to our Neighbourhood, and should feed into the debate on the next Financial Framework.

### 3. MULTILATERAL INITIATIVES

Complementing the bilateral developments summarized in the preceding section, there has been important progress under the multilateral frameworks relevant for the Neighbourhood.

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<sup>5</sup> COM(2010) 174, 21.4.2010.

In the South, the **Euro Mediterranean Partnership**, which started in 1995, helped to lay the ground for a free trade zone which will be completed in a few years' time. Cooperation was established in a wide range of areas such as civil protection, culture, youth exchanges, and gender issues. Its successor, the **Union for the Mediterranean (UfM)** was launched in July 2008 to give a new impetus in three important ways: a) by upgrading the political level of the EU's relationship with its Mediterranean partners; b) by providing for further co-ownership through a system of co-presidency (one from the EU and one from the Mediterranean partner side), a dedicated Secretariat and a Joint Permanent Committee and c) by making these relations more concrete and visible through large-scale regional and sub-regional projects relevant for the citizens of the region.

In the difficult political context in the wake of the Gaza conflict, progress was mainly related to the establishment of the UfM Secretariat, the designation of its Secretary-General in January 2010 and adoption of its statute in March. The implementation of four of the six projects progressed with contributions from the EU budget.

The **Eastern Partnership** was launched in May 2009, in response to the interest of eastern partners to come closer to the EU and to create the necessary conditions to accelerate political association and further economic integration. The predominantly bilateral focus of the EaP is complemented by a multilateral track which promotes cooperation, open dialogue, and the exchange of best practice and experiences. Thematic platforms have been constituted to address four main areas of interest: Democracy, good governance and stability; Economic integration and convergence with EU sectoral policies; Energy security; and Contacts between people. The four thematic platforms have adopted Work Programmes for 2010-11, established a number of Panels, and approved the general design of a number of flagship initiatives<sup>6</sup>.

In parallel, the European Parliament has taken preliminary steps to set in motion the **EU-Neighbourhood East Parliamentary Assembly (Euro-Nest)**, and the Committee of the Regions declared its intention to establish an **Eastern Europe and South Caucasus Local and Regional Assembly**. The EaP Civil Society Forum (EaP CSF) was organised in Brussels in November 2009 by the Commission, the Presidency of the Council and the European Economic Social Committee, bringing together over 200 civil society representatives. The Forum's recommendations were presented by its representatives at the EaP Ministerial meeting in December 2009.

The **Black Sea Synergy (BSS)**, launched in February 2008, reflects the EU's growing interest in promoting regional cooperation around the Black Sea since two riparian states are now EU Members States. A number of previously launched programmes reached maturity, notably the Black Sea basin cross-border cooperation programme 2007-13 and the Black Sea Interconnection project (Information Society).

The Black Sea Sector Partnerships have been prepared with the EU Member States of the Region (respectively Romania, Greece and Bulgaria) as well as with the partner States. The first of them, the environment partnership was launched in the first half of 2010, and work continues to define its modalities.

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<sup>6</sup> In the areas of: integrated border management; support for small and medium enterprises; energy efficiency; civil protection; and environmental governance.

The Commission remained active in the network of regional organizations working in the Black Sea Region, including the Black Sea Economic Cooperation (BSEC) organisation, where the Commission has been a permanent observer since 2007, and the Commission on the Protection of the Black Sea against Pollution.

In addition to the Union for the Mediterranean, the continued implementation of the Africa-EU Joint Strategy and the close co-operation between the EU and Northern African countries in the framework of the Africa-EU Strategic Partnership have contributed to the overall ENP goals in the relevant countries.

#### **4. CONCLUSIONS**

The picture that emerges over the medium term is that, despite a difficult context, the EU has been able to establish a partnership for reform with its neighbours. This has brought tangible results benefiting both our partners and the EU, even if policy design and legislation is not always followed by effective implementation.

Significant challenges lie ahead. The pace of progress is determined by the degree to which partners have been willing to undertake the necessary reforms, and more has been achieved in the economic sphere, notably trade and regulatory approximation, than in the area of democratic governance. However, the pace of progress also depends on the benefits that partners can expect within a reasonable time frame. Here the extent to which the EU has been willing to engage itself with the partnership has also had, and will continue to have, a significant effect.