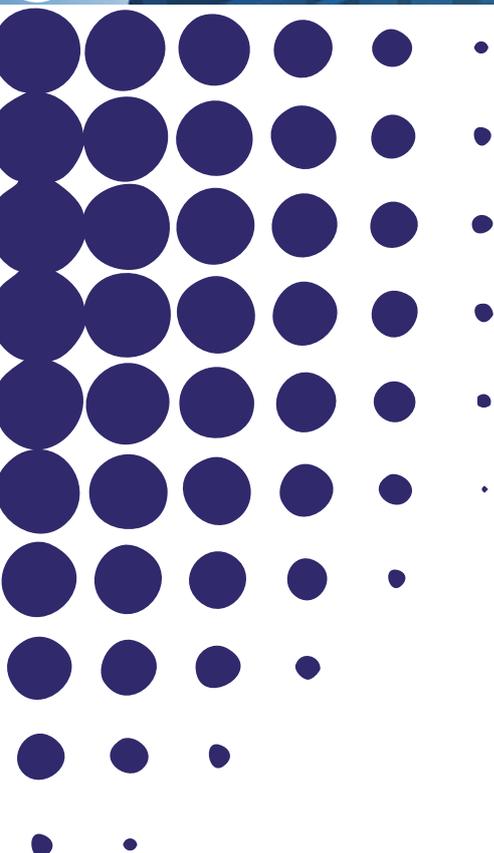


WP1/04 SEARCH WORKING PAPER

Overview of the European Neighbourhood Policy: Its History, Structure, and Implemented Policy Measures.

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Overview of the European Neighbourhood Policy: Its History, Structure, and Implemented Policy Measures

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Abstract

The objective of this study is to provide an overview of the European Neighbourhood Policy (ENP). Focus will be on the history of the ENP and its goals, the institutional structure of the ENP, and the policy measures that have been carried out through the ENP. The evolution of the ENP is traced from its origins in a 2003 European Commission communication to the broad and multifaceted policy that it is nowadays. Then the institutional dimension of the ENP, with both its thematic and spatial elements, on a subnational, national, regional and interregional level, will be explored. Finally an overview will be presented of the specific policy measures that have been implemented on an interregional, regional, and national level.

Keywords European Neighbourhood Policy, Historical Overview, Policy Implementation

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List of terms

AA = Association Agreement

ACAA = Agreements on Conformity Assessments and Acceptance of Industrial products

BSS = Black Sea Synergy

CARDS = Community Assistance for Reconstruction, Development and Stability

CFSP = Common Foreign and Security Policy

CIB = Comprehensive Institution Building

DCFTA = Deep and Comprehensive Free Trade Agreement

DCI = Development Cooperation Instrument

EBRD = European Bank for Reconstruction and Development.

EDSP = European Defense and Security Policy

EIB = European Investment Bank.

EIDHR = European Instrument for Democracy and Human Rights

ENP = European Neighbourhood Policy

ENPI = European Neighbourhood and Partnership Instrument

EP = Eastern Partnership

EPF = Eastern Partners Fund

ERA = European Research Area

EES = European Security Strategy

EU = European Union:

FEMIP = Facility for Euro-Mediterranean Investment and Partnership

PHARE = Poland and Hungary: Assistance for Restructuring their Economies

FTA = Free Trade Agreement

INSC = Instrument for Nuclear Safety and Control

INTERREG = Interregional Community Assistance

IRP = Inter-Regional Programme.

MEDA = Euro-Mediterranean Partnership Instrument

NIF = Neighbourhood Investment Fund.

PCA = Partnership and Cooperation Agreement

RAPEX = Rapid Alert System for Product Safety

SEARCH = Sharing Knowledge Assets: InteRregionally Cohesive NeigHborhoods

SIGMA = Support for Improvement in Governance and Management

TEMPUS = Trans-European Mobility Scheme for University Studies

TACIS = Technical Assistance for Commonwealth Independent States

TAIEX = Technical Assistance and Information Exchange instrument.

UfM = Union for the Mediterranean

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1. Introduction

After the fifth enlargement round of the European Union in 2004 its external borders shifted drastically. Suddenly a range of poorer, economically and politically less stable and less democratic countries bordered the EU. In response to these changing circumstances the need was felt to create a unified policy towards the countries bordering the EU. This unified policy, the European Neighbourhood Policy, subsumed the patchwork of existing policy instruments. Its goal is to create a ring of countries around the EU with which the EU has close, peaceful and co-operative relations (COM 373 final, 2004). The Search project will analyze the impact of this new policy on the integration between neighbouring countries and the EU in the areas of trade flows, mobility and human capital, technological activities and innovation diffusion, and the institutional environment.

In this working paper the origins and initial goals of the ENP will be examined, the institutional structure that underpins the ENP will be explored, the specific funding mechanisms will be explained, and the implementation and evolution of the ENP through time will be described. There will be a particular focus on the policy in a number of themes that are relevant for the SEARCH project: trade and FDI; labour migration and tourism; research, innovation diffusion, and development; and institutions. There will also be attention for the different scale levels in which these policies are implemented; at an interregional, regional, and bilateral level. This overview is valuable because the SEARCH project will evaluate the spatial impact of the ENP in these policy themes, and provide policy recommendations. This report can provide a starting point to identify interesting policies that have been implemented, which form the basis of the rest of the SEARCH project.

Over time the ENP has transformed quite drastically, and it has acquired a range of new institutional components. These new components have often been developed in reaction to weaknesses in the existing policies, and thus the structure of the ENP and the implementation of specific policy measures cannot be understood separately. In this report, for clarity, the institutional structures and the history of the implementation of policy measures will be discussed separately. Inevitably this leads to some level of overlap between the main sections. This overlap has been reduced as much as possible by use of cross-referencing, but cannot entirely be avoided.

This working paper starts out by tracing the origins of the ENP, in order to understand the underlying motivation to start the ENP. It then discusses the policy goals of the ENP, and the

incentives that are used to reach the policy goals. Then, the institutional structures that fund these policies are discussed, and finally, the actual policies that have been implemented are described.

2. Origins and goals of the ENP

During the fifth enlargement round of the European Union, 10 countries joined the EU in 2004 and 2 in 2007. This shifted the borders of the EU drastically to the east, and created new outer borders in areas that are less stable and prosperous. In preparation for this shift, the European Commission produced a communication in 2003 titled: *The Wider Europe Neighbourhood, A New Framework for Relations with our Eastern and Southern Neighbours* (COM 104 final, 2003). In this communication they announced a proposal to unify the European Union's wide range of policies towards its neighbouring countries. The goal of this new unified policy would be to create a ring of friendly, stable and prosperous countries around the European Union in order to guarantee stability along the outer borders of the EU. This goal is coherent with the broader goals of the European Security Strategy, which strives to achieve a secure Europe by enhancing stability in its neighbourhood and around the world. The new policy would not offer accession perspective for these countries, as had been done before in order to drive reform in neighbouring countries. However, the policy would promote close political cooperation, close economic integration and ultimately access to the unified market market, as a reward for convergence towards the EU 'Acquis' on economic regulations and progress in the areas of border security, prevention of illegal migration, an improved human rights record and expanded efforts towards democracy.

After the European council approved of the direction set in this proposal of the European Commission, the policy was elaborated upon in a further communication with detailed recommendations for concrete steps needed to implement such a policy. It was decided that the new policy would be called the European Neighbourhood Policy (ENP). Further, it was decided that this policy would build on existing policies, not replace them. Because the EU uses longer term plans for strategic development of its policies, it was decided to allow for convergence between existing policies until the end of the multiannual framework in 2006. In the new multiannual framework from 2007-2013 the ENP would incorporate all previous policies, and a new and unified funding instrument would be developed to guarantee a coherent institutional structure to support the ENP (Com 393 final, 2003).

The ENP strives to be an broad and integrated policy framework, and it encompasses almost all themes in which countries can collaborate with the EU. Some other discrete policy instruments deal with select themes, like the Instrument for Nuclear Cooperation and Safety (INSC, figure 1), but most other themes are dealt with by the ENP. The SEARCH project is mainly interested in

cooperation on trade and FDI, labour migration, innovation, research and education, and institutional and cultural development and cooperation. Although the core focus of the ENP is on trade and economic reforms, migration policies, institutional reform and collaboration in research and higher education are also part of the ENP, and all these elements are meant to contribute to the ultimate goal of creating a ring of stable, friendly and prosperous countries around the EU (Com 393 final, 2003).

Prior to the launch of the ENP in 2004 the EU supported reforms either through direct funding or through promises of enhanced relations with a range of different but partially overlapping mechanisms that each had their separate functionality and procedures (table 1). These previous policy mechanisms were all developed to support specific reform goals, and their functionality was not completely coherent, which complicated creating a comprehensive neighbourhood policy. The INTERREG programme for instance was funded from structural funds. These funds can only be used for programmes inside the EU. This means that any cross-border activity with neighbouring countries had to be funded partially by other mechanisms, which complicated project design.

Other programmes had a limited scope which created gaps in the foreign policy. The MEDA programme for instance was mostly focused on regional economic reforms and investment in order to develop a free market area, but had a weak bilateral component. The TACIS programme also had its weaknesses; it was designed to help the transition of the eastern ENP countries economies to market-led economies by giving technical assistance, and therefore had a much weaker focus on investment and on regional economic reforms (COM 628, 2004; COM 393 final, 2003).

Table 1 Policy mechanisms that preceded the ENP

Name	Function
INTERREG	To increase cross-border cooperation within the EU in order to enhance internal cohesion and dissipate borders.
TACIS	To support commonwealth of independent states (CIS)*. Regional, cross-border, and interstate elements, focused on technical assistance to enable political reform and transitioning to market economy.
MEDA	To support cooperation between Mediterranean countries and EU. Decisions made through the Barcelona Process. Mostly regional, goal to support creating free-trade area by promoting reforms and investing.
PHARE	To support East European countries in the EU accession process, mostly by providing support and funding for the adoption of EU Acquis. phased out after 5 th enlargement in 2004-2007
CARDS	To Support Balkan countries in economic reform, reconstruction

Source: COM 628, 2004

*Former Soviet-Union republics

The ENP was meant to rationalize and streamline this complex and sometimes overlapping set of programmes. This policy would be a one-stop shop for regional development and convergence in all partner countries that were not on track for accession to the EU. At first, the Balkan countries, supported through the CARDS programme, were also supposed to become part of the ENP (COM 628, 2004). A later decision by the council shifted the CARDS programme to the Instrument for Pre-Accession Assistance (EC 766, 2006). This instrument, launched in 2007, was meant to unify the variety of existing policy mechanisms that support accession countries. The Instrument for Pre-Accession Assistance will not be further analyzed in this report.

The ENP was initially supposed to incorporate Israel, Jordan, Moldova, Morocco, Palestinian Authority, Tunisia and Ukraine. All these countries had already formalized their contact with the EU in either Association Agreements (AA's) for the Mediterranean countries or Partnership and Cooperation Agreements (PCA's) for the eastern ENP countries. Belarus, Lybia and Syria were offered the possibility of joining the ENP as soon as they carried out the internal political reforms that would allow them to sign AA's or PCA's. (COM 373 final, 2004). Armenia, Azerbaijan and Georgia, though they do not directly border the EU, also wanted to be included in the ENP. In June 2004, it was decided that these countries could indeed become part of the ENP (COM 795 final, 2004).

Russia was also asked to participate in the ENP, but in subsequent negotiations it was decided that a separate policy instrument would be developed to guide Russian-European foreign policy (COM

393 final, 2003). This separate policy instrument, called the EU-Russia strategic partnership, has similar goals to the ENP and is funded through the same funding instrument, but differs in terminology. Russia for instance did not sign an action plan but developed a roadmap (table 2). The separate policy instrument, and its similarities and differences with the ENP, will be further elaborated upon in section 5.4.12 in the Russian country evaluation. Later on, even more countries requested or were invited to join the policy. Table 2 gives an overview of the countries participating in the ENP with details on the dates of important ENP milestones, and the extent of collaboration the EU has with these countries.

Table 2: Overview of countries that are part of the ENP and ENP milestones.

	Country	Initial EU Contract (PCA or AA)	Ratification Action plan	CFSP invitation*	FTA provisions**
Southern Countrise	Algeria	2005	Roadmap, Negotiations pending for AP	No	No
	Egypt	June 2004	March 2007	No	No
	Israel	June 2000	May 2005	No	No
	Jordan	May 2002	January 2005	Yes	No
	Lebanon	April 2006	January 2007	No	No
	Libya	negotiations pending	No action plan yet	No	No
	Morocco	March 2000	July 2005	No	No
	Occupied Palestinian territories	July 1997	May 2005	No	No
	Syria	ratification pending	No action plan yet	No	No
	Tunisia	March 1998	July 2005	No	No
Eastern Countries	Armenia	July 1999	November 2006	Yes	Yes
	Azerbaijan	July 1999	November 2006	Yes	Yes
	Belarus	No negotiations until human rights situation improves.		No	No
	Georgia	July 1999	November 2006	Yes	Yes
	Moldova	July 1998	February 2005	Yes	Yes
	Ukraine	March 1998	February 2005	Yes	Yes
	Russia	December 1997	Roadmap adopted may 2005	No	No

Source: European Commission (1997, 2011r)

*CFSP = Common Foreign Security Policy statement (Section 3)

** FTA = Free trade agreement (Section 3)

3. Policy Mechanisms

The goal of the ENP is to create a ring of countries around the EU that are stable and friendly to the EU. The EU asks the ENP countries to reform their political system in order to align with EU democratic and humanitarian standards. Countries are also asked to adapt an extensive range of EU regulations in order to comply with EU internal market standards. They further need to develop a range of institutions that can guarantee the implementation of the reforms, on a political and economic level. Finally, the EU demands resolution of a number of ongoing conflicts in the ENP countries (COM 104 final, 2003). The EU incentivises these reforms through different mechanisms. The EU directly funds the implementation of legislation and the development of institutions, and extends technical support to programmes that initiate reforms. The EU also extends the promise for enhanced relations to ENP countries that carry out extensive reforms. Finally, the EU invests in the ENP countries through different facilities of the European Investment Bank (EIB). These three types of mechanisms are further discussed in this section.

The technical assistance that the EU can provide runs either through twinning, TAIEX, or SIGMA. Twinning entails the institutional collaboration between governance structures in the EU and ENP countries. The ENP supplies funding for a specific twinning advisor to work at least twelve months in an institution in a partner country to support with the implementation of legislation that approximates the *Acquis Communautaire* (*Acquis*) of the EU. Projects can be carried out at different institutional levels, and are funded by the respective bilateral funding envelopes (European Commission, 2011s).

TAIEX stands for Technical Assistance and Information Exchange, and it was launched in 1996 to help the CEE countries in adopting relevant EU legislation and harmonizing regulation in anticipation of the 2004 accession. Since 2006 TAIEX has broadened its goals to also include technical support for the ENP countries. TAIEX differs from twinning because it involves short-term technical assistance, whereas twinning supplies long-term assistance. TAIEX programmes can for instance involve seminars or training programmes for government officials of partner countries, but it also functions as a source of information on legislative approximation issues. (European Commission, 2011t).

SIGMA, Support for the Improvement of Government and Management, is the final tool that the ENP can use to supply technical support. It was founded in 1992 to support the transition in 5 former Soviet Union republics through the development of good governance and management. Since 2008, SIGMA also includes the ENP countries. Whereas the previous two mechanisms are mainly directed at support for legislative approximation, SIGMA is mainly involved in strengthening governance and management structures. Its assistance is short term to medium term, and it is directed at high-level government officials, both decision makers and civil servants (SIGMA, undated).

The enhanced relations that are offered through the ENP are economic, political, and also cover a range of other thematic topics, but the economic relations are central in the policy. First and foremost, free access to the internal market is an important component of the promise of the ENP. This free access can be extended on different levels. An example is offered by the FTA's that have been agreed upon through the Barcelona process and are being phased in between the southern ENP countries and the EU. These FTA's reduce tariff barriers for manufactured goods and agricultural products over a twelve year period. Enhanced FTA's could go beyond the reduction of tariff barriers for goods and also liberalize the trade in the service industry. An even more extensive agreement could be reached by signing Agreements on Conformity Assessments and Acceptance of Industrial products (ACAAs). These agreements would allow industrial products from ENP countries to enter the internal market without any further testing, and would therefore remove most non-tariff barriers (SEC 1512/2, 2005). The concluding step would give ENP countries similar ties with the EU as the countries in the European Economic Area. The policy would in effect offer anything but accession in economic issues (COM 104 final, 2003).

The ENP can also offer enhanced relations in the political sphere. The EU has a Common Foreign and Security Policy (CFSP) which deals with trade, aid and security. Through this policy regular statements are issued, and ENP countries can be invited to support these CFSP's on a case-by-case basis (Table 1). Being invited to join the CFSP is a significant sign of political cooperation and trust. Action based on these statements is carried out through the European Security Strategy (ESS) and the European Defense and Security Policy (EDSP). ENP countries can also be asked to join these institutes.

The possibility also exists to invite the ENP countries for a range of other EU programmes, or to enter specific agreements that would enhance relations in a thematic area. These mechanisms can be used to create a broader integration between the EU and ENP countries in multiple thematic areas, and can be used as an extra incentive for further reforms. It is possible to accept ENP countries to thematic programmes like TEMPUS, which supports collaboration between

universities to realize a common European Research Area and supports researcher mobility, or programmes like LIFE+ or Erasmus Mundus, which respectively work on environmental protection and student mobility (COM 373 final, 2004). It is further possible to create specific collaboration networks that enhance a specific collaboration network. These mechanisms should ensure cooperation on a broad range of themes beyond strict economic and political collaboration. Because the SEARCH project will analyze the effectiveness of the ENP on a range of themes, the specific agreements that are relevant will be further discussed in section 5.

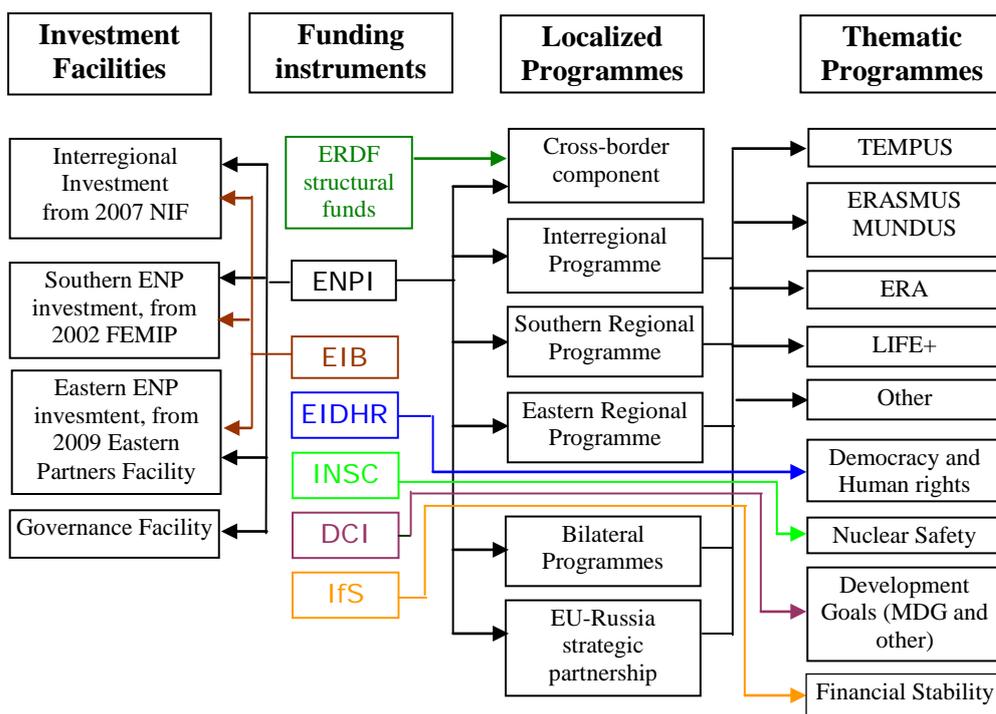
Finally, the ENP has the possibility of investing in ENP countries through the EIB. Investment facilities exist on both an interregional level for all ENP countries, and on a regional level for either the southern or the eastern ENP countries. The Neighbourhood Investment Facility (NIF) was founded in 2007, and leverages funding from the ENP to invest in interregional projects (interregional strategy paper 2007-2013). The FEMIP was founded in 2002, and before the launch of the ENP invested in countries of the Barcelona Process. Since 2004 it invests in the countries of the ENP, and it also receives some funding from the ENP to leverage investments (southern ENP strategy paper). Finally, the EIB has always invested in the eastern region through the leverage of EU funds and with an investment mandate, but since 2009 it has a special facility, the Eastern Partners Facility (EPF) (EIB, 2011a).

4. Funding Instruments

The three types of mechanisms: technical and financial support, promise of enhanced relations, and investment facilities, are the core drivers of reform for the ENP. This section will explore the specific structures that underly the ENP.

As explained in section 3, the ENP had a transition period from 2004 until 2006 in which previous policies had time to work on convergence and harmonization, and complete institutional integration was launched during the new multi-annual framework from 2007-2013. This was also when the funding instruments for the ENP were harmonized. Previously, all policy instruments as mentioned in table 1 had their own funding instrument. From 2007 on, most of the funding was centralized in the European Neighbourhood and Partnership Instrument (ENPI). Figure 1 shows the funding structure of the ENPI. The ENPI funds a range of localized programmes, and it funds investment facilities. The thematic programmes that concern ENP countries are partially funded by the localized programmes, and partially by separate funding instruments.

Figure 1: Structure of the ENPI



Sources: EaPCommunity (2011a), European Commission (2007a1-2007d1)

The ENPI funds all localized programmes; it funds inter-regional programmes, regional programmes, bilateral programmes, and the EU-Russia strategic partnership. The cross-border programme is co-funded by the structural funds, because cross-border programmes also involve areas within the EU. The parts of cross-border programmes that take place within the EU are funded by the structural funds (Figure 1). The bilateral programmes attract the vast majority of funding. The exact division of funds is discussed later in this section.

The EU has a range of thematic programmes that are open for the ENP countries. Most of these thematic programmes do not have an independent funding instrument, but they are funded by the appropriate localized programme. This means that any student exchange activities in for instance Armenia are funded through the Armenian bilateral programme (COM 628, 2004). For some thematic programmes however it is deemed necessary to have independent instruments, either because they are not dependent on bilateral or regional cooperation, or because the goals of the instrument do not overlap with the broader goal of the ENP. The European Instrument for Democracy and Human Rights (EIDHR) for instance has its own instrument so it can approve of projects that are not necessarily approved by the receiving country (EuropeAid, 2011). The Instrument for Nuclear Safety and Cooperation (INSC) also has its own funding instrument, and it is mainly active in Russia and Ukraine. Because some ENP countries are relatively poor, even the

Development Cooperation Instrument (DCI) has some activities in ENP countries. Finally, the Instrument for Stability is meant to ensure economic stability in the EU, and if necessary it also supports neighbouring countries (Figure 1).

Finally, the ENPI also encompasses a range of investment facilities. Leveraging grants from the ENPI, the EIB invests in interregional or regional projects through either the interregional or regional investment facilities. The NIF was launched in 2007 to enable interregional investment. The southern regional investment facility is called the FEMIP, and it has existed since 2002. Before 2002 the EIB did have an investment mandate for the region. In the eastern region, the EIB has also had an investment mandate, but since 2009 it has its own investment facility called the Eastern Partners Facility (EPF) (Figure 1).

The specific level of funding received by the different localized programmes and investment facilities is surprisingly difficult to trace. The EU has published indicative programmes that project the budget for the different localized programmes over the 2007-2010 period, and for the 2011-2013 period. However, some of these documents cannot be found in the EU document repository, like the indicative programme for the southern ENP countries in the 2011-2013 period, or the indicative programme for the EU-Russia strategic partnership over the same period. It is unclear if these documents have not yet been authored or if they have not yet been made accessible. To complicate matters, data given on the websites of the localized programmes sometimes contradicts data in the indicative programmes. This could be due to the fact that actual expenditure can differ from projected budgets, especially with demand-driven programmes like TAIEX, but this is not clearly stated.

The EU does publish yearly accounting data, but EU accounting data is only given on an aggregated level, in which the ENPI has a single budget line, or on a highly disaggregated level. This means that it is by no means trivial to reconstruct actual commitments and payments of the different programmes and investment facilities within the ENPI. Since this deliverable only strives to give an overview of the ENP, an accurate reconstruction of spending within the ENP is not attempted, and only the projected budgets as mentioned in the indicative programmes is given. Other sources, when used, are clearly marked. Therefore, the data in table 3 should be seen as indicative only, and be treated with the necessary precaution.

Table 3: Budget of localized programmes and investment facilities (In million euros)

Instrument	2007-2010	2011-2013
Interregional Programme	273.9	307.7
Southern Regional Programme	343.3	288*
Eastern Regional Programme	223.5	262.3
Bilateral Programmes	3034	2783.4**
EU-Russia strategic policy	120	***
Cross-border Component	277.1	535.2
Neighbourhood Investment Facility	250	450
Southern Regional investment Facility	128	***
Eastern Regional Investment Facility	21.5	***

Notes: *Source: European Commission (2011u)

** Incomplete because data missing on Tunisia and Russia.

***Data missing because indicative programme of this period was not published, or did not mention budget. Other sources could not be found

Sources: European Commission (2007a-2007q2, 2011a-2011q)

The previous funding instruments that dealt with ENP countries had a total budget of 8.4 billion euros for the 2000-2006 framework period. The ENPI budget for the 2007-2013 framework period is around 12 billion, which gives a 32 per cent increase in real terms (European Commission, 2011u). As can be seen in table 3, the lion's share of the funding is earmarked for bilateral programmes. There is also some funding for cross-border, regional and interregional cooperation. In table 3 the first column covers 4 years and the second column covers 3 years, which means that yearly funding slowly increases during the 2007-2013 period. The funding for the Russia-EU strategic partnership was 120 million euros for the 2007-2010 period. To date no new indicative programme for the 2011-2013 period has been launched. The website of this partnership suggests that due to strong economic growth of Russia the majority of funding for Russia has been cut, and only a few reform programmes still get limited funding. It is not clear however how much funding will go to the EU-Russia strategic partnership in the 2011-2013 period (EEAS, 2011a).

The direct support of the investment facilities by the ENPI is also limited in scale, but due to leveraging quite a significant sum can still be invested (interregional strategy paper). Again, the exact level of investment by the EIB is difficult to determine, but the FEMIP has invested over 12 billion euros between 2002 and 2010. In the eastern region, the mandate of the EIB over the 2007-

2013 period covers 3.7 billion euro's, plus an additional 1.5 billion euros due to the launch of the EPF (EIB, 2011b).

5. Policy measures and institutional changes through time

Over the years the ENP has been subject to regular evaluations, which have led to a constant development of the policy and of the mechanisms used to reach the goals of the policy. This section will describe the policy measures that have been carried out within the ENP through a reading of the regular evaluation reports that the European Commission authors, and the changes in institutional structures that have happened over the years. The ENP explicitly recognizes the need for geographic targeting of policies at the right scale level, by incorporating a cross-border, bilateral, regional and interregional component. The SEARCH project strives to research the impact of these policies at the right spatial scale, and will not limit itself to analyses at a national level. That is why it is important to describe the ENP instruments on all different scale levels.

The policy will first be discussed on an interregional level. Then the eastern and southern regional policies will be described. Finally this section concludes with a country-by-country evaluation of the implementation of ENP policies. Because all localized programmes have implemented a wide range of very specific policy reforms, only the key reforms have been emphasized that are relevant for the further SEARCH project due to their thematic relevance. Further details can be looked up in the referred progress reports, strategy papers, and indicative programmes, where the details of all reforms are listed.

5.1 Interregional policies

When the ENP was launched in 2004 it was decided that other regional policies would have two years to work on convergence and harmonization before they would be subsumed under the new ENP structure. The previous policies did not have an explicit interregional component, so in the first two years the ENP did not have a programme that focused on interregional policies. However, in 2005 and 2006 the European Commission did carry out evaluations of the complete ENP programme on an interregional level.

The 2005 evaluation report concluded that most of the first reforms of the ENP had been carried out in the area of trade, regulation harmonization, and economic reforms (SEC 1512/2, 2005). The southern ENP countries at that time already had FTA's that phased out tariff barriers over a twelve-year period. The intention of the ENP was to strive for further reforms and eventually reach enhanced FTA's. In this light, the southern countries of the ENP committed to realizing Agreements on Conformity Assessments and Acceptance of Industrial products (ACAAs). These

agreements would allow industrial products from partner countries to enter the internal market without any further testing. The first negotiations also started with selected countries to expand existing FTA's to the market for services and establishments.

The 2006 evaluation of the ENP reaffirmed that most reforms that were carried out due to the ENP were in the area of trade and economic reforms, but progress on democratic and human rights reforms was slow and haphazard. The evaluation blamed the particular structure of the ENP for the slow uptake of reforms. The ENP does support short-term reforms with funding and technical support, but in the end the strongest motivation for reform is the potential enhanced access to the internal market. However, it was unclear what reforms countries need to carry out in order to become eligible for this type of access, and formal negotiations for access treaties would not even start before a large part of the regulatory harmonization has taken place. This means that the costs for partner countries of the ENP are front-loaded, whilst the rewards of the ENP are back-loaded. Aligning the policies of a country towards the Acquis is a very costly and time-consuming affair, but the benefits regarding enhanced market access can only be reaped once these alignments have been made. This creates little impetus for politicians to follow up on the promises of the action plans (COM 726 final, 2006). The European Commission also commissioned a report by the TEPSA offering a more detailed analysis of specific bottlenecks in the ENP (Avery & Nasshoven, 2008).

Based on this evaluation the Commission launched a series of discussions in order to strengthen the ENP. These discussions resulted in a series of non-papers, which analyzed the possibilities for improvement of the ENP in different areas to make the policy more effective. This resulted in a final communication which sets forward a range of proposals to strengthen the ENP (COM 774, 2007). Two of the suggested reforms would improve the enhanced relations that the ENP promises the ENP countries, and the other reforms would create more short-term benefits for reform.

The first proposed change to the enhanced relations would be to introduce the possibility of Deep and Comprehensive Free Trade Agreements (DCFTAs). A DCFTA is a specific form of an enhanced FTA in which industry, agriculture and services are incorporated. Further, it does not only remove tariff barriers, but also on non-tariff barriers to trade. By striving for DCFTA's with the ENP countries, the benefits of the ENP would become larger, which should enhance the power of the ENP to create incentives for reform (European Commission, 2006a).

It was also concluded that free movement of people should be a more central focus of the ENP (COM 774, 2007). At that time even officials from ENP countries that travelled to Brussels for negotiations often encountered problems with acquiring temporary visa, and partner countries

often mentioned difficult visa procedures as a major disincentive for further integration (COM 726 final, 2006). It was decided that visa negotiations should be started with most ENP countries in order to make the ENP a more attractive policy for partner countries. Most of the southern ENP countries are already part of special visa regulations and Ukraine and Moldova had just started visa negotiations with the EU (Section 5.4), so this issue was most relevant for Georgia, Armenia, and Azerbaijan. However, there was still significant space in the existing treaties to further decrease the barriers for mobility (European Commission, 2006b).

The first change to the ENP that would create stronger short-term incentives for reform was the governance facility. The governance facility was suggested as a method to create short-term reform incentives. This facility would yearly reward the country or countries that had been carried out the most extensive reforms. The specific norms used to decide what countries are entitled to the governance facility were further described in a note of the European Commission (European Commission, 2008a). Each year this facility would reward the countries that have made the most progress in reforming the political system to become more democratic and human rights oriented. This reward for the countries that have progressed the most would free up extra money for reforms for those countries that have the most goodwill and perspective to advance, whilst at the same time motivating other countries to prioritize their reforms (COM 726 final, 2006).

It was also decided to develop a new funding mechanism that would increase the impact of the ENP. It was concluded that the funding of the ENP was relatively limited in comparison with its goals. In order to leverage the impact of the funds, it was decided to start a Neighbourhood Investment Facility (NIF) through the EIB. The ENP funding, combined with voluntary country contributions, can be used as a loan guarantee that would enable the EIB to invest a multiple of this amount in projects in the ENP countries (COM 774, 2007).

Finally the ENP launched InterRegional Programme (IRP) in 2007. This programme would fund all projects that have an interregional character. In the strategy paper of this programme, it was decided among other things to extend the TAIEX thematic programme to all ENP countries, in order to speed up the implementation of reforms. It was further decided to implement a specific scholarship programme for the ENP countries within the Erasmus Mundus programme, because experience with earlier student mobility programmes have shown the effectiveness of those programmes for furthering cooperation (European Commission a1).

In 2008 and 2009 few structural reforms on an interregional level were initiated, most notably the extension of SIGMA, Support for Improvement in Governance and Management, to nine of the ENP countries in 2008 (Website Sigma). Many of the changes proposed in the 2007 evaluation

were implemented. Initial studies were done for the viability of DCFTA's in Georgia, Armenia, and Ukraine, enhanced visa agreements were implemented with Ukraine and Moldova, and discussions for further trade liberalisations were executed with Egypt, Israel, Morocco and Tunisia. A conflict between Russia and Georgia suggested that ENP's capacity of resolving existing territorial disputes is still limited. However, the EU did support the cease-fire process and immediately continued further reform negotiations with Georgia. Overall, as in previous years, most progress was made in trade and economic reform, and politically little to no reform was visible (COM 188/3, 2009; COM 207, 2010). The details of these and other important events are further discussed in the country overviews of section 5.4.

The political turmoil in the spring and summer of 2011 took the European Commission by surprise. One of the primary goals of the ENP was political reform, but all yearly evaluations suggested that the ENP was largely ineffectual in reaching this goal. The drastic political shifts that were not related to any ENP policy in the Middle East underscored the weakness of the political dimensions of the ENP. This could explain why the communication that should review the implementation of the ENP on interregional level in 2010 is completely focused on the political turmoil in the spring of 2011 in the Mediterranean area, and does not give information about the implementation of the ENP in 2010 at all (SEC 638, 2011). Together with the communication: "*A New Response to a Changing Neighbourhood A review of European Neighbourhood Policy*" (COM 303, 2011) it gives an analysis of the primary weaknesses in the ENP in effecting political change, and suggests some immediate policy responses and structural changes to the ENP.

Some of the direct policy responses included increasing the investment mandate of the EIB in the southern ENP countries by 1 billion euros, and proposing that the EBRD would also open up its lending facilities to the southern ENP countries. Further, the indicative programmes of the countries where political unrest erupted were screened, and adjustments were made to projects that could not or should not be carried out. A humanitarian mission was launched for the affected countries. A later military intervention in Libya was carried out through the EDSP, so the ENP does not have documents relating to this intervention (SEC 638, 2011).

A number of more structural changes were also proposed. In order to further incentivize reform, it was proposed that for future funding rounds the level of funding for a country would depend on the level of reforms that had been carried out in the years before. The European Commission also invented the term Deep Democracy as a goal for future reforms. Deep Democracy goes beyond elections and includes strong provisions for free press, an independent judiciary, strong systems in place to fight corruption, and democratic control over armed forces. In order to promote deep

democracy a European Endowment for Democracy was launched, which would yearly reward an organization or institution that has done the most to enable democratic reform. Finally, a dedicated Civil Society Facility would be launched to strengthen the civil society in ENP countries (COM 303, 2011). In order to support these ambitious steps, it was proposed that the funding in the ENPI in the 2014-2020 would be increased with over 40 per cent to 16.1 billion euros (ENPI Info Centre, 2011b).

A final 2011 report focused on the way in which the economic incentives in the form of enhanced relations could become more tangible for ENP countries and therefore more effective in instating reforms. Previous evaluations criticized the vague and undefined pathway of reforms that countries need to traverse before they can even start negotiations on enhanced relations. In this report a clear pathway is defined which countries need to work through in order to become eligible for DCFTA's, ACAA's, and other enhanced trade agreements (SEC 650, 2011).

It is not clear yet to what extent these proposed reforms will be implemented. The exact institutional structure for the European Endowment for Democracy for instance has not yet been further elaborated upon, and it is not clear how this endowment complements the existing governance facility. The details for the Civil Society Facility are likewise scant. It is to be expected that in the months following the publication of this deliverable more light will be shed on these issues by the European Commission.

5.2 Eastern Regional Programme

When the ENP was launched in 2004, few regional programmes existed for the eastern ENP countries and Russia. The TACIS programme gave technical support for the transition of CIS countries to market economies, but no integrated regional efforts existed. The implementation of the ENP changed this state of affairs drastically. The eastern countries suddenly experienced a strong upsurge of EU support on both a bilateral and regional level (COM 726, 2006).

Because the EU imports a lot of oil and gas from eastern ENP countries, it is not surprising that energy policy is at the heart of the most important regional programmes launched from within the ENP. In 2004, the Baku initiative was launched with a meeting which included representatives from the Eastern ENP countries, Russia, and 5 central Asian countries. This initiative has the goal of unifying the energy markets of the EU and the other participating countries through the harmonization of environmental, safety and efficiency standards, and a gradual liberalization of the energy markets. A 2006 meeting reaffirmed the goals as set out in the 2004 meeting (European Commission, 2006c). Although elements of the roadmap developed in this meeting were adopted by Inogate, the organization that manages energy cooperation of the EU (Inogate, 2010), and by

national indicative programmes, the Baku initiative as a regional cooperation programme did not receive further attention within the ENP.

The second eastern regional policy initiative launched from within the ENP was the Black Sea Synergy (BSS) in 2007. This regional platform tries to form a basis for resolution of common problems suffered by the countries around the Black Sea in the areas of environment, transport, and energy. Since it is recognized that the existing institutional structures are already active in these areas, the main purpose of the initiative would be to: *“focus political attention at the regional level and invigorate ongoing cooperation processes. The primary task of Black Sea Synergy would therefore be the development of cooperation within the Black Sea region and also between the region as a whole and the European Union”* (COM 160 final, 2007). The initiative thus uses the existing institutional structures but focuses attention on the black sea region. Two main initiatives have followed from this initiative: the Black Sea Environmental programme, which tries to focus environmental policies of national governments and of the ENP on regional environmental problems (European Commission, 2011v), and the Black Sea Research Network, which tries to focus attention on the regional research infrastructure using the Framework Programme of the European Research Area (ERA) (BlackSeaScene, 2011). However, the BSS as overarching policy is receiving limited attention, because the commission has only reviewed its activities once, in 2008 (COM 391 final, 2008).

This lack of attention could stem from the high-profile launch of the Eastern Partnership (EP) in 2009, as yet another regional partnership. A total of 350 million euros was pledged above the funds already available for eastern regional cooperation, which might have contributed to the rapid institutional development of this initiative. New elements in this policy are Comprehensive Institution Building programmes (CIB's) which try to create synergy between TAIEX, SIGMA and twinning programmes to maximize reform potential, and an eastern civil society forum which enables regional civil society cooperation. As of yet the European Commission has not systematically reviewed the progress of the EP, but reports of the minister of foreign affairs meetings suggest that the EP lacks focus and clearly measurable results (European Commission, 2010b).

Although the individual country reports will show that some eastern ENP countries have made considerable progress in reforms, overall the evidence for the effects of regional collaborations is weak.

5.3 Southern Regional Programme

The EU has a long history of close collaboration with the southern ENP countries. The first formal regional collaboration, the Euromed collaboration, was launched during the Barcelona process in 1995. This process started negotiations for trade reforms within the area and culminated in the signing of FTA's by the participating countries. These FTA's would gradually lower the tariff barriers on industrial products and some agricultural products over a period of 12 years. The collaboration also supported political reforms and social and cultural partnership, although the evidence for the success of these collaborations was weaker (European Commission, 2007c1).

With the launch of the ENP, the Barcelona process and the Euromed collaboration were kept intact. They became the regional cooperation structures of the ENP, whilst further bilateral collaboration was developed separately through the ENP. A 2005 summit reaffirmed the importance of the Euromed collaboration for regional cooperation and development, and set out a five-year plan in which further economic integration and political cooperation were central (EEAS, 2011b).

For the European commission security and control over migration flows are also a very important topic of collaboration. Because the majority of illegal migrants enter the EU in the Southern member states, and many ENP countries are transit countries for illegal migration from Sub-Saharan Africa, the commission emphasized the importance of initiatives to control these flows. Core goal in these policies is the control of illegal migration through readmission agreements with neighbouring countries, whilst at the same time reducing the barriers for legal migration through visa facilitation agreements (European Commission, 2007c1).

Because regional evaluations showed that progress on most contentious issues was weak at best, it was decided in 2008 that the regional cooperation needed to be revitalized. This revitalized programme would first be called the Barcelona Process: Union for the Mediterranean, and was later renamed: Union for the Mediterranean (UfM). The UfM is a regional initiative that incorporates the southern ENP countries, the accession countries Turkey and Croatia, and the Balkan countries. The UfM did not get extra access to funding, but it would be completely dependent on the existing southern regional programme funding of the ENP. The UfM did introduce new institutional structures by creating a new dedicated institution specifically to enhance regional cooperation. The UfM has a European president and a president from one of the partner countries, who are chosen every 2 years. The UfM also has a secretariat, a number of thematic working groups, and it would meet bi-annually. These meetings are meant to re-focus attention on regional development issues (UfM, 2011).

The progress of the UfM has not yet been formally reviewed by the commission, but it is telling that in the most recent ENP strategy report suggested that the UfM should be revitalized (COM 303, 2011), which suggests that in the first three years the UfM has affected relatively little change. The general evaluation of the effectivity of the ENP also devotes relatively little attention to the UfM, and only describes the institutional structures that have been implemented due to the UfM. However, it does note that the bi-annual general summits that were supposed to take place in 2010 were postponed twice, which further strengthens the suggestion that the UfM has relatively low effectiveness (SEC 880 final, 2011). Finally, a main goal of the UfM was to support regionally relevant projects. An overview of the projects initiated through the UfM can be found on the website (website UfM, 2011). This list shows that the first project that was supported through the UfM was launched in June 2011, the construction of a desalination plant in the Gaza Strip in the Occupied Palestinian territories. The two other projects that have been initiated subsequently are relatively minor, which also suggest that the UfM as of now has not significantly influenced regional policy in the southern ENP countries.

The IEMed institute, as mentioned in working paper 1.2, has done a more detailed analysis of the policy measures as proposed and carried out through the Euro-Mediterranean partnership and the UfM. Details about the progress in collaboration and reforms can be found in Lannon and Martin (2009), and details about the economic and financial dimensions of this regional collaboration can be found in Lannon (2010).

5.4 Bilateral Policy programmes

The bulk of the ENP is bilateral. The EU strives for a differentiated policy in which each country is supported to reform in its own speed, and with its own priorities. In order to achieve such a differentiated bilateral policy, it is necessary to have independent policy objectives for each partner country. That is why, after the launch of the ENP, the European Commission drafted a range of country reports that described the state of different institutions and sectors within the different countries, and the gap between the respective countries and the EU. Based on these country reports action plans were negotiated that describe key priority areas for policy reforms. The first action plans were mutually recognized in February 2005. Based on these action plans, the EU has also drafted a strategy paper for almost each country for the 2007-2013 budget framework, and indicative programmes for the 2007-2010 and 2011-2013 period. Finally, the commission yearly evaluates the policy and publishes a progress report (SEC 1512/2, 2005).

The nature of these documents precludes a simple summary. Most action plans have a list of eight to ten key priority areas, and for each priority area list an extensive range of preferred reforms. The progress reports are similarly wide-ranging and extensive. For this deliverable, key focus will

be on policies that are relevant for the further SEARCH project. The ENP has a strong focus on human rights and democracy reforms, but the SEARCH project is mostly focused on trade, the economy, research and education, and labour migration. In this overview the human rights and democracy reforms will only be discussed in case they are relevant to understand the progress of other reforms relevant for the SEARCH project, but overall the progress in democracy and human rights reforms has been much weaker than progress in economic reforms. This report will mention the most important agreements and policies that relate to these elements, but for the sake of brevity will gloss over the details. More in-depth information can be found in the referred communications. The ENP was launched in 2004 and the first action plans were adopted in 2005. However, funding for reforms in the 2005-2006 period was already decided upon earlier, and based on a range of different earlier funding instruments. Because the ENPI was instated in 2007, and ENP strategy papers were developed for the 2007-2013 funding period, this document will limit itself to reforms from 2007 onwards.

The ENP and the EU-Russia strategic partnership cover 17 countries. The EU does not yet have action plans for four of these countries, due to various reasons. Libya, Syria, and Belarus do not have action plans yet because the EU demands that a basic level of democracy and human rights is available in these countries before incorporation in the ENP can take place. As a result, the ENP does not have any activity in these countries. The EU has kept a close watch on the humanitarian situation in Belarus, and has commissioned an indicative programme for the 2007-2011 period and for the 2012-2013 period, but because the commission has not detected significant progress, no formal planning documents have been signed and these documents have not been implemented. The severe political turmoil in Libya and the armed intervention by the EU have shifted the focus of EU policy towards Libya, which is mainly governed by the European Defense and Security Policy, and the development Policy. Up to 2012 the commission has not authored reports that specifically discuss the role of the ENP post-conflict. The commission has not authored a report on the ENP and Syria in light of the sharply deteriorated situation either.

Algeria and the EU are still in negotiations over the ratification of an action plan, but in the meanwhile they have signed a roadmap with five key priorities on the basis of which the EU has developed its strategy paper and indicative programmes. Finally Russia has a strategic partnership with the EU that is substantively similar to the ENP and therefore is discussed in this report. Libya, Syria and Belarus will not be further discussed, but Russia and Algeria will be discussed in the following country reports.

5.4.1 Algeria

In 2005 Algeria signed an Association Agreement (AA) with the EU under the Barcelona Process. This AA became the basis for further contractual ties between Algeria and the EU, and among others established an FTA that would gradually phase out tariff barriers on a range of industrial and selected agricultural products over a twelve year period (European Commission, 2007e1). With the signature of an AA Algeria became eligible for the ENP. However, the negotiations on a commonly agreed action plan stalled, and up to date no mutually agreed action plan has been signed. In order to still be eligible for ENPI funding, Algeria proposed an intermediate roadmap agreement. The core goal of this roadmap was to ensure the implementation of the AA. The EU agreed to base initial funding on this roadmap, and in 2008 this roadmap was ratified by both the EU and Algeria (ENPI Info Centre, 2011a).

In the 2007-2010 indicative programme, 220 million euros was reserved for bilateral programmes between Algeria and the EU, on average 55 million a year (table 4). Because of the unusual set-up of the contact between Algeria and the EU, no yearly progress reports were published by the European Commission. The European Union did however develop a new indicative programme for the 2011-2013 period, in which the 2007-2010 period was briefly discussed. The overall conclusion was that implementation of projects worked in a satisfactory manner. Although most projects relied solely on technical support through TAIEX, and there were some problems with the absorptive capacity of projects, the overall pay-out rate for projects was relatively high. It was also noted that collaboration on projects did not only occur through the central government, but that local parties were also engaged in reform programmes. No specific mention was made of FTAs or other special programmes that were signed in the 2007-2010 period (European Commission, 2011e).

In the 2011-2013 period a number of projects will be supported that strive for a range of development goals. The most major reform which is strived for is a new agreement on migration flows. The EU wants Algeria to sign a re-admission agreement, but for Algeria signing such an agreement is inextricably linked with the facilitation of visas for its citizens who want to travel to the EU legally. The negotiations for enhanced migration agreements should have started in 2011. Overall, the funding envelope for the 2011-2013 period was increased by 4.2 percent per year (European Commission, 2007e1). The break-down of funding according to focus areas that are relevant for the SEARCH project, is described in table 4.

Table 4: ENPI indicated budget for Algeria bilateral programmes (million euros)

Priority Area	2007-2010	2011-2013
Various Economic reforms	65	88
Labour market reforms	24	x
Education reforms	30	x
support implementation AA	24	30
Other	77	54
Total per year	55	57.3

Sources: (European Commission, 2007e2; European Commission, 2011e)

5.4.2 Armenia

Armenia was part of the second wave of countries that became member of the ENP. The European Commission wanted to support the substantive economic reforms that had been realized before, and wanted to stimulate further political reforms. In June 2004 the commission officially affirmed the decision that Armenia should become member of the ENP (COM 72 final, 2005). The further policy process occurred relatively swiftly, with the ratification of the action plan in November 2006, and the development of a strategy paper and indicative programme in 2007 (Sources: (European Commission, 2007e1). The funding in the 2007-2010 period was relatively modest, with 24.6 million euros a year reserved for reforms (table 5). In this period, Armenia has made significant reform steps, especially in the area of economic and trade liberalization. The most important reforms and agreements in this area will be discussed.

In 2007, Armenia applied for the GSP+ scheme, which extends the trade preferences of the GSP. This started a review process on the possibilities for this action. Further, Armenia signed readmission agreements with several separate EU countries in order to become eligible in the future for negotiations on visa facilitation. Finally, in the area of education integration with EU programmes like Tempus and ERA remained limited (SEC 392, 2008).

In 2008 political ties were further enhanced when a formal EU delegation was instated in Yerevan, the capital of Armenia. It was decided that Armenia could partake in the GSP+ programme in the 2009-2011 period, and a study was done on the possibility of a DCFTA with Armenia, which concluded that significant steps were still needed before negotiations could start on a DCFTA. Social unrest after contested elections in 2008 was curbed violently by the government, which led to condemnations of the EU. However, Armenia quickly promised reforms and no severe repercussions followed. Armenia adopted new migration legislation which is more harmonized with EU standards as a second step towards visa facilitation agreements (SEC 511/2, 2009).

The economic downturn led to a significant contraction of the economy in 2009, which led to a slow-down of reforms. Limited progress was made towards meeting the entry requirements for signing a DCFTA, but there was improvement in the educational sector, with an uptake of the usage of the TEMPUS programme, more active participation in the framework programmes, and a strong increase in student mobility due to adoption of the Erasmus Mundus programme for ENP countries (SEC 516, 2010).

Negotiations for an enhanced AA started in July 2010, with provisions for the implementation of a DCFTA. Although economically Armenia stabilized with a drop in unemployment and a stabilizing of GDP levels, reforms were still slow-paced due to the strong contraction suffered in 2009. Armenia did make a significant step for a DCFTA by becoming a member of RAPEX, the rapid alert system for food and phyto-sanitary issues. This is an important step towards signing a DCFTA (SEC 639 2011).

Because the EU wanted to reward the steps that Armenia took in reforms and support further political reforms in the country, the funding envelope for Armenia was more than doubled in the 2011-2013 period. This enhanced funding would support Armenia in realizing the more ambitious goals of the enhanced AA for which negotiations are now pending (European Commission, 2011e).

Table 5: ENPI indicated budget for Armenia bilateral programmes (million euros)

Priority Area	2007-2010	2011-2013
Democratic and governance reforms	29.5	47-55
Regulatory and Administrative Capacity reforms, trade and investment	29.5	31-39
Poverty Reduction efforts	39.4	x
Socio-economic reforms and development	x	63-71
Total per year	24.6	52.3

Sources: (European Commission, 2007f2; European Commission, 2011f)

5.4.3 Azerbaijan

Azerbaijan was part of the second wave of countries that became member of the ENP. The European Commission wanted to support the slow reforms towards a democratic market economy, and wanted to stimulate further political reforms. In June 2004 the commission officially affirmed the decision that Azerbaijan should become member of the ENP (COM 72 final, 2005). The further policy process occurred relatively swiftly, with the ratification of the action plan in November 2006, and the development of a strategy paper and indicative programme in 2007

(European Commission, 2007g1). The funding for the 2007-2010 period was relatively modest, with 23.5 million euros a year (table 6).

In 2007 and 2008, relatively little to no progress was made in Azerbaijan with respect to the goals as set out in the action plan. Azerbaijan did implement a range of reforms which made it a top reformer for the ease of doing business according to the World Bank; however, these reforms were not made with the goal of harmonizing regulations with the EU. Azerbaijan did take a leading role in the Baku process on energy and Transport, which underscored its central role as both a producer and transit country of oil and gas. Azerbaijan also implemented a new education law which is broadly harmonized with the principles of the Bologna process in 2008, and student mobility increased drastically due to a special programme (SEC 391, 2008; SEC 512/2, 2009).

In 2009, the tremendous GDP growth over the previous years enabled Azerbaijan to increase its spending in socio-economic areas. This increased attention for socio-economic priorities is in line with the ENP. However, further reforms have been weak. In 2010 a continuation of this trend was apparent. Overall, Azerbaijan has seen strong economic growth and has carried out limited socio-economic reforms, but it has made little progress in harmonizing legislation. Notably, in the 2007-2010 period, no progress was made to enable Azerbaijan's accession to the WTO (SEC 519, 2010; SEC 640, 2011).

That is why in the 2011-2013 indicative budget a strong focus was put on implementing the goals of the ENP action plan. The yearly budget increased significantly in order to create stronger reform incentives. Finally, the EU decided to start negotiations on an enhanced AA, in which provisions would also be adopted for the implementation of a DCFTA. However, this DCFTA will only be implemented after the necessary reforms, most importantly the accession to the WTO (European Commission, 2011g).

Table 6: ENPI indicated budget for Azerbaijan bilateral programmes (million euros)

Priority Area	2007-2010	2011-2013
Democratic and governance reforms	30	30.5-37
Socio-economic reforms, regulatory approximation and administrative capacity reforms building	32	43-49
Legislative and economic reforms for transport, energy and environment	32	x
Implementation of ENP action plan	x	37-43
Total per year	23.5	40.8

Sources: (European Commission, 2007g2; European Commission, 2011g).

5.4.4 Egypt

Under the Barcelona process, Egypt signed an AA in 2004 which had provisions for an FTA. This FTA would gradually phase out tariff barriers on industrial products and a range of agricultural products over a 12 year period. The adoption of an action plan under the ENP commenced in March 2007 (European Commission, 2007h1). The 2007-2010 indicative programme shows that the EU supports Egypt with significant funding of almost 140 million euros per year (table 7). A limited amount of funding was made available for democratic and human rights reforms, less than 10 per cent. The rest of the funding is focused on projects that should enable socio-economic reforms or legislative harmonization (table 7).

Even though Egypt only ratified its action plan in March 2007, it got off to a quick start by making significant policy reforms in its first year. It made reforms to its customs and tariff regime, and significantly cut down on the bureaucratic procedures needed to start new businesses. 120 million euros was used to support ambitious educational reforms, and another 110 million euros was used to reinforce the primary health care services. Discussions were opened for an enhanced liberalization of trade in specific goods, beyond the already existing FTA between the EU and Egypt (SEC 395, 2008).

In 2008 the social and economic reforms continued at a steady pace, especially in fiscal and monetary policies. Basel II principles for banking supervision were adopted, and specific economic courts were instated for conflict resolution. However, reforms in the political and judicial sphere were weak. Egypt did specifically file a request for enhancement of its relations with the EU, suggesting the importance of the ENP for Egypt (SEC 523/2, 2009).

In 2009 the negotiations on enhanced liberalization of bilateral trade were concluded with the ratification of an agreement on free trade in agricultural, processed agricultural, fish and fishery products. This agreement entered force in June 2010. Egypt was very active in both research and education, and had the largest share of framework projects and exchange students in the southern ENP countries (SEC 517, 2010). In 2010 Egypt continued the general course of previous years by mainly focusing on economic reforms and neglecting political reforms. The EU continued its strong financial support of education and health services in the country, and technical support for legislative reforms. However, talks on the liberalization of trade in services stalled (SEC 647, 2011).

Because Egypt demonstrated the capacity to effectively absorb funding in the 2007-2010 period, and because Egypt has made significant progress in economic reforms, the EU decided to increase the yearly funding envelope of Egypt by 5.4 per cent (European Commission, 2011h).

Table 7: ENPI indicated budget for Egypt bilateral programmes (million euros)

Priority Area	2007-2010	2011-2013
Democratic, human rights, and justice reforms	40	49.9
Implementation Action Plan for trade and economic reforms	220	189.6
Legislative reforms of education, health and investment in transport, energy, environment	298	209.8
Total per year	139.5	149.8

Sources: (European Commission, 2007h2; European Commission, 2011h).

5.4.5 Georgia

Georgia was part of the second wave of countries that became member of the ENP, because the European Commission wanted to further strengthen the economic integration of Georgia with the EU and support political reforms in Georgia. In June 2004 the commission officially affirmed the decision that Azerbaijan should become member of the ENP (COM 72 final, 2005). The further policy process occurred relatively swiftly, with the ratification of the action plan in November 2006, and the development of a strategy paper and indicative programme in 2007 (European Commission, 2007i1). In the 2007-2010 period 31.1 million euros a year was reserved for support of internal reforms (table 8).

In 2007, the EU started a feasibility study in order to investigate the possibilities for an FTA with Georgia. Georgia was successful in reforming its tax regime and customs administration, which increased state revenues significantly. Further, the business climate was significantly improved

with a further reduction of the regulatory burden. In the area of migration, the first three readmission agreements were signed with members countries of the EU. In the beginning of 2008, Georgia further consolidated its reforms by significantly improving the customs code and harmonizing it with EU regulations. As a result, the EU sent a mission investigating the possibility of closing a DCFTA with Georgia. It was also decided that Georgia would be eligible for the GSP+ scheme in 2009-2011. Based on Georgia's progress on migration issues, it was decided to open negotiations for visa facilitation agreements. Finally, Russia and Georgia had an armed conflict in August 2008, which resulted in a displacement of 192,000 people, hundreds dead, and a lot of damage. The EU supported Georgia through efforts of finding a diplomatic resolution of the conflict and by supporting reconstruction efforts with a special fund of up to 500 million euros (SEC 393, 2008; SEC 513/2, 2009)

In 2009 a strong focus was put on reconstruction and stabilization of the economy after the armed conflict with Russia in 2008. However, reforms have still continued. Negotiations for a mobility pact with a visa facilitation and readmission agreement were concluded in November 2009, and Georgia made strong progress in realizing the reforms needed to start talks for a DCFTA. Georgia also stepped up its efforts to partake in the Erasmus Mundus mobility scheme, and enhanced its participation in the framework programme for research. In 2010 talks were started to launch an enhanced AA, in which a DCFTA would play a central role. Further progress was made towards the reforms needed to start talks for a DCFTA. The International Labour Organization did note with concern that core elements of labour conventions were not being complied by Georgia, and suggested that the preferences under GSP+ might have to be retracted if Georgia did not step up compliance (SEC 518, 2010; SEC 649, 2011).

In order to support the strong economic and regulatory reforms made by Georgia, and in order to incentivize the somewhat weaker political reforms, the yearly allocation to Georgia has been almost doubled in the 2011-2013 period (Table 8).

Table 8: ENPI indicated budget for Georgia bilateral programmes (million euros)

Priority Area	2007-2010	2011-2013
Democratic, governance, and justice reforms	31.5	45-63
Implementation Action Plan for trade and economic reforms	31.5	27-45
Poverty reduction and social reforms	38.4	63-81
Settlement of internal conflicts	19	9-18
Total per year	31.1	60.1

Sources: (European Commission, 2007i2; European Commission, 2011i).

5.4.6 Israel

Israel is a long-standing partner who had extensive ties with the EU even before the ENP launched. Israel signed an FTA under the Barcelona process in 2000, phasing out tariffs on industrial products and selected agricultural products in 12 years. An enhanced agreement was signed in 2004, further deepening the liberalization of trade in agricultural products. After the adoption of an action plan in April 2005, Israel has had an active uptake of the possibilities offered by the ENP (European Commission, 2007j1). Because Israel is an advanced economy, the ENP does not reserve significant funds for project support, but a small amount of 2 million euros is reserved each year for twinning programmes and other forms of collaboration in the 2007-2013 period Sources: (European Commission, 2007e2; European Commission, 2011e).

In 2007, investigations began for the possibility of a special status for Israel in the ENP. This special status would enable a deeper integration of Israel in important EU programmes. Israel was a very active collaborator in research and education. The Framework programme accepted 267 Israeli research projects worth over 51 million euros, and the number of students partaking in the Erasmus Mundus programme increased with 70 percent. Negotiations on further liberalization of agricultural and fishery products continued, and the decision was made to start negotiations on liberalization of trade in services (SEC 394, 2008).

In 2008, reforms continued to enable further economic integration between Israel and the EU. Negotiations on enhanced liberalization of agricultural and fishery products were successfully concluded, and a horizontal air transport agreement was closed which harmonizes Israel's air service agreements with the EU with EC law. Also, negotiations were launched for even more extensive aviation agreements which would highly converge aviation regulations and gradually open up the aviation market between Israel and the EU. Finally, negotiations were started on an ACAA in pharmaceutical products. Together, these reforms constituted a significant step towards market integration between the EU and Israel. Finally, after a six month truce with Hamas, Israel started armed operation in the Gaza strip in December 2008. Although the EU deplored the loss of life and possible human right violations during this conflict, negotiations for trade liberalization were not suspended (SEC 526/2, 2009).

In 2009 and 2010, the negotiations that were initiated in 2008 continued, but no new initiatives were launched. In 2010 negotiations on the ACAA in pharmaceuticals was concluded and a new agreement entered force, which was Israel's first entrance to the single market. Israel continued to be an active user of the programmes open to ENP countries, notably the Framework programme, TEMPUS and Erasmus Mundus. Negotiations on an enhanced agreement with Israel, as initiated in 2007, stalled because the EU condemned the policies adopted towards the Gaza strip after the

2008 armed conflict which severely disrupt flows of goods and negatively affect the human rights situation of the people in the Gaza strip. In stead, the EU opted to explore the possibilities offered within the existing AA, and by mutual agreement extended the validity of the AA. This means that for the 2011-2013 period, no substantive new policies were suggested (SEC 520, 2010; SEC 642, 2011).

5.4.7 Jordan

Under the Barcelona process, Jordan signed an AA in 2002 which had provisions for an FTA. This FTA would gradually phase out tariff barriers on industrial products and a range of agricultural products over a 12 year period. The adoption of an action plan under the ENP commenced in June 2005 Sources: (European Commission, 2007k1).The 2007-2010 indicative programme shows that the EU supports Jordan with funding of over 66 million euros per year (table 9). Again, little of the funding is focused on democratic and governance reforms, and the majority of funding is directed at economic development, socio-economic reforms or legislative harmonization (table 9).

In 2007, Jordan made progress in the areas of public finance management and financial sector reforms, and it reduced the regulatory burden for companies. At the same time, an ambitious drive was started to reform the education sector and make it universally available. For example, education was opened up to all Iraqi children in August 2007, regardless of their legal status. Finally, cooperation with the EU was especially strengthened in the area of energy by the signature of a joint declaration 2007. In 2008, progress on economic reforms continued, for instance by applying the Basel II regulations on banks, and reforms were introduced to reduce corruption. Two agreements were signed. The first agreement increased collaboration in the aviation sector, and the second agreement was meant to promote collaboration on research and education. Although Jordan's participation in the Framework programmes and Erasmus Mundus is relatively high, this agreement was meant to further boost progress in the area (SEC 396, 2008; SEC 517/2, 2009).

In 2009 and 2010, regulatory reforms continued at a steady pace, and several political and social reform goals were reached. On an economic level the most significant evolution was the signature of a comprehensive agreement which would gradually harmonize Jordan's legislation and standards with the EU and integrate Jordan into the common aviation area. In the end, this would remove all market restrictions between Jordan and the EU in the aviation sector on prices, routes and quotas. In order to support this gradual progress of Jordan in economic, political and social areas, Jordan was the first to conclude negotiations on an advanced status partnership. Based on this advanced status the negotiations for a new AA became much more ambitious and wide-ranging (SEC 525, 2010; SEC 648, 2011). As a result of the effective absorptive capacity of

Jordan during the 2007-2010 funding round, and the enhanced status of Jordan, funding was increased in the 2011-2013 funding period (table 9).

Table 9: ENPI indicated budget for Jordan bilateral programmes (million euros)

Priority Area	2007-2010	2011-2013
Democratic, governance, and justice reforms	17	45
Trade and investment, SME, and transport	78	40
Development of education, sanitation and environment	63	93
Institution building and regulatory approximation, supporting implementation Action plan	107	45
Total per year	66.25	74.3

Sources: (European Commission, 2007k2; European Commission, 2011k).

5.4.8 Lebanon

Under the Barcelona process, Lebanon signed an AA in 2002, which would enter into force in 2006, and open up the ENP for Lebanon. The AA had provisions for an FTA which would gradually phase out tariff barriers on industrial products and a range of agricultural products over a 12 year period. In 2005, after Syria withdrew its troops from Lebanon, general elections were held. The new government adopted a general reform strategy on the basis of which it wanted to appeal to international donors. The ENP action plan was developed so as to largely overlap with this reform strategy plan. Just after the adoption in May 2006 of the action plan, hostilities ensued between Lebanon and Israel, leading to a large-scale destruction, loss of life, and displacements within Lebanon. The 2007-2010 indicative programme for Lebanon reserves a limited funding envelope for recovery efforts, but mostly focuses on longer-term structural adjustments that would lead to more internal stability. The majority of support for the reconstruction of Lebanon will come from the international donor community and development cooperation funds (European Commission, 2007L1). The 2007-2010 indicative programme shows that the EU supports Lebanon with funding of almost 50 million euros per year (table 10). The majority of funding is equally divided between social and economic reforms, and reconstruction and recovery.

In 2007 the main priority of the government was directed at reconstruction and stabilization, due to the aftermath of the 2006 hostilities. However, Lebanon still managed to make progress on a range of structural reforms to improve the opening of markets and the business climate. A range of other reforms were agreed upon even if they were not carried out. Due to a political stalemate the legislative branch of government did not have the ability to adopt draft laws in 2008. This meant that there was a considerable slow-down in Lebanon's reform efforts (SEC 397, 2008; SEC 518/2,

2009). Even though a new government was sworn in in 2008, the legislative blockage continued into 2009 and 2010 due to tensions over the investigation of the assassination of former Prime Minister Rafiq Hariri and 22 other people, with very limited potential for the adoption of new legislation. However, negotiations did start on the adoption of an aviation agreement between Lebanon and the EU (SEC 522, 2010).

Even though the political stalemate in Lebanon precluded any meaningful reforms over the majority of the 2007-2010 period, the EU decided to slightly increase funding for Lebanon in the 2011-2013 period. Due to the progress in the reconstruction process and funding by other donors, the EU relocated a lot of the reconstruction funding to the support of social and economic reforms (table 10).

Table 10: ENPI indicated budget for Lebanon bilateral programmes (million euros)

Priority Area	2007-2010	2011-2013
Political reform	22	25
Social and economic reform	86	91
Reconstruction and recovery	79	34
Total per year	46.75	50

Sources: (European Commission, 2007L2; European Commission, 2011L).

5.4.9 Moldova

Moldova was one of the first countries to adopt an action plan under the ENP, in February 2005 (European Commission, 2007m1). Funding for reforms in Moldova amounted to little over 50 million euros per year in the 2007-2010 period (table 11). Contrary to most other countries, in Moldova less funding was directed to regulatory reforms than to democratic development or poverty reduction and economic growth. This is probably the case because Moldova has by far the lowest per capita GDP of the ENP countries.

In 2007, the main negotiations with Moldova were directed towards visa facilitation and readmission agreements for a comprehensive mobility partnership. This is particularly relevant for Moldova as a large percentage of its labour force works abroad in Romania or other countries in the EU, and facilitating their movement would have a direct tangible effect on their life. In January 2008 Moldova became the first country of the ENP to sign a mobility partnership, marking an important integration step. Because Moldova made important institutional improvements on the control and certification of origin of products, Moldova was also granted Autonomous Trade Preferences (SEC 399, 2008).

In 2008, the original action plan was extended, and research was started on the possibility of a future enhanced agreement, which would include a DCFTA. Further, significant progress was made on anti-corruption measures and customs services. Finally, negotiations were started for the accession of Moldova to the Energy Community Treaty, which foresees a gradual convergence of regulations and liberalization of energy trade (SEC 514/2, 2009).

In 2009, due to unrest after the elections and repressive measures by the government, significant human rights violations were recorded in Moldova. Nevertheless, Moldova saw steady further reforms in the areas of economy and migration. A new asylum law was adopted that approaches EU standards in March, and in December it was decided that a dialogue would be started to examine the possibilities of an enhanced mobility partnership that would culminate in visa-free travel. Finally, the feasibility study on a DCFTA was finalized and it concluded that whilst it would be beneficial to Moldova, significant regulatory harmonization would have to occur before a DCFTA could be implemented. Moldova significantly increased its involvement in European research by increasing its participation in the framework programme (SEC 523, 2010).

In 2010, economic reforms of the business and investment climate were limited, due to the strong focus on structural reforms needed to weather the effects of the 2008 economic crisis, and limited availability of resources for other reforms. The investigation into an enhanced mobility partnership was concluded, and it was decided that negotiations for such an agreement would start in January 2011 (SEC 643, 2011).

In the 2011-2013 indicative programme funding increased significantly, reflecting the desire of the EU to deepen cooperation with Moldova and to consolidate and build on reforms that have been carried out. The thematic priorities have been redefined in the new funding period. Additionally, 15 per cent of the total funding has been earmarked for peacebuilding projects, within the three priority areas (European Commission, 2011m).

Table 11: ENPI indicated budget for Moldova bilateral programmes (million euros)

Priority Area	2007-2010	2011-2013
Democratic development and good governance	52.4-73.4	95.5-109.3
Regulatory reform and administrative capacity building	31.5-41.9	x
Poverty reduction and economic growth	83.9-125.8	x
Social and human development	x	68.3-81.9
Trade and sustainable development	x	95.5-109.3
Total per year	52.4	91

Sources: (European Commission, 2007m2; European Commission, 2011m).

5.4.10 Morocco

Morocco has since long had strong relations with the EU, and in 2000 it has signed an AA which among others ratified an FTA which would gradually phase out tariff barriers on industrial products and a range of agricultural products over a 12 year period. It is therefore unsurprising that it was among the first southern ENP countries to adopt an action plan (European Commission, 2007n1). Funding in the 2007-2010 period was significant and ambitious, with 163.5 million euros per year (table 12). This reflects the advanced relations Morocco and the EU enjoy, and the ambitions of the ENP. The two main focus points in the 2007-2010 funding period were social development and economic support of agriculture, transport and energy.

In 2007, negotiations between Morocco and the EU have covered a rather large range of subjects, thus witnessing the solidity of existing relations as well as the strong willingness of both actors to reinforce cooperation. Further steps towards a more democratic political system have been registered in terms of enhanced transparency of political elections. Negotiations with the EU have also started with respect to security, illegal immigration and human rights protection. Furthermore, energy has been at the core of cooperation in the 2007, with the aim to integrate Moroccan energy sector in the European one. Indeed, Morocco is a fundamental actor in the energy policy of the EU due to the relevant geographical position of the African country for natural gas provision to Europe. Some other reforms have been realized in Morocco with the support of the cooperation of the EU, notably in areas such as air traffic, fisheries, poverty reduction, privatization of transports and fiscal system modernization (SEC 398, 2008).

2008 has been a remarkable year for cooperation between Morocco and the EU, as it has been declared by the EU Commissioner for External Relations and the ENP. Democratic transition has

been furthered, with the adoption of strategies aimed at alleviating gender disparities, at the reinforcement of local governance and for the reduction of corruption. Negotiations related to the liberalization of services, agricultural products and fisheries have notably progressed. Moreover, a relevant agreement of cooperation has been signed between Moroccan authorities and the European Patent Office (EPO) in October. Some other reforms have been realized in education, with the adoption of policies for the alphabetization of population, and in the health sector, with the instauration of compulsory insurance (SEC 520/2, 2009).

In 2009, a Joint Parliamentary Commission between Moroccan and European Parliaments has been created. With respect to the political system, some changes in the legal electoral system have supported the ongoing process of the democratization. In this same year, cooperation has initiated between Morocco and the Council of Europe. In August, the reform of justice has been strongly encouraged by the King. Finally, in terms of external relations, the national agency for investment has been created in this year with the aim of attracting foreign investors in Morocco (SEC 521, 2010).

In 2010, a commission for regionalization has been launched with the objective of analyzing the directions for a Moroccan model of decentralization of powers. In terms of democratization, some restrictions to press and manifestation freedom have been reported in this year. As such, this certainly represents an area where cooperation needs to be reinforced. Successful reforms in 2010 include that of the modernization border duties and the alignment of Moroccan standards for sanitary and phyto-sanitary measures to European rules. Finally some improvements have been registered with respect to the reform of the education system. However, most reforms did not progress much during this year (SEC 651, 2011).

Table 12: ENPI indicated budget for Morocco bilateral programmes (million euros)

Priority Area	2007-2010	2011-2013
Social development	296	115-120.3
Governance and human rights	28	85-90
Institutional support and action plan implementation	40	230-235
Economic support agriculture, transport, energy	240	68.3-81.9
Environment	50	85-90
Total per year	163.5	193.5

Sources: (European Commission, 2007n2; European Commission, 2011n).

5.4.11 Occupied Palestinian territories.

The Palestinian Authority (PA) and the EU first entered into contractual relations after the PLO signed an interim AA on behalf of the PA. A first action plan was adopted in May 2005, but due to the political situation in the occupied territories no progress was made in the bilateral cooperation in 2006 and 2007. The PA does not have its own indicative programme because the PA does not have full control over its territories, but the EU gives substantive funding to the PA through a range of different instruments, like the DCI and the EIDHR. The PA does receive some funding from the regional and cross-border tranches of the ENPI, but this funding is for projects that are not confined to the PA (SEC 400, 2008; SEC 519/2, 2009).

Up to the first half of 2007 the EU did not have substantive relations with the PA, which meant that progress in the ENP was frozen. After the first half of 2007, normal relations resumed and the first institutional structures for implementing ENP reforms were formed. In 2008 some progress was made because the Palestinian reform and development plan, also used to attract foreign donors, was partially implemented. However, progress was hampered by the continuing split between the West Bank and the Gaza strip, and the lack of authority of the PA in the Gaza strip. Towards the end of 2008 an armed conflict between Israel and the PA led to a collapse of any reforms, as more than half of the legislative body was incarcerated in Israel (SEC 400, 2008; SEC 519/2, 2009).

In 2009 and 2010, the PA focused on reconstruction after the devastating human and economic impact of the armed conflict in the beginning of the year. Again, progress on institutional and economic reforms was hampered by the lack of control of the PA over the occupied Palestinian territories. The ENP was mainly focused on supporting efforts of the PA to develop the Palestinian National Plan 2011-2013 which calls for a two-state solution in which the PA would regain full sovereign control over the occupied Palestinian territories. It decided in 2010 that the Palestinian National Plan would form the basis of a new Action Plan, to be developed in 2011 (SEC 515, 2010; SEC 644, 2011).

5.4.12 Russia

After the launch of the ENP, Russia and the EU negotiated that a separate policy instrument would be developed to support EU-Russia collaboration during a summit in St. Petersburg. This policy would be called the EU-Russia Strategic Partnership and would consist of four common spaces: the common economic space; the common space of freedom, security and justice; the common space of external security; and the common space of research and education. For each of these common spaces a roadmap was developed that set out a plan for cooperation. During the Moscow Summit in May 2005 these roadmaps were agreed upon, and for the 2007-2010 period 30 million

euros a year was reserved for the policy. This funding is sourced from the ENPI, and the four common spaces have similar substantive goals as the action plans of the ENP countries, striving for economic integration, political collaboration, and cooperation on themes like energy or research and education. 80 to 90 per cent of the funding was reserved for the realization of the four common spaces, and 10 to 20 per cent was reserved for further development of the Kaliningrad-Oblast region, as it is completely surrounded by EU countries (European Commission 2007o2).

In 2007, a mobility partnership was concluded with Russia which consists of both visa facilitation and readmission agreements, and a dialogue was launched to explore opportunities for more extensive visa agreements. Also, Russia agreed to co-fund a range of cross-border cooperation projects of the ENP that involve EU countries and a number of eastern ENP countries, contributing up to 122 million euros above the 307 million euros already pledged by the ENPI. Further progress was limited. Some economic reforms were agreed upon in principle, like the reduction of Siberia overflight fees, but were not implemented yet. Negotiations were launched for the possibility of a range of enhanced roadmaps, extending cooperation for future years (European Commission, 2008b).

In 2008, relations between Russia and the EU deteriorated due to two main reasons. Firstly, the economic crisis hit Russia hard, and led it to roll back some reductions and removals of trade barriers, and introduce new protectionist measures, negating the progress made in earlier years. Secondly, the war between Russia and Georgia, which resulted in Russia's unilateral recognition of the breakaway regions of South Ossetia and Abkhazia, and its non-adherence to the stipulations of the subsequent peace agreements, led the EU to freeze negotiations on a set of enhanced agreements. Russia refused to sign a number of financing agreements on cross-border cooperation; the consequence of this refusal was that a range of programmes could not be carried out because the funding of these programmes was not authorised (European Commission, 2009).

2009 started off with a gas dispute between Ukraine and Russia, which disrupted the flow of gas to the EU, led to a further deterioration of political cooperation between the EU and Russia. Russia continued enforcing a range of protectionist measures, and still did not ratify a number of cross-border cooperation agreements. Russia withdrew from the Energy Community Treaty. A bilateral fishery agreement between Russia and the EU was concluded in April 2009, but Russia had not ratified the agreement by the end of the year. Negotiations on an enhanced set of cooperation agreements was restarted in 2009 (European Commission 2010a).

Collaboration in 2010 was a continuation of the uneven progress made in 2008 and 2009. Russia continued to enforce protectionist economic measures, and still did not ratify the fishery

agreement and a number of financing agreements. Russia still did not adhere to the 2008 agreements with Georgia. Negotiations on a new set of collaboration agreements continued (European Commission, 2011o). However, no indicative programme was published for the 2011-2013 period, which suggests that progress in these negotiations has not been satisfactory.

5.4.13 Tunisia

Tunisia was the first country to sign an AA through the Barcelona process in 1995. This AA proposed a wide range of reforms: among others it ratified an FTA which would gradually phase out tariff barriers on industrial products and a range of agricultural products over a 12 year period Sources: (European Commission, 2007p). Funding in the 2007-2010 period amounts to 75 million euros per year (table 13). The indicative report for the 2011-2013 period has not yet been published, which makes it impossible to complete table 13 for now

In 2007, economic and social reforms have notably progressed in Tunisia. Negotiations were launched with respect to trade liberalization in services and agricultural goods. Intensifications of efforts have also registered in education, where the EU supported Tunisia through programs ranging from formation of teachers to the development of universities and research centers. In the health sector the reform has focused on the gradual widening of the insurance to those portions of population that were substantially excluded. Cooperation has also covered infrastructures: in particular, the Tunis harbor has been crucially empowered with both commercial and tourist advantages. With respect to rural areas, the water system has been improved through the construction or improvement of existing dams. This measure aims at maintaining a relatively stable income in rural areas and avoiding massive immigration flows towards urban centers (SEC 401, 2008).

In 2008, almost all negotiations that were already launched have progressed steadily. Business climate has also ameliorated sensibly through measures related to the protection of investment. In this year, important strategies have been put in place at borders against illegal migration. For instance, adequate infrastructures have been realized to allow more efficient controls. In Mars Tunisia has ratified the UN Convention against corruption while in April it has ratified the Convention on the Rights of the Child as well the Convention for the elimination of discriminations against women (SEC 521/2, 2009).

In 2009, political elections have taken place. In this occasion the lacks in terms of freedom of expression have been evident, as witnessed by the number of obstacles faced by opposition parties. As far as economic reforms are concerned, Tunisia succeeded in dismantling tariffs for trade in industrial goods as part of the Euro-Mediterranean free trade area. In this respect, Tunisia

is the country which has advanced the most. Finally, in the education sector, Tunisia has adopted the Bologna processes for higher education (SEC 514, 2010).

In 2010, Tunisia has adopted an internal policy which dramatically restricted political freedom. In December, manifestations against the government started in a large part of the country as a result of bad national economic and social conditions. This situation also had a negative impact on other areas such as justice, human rights and the reduction corruption as well as tourism, foreign investment and external trade. Notwithstanding, reforms in some respects progressed. For instance, this is the case of technical regulation for industrial products, sanitary and phyto-sanitary measures and intellectual property rights. Moreover, the reform of fiscal system has been launched in June (SEC 652, 2011).

Table 13: ENPI indicated budget for Tunisia bilateral programmes (million euros)

Priority Area	2007-2010	2011-2013*
Research and education	77	?
Institutional support and action plan implementation	30	?
energy and environment	43	?
Economic governance (trade, business environment, SMEs, etc)	150	?
Total per year	75	193.5

*The EU has not published an indicative programme for the 2011-2013 period yet.

Sources: (European Commission, 2007p2).

5.4.14 Ukraine

Ukraine and the EU adopted their ENP Action Plan in February 2005, and it additionally supported a 10-point list of reform priorities. Following the Orange revolution in 2004 the national government had sweeping reform goals, which the EU supported wholeheartedly. Ukraine also plays a key role in the EU energy policy, as 80 per cent of Russian gas is transferred through the infrastructure of Ukraine. That is why the 2007-2010 indicative programme calls for significant yearly support of 123.5 million euros (table 14). The majority of this funding was reserved for investments in infrastructure, in order to ensure the integrity of the energy transport system. However, the EU has also reserved significant levels of funding for support of the implementation of the action plan through regulatory reform and capacity building (European Commission, 2007q1).

In 2007 Ukraine started negotiations on an enhanced agreement under the ENP. It also finalized a mobility partnership in which both visa facilitation and readmission agreements play an important role. Further, important investments were made in energy infrastructure, and Ukraine was active in the Black Sea Synergy initiative launched in 2007. In order to reward the progress made in 2006, Ukraine received an extra 22 million euros from the governance facility (SEC 402, 2008).

In 2008, negotiations on an enhanced AA continued, and it was decided that a DCFTA would become part of the goals of this enhanced AA. Ukraine launched negotiations on a comprehensive aviation agreement with the long-term goal of creating a common airspace with the EU. Negotiations also ensued on Ukraine's accession to the Energy Community Treaty, which foresees a gradual convergence between energy markets concluding in a common market. Building on the mobility partnership, a dialogue was started to develop the criteria for the launch of an enhanced mobility partnership with visa-free travel as a long-term goal (SEC 512/2, 2009).

In 2009, progress on reforms slowed down somewhat, partially due to political instability and partially due to a severe economic crisis which caused a contraction of GDP of up to 15 per cent. However, Ukraine still progressed significantly on important elements of reform. The negotiations on an enhanced agreement were finalized, and a new Association Agenda was concluded in place of the old action plan. Ukraine was accepted as a new member of the WTO, underscoring the economic reforms it made over the past years. The dialogue on the establishment of visa-free travel was deepened, and the negotiations on a comprehensive aviation agreement continued. Finally, Ukraine was conditionally accepted into the Energy Community Treaty pending the adoption of a new gas sector law (SEC 524, 2010).

In 2010 this gas law was adopted, and Ukraine was accepted into the Energy Community Treaty per January 2011. Significant progress was also made with respect to the roadmap of requirements leading up to the initiation of the DCFTA, and parties reiterated the wish to conclude negotiations in 2011. Further, an action plan on Visa liberalization was announced, with a number of steps leading up to the long term goal of visa-free travel between Ukraine and the EU. Political reforms stalled and even backslided in 2010 with deterioration of respect for human rights after the presidential election in the beginning of the year (SEC 646, 2011).

In spite of the partial reversal of reforms on a political level, the indicative programme for 2011-2013 increased the budget available for projects in Ukraine in order to maintain the momentum of regulatory reforms and of various agreements of the previous years (European Commission 2011q). More recent political developments, specifically the jailing of opposition leader Tymoschenko, have led the EU to freeze progress in negotiations surrounding the DCFTA implementation (EaPCommunity, 2011b).

Table 14: ENPI indicated budget for Ukraine bilateral programmes (million euros)

Priority Area	2007-2010	2011-2013
Democratic development and good governance	148.2	94-141
Regulatory reform and administrative capacity building	148.2	117.5-164.5
Infrastructure development	197.6	x
Sustainable development	x	211.5-258.5
Total per year	123.5	156.7

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