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Implementation of the European Neighbourhood Policy in Israel Progress in 2014 and recommendations for actions

Accompanying the document

**JOINT COMMUNICATION TO THE EUROPEAN PARLIAMENT, THE COUNCIL,
THE EUROPEAN ECONOMIC AND SOCIAL COMMITTEE AND THE
COMMITTEE OF THE REGIONS**

Implementation of the European Neighbourhood Policy in 2014

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1. OVERALL ASSESSMENT AND RECOMMENDATIONS FOR ACTION

This document reports on the progress made between 1 January and 31 December 2014 in the implementation of the EU—Israel European Neighbourhood Policy (ENP) Action Plan. Developments outside this period are taken into consideration where relevant. This is not a general assessment of the political and economic situation in Israel. Information on regional and multilateral sector processes is contained in the Partnership for Democracy and Shared Prosperity progress report.

The political and security situation in 2014, with its armed conflicts and hostilities, was a challenge for the Middle East. Israel launched *Operation Protective Edge* in July 2014, following indiscriminate rocket fire from the **Gaza Strip**. The renewed hostilities in Gaza resulted in 72 deaths on the Israeli side and over 2 100 on the Palestinian side, of which 70 % were civilian according to the United Nations (UN).

While the EU recognises that Israel has the right to defend itself, the devastating effect of the hostilities in Gaza in 2014 highlighted the significant challenge associated with Israel's responsibilities in the **occupied territories**. The EU has consistently held the view that the current situation is untenable.

More Palestinians were killed in the Gaza Strip in conflict-related incidents in 2014 than in any year since 1967, while in the West Bank figures were the highest since 2007. The EU continued to call for a fundamental change in the political, security and economic situation in the Gaza Strip. In addition, the EU urged the parties to resume meaningful negotiations with the aim of achieving a comprehensive peace agreement based on the two-state solution.

Following the breakdown in direct peace negotiations in spring 2014, progress on the **Middle East Peace Process** (MEPP) stalled. The EU maintained its offer of a Special Privileged Partnership to both its Israeli and Palestinian partners, while condemning actions which could contradict stated commitment to negotiations. Such actions included plans for new settlements, in particular in and around East Jerusalem, the expropriation of land and plans to displace Bedouins in the West Bank. The EU appealed for the holy sites in Jerusalem to be fully respected stressing that any change in the status quo would have deeply destabilising effects.

Regarding the implementation of the EU-Israel ENP Action Plan, no EU-Israel Association Council or Committee meetings were held in 2014. Nevertheless, cooperation and bilateral dialogue with Israel was far greater than in 2013. The new High Representative for Foreign Affairs and Security Policy/Vice President of the European Commission, Federica Mogherini, dedicated her first foreign visit to meeting Israeli and Palestinian partners.

The State of Israel is based on the values of democracy, respect for human rights and the rule of law, where fundamental rights are enshrined in 'basic laws' and it has a functioning market economy. This, however, needs to be seen in the unique context of the occupation of Palestinian territories.

The 19th Knesset voted unanimously to **dissolve** itself on 8 December 2014 and to hold new elections on 17 March 2015. The outgoing Knesset remains in office until the elections, but has gone into electoral recess, effectively putting all legislative activity on hold. The next Knesset cannot continue proceedings on laws that have not passed a first reading at least in the outgoing Knesset.

Regarding **domestic** human rights issues, Israel's Universal Periodic Review under the United Nations Human Rights Council was adopted in March 2014, with Israel accepting 105 of the 237 recommendations made during the review. Progress was also made on gender equality and on implementing related rights. Although Israel has committed itself to respecting human rights and fundamental freedoms, concerns persist about the discrimination of minorities, especially those of Bedouins.

There was increased tension between Jewish and Arab communities in Israel in light of Israeli-Palestinian violence and renewed hostilities in Gaza. This was reflected in inflammatory statements, protests and increased instances of unrest. High-ranking officials repeatedly condemned incitement to racism or violence. Even excluding *Operation Protective Edge*, 2014 saw the highest number of civilian deaths related to violent incidents and terror attacks for many years.

Israel addressed some of the recommendations of last year's report. The Convention on Pan-Euro-Mediterranean preferential rules of origin was ratified and Israel addressed issues relating to its Intellectual Property Rights (IPR) regime concerning pharmaceuticals.

Israel made limited overall progress on implementing the ENP Action Plan in 2014, bearing in mind that the EU's relations with Israel remained the most developed in the region, involving a significant level of trade and economic and scientific cooperation. However, implementing common values particularly respect for human rights in the occupied territories and in relation to minorities continued to pose a challenge. On a positive note, Israel continued to introduce effective measures to combat human trafficking and enhance its efforts to curb money laundering. Israel strengthened its relations with a number of EU agencies.

Based on the assessment of the progress made in 2014 on implementing the ENP, Israel should focus its work in the coming year on:

- making every effort to ensure an early resumption of the Middle East Peace Process;
- ensuring respect for the principles of international law and human rights in the occupied territories, including intensifying efforts to address the issue of children in military detention and minimising the use of administrative detention without trial, and ensuring accountability for possible violations during military operations;
- ensuring respect for international law and human rights in the treatment of irregular migrants and asylum seekers;
- continuing and increasing its efforts to ensure the equality of all Israeli citizens;
- cooperating fully with United Nations Human Rights Council special procedures and mechanisms;
- ratifying the protocol on the illicit manufacturing of and trafficking in firearms, their parts, components and ammunition to the 2003 UN Convention on Transnational Organised Crime;
- ensuring the independence of the Equal Employment Opportunities Commission and providing it with adequate resources;
- ensuring that internal procedures for stateless persons are in line with the 1958 Convention on the Status of Stateless Persons;

- strengthening cooperation with the EU in UN bodies, including on human rights issues, building on successful cooperation in 2014 on, for example, the death penalty and lesbian, gay, bisexual, transgender and intersex issues.

The level of ambition in further developing the EU-Israel relationship in the coming years will depend on the level of commitment to common values.

2. POLITICAL DIALOGUE AND REFORM

Deep and sustainable democracy

The Knesset passed into law two **bills on governance** which, inter alia, raised the electoral threshold from 2% to 3.25% and made no-confidence motions conditional upon presenting an alternative government. The new electoral threshold was criticised by some for forcing smaller parties, including those representing the Arab minority, to merge or run on joint lists. However, others argued that it could help reduce party fragmentation, strengthen partisan representation and avoid wasted votes. In January 2015 the Supreme Court rejected a petition to annul the law. However, the court stated that the appeal could be reviewed again following the March 2015 elections, when its effects will be more clearly understood.

The Knesset adopted a law on **drafting ultra-Orthodox men into military and national service**.

The Knesset passed a new law, giving *de facto* constitutional status to existing legislation requiring a **referendum** on any peace treaty or plan which would involve the withdrawal from, or concession of, territory considered sovereign under Israeli law, unless a qualified majority of 80 Knesset members voted in favour of ceding such territory.

The government decided to support the drafting of a **basic law defining Israel as the nation state of the Jewish people** in accordance with a number of principles. However, no such law was presented for first reading.

In January 2014 the government approved the transfer of responsibility for dealing with the **Bedouin in the Negev** from the Prime Minister's Office to the Agriculture and Rural Development Ministry. Legislative efforts to implement the Prawer-Begin plan for the Negev Bedouin remained frozen. In May the Be'er Sheva District Court dismissed the state's appeal to demolish the unrecognised Bedouin village of Alsira, which has a population of around 350 Bedouins. In December 2014, a plan to build approximately 2000 new houses for the local community in the Negev Bedouin village of Umm Batin, and to legalise existing houses there, was approved in principle by an Interior Ministry planning committee. Final approval was pending at the end of 2014.

In general, **freedom of expression** and **freedom of association** were well respected in Israel, but continued to be challenged particularly with regard to the Israeli-Palestinian conflict. While no undue restrictions on demonstrations or protests in Israel were reported, including during the military operation in Gaza, some cabinet ministers publicly expressed their opposition to protests during the armed conflicts while others called for boycotts of Arab-Israeli businesses participating in a general strike against the Gaza operation. In several cases, Arab Israelis were dismissed or suspended by their employers, including public institutions, for public statements supporting Gaza or opposing Israel.

The authorities took a number of steps during the year to combat ‘price-tag’ attacks and other forms of **hate crime**. Several indictments were issued for incitement to racism or violence during the summer against citizens calling for attacks on Arabs. Earlier in the year, several incidents took place in Arab towns in northern Israel, including anti-Arab graffiti on a mosque in Fureidis. The Prime Minister condemned the attacks. President Rivlin criticised demonstrators who protested against a summer wedding between a Muslim man and a Jewish woman who had converted, saying ‘incitement, violence and racism had no place in Israeli society.’ Several price-tag attacks took place in October and November, including setting fire to a bilingual Jewish-Arab school in Jerusalem. Three suspects, allegedly members of a far-right Jewish group, were arrested and charged.

It testifies to the vitality of Israeli democracy that virtually all private legislative initiatives that would curtail minority rights or shrink a conducive environment for civil society did not gather sufficient support to make progress.

According to Transparency International, the perception of **corruption** in the Israeli public sector remained at a relatively low level in 2013, with Israel being ranked 36th of 177 countries. Israel was ranked 37th of 175 countries in Transparency International’s Corruption Perceptions 2014 Index.

Other human rights and governance-related issues

Israel is a party to most **international human rights instruments**. Israel ratified three related optional protocols on: the involvement of children in armed conflict; the sale of children, child prostitution and child pornography; and the status of refugees. Human rights issues were raised with the Israeli authorities in day-to-day contacts and at the eighth meeting of the Informal Working Group on Human Rights held in November 2014. Israel’s Universal Periodic Review was adopted in March. Israel accepted 105 of the 237 recommendations made during the review.

Israel rejected all recommendations using the language ‘State of Palestine’, but welcomed an ‘open dialogue with delegates of the **Palestinian Authority (PA)** on matters of human rights’. Israel questioned the relevance of examining matters of international humanitarian law in the Universal Periodic Review, as well as the applicability of international human rights legislation to the West Bank and Gaza Strip. Israel criticised the EU’s abstention in the vote on the Human Rights Council resolution establishing a Commission of Inquiry to review acts committed by all parties during *Operation Protective Edge*. In November the Israeli Government officially refused to cooperate with the UNHRC commission of inquiry, heavily criticising committee chairman William Schabas.

Israel postponed until spring 2015 any decision allowing a visit by Mr Wibisono, the new UN Special Rapporteur on the Palestinian territories occupied since 1967, who in August 2014 formally asked the Israeli Government to grant him access to Israel and Palestine¹.

In January 2014 the Diaspora Affairs Ministry issued its annual **anti-Semitism** report focusing primarily on Jewish perceptions of anti-Semitism, and drawing on a study by the EU’s Fundamental Rights Agency released in late 2013. In July 2014 the Knesset’s

¹ This designation shall not be construed as recognition of a State of Palestine and is without prejudice to the individual positions of the Member States on this issue.

Committee on Immigration, Absorption and Diaspora Affairs convened urgently to discuss anti-Semitic demonstrations in Europe in the wake of *Operation Protective Edge*. The eighth annual EU-Israel seminar on combatting racism, xenophobia and anti-Semitism took place in Jerusalem in October 2014.

Two new statutory amendments to the **equal pay law** were introduced. One enables women who are paid less than men to be compensated for gender-based discrimination, including for any financial damage suffered. This amendment also provides a host of protective measures for female workers who bring charges of discrimination based on wage gaps against their employers. The second amendment mandates public companies, non-governmental organisations and other bodies obliged to publish the wages of their employees to make a distinction between men and women when reporting on salaries. Other statutory developments included the **Prevention of Sexual Harassment Law**. Where an employee is fired within three years of filing a sexual harassment complaint at work, the burden of proof is on the employer to show that the dismissal was not in retaliation for the complaint.

The Knesset passed a law to ensure more **equal representation of women** on the Judicial Appointment Committee which selects Israel's judges. In December 2014, the government approved a national plan to advance **gender equality** and instil gender awareness in the work of government ministries in order to promote equality between men and women. Ministers will have to present annual reports on the progress made in advancing gender equality in their ministries.

The Knesset adopted a regulation expanding membership of the Advisory Committee of the **Equal Employment Opportunity Commission** from five to ten members, including Christians, Muslims, Druze, Circassian, ultra-Orthodox Jews and Ethiopians, on the basis that they are more likely to suffer unemployment than the average population.

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

Direct **peace negotiations between Israelis and Palestinians** re-launched in 2013 on the basis of a US-brokered framework broke down in April 2014 following Israeli settlement announcements, Palestinian accession to 18 international conventions and the formation of a Palestinian **National Consensus Government**. The EU, in its Council conclusions of May, July and August 2014, urged the parties to resume meaningful negotiations with the aim of achieving a comprehensive peace agreement based on a two-state solution. It stressed that the US-led peace efforts, fully supported by the EU, must not go to waste, and cautioned that a fundamental change in negative developments on the ground, including continued settlement expansion, was necessary to prevent irreversible loss of the two-state solution.

The 50-day military conflict between Israel, Hamas and other Palestinian militant factions in **Gaza** in July and August 2014 was the longest and deadliest round of violence in Gaza to date. Over 2 100 Palestinians (of whom 70% were civilian according to the UN) and 71 Israelis and one foreigner were killed (including 5 civilians), 17 000 homes and major infrastructure in Gaza destroyed, including United Nations Relief and Works Agency (UNRWA) facilities, and nearly 500 000 people were displaced at the peak of the conflict.

The EU condemned the indiscriminate firing of rockets into Israel by Hamas and militant groups in the Gaza Strip and reiterated that all terrorist groups must disarm. At the same time the EU condemned the loss of life of hundreds of civilians, including many women and children, and emphasised that the Israeli military operation must be proportionate and in line with international humanitarian law.

The EU fully supported Egyptian efforts to broker a ceasefire and stressed the need for a durable and comprehensive solution to the conflict. In particular, it stressed that this should:

- lead to a fundamental improvement in living conditions in Gaza, through unimpeded humanitarian access and the lifting of the Gaza closure regime;
- end the threat posed to Israel by Hamas and other militant groups; and
- address the broader context of the Middle East Peace Process and the situation in the West Bank.

The EU engaged extensively with both Israel and the PA, and offered to contribute significantly to a comprehensive solution, including through Common Security and Defence Policy (CSDP) missions on the ground.

The EU continued to engage with Israel in addressing the critical importance of **Area C**² of the West Bank for the viability of a future Palestinian state. The EU condemned Israeli announcements of planned settlement expansion. It called on Israel to halt its continued settlement expansion, including in East Jerusalem, especially in sensitive areas such as Har Homa, Givat Hamatos and Area E1³ which poses a severe threat to the two-state solution. The EU also expressed concern about the trend of demolitions and confiscations of EU-funded constructions in Area C, such as shelters and latrines, and called on Israel to reverse its policy.

Israel halted transfers of the tax revenue it collects on behalf of the PA, when the PA signed a further 20 international instruments in December 2014.

Israel continued to face security challenges on many fronts, including hostile actions by groups in Sinai, Syria and Lebanon during the year. Israeli forces responded on several occasions to attacks emanating from Syria and Lebanon, and also carried out pre-emptive cross-border actions. Israel helped to evacuate troops of the United Nations Disengagement Observer Force to Israel after they were seized or surrounded by rebel forces on the Syrian side.

In October Israel stepped up its contribution to international efforts to combat Ebola, sending three emergency clinics and medical staff to West African high risk areas, and supplementing the team previously sent to Cameroon. Equipment was sent to Sierra Leone and personal protection equipment to the African Union.

The 8th meeting of the EU-Israel sub-committee on political dialogue and cooperation took place in Brussels on 8 December 2014 where views were exchanged on regional and international developments.

² Area C refers to 62% of the occupied Palestinian territory in the West Bank that remains under full Israeli military and administrative control.

³ Area E1 refers to the area located in the West Bank between Jerusalem and the Israeli settlement of Ma'ale Adumim. The land in question comprises about 12 km².

EU officials participated in public conferences in Israel on the fight against **terrorism**, while informal contacts between the EU and Israeli officials also took place. Israel signed the Arms Trade Treaty in December 2014.

3. ECONOMIC REFORM AND SOCIAL REFORM AND DEVELOPMENT

Economic growth slowed to 2.9%⁴ in 2014 from 3.2% in 2013, mostly a result of a fall in exports of goods due to a strong shekel and a slower-than-expected recovery of external demand. The moderation of economic activity was also driven by the armed conflict in the Gaza strip (*Operation Protective Edge*), which hit tourism receipts. At the same time, domestic consumption remained robust, supported by the Central Bank's ongoing accommodating policy. The key policy rate was reduced by a cumulative 0.75 percentage points in the course of the year to 0.25%. Monetary policy loosening, which aimed at encouraging economic activity and limiting the appreciation of the local currency, also reflected the absence of inflationary pressures. Consumer prices were down by 0.2% year-on-year in December, coming well below the Central Bank's inflationary target of 1-3%.

Israel's **fiscal position** improved slightly in 2014, with the budget deficit falling to an estimated 2.8% of GDP from 3.2% in 2013. This was achieved mostly as a result of expenditure cuts, mainly in education and social spending, which more than offset the increase in defence spending as a result of the military conflict in the Gaza Strip.

Israel's labour market remained relatively stable in 2014, with signs of a slight upswing in **employment** towards the end of the year. The unemployment rate was estimated at 5.7% in 2014, one of the lowest in the Organisation for Economic Cooperation and Development (OECD), compared with 6.3% in 2013. Israel reported the highest poverty rate (20.9%) among OECD countries, with the rapidly-growing Arab-Israeli and ultra-Orthodox Jewish communities continuing to register the highest rates of unemployment and poverty.

In April 2014 the government committee on the fight against **poverty** (the 'Alallouf Committee') recommended measures worth EUR 1 billion to reduce the poverty rate in Israel by 50%. A state comptroller's report suggested that the government did not allocate sufficient funds to tackle food security problems and relied too heavily on non-governmental organisations.

In the area of **social inclusion**, the Federation of Trade Unions and employer associations agreed that employers in the private sector would ensure that at least 3% of their employees would be disabled people. The agreement became a statutory regulation in September 2014 to be implemented within two years, and will apply to all employers with more than 100 employees. A draft law applying the same rule to the public sector passed its first reading in the Knesset in July 2014. It now needs to be reintroduced in the next Knesset to be taken further. The government approved a similar proposal for the public sector, and decided to consider an even higher ratio of 5% as of 2019.

Following the 2013 National Labour Court's Decision that it was illegal to oblige employees to retire at the age of 67, a Supreme Court ruling on the issue is still awaited. In June the Supreme Court ruled that foreign workers engaged in nursing care who had resided in Israel

⁴ For sources and detailed figures, see Statistical Annex accompanying the reports; figures without sources are forecasts by Commission services.

for more than ten years should be entitled to the same social benefits and health insurance rights as Israeli citizens.

In December the government approved the first allocation of NIS 185 million (EUR 38 million) to a five-year plan for Druze and Circassian communities (with a total population of approximately 134 000).

4. TRADE-RELATED ISSUES, MARKET AND REGULATORY REFORM

The EU-28 remained Israel's main trading partner, with a trade in goods amounting to EUR 30.1 billion in 2014.

In the field of **customs**, Israel ratified the Convention on pan-Euro-Mediterranean preferential rules of origin in July. The Convention entered into force on 1 October 2014. The number of companies attaining authorised economic operator status increased to 24 while a further 30 companies began the authorisation process.

Regarding **sanitary and phyto-sanitary issues**, a law on monitoring of animal feed was approved in March 2014, which will enter into force in 2016.

In the area of **agriculture and rural development**, Israel adopted a new rural development plan for 2015-20 in October, with support from an ongoing Twinning project.

In January 2014 the Ministry of Finance's **Capital Markets**, Insurance and Savings Division became a signatory to the Multilateral Memorandum of the International Association of Insurance Supervisors. In June Israel became the 20th member of the Paris Club of creditors. In August, the Knesset's Finance Committee approved for the first time regulations on financial trading, which, for example, mandated that Israeli brokers must acquire a licence and limited the maximum leverage offered to traders.

In August 2014 Israel and Germany signed an agreement on the avoidance of double **taxation**, based on the OECD model, which replaced an older agreement between the two countries. In October, Israel informed the OECD of its intention to join, by the end of 2018, the Common Reporting Standard on the exchange of information regarding financial accounts for tax purposes. Israel is a Member country of the Global Forum on Transparency and Exchange of Information and underwent the peer review process being assessed as "partially compliant".

An EU Twinning project in **statistics** significantly improved the coordination role of the Central Bureau of Statistics in relation to other producers of official statistics and led to improved survey methodologies, particularly in relation to national accounts and education statistics.

As regards **intellectual property rights**, Israel amended its legislation on patent term extension in line with its international commitments.

As regards **enterprise policy**, the draft law on the Small and Medium Business Agency remained at the preparatory stage in the Knesset. The first EU-Israel bilateral dialogue for small and medium-sized enterprises (SMEs) took place in June, where the parties agreed to continue to exchange information on SME policies and related activities.

An amendment to the **consumer protection** law, enabling the Consumer Protection Authority to impose financial penalties on offenders, was adopted. The Bank of Israel implemented recommendations on banking charges, made by an expert committee to improve competition in the banking sector.

Regarding **competition policy**, the Knesset excluded retailers in the agriculture sector from the antitrust exemption granted to farmers. In April 2014, the Israel Antitrust Authority announced that it would begin to impose fines on monopolies controlling more than half of the market share for a given product if they charge consumers more than 20% over the production cost.

Concerning **public procurement**, changes in Israel's mandatory tendering regulation entered into force.

5. COOPERATION ON JUSTICE, FREEDOM AND SECURITY

Israel made little progress in improving its legislative and policy framework as regards **migration and asylum management**. In September 2014, the Supreme Court cancelled, for the second time in one year, key provisions of the law on prevention of infiltration which determines Israel's asylum policy, declaring them unconstitutional. This latest ruling came in response to a petition filed concerning the operation of the open detention centre Holot, run by the Israel Prison Service, which imposed severe restrictions on the freedom of movement of asylum seekers who were detained there for an indefinite period. The Court ruled that Holot should be closed within three months, all asylum seekers there released and that the confinement of newly arrived asylum seekers for one year was to be discontinued.

In December the Knesset adopted the 5th amendment to the **Anti-Infiltration Law** in response to the September annulment. Under the new amendment, newly arrived asylum seekers will be detained for three months in the closed detention centre, Saharonim, and then transferred to the Holot open detention centre for an additional period of 20 months. Restrictions on freedom of movement were relaxed under the new law, with a roll call being held once a day instead of three times a day.

According to official figures published by the Population, Immigration and Border Authority at the end of June, only 19 asylum seekers had entered Israel since January. At the same time, there were 48 212 asylum seekers in Israel (34 193 from Eritrea, 9 264 from Sudan, 3 253 from other African countries and 702 from other countries). In October there were 2 500 asylum seekers in Holot (mostly Sudanese and Eritreans) and 255 in Saharonim (Sudanese, Eritreans and West Africans). Continued inducements were made to such migrants to leave Israel voluntarily for third countries.

Civil society organisations raised concerns that there were no guarantees of adequate protection in the third countries to which migrants were sent. Since the Holot facility was opened in December 2013, 5 717 asylum seekers had left Israel voluntarily, with Sudanese nationals being the largest group. The UNHCR questioned the voluntary nature of these returns as the decisions were taken from within the detention centre, with USD 3 500 being offered to each person agreeing to leave. According to reports by the State Comptroller, there was a continued lack of provision for the basic needs of asylum seekers not held in detention. Nevertheless, some progress was made in a number of areas. The Ministry of Health established a mental health clinic, Geshet, in a community centre for migrants. Many of the

clinic's patients were Sinai torture victims. Israel took responsibility for unaccompanied minors, placing them in boarding schools. In February 2014, 221 children of migrant workers, meeting certain criteria, were granted residency status. The detention of migrants and children without status awaiting forceful displacement or a decision on their status continued. The State Comptroller's 2013 recommendations to correct the shortcomings in the detention process of children, such as looking for alternatives to detention, were not implemented.

Israel's measures to combat **trafficking in human beings** continued to be effective. Israel made progress in identifying the evolution of new patterns of trafficking in Israel, besides prostitution, including legal migrant workers mistreated by their employees. Among the estimated 7000 victims of torture in the asylum seeker community who were tortured in Sinai on their way to Israel, 200 were recognised as victims of trafficking and received government support.

A new mechanism for complaints of torture and ill-treatment was put in place in February 2014. It is subject to public scrutiny based on the provisions of the Freedom of Information Law. Since 2001, more than 800 complaints of torture and ill-treatment have been received and processed by the Israel Security Agency. None of these complaints led to a criminal investigation. No criminal investigations have been started since the new inspector was appointed.

In the area of **money laundering**, Israel's request to join the Financial Action Task Force was approved in August. In March 2014 a regulation obliging foreign exchange centre staff to register clients who make transactions of more than EUR 2100 was presented to the Constitution, Law and Justice Committee of the Knesset. A law making the prohibition of money laundering and financing of terrorism applicable to lawyers and certified public accountants was adopted by the Knesset in July. These steps followed a 2013 review by the Council of Europe's Moneyval organisation, which had highlighted that Israel was the only member without a financial reporting mechanism for non-financial bodies such as lawyers and certified public accountants. The review also pointed to Israel's lack of enforcement in the diamond industry and foreign exchange centres.

In the field of **drugs**, the European Monitoring Centre for Drugs and Drug Addiction (EMCDDA) signed a Memorandum of Understanding with the Israel Anti-Drug Authority in February. The corresponding work programme would include steps to enhance monitoring and knowledge of the drugs situation and responses to it, particularly by harmonising key indicators in the areas of supply and demand. In July 2014 the Knesset's Welfare and Health Committee added 35 substances to the list of illegal substances managed by the government.

In July an Information Seminar on **Council of Europe (CoE) Conventions** was held in Jerusalem. The process to ratify the Convention on Cybercrime was initiated by the Knesset. Israel was interested in several CoE Conventions and set up several inter-ministerial working groups to examine the compatibility of its legislation with CoE legal instruments.

Strengthened cooperation with Eurojust would help facilitate closer judicial cooperation with the EU.

6. TRANSPORT, ENERGY, ENVIRONMENT, CLIMATE CHANGE, INFORMATION SOCIETY, RESEARCH AND DEVELOPMENT AND INNOVATION

Concerning the **transport sector**, on the basis of the EU-Israel Comprehensive Aviation Agreement signed in 2013, a second meeting of the EU-Israel Joint Committee took place in December. The Joint Committee plays an important role in ensuring the proper implementation of the agreement, including regulatory convergence, and in further developing cooperation.

In the **energy** sector, the focus of Israel's offshore gas reserves moved from meeting domestic demand towards the possibility of supplying neighbouring Jordanian and Palestinian consumers. In January 2014, the Leviathan field partners signed an agreement with the Palestine Power Generation Company to provide 4.75 billion cubic metres (bcm) over a 20-year period, which would begin when Leviathan started producing gas. In February 2014, the Tamar natural gas field partners signed an agreement to supply 1.8 bcm over a 15-year period to two Jordan-based industrial companies, and in September the Leviathan field partners signed a letter of intent to supply Jordan's National Electric Power Company with 45 bcm over a 15-year period.

Regarding **climate change**, Israel showed limited commitment to reducing greenhouse gas emissions. The freeze on implementing the 2010 national plan for reducing greenhouse gas emissions in May 2013 continued to make it difficult for Israel to meet the pledge made in 2009 of a 20% reduction in its greenhouse gas emissions by 2020. In view of the international negotiations on a 2015 Climate Agreement, a team of experts was selected in October to assist in setting up a national greenhouse gas management system. This would include the necessary measures to meet Israel's 2020 pledge as well as examine the potential for emissions reductions and energy efficiency beyond 2020. This would help in the preparation of Israel's intended nationally determined contribution (INDC).

An April the government took a decision to set out the principles for a green licensing law, an action plan and a timetable for its implementation. This was the result of a successful EU Twinning project. Following last year's public consultation on 'green-washing', the Ministry of **Environment** published its official guide in February 2014. In April the government approved integrated licensing as part of the green growth strategy, which was expected to bring Israel's environmental standards more in line with EU standards. Israel also increased its efforts to improve its recycling rates. Israel is included in the Pan-European region for the biodiversity assessment under the Convention on Biodiversity and made progress on ecosystems-mapping.

Under the EU IMP-MED project, Israel set up an inter-ministerial working group on integrated **maritime policy** (IMP) and developed a national maritime strategy in which concrete blue economy priorities are identified.

As regards **research and innovation**, the then President of the European Commission, José Manuel Barroso visited Israel in July and witnessed the signing of the agreement associating Israel to 'Horizon 2020' — the new EU Framework Programme for Research and Innovation. The agreement entered into force in October with retroactive effect from 1 January 2014. As of December, eligible Israeli entities had signed 1621 Seventh Framework Programme agreements, with the EU's total contribution exceeding EUR 875 million. Israeli entities

remained very active in 'Horizon 2020' - as of December more than 300 agreements with Israeli entities had been either signed or under preparation.

In the **nuclear** field, the memorandum of understanding with the Israel Atomic Energy Commission (IAEC) was renewed in April. The 6th Steering Committee between IAEC and the EU Joint Research Centre took place in Brussels in November.

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

Israel and the European Training Foundation maintained their strong relationship on **vocational education and training**. There was growing interest among Israeli authorities in participating in peer learning regional studies and activities related to the National Quality Framework, efficiency and quality of education and training. This resulted in more structural cooperation based on the Torino Process Reviews.

Israel participated in the **Tempus** programme with 13 running projects, in six of those as coordinator. 270 Israeli students and staff were selected in 2014 within partnerships supported by **Erasmus Mundus**. Four master students and one doctoral candidate received scholarships to participate in joint masters and doctoral programmes. 43 organisations were selected for funding under the **Marie Skłodowska-Curie actions (MSCA)** under 'Horizon 2020'. **Youth** and youth organisations benefited from **Erasmus +**, with 283 participants in mobility projects and five in the action for young people and decision-makers in the field of youth.

In the area of **culture**, Israel has not yet ratified the 2005 UNESCO Convention on the Protection and Promotion of the Diversity of Cultural Expressions. Three EU-funded Israeli projects under the programme "Supporting culture as a vector of democracy and economic growth" were implemented by Arab and Arab-Jewish organisations. Cooperation on MedCulture and Euromed Audiovisual programmes continued.

Israel continued to strengthen its cooperation with the EU on **public health** issues and its technical collaboration with the European Centre for Disease Prevention and Control (ECDC) in the framework of an EU-funded regional project on preparatory measures to support ENP country participation in ECDC activities. The Israeli Centre for Disease Control continued to implement the bilateral cooperation arrangement with the ECDC. Israel participated in the first national ECDC correspondent meeting organised by the ECDC in May 2014 and its experts participated in the meeting of the EU vaccine-preventable disease network.

The **EU Partnership for Peace** projects continued to operate both within Israel and at cross-border level. One project held a stand-alone exhibition for around 30 Palestinian companies in Nazareth in June 2014, supported by local chambers of commerce. A broad coalition of women's civil society organisations developed a national action plan on implementing UNSCR 1325 on women, peace and security.

8. ISRAEL'S RESPONSIBILITIES IN THE OCCUPIED TERRITORIES

In addition to protecting the security of Israel and its citizens, Israel has responsibilities as the occupying power in the territories it occupies, particularly with regard to human rights and international law, including the proportionate use of force. Settlements are illegal under international law, constitute an obstacle to peace and threaten to make the **two-state solution** impossible. The EU does not recognise any changes to Israel's pre-1967 borders (including

with regard to the Golan Heights, the West Bank including East Jerusalem, and the Gaza Strip) other than those agreed by the parties.

Conflict-related fatalities increased sharply in 2014, both in Gaza and the West Bank. During the 50-days military conflict between Israel, Hamas and other Palestinian militant factions in July and August, over 2 100 Palestinians were killed, including over 500 children. According to UN figures at least 70% of the deaths were civilians, while the Israeli Defence Forces (IDF) claimed that no more than 55% of the dead were civilians. On the Israeli side, 66 IDF soldiers and six civilians, including a child and a foreign national, were killed. More than 11 000 Palestinians and over 800 Israelis were wounded.

The IDF claimed it took steps to avoid civilian casualties, including evacuation warnings and aborting air strikes where civilian presence was detected. It accused Hamas of deliberately deploying in civilian areas and of encouraging or forcing civilians to ignore Israeli evacuation warnings. A number of incidents, including the shelling of several schools of the United Nations Relief and Works Agency (UNRWA) used as shelters at the time of the attack, the destruction of homes of alleged militants resulting in the death of family members, and artillery shelling of densely populated neighbourhoods raised serious concerns about respect for international humanitarian law.

The IDF established a fact-finding mechanism in order to examine ‘exceptional incidents’ during *Operation Protective Edge*, identified by the Military Advocate-General. In 2014, criminal investigations were initiated in five of the cases referred back to him by the fact-finding teams, while nine cases were closed. In another eight cases, the Military Advocate General opened criminal proceedings without prior examination by the fact-finding mechanism. The UN Human Rights Council set up a commission of inquiry to investigate violations of international law. The EU will closely monitor the implementation of the mandate and continue to work towards a balanced outcome of the investigations. Israel criticised the commission as being biased both in its mandate and the selection of its members, and decided to abstain from formally cooperating with it. Israel will, however, cooperate with the Board of Inquiry established by the UN Secretary-General to investigate Israeli shelling of UN premises which were used as shelters.

In other conflict-related incidents, 49 Palestinians, including 12 children, were killed and 5 865 injured in the West Bank, including East Jerusalem (compared with 27 fatalities in 2013). Most of these deaths and injuries occurred in violent clashes with Israeli forces between June and August, after three Israeli teenagers were abducted and killed in the West Bank in June 2014. There followed an Israeli military operation to locate the perpetrators and the victims, and the revenge killing of a Palestinian teenager in Jerusalem by extremist Israelis. Between June and August, around 20% of all Palestinian injuries were caused by live ammunition. Before and after the military conflict in July and August, 29 Palestinians were killed and 222 injured in Gaza (compared with 11 fatalities in 2013).⁵

This makes 2014 the year with most fatalities in the West Bank since 2007 and the deadliest year in Gaza since the beginning of the conflict.

Settlement construction and expansion continued, including deep into the West Bank. A total of 935 housing units were built between January and September 2014.⁶ This figure does not include construction in around 95 outposts, illegal under Israeli law, but which continued

⁵ All figures provided by the UN Office of the Coordinator for Humanitarian Affairs (OCHA).

⁶ Source: Israeli Central Bureau of Statistics. These statistics do not provide figures for East Jerusalem.

to expand despite the government's stated intention to remove those built on private Palestinian land and High Court decisions ordering their demolition. The government advanced plans for more than 7500 housing units and published tenders for 2405 units in settlements in 2014, 939 of which were renewed publications of previous failed tenders. After an undeclared freeze on planning and tenders during the military conflict in Gaza, the government illegally declared 1000 acres of land in the West Bank as Israeli state land, with a view to future settlement expansion, the largest state land declaration since the 1980s. Six plans for a new township for Bedouin north-west of Jericho were published which could be used, if implemented, as a basis for evicting and relocating Bedouin tribes living in the Jerusalem and Jericho areas, including in the E1 area.

The settlement expansion and the demolitions of homes, basic infrastructure and the sources of livelihoods continued to impact on Palestinian communities in the West Bank. This policy led to a deterioration of living conditions of communities in the West Bank and entailed the forcible transfer of civilians (e.g. Bedouins).

Settler violence continued resulting in Palestinian casualties and damage to Palestinian property; there were 329 incidents compared with 399 in 2013. **Violence against settlers** led to 237 incidents of Israeli casualties or property damage, compared to 50 in 2013.⁷ Very few cases of settler violence filed with the Israeli police resulted in an indictment. No official data is available on the number of cases investigated or prosecuted by a special unit established in 2013 to deal with crime motivated by nationalism.

At the end of November 2014, 5527 Palestinian prisoners and detainees were being held in Israeli prisons (compared to 4768 at the end of 2013). Israel continued to make extensive use of **administrative detention** of Palestinians without trial. There were 461 administrative detainees at the end of November 2014, a marked increase on 2013 (150 administrative detainees at the end of the year), mainly due to a wave of nearly 2200 arrests of Palestinians in the West Bank, including East Jerusalem, in June and July following the kidnapping and killing of three Israeli teenagers. A two-month hunger strike of between 80 and 290 administrative detainees and other prisoners ended in June 2014 after a deal was reached with the Israeli Prison Service.

At the end of November, 156 **children** were held in Israeli detention facilities as security prisoners, some 20% fewer than in January 2013. Almost half of these were detained in facilities inside Israel. Another 15 were held for being in Israel illegally. There were continued reports of the ill-treatment of children under arrest, transfer, interrogation and detention, particularly in the first 48 hours after arrest, including blindfolding, painful hand ties, physical violence, lack of adequate notification of legal rights, verbal abuse, strip searches and solitary confinement while under interrogation. A military order of September 2014 laid down specific requirements regarding audio-video recordings and the language used during the interrogation of Palestinian children, but it does not apply to security offences such as stone-throwing.⁸ A pilot programme of summonses in lieu of night arrests began in February.

Concerning **freedom of religion or belief**, Palestinians do not enjoy free access to Muslim and Christian holy sites in the Old City of Jerusalem. Following a meeting between Prime Minister Netanyahu, King Abdullah II of Jordan and US Secretary of State Kerry in Amman

⁷ OCHA.

⁸ Military Court Watch.

on 14 November 2014, access restrictions to the Hram al-Sharif/Temple Mount for Friday prayers were lifted after and a number of Palestinians from Gaza were allowed into East Jerusalem for Friday prayers at al-Aqsa (a step previously only made during Islamic holidays). The meeting followed an escalation of the friction between Israeli police and Palestinians in October and November, a special entry regime for West Bank Palestinians and Jerusalem ID holders during Ramadan and heightened tensions in Jerusalem since June.

Ramadan arrangements were significantly more restrictive than the previous year's access policy, leading to a 90% decrease in Palestinian worshippers at the site. Access for Palestinian Christians continued to be restricted during Orthodox Easter, which coincided with the Jewish Passover holiday when Israel typically restricts movement and access, citing security concerns. Nevertheless, the Israeli authorities did take specific measures to facilitate access, in particular during Muslim religious holidays, which can also extend to preventing access to the Temple Mount/Haram al Sharif for non-Muslims, to avoid tensions with worshippers. To preserve the status quo, the Israeli authorities tried to ensure that non-Muslim worship did not take place there, a policy that is contested by an increasing number of religious and nationalist Jewish Israelis, including some Cabinet and Knesset members. Prime Minister Netanyahu has publicly reiterated Israel's commitment to maintaining the status quo.

Palestinian **economic and social rights** continued to be severely hampered by Israeli restrictions on **movement and access**. In the West Bank, the separation barrier continued to impact livelihoods. Access to agricultural land across the barrier was obstructed by a system of 'agricultural gates', described as bureaucratic and unreliable. Israeli trade regulations continued to hinder imports of Palestinian products into Israel. In June 2014 Israel imposed temporary additional restrictions on the West Bank during a military operation to locate the perpetrators and victims of the kidnapping and killing of the three Israeli teenagers, particularly in the Hebron area; these were lifted again in early July. In the case of Hebron, these restrictions resulted in the prolonged lock-down of the city and cessation of most economic activities.

Israel announced new measures to ease restrictions in the West Bank at an *ad hoc* Liaison Committee meeting on 22 September 2014. These included increasing the number of Palestinian workers allowed into Israel. Israel also announced its intention to identify 20 factories in Area C which would be authorised to export directly to Israel under simplified procedures and to approve plans for agricultural development in Area C. Implementation of these plans will be monitored throughout 2015.

While the immediate concern in **Gaza** was reconstruction and addressing the humanitarian impact of two months of warfare, the economic and physical isolation of the Strip, largely as a result of continuing Israeli restrictions and the closure of tunnels used for smuggling between Egypt and Gaza, was the primary obstacle to long-term economic development. Crossings into Gaza remained open for humanitarian assistance during most of the military conflict in July and August, returning to pre-conflict function levels after the ceasefire, with minor easing of exit permits and increased truckloads of goods due to increased demand.

Palestinian access to **agricultural lands** in the access-restricted areas in the vicinity of the fence between Gaza and Israel improved after the ceasefire, with the areas reportedly being reduced from 300 to 100 metres from the fence. However, this has not yet been officially announced, creating uncertainty and putting the civilian population at risk.⁹

⁹ OCHA and Gisha (Legal Centre for Freedom of Movement).

The **fishing zone** of six nautical miles from the coast was restored. Following the ceasefire, Israel, the PA and the UN agreed on a mechanism for importing construction materials and dual-use goods into Gaza for donor-funded reconstruction projects and private sector construction needs, subject to various certification, monitoring and inspection requirements in order to ensure civilian end-use.

The Israeli authorities also announced an easing of restrictions on the **transfer of agricultural and fishery products from Gaza to the West Bank**. As a result, 137 truckloads entered the West Bank from Gaza in November and December 2014. Such transfers were at a fraction of their 2007 levels.¹⁰

Palestinian **property rights** continued to be violated. The Israeli authorities demolished 581 Palestinian residential and non-residential structures in Area C and in East Jerusalem, displacing 1 177 people (compared with 663 structures demolished and 1 103 people displaced in 2013).¹¹ In August 2014 Israel resumed its policy of punitive demolition of homes of Palestinian **terrorists or terrorist suspects** in the West Bank, including East Jerusalem. In some cases, this made others living in the area homeless. Petitions against the policy were rejected by the Israeli High Court of Justice. In its bilateral dialogue with Israel, the EU continued to urge the government to end its policy of punitive demolitions.

¹⁰ Gisha.

¹¹ OCHA.