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**Implementation of the European Neighbourhood Policy in Israel
Progress in 2012 and recommendations for action**

Accompanying the document

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

European Neighbourhood Policy: Working towards a Stronger Partnership

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1. OVERALL ASSESSMENT AND RECOMMENDATIONS FOR ACTION

This document reports on progress made on the implementation of the European Union (EU) – Israel European Neighbourhood Policy (ENP) Action Plan between 1 January and 31 December 2012, although developments outside this period are also taken into consideration when deemed relevant. It is not a general review of the political and economic situation in Israel. For information on regional and multilateral sector processes readers should also refer to the Partnership for Democracy and Shared Prosperity progress report.

The EU-Israel Action Plan was adopted in April 2005 for a period of three years. Its validity was extended until the end of 2012. The 2005 Action Plan provides the general political framework for bilateral relations.

Israel made reasonable overall progress in the implementation of the Action Plan. Although the EU consensus on freezing the upgrade of EU-Israel relations remained unchanged, an effort was made in 2012 to inject greater dynamism into the partnership. The work that had been underway since April 2011 under the technical talks between Israeli ministries, the EEAS and Commission services was completed in 2012 and endorsed by the EU-Israel Association Committee, which met on 2 May for the first time after four years, and by the EU-Israel Association Council, which met on 24 July. The EU and Israel agreed to exhaust the opportunities offered by the current Action Plan and to proceed with carrying out initiatives that had already been included in the Action Plan in a number of sectors and policy areas but had not been implemented so far. In addition, the two sides identified potential areas for future cooperation, where discussions on implementation could begin as soon as the conditions for upgrade were met. Practical measures were agreed with a view to rendering sector policy dialogue and political dialogue more efficient and effective, with implementation to be followed in 2013.

Domestic political developments in 2012 indicated that the previous trend of tabling in the Knesset a number of bills that could be labelled as "discriminatory" or even "anti-democratic" has somewhat subsided. As regards human rights, despite conducting a number of consultations with representatives of unrecognised Bedouin villages, the government has failed at this stage to make its Praver Plan comply with the Goldberg Commission's earlier recommendations for a broad recognition of Bedouin villages.

The EU continued to encourage both the Israelis and the Palestinians to return to the negotiating table and led efforts to reinvigorate the Quartet. In the Foreign Affairs Council Conclusions of 14 May the EU reaffirmed its commitment to a two-state solution and expressed grave concern about developments on the ground, which threaten to make it impossible. There was a major escalation of violence between armed groups in Gaza and Israel in November 2012, followed by a ceasefire brokered by Egypt and the US. On 29 November, Palestine was granted non-member Observer State status in the United Nations, through a vote in the UN General Assembly. Israel reacted by announcing the extended construction of settlements in the West Bank, in particular in the so-called E1 area and in East Jerusalem, and withheld the transfer of Palestinian tax and customs revenues. The EU Foreign Affairs Council in December expressed deep dismay and strong opposition to the Israeli moves, stating that the Union would closely monitor the situation and act accordingly. Moreover, political developments in Egypt and continued hostilities in Syria also changed the security context and prospects for comprehensive peace in the region.

Economic growth in Israel continued to slow down in 2012, weakening domestic demand and moderating export growth as foreign demand weakened along with the difficulties in the global

economy. Inflation remained contained. In efforts to support economic activity, the Central Bank of Israel lowered its policy rate. As the result of a significant slowdown in fiscal revenues and continuous increase in expenditure, the fiscal deficit is estimated to have missed its targets in 2012, thus postponing the government's debt reduction efforts. In an important step towards achieving the Action Plan goal of deepening and enhancing the economic dialogue between the EU and Israel, the first meeting of the EU-Israel Sub-Committee on Economic and Financial Matters (as foreseen under the EU-Israel Association Council in 2005) took place in January 2012.

In the area of the internal market, the approval and entry into force of the EU-Israel Agreement on Conformity Assessment and Acceptance of industrial products (ACAA) will improve market access for both European and Israeli products without additional certification. Now that Israel has made substantial progress in amending its intellectual property rights legislation, efforts towards bringing this legislation into line with its commitments within the Organisation for Economic Cooperation and Development (OECD) should continue. The EU encourages the Israeli authorities to proceed swiftly with the signature of the comprehensive civil aviation agreement initialled in July. Cooperation in science and technology continued successfully.

Irregular migration continued to be a serious challenge for Israel. The imposition of sanctions, as exemplified by the anti-infiltration law and threat of mass arrest, provoked criticism from civil society, the international community and some Israeli institutions, although steps towards a regularisation of the status of migrants and improvements to their health and welfare situation, should be encouraged. The EU welcomes Israel's efforts to curb human trafficking and is ready to enhance bilateral cooperation on the fight against drugs.

The situation in the occupied territories remained tense, given the stalled peace process and worrying developments on the ground, including increased settlement activity in East Jerusalem and the rest of the West Bank. Exercise of the freedom of association and freedom of expression continued to be problematic. However, the Israeli army recently stepped up interventions against settler violence, including the creation of a special unit within the police to deal with Jewish terrorists. The overwhelming majority of cases filed with the Israeli police against such attacks were closed without indictment. Israel's use of administrative detention of Palestinians decreased in 2012, although its spread and length are still excessive. Palestinian economic and social rights remain hampered by Israeli restrictions on freedom of movement, especially in relation to the economic and physical isolation of the Gaza Strip.

Further to the recommendations made in the previous year's report, no significant changes were observed in the respective fields. On the basis of this year's report and with a view to the sustained implementation of the 2005 EU-Israel ENP Action Plan in 2013, Israel should:

- Step up cooperation with the EU on implementing activities under the 2005 ENP EU-Israel Action Plan which were identified at the 2 May 2012 meeting of the EU-Israel Association Committee but which have not yet been implemented.
- Continue and intensify efforts to curb settler violence in Palestine and bring all perpetrators to justice.
- Address the excessive use of administrative detention.
- Bring internal procedures for stateless people in line with the 1958 Convention on the Status of Stateless Persons.

- Ratify the Second and the Third Protocol to the 2003 UN Convention on Transnational Organised Crime on the illicit manufacturing of and trafficking in firearms, their parts, components and ammunition.
- Ensure further progress in amending legislation on intellectual property rights to bring it into line with OECD commitments.
- Implement the commitment expressed by the government to ensure the independence of the Equal Employment Opportunities Commission and provide it with adequate resources.
- Address control deficiencies for plant and plant products for export.
- Sign and ratify the regional Convention on pan-Euro-Mediterranean preferential rules of origin.
- Proceed towards the signature of the EU-Israel comprehensive civil aviation agreement.
- Take additional measures to lower carbon emissions, in line with international agreements.

2. POLITICAL DIALOGUE AND REFORM

Deep and sustainable democracy

In the field of **freedom of association**, the trend described in previous reports of tabling bills in the Knesset that can be considered anti-democratic abated somewhat in 2012. No new laws were adopted in this category; initiatives to tax foreign funding of non-governmental organisations were shelved. The Supreme Court tried to discourage appeals that were qualified as "unnecessary", by introducing much higher penalties in such cases, which could potentially eat into much of smaller NGOs' budgets.

In spite of a number of bills that had been tabled to influence the composition and competences of the Supreme Court, the **independence of the judiciary** continued to be protected, notwithstanding the Knesset's decision to shorten the minimum tenure for Supreme Court presidents from three to two years, thus enabling a particular individual to be appointed.

Israel performed well in the fight against **corruption**, ranking 39th in 2012 in the Transparency International Corruption Perceptions Index. Although Israel's ranking declined (30th position in 2010 and 36th in 2011), it is still the highest level in any ENP partner country, and higher than a number of EU Member States.

Other human rights and governance-related issues

Israel is party to most international human rights instruments, but not to their optional protocols. Israel abolished the death penalty during peacetime in 1954 with the exception of convictions for genocide, crimes against humanity, war crimes and crimes against the Jewish people. In 2012, Israel decided to disengage from the Human Rights Council in Geneva and from the Universal Periodic Review. Specific human rights cases were raised with the Israeli authorities in demarches and day-to-day contacts, as well as during the meetings of the EU-Israel political dialogue sub-committee (held on 11 December) and the informal working group on human rights (held on 15 January 2013).

Eleven projects were selected for financial support under the European Instrument for Democracy and Human Rights (EIDHR) and the Neighbourhood Civil Society Facility (CSF), with 28 other EIDHR projects ongoing. These projects contribute to the priorities identified in the Action Plan: respect and promotion of rights of people belonging to minorities; respect for human rights and international humanitarian law; and the fight against racism, xenophobia and anti-Semitism.

As regards the rights of **minorities**, progress on the situation of the Arab minority was limited. The percentage of Israeli Arabs in the civil service workforce has not yet reached the 10% target set for 2012 by law. Budget discrimination remains an issue, although there was an increase of approximately 5% in funds allocated in 2012 compared to 2011.

In the wake of criticism, the government increased consultations with representatives of unrecognised Bedouin villages on the government's Praver Plan, which had proposed the relocation of 30-40 000 Bedouins in the Negev in the context of an economic development plan but without full recognition of land ownership and with limited scope for legalising construction. So far, no final decision has been taken on adjustments to or implementation of the plan, which, in its present form, falls short of the Goldberg Commission's earlier recommendations for a broad recognition of Bedouin villages.

Although less prominent than in 2011, and in spite of clear positions expressed by the Prime Minister and other top politicians, **women's rights** continued to be the subject of debate as a result of a more aggressive attitude of ultra-Orthodox groups towards separating men and women in the public sphere, including beyond the traditional Jewish Orthodox communities. The legal position of women was significantly improved by several new pieces of legislation: on the retirement age for women (62-64 instead of the proposed 67); on facilitating the granting of divorce; on allowing women staying in shelters for battered women to continue to receive basic welfare pension and on extending the time limit for filing complaints relating to sexual harassment.

Israel signed the UN Convention on the Rights of the Child in 1990 and ratified it in 1991, but did not follow this with any legislative or administrative steps. In Israeli legislation children are not recognised as a population group with specific needs. A draft law was submitted to the Knesset in March 2012 aimed at establishing a Commission for **Children's Rights**, which would be part of the Ministry of Justice and would be responsible for promoting and defending the rights of children and for coordinating government measures in this regard.

Israel ratified the UN Convention on the Rights of Persons with **Disabilities** in September 2012. Two EIDHR projects accompany Israel's steps towards the transposition of the Convention's provisions into domestic legislation.

There is no legal discrimination in Israel based on **sexual orientation** and hate crimes are limited. LGBT (lesbian, gay, bisexual and transgender) rights are largely accepted and protected.

The sixth EU-Israel seminar on the fight against **anti-Semitism, racism and xenophobia** took place in Jerusalem in June, bringing together officials, diplomats and experts from both Israel and the European Union. It proved very useful for exchanging information on trends and developments in EU Member States and in Israel on these problems and for outlining possible responses.

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

Throughout 2012 the EU continued to encourage both the Israelis and the Palestinians to return to the negotiating table. However, the Palestinians did not stray from their position whereby they could only re-enter negotiations if Israeli settlement construction, including in East Jerusalem, was frozen, a demand with which Israel did not comply. During most of 2012, no major initiative was taken by the parties to try to re-start negotiations. In the Foreign Affairs Council conclusions of May and December 2012 on the Middle East peace process, the EU reaffirmed its commitment to a two-state solution and expressed grave concern about developments on the ground, which threatened to make a two-state solution impossible.

In November 2012, there was a major escalation of violence between armed groups in Gaza and Israel, leading to the death of more than 160 Palestinians and five Israelis. A ceasefire was eventually agreed in indirect negotiations between Israel and the *de facto* authorities in Gaza, thanks largely to mediation efforts by Egyptian President Morsi and the United States. The terms of the ceasefire agreement call for further negotiations aimed at opening up the crossings into Gaza. In the Foreign Affairs Council conclusions of December 2012 the EU expressed its readiness to make use of its instruments in support of the parties' efforts, including the possible reactivation, in the appropriate way, of the EUBAM Rafah mission.

On 29 November, Palestine was granted non-member observer State status in the United Nations, through a vote in the UN General Assembly. After this vote, Israel announced that it would increase the construction of settlements in the West Bank, in particular in the so-called E1 area and in East Jerusalem and that it would withhold the transfer of Palestinian tax and customs revenues and offset these revenues against Palestinian debts to Israel. This Israeli reaction was widely criticised by the international community, including the EU. On 10 December, the EU Council adopted conclusions expressing deep dismay and strong opposition to Israeli plans for new settlement construction, stating that the Union would closely monitor the situation and its broader implications, and act accordingly. Efforts are ongoing among key players of the international community, notably in contacts between Middle East Quartet members, to try to move beyond the current confrontation between the parties, to create the conditions for resuming direct negotiations without pre-conditions.

The changes in the political landscape in Egypt caused a steadily deteriorating security situation in the Sinai. Following an attack by terrorists in August that left a number of Egyptian policemen dead and whose ultimate aim was to stage a large-scale attack in Israel, Egypt temporarily moved into the Sinai more military force than allowed in the military annex of the Israel-Egypt 1979 peace treaty. The Israeli reaction was low key out of concern for safeguarding the peace treaty.

In Israel there was continued concern about a possible spill-over from hostilities in Syria, particularly the risk that chemical and/or biological weapons might fall into the hands of rogue groups. In spite of Israeli efforts towards a rapprochement with Turkey, such as inviting a group of Turkish journalists, bilateral relations continued to be strained as a consequence of the 2010 Mavi Marmara incident and the fact that Israel was not prepared to meet Turkey's demand for an apology.

3. ECONOMIC REFORM, SOCIAL REFORM AND DEVELOPMENT

Macroeconomic framework¹

In 2012 **the economic growth** slowed down to 3.3%, from 4.6% in 2011. The moderation was mostly a result of slowing of both domestic and external demand. As a result of weakening demand pressures **inflation** continued to slow down in the first half of 2012; it reached its lowest point (1%) in June 2012 but on average was of 1.7% in 2012. From late 2011 the Bank of Israel's monetary policy responded to slowing growth and inflation by decreasing the **interest rate**, to 1.75% in December 2012.

The **shekel** strengthened by 2.3% against the US dollar and 0.4% against the Euro, adding to the slowdown of exports grew that grew by only 1.1% year-on-year in 2012 (they rose by 5.5% in 2011). At the same time, **import** growth slowed to 3.2% year-on-year from 11.1% in 2011. A deficit of 0.6% of GDP in the **current account** is expected in 2012.

A sharp drop in fiscal revenues, by 2.9% in 2012, and growth in government expenditures by 7.0% in the same period have led to an increase of the **fiscal deficit** of 4% of the GDP 2012. In an effort to contain the deficit to 3% in 2013, the government increased the VAT and the income tax.

As an important step towards the Action Plan goal of maintaining the economic dialogue between the EU and Israel, the first meeting of the EU-Israel Sub-Committee on Economic and Financial Matters took place in January 2012.

Employment and social policy

Unemployment in 2012 is estimated at 6.5%, compared to 6.8% in 2011. Deep socio-economic and income disparities (with a Gini coefficient of 0.378 for 2011) subsisted and Israel still has the highest poverty rate among OECD countries. Arab-Israelis and ultra-Orthodox Jews continued to register the highest rates of unemployment and poverty.

As regards **social policy** social unrest continued in 2012, though less intensively. The government accepted some of the recommendations of the Trajtenberg Committee, but their impact has yet to be felt. In this context, the government approved a plan to finance free education as from the age of three. Discussions were launched on a draft law aimed at putting a cap on senior management's salaries.

On **social inclusion**, the Twinning project with the Israeli Equal Employment Opportunities Commission (EEOC) ended in February successfully achieving its goals. The project shared EU experience and promoted laws in Israel concerning equality in the workplace. The Ministry for Industry, Trade and Labor expressed its continued commitment to ensuring the EEOC's independence and providing it with adequate resources.

¹ Figures on GDP, inflation, trade and employment are generally from Eurostat based on data supplied by the national statistical offices; or IMF or Commission Staff estimates, as indicated in the Statistical Annex. When other data sources are used these are then indicated.

4. TRADE-RELATED ISSUES, MARKET AND REGULATORY REFORM

The EU is Israel's main trading partner accounting for 32% of its trade volume in 2011². **Bilateral trade** flows remained stable and during the first eleven months of 2012 amounted to EUR 27.3 billion. EU exports to Israel consisted mainly of machinery, chemicals, as well as vehicles and transport equipment. EU imports from Israel consisted mainly of chemicals, machinery and transport equipment as well as pearls and precious stones.

There were no significant developments in the **customs** area. The number of companies with Authorised Economic Operator (AEO) status slightly increased during the reporting period. Israel is yet to sign and ratify the regional Convention on pan-Euro-Mediterranean preferential rules of origin. Israel regularly participated in the meetings of the pan-Euro-Med Working Group which is currently dealing with the revision of the rules of origin in the framework of the regional Convention.

Regarding **sanitary and phyto-sanitary** issues, a twinning project was launched in February. It aims to harmonise Israeli veterinary quality control procedures for animal feed, animal welfare and food of animal origin with EU standards. Israel participated in a Commission/European Food Safety Agency/TAIEX supported Mediterranean seminar on animal identification and disease control measures that was held in September in Cyprus.

On **agriculture and rural development**, a twinning project to help the Israeli Ministry of Agriculture and Rural Development 'Reinforce National Policy and Tools for Implementing Rural Development in Israel' was finalised.

On the **free movement of goods and technical regulations**, the EU-Israel ACAA entered into force in January 2013 after obtaining the European Parliament's consent on 23 October. The Agreement contains an annex on good manufacturing practices for pharmaceutical products which will enable EU-certified pharmaceuticals to be placed on Israel's market and vice-versa, without additional certification. Other priority sectors could be included in the Agreement once Israel is ready with the legislative alignment and the implementing infrastructure.

The **business climate** in Israel benefits from a high level of investment protection and ease of trade across borders. However, the handling of construction permits and the registration of property could be improved. Compared to the previous year, Israel dropped slightly to 38th place (out of 185) in the ease of doing business ranking in the World Bank's 'Doing Business 2013' annual report.

In the area of **financial services**, the European Regional Committee (ERC) of the International Organisation of Securities Commissions accepted the Israeli Securities Authority as a full member. From June 2012, foreign lawyers were allowed to practise law in Israel and foreign law firms were allowed to collaborate with Israeli law firms.

There were no significant developments in the areas of **company law, movement of capital and current payments**.

Other key areas

The agreement on avoidance of double **taxation** between Denmark and Israel entered into force in January. The agreement with Malta signed in July 2011 has not yet entered into force.

² Data for 2012 was not available at the time of writing.

Discussions between Israel and Cyprus (the only remaining Member State without such an agreement with Israel) are ongoing.

In the area of **competition**, the Knesset approved a law allowing the Israel Antitrust Authority to impose administrative fines of up to approximately EUR 4.8 million in specified cases.

Israel made substantial progress in amending its **intellectual property rights** legislation with respect to patent term extension, namely regarding the publication of patent applications 18 months after being submitted. A new law, approved in July, allowed for third-party intervention on a patent application, with no possibility of extending the deadline for approval of the patent, thus putting the patent owner at a disadvantage. Data exclusivity on biological products and the issue of third-party intervention in the patent approval process remain areas of concern.

In the framework of the WTO, Israel negotiated the phasing out of its **public procurement** offset benefits. The agreement refers to a gradual fifteen-year phasing out, with a 20% offset in the first eight years after signing and 18% in the remaining years. Negotiators agreed to commitments in March. The Government Procurement Agreement will now have to be ratified by the Parties.

A twinning project has been launched to support the Israeli Central Bureau of **Statistics** in improving national accounts, education statistics, survey methodologies, the website, and the coordination of the Israel National Statistical system. For the first time, monthly estimates of work and employment were published, covering the demand and supply sides of the labour market. Together with the Job Vacancies Survey, and the Business Tendency and Consumer Confidence Surveys they provide a comprehensive picture of the labour market. A major development is the launch of the Rolling Integrated Census, based on administrative files, which makes it possible to estimate the population on a yearly basis.

As regards **enterprise policy**, Israel continued implementing the 2011-2012 work programme on Euro-Mediterranean industrial cooperation.

In the area of **consumer protection**, a law obliging airlines to compensate passengers for changes in flight times entered into force in August 2012. It covers flight cancellations, long delays and early departures, downgrades in seating arrangements and overbooking.

5. COOPERATION ON JUSTICE, FREEDOM AND SECURITY

In the area of **irregular migration and asylum** Israel started implementing the new Anti-Infiltration Law. This law substantially increased the sanctions for migrants who had irregularly entered Israeli territory, but did not include adequate safeguards for the fact that they might need for international protection. Israel's policy to address mixed migratory flows coming from the Sinai was based exclusively on the principle of deterrence. Work on the fence along the Egyptian border is very nearly complete. Efforts continued to increase the capacities of detention centres and to relocate individuals from third countries. The *Saharonim* detention centre has a capacity of 3000. A further 2500 places were allocated at the *Ketziot* prison. The construction of the new *Raviv* detention centre (with a capacity of 8000) was launched.

Estimates at the end of 2012 indicated the presence of about 62,000 migrants who had entered Israel irregularly via the Egyptian border. Of these, 52,000 were Eritreans and North Sudanese who had been granted temporary group protection, based on their nationality. After June, the number of newcomers declined substantially (1946 in May, 999 in June, 216 in July, 199 in

August, 134 in September, 51 in October and 17 as at mid-November). Following the establishment of the state of South Sudan, the Israeli government decided to put an end to the group protection status of South Sudanese citizens and return them to their country. Out of the estimated 700-1,500 South Sudanese, most returned voluntarily to South Sudan. Each person received 1,000 EUR from the Israeli government and was encouraged to board the flights organised by the government in June. More recently, a more restrictive approach was reportedly applied by Israeli authorities also to Eritrean refugees. In some cases, Eritreans were obliged to choose between return to Eritrea, detention in Israel as irregular migrants, or voluntary relocation towards third countries accepting them.

Against this background, a positive step was taken by the government with regard to the health and welfare of irregular migrants and of persons in need of international protection who were already in Israel. The Government decided to expand by 1 January 2013 a small government-funded clinic in Tel Aviv, previously staffed by volunteer doctors, so as to provide paediatricians, family doctors, gynaecologists and X-ray services. Another positive step was the decision to allow, at least in principle, every irregular migrant in detention to undergo refugee status determination (RSD), including Eritreans and Sudanese, who had previously been excluded because of temporary group protection. This change may be significant as many Eritreans and Sudanese may be entitled to refugee status. It was also decided that the RSD unit would be substantially reinforced.

In November, the Population Immigration and Border Authority issued a new procedure for dealing with stateless people living in Israel, whereby for the first time a stateless person may apply for recognition at the Ministry of the Interior, without being arrested. The procedure does not, however, comply with the international Convention relating to the Status of Stateless Persons which Israel ratified in 1958, as Israel does not provide social rights, health and welfare to stateless persons.

An EU funded project on migration management was contracted in December 2012, to be implemented by the Centre for International Migration and Integration in partnership with the United Nations High Commissioner for Refugees (UNHCR) and the International Organisation for Migration (IOM). The project will support the development of a migration management framework in Israel in line with international standards and European best practices.

Israel has made substantial progress in the fight against **trafficking in human beings**. The dismantling of the special anti-trafficking police unit Sa'ar in 2011 led to a decentralisation of activities to regional units and substantially increased human resources. An Anti-Trafficking Police Coordinating Officer was appointed to ensure coordination between the units. The reduction of trafficking for sex purposes was particularly successful. A TAIEX workshop on government-NGO relations in the field of trafficking in human beings took place in May in Haifa.

Concerning the fight against **financial crime**, a TAIEX seminar on combating financial crime, money laundering and asset forfeiture took place in February in Tel Aviv. In the area of **counterterrorism**, in September Israel launched a new police unit to help investigate Jewish terrorism crimes ("price tag" crimes).

In May, Israel participated in the first Reitox Weekend of the European Monitoring Centre for **Drugs** and Drugs Addiction (EMCDDA) in Lisbon. It also participated in the Multi-Country Workshop on Drug Prevention and Monitoring: Situation and Perspectives in the ENP Southern Partnership countries organised by the European Commission and EMCDDA under the auspices

of the Cypriot Presidency, which took place in Cyprus in October. Good progress was achieved in cooperation between the Israeli Anti-Drug Agency and EMCDDA. Israel expressed interest in negotiating a Memorandum of Understanding with EMCDDA.

It should be noted that Israel is considered to provide an adequate level of protection for personal data transferred from the European Union in relation to automated international transfers of personal data (Commission Decision of 31.01.201, for the purposes of article 25(2) of Directive 95/46/EC).

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

On **transport**, in July the EU and Israel initialled a comprehensive aviation agreement aimed at developing a common aviation area between the parties based on common rules. This agreement will replace bilateral air-services agreements between EU Member States and Israel. The EU urges the Israeli authorities to proceed swiftly with the signature of the agreement. Israel cooperated with the Mediterranean Aviation Safety Cell (MASC) within the European Aviation Safety Agency (EASA) on regulatory convergence in the field of safety.

Israel continued work on a new **energy** master plan-2050. In February 2012, the government approved the establishment of a sovereign wealth fund to manage royalties from the (future) exploitation of gas reserves. In August, an Inter Ministerial Committee presented its final recommendations to the government on how to use the country's natural gas resources. The committee estimated the amount of available gas at 1,480 billion cubic meters (bcm). It recommended, inter alia, that gas for domestic consumption should be guaranteed for 25 years and that a maximum of 500 bcm be permitted for export. Also in 2012 energy security was impacted by a substantial decrease in Egyptian gas imports after several explosions on the import pipeline. In this context, Israel continued preparations to connect the offshore Tamar gas field to Israel's pipelines. It also pursued the construction of a maritime buoy to receive liquefied natural gas. Israel and Cyprus launched a feasibility study to assess the possibility of interconnecting their electricity networks. Israel continued to implement energy efficiency and renewable energy measures, including work on a 30 MW photovoltaic power plant and the replacement of less efficient domestic appliances by more efficient ones. The EU remains committed to re-launching trilateral energy cooperation with Israel and the Palestinian Authority.

As regards **climate change**, Israel approved grants (totalling about EUR 27 million) to the municipal, industrial, commercial and transportation sectors for projects and incentives to reduce green house gas emissions. Regional cooperation on climate change related water availability is continuing with the water authorities of Israel, the PA and Jordan. Israel is encouraged to build capacity and engage in the new carbon market mechanism to be developed following the 17th and 18th sessions of the United Nations Framework Convention on Climate Change Conference of the Parties. With the support of the newly launched regional technical assistance project for climate change and related matters, Israel is encouraged to devise a low-carbon development strategy and step up its mitigation efforts. Additional efforts should be made to fully implement the Cancun and Durban agreements.

On **environment**, the "green government" project was approved in September. Under this project, 20% of the equipment and supplies purchased by ministries must be environmentally friendly by 2020. Israel provided approximately EUR 14 million in financial incentives for the

establishment of waste-to-energy facilities. An Electronic Waste Law (based on EU legislation) and an Emissions Reporting Law were passed. A three year programme, costing about EUR 43 million, was launched to rehabilitate the Kishon River. A twinning project is in preparation on the implementation of a system of integrated pollution prevention and control (IPPC) and a pollutant release and transfer register (PRTR).

Israel actively participated in ENPI-financed regional projects namely the Sustainable Water Integrated Management (SWIM) project and those falling under the Horizon 2020 de-pollution initiative (the Mediterranean Environment Programme and the Shared Environmental Information System support project led by the European Environment Agency).

Israel actively participated in the **Integrated Maritime Policy** (IMP-MED) technical assistance project under the ENPI South programme.

In the area of **civil protection**, the flagship programme for Prevention of, Preparedness for, and Response to natural and man-made disasters (PPRD South) contributed to the establishment of a regional framework of disaster management authorities that could intervene collectively in the event of disasters overwhelming the affected country. Indeed, sustainable development requires adequate disaster risk reduction efforts. Israel is among the 168 governments that adopted in 2005 the "Hyogo Framework for Action: Building the Resilience of Nations and Communities to Disasters", which emphasizes the central role of disaster risk reduction for all development policies. However, work on Disaster Risk Reduction (DRR) and climate adaptation is only at the beginning and it will require considerable further support to develop capacities and processes. DRR policy is fostering dialogue with Civil Society and NGOs, thus contributing to a more sustainable democracy. Analysis of the regulatory and institutional frameworks started with the aim of strengthening capabilities and inter-ministerial coordination in the second phase of the programme.

On **information society**, a specific twinning cooperation project was completed with the Israeli telecommunications regulator and all expected results were achieved. The project identified concrete pricing methodologies, areas for approximation and consumer protection initiatives. It accompanied Israel's reforms aimed at increasing competition between providers of fixed communications services by opening up the wholesale markets. The EU also supported the setting up of a computer system enabling the Ministry to implement the twinning recommendations on data collection, thereby facilitating interaction between operators and the regulator. Competition in the mobile market increased with the arrival of new entrants. Israel has not yet established an independent regulatory authority for electronic communications.

As regards **audiovisual policy**, Israel worked towards the establishment of a Council for Commercial TV and Radio Broadcasting. This new body will have all the regulatory responsibilities that are now divided among the Second Broadcasting Authority of TV and Radio, the Second Authority Council, and the Council of Cable and Satellite TV Broadcasting.

In the area of **research and innovation**, the European Commission's Joint Research Centre and the Israeli Ministry of Energy and Water Resources signed a memorandum of understanding for scientific cooperation on energy, with a particular focus on clean energy and water desalination. In 2012, there were 1 514 participations of Israeli institutions in 1 246 projects under the EU's Seventh Framework Programme for Research and Technological Development (FP7). The total EU contribution to these projects amounted to more than EUR 4.5 billion, of which EUR 609 million were for the Israeli participating entities. Through the calls for proposals that Israel publishes via the 22 ERA-NETs in which it is a member, Israel provides additional research

funding. Israel is associated with FP7 and was very active in the European Research Council's Ideas programme, which accounted for over 42% of the FP7 funding received by Israel. Under the FP7 Cooperation Programme Israel participated most actively in the areas of information and communications technology, health, nanotechnology and security research. At the December 2012 Joint Committee Meeting, Israel discussed with the European Commission various aspects of its possible association with Horizon 2020.

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

Regarding education reform, Israel and the European Training Foundation (ETF) maintained a strong relationship in their joint work on **vocational education and training** (VET). This involved, in particular, information and knowledge sharing activities in relation to EU policies and practice. Israel expressed interest in working on qualifications and quality assurance. The ETF provided expertise on raising awareness and knowledge about on-going policies and practices in these two fields in the EU and in the EU Member States. Israeli ministries, other VET actors and the Central Bureau of Statistics continued to take an active role in the so-called Torino process to assess the Israeli VET sector.

In the area of **higher education**, Israel showed increased interest in participating in **Tempus IV** increased, with five new projects selected. Three of the selected projects are coordinated by Israeli institutions - making this year's results the most important since Israel joined the Tempus programme in 2008. The projects focus on student support services, internationalisation of academic colleges, multicultural education, and interdisciplinary education and social work study programs. The most visible and sustainable contributions of Tempus in Israel are in the areas of curriculum reform, the management of international relations offices and the promotion of the Bologna Process. Moreover, a significant number of Tempus projects are aimed at creating links between higher education institutions and the world of work, in order to increase the employability of graduates. Israeli students benefitted from three new scholarships for **Erasmus Mundus** joint Masters Courses along with further 197 mobility grants allocated within a university consortium. Israel made good use of **Marie Curie actions** (FP7) aimed at fostering international research cooperation; from 2007 until the end of 2012, over 377 researchers have been funded and Israeli research organisations have participated in 390 projects. No new Jean Monnet project was approved in 2012.

Young Israelis and Israeli **youth** organisations continued to benefit from the **Euromed Youth IV** programme. The EU decided to add an extra EUR 900,000 to the programme in Euromed Youth IV programme in Israel; 11 projects were selected targeting 47 young people. In addition, young Israelis and Israeli youth organisations participated in the **Youth in Action programme**; 48 projects reaching 213 young people were selected in 2012.

In the area of **culture**, Israel is not a party to the 2005 UNESCO Convention on the Protection and Promotion of the Diversity of Cultural Expressions, which remains a stumbling block for developing bilateral relations in this field.

In the framework of the Euromed Audiovisual III programme, the Israeli New Foundation for Cinema and Television implemented and led the project on "Greenhouse: Development of Documentary films by South Mediterranean Cinema School Graduates". Under the EU's "Investing in People" programme, two Israeli projects were carried out by Arab organisations from Israel, in partnership with organisations from Palestine and Europe.

Israel is implementing its **health** policy strategy until 2020 as well as a tobacco control plan until 2015. The EU and Israel strengthened cooperation on prevention and control of communicable diseases through the signature of an administrative arrangement between the European Centre for Disease Prevention and Control (ECDC) and its Israeli counterpart. Israel participated in the EU supported 'Episouth Plus' project aimed at increasing health security in the Mediterranean region and South East Europe. Israel participated in a Commission/ECDC conference and training course aiming to strengthen capacity building for communicable diseases prevention and control in the Mediterranean. The aim is to jointly explore the scope for developing a regional training programme on intervention epidemiology.

8. ISRAEL IN THE OCCUPIED TERRITORIES

In the course of the year, 255 Palestinians (including 122 civilians) as well as 9 Israelis (including 5 civilians) were killed in Israeli-Palestinian **conflict-related incidents** in Israel, the West Bank and Gaza Strip, and 4785 Palestinians and 242 Israelis were injured (figures provided by the UN Office of the Coordinator for Humanitarian Affairs — OCHA).

Settlement construction and expansion continued, including deep into the West Bank. Decision-making on the creation of new settlements was facilitated by delegating it from the full cabinet to a "Ministerial Committee on Settlement Affairs". Several settlement outposts (Bruchin, Rehalim, Sansana and Givat Salit) were "authorised". Given the absence of formalities, they had been considered "illegal" even under Israeli law. So far, no decisions have been taken on the report by the Levy Committee, which the government entrusted with examining the status of building in the West Bank. This Committee tried to provide a legal basis for the establishment of settlements by arguing that the West Bank was not occupied territory, recommending the "legalisation" of outposts which are not built on land privately owned by Palestinians. Following rulings by the Supreme Court, which found that the Ulpana and Migron "illegal outposts" were built on private Palestinian land, their residents were relocated to nearby sites in the West Bank. Of particular concern are plans for building settlements that sever the geographic contiguity between East Jerusalem and the rest of the West Bank (e.g. E1, Givat Hamatos) as they undermine the prospect of a two-state solution with Jerusalem as the future capital of two states.

The exercise of **media freedom, freedom of expression and freedom of assembly** remained problematic in Palestine. The "All for Peace" radio station whose closure was reported in the 2011 report, has appealed to Israel's Supreme Court against the Israeli Communications Ministry's decision to shut it down. Violent clashes and crack-downs continued to occur during demonstrations against the building of the separation wall. Human rights defender Bassem Tamimi was sentenced to 13 months, corresponding to the period he had been held during his trial, plus 17 months suspended for 5 years on counts of organising protests without a permit and solicitation of stone throwing. Almost half a year after his release, he was arrested again and sentenced to four months."

The Israeli Army stepped up its interventions against **settler violence**. However, most of the cases filed with the Israeli police on the issue were closed without indictment. In October, Israel decided to create a special unit within the police tasked with foiling attacks by Jewish extremists in the West Bank. OCHA recorded 353 cases of settler-related incidents in 2012. These incidents include brutal attacks against persons and damage of property, most notably the uprooting or burning of olive trees.

There were several arson attacks against mosques in the West Bank and a marked increase in the number of arson and graffiti attacks against Christian monasteries and churches. A number of Christian communities across the West Bank, in addition to all Christians in Gaza, were unable to exercise their right to **worship** in Christian sites in Jerusalem and Bethlehem during Christian holidays, due to Israeli access restrictions. However, on the occasion of Ramadan an unprecedented number of Palestinians from the West Bank were allowed access to East Jerusalem and Israel for Friday prayers and family visits.

By the end of November 2012 there were 4432 **Palestinian prisoners and detainees in Israeli jails**. Israel continued to make excessive use of the **administrative detention** of Palestinians, although the number of administrative detainees fell significantly from 307 in December 2011 to 160 in January 2013. Of these, 71 have now been held in administrative detention for one to two years, with 14 detainees held for even longer periods. During the year, several administrative detainees went on hunger strike for very extensive periods in protest at the renewal of their detention. In all cases, a deal was ultimately struck at an advanced stage of the hunger strike, with the authorities pledging not to renew the detention beyond the expiration date of the detention order or the detainee accepting transfer to Gaza.

In the spring, a mass hunger strike spreading beyond the issue of administrative detention began, with about 1600 sentenced Palestinian security prisoners taking part in protests against their conditions of detention. The strike ended with the agreement of 14 May 2012, whereby the Israeli authorities undertook to ease the conditions of prisoners held in separation and to grant family visits in exchange for a commitment by the prisoners to cease any involvement in terrorist activity in prison.

The Israeli military continues to detain, prosecute and imprison **Palestinian minors**. By the end of 2012 there were 21 children under 16 years of age and 156 between the age of 16 and 18 in custody. Throughout 2012 there were no minors held in administrative detention. Concerns remain about insufficient protection of children during arrest and detention, in particular the failure in the majority of cases to permit children to be accompanied by a lawyer and parent during questioning. Palestinian minors do not enjoy the same level of protection as is provided for under Israel's Youth Law or required by international law.

A new military order (No.1685) has been issued reducing from eight to four days the time within which detained children must be brought before the military court. This does not provide enough protection for children, who are at their most vulnerable in the first 48 hours of detention.

Palestinian **economic and social rights** are still hampered by Israeli restrictions on the freedom of movement. The economic and physical isolation of the Gaza Strip is still a source of great concern. The average number of truck loads entering Gaza from Israel was somewhat higher than in 2011, while exports remained extremely low compared to the period before the blockade. After the escalation in Gaza in November, Israel extended the permitted fishing zone from 3 to 6 nautical miles from the Gaza shore. While this is a positive step, it still falls short of the 20-mile zone provided for in the Oslo Accords.

Regarding freedom of movement in the West Bank, a number of significant easing measures were adopted between July 2011 and June 2012, reducing travel time for about 100 000 Palestinians from their villages to six main cities. Palestinians travelling to and from Jerusalem were also assisted by easing measures at the Qalandia checkpoint. There was little change in restrictions on Palestinian movement to and from large rural areas, which are mostly related to

settlement activity across the West Bank. However, on 3 October, the Ministry of Defence decided that henceforth unrestricted movement would be permitted, subject to security inspection at all crossings, between the Jordan Valley and the rest of the West Bank.

Palestinian property rights continued to be under particular strain. According to OCHA, 598 Palestinian residential and non-residential structures were demolished by Israel in East Jerusalem and the rest of the West Bank in 2012, thus displacing 886 persons, as against 1 094 persons displaced in 2011.

The EU expressed concern about the announcement by the Israeli Civil Administration that 20 Bedouin communities living in the periphery of East Jerusalem had to leave, placing 2 300 people, primarily refugees, at risk of forced displacement. This relocation would accommodate the expansion of the Ma'ale Adumim bloc of settlements (E-1 Zone). However, so far it has not been implemented.

The participation in EU programmes of Israeli entities carrying out EU-funded activities in the occupied territories continued to raise concerns within the EU. The issue will be addressed in a horizontal manner for the EU's 2014-2020 programming period taking into account EU positions and commitments in conformity with international law.