



Council of the
European Union

Brussels, 19 May 2017
(OR. en)

9435/17

COEST 103
CFSP/PESC 436
MED 45
MAMA 94

COVER NOTE

From: Secretary-General of the European Commission,
signed by Mr Jordi AYET PUIGARNAU, Director

date of receipt: 18 May 2017

To: Mr Jeppe TRANHOLM-MIKKELSEN, Secretary-General of the Council of
the European Union

No. Cion doc.: JOIN(2017) 18 final

Subject: JOINT REPORT TO THE EUROPEAN PARLIAMENT, THE COUNCIL,
THE EUROPEAN ECONOMIC AND SOCIAL COMMITTEE AND THE
COMMITTEE OF THE REGIONS
Report on the Implementation of the European Neighbourhood Policy
Review

Delegations will find attached document JOIN(2017) 18 final.

Encl.: JOIN(2017) 18 final



HIGH REPRESENTATIVE
OF THE UNION FOR
FOREIGN AFFAIRS AND
SECURITY POLICY

Brussels, 18.5.2017
JOIN(2017) 18 final

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

Report on the Implementation of the European Neighbourhood Policy Review

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Report on the Implementation of the European Neighbourhood Policy Review

1. INTRODUCTION

This is the first report following the review of the European Neighbourhood Policy (ENP) in November 2015¹, which sets out a new framework for building more effective partnerships between the EU and its neighbours, and supporting stabilisation as a top priority. The report reflects the overarching political priorities for the EU's external action agreed with by Council² following publication of the Global Strategy for the European Union's Foreign and Security Policy in June 2016.

The ENP Review was based on a wide consultation process involving partners and the EU Member States, and drawing on their inputs. It introduced a new approach that encompasses greater respect for the diverse aspirations of the EU's partners; more effective pursuit of areas of mutual interest; new working methods to support a greater sense of ownership by the partners and greater involvement and shared responsibility by the Member States; as well as greater flexibility in the way the EU conducts its policies and its development funds. The present report reflects the commitments made in the ENP Review to keep all EU stakeholders informed of the progress of the ENP. It also takes stock of developments in the EU's relations with its partners since the adoption of the revised policy, and demonstrates how the EU is delivering on the new approach.

Developments in the EU's Neighbourhood and inside the EU have continued to confirm the importance of close and fruitful working relations between the EU and its neighbours. The EU supports the independence, sovereignty and territorial integrity of all Partner Countries, which is also in line with the principles of the UN Charter. Terrorist attacks in the EU and in neighbouring countries demonstrate the need to keep strengthening cooperation both on security and on the political and socio-economic drivers of violent extremism. Tackling irregular migration and responding to the flows of refugees remain important challenges for both the EU and its neighbours, and key areas on which to focus our work given the continued instability due to conflicts, especially in Libya and Syria. To the East, Neighbourhood countries continue to grapple with societal transformation amid pressure from an increasingly assertive Russian foreign policy.

This report emphasises how the EU and its partners in the East and the South are working to promote stabilisation and resilience focussing particularly on economic development, employability, youth employment, and upholding the EU's commitment to promote democracy, rule of law and respect for human rights, and good governance with effective and accountable public administrations and participation of civil society.

¹ Joint Communication JOIN(2015) 50 final adopted on 18 November 2015 and Council Conclusions of 14 December 2015

² Council Conclusions the Global Strategy of the European Union's Foreign and Security Policy (doc. 13202/16 of 17 October 2016): <http://data.consilium.europa.eu/doc/document/ST-13202-2016-INIT/en/pdf>

2016 saw progress on reenergising the relations with the neighbouring countries through new forms of tailor-made partnerships. This has included work on new country-specific frameworks for bilateral cooperation in the form of Partnership Priorities and updated Association Agendas. The approach of joint ownership has made it possible to better reflect individual needs and aspirations of partner countries as well as EU interests and values.

Financial assistance is being used in a more flexible way, to support the new priorities of the ENP. Member States have been fully involved in the process of defining these priorities also through more coordination on financial assistance and joint programming. Closer involvement of civil society and other stakeholders has also been ensured.

The Global Strategy will guide the EU's external action in the years to come, and the reviewed ENP is an important instrument to attain its objectives, particularly answering the need to enhance the resilience of states and societies to the East and to the South of the EU, in line with relevant Council Conclusions³. The reviewed ENP is also coherent with the Rome Declaration promoting a stronger role of Europe on the global stage⁴ and is in line with the Agenda 2030 for Sustainable Development and its sustainable development goals.

The following sections outline developments in EU's bilateral and regional engagement with partners; provide details related to progress on key priorities of cooperation; describe the impacts of financial assistance and take a forward look at how the ENP is developing.

2. STATE OF PLAY OF BILATERAL AND REGIONAL ENGAGEMENT

Bilateral engagement

The revised ENP recognises that individual partners have different aspirations and interests in their relations with the EU. In 2016, the EU has actively sought the views of partners on the way forward and consultations have been launched and concluded with a number of ENP countries on new frameworks for bilateral engagement. Whether through Partnership Priorities, updated Association Agendas or existing Action Plans, the aim has been to reflect the level of ambition of each country in its relations with the EU. These joint bilateral documents reflecting shared political priorities provided the basis for the ongoing programming exercise of the new bilateral assistance programmes (Single Support Frameworks) under the European Neighbourhood Instrument (ENI) for the period 2017-2020 that is being conducted in close coordination with the national authorities of partner countries and all other relevant stakeholders, including civil society, social partners, local and regional authorities and private sector organisations.

³ Council Conclusions on the Global Strategy of the European Union's Foreign and Security Policy (doc. 13202/16 of 17 October 2016): <http://data.consilium.europa.eu/doc/document/ST-13202-2016-INIT/en/pdf>

⁴ Rome Declaration, 25 March 2017, (http://www.consilium.europa.eu/press-releases-pdf/2017/3/47244656633_en.pdf)

Partnership Priorities with Lebanon and Jordan were adopted at the end of 2016⁵. In order to help both countries address the impact of the refugees following the Syrian conflict, Compacts containing priority actions and mutual commitments were agreed and annexed to the Partnership Priorities. Both partner countries were already receiving EU assistance to address the needs and promote the resilience and self-reliance of refugees and vulnerable host communities, ensuring a Linking Relief, Rehabilitation and Development (LRRD) approach that encompasses also humanitarian aid, and provide long-term benefits in various areas such as public health, education and job creation.

The negotiation of Partnership Priorities provided an opportunity to put relations with Algeria and Egypt on a new footing.

Partnership Priorities with Algeria were adopted in March 2017⁶. Dialogues took place on energy and migration; an agreement was signed on civil protection and cooperation programmes have been adopted on renewable energy, economic diversification and public financial management, responding to the major economic and fiscal challenges Algeria currently faces.

Draft Partnership Priorities with Egypt were provisionally agreed in December 2016. Foreign Minister Shoukhry was invited to the March Foreign Affairs Council to discuss the different ways in which the priorities can be taken forward.

With Tunisia 2016 has seen an intensification of existing forms of cooperation. A Joint Communication was adopted in September 2016⁷ that set out further actions to promote long-term stability, including good governance, justice reform, socio-economic development and security. It also provided a basis for the creation of the Joint Parliamentary Committee EU-Tunisia in September 2016 and for the EU's substantial contribution at the Tunisia 2020 investors' conference in November 2016.

The EU has supported Morocco's reforms agenda in a wide range of social (education, health, social protection, gender, Technical Vocational Education and Training - TVET), economic (regulatory approximation, green growth, agriculture, and public financial management) and justice sectors. Technical and financial cooperation with Morocco continued throughout the period of legal uncertainty pending the European Court of Justice (ECJ) decision on the EU Morocco Agriculture Agreement.

Libya's internal situation remains extremely complex and volatile despite the signature of the Libyan Political Agreement (LPA) in December 2015. EU cooperation has adjusted to the very particular circumstances, including by channelling support through municipalities. The

⁵ Decision No 1/2016 (11 November 2016) of the EU-Lebanon Association Council agreeing on EU-Lebanon Partnership Priorities (<http://www.consilium.europa.eu/en/press/press-releases/2016/11/15-eu-lebanon-partnership/>) and EU-Jordan Partnership Priorities and annexed Compact, 20 September 2016 (<http://data.consilium.europa.eu/doc/document/ST-12384-2016-ADD-1/en/pdf>)

⁶ doc. UE-AL 3101/17 ADD1 of 7 March 2017 - Priorités communes de Partenariat entre la République Algérienne Démocratique et Populaire (Algérie) et l'Union européenne (UE) au titre de la Politique européenne de voisinage révisée (<http://www.consilium.europa.eu/en/press/press-releases/2017/03/13-eu-algeria/>)

⁷ Strengthening EU support to Tunisia, JOIN(2016) 47 final

international community, including the EU, is committed to fully implement the LPA and to continue to mediate with the objective of bringing all Libyan actors together to find a comprehensive agreement to restore law and order, enhance the rule of law, bring the armed and security forces under civilian control, avoid financial collapse, preserve the country's unity and tackle terrorism and irregular migration.

The EU Strategy for Syria⁸ sets out the EU's strategic goals, immediate objectives and lines of action for the resolution of the war in Syria and dealing with its immediate and long-term humanitarian impact. It defines how the EU can play a stronger role in contributing to a lasting political solution in Syria under the existing UN-agreed framework. It also looks at how the EU can continue its assistance to over 13 million people in need in Syria, help build resilience and stability in the country, and support post-agreement reconstruction and the voluntary, dignified and safe return of refugees and internally displaced persons once a credible political transition is underway.

While the bilateral programmes with the Syrian government have been suspended since 2011, the EU supports the Syrian people by providing life-saving humanitarian aid and resilience support and by working with the civil society and NGOs. The EU's support has focused on issues such as community-level resilience, delivery of public services and local governance, human rights and accountability, peacebuilding, and gender and minority issues, in order to enhance the capacity of civil society organisations to participate in the transition and stabilisation of the country. In 2016 the EU increased considerably its non-humanitarian assistance combining cross-border assistance with support from inside Syria with the aim to address the needs of the population and strengthen local resilience. The EU's assistance is also used to support significantly the five million Syrian refugees in neighbouring countries and their host communities by providing humanitarian aid as well as resilience support with a strong focus on education, access to essential services, and on measures aimed at providing a livelihood to refugees to boost resilience and harness self-reliance. The EU, together with its Member States, was the largest donor at the Syria London conference in February 2016, and deploys a range of instruments to help countries dealing with socio-economic and environment consequences of the Syria crisis. The EU-hosted international conference on 'Supporting the future of Syria and the region' in Brussels in April 2017 re-iterated full support and commitment to the UN-moderated intra-Syrian talks in Geneva, as the only forum where a political solution should be negotiated. There was a particular emphasis on the role of civil society in this process. The Conference concluded with a global commitment of EUR 5.6 billion for 2017, of which EUR 3.7 billion from the EU and Member States, including EUR 1.2 billion from the EU for both humanitarian and resilience support. This reconfirmed the commitment made in London. The European Union also pledged an additional EUR 560 million for 2018 for Jordan Lebanon and Syria.

⁸ Joint Communication Elements on an EU Strategy for Syria (JOIN(2017)11 final of 14 March 2017) and the Foreign Affairs Council Conclusions on the EU strategy for Syria of 3 April 2017 (<http://www.consilium.europa.eu/en/press/press-releases/2017/04/03-fac-conclusions-syria/>)

As regards Israel and Palestine⁹, the EU remains firmly committed to a two-state solution, which is vital for peace, the stability and long-term development of the region. The EU has invested considerably in strengthening the capacity of the Palestinian Authority, above all in the implementation of key reforms in areas such as fiscal consolidation, regulatory framework, and civil service integration. EU funding has also focused on investments that can contribute to sustainable improvements of living conditions, particularly in the Gaza Strip.

In the Eastern Neighbourhood, there has also been a concerted effort to further develop relations in a way that better reflects the specific characteristics of partners.

The EU is committed to political association and economic integration with Ukraine. To this end, parts of the Association Agreement have been provisionally applied since 2014, with the Deep and Comprehensive Free Trade Area (DCFTA) being provisionally applied since 1 January 2016. In the last two years, significant work has been undertaken with EU political, technical and financial support, to stabilise and modernise the country, with major reforms adopted by the Ukrainian government, notably in the areas of anti-corruption, judicial independence and the public administration. Support for the political and economic stabilisation of Ukraine is delivered under macro-financial assistance and special measures programmes.

The EU remains committed to its political association and economic integration with Georgia. It has further intensified its relations with the country through the entry into force of the EU-Georgia Association Agreement in July 2016 (which has been provisionally applied since 2014) with the ongoing review of the EU-Georgia Association Agenda 2017-2020¹⁰, and the accession of Georgia to the Energy Community Treaty in October 2016. The EU-Georgia Visa Liberalisation Dialogue¹¹ proved to be an effective tool for advancing wide-ranging reforms and paved the way for the entry into force of short-term visa free travel at the end of March 2017.

Relations with the Republic of Moldova (hereafter 'Moldova') continue in the framework of the EU-Moldova Association Agreement that entered into force in July 2016 (which has been provisionally applied since 2014). A review of the Association Agenda for the period 2017-2020 is ongoing.

Consultations on Partnership Priorities have been launched with Armenia, Azerbaijan, and Belarus.

Negotiations with Armenia on a new Comprehensive and Enhanced Partnership Agreement were concluded in February 2017. The EU's cooperation with Armenia focuses on economic and governance reforms aiming at strengthening the country's resilience and inclusive economic development. Negotiations on a comprehensive agreement with Azerbaijan aimed at replacing the Partnership and Cooperation Agreement (in force since 1999) were launched in February 2017. The EU remains committed to strengthened cooperation with Azerbaijan including in the area of economic development, connectivity and civil society support.

⁹ This designation shall not be construed as recognition of a State of Palestine and is without prejudice to the individual positions of the EU Member States on this issue.

¹⁰ https://eeas.europa.eu/sites/eeas/files/associationagenda_2014_en.pdf

¹¹ http://europa.eu/rapid/press-release_STATEMENT-17-363_en.htm

An informal Coordination Group, formed by EU and Belarus senior officials, was set up at the beginning of 2016 to better reflect the state of bilateral relations. Tangible steps taken by Belarus to respect universal fundamental freedoms, rule of law and human rights, including on the application of the death penalty, will remain key for the shaping of the EU's future policy towards Belarus.

Five of the six Eastern partner countries are affected by conflicts. The EU has supported diplomatic efforts to find a peaceful solution to the conflict in Eastern Ukraine through the complete implementation of the Minsk Agreements and continues to fully support a peaceful resolution of the conflicts in the breakaway regions of South Ossetia and Abkhazia, as well as a peaceful settlement of the Transnistrian conflict with a special status for Transnistria. The EU also continues to support a peaceful solution to the Nagorno-Karabakh conflict, where the status quo is unsustainable. The conflict does not have a military solution and needs a political settlement as soon as possible in accordance with international law. The EU continues to fully support the mediation efforts and proposals of the OSCE Minsk Group Co-Chairs.

Regional engagement

The Eastern Partnership (EaP) brings together the EU and the six countries of the Eastern Neighbourhood to work on issues of mutual concern. It is guided by the four priorities set out at the Riga Summit¹² in 2015: economic development and market opportunities; strengthening institutions and good governance; connectivity, energy efficiency, environment and climate change; and mobility and people-to-people contacts.

Based on these priorities, since 2016 a more results-oriented approach towards the Eastern Partnership has been applied with a continued focus on strengthening state and societal resilience. A new strategic work-plan combining both bilateral and regional cooperation aims to guide the work of the EU and the six countries between Summits, by focusing on twenty deliverables by 2020. Each deliverable is linked to implementation tools, with clear milestones to be reached by the time of the next Eastern Partnership Summit in November 2017, and targets to be achieved by 2020. In parallel, work has continued in the framework of the Black Sea Synergy¹³.

The EaP engages with the societies and the institutions of its partners, including the legislators through the EURONEST Parliamentary Assembly¹⁴, and municipal and local government levels through the CORLEAP¹⁵ framework. The EaP Civil Society Forum and the national civil society platforms contributed to the policy dialogue at all levels, from Association Committees to activities under Panels and Platforms, including ministerial meetings. A number of such ministerial meetings have been held under the EaP, including on health,

¹² http://eeas.europa.eu/archives/docs/eastern/docs/riga-declaration-220515-final_en.pdf

¹³ Communication on Black Sea Synergy – A new regional cooperation initiative, COM(2007) 160 final of 11 April 2007, and the Joint Statement of the Ministers of Foreign Affairs of the countries of the European Union and of the wider Black Sea Area (Kyiv, 14 February 2008)

¹⁴ The members representing the European Parliament and members representing Parliaments of the Eastern European Partners

¹⁵ Conference of the Regional and Local Authorities for the Eastern Partnership

justice and home affairs, small and medium enterprises (SMEs), environment and climate change, digital economy and research and innovation.

Effective communication of EU policies in the region has been enhanced by the EU's new East Strategic Communication (StratComm) Task Force and by strengthening the visibility of EU cooperation programmes. In Armenia and Moldova, campaigns against corruption and in support of the rule of law were designed. Additional communication activities promoted the concrete benefits of EU assistance to citizens in Georgia such as visa liberalisation and Association Agreements. In Ukraine the 'Stronger Together' framework has helped produce a bold, coherent message on the EU's assistance to Ukraine.

Territorial cooperation with Member States and EaP countries across the external borders of the EU has been continued through adoption of cross-border cooperation programmes for 2014-2020¹⁶ on land border, sea-crossing and sea-basin programmes. Progress has been made in strengthening the effective participation of Moldova and Ukraine in the EU macro-regional Strategy for the Danube Region¹⁷.

The Union for the Mediterranean (UfM) brings together EU Member States, the Southern Neighbourhood and other countries of the Mediterranean region. The ENP Review indicated that in its regional cooperation efforts in the Southern Neighbourhood priority would be given to the UfM. Since 2012 Jordan has co-chaired the UfM, underlining the joint ownership of this important forum. On the initiative of the HR/VP, meetings of Foreign Ministers were held, most recently in January 2017. The UfM has a unique potential in the region to bring together all the partners concerned, and to deliver direct benefits to the region particularly in the areas of youth employment, entrepreneurship, environment, water and infrastructure. This is illustrated by UfM Ministerial Meetings where joint priorities in key areas were agreed by ministers, such as on Blue Economy (November 2015)¹⁸, Employment and labour (September 2016)¹⁹ and on Energy (December 2016)²⁰. The first UfM Ministerial Meeting on Regional Co-operation and Planning (June 2016) resulted in stronger commitment of partner countries to regional co-operation frameworks with an emphasis on concrete, tangible initiatives and projects. A UfM Ministerial meeting on Water took place in April 2017 and approved the preparation of UfM Water Agenda for the region²¹. A roadmap²² with concrete proposals to revise existing priorities and to increase synergies was endorsed by the UfM Ministers of Foreign Affairs on 23 January 2017 in Barcelona. The EU has continued to work towards the organisation of a UfM Trade Ministerial. The Digital Economy Expert Working Group was set up to address digital economy issues at regional level.

¹⁶ http://eeas.europa.eu/archives/docs/enp/pdf/financing-the-enp/cbc_2014-2020_programming_document_en.pdf

¹⁷ http://ec.europa.eu/regional_policy/en/policy/cooperation/macro-regional-strategies/danube/

¹⁸ https://webgate.ec.europa.eu/maritimeforum/sites/maritimeforum/files/2015-11-17-declaration-on-blue-economy_en_0.pdf

¹⁹ <http://ufmsecretariat.org/wp-content/uploads/2016/09/UfM-Ministerial-Declaration-Employment-and-Labour.pdf>

²⁰ <http://data.consilium.europa.eu/doc/document/ST-15224-2016-INIT/en/pdf>

²¹ www.consilium.europa.eu/en/meetings/gac/2017/04/st08307_en17_pdf/

²² <http://ufmsecretariat.org/wp-content/uploads/2017/01/UfM-Roadmap-23-JAN-2017.pdf>

The EU also strengthened its cooperation with the League of Arab States (LAS). Under the EU-LAS Strategic Dialogue launched in November 2015 in Brussels, two additional working groups - on fighting transnational organised crime and on international migration - have been added to those already existing on counter-terrorism, weapons of mass destruction, crisis management, early warning and crisis response, and humanitarian assistance. So far those working groups have focused on policy dialogues and exchanges of best practices. The EU-LAS Ministerial Meeting in Cairo, in December 2016, confirmed the Joint Work Programme, which puts an emphasis on activities related to crisis management, civil society, human rights, diplomacy, electoral observation and increased participation of women in economic development. The HR/VP participated in the LAS annual summit held in Jordan in March 2017.

The EU's cooperation with the Organisation of Islamic Cooperation (OIC) has gained new impetus with the successful co-organisation of a High Level Event on Anti-Muslim Discrimination and Hatred in New York in January 2016.

Since its launch in 2014, the annual Brussels Civil Society Forum South has been a pivotal component of the ongoing consultative process with civil society in an initiative that aims to strengthen mechanisms for dialogue between civil society, the EU and authorities in the Southern Neighbourhood. The 2016 Forum's substantive discussions focussed on migration and mobility, reducing inequalities and the shrinking space for civil society. The Anna Lindh foundation, with its 42 country UfM-wide network of 5,000 civil society organisations, continues to be the EU's main interlocutor in matters of intercultural dialogue, and promotion of mutual understanding.

The EU has supported the establishment of SESAME²³, a unique international science diplomacy initiative based in Jordan and designed as a science for peace initiative. It is the Middle East's first major international research centre. It includes also countries from beyond the Neighbourhood region (Bahrain, Iran, Pakistan and Turkey).

Significant progress has also been made in setting up the Partnership for Research and Innovation in the Mediterranean Area (PRIMA), the objective of which is to develop novel solutions for sustainable water management and food production.

The EU is also keen to participate in and encourage other forms of regional cooperation, especially in the Southern neighbourhood, where regional cooperation is limited. In this regard, the EU participates in various formats of the 5+5 Dialogue²⁴ and is a strong proponent of increased cooperation among the countries of the Maghreb.

In addition, the EU is engaged with all African States including North African countries in the framework of the Joint Africa-EU Strategy²⁵ and through its cooperation with the African

²³ Synchrotron-light for Experimental Science and Applications in the Middle East

²⁴ This format includes 5 countries from the Northern shore of the Mediterranean (Spain, France, Italy, Malta and Portugal) and 5 from the Southern shore (Algeria, Libya, Morocco, Mauritania and Tunisia)

²⁵ http://www.africa-eu-partnership.org/sites/default/files/documents/eas2007_joint_strategy_en.pdf

Union. The Commission and the High Representative have recently adopted a Joint Communication²⁶ to give the strategic Partnership with Africa a renewed impetus.

Overall, the EU is working on improving strategic communication and on developing strategies tailored to the audiences both in the East and in the South. In particular, the OPEN programme²⁷ is contributing to more focused communication activities by using regular opinion polling and targeting messages in the ENP countries through social media campaigning, people-to-people contacts and media training. Also, using culture as a tool for public diplomacy will contribute to making the EU more visible and a stronger global actor in the Neighbourhood.

3. PROGRESS ON KEY PRIORITIES

The overall objective of the reviewed ENP is to support the stabilisation of Europe's Neighbourhood and its resilience. This is pursued through targeted actions reflecting EU priority areas of interest as mentioned in the Review: good governance, democracy, rule of law and human rights; economic development for stabilisation; security; and migration and mobility.

There is a shared understanding with partners that particular attention needs to be devoted to reforms that strengthen key public services, and the resilience of societies and communities in adapting to rapid change and external pressures. These reforms also enable the EU to deliver tangible benefits to citizens, for example through visa liberalisation, support to creation of opportunities and employment for youth and increased flexibility in addressing each country's economic and trade relations with the EU.

Good governance, democracy, rule of law and human rights

The EU's own stability is founded on good governance, democracy, rule of law and human rights, and promotion of reforms in these areas is key to the ENP's objective of stabilisation. The EU supports efforts promoting the rule of law and democratic values, including justice reform and independence of the judiciary, the fight against corruption, the protection of human rights, fundamental freedoms and civil society dialogue. These feature prominently in discussions on Partnership Priorities and revised Association Agendas. Through political dialogue, the EU continues to engage with partners on promoting respect of international human rights commitments.

Elections were held in some ENP countries. Most were held in compliance with applicable international standards for democratic and transparent elections. In Egypt, the institutional steps foreseen by the transitional roadmap were completed late 2015 when legislative elections were held. Parliamentary elections in Jordan were assessed as 'transparent and well-

²⁶ JOIN(2017) 17 final of 4 May 2017

²⁷ The OPEN Neighbourhood Programme has been launched in November 2015.

administered' by an EU Electoral Observation Mission²⁸. The EU has consistently supported the development of Jordan's electoral system, and in February 2017 adopted a new EUR 15 million programme²⁹ to further strengthen democratic governance. An EU Election Experts Mission accompanied the parliamentary elections held in Morocco in October 2016, which were assessed as a step forward in the consolidation of the programme of reforms that Morocco has undertaken since 2011³⁰. Parliamentary elections in Georgia were positively assessed by the OSCE-ODIHR (Organisation for Security and Cooperation in Europe / Office for Democratic Institutions and Human Rights) electoral observation mission as 'competitive, well-administered and fundamental freedoms were generally respected'³¹. The International Election Observation Mission for parliamentary elections in Belarus in September 2016 noted the willingness to engage in electoral reform and first steps undertaken by Belarus to address some long-standing issues, while a number of key OSCE/ODIHR and Venice Commission recommendations remain unaddressed. This shows the need for comprehensive electoral reform as part of the broader democratisation process.

Deficiencies in rule of law, corruption, and weak and unaccountable administrative capacity, persist in many neighbouring countries, hampering economic and political developments both in the East and the South.

In 2016 the Commission developed in close co-operation with OECD/SIGMA the Principles of Public Administration (PAR) to be used as a reference framework for those ENP countries that are committed to reform their administrations in line with internationally recognised good governance principles and practices.

With EU support, Tunisia, Georgia, and Ukraine conducted major reforms in the area of justice sector, rule of law and the fight against corruption, alongside PAR. Tunisia set out plans for further improvements in governance (in particular reform of public administration and the fight against corruption) in the five-year Development Plan (2016-2020). Georgia stepped up efforts to tackle petty corruption with a package of justice reforms. In Ukraine large scale programmes were undertaken to foster decentralisation, PAR, the fight against corruption, and the rule of law, with the assistance of the Support Group for Ukraine and the EU Advisory Mission for civilian security sector reform. In Moldova, several laws reforming the justice sector, on PAR and on anti-corruption were adopted in 2016 and their implementation is still on-going. In Armenia, a new government PAR programme was ratified in 2017 while activities to promote the principles of public administration are being stepped up in Azerbaijan. Algeria, Morocco and Tunisia are engaging in public financial management modernisation. In Lebanon, a long period of political deadlock was overcome with the election of a President and the formation of a government, but weaknesses in the transparency

²⁸ https://eeas.europa.eu/election-observation-missions/eom-jordan-2016_en/16317/European%20Union%20Election%20Observation%20Mission%20to%20Jordan%20presents%20its%20final%20report%20including%20recommendations%20for%20further%20improvement%20of%20elections

²⁹ https://eeas.europa.eu/delegations/jordan/20411/european-union-supports-jordan-political-and-environmental-reforms-eu115-million_en

³⁰ https://www.ecoi.net/file_upload/1226_1481615902_morocco-elections.pdf

³¹ <http://www.osce.org/odihr/elections/georgia/273226>

and efficiency of government institutions remain, particularly on corruption. Municipal elections were successfully held in May 2016, and parliamentary elections are still pending. The EU has continued its intense cooperation with Israel across a wide range of sectors. However, the full potential of the relationship is dependent upon progress on the Middle East Peace Process. The EU has invested considerably in the Palestinian Authority to promote key reforms, in particular on governance, fiscal consolidation and regulatory framework. The ongoing occupation and the divide between West Bank and Gaza remain obstacles to Palestinian state-building.

The last two years have seen a significant deterioration of human rights as a consequence of the armed conflicts in Libya, Syria and eastern Ukraine, the illegal annexation of Crimea and Sevastopol by Russia, and terrorist attacks. In some countries anti-democratic trends have led to crack downs on fundamental freedoms, the persecution of human rights defenders and the undermining of democratic institutions. The EU continues to closely monitor these trends, which figured prominently in its political dialogues at bilateral level and in multilateral fora, and to maintain regular contacts with human rights organisations and human rights defenders. The European Instrument for Democracy and Human Rights (EIDHR) remains a vital instrument, including in the most difficult environments, to deliver continued support to individual human rights defenders as well as to civil society organisations (CSOs) working on human rights and democratisation. EU financial support to the European Endowment for Democracy (EED) was also renewed in order to provide assistance to advocacy organisations and individuals in countries where promotion of human rights has become difficult.

In 2016, the EU started implementing the Rights-Based Approach, encompassing all human rights, as one of the guiding principles of ENI financial assistance and an opportunity to mainstream more effectively the protection of human rights and fundamental freedoms.

Engagement with Civil Society Organisations (CSOs) is an essential part of the EU's relations with all ENP countries. The EU has continued to challenge the shrinking space available for civil society action throughout the Neighbourhood and champions the rights to freedom of expression and association to enhance a vibrant and resilient civic culture. The EU is advancing on its policy to reach out to smaller and newer organisations including those outside capitals and is implementing roadmaps for engagement with civil society³². Civil Society Fellowship initiatives are now delivered through fully-fledged programmes running both in the South and in the East, targeting youth organisations and policy groups. In Tunisia, a vibrant civil society is consulted regularly in the run-up to institutional meetings and negotiations on DCFTA, mobility partnership and other issues. In Georgia, Jordan, Lebanon and Morocco, the EU has reached out to an ever broader range of political, social, cultural, and human rights actors. In Egypt, support to civil society is a focus of EU's bilateral assistance, given the role independent civil society organisations can play in contributing to sustainable stability and security. The EU has very close and good cooperation with the well-developed civil society in Ukraine. Specific targets are set in relation to increasing the capacity of civil society organisations to enter policy dialogue with national governments and

³² <https://europa.eu/capacity4dev/public-governance-civilsociety/minisite/eu-country-roadmaps-engagement-civil-society-introduction>

the EU, increasing the quality of structured dialogue with the Eastern Partnership Civil Society Forum and its National Platforms.

In 2017 the Young Mediterranean Voices initiative has started building on the Young Arab Voices programme and has expanded its reach to include EU countries as well as countries in the Southern neighbourhood. Under the auspices of the Anna Lindh Foundation the network brings together young teachers, journalists, social entrepreneurs as well as peace and democracy activists. The programme aims at training young leaders in debating and advocacy skills to prepare them for active participation in policy making initiatives and political life.

Regional cooperation in the field of rule of law and good governance has to a certain extent strengthened civil societies in the Southern Neighbourhood, with focus on gender equality and the integration of national minorities.

The implementation of the EU Gender Action Plan 2016-2020³³ has led to mandatory gender analysis of all project proposals and the inclusion of gender in all Partnership Priorities, Association Agendas and country reports. Gender is mainstreamed into the document 'EaP 20 deliverables for 2020'.

The ENI incentive-based mechanism³⁴ ('Umbrella Programme') recognises particular commitment to political reform. Allocations for 2016 were made based on assessments of 14 countries³⁵ progress in building deep and sustainable democracy. For the 2016 exercise, Georgia, Tunisia and Ukraine were allocated additional funds that were used to increase support for priority activities, including public administration reform, anti-corruption, rule of law and civil society support.

Economic development for stabilisation

Sustainable economic development is key to stabilisation and to strengthening Neighbourhood countries' ability to tackle some of the challenges that are also a concern to the EU – from migratory flows, to radicalisation, social instability and the urgent need to provide positive perspectives for growing and predominantly young populations. Cooperation in this area seeks to foster entrepreneurship and create an attractive business climate especially for SMEs, develop human capital through education and vocational training, ensure transparent market conditions, support the development of digital economy, and appropriate infrastructure – all of which are essential for growth and job creation.

As regards domestic business environments, in October 2016, the EU together with the OECD launched a joint Programme on Promoting Investment in the Mediterranean³⁶, which promotes policy dialogue and initiatives to support partner governments' efforts on the investment climate and business environment. This benefits people through trade-led

³³ <https://europa.eu/capacity4dev/public-gender/minisite/eu-gender-action-plan-2016-2020>

³⁴ Article 4.1 of the Regulation (EU) No 232/2014 of the European Parliament and of the Council of 11 March 2014 establishing a European Neighbourhood Instrument

³⁵ Syria was not included in the 2016 assessment and Israel does not participate in the Umbrella Programme.

³⁶ <https://www.oecd.org/investment/Promoting-Investment-in-the-Mediterranean-EN.pdf>

economic growth, a wider choice of products and services of a higher quality at lower cost for enterprises and consumers, resulting not only in greater imports, but also in a more developed domestic market and better export opportunities. Improving commercial justice and alternative dispute resolution, deepening social dialogue and improving the service delivery capacity of public administration will also contribute to a better business environment.

The setting up and implementation of Deep and Comprehensive Free Trade Areas (DCFTA) with Georgia, Moldova and Ukraine is opening new trade and investment opportunities and a more stable operating framework for companies from the EU and the region. The EU is the number one trading partner for all three DCFTA partners. The EU share in the total trade of 3 DCFTA partners has been increasing during recent years and in 2016 amounted to 55% for Moldova, 41% for Ukraine and 30% for Georgia. The EU is also the first trading partner for Azerbaijan and Armenia, with EU shares accounting for 47% and 26% of their total trade respectively. For Belarus, the EU is the second most important trading partner with a share of 25%³⁷.

In April 2016, the EU granted an additional duty free quota for olive oil imported from Tunisia in 2016 and 2017³⁸. This autonomous trade measure was the urgent response of the Union following the terrorist attacks of 2015 in Tunisia to support its economy, reduce pressure for migration and social unrest. EU-Tunisia negotiations on a DCFTA are ongoing. EU support to enhance agricultural sector was provided also in Georgia, Moldova and Armenia. In September 2016, the Commission adopted a proposal for a Regulation on the introduction of temporary autonomous trade measures for Ukraine³⁹.

The EU's approach to each of the ENP partners reflects each country's own level of commitment to the renewed partnership with the EU.

In July 2016 the EU agreed on simplified Rules of Origin⁴⁰ for exports from Jordan of a large range of products for a 10-year duration, with a mid-term review, providing job opportunities for both Jordanians and also Syrian refugees.

A number of initiatives on economic modernisation and entrepreneurship strategies aim at fostering SMEs through the EU Initiative for Financial Inclusion in the South and the EU4Business initiative in the East. New regional actions were launched to enhance links between EU and business support institutions in the East and in the South, and in support of social entrepreneurship as an innovative factor for job creation, especially among the youth. In both East and South, the EU has provided substantial opportunities to a range of SMEs and midcap companies. This assistance is channelled through International Financial Institutions (IFIs) and Member State development institutions in the framework of the Neighbourhood Investment Facility (NIF). The EU, in cooperation with financial institutions, has adopted substantial programmes to help SMEs in Georgia, Ukraine, Moldova, Tunisia and Morocco to meet the technical preparedness, competitiveness and value chain integration challenges of

³⁷ 2016 ComTrade data

³⁸ <http://ec.europa.eu/transparency/regdoc/rep/1/2015/EN/1-2015-460-EN-F1-1.PDF>

³⁹ COM(2016) 631 final of 29 September 2016

⁴⁰ <http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:22016D1436&from=EN>

closer trade cooperation, including in key sectors of agriculture and manufacturing. In Morocco, these financial facilities are additional to the Green Growth & Competitiveness programme, which has a particular focus on SMEs and on improving the business environment. As regards Egypt, the EU adopted a new programme in 2016 entitled EU Facility for Inclusive Growth and Job Creation⁴¹ channelled through the NIF. In Libya, on-line training facilities in co-operation with the national centre for SMEs boost employability of youth.

Increased emphasis has been put, amongst EaP countries, on drawing together the strands of cooperation in youth employment and employability. The recently adopted EU4Youth programme addresses youth employability and disadvantaged youth in the East and the active participation of young people in society and economy by developing skills needed in the labour market and by supporting them in becoming leaders and entrepreneurs. In Azerbaijan, the EU is helping to modernise the country's Vocational Education and Training (VET) systems and improve their links to labour market needs. In Georgia, Moldova and Armenia, the EU continues to support rural development and sustainable agriculture through the third phase of the European Neighbourhood Programme for Agriculture and Rural Development (ENPARD). To develop the digital economy⁴², the EaP countries have agreed during 2016 to focus their digital cooperation on 6 priority topics: (tele)communications legislative framework; trust & cybersecurity; digital skills; Information and Communication Technology innovation and start-ups; eTrade including eCommerce, eCustoms and eLogistics; and eHealth. Regional EaP networks have been established for each of these topics and action plans for 2017-2020 have been drawn.

Work has continued in implementing regional development policy in EaP partner countries. For example, in 2016, Moldova adopted a new multiannual National Strategy for Regional Development for 2016-2020⁴³, as did Armenia for the period 2016-2025⁴⁴. In the South, decentralisation and regionalisation are key elements of the transition in Tunisia. Important developments here in 2016 include the creation of a Ministry of Local Affairs and Environment⁴⁵, as well as adoption of a new territorial development plan for 2016⁴⁶.

Given the large share of young people in the overall population in the South, the education sector is a priority. VET programmes are being supported in Jordan, Morocco, Algeria, Egypt and Tunisia. In December 2016, the EU and Tunisia launched a Partnership for Youth, with a particular focus on education, vocational training, employment and mobility. Primary and

⁴¹ https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/c_2016_6633_egypt_aap_2016_part_2_aap_2017_part_1_annex_1.pdf

⁴² <https://europa.eu/capacity4dev/file/30742/download?token=r01Vw6AD>

⁴³ http://particip.gov.md/public/files/Moldova_2020_ENG1.pdf

⁴⁴ https://eeas.europa.eu/sites/eeas/files/armenia_development_strategy_for_2014-2025.pdf

⁴⁵ Ministre des affaires locales et de l'environnement

⁴⁶ <http://www.tunisia2020.com/plan-2016-2020/>

secondary education sectors are backed through the PEGASE mechanism⁴⁷ as well as EU's contribution to UNRWA⁴⁸ in Palestine.

Education and youth cooperation is being supported by Erasmus+ programme. Through the 2016 projects only, 4,900 South Med and 4,100 Eastern Partnership students and academic staff will be supported to study, teach or follow training in Europe (while 2,400 and 1,900 Europeans will move to respective neighbouring countries). 57 new capacity building projects further support the modernisation of higher education systems and universities in neighbouring countries.

In 2016, around 8,900 young people and youth workers from the neighbouring countries have taken part in non-formal education projects such as exchanges, training and volunteering (6,700 from EaP and 2,200 from South Med).

Under EU4Youth, a new Eastern Partnership Youth Window has been introduced within the framework of Erasmus+ for capacity building of youth organisations in the areas of civic engagement and entrepreneurship. Similarly, a Youth Window has been launched in Tunisia.

Research and innovation was boosted in 2016 by the launch of EU4Innovation to offer a single visible framework for all the EU's activities supporting the reinforcement of Eastern Partnership countries' innovation capacities. Two agreements, each worth EUR 50 million, under the European Investment Bank's InnovFin programme, providing loan guarantees for innovative companies, were signed with banks in Ukraine and Georgia.

In addition to the Erasmus+, participation in Creative Europe (for Georgia, Moldova, Ukraine and Tunisia), COSME⁴⁹ and Horizon 2020, including the Marie Skłodowska-Curie actions, opens up new cooperation opportunities for administrations, businesses, universities, cultural and audio-visual operators, professionals, young people, students and researchers. The EaP Connect initiative allows researchers and students in the EaP to virtually collaborate with their counterparts in over 10,000 research and education establishments in Europe. The EaP Culture and Creativity Programme provides important support to capacity building for the development and professionalisation of the cultural sector in the EaP countries. Tunisia, Georgia and Armenia became associated to Horizon 2020 in 2016 (joining Moldova, Ukraine, and Israel). Armenia joined COSME in January 2016 while Ukraine ratified the COSME Agreement in February 2017. Furthermore, Ukraine became associated to the Euratom Research and Training Programme.

Capacity building activities on Smart Specialisation, launched by the European Commission in 2016 with Tunisia, Moldova and Ukraine, have strong potential to boost innovation-driven economic development in ENP partner countries and continue in 2017.

Energy security is key to political and social stability in the Neighbourhood and the EU is therefore active in promoting in particular the use of renewable energy sources and energy

⁴⁷ Mécanisme Palestino-Européen de Gestion de l'Aide Socio-Economique:
http://europa.eu/rapid/press-release_IP-08-94_en.htm

⁴⁸ The *United Nations Relief and Works Agency* for Palestine Refugees in the Near East

⁴⁹ Europe's programme for small and medium-sized enterprises

efficiency. The EU scales up coordination with the IFIs through targeted actions, including on energy efficiency, in a number of pilot countries (Tunisia, Georgia and Ukraine), in which financial assistance will be accompanied by regulatory reform. The EU continued to develop an energy strategic partnership with Algeria. In this context, in 2016 a successful EU-Algeria business forum on energy took place in Algiers and a new cooperation project was launched to support renewable energies and energy efficiency⁵⁰. In Egypt, the EU contributed to the funding of the world's largest windfarm and in Morocco the world's largest solar plant. In Jordan, the EU financed two pilot facilities, one for wind energy production and one concentrated solar power facility.

Interconnectivity and energy efficiency is one of the four Riga Summit priorities with 38% of regional funds allocated to it. The EU signed a Memorandum of Understanding on the Strategic Energy Partnership with Ukraine in November 2016 which aims at expanding cooperation in all priority areas covered by the Energy Union and at integrating the Ukrainian energy market closer to the European energy market. Progress was also made on strengthening energy interconnections between Moldova and Romania, with the signature of loan agreements to build the Ungheni-Chishinau gas interconnection as well as completion of the feasibility study on electricity interconnections. In Georgia and Azerbaijan, works for the expansion of the South Caucasus Gas Pipeline are ongoing which constitutes the first leg of the Southern Gas Corridor to the EU.

The new EU4Energy programme launched in June 2016 focuses on energy security, sustainable energy and market development bringing together the Eastern Neighbourhood with Central Asia. The Eastern Europe Energy Efficiency and Environment Partnership fund (E5P) has been extended geographically beyond Ukraine and Moldova to Armenia, Georgia, and most recently to Belarus.

The UfM Energy Ministers adopted a declaration on energy in December 2016⁵¹ promoting the integration of renewable energies, supporting the deployment and scaling up of energy efficiency solutions, strengthening energy security, promoting interconnections, investments and capacity building by means of three thematic platforms covering the priority policy areas of gas, integration of electricity markets and renewable energy and energy efficiency.

This cooperation on energy is closely linked with work on climate change. Actions on the environment have continued based on policy dialogue and are supported by ongoing bilateral projects (mostly through twinnings, technical assistance, TAIEX and NIF) and regional programmes. Most of the ENP countries have signed the Paris Agreement on climate change, and many have ratified it in 2016 and early 2017. Despite some initiatives in this area, reforms remain fragmented and high-level political will to ensure resilience in relation to the impact of climate change remains weak. The EU and Morocco cooperated closely in the context of preparations for the twenty-second session of the Conference of the Parties (COP 22) to the UN Framework Convention on Climate Change, held in November 2016 in Marrakech.

⁵⁰ http://portail.cder.dz/IMG/article_PDF/article_a5786.pdf

⁵¹ <http://data.consilium.europa.eu/doc/document/ST-15224-2016-INIT/en/pdf>

On Transport and Connectivity, a high-level agreement amongst EU and EaP Partner Ministers was reached in June 2016 on the indicative maps to extend the TEN-T core network to the Eastern partner countries, and procedures are ongoing. The aim is to ensure the necessary coordination, standardisation and prioritisation of the major investments on this core transport network, including small-scale projects aimed at removing bottlenecks. Road safety in the ENP region is another key sector of cooperation. EU and Mediterranean Partner Ministers welcomed the technical work undertaken on the indicative maps to extend the TEN-T to the Mediterranean region in a declaration issued in June 2016⁵².

Technical assistance projects are ongoing in the Eastern countries in the field of maritime safety and security, implemented by the European Maritime Safety Agency. The European Aviation Safety Agency provides assistance in the field of civil aviation, safety and security. Turkey, Iran and some Central Asian countries also participate in these projects. The EU has concluded air transport agreements with Moldova and Georgia. In the South, regional technical assistance projects are being undertaken in the areas of maritime safety, aviation safety, road transport, rail transport, urban transport and logistics. Comprehensive air transport agreements concluded between the EU and Morocco, Israel, Jordan - and under discussion with Tunisia - contribute in fostering sustainable socio-economic development and connectivity.

The EU is working with ENP partners to support health-related reforms, strengthen health systems and ensure universal health coverage, which will help to foster societal cohesion and contribute to economic growth.

Security

The East and South regions suffer from both active and frozen conflicts, with significant casualties, large populations of internally displaced persons and refugees and far-reaching economic and political uncertainty. Terrorism, violent extremism and various forms of organised crime affect both the EU and its Neighbourhood. For these reasons, increasing security is a shared objective relevant to all ENP countries.

On crisis management and response, several civilian CSDP missions and border assistance missions have been deployed in Ukraine, Georgia, Moldova, Palestine and Libya and are financially supported by EU Member States or CSDP Trust Funds. In Ukraine, the EU has provided about two thirds of both the budget and the monitors to the Special Monitoring Mission in Ukraine (that includes individual contributions provided by the EU Member States). The EU Advisory Mission for civilian security sector reform (EUAM Ukraine) is providing strategic advice to Ukraine on developing effective, sustainable and accountable security services to help strengthen the country's resilience and the rule of law. The European Union Police Mission for the Palestinian Territories (EUPOL COPPS) increased the more visible EU engagement in support of Palestinian Authority (PA) security forces, contributing also to facilitate dialogue and build confidence on security matters between the Palestinian

⁵² <http://data.consilium.europa.eu/doc/document/ST-10226-2016-INIT/en/pdf>

Authority and Israeli security authorities. Since the adoption of the ENP Review, more than 2,000 staff from Eastern and Southern partners benefitted from generic and specialised training conducted by the European Security and Defence College in the area of CSDP, security sector reform, peacebuilding and protection of civilians. Ukraine, Georgia and Moldova participate in EU CSDP missions/operations with financial support from EU Member States. In their 2016 joint declaration⁵³, the EU and NATO committed to step up their cooperation and coordination through a set of concrete measures that seek to support partners' capacity building efforts in the Eastern and Southern Neighbourhoods and to strengthen their resilience. The EU has enhanced work with ENP partners on hybrid threats and identifying and providing support measures to mitigate these. Algeria signed an administrative arrangement with the EU on civil protection to enhance its cooperation in the field of disaster risk management. Work on humanitarian assistance has also started within the framework of the EU-League of Arab States Strategic Dialogue.

The EU supported ongoing dialogues on the conflicts affecting Ukraine, Georgia, Moldova, Armenia and Azerbaijan with the aim of reaching peaceful and sustainable solutions. In Georgia the EU co-chairs the Geneva International Discussions for resolving the conflict and advocates for continued people-to-people contacts throughout Georgia's entire territory. As an active observer in the 5+2 format⁵⁴ for the settlement process of the Transnistrian conflict, including by tabling proposals formulated by EU-financed EU Border Assistance Mission (EUBAM) to solve concrete issues, and with elements of confidence building measures, the EU has supported the efforts undertaken in 2016 by the German OSCE Chairmanship-in-Office. Those efforts have resulted in the revival of the settlement talks in Berlin in June 2016 and the adoption of a Protocol between the sides on the main issues to be solved in order to foster the settlement of a conflict that has been affecting Moldova for 25 years. Since 1 January 2016, the rules of the DCFTA between the EU and Moldova⁵⁵ have been extended to Transnistria, this allowing the economic operators located in this region to continue benefiting from preferential trade with the EU. The Nagorno-Karabakh conflict saw a serious escalation in 2016. The EU continues to call on both sides to respect the ceasefire, tone down rhetoric and engage in substantive talks towards peace under the auspices of the OSCE Minsk Group. Frequent visits of the European Union Special Representative (EUSR) to the region are supporting the Minsk Group Co-Chairs' efforts and ongoing peacebuilding activities and are a demonstration of the EU interest and stake in the peaceful resolution of this protracted conflict.

Cooperation with the Southern partners on tackling terrorism and preventing radicalisation leading to violent extremism has been strengthened. Upgraded security and counter-terrorism dialogues, and high-level visits have been conducted in the region, specifically in Tunisia, Lebanon, Jordan, Israel and Egypt leading to concrete results. Counter-terrorism/security experts have been deployed in EU Delegations in Algeria, Jordan, Libya, Morocco, Tunisia and Lebanon, with direct support of Member States, to contribute to a better situational awareness of local context as well as the definition of targeted, evidence based capacity

⁵³ <http://www.consilium.europa.eu/en/press/press-releases/2016/07/08-eu-nato-joint-declaration/>

⁵⁴ Transnistria, Moldova, Ukraine, Russia and OSCE, plus the US and the EU as external observers

⁵⁵ http://eeas.europa.eu/archives/delegations/moldova/documents/eu_moldova/argumentaire_en.pdf

building projects. They also act as a reference point for counter-terrorism and countering violent extremism matters for local and international counterparts, for example in the donor coordination platform in Tunisia or in Global Counter-Terrorism Forum meetings.

Security Sector Reform (SSR) is key to the long-term stabilisation of the Neighbourhood, both as a means of building up accountable institutions and as part of peace and confidence-building measures. EU support to SSR in third countries is now framed by the recently adopted EU SSR policy⁵⁶. In late 2016, the EU launched a thematic evaluation of EU support to SSR in Neighbourhood and Enlargement countries⁵⁷. Moldova was the first country where the EU deployed a new SSR advisor to give guidance on the implementation of national security strategy, the development of national framework and capacities with regard to CSDP, and the facilitation of Moldova's participation in missions and operations.

SSR support in Tunisia aims to modernise the security sector, reinforce border security and integrated border management capacities and modernise intelligence services, while restoring confidence among the population. In Lebanon, the Integrated Border Management (IBM) programme has supported the Lebanese authorities through the implementation of a new Border Data Management System and training centre. The EU also supports the organisational development of all Lebanese national security agencies through technical assistance, equipment, training and study visits to Europe.

In the East, the EU has also been significantly contributing to the implementation of IBM, in particular on the Moldovan-Ukrainian border, including through continued funding of the EUBAM. The legal frameworks for border checks in both countries have been brought in line with EU standards and best practices. Regulations on border surveillance in Moldova and Ukraine are approximated to those specified in the Schengen Borders Code. Georgia's IBM is also in line with European standards. In 2016, the EU continued to provide capacity-building to customs and border guard services of EaP partner countries through the European Border and Coast Guard Agency (EBCG), the World Customs Organisation and various programmes and initiatives⁵⁸. Disrupting organised crime, money laundering and terrorism financing is a priority for the EU's internal security. In 2016, the EU allocated dedicated funding to support ENP countries in their use of Interpol's Information Technology systems and databases. EU agencies such as EBCG, Europol, CEPOL (European Union Agency for Law Enforcement Training), EMCDDA (European Monitoring Centre for Drugs and Drug Addiction) and Eurojust are gradually getting more involved in providing capacity building support to partner countries and intensifying the exchange of operational and strategic information with ENP partner countries to help combat organised crime, as well as terrorism, smuggling of migrants and trafficking of small arms, human beings and illicit drugs, both in

⁵⁶ JOIN(2016) 31 final of 5 July 2016

⁵⁷ http://ec.europa.eu/smart-regulation/roadmaps/docs/plan_2016_282_evaluation_ssr_en.pdf

⁵⁸ A Progress report further to the Council Conclusions on Customs Cooperation with the Eastern Neighbouring Countries provides an update on customs relations with the Eastern partners. COM(2016) 375 final of 14 June 2016

the EU and in the region concerned. Countries in South and Central Asia and East Africa are also being involved (EU-Act⁵⁹ programme) to better address trans-regional challenges.

A trans-regional EU programme on anti-money laundering/countering terrorism financing (AML/CTF) has been extended to ENP Southern countries to assist them in implementing the recommendations⁶⁰ of the Financial Action Task Force on AML/CTF which is the key international standards setter on these issues.

The EU Satellite Centre (SatCen) has contributed intensely with analysis⁶¹ to information requirements in the Eastern European and the Mediterranean area, in view of major threats, including terrorism, irregular migration, piracy, and organised crime. In particular, SatCen was strongly involved in supporting EBCG and EU NAVFOR Med Operation SOPHIA for border control and migration issues, and has provided extensive analysis for the OSCE Special Monitoring Mission to Ukraine in the verification of the Minsk Agreements.

EU support is being provided to all ENP countries to align with and further promote the Budapest Convention of the Council of Europe in the area of fighting cybercrime⁶². Cooperation and contacts with Jordan, Lebanon, Israel and Morocco has been advancing well. In Ukraine, the EU has started to support the government's efforts on cybersecurity in close coordination with Member States' bilateral efforts in the area.

Approximation with the standards of other Council of Europe instruments on substantive criminal matters is promoted by the EU-financed Council of Europe South Programme or the Euromed Justice IV Programme, which will ultimately facilitate judicial cooperation in criminal matters between the ENP-South countries and EU Member States.

Activities of the Chemical Biological Radiological and Nuclear Risk Mitigation (CBRN) Centres of Excellence (CoE) have been increased, covering now 56 countries globally, including several states in the MENA region⁶³ and with new initiatives on counterterrorism and protection of critical infrastructures. The objectives for 2017⁶⁴ include drills and table top exercises on CBRN consequence management in the Middle East. The EU funds the establishment of a regional training centre in Jordan.

Migration and mobility

Irregular migration and forced displacement are major concerns and require a multi-faceted response. The EU has put in place a comprehensive approach to migration, which

⁵⁹ Advancing Care Coordination & Telehealth Deployment (ACT) Programme, <https://www.act-programme.eu/about>

⁶⁰ <http://www.fatf-gafi.org/publications/fatfrecommendations/documents/fatf-recommendations.html>

⁶¹ Introduction to Geospatial Intelligence

⁶² http://www.europarl.europa.eu/meetdocs/2014_2019/documents/libe/dv/7_conv_budapest_/7_conv_budapest_en.pdf

⁶³ The term *MENA* covers an extensive *region*, extending from Morocco to Iran, including all Middle Eastern Mashreq and Maghreb countries.

⁶⁴ Annex IV of the Commission Implementing Decision (C(2016)4773 final of 27 July 2016) of the Annual Action Programme 2016 for Article 5 of the Instrument contributing to Stability and Peace to be financed from the general budget of the Union

encompasses efforts to reduce irregular migration, to promote legal migration and mobility, to maximise the development impact of migration, address root causes, and effectively manage borders while safeguarding the right of EU citizens to free movement within the EU. This is reflected in the Communication on a new Partnership Framework⁶⁵ with third countries adopted under the European Agenda on Migration and the Communication on Forced Displacement and Development⁶⁶ and the related European Council Conclusions of June 2016⁶⁷. The aim is to intensify the cooperation on migration and lay out a new approach to increase the resilience and strengthening the self-reliance of the forcibly displaced and their host communities.

The very worrying situation on the Central Mediterranean migration route– with an estimated 700,000 to 1 million migrants stranded in Libya, over 180,000 irregular departures from this country to Italy and close to 5,000 deaths during the crossing in 2016 – led the Commission and the High Representative to adopt a Joint Communication on 'Migration on the Central Mediterranean route - Managing flows, saving lives' in January 2017⁶⁸. The ambition is to reduce the number of lives lost at sea, step up fight against smugglers and traffickers, ensure protection of the rights of migrants, in particular children and other vulnerable groups of persons, support host communities and increase assisted voluntary returns through a range of actions which will benefit from funding of EUR 200 million in 2017 from the EU emergency Trust Fund for Africa. Libya is the main target of the EU intervention with a focus also on southern Libyan borders and increased cooperation with Egypt, Tunisia and Algeria, including regional initiatives like the Seahorse Mediterranean network.

The EU has worked closely with the Member States of the Khartoum and Rabat Processes⁶⁹ (both Neighbourhood countries and wider regional partners) to implement the agreed actions of the Valletta Summit on Migration (November 2015). The EU is enhancing efforts to increase cooperation on migration in North Africa countries through increased political dialogue as well as deepened technical and financial cooperation. Proposals to launch dialogues on migration have been discussed also with Algeria and Egypt.

The visa-free regime granted by the EU to Moldova in 2014, which has allowed over 850,000 Moldovan citizens to travel visa-free to the Schengen area, is working well, with a very low non-admittance rate. The European Commission published legislative proposals for visa-free regimes with Georgia and Ukraine in March and April 2016 respectively, and Georgia was granted visa liberalisation on 28 March 2017, while the legislation granting visa-free regime to Ukraine was adopted on 11 May 2017.

⁶⁵ Communication on establishing a new Partnership Framework with third countries under the European Agenda on Migration, COM(2016) 385, 7.6.2016.

⁶⁶ COM(2016) 234 final of 26 April 2016

⁶⁸ JOIN(2017) 4 final of 25 January 2017

⁶⁹ European Commission Fact Sheet on the European Union's cooperation with Africa on migration: http://europa.eu/rapid/press-release_MEMO-15-4832_en.htm

In June 2016, the European Commission proposed a revised Blue Card Directive⁷⁰ with the aim to establish a single EU-wide scheme offering more clarity and cutting red tape.

In addition, Mobility Partnerships offer a framework for comprehensive cooperation with partner countries in order to address mobility issues, including where appropriate visa issues, as well as the need to facilitate return and readmission of irregular migrants. The EU has a number of readmission agreements in place with ENP partner countries (Armenia, Azerbaijan, Georgia, Moldova, and Ukraine), signed alongside visa-facilitation agreements, which set out clear obligations and procedures for the authorities of the partner country and the EU Member States as to when and how to take back people who are in an irregular situation. The implementation of the 2008 EU-Moldova Mobility Partnership and the cooperation on readmission and return (in the framework of the readmission agreement) are giving positive results. Substantial EU financial support has continued for implementation of Morocco's Mobility Partnership and of its own new migration policy which has included regularisation of 25,000 irregular migrants in Morocco. In October 2016 the EU and seven EU Member States signed a Mobility Partnership with Belarus aimed at strengthening cooperation in the area of migration, asylum and border management. A number of EU projects support the Mobility Partnership with Azerbaijan. The Mobility Partnership with Armenia is also active, partly due to a current project on support to migration and border management funded by the ENI. The EU is negotiating a Mobility Partnership with Lebanon. The EU is negotiating new visa facilitation and readmission agreements in the context of Mobility Partnerships with Morocco, Tunisia, Jordan and Belarus.

The Mobility Partnership Facility was launched in January 2016 and aims to support the preparation and implementation of Mobility Partnership and Common Agendas on Migration and Mobility by providing targeted, flexible and tailor-made assistance.

An additional step made by the EU to enhance its capacity for coordination with partner countries on migration has been the creation in 2016 of 15 posts of European Migration Liaison Officers (EMLOs) seconded by the EU Member States' governments to EU Delegations, including Tunisia, Jordan, and Lebanon.

4. FINANCIAL ASSISTANCE TO SUPPORT THE NEIGHBOURHOOD

In 2016 the assistance under the European Neighbourhood Instrument (ENI) amounted to commitments of over EUR 2.3 billion. This assistance is contributing to the policy objectives of the renewed ENP, which also stresses the need for more effective delivery and greater flexibility in the use of EU financial assistance.

Since the Review, the EU has brought together a number of different tools to further improve the coordination and coherence of all aid modalities. To this end, grant cooperation programmes have been complemented by other activities designed and led by partner institutions with a more strategic use of blending, TAIEX, and Twinning. In particular,

⁷⁰ SWD(2016) 194 final of 7 June 2016

TAIEX and Twinning have been refocused to create closer synergy between policy work and financial assistance programming.

The EU continues to actively support neighbouring countries that are facing exceptional external financing shortages through its Macro-Financial Assistance (MFA) instrument. The Commission has disbursed EUR 600 million in macro-financial assistance to Ukraine in April 2017, and a last tranche of EUR 23 million to Georgia in May 2017. A new MFA operation for Moldova, consisting of up to EUR 100 million, is currently pending adoption by the European Parliament and Council. In 2016, to support the Southern Neighbourhood, the EU also approved the follow-up MFA operations for Tunisia (EUR 500 million) and Jordan (EUR 200 million) to support the economies of these countries that were affected by security developments and regional conflicts. In addition, in order to enhance the EU's capacity to respond to the needs of the Neighbourhood, the Commission proposed to increase the annual MFA lending capacity to EUR 2 billion. The Neighbourhood Investment Facility (NIF) mobilises EU grant funds to enable or significantly upgrade lending operations performed by European Finance Institutions (EFIs), and has seen a significant increase – in both available amounts and in its use – since its creation.

Sub-regional, regional and European neighbourhood-wide collaboration were enhanced under ENI programmes, as well as cross-border cooperation.

Joint programming and increased coordination with EU Member States

In line with the ENI regulation⁷¹, the ENP Review⁷², and the Council Conclusions on stepping up Joint Programming of 12 May 2016⁷³, the EU is moving towards more joint programming in the Neighbourhood. The second programming period (2017/2018-2020) for ENI countries provides an opportunity to progress in this regard. Joint Programming is an effective tool to enhance EU coordination at country and sector level and identify and develop common priorities. It reinforces coordinated policy dialogue, as well as joint analysis, information sharing, joint implementation initiatives, joint monitoring and joint evaluation. Palestine is the most advanced example in this process with a joint programming document resulting from discussions among European development partners, Palestinian ministries, civil society organisations, the business community, the United Nations and many other key actors. In Moldova and Morocco, a joint analysis⁷⁴ of the socio-economic challenges facing the country has been approved by EU Delegation and Member States embassies. Due to the crisis, annual programming in Ukraine for the period 2014-2017 was replaced by the adoption of a series of special measures, for which the Commission and the High Representative have ensured very close cooperation and coordination with EU Member States whose development agencies are increasingly active as implementing partners.

⁷¹ Regulation (EU) No 232/2014 of the European Parliament and of the Council of 11 March 2014 establishing a European Neighbourhood Instrument

⁷² JOIN(2015) 50 final of 18 November 2015

⁷³ <http://www.consilium.europa.eu/en/press/press-releases/2016/05/12-conclusions-on-stepping-up-joint-programming/>

⁷⁴ https://eeas.europa.eu/sites/eeas/files/joint_analysis_0.pdf

Joint programming activities were also integrated into the programming missions in Tunisia in October 2016, and Jordan and Lebanon in November 2016 as well as Egypt in March 2017. In Armenia the EU Delegation and Member States embassies engaged in a comprehensive joint analysis process and in Azerbaijan, joint programming with EU Member States, Switzerland and Norway is specifically focussed on VET and a Roadmap was agreed by the EU Heads of Mission in December 2016.

Increased cooperation with the European Financial Institutions (EFIs) and International Financial Institutions (IFIs), including through blending

Recognising the important role of the IFIs, the Commission in 2015 started an enhanced cooperation initiative with the most relevant development finance institutions active in the region. The objective is to better leverage the efficiency and impact of the institutions' common objectives in the European Neighbourhood, such as boosting growth, advancing economic transition, promoting sustainable socio-economic development and fostering political stability. Common teams develop joint work on priority areas of cooperation, culminating each year in a high-level multilateral meeting, where progress is assessed and new goals are set for the year ahead.

With a view to scale up the cooperation with the World Bank (WB) in the Neighbourhood South, the EU hosted, in 2016, the first EU-WB MENA Day, gathering WB country team directors and EU Heads of Cooperation in the region. In order to strengthen the dialogue, coordination and cooperation in the Eastern Neighbourhood, regional coordination meetings were held between the Commission and, respectively, the WB, the European Bank for Reconstruction and Development (EBRD) and the European Investment Bank (EIB). Given their strong respective involvement in Ukraine, the Commission is regularly organising dedicated country days with EIB, EBRD and World Bank. Moreover, the Commission has proposed an increase of its External Lending Mandate to support the EIB's Economic Resilience Initiative.

The EU continued its blending operations through the Neighbourhood Investment Facility. It further deepened cooperation with EBRD, EIB, the WB, the KfW (Kreditanstalt für Wiederaufbau) and the Agence Française de Développement in 2016 through setting up the "EU Initiative for financial inclusion"⁷⁵, aimed at mobilising SME finance for the South. In the context of the DCFTAs established between the EU and Georgia, Moldova and Ukraine the EU jointly with EBRD, EIB and KfW, put in place the DCFTA Facility for SMEs, which started to be fully operational in 2016. The main objectives of the Facility are to support SMEs in those countries and to increase their competitiveness, ease access to finance, help them to seize new trade opportunities and comply with EU food safety, technical and quality standards, as well as with environmental protection measures necessary under the DCFTA implementation.

⁷⁵ <https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/neighbourhood/pdf/key-documents/nif/20160601-introductory-note-on-the-eu-initiative-for-financial-inclusion.pdf>

In 2016, EUR 6.7 billion of new EU commitments were coordinated through the Southern Mediterranean Investment Coordination Initiative (AMICI), co-funded by the EU and Member States. This compares to EUR 5.2 billion in 2015 (+25%), enabling new projects for total investment of EUR 14 billion (+27%). The bulk of EU support is provided by loans and equity finance (76%).

In addition to increased cooperation with EFIs and IFIs, the EU has also undertaken increased coordination with non-EU donors. Closer engagement with Arab, Islamic and regional partners has the aim of avoiding overlapping activities and building on potential complementarities. In 2016, this initiative was scaled up with the organisation of a high-level coordination meeting between the EU and the main Arab and Islamic financial institutions in the margins of the WB/International Monetary Fund spring meetings. The EU chairs regular donor meetings to coordinate the response to the Syria crisis. Regarding Ukraine, the Support Group for Ukraine is regularly organising upstream coordination meetings on strategic issues in Brussels, thus complementing the intensive in-country coordination.

Trust Funds

Trust Funds are a major tool to deliver rapid support to the region in conjunction with Member States and other donors. Projects under the EU Regional Trust Fund in response to the Syrian Crisis⁷⁶ (established in December 2014) address longer term resilience and early recovery needs (economic, educational, social and psycho-social, sanitary, health and other basic services) for Syrian refugees and their host communities and their administrations and internally displaced persons in Jordan, Lebanon, Turkey and Iraq. This fund enables a more coherent and integrated EU response to the crisis and is today one of the key instruments through which the new Jordan and Lebanon EU Compacts are being implemented.

The Fund has reached a total of EUR 932 million two years after its inception and will reach EUR 1.3 billion by summer 2017. Out of this, EUR 815.2 million stem from the EU budget, EUR 92.6 million from 22 EU Member States and EUR 24.6 million from Turkey. Programs totalling EUR 767 million have been adopted by the Operational Board of the fund, which is composed of 15 EU Member States and Turkey (due to its co-financing role). EUR 437 million have been signed in contracts including co-financing, supporting primary and higher education, psycho-social care, resilience and livelihood initiatives, health, water and sanitary needs as well as the construction of schools.

Launched under the Valletta Action Plan, in 2016 the European Union Emergency Trust Fund for Africa⁷⁷ supported six programmes in North Africa focusing mainly on improving migration governance and management, responding to protection needs and addressing the root causes and drivers of irregular migration. In January 2017, EUR 200 million of additional funding was announced in the context of the Joint Communication on Migration on the Central Mediterranean route.

⁷⁶ https://ec.europa.eu/neighbourhood-enlargement/neighbourhood/countries/syria/madad_en

⁷⁷ Commission Decision C(2015) 7293 final of 20 October 2015

Flexibility cushion

In its Communication on the mid-term review of the Multi-Annual Financial Framework adopted in September 2016⁷⁸, the Commission proposed the creation of a 'flexibility cushion' for external instruments to allow the EU to better react to new crises and unforeseen needs. Under the flexibility cushion, each geographical external instrument, including ENI, would keep unallocated a reserve of 10 % at the beginning of the year to respond to unforeseen needs and new crises, with the possibility to carry-over to the next year the amounts of that reserve not used during the year. The flexibility cushion is part of the proposed revision of the Financial Regulation.

European External Investment Plan

In September 2016, the European Commission proposed an ambitious European External Investment Plan⁷⁹ (the Plan) to support investment in partner countries in Africa and the European Neighbourhood. Its goal is to strengthen partnerships, promote a new model of participation of the private sector in funding large investments of public interest in the region and to contribute to meeting the Sustainable Development Goals, thus addressing root causes of irregular migration. The Plan is proposed to consist of three complementary pillars: (i) mobilising investment by combining existing EU investment (blending) facilities with a new guarantee within the new European Fund for Sustainable Development (EFSD); (ii) providing technical assistance for improving the regulatory environment for public authorities and companies in partner countries; and (iii) improving the business and investment environment in partner countries by fostering good governance, fighting corruption, and removing barriers to investment and market distortions. The European Fund for Sustainable Development Guarantee Regulation, which is part of the first pillar, is undergoing an approval process.

This innovative approach aims to provide sizeable additional funds to partner countries in the form of investment by international financial institutions. It also aims to include a range of dedicated thematic, national and regional EU development cooperation programmes, combined with structured political dialogue targeted at improving the investment climate and the overall policy environment in the countries concerned.

With EU funds totalling EUR 3.35 billion until 2020, the EFSD is expected to mobilise up to EUR 44 billion additional investment. If Member States provide matching individual contributions, it may mobilise more than EUR 88 billion of additional investment.

⁷⁸ COM(2016) 603 final of 14 September 2016

⁷⁹ COM(2016) 581 final of 14 September 2016

5. CONCLUSION

The implementation of the ENP Review has reflected a new determination to make the policy more relevant to the interests of both the partners and the EU Member States, and has helped develop relations that better address pressing common challenges before us, in coherence with and support of the implementation of the Global Strategy of the High Representative.

While the challenges in the region remain immense, the EU is acting with more flexibility and sensitivity to its partners, deploying limited resources with more impact. The key principles of the policy - differentiated approach and greater ownership – will continue to guide its implementation in the next years through diplomatic action, trade and investment relations, financial assistance and long-term regional frameworks.

In a process of continuous engagement with EU citizens and citizens in partner countries, the EU will also continue to enhance the visibility of the ENP, notably through highlighting the short, medium and long-term benefits of its cooperation with its neighbours.

This report also reconfirms the broad engagement of all relevant stakeholders in the implementation of the Review, including based on the suggestions made during the extensive consultations held in 2015. It clearly shows that, since the adoption of the Review, substantial steps to deliver on those commitments have been taken.