

**European Neighbourhood and Partnership Instrument**

**State of Israel**

**National Indicative Programme 2011-2013**

1.	Introduction .....	3
2.	National Indicative Programme for 2011-13 .....	5
2.1.	Main Priorities and goals .....	5
2.2.	Indicative budget.....	5
2.3.	Implementation .....	5
2.4.	Risks and assumptions .....	6
2.5.	Alignment harmonization and consultation .....	6
2.6.	Budget and Phasing of the Programme .....	7
	ANNEX 1 – MILLENIUM DEVELOPMENT GOALS - ISRAEL.....	8
	ANNEX 2 – ISRAEL AT A GLANCE .....	10

## **1. INTRODUCTION**

### **Political developments**

Following parliamentary elections in February 2009, a new government coalition took office at the end of March under the leadership of Benjamin Netanyahu. The new government coalition includes Likud, the nationalist Yisrael Beiteinu, Shas and other religious parties as well as the centre-left Labour party.

Netanyahu succeeded in securing a Knesset majority for the two-year budget before the summer, but also pushed through two important and controversial bills in July and August, one on land reform (allowing for the first large-scale privatisation of hitherto state-owned land), and one on party formation (the so-called “Mofaz bill”, providing for continued state funding for splinter parties seceding from an existing party represented in the Knesset).

At the June 2009 EU-Israel Association Council, the European Union reiterated its commitment to a comprehensive settlement of the Arab-Israeli conflict, on the basis inter alia of the relevant UN Security Council Resolutions, the Roadmap, the agreements previously reached by the parties and the Arab Peace Initiative.

### **Economic situation**

The export-oriented economy of Israel was proved one of the most resilient to the economic crisis despite its high integration with the US and European economies. Thanks to its sound macroeconomic policies, its balanced growth prior to the crisis and its stable banking sector, sharp recession that began in the second half of 2008 ended in the spring of 2009. Due to weak external demand overall GDP growth in 2009 is expected to remain flat from 4.1% in 2008; nevertheless this is still one of the best economic performances among developed economies.

In 2009, public revenues dropped in parallel with the significant slowdown of the economy. The public deficit is expected to reach 5.4% in 2009 from 2.1% of GDP in 2008, still being in manageable levels compared to other developed economies.

In August 2009, the Central Bank of Israel responded to higher than expected inflation (3.3%) and became the first developed-economy central bank to raise its policy interest rate (from 0.5% to 0.75%) since the onset of the global financial crisis.

During the first quarter of 2009 the effect of the economic crisis on the labour market intensified greatly and unemployment rates rose to 7.6%, from historic low 6.0% in the first quarter of 2008. However, unemployment rates are expected to improve as the economy recovers gradually. Although the economy was set to weaken, Israel's relatively robust external position gave some support to the shekel, despite the central bank's continued purchase of foreign-exchange reserves, which were already at a comfortable level of USD 55 billion in October 2009. The shekel dipped sharply amid a steep fall in emerging-market currencies, and then rebounded again in July 2009 causing problems to Israeli exporters but contributing to disinflationary efforts of the central bank. The current account in 2008 recorded a surplus of 1% of GDP however, is expected to widen to

around 2.8% of GDP in 2009 as the decline in the cost of imports is expected to overbalance the fall in export revenue arising from the weaker demand from the US and the EU.

Despite the consecutive years of strong growth prior to the crisis, poverty and inequality remain at relatively high levels in Israel as about 1.68 million people were living below the poverty line in 2008, including over 700.000 children.

Israel is one of the EU's biggest trading partners in the EUROMED area, with total trade with the EU amounting to over €25 billion in 2008. The EU is Israel's largest market for exports and its second largest source of imports after the US. Israel has a trade deficit with the EU, which has stabilised in recent years at about €4 billion.

### **EU Israel relations**

The development of EU-Israel relations has been extremely dynamic over the last few years. The ENP has played a catalyst role in this respect by opening the doors to Israel to some European initiatives and by expanding the existing diversified cooperation with the EU.

For example, negotiations on further liberalisation of trade in agriculture, processed agricultural, fish and fishery products were completed in 2008. The agreement will enter into force on 1<sup>st</sup> January 2010 following its signature on 4<sup>th</sup> November 2009.

Bilateral negotiations on the liberalisation of trade in services and the right of establishment are on-going, along with negotiations for a comprehensive EU-Israel Euro-Med aviation agreement, providing for gradual market opening and a high level of regulatory convergence in areas such as aviation safety, security and air traffic management.

In the area of police and judicial cooperation, EUROPOL will soon enter into negotiations with Israel with a view to concluding an operational cooperation agreement.

In July 2008, the European Commission and Israel signed a Joint Declaration on cooperation and dialogue on education and training, aiming to enhance policy dialogue on greater compatibility of education systems and to increase educational mobility and exchanges through the new generations of EU's Erasmus Mundus and Tempus programme.

As a country fully associated to the 7<sup>th</sup> Framework Programme, Israel remains very active in research and development cooperation with the EU.

Furthermore, at the eighth meeting of the EU-Israel Association Council held in June 2008, the European Union responded positively to Israel's request for a significant upgrade of its relations with the EU (in the form of a new Action Plan) and subsequently presented in December 2008 a series of concrete proposals to achieve this goal. In June 2009 the EU reiterated the great importance it attaches to its relations with Israel and its readiness to continue strengthening the bilateral partnership.

The upgrade needs also to be seen in the context of the broad range of the common interests and objectives, including the resolution of the Israel-Palestinian conflict.

In the regional context, the Euro-Mediterranean Partnership, known as the Barcelona process, was re-launched in 2008 as the Union for the Mediterranean at the Paris Summit in July 2008. Israel is one of the partner countries across the Southern Mediterranean and the Middle East, which together with the 27 EU Member States form this partnership.

## **2. NATIONAL INDICATIVE PROGRAMME FOR 2011-13**

### **2.1. Main priorities and goals**

In addition to the CSP, the EU-Israel ENP Action Plan (adopted in April 2005) also identifies a number of priorities in the political, social and economic fields with the aim of progressively harmonising regulatory, legislative and administrative frameworks. The implementation of these priorities will be supported by the new National Indicative Programme (complemented, as appropriate, by the relevant regional programmes) and by the work of the numerous sub-committees. In parallel, consistency will be secured with EU policies and financial instruments as well as other possible donors' activities in Israel.

In this context, the European Union assistance over 2011 - 2013 will continue to focus on the same strategic priorities identified in the previous National Indicative Programme and on a limited number of activities, notably by promoting legislative alignment with the relevant EU *acquis* in a progressive and selective way. The areas mentioned under "2.6 Budget and phasing of the programme" are indicative and do not constitute an exhaustive list. The twinning instrument is expected to be used to provide targeted institution-building support to the relevant Israeli administration charged with implementing *acquis*-related legislation, as appropriate.

The Programme has been designed to support the implementation of the ENP Action Plan. This linkage constitutes a practical way to keep the programme closely oriented to its overall objective.

### **2.2. Indicative budget**

The overall budget for bilateral EU–Israel assistance under the ENPI will amount to €6 million over the period 2011/2013.

### **2.3. Implementation**

The European Union sees its added value in supporting legislative and normative initiatives through twinning and/or technical assistance, as appropriate.

The twinning programmes under the 2007 National Action Programme are both under way. The first, in the field of public transport, aims to promote financially sustainable, integrated multi-modal transit networks in urban regions.

The second twinning project supports the strengthening of "ILITA", (Israeli Law and Information Technology Authority) with the aim of increasing the level of data protection enforcement in Israel.

Negotiations are also in the final stages on the use of the 2008 twinning projects for the strengthening of the Equal Employment Opportunities Commission and for co-operation in the veterinary services sector.

The primary mechanism for funding civil society projects will remain the “Partnership for Peace Programme”, complemented by the European Instrument for Democracy and Human Rights and thematic programmes.

Climate change is a key challenge affecting the global community across a wide range of policy areas. Considerations regarding to climate change causes (mitigation) and effects (adaptation) will be integrated within relevant areas of intervention.

Gender as a cross-cutting issue will be mainstreamed in all assistance measures.

#### **2.4. Risks and assumptions**

Given that Israel has started only recently to receive EU support, the Ministry of Foreign Affairs has limited experience in the management of EU funding. The Ministry of Foreign Affairs will need to devote sufficient human resources to ensure effective coordination with the relevant line ministries and timely submission of project proposals.

The primary role of this indicative programme is to present the strategic priorities of the European Community in addressing major challenges faced by the beneficiary country in implementing the provisions of the Association Agreements and the ENP Action Plan.

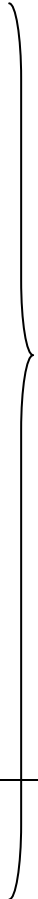
#### **2.5. Alignment harmonization and consultation**

The European Union will continue building on the EU-Israel Association Agreement and the EU-Israel ENP Action Plan and exploiting with Israel the potential offered by the European Neighbourhood Policy.

Subcommittee meetings will also continue to stimulate discussions on the concrete alignment of legislation with the relevant EU acquis and allow for better targeting of institutional cooperation.

In the spirit of the “EU Code of Conduct on Complementarity and Division of Labour”, the Delegation of the European Union in Tel Aviv regularly brings Member States together at coordination meetings and to discuss assistance priorities and joint work, as appropriate.

## 2.6. Budget and Phasing of the Programme

Priority	Total NIP 2011/2013	% Budget
<p>Support for implementation of the joint priorities agreed in the EU-Israel ENP Action Plan.</p> <p>This includes:</p> <ul style="list-style-type: none"> <li>• Acquis-related activities in key Israeli ministries, including through Twinning, based on mutually agreed priorities, in any areas covered by the ENP Action Plan such as trade, customs, veterinary and phytosanitary matters, justice and home affairs, internal market issues, transport, energy, environment, and “people-to-people” contacts, etc.</li> <li>• Activities in the field of higher education within priority areas of common interest, in particular with a view to aligning education and training policies in a global knowledge-based economy, including workshops, exchanges, and academic cooperation</li> <li>• Events for the exchange and dissemination of information on acquis- and ENP Action Plan issues</li> </ul>	 6	<i>100%</i>
<b>Total</b>	<b>6</b>	<b><i>100%</i></b>

## ANNEX 1 – MILLENIUM DEVELOPMENT GOALS - ISRAEL

Millennium Development Goals				
	1990	1995	2000	2007
<b>Goal 1: Eradicate extreme poverty and hunger</b>				
Employment to population ratio, 15+, total (%)	63	62	62	61
Employment to population ratio, ages 15-24, total (%)	53	51	47	45
GDP per person employed (annual % growth)	0	2	3	3
Income share held by lowest 20%	..	..	..	..
Malnutrition prevalence, weight for age (% of children under 5)	..	..	..	23.2
Poverty gap at \$1.25 a day (PPP) (%)	..	..	..	..
Poverty headcount ratio at \$1.25 a day (PPP) (% of population)	..	..	..	..
Prevalence of undernourishment (% of population)	17	15	..	14
Vulnerable employment, total (% of total employment)	..	..	..	..
<b>Goal 2: Achieve universal primary education</b>				
Literacy rate, youth female (% of females ages 15-24)	79	..	84	87
Literacy rate, youth male (% of males ages 15-24)	88	..	90	91
Persistence to last grade of primary, total (% of cohort)	..	..	..	..
Primary completion rate, total (% of relevant age group)	79	..	83	86
Total enrolment, primary (% net)	..	..	85	89
<b>Goal 3: Promote gender equality and empower women</b>				
Proportion of seats held by women in national parliaments (%)	13	12	14	18
Ratio of female to male enrolments in tertiary education	..	..	96	106
Ratio of female to male primary enrolment	89	..	92	95
Ratio of female to male secondary enrolment	83	..	93	95
Share of women employed in the non-agricultural sector (% of total non agricultural employment)	34.6	37.0	36.3	..
<b>Goal 4: Reduce child mortality</b>				
Immunization, measles (% of children ages 12-23 months)	73	74	73	97
Mortality rate, infant (per 1,000 live births)	63	60	55	47
Mortality rate, under-5 (per 1,000)	93	88	83	68
<b>Goal 5: Improve maternal health</b>				
Adolescent fertility rate (births per 1,000 women ages 15-19)	..	65	60	14
Births attended by skilled health staff (% of total)	50	..	..	65
Contraceptive prevalence (% of women ages 15-49)	57	..	..	60
Maternal mortality ratio (modelled estimate, per 100,000 live births)	430	..	..	400
Pregnant women receiving prenatal care (%)	..	..	..	81
Unmet need for contraception (% of married women ages 15-49)	..	..	..	..
<b>Goal 6: Combat HIV/AIDS, malaria, and other diseases</b>				

Children with fever receiving anti-malarial drugs (% of children under age 5 with fever)	..	..	..	..
Condom use, population ages 15-24, female (% of females ages 15-24)	..	..	..	..
Condom use, population ages 15-24, male (% of males ages 15-24)	..	..	..	..
Incidence of tuberculosis (per 100,000 people)	125	128	136	139
Prevalence of HIV, female (% ages 15-24)	..	..	..	0.7
Prevalence of HIV, male (% ages 15-24)	..	..	..	0
Prevalence of HIV, total (% of population ages 15-49)	0.3	0.7	0.9	0.1
Tuberculosis cases detected under DOTS (%)	..	14	30	63
Goal 7: Ensure environmental sustainability				
CO2 emissions (kg per PPP \$ of GDP)	0.9	0.7	0.6	0.5
CO2 emissions (metric tons per capita)	4.3	4.1	4.1	4.5
Forest area (% of land area)	31	31	31	30
Improved sanitation facilities (% of population with access)	51	54	57	60
Improved water source (% of population with access)	76	79	82	86
Marine protected areas, (% of surface area)	..	..	..	..
Nationally protected areas (% of total land area)	..	..	..	11.0
Goal 8: Develop a global partnership for development				
Aid per capita (current US\$)	11	12	10	16
Debt service (PPG and IMF only, % of exports, excluding workers' remittances)	..	..	..	..
Internet users (per 100 people)	0.1	0.8	6.7	21.8
Mobile cellular subscriptions (per 100 people)	0	2	12	51
Telephone lines (per 100 people)	10	12	16	20
Other				
Fertility rate, total (births per woman)	3.2	2.9	2.7	2.9
GNI per capita, Atlas method (current US\$)	4.085	5.060	5.267	7.995
GNI, Atlas method (current US\$) (billions)	21,485.0	28,713.4	31,986.5	52,850.4
Gross capital formation (% of GDP)	23.4	22.3	22.3	22.4
Life expectancy at birth, total (years)	65	66	67	69
Literacy rate, adult total (% of people ages 15 and above)	76	..	82	84
Population, total (millions)	5,259.1	5,675.0	6,073.3	6,610.3
Trade (% of GDP)	38.2	42.0	49.2	56.9

Source: World Development Indicators database

Figures in italics refer to periods other than those specified

## ANNEX 2 – ISRAEL AT A GLANCE

Data Profile				
	2000	2005	2006	2007
World view				
Population, total (millions)	6.29	6.93	7.05	7.18
Population growth (annual %)	2.6	1.8	1.8	1.8
Surface area (sq. km) (thousands)	22.1	22.1	22.1	22.1
Poverty headcount ratio at national poverty line (% of population)	..	..	..	..
GNI, Atlas method (current US\$) (billions)	112.24	138.98	147.56	159.18
GNI per capita, Atlas method (current US\$)	17,850	20,060	20,920	22,170
GNI, PPP (current international \$) (billions)	135.06	158.93	174.73	188.90
GNI per capita, PPP (current international \$)	21,480	22,930	24,770	26,310
Life expectancy at birth, total (years)	79	80	80	81
Fertility rate, total (births per woman)	3.0	2.8	2.9	2.9
Adolescent fertility rate (births per 1,000 women ages 15-19)	17	15	14	14
Contraceptive prevalence (% of women ages 15-49)	..	..	..	..
Births attended by skilled health staff (% of total)	..	..	..	..
Mortality rate, under-5 (per 1,000)	7	6	5	5
Malnutrition prevalence, weight for age (% of children under 5)	..	..	..	..
Immunization, measles (% of children ages 12-23 months)	97	96	96	97
Primary completion rate, total (% of relevant age group)	..	101	101	..
Ratio of girls to boys in primary and secondary education (%)	100	100	101	..
Prevalence of HIV, total (% of population ages 15-49)	0.1	0.1	0.1	0.1
Environment				
Forest area (sq. km) (thousands)	1.6	1.7	..	..
Agricultural land (% of land area)	26.2	23.9	..	..
Renewable internal freshwater resources per capita (cubic meters)	..	..	..	104
Improved water source (% of population with access)	100	..	100	..
Improved sanitation facilities, urban (% of urban population with access)	100	..	100	..
Energy use (kg of oil equivalent per capita)	3,058	3,059	3,017	..
CO2 emissions (metric tons per capita)	9.9	9.2	..	..
Electric power consumption (kWh per capita)	6,372	6,750	6,889	..
Economy				
GDP (current US\$) (billions)	123.68	133.19	143.81	163.96
GDP growth (annual %)	8.9	5.1	5.2	5.4
Inflation, GDP deflator (annual %)	1.5	0.9	1.9	-0.2

Agriculture, value added (% of GDP)	..	..	..	..
Industry, value added (% of GDP)	..	..	..	..
Services, etc., value added (% of GDP)	..	..	..	..
Exports of goods and services (% of GDP)	37	43	43	43
Imports of goods and services (% of GDP)	38	43	43	45
Gross capital formation (% of GDP)	20	19	19	20
Revenue, excluding grants (% of GDP)	39.8	38.9	39.2	40.2
Cash surplus/deficit (% of GDP)	-1.9	-1.8	-0.7	0.3
States and markets				
Time required to start a business (days)	..	34	34	34
Market capitalization of listed companies (% of GDP)	51.8	90.2	120.5	144.2
Military expenditure (% of GDP)	7.9	7.7	7.9	8.3
Mobile cellular subscriptions (per 100 people)	70	112	119	124
Internet users (per 100 people)	20.2	24.3	26.9	27.9
Roads, paved (% of total roads)	100	100	100	..
High-technology exports (% of manufactured exports)	25	14	14	8
Global links				
Merchandise trade (% of GDP)	55.9	67.5	67.5	69.0
Net barter terms of trade (2000 = 100)	100	95	94	92
External debt stocks, total (DOD, current US\$) (millions)	..	..	..	..
Total debt service (% of exports of goods, services and income)	..	..	..	..
Net migration (thousands)	276	115	..	..
Workers' remittances and compensation of employees, received (current US\$) (millions)	328	850	944	1,041
Foreign direct investment, net inflows (BoP, current US\$) (millions)	5,269	4,301	14,305	9,664
Official development assistance and official aid (current US\$) (millions)	800	..	..	..

Source: World Development Indicators database, April 2009