



COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 9.12.2004
COM(2004) 789 final

Proposal for a

COUNCIL DECISION

**on the position to be adopted by the European Community
within the Joint Committee established by the Interim Association Agreement on trade
and cooperation with regard to the adoption of a Recommendation on the
implementation of the EU-Palestinian Authority Action Plan**

EXPLANATORY MEMORANDUM

The 2002 Copenhagen European Council, closing accession negotiations with ten applicant States, recognised that enlargement presented an important opportunity to take forward relations with neighbouring countries based on shared values, and stated that the Union remained determined to avoid new dividing lines in Europe and to promote stability and prosperity within and beyond the new borders of the Union.

The Commission Communication “Wider Europe - Neighbourhood: A New Framework for Relations with our Eastern and Southern Neighbours” of March 2003¹ proposed the establishment of Action Plans with partner countries. On 16 June 2003, the Council welcomed this Communication and invited the Commission, with the contribution, where appropriate, of the High Representative, to present proposals for Action Plans for all countries concerned as appropriate, commencing with Ukraine, Moldova, and Southern Mediterranean partners with Association Agreements.

On 14 June 2004, the Council welcomed the Commission Communication “European Neighbourhood Policy – Strategy Paper”². The Council also welcomed the Commission proposal to pursue the European Neighbourhood Policy (ENP) through Action Plans to be agreed jointly with the neighbouring countries concerned and invited the Commission to propose such Action Plans. Action Plans should have a minimum duration of three years and be subject to renewal by mutual consent. They should be based on common principles but be differentiated, as appropriate, taking into account the specificities of each neighbour, its national reform processes and its relations with the EU. Action Plans should be comprehensive but at the same time identify clearly a limited number of key priorities and offer real incentives for reform. Action Plans should also contribute, where possible, to regional cooperation. The Council also defined how to advance and monitor implementation of action plans.

The Commission, in close cooperation with the Presidency and the High Representative on issues related to political cooperation and the CFSP, has held exploratory talks with the Palestinian Authority which have resulted in agreement on a draft Action Plan. It covers a timeframe of three to five years. Its implementation will help fulfil the provisions in the Interim Association Agreement and will contribute to an increasingly close relationship with the Palestinian Authority, involving a significant degree of economic integration and a deepening of political co-operation. Implementation of the Action Plan will significantly advance the approximation of the Palestinian Authority legislation, norms and standards to those of the European Union.

In accordance with the Council Conclusions of 14 June 2004, stipulating that the Action Plans will be approved by the Council and subsequently endorsed by the respective Association or Co-operation Councils, the Commission attaches the text of a proposal for a Council Decision on the position to be taken by the Community within the EU-Palestinian Authority Joint Committee with regard to the adoption of a Recommendation on the implementation of the Action Plan in annex.

¹ COM(2003)104

² COM(2004)373

The Commission therefore requests the Council to adopt the attached proposal for a Council Decision.

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THE COUNCIL OF THE EUROPEAN UNION,

Having regard to Article 3 (2), of Council Decision 97/430/EC of 2 June 1997 concerning the conclusion of the Euro-Mediterranean Interim Association Agreement;

Having regard to the Treaty on European Union, in particular Article 15 thereof;

Having regard to the proposal from the Commission³;

Whereas:

- (1) The Interim Association Agreement on trade and cooperation was signed on 24 February 1997 and entered into force on 1 July 1997.
- (2) The Parties intend to agree on an EU- Palestinian Authority Action Plan, which will support the implementation of the Interim Association Agreement through the elaboration and agreement of concrete steps towards attainment of its objectives.

HAS DECIDED AS FOLLOWS:

Sole Article

The position to be adopted by the European Community within the Joint Committee established by the Interim Association Agreement on trade and cooperation with regard to the implementation of the EU-Palestinian Authority Action Plan shall be based on the draft Recommendation of the Joint Committee annexed to this Decision.

Done at Brussels,

*For the Council
The President*

³ OJ C , , p.

ANNEX

draft

RECOMMENDATION

on the implementation of the EU-Palestinian Authority Action Plan

The EU/ Palestinian Authority Joint Committee,

Having regard to the Interim Association Agreement on trade and cooperation and in particular Article 63, paragraph 2 thereof,

Whereas:

- (1) Article 63 paragraph 2 of the Interim Association Agreement gives the Joint Committee the power to make appropriate recommendations, for the purposes of attaining the objectives of the Agreement.
- (2) In terms of Article 70 of the Interim Association Agreement, the Parties shall take any general or specific measures required to fulfil their obligations under the Agreement and shall see to it that the objectives set out in the Agreement are attained.
- (3) The Parties to the Interim Association Agreement have agreed on the text of the EU-Palestinian Authority Action Plan.
- (4) The EU-Palestinian Authority Action Plan will support the implementation of the Interim Association Agreement through the elaboration and agreement between the Parties of concrete steps which will provide practical guidance for such implementation.

HAS ADOPTED THE FOLLOWING RECOMMENDATION:

Sole Article

The Joint Committee recommends that the Parties implement the EU-Palestinian Authority Action Plan in annex, insofar as such implementation is directed towards attainment of the objectives of the Interim Association Agreement.

Done at [...]

For the Joint Committee

The President

ANNEX

EU/ PALESTINIAN AUTHORITY ACTION PLAN

1. Introduction

The enlargement of the European Union on 1 May 2004 has brought a historical shift for the Union in political, geographic and economic terms. The EU and the Palestinian Authority, as close neighbours, will reinforce their political and economic interdependence. Enlargement offers the opportunity for the EU and the Palestinian Authority to create the conditions for developing an increasingly close relationship in preparation for a future Palestinian State, going beyond co-operation, to involve a significant measure of economic integration and deepening of political cooperation.

The European Neighbourhood Policy of the European Union sets ambitious objectives based on commitments to shared values and effective implementation of political, economic, social and institutional reforms.

Achieving Palestinian statehood requires full implementation of the Quartet Roadmap and an end to violence in order to reach a fair and lasting peace in the Middle East, on the basis of the relevant UN Security Council Resolutions, and allowing for the establishment of an independent, viable, sovereign and contiguous Palestinian state, living side by side with the state of Israel in peace and security.

The Palestinian Authority welcomes the EU initiative to enter into intensified political, security, economic and cultural relations, and shared responsibility in conflict prevention and conflict resolution. The European Union and the Palestinian Authority are determined to make use of this occasion to enhance their relations and to promote stability, security and well-being, and to support the Palestinians in their efforts to build their own future. The approach is founded on partnership, joint ownership and differentiation.

Palestinian participation in the European Neighbourhood Policy takes place in the context of the overall political situation in the region which affects the scope of actions that can be feasibly undertaken. There are a number of constraints and limitations resulting from the ongoing Israeli-Palestinian conflict and the continuing occupation, including settlement activity, restrictions to movement as a result of the closure policy and the separation barrier. The limitations on the Palestinian Authority pending the creation of a Palestinian state must also be taken into account. Joint action will be required both to bring about the implementation of the Roadmap and to continue the preparations for statehood.

The level of ambition of the EU-PA relationship will depend on the degree of commitment to common values as well as the capacity to implement jointly agreed priorities. The pace of progress of the relationship will acknowledge fully the efforts and concrete achievements in meeting those commitments.

The European Neighbourhood Policy is part of the European Union's response to the Palestinian Authority's political and economic reform agenda. This Reform has been developed to consolidate democracy, accountability, transparency and justice in the West Bank and Gaza.

This Action Plan is a first step in this process. It covers a timeframe of three to five years. Its implementation will help fulfil the provisions in the Interim Agreement (IA) and will

encourage and support the Palestinian Authority's national reform objectives and further integration into European economic and social structures. Implementation of the Action Plan will significantly advance the approximation of Palestinian legislation, norms and standards to those of the European Union. It will also build solid foundations for further economic integration based on the adoption and implementation of economic and trade-related rules and regulations with the potential to enhance trade, investment and growth. It will furthermore help to devise and implement policies and measures to promote economic growth employment and social cohesion, to reduce poverty and to protect the environment, thereby contributing to the long-term objective of sustainable development. The Palestinian Authority and the EU will cooperate closely in implementing this Action Plan.

New Partnership Perspectives

The European Neighbourhood Policy opens new partnership perspectives:

- The perspective of moving beyond cooperation to a significant degree of integration, including through a stake in the EU's Internal Market, and the possibility for the Palestinian Authority to participate progressively in key aspects of EU policies and programmes.
- An upgrade in the scope and intensity of political cooperation;
- The opportunity for convergence of economic legislation, the opening of economies to each other, and the continued reduction of trade barriers which will stimulate investment and growth;
- More targeted financial support: EU financial assistance for the Palestinian Authority will be better targeted to support the actions identified in the present document. The Commission is furthermore proposing a new European Neighbourhood and Partnership Instrument (ENPI), for this purpose, also covering the very important aspect of transnational cooperation. There may also be infrastructure investment support through the European Investment Bank;
- Possibilities of gradual opening of or reinforced participation in relevant Community programmes, promoting, inter alia, cultural, educational, environmental, technical and scientific links;
- Support including technical assistance and twinning to meet EU norms and standards, and targeted advice and support for legislative approximation through a mechanism such as Technical Assistance Information Exchange (TAIEX);
- Deepening trade and economic relations, extending them progressively to cover agriculture and the service sector, and to provide the conditions for increasing investment and exports

For the near future the Interim Association Agreement remains a valid basis for EU-Palestinian cooperation and will permit the implementation of the priorities of the Action Plan. In the light of the fulfilment of the objectives of this Action Plan and of the overall evolution of the EU-PA relations, consideration will be given to the possibility of a new contractual relationship. The Commission has suggested that this could take the form of a European Neighbourhood Agreement. Upon the establishment of an independent Palestinian State, this would include the features of a full Association Agreement.

Priorities for action

The Action Plan sets out agreed priority objectives to be achieved, which have been jointly agreed by the both the EU and the PA. Many of these priorities are based on the ongoing Palestinian reform programme which was launched in June 2002. Given the prevailing political situation in the West Bank and Gaza Strip, it is not possible to distinguish between short and medium term actions. In this context the EU and the Palestinian Authority attach particular importance to:

- Facilitating efforts to resolve the Middle East conflict, and to alleviate the humanitarian situation
- Enhancing political dialogue and cooperation, based on shared values, including issues such as strengthening the fight against terrorism and incitement to violence, promoting the protection of human rights and the rights of minorities, improving the dialogue between cultures and religions, co-operating in the fight against racism and xenophobia, in particular anti-Semitism and Islamophobia.
- Progress on establishing a functioning judiciary and effective enforcement of legislation; strengthening the rule of law and respect for human rights
- Strengthening institutions and further reinforcing administrative capacity
- Organisation of elections in the West Bank and Gaza Strip in accordance with international standards
- Building on progress made in establishing an accountable system of public finances
- Developing trade relations with the Palestinian Authority and progress with economic and regulatory reform plans; fully implement the Interim Association Agreement
- Enhance cooperation on transport and energy issues with the objective of strengthening Palestinian participation in Trans Euro-Mediterranean networks

Progress in meeting these priorities will be monitored in structures under the Interim Association Agreement. On this basis, the EU, together with the Palestinian Authority, will review the content of the Action Plan and decide on its adaptation and renewal. Within three years, decisions may be taken on the next step in the development of bilateral relations, including the possibility of new contractual links.

2. Actions

2.1 Political dialogue and reform – building the institutions of an independent, democratic and viable Palestinian State

Development of enhanced political dialogue and cooperation

(1) *Strengthen political dialogue and cooperation including on foreign and security policy issues*

Regular EU-PA political dialogue is provided for in the context of the Interim Association Agreement on Trade and Cooperation. Political dialogue and cooperation should be strengthened and extended to include the following regional and international issues.

- Developments in the region and prospects for cooperation to resolve the Middle East conflict, including intensified efforts to facilitate the peace process and bring about the implementation of the Quartet Roadmap to a permanent two-state solution to the Israeli-Palestinian conflict
- Measures to facilitate improving the overall humanitarian situation
- Ensuring respect for international law, in particular international humanitarian law
- Dialogue between cultures and religions
- Measures in the fight against racism and xenophobia, including anti-Semitism and Islamophobia
- Fight against terrorism
- Strengthen EU-PA cooperation on the Palestinian reform programme

(2) *Intensify co-operation in the areas of combating terrorism, non-proliferation of weapons of mass destruction and illegal arms trade*

- Strengthen EU-Palestinian Authority co-operation on the fight against and prevention of terrorism, including the prevention of illicit funding and supply of arms;
- Co-operate to reinforce the role of the UN in the multilateral fight against terrorism, including through full implementation of UNSC Resolutions 1373/01 and 1267/99, through implementation and enforcement of the UN Convention for the Suppression of the Financing of Terrorism;
- Ensure respect of human rights in the fight against terrorism.
- Co-operation on non-proliferation of weapons of mass destruction, their means of delivery and ballistic missiles, including through implementing UNSC resolution 1540/04, ensuring full compliance with and national implementation of existing international obligations and promoting the accession to and compliance with other relevant international instruments and export control regimes

- Further develop co-operation in the prevention of and fight against the illicit trafficking of WMD-related materials
- Co-operation on establishing effective systems of national export control, controlling export and transit of WMD-related goods, including WMD end-use control on dual use technologies, and effective sanctions for breaches of export controls
- Apply the risk-based customs control ensuring safety and security of goods imported, exported or in transit, and explore possible definitions of standards for certification of operators (exporters and transporters) intervening in commercial exchanges
- Improve overall co-ordination in the non-proliferation area ,and examine specific threats related to WMD which undermine regional security and the scope for co-operation in addressing them
- Promote the relevant provisions of the political and security partnership of the Barcelona Declaration with the objective of pursuing a mutually and effectively verifiable Middle East zone free of weapons of mass destruction.

Democracy and rule of law

(3) *Establishment of an independent, impartial and fully functioning judiciary in line with international standards and strengthen the separation of powers.*

- Adopt a coherent strategy for judicial reform
- Ensure progress on unification of the legal codes of the West Bank and Gaza Strip
- Ensure effective implementation of the Basic Law, in particular those articles relating to Citizen’s Rights and Civil Liberties, and to the respect of provisions regarding the Military Courts
- Progressively improve the courts infrastructure
- Ensure full implementation of the “Law on the Judicial Authority”, including the complete and transparent division of responsibilities between the Supreme Judicial Council and the Ministry of Justice and strengthen the administrative capacity
- Improve conditions for training in relevant areas (including human rights) and examine possibilities for establishing a Judicial Training Institute
- Implement reform of the PA security services

(4) *Organisation of transparent general and local elections according to international standards*

- Revise the legal framework to ensure compatibility with international standards and best practice

- Update the Voter Register for the West Bank, Gaza Strip and East Jerusalem (subject to freedom of movement within the Palestinian Territory).
- Start preparations for polling, counting, observation and party registration
- Adopt a legal framework for the registration and activities of political parties
- Ensure the independence of the elections commissions and a fair and free election process covering both general and local elections.
- Guarantee conditions for media coverage preceding and during the election campaign

(5) *Acceleration of constitutional and legislative reform*

- Finalise work on the drafting of a democratic Constitution and consultation with wider public.

(6) *Public administration and civil service reform*

- Continue implementation of the civil service and public administration reform programme, in particular making the non-ministerial public institutions operating outside the jurisdiction of the Council of Ministries and the Palestinian Legislation Council (PLC) accountable, and continuing the restructuring efforts in various Ministries, including the development of mandate, mission statements, and development programmes
- Strengthen the capacity of institutions responsible for implementing the reform programme

Human rights and fundamental freedoms

(7) *Strengthen legal guarantees for freedom of speech, freedom of the press, freedom of assembly and association in accordance with international standards*

- Ensure effective freedom of the media, including journalists' rights and allow for unhindered functioning of a pluralistic media system
- Review the legal framework in view of providing for full freedom of the press in accordance with international best practices (including possibilities for establishing an independent media commission)
- Ensure full implementation of the 2000 NGO Law according to the by-laws adopted in November 2003 and the Basic Law

(8) *Ensure the respect of human rights and basic civil liberties in accordance with the principles of international law, and foster a culture of non-violence, tolerance and mutual understanding.*

- Adopt and implement an Action Plan on fostering a culture of non-violence, tolerance and mutual understanding, covering, *inter alia*, public institutions the education system and the media, including effective measures against incitement.

- Strengthen possibilities for legal redress against violations of human rights and civil liberties and access to information on citizens' rights
- Promote women's rights and ensure equal treatment and opportunities for women
- Strengthen and ensure effective enforcement of legal provisions against torture
- Provide training for the relevant Palestinian authorities on human rights issues and civil liberties

Financial Accountability and Sound Management of Public Finances

(9) *Continue efforts to establish a modern and well-functioning system of financial control in line with international best practices*

- Strengthen internal audit within the Finance Ministry and all PA spending agencies
- Provide training in modern methods of financial control (internal and external audit)
- Pursue adoption and implementation of the new law on external audit that provides for a modern and efficient Supreme Audit Institution, headed by an independent Auditor General, empowered to conduct audits on the public sector on a regular basis and accountable to the legislature.
- Submit annual reports of the General Control Institute to the Palestinian Legislative Council, in accordance with legal requirements
- Continue cooperation on exchange of information between the Palestinian Authority's law enforcement authorities and other relevant authorities (including specialised bodies at European level)
- Continue cooperation with relevant EU institutions and bodies in the case of on-the-spot checks and inspections related to the management and control of EU funds.

(10) *Continue work to improve transparency of the PA finances and to take concerted action to tackle corruption within public institutions and to fight against fraud.*

- Complete the implementation of the Palestinian Reform programme on budgetary and fiscal transparency
- Provide training for public institutions on anti-corruption measures
- Develop sufficient administrative capacity to prevent and fight against fraud and other irregularities affecting national and international funds, including the establishment of well-functioning co-operation structures involving all relevant national entities.

(11) *Ensure transparency of public procurement operations.*

- Develop conditions for open, fair and competitive award of public contracts in accordance with international best practices.
- Enforce the General Procurement Law

(12) *Put in place a modern and financially sustainable pension system.*

- Adopt an action plan for the reform of the pension system
- Establish a legal framework for a new pensions system, including the PA security services and restructuring and unifying the existing civil service pension schemes

2.2 Economic reform and development

(13) *Improve the conditions for the establishment and functioning of a market economy*

- Carry out necessary legislative reform and ensure adoption and implementation of a basic regulatory framework (including: Capital Market Authority Law, amended Income Tax Law, Companies Law, Competition Law)
- Strengthen the administrative capacity of the Palestinian Authority and other relevant agencies in the area of economic reform.
- Strengthen the capacity of the Land Authority

2.3 Trade-related issues, market and regulatory reform

(14) *Develop trade relations between the European Community and the Palestinian Authority*

- Proceed with gradual liberalisation of trade in agricultural and fishery products and develop the necessary tools for trade control and management, including the gathering and analysis of data
- Implement the Palermo Action Plan approved at the July 2003 Euro-Mediterranean Conference of Trade Ministers
- Examine priorities for veterinary and phytosanitary standards in order to improve access to the EU market

(15) *Strengthen regional cooperation with neighbouring countries*

- Reinforce co-operation among the EC, the Palestinian Authority and Israel to facilitate implementation of trade-related aspects of the Interim Association Agreement
- Develop competencies, required knowledge and skills for trade negotiations
- Enable Palestinian participation in the Pan-Euro-Mediterranean cumulation of origin.

(16) *Develop the regulatory framework for a modern taxation system and institutions based on international best practices.*

- Revise the Income tax law in line with international best practices, and encompassing a single tax code for the West Bank and Gaza Strip.
- Continue efforts to unify the taxation administration in the West Bank and Gaza Strip, and to improve the overall effectiveness of revenue collection
- Improve coordination between the West Bank and Gaza treasuries and tax administrations
- Strengthen administrative capacity of the treasuries and tax administrations

(17) *Revitalise the private sector*

- Provide support for sustainable private sector development, including institution-building
- Strengthen relations between the Palestinian private sector and its institutions and EU counterparts
- Strengthen EU-PA cooperation on enterprise policy, including implementation of the EuroMed charter for enterprises
- Simplify administrative procedures for business

(18) *Further develop the statistics system based on international best practices*

- Reinforce the administrative capacity of the statistics bureau and improve overall coordination on collection of data.
- Ensure the appropriate legal framework for a modern statistics system based on impartiality, reliability, transparency and confidentiality of data

2.4 Energy, Environment, Transport and Science and Technology

(19) *Take steps to promote good environmental governance, to aim for prevention of deterioration of the environment, and to enhance co-operation on environmental issues*

- Review the PA environment policy and prioritise activities included in the Palestinian Environmental Law
- Strengthen administrative capacity and clarify responsibilities between different authorities
- Work towards improvements in the overall water and sanitation management system
- Promote enhanced regional cooperation with neighbouring countries, including on the sharing and management of water resources

- Pursue efforts to improve water supply and quality, especially in rural areas, with a view to meeting WHO standards
- Assess possibilities for participation in selected European Environment Agency activities
- Explore scope for strengthening capabilities for the safe disposal of hazardous waste

(20) *Enhance cooperation on energy and transport issues*

- Strengthen institutional capacity in the field of energy
- Develop regional cooperation on, *inter alia*, electricity and gas; energy and renewable energy sources and networks (in particular Euro-Mediterranean, and on the basis of relevant agreements, e.g. EC-Israel-Palestinian Authority)
- Strengthen cooperation on transport and promote Palestinian participation in Trans Euro-Mediterranean networks, and on other regional issues
- Promote participation of the PA in regional transport programmes, including satellite navigation

(21) *Science and technology, research and development*

- Evaluate the current situation with regard to research and development (infrastructure, human resources, institutional capacity)
- Promote improved Palestinian participation in the EU Sixth Framework Programme on Research and Development (including the establishment of national contact points)

2.5 People-to-people contacts, education, and public health

Education, training, and youth

(22) *Develop a modern education system based on peace, tolerance and mutual understanding*

- Ensure continued progress on the new Palestinian Authority School Curriculum for all grades
- Upgrade the higher education system
- Enhance regional cooperation in the field of education and youth;
- Promote intercultural dialogue, and youth exchanges including cooperation through youth and other relevant cultural cooperation programmes
- Examine possibilities for developing sporting activities
- Reinforce participation in the EC TEMPUS programme and encourage participation in the Erasmus Mundus programme

- Examine ways to implement recommendations on bridging the knowledge gap as identified in the UNDP Arab Human Development Reports.
- Implement the national strategy for technical and vocational education and training through capacity building and human resource development

Public health

- Upgrade the Palestinian Public health system, and examine ways to improve sustainability beyond the conflict
- Strengthen the administrative capacity of the Ministry of Health
- Strengthen coordination with relevant international organisations and health service providers, including NGOs

2.6 European Community-Palestinian Authority Cooperation

(23) *Take concrete measures to implement the Interim Association Agreement on Trade and Cooperation between the EC and the PLO (for the benefit of the Palestinian Authority)*

- Examine possibilities of greater use of the institutional framework of the Interim Association Agreement (e.g. Joint Committee meetings, working groups etc.)
- Examine prospects of negotiation of a full Association Agreement

(24) *Support the implementation of PA reform programme, focused on the priorities set out in the Action Plan.*

- Participate in the Quartet Task Force on Palestinian Reform and the Ad Hoc Liaison Committee on Assistance to Palestinians
- Provide targeted financial assistance and institution building support, focused on the priorities of the Action Plan and the overall objective of building the institutions of a Palestinian state living in peace and security with Israel

3. Monitoring

The Action Plans will be submitted for formal adoption to the Joint Committees between the EU and the Palestinian Authority. The Action Plans will guide the work between the EU and the Palestinian Authority. Should the need arise, on the EU side, for specific measures necessitating legally binding decisions, the Commission will recommend to the Council the adoption of the necessary negotiating directives.

The joint bodies established under the Interim Association Agreement will advance and monitor the implementation of the Action Plan on the basis of regular reports on its implementation.

A first review of the implementation of the Action Plan will be taken within two years of its adoption.

The Action Plans can be regularly amended, on a joint basis, and/or updated to reflect progress in addressing the priorities.