

EN



EUROPEAN EXTERNAL ACTION SERVICE



EUROPEAN COMMISSION  
DIRECTORATE GENERAL FOR DEVELOPMENT  
AND COOPERATION - EUROPEAID

## **Programming of the European Neighbourhood Instrument (ENI) - 2014-2020**

### **Single Support Framework for EU support to Palestine<sup>1</sup> (2014-2015)**

---

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

# Single Support Framework

## Palestine 2014-2015

### Introduction

Palestine is a sui generis case for aid delivery and cooperation, due notably to the occupation and the fragmentation of the territory. Efficiency and performance of EU development cooperation continue to be challenged by the Israeli occupation of Palestine. Palestine is divided into the Gaza Strip (under the control of *de facto* authorities not recognised by the international community), East Jerusalem (a *de facto* annexation by Israel also not recognised) and the rest of the West Bank (over which the Palestinian Authority (PA) has entire control only on Area A, i.e. 18% of the West Bank). The PA has therefore only a very limited authority, both in terms of territory and legal jurisdiction.

The situation of the PA remains challenging, with the persistence of a systemic fiscal crisis and crisis of political legitimacy following the suspension of the Palestinian Legislative Council in 2007 and the absence of national elections subsequently. In July 2013, direct talks resumed between Israelis and Palestinians in the context of the Middle East Peace Process with the ambitious aim of achieving - agreement on all final status issues within nine months, but have been at a standstill with no clarity on when or whether they would resume. since April 2014. At the same time Hamas and Fatah announced a reconciliation that led to the formation of a new technical unity government on 2 June, which should pave the way for elections and is a first step towards ending the *de facto* separation between the West Bank, ruled by the PA and the Gaza strip, ruled by Hamas.

The financial cooperation with Palestine is particularly complex and the multi-annual programming exercise remains a special case:

- (i) No National Indicative Programme has existed so far and programming has been undertaken (until now) on an annual basis;
- (ii) Palestine is treated as a crisis situation (renewed each year by the College), and benefits from 'special measures' as provided for in Article 13 of Council Regulation 1638/2006. The overall aim of EU support is to contribute to maintaining the viability of the two-state solution as long as full statehood is not attained.

Ongoing challenges also include the following:

- (i) The *Palestinian National Development Plan (PNDP) 2014-2016* which has just been released;
- (ii) The financial allocation for Palestine in 2014 amounts to EUR 300 million. A sum of EUR 264.5 million is allocated for 2015. In recent years the final allocation after amendment by the budgetary authority has exceeded the amount initially foreseen. . The indicative breakdown for 2015 under each component of the Single Support Framework (SSF) may therefore be subject to modification.

The budget proposals made in this SSF for 2014 are broken down as follows: a) PEGASE Direct Financial Support (DFS) baseline remains the same as in 2013: EUR 168 million, i.e. EUR 155 million for salaries/pensions/social allowances and EUR 13 million for the East Jerusalem hospitals (referrals costs); b) UNRWA allocation for 2014 remains at EUR 80 million; c) the commitment for East Jerusalem projects is EUR 10 million; and d) commitments for the three focal sectors are EUR 42 million (EUR 38 million for projects and EUR 4 million for Technical Assistance, Audit and Monitoring).

In line with programming instructions for the European Neighbourhood Instrument (ENI) for the period 2014-2020 and the new framework of dealing with Palestine as a State, a shift to a **two-year programming exercise** for the EU cooperation is to be adopted (starting 2014), except for the 'special support measures' and support to East Jerusalem, which will continue to be programmed on an annual basis.

EU financial cooperation with Palestine will be closely aligned with EU political objectives, notably the EU Council conclusions on the two-state solution, and the recently adopted European Neighbourhood Policy (ENP) Joint Action Plan (JAP). The ENP subcommittees will also continue being used as tools for policy dialogue, including in the sectors where the EU is not the lead donor.

This SSF is also fully consistent with the *EU Local Development Strategy* (EU LDS) prepared by the EU Delegation and Member States' missions. The EU LDS foresees a clear local division of labour between the EU and Member States and is recognised as a good basis for an EU Joint Programming in Palestine in line with the Council conclusions on development policy of 12 May 2012.

In line with the PA's priorities, the *Agenda for change*, the ENP JAP, as well as building on previous EU support and according to local division of labour, the EU support to Palestine will focus on three focal sectors, namely:

- 1. Support to governance at local and national levels**
- 2. Support to the private sector and sustainable economic development**
- 3. Support to water and land development**

Special attention will be given to the development of Area C, which ought to become the backbone of the Palestinian economy and for which the PA should gain increased control and sovereignty.

**East Jerusalem** will be a **non-focal sector**, while **temporary support measures** will be maintained including PEGASE Direct Financial Support and UNRWA.

## **Introduction – Political and Economic contexts**

### *The political situation*

The Palestinian authority (PA) has operated as a transitional authority with limited jurisdiction since its creation in 1994. The Oslo Accords excluded PA jurisdiction over East Jerusalem (illegally annexed by the Israeli Government in 1980) and established three levels of control for West Bank and the Gaza Strip, referred to as Areas A, B and C. Only in Area A, does the PA have full civil and military authority while only the President of the Palestine Liberation Organisation (PLO) has access to East Jerusalem. After a violent confrontation in the summer of 2007, the territory of the Gaza Strip came under the control of the Hamas Movement. As a result of this split, many of the PA ministries – previously based in Gaza – moved to Ramallah in the West Bank. At the same time the Palestinian Legislative Council (PLC) suspended its work. As a result, no new legislative measures have been adopted by the PLC subsequently with legal acts being promulgated instead by presidential decree. Similarly since the split, national presidential and Legislative Council elections have not taken place undermining the legitimacy of the Palestinian leadership. A technical unity government was announced on 2 June.

In spite of the challenging context, the PA has demonstrated progress at the political and administrative levels. It is currently elaborating its future reform plans through the *Palestinian National Development Plan (PNDP) 2014-2016* (as a successor to the *Palestinian Reform and Development Plan 2011-2013*). These national plans set out a medium-term agenda for Palestinian reform and development and contain a framework of goals, objectives and performance targets.

With the resumption of direct peace talks in July 2013, an Economic Initiative for Palestine is being developed jointly with the Office of the Prime Minister and promoted by the US and the Office of the Quartet Representative, with close follow-up by international partners. The initiative aims to align closely with the draft *Palestinian National Development Plan for 2014-2016*.

The international community has recognised over time the reform efforts of the PA and has concluded that the PA is institutionally ready for the establishment of a state (Ad Hoc Liaison Committee [AHLIC] conclusions 2012). These efforts have been key in particular in improving law and order in the West Bank and have been crucial in bolstering institution- building and private sector dynamism (the latter, however, constrained by persistent limited mobility of persons and goods and the limited access to natural resources due to the occupation).

Nonetheless, these achievements are being undermined on the Palestinian side by the lack of progress on national reconciliation and the failure to hold Presidential and Legislative Council elections. They are also threatened by the continued expansion of Israeli settlements in the West Bank including East Jerusalem, as well as the persisting restrictions on movement and goods between Palestinian territories.

### *The economic and fiscal context*

The economy of Palestine has been marked by more than 40 years of occupation and conflict, during which the economic growth path has paralleled political developments. Restrictions on movement and access imposed by the Government of Israel have deterred socio-economic development and resulted in an economy highly dependent on the Israeli market and donor aid, with East Jerusalem remaining an isolated economy, physically and economically cut-off from the Palestinian territory of the West Bank and the Gaza Strip.

Obstacles for economic development are multiple and many-sided: limited access to land, water and other natural resources in the West Bank; segregation from the East Jerusalem market and inadequate public investment in East Jerusalem by the Jerusalem Municipality, as well as limited access to Area C

(60% of the West Bank); *de facto* ban on exports from the Gaza Strip; severe restrictions on import of products considered by Israel to be of "dual use"<sup>2</sup>; disrupting effects of settlement activity and settlers, notably in Area C; difficulty and uncertainty of obtaining movement permits for both Palestinian and foreign nationals.

According to a report submitted by the International Monetary Fund (IMF) at the Ad Hoc Liaison Committee meeting of September 2013, the economic situation in Palestine continues to deteriorate. The consistently strong growth in the West Bank witnessed from 2007 to 2011 (6-9% per year) was largely driven by government spending, in turn, funded by aid flows, and to a lesser degree easing of restrictions on movement and access by Israel. However, since 2012, growth has decelerated. The IMF estimates that real GDP rose by just 1½ percent in 2013 reflecting the impact of uncertainty regarding the Israeli-Palestinian peace process and a sharp deterioration of economic conditions in Gaza. Unemployment rate increased to 25% at the end of 2013. Unemployment among youth remains particularly high (above 40%) and youth are largely excluded from public decision-making processes.

As for the Gaza Strip, according to the UN Report "Gaza 2020", severe Israeli restrictions on movement and access remains the main factor for the high level of vulnerability and deep poverty experienced by the population of Gaza. Recently, following the change of government in Egypt and the subsequent closure of the large majority of tunnels running between Egypt and the Gaza Strip as well as the frequent closures of the border, the economic and social situation in the Gaza Strip has significantly deteriorated, raising a number of humanitarian concerns regarding access to water, energy, medical supplies etc. The already weak economy has experienced a further down-turn following restrictions on the import of construction materials. Notwithstanding these severe constraints, several important programmes are being implemented, notably in the water sector. This may allow, if the restrictions are eased by the Israelis, further future strengthening of EU presence in the field through *ad hoc*, consistent, interventions.

The PA has limited control of its revenues, remaining dependent on clearance revenue transfers from Israel (Israeli collected border revenues on behalf of the PA), which represent more than 65% of the PA national budget revenues). In response to the Palestinian's bid for non-member state status at the UN on 29 November 2012, Israel stopped transferring these clearance revenues in December and January 2013 – worsening the PA's fiscal situation and creating instability in the economy. On 25 March 2013, following President Obama's visit to Israel and Palestine, Israel resumed transfers, but it continues to deduct from the sums transferred, in a rather opaque manner, the cost of utilities owned by Palestinian municipalities ('Net Lending') in contravention of the provisions of the Paris Protocol. The withholding of these clearance revenues and loss of revenue due to 'fiscal leakages' served to underline once more the PA's financial dependence on the Government of Israel.

In the short term, the PA will continue to depend on donor aid to cover its recurrent deficit (USD -1.4 billion in 2013). The estimated 2013 fiscal gap amounts to around USD 0.33 billion, and the projected 2014 fiscal gap is of about the same amount. In spite of some increase in donor aid (USD 1.3 billion against USD 0.8 billion in 2012, but down from USD 1.8 billion in 2008), this has been insufficient to cover the deficit in the past years. Consequently, in 2013 the PA has continued to accumulate considerable debts to the banking sector and arrears to the private sector which reach more than USD 0.5 billion at this stage while the accumulated arrears to the pension funds is now estimated at more than USD 1.4 billion. Health services have also been greatly affected. As a result of the PA's accumulated unpaid arrears, hospitals in East Jerusalem have recurrent difficulties in paying salaries and are highly indebted to medical suppliers. Emergency measures have had to be implemented to cut expenses, including laying-off staff and delaying non-urgent care.

Continued financial support by the donor community, and increased reform efforts by the PA therefore remain critical even though, as long as the Israeli occupation persists, the PA cannot be expected to achieve economic viability through austerity measures alone. For the moment, for as long as there is a

---

<sup>2</sup> Items that have both civilian and potentially security-threatening use.

political horizon for the resolution of the Arab-Israeli conflict thanks to the re-launching of direct talks between the Israelis and the Palestinian, donor contributions will probably be sustained, albeit at a level which cannot match real needs on the ground. However, in the absence of political progress, there remains a high risk of donor fatigue, partly due to the economic crisis in many donor countries, and partly due to traditional frustrations with the peace process.

## **1. EU Response**

### **1.1. Strategic objectives of the EU's relationship with the partner country**

#### *A privileged EU-PA partnership*

In recent years, EU-PA relations have focused primarily on supporting the PA's state-building efforts and the peace process, as defined within the framework of its *PNDP 2011-2013*. The Palestinian side has been working on an ambitious reform agenda supported by the EU, which remains its major and most predictable donor.

#### *The EU as a global player in a changing neighbourhood/world*

EU-Palestinian relations take place in the context of the overall changing political situation in the region. The PA is the first partner to have an ENP Joint Action Plan (JAP) reflecting the new response to a changing neighbourhood based on differentiation, mutual accountability and a shared commitment to universal values and democracy. Achieving the objectives outlined in the ENP, JAP is linked to the capacity to address the challenges imposed primarily by the occupation, the current political division between the West Bank and the Gaza Strip and the uncertainties surrounding the PA fiscal sustainability.

#### *A commitment to the peace process and the two-state solution*

The EU has expressed strong support for the efforts of the United States to restart direct negotiations between the Israelis and Palestinians. Since July 2013 there has been a series of successive negotiating rounds. In this context, the EU continues to affirm its commitment to a two-state solution through the creation of an independent, democratic, contiguous and viable state of Palestine, living side by side with Israel and with Jerusalem as the future capital of the two states. The EU support for the state-building efforts of the PA is a concrete translation of the EU's long standing commitment to the two-state solution and the peace process

More specifically and in line with successive EU Council conclusions (and notably that of 14 May 2012) the EU will continue to support greater independence and sovereignty for the PA over its affairs including steps that would facilitate the social and economic development of Area C as well as actions which will facilitate a future political agreement of the status of Jerusalem. The EU has also reiterated its support for Palestinian reconciliation (as outlined in the Council conclusions of 23 May 2011). The EU considers that the situation in and around the Gaza Strip remains fragile and unsustainable, as long as it remains politically separated from the West Bank.

The EU will continue to work in support of the two parties to achieve a two-state solution in full compliance with the Road Map obligations, and based on the UN Security Council resolutions, the Madrid principles including land for peace, the agreements previously reached by the parties and the Arab Peace Initiative. In particular, as outlined in the Council conclusions of 16 December 2013, the EU has expressed its readiness to provide an unprecedented support package to both parties in the event of a successful conclusion to the current peace negotiations.

### **1.2. Choice of sectors of intervention**

As stated in the ENP Joint Action Plan, the EU overall objective is to enhance efforts to resolve the Middle East conflict, including through supporting the establishment of a sovereign Palestinian State.

However, by ensuring continuity and consolidation of the EU support so far, this 'progress SSF' reflects the changing of the paradigm. After years of EU commitments, the PA has reached its absorption capacity in terms of institutional infrastructure, especially in the crucial sectors of security and justice. The time seems ripe to increase the bilateral policy dialogue and mainstream the EU support to civil society with an aim to boost democratisation at both national and local levels. The current context also calls for intensifying support and focus on economic development led by the private sector thus contributing to decrease the chronic fiscal deficit, increase job creation, the fiscal revenue base. This would allow the gradual reduction of the EU direct financial support once the regime of restrictions of movement and access imposed by the Israeli occupation is definitively lifted and the PA has full authority on its clearance revenues.

In line with, the EU *Agenda for change*, the ENP Joint Action Plan, the PA's national strategy, and building upon previous cooperation efforts and in-country division of labour, the EU bilateral cooperation to Palestine will focus thus on three focal sectors, namely:

1. **Support to governance at local and national levels**
2. **Support to the private sector and sustainable economic development**
3. **Support to water and land development**

The three sectors of intervention consolidate previous EU cooperation, taking stock of the situation on the ground (political context, absorption capacities of the PA institutions, increased inclusion of all key stakeholders in EU-funded activities, etc.). Actions in support of civil society through bilateral cooperation will be mainstreamed under focal sectors 1 and 2, and complemented by the support provided by the European Instrument for Democracy and Human Rights- Country-Based Support Scheme (EIDHR-CBSS) and the thematic civil society programme. The choice of sectors of intervention for 2014-2015 has been discussed with the PA, civil society and the donors<sup>3</sup>.

Along the implementation period, special attention will be given to: (i) the development of Area C to protect the local communities from demolitions and displacements and to maximise the economic potential of the area; (ii) the promotion of gender equality by mainstreaming gender in the different actions. Other relevant cross-cutting issues, such as environment will be addressed in each sector of concentration by means of mainstreaming and/or ad hoc activities, as appropriate.

Furthermore, the protracted crisis situation linked to the stagnation of the Middle East Peace Process and the fact that Palestine has not yet attained 'statehood' continues to require a specific additional **non focal support** (East Jerusalem) and '**temporary support measures**', to contribute to maintaining the viability of the two-state solution. These include:

1. **Non focal sector: East Jerusalem programme**, in line with the recent political momentum (Council conclusions of May 2012), which will continue to be provided through a multi-dimensional intervention;
2. **Temporary support measures: PEGASE Direct Financial Support (to the PA) and support to UNRWA interventions for Palestinian refugees** sustaining the delivery of basic services to the entire Palestinian population and the development of the living conditions of the most vulnerable and isolated (the level of this support will need to be adjusted over time depending on the evolution of the volatile political, economic and fiscal situation). The

---

<sup>3</sup> Consultations with the Palestinian Authority were organised on 16.01.2014 and 26.02.2014); with civil society on 11.02.2014 (West Bank) on 12.02.2014 (East Jerusalem) and on 25.02.2014 (Gaza Strip); and with EUMS/donors on 14.02.2014.

*PEGASE Direct Financial Support* includes a new window which supports the PA's referral debts to the East Jerusalem Hospitals, in complement to the East Jerusalem programme.

The interventions in the above focal sectors and the temporary measures will be complementary, notably as those measures are maintaining PA institutions alive, and completed by ad hoc actions (TAIEX and TA)<sup>4</sup>, as well as by programmes under regional cooperation and coordination between relief, rehabilitation and development. The Commission provides humanitarian aid to the most vulnerable population residing in Area C and the Gaza Strip. DG ECHO funds actions focusing on emergency response and preparedness protection and humanitarian advocacy.

Future EU policy and interventions will remain coordinated through regular meetings of the EU Heads of Cooperation (EU HoCs) and the Local Aid Coordination (LACS) Working Groups.

*Regional cooperation, coherence with other instruments and coordination between relief, rehabilitation and development*

Efficiency and performance of regional cooperation continue to be challenged by the Israeli occupation of Palestine, in particular for programmes promoting civil society joint actions. While a differentiated approach is promoted within regional capacity building interventions, collaboration is required between the parts in conflict within the EU Partnership for Peace (EU Pfp), which aims at reinforcing the Middle East Peace Process at civil society level. The European Endowment for Democracy could be taken into account, as appropriate.

In the case of the Gaza Strip, the Instrument contributing to Stability and Peace (IcSP) allows (in comparison with other instruments, such as the ENI) speeding up actions leading to early recovery and rehabilitation in the afterwards of a new conflict escalation.

The European Instrument for Democracy and Human Rights (EIDHR) and the new Civil Society Thematic Programme (CSTP) will continue putting priority to populations' needs in Gaza Strip and Area C, focussing interventions respectively on complementarity civil society actions to focal sectors 1 and 2. In particular, EIDHR-CBSS should promote respect for human rights of vulnerable groups, fundamental freedoms and the international humanitarian law. The CSTP will focus on income-generating activities and employment initiatives targeting women and youth (including with disabilities). Both programmes together with the Civil Society Facility help to strengthen civil society role in Palestine's process of development. Local ownership and gender mainstreaming will be common added value elements for the implementation of both programmes.

Tempus, Erasmus Mundus and the EU framework programmes (FP7) have been increasingly used in Palestine and contribute to the reform of Palestinian high education, and knowledge-based sectors, particularly in niches essential to the human capital and economic development of the territory. Since 2014 these activities are supported through the new programmes Erasmus + and Horizon 2020.

The possibility of adjusting the Neighbourhood Investment Facility (NIF) to the Palestinian context should be explored.

## **2. Indicative financial overview**

<i>Indicative allocation 2014-2020</i>	€1,833,000,000 – €2,241,000,000
<i>Indicative allocation for the 1<sup>st</sup> period (2014-2015)</i>	€508,000,000 – €621,000,000

<sup>4</sup> According to a recent independent assessment, the basic conditions for **twinning in Palestine** are not yet mature.

<i>Breakdown for the 1st period</i>	
<i>Support to Governance at Local and National Levels</i>	5 %
<i>Support to Private Sector and Sustainable Economic Development</i>	5 %
<i>Support to Water and Land Development</i>	5 %
<i>Support to Civil Society will be provided under focal sector 1</i>	N.A.
<i>Temporary Support Measures:</i>	
<i>PEGASE (Mécánisme Palestino-Européen de Gestion et d'Aide Socio-Economique)</i>	55 %
<i>East Jerusalem Programme</i>	<5%
<i>Support to UNRWA (United Nations Relief and Works Agency)</i>	25 %

In addition to programmed bilateral allocations, Neighbourhood countries may benefit from supplementary allocations provided under the multi-country umbrella programmes referred to in the Neighbourhood-wide programming documents. Such supplementary allocations will be granted on the basis of progress towards deep and sustainable democracy and implementation of agreed reform objectives contributing to the attainment of that goal.

Palestine is also eligible for support under a number of other EU instruments, such as the Instrument Contributing to Peace and Stability, Humanitarian Aid, the Partnership Instrument, the European Instrument for Democracy and Human Rights, the Instrument for Nuclear Safety Co-operation, Macro-Financial Assistance, Development Co-operation Instrument thematic programmes and external actions under EU internal programmes for e.g. research and innovation, energy, transport and education, youth, culture and media (in particular Erasmus + and creative Europe). Where possible, Member State political action and assistance will also be co-ordinated with EU action, as a way of achieving political leverage and as part of a coherent foreign policy approach. Palestine may also be targeted for specific diplomatic action under the Common Foreign and Security Policy, depending on the political circumstances.

### **3. EU support per sector**

#### **3.1 FOCAL SECTOR 1: Support to Governance at local and national levels (3%)**

Support to Rule of Law (RoL – Justice and Security) has been one of the focal sectors of intervention and subject to extensive commitments since 2007 in line with priority objective 3) of the ENP JAP. The focus on RoL emerged as a strategic priority based on the political weight of the reforms (a pillar for a democratic and modern state), impact (considering that well-functioning justice and security systems are the basis for prevention, management and conflict resolution). By mid-2013, EU funded on-going projects on security and justice were worth EUR 12 million and EUR 14 million, respectively, with a pipeline of EUR 10.5 million and EUR 16 million (in addition to EUR 24 million

worth of projects to build the Muqatas in Nablus and Jenin, currently under final stages of implementation). The EU therefore acquired considerable accumulated experience, while becoming a lead donor and an actor in policy dialogue. The adherence by the PA to a path of reforms in the RoL sector is the subject of sustained scrutiny and a key item in EU-PA political and policy dialogue. Donor support to institution-building in the RoL sector is currently saturated. Growing concerns on the PA's absorption capacity, the effectiveness, efficiency and sustainability of such support and a prolonged slowdown in the democratisation process call for broadening the scope of the strategy for this sector for 2014-15.

The EU continues to support the institution-building efforts of the PA. However, for it to be effective, it must go in parallel with progress on the reforms of the Justice and Security sectors. A major step is still needed in a clear delineation of mandates and authorities of the various institutions, as well as continued PA support for enhancing institutional development. At the same time, a new level of policy dialogue and monitoring of the pace of reforms must be taken up by the PA and donors. In the light of the new ENP JAP, active participation/leadership in the *ENP subcommittee on Governance and Human Rights*, as well as in the *Governance Strategy Group Working Group* (co-chaired by the EU) and its sub-Working Groups, will be used as leverage.

In recent years there has been a slow-down in the pace of democratic development with national electoral processes stalled, and little progress as regards democratic accountability and oversight. Palestine is in need of renewed efforts to develop robust democratic institutions and to reinforce the ways in which citizens and civil society actors can participate in public decision-making. The institutional approach outlined above needs to be balanced with a broader, inclusive approach focusing on citizens, acknowledging and supporting their roles and responsibilities within a functioning democratic society as well as promoting their rights and democratic culture and values at all levels. In this context, possible ways of support could aim at strengthening transparency and public accountability of the judiciary and security services, human rights awareness, strengthening alternative dispute resolution mechanisms, regulation/promotion of mediation and arbitration procedures and support development of the legal profession.

Democratic practises and values, such as electoral processes, participatory and inclusive approaches in decision-making, civilian oversight mechanisms, intercultural dialogue, identity, heritage and diversity, gender equality need to be promoted at all levels in order to promote sustainable democratic change. In parallel, promotion of local governance and capacities of civil society and local administrations for planning and service delivery will need to be strengthened.

#### 3.1.1. The following overall and specific **objectives** will be pursued:

The **overall objective** of the EU support is to contribute to build a Palestinian state based on the Rule of Law and respect for human rights within a functioning deep democracy and with strong, effective accountable institutions at national and local levels.

The **specific objectives** are: (1) to improve access to Justice for all citizens and increase effective accountability and transparency in the broader RoL sector; (2) to promote democratic processes, values and identity; and (3) to enhance the capacities of the local authorities for better service delivery and planning at local level.

#### 3.1.2. For each of the specific objectives the main expected **results** are:

The **main expected results** for each specific objective are: (1.1) Improved access to Justice and Justice delivered respecting internationally recognised fair trial standards, targeting in particular women and vulnerable groups, such as juveniles and elderly; (1.2) increased accountability and transparency of the Justice and Security institutions with enhanced civilian oversight; (2.1) enhanced capacities of Palestinian independent institutions aiming at promoting democratic governance; (2.2) enhanced intercultural dialogue, Palestinian identity, heritage and reconciliation; (3.1) increased and successful capital investment projects (at the level of municipalities); (3.2) social accountability and transparency measures are applied by the Palestinian municipalities.

3.1.3. The main indicators for measuring the aforementioned results are contained in the sector intervention framework attached in Annex 1.

3.1.4. Donor coordination and policy dialogue are:

EU lead donor	EU (justice, security, local governance, elections), <b>Netherlands</b> (justice), <b>United-Kingdom</b> (security), <b>Denmark</b> (municipal development and local governance)
Participating EU donors (focal sector)	EU
Other EU donors (non-focal sector)	Sweden, Germany, Italy, France, Finland, Spain
Other EU actors	EU Police Mission in the Palestinian Territories (EUPOL COPPS)
Major non-EU donors/actors	US/USAID/Bureau for International Narcotics and Law Enforcement Affairs (INL) of the US/ United States security coordinator (USSC), Canada, United Nations Development Programme (UNDP), Norway

Coordination within the governance sector gained momentum in 2010-11, but stalled after a new interim government was established in May 2012 and in the context of overall political uncertainty/fiscal crisis loomed. The Governance Strategy Group (GSG, with EU co-lead) met for the last times in July 2011 and October 2012, with no major conclusions. Under the umbrella of the GSG, the most active groups are the Elections Working Group and the Local Governance Sector Working Group. The Justice and Security Sector Working Groups have largely become inactive since early 2012, despite efforts from the respective Dutch and British co-chairs. EUPOL COPPS Mission is a relevant actor in the Justice and Security Sectors.

Dialogue with civil society has been reinforced notably in the framework of the consultations organised prior to the ENP subcommittees and through a structured dialogue with the four national civil society networks. A Strategic Framework to strengthen the Palestinian NGO Sector 2013-2017 has been elaborated with the support of the NGO Development Centre and adopted on March 2013.

3.1.5. The Government's **financial and policy commitments**

The slowing down of the political/democratic process in Palestine is amongst the main factors undermining a strategy for future support to governance. The ongoing occupation, the uncertain political outlook (notwithstanding the resumption of negotiations), the weakness of the PA Administration, the continuing divide between the West Bank and the Gaza Strip, the fiscal and economic crisis remain obstacles to the establishment of a democratic, secure and fiscally sovereign Palestinian state. In this context, strategic cooperation with the PA proves to be extremely difficult. In the particular sector of RoL, it is essential that the PA exercises effective leadership and ownership over their development strategies and donor coordination in the broader RoL sector.

For the time being, the *PNDP 2014-2016* and therefore the PA's new Governance Strategy for 2014-2016 (and financial commitments associated with it) are not yet finalised and therefore not yet shared with donors.

3.1.6. When needed, the appropriate type of **environmental assessment** (SEA or EIA) will be carried out: See guidelines (<http://capacity4dev.ec.europa.eu/public-environment-climate/documents>)

3.1.7. The overall **risk assessment** of the sector intervention:

The occupation continues to have a serious impact on the functioning of the justice and security sectors and their ability to serve the public effectively. The police and emergency services face daily impediments in responding to crimes and emergencies in the West Bank, as a result of movement and access restrictions, and Israeli procedures impact on the delivery of donor assistance projects. Respect for human rights and the development of the justice sector (notably in Area A) remains adversely

affected by the geographical fragmentation of the area, especially at a practical level, such as in organising transfers of files, accused persons from one area to the other areas and ensuring the presence of witnesses in court. These impediments undermine the PA's ability to ensure respect for the RoL and order as well as public perceptions of state-building and hope in the prospects for peace and an end to the occupation. The legal framework remains also partially out-of-date, inefficient and does not respect international human rights standards. The suspension of the Palestinian Legislative Council has negatively impacted on the overall democratic environment. The EU remains nevertheless engaged in supporting democratic governance and national elections, as the holding of elections across Palestine remain a precondition for the reinvigoration of democratic legitimacy and institutional sustainability. At the local level, there is an additional risk specific to the municipalities, as their capacity for sub-project implementation remains weak.

### **3.2 FOCAL SECTOR 2: Support to the private sector and sustainable economic development (3.5%)**

Economic development and fiscal improvement in Palestine and, in turn, sustainable job creation and social cohesion and stability are dependent on the development of the private sector. Only a dynamic and rapidly growing private sector will be able to provide the jobs needed by the expanding Palestinian population and generate the revenues required to fund essential public services. The PA has been under pressure from the IMF, the WB and donors in general to curb the current fiscal crisis and reduce its dependency on aid by reducing spending, promoting private sector development and reinvigorating the labour market. In the wake of renewed peace talks in mid-2013, discussions are ongoing with regards to the economic initiative for Palestine as a tool to guide economic development and boost the private sector as key to eventually support the peace process, providing it ensures an equitable and environmentally-sustainable socio-economic development for all Palestinians.

The main factor hampering private sector growth is the regime of restrictions of movement and access imposed by the Israeli occupation, including impediments for accessing land, water and other natural resources, especially critical in the case of the Gaza strip, Area C and East Jerusalem. On the Palestinian side, the business environment has potential to improve in terms of regulations, institutional capacities and public infrastructure and professional/technical skills matching better the market demand. In terms of trade with the outside world, the PA is highly dependent on trade with Israel. Though not the largest trading partner for the PA, the EU remains a preferred market for Palestinian exporters and has taken specific preferential measures to facilitate access to its market for Palestinian goods. Europe and the neighbouring Arab markets offer a potential for expansion. In parallel to private sector decline (mainly since the second intifada), the PA public sector has expanded to an extent where its long-term fiscal sustainability is at risk.

To date, EU support for the private sector and trade has translated into a broad range of projects tackling different areas, from institutional development to direct support and cash transfers to private sector, from agribusiness to cultural tourism, from support to Trade policies and strategies to the capacities of the Palestinian Standards Institute. From 2006 until 2012, projects worth EUR 58 million supported this sector. The EU has also allocated a significant amount of funds from the IFS to support job creation, mainly in the Gaza Strip (around EUR 15 million to an Emergency Job Creation Programme implemented by UNRWA). The EU is also supporting the development of small-scale public and social infrastructure and land development in Palestinian communities in Area C. This will lead to better service delivery and enhanced production and revenues which will positively impact the private sector. Farmers in Area C will for example benefit from improved access to water and electricity and from better roads and access to markets. It should however be emphasised that the impact on private sector development will remain marginal (irrespective of the amounts funded) unless the Israeli Civil Administration lifts its restrictive and discriminatory access regime and permitting systems in Area C.

Future EU support to the private sector will be aligned to the general strategy of the PA which is expected to be confirmed, i.e.: 1) to ensure a positive investment environment in Palestine; 2) to

ensure the competitiveness of Palestinian products and services (in particular on the local market); 3) to promote economic integration and access to the external markets; 4) to ensure labour market oriented skills. A human-rights approach will be used to support the Palestinian private sector, notably through the promotion of decent work. Specific actions to empower women in the private sector, and in their role for promotion of economic and social development in Palestine, will be implemented. To improve the conditions for private sector development in Area C, the EU proposes continued support to top-up its public and social capital investment interventions. The EU intends to focus on various areas, mainly the development and sustainability of micro, small and medium enterprises (MSMEs) and increase labour demand/supply matching by supporting Technical Vocational Education and Training (TVET). Further steps should be taken to support the emerging culture of innovation and entrepreneurial spirit by strengthening the innovation and knowledge-based sectors and policies.

The feasibility and added value of contributing to additional areas will be analysed, such as the development of the Services sector ((eco-) Tourism, ICT, etc.), the development of industrial parks (Jericho, Bethlehem and Jenin) and sustainable agribusiness activities. In addition, the EU intends to support the implementation of the National Export Strategy/NSE (the set up being EU sponsored in 2012-13 through a joint public-private initiative), which most likely will become part of the Private Sector Strategy in the upcoming *PNDP 2014-16*. This approach is in line with the current discussions on initiatives to boost the Palestinian Economy promoted by international partners and foreseen as one of the pillars of a future peace process, including the NES for promotion of the export sector in Palestine.

In the light of the new ENP JAP, active participation/leadership in the ENP *subcommittee on Trade, Internal Market and Agriculture*, the *Economic Policy Strategy Group* and the Sector Working Groups within the Local Aid Coordination Structure (LACS) will be used as leverage.

3.2.1. The following overall and specific **objectives** will be pursued:

The **overall objective** of EU support is to promote inclusive, sustainable, private sector-led economic development in Palestine, building the path towards a green economy.

Its specific objectives are to (1) to improve the competitiveness of Palestinian products and services in an environmentally sustainable way, including in terms of climate change impacts; (2) contribute to skills development, innovation, sustainable job creation and decent work<sup>5</sup>, ensuring specific actions when gender analysis shows a gap.

3.2.2. For each of the specific objectives the main expected **results** are:

The **main expected results** are (1.1) enhanced competitiveness of the Palestinian goods and services with an environmental, pro-poor and human rights approach; (2.1) workforce is better equipped to match labour market needs and decent self-employment.

3.2.3. The main indicators for measuring the aforementioned results are contained in the sector intervention framework attached in Annex 1.

3.2.4. **Donor coordination and policy dialogue** are:

EU lead donor	<b>EU, Spain</b> (agriculture)
Participating EU donors (focal sector)	United-Kingdom, Germany, Italy, France
Other EU donors (non-focal sector)	Denmark, Sweden, Netherlands
Major non-EU donors	World Bank, USA, Canada, Japan

<sup>5</sup> According to the definition of decent work by the ILO.

The *Economic Policy Strategy Group* (ESG), co-chaired by the Ministry of Finance and the World Bank, is the operational forum for strategic PA-donor coordination in the global field of economic development. Three working groups have been established by the ESG: fiscal issues, agriculture and private sector development and trade. The EU also attends the regular donor-PA dialogue on Economy and Trade established by the Ministry of National Economy (MoNE). In addition, EU policy is coordinated through regular meetings of the EU HoCs and regular ad hoc meetings with other donors to harmonise interventions. There is not yet a formal forum for coordination around industrial parks, but increased informal coordination has recently taken place, aiming to lead to a more structured policy dialogue to support the development of an overall national policy on this matter.

In the context of promoting environmentally-sustainable economic development, coordination will be sought with EU-funded regional initiatives promoting the transition towards sustainable consumption and production patterns, in line with Palestine's regional commitments.

### 3.2.5. The Government's **financial and policy commitments** are:

For the time being, the *PNDP 2014-2016* and therefore the PA's new strategies for private sector development sector and sub-sectors (and financial commitments associated with it) are not yet finalised and not yet shared with donors. It is expected that the PA will formally adopt the recently developed National Export Strategy within the new *PNDP*.

3.2.6. When needed, the appropriate type of **environmental assessment** (SEA or EIA) will be carried out: *See guidelines* (<http://capacity4dev.ec.europa.eu/public-environment-climate/documents>)

### 3.2.7. The overall **risk assessment** of the sector intervention:

The obstacles to the development of the Palestinian private sector are numerous and include the difficulty and uncertainty of obtaining movement permits for Palestinians and foreign nationals; limited access to (and depletion of) land, water and other natural resources in the West Bank; segregation from the lucrative East Jerusalem market and limited access to Area C; severe restrictions on imports to and export from the Gaza Strip – including from and to the West Bank (local market); and the disrupting effects of settlement expansion and destructive activities of settlers. The removal of the restrictions imposed by Israel on movement and access, which in turn poses difficulties in reaching markets and access natural resources, continues to be a prerequisite for the expansion of the Palestinian private sector. Adequate political pressure must therefore (and in parallel) be applied to Israel to take bolder steps to facilitate the sustainable socio-economic development of the Palestinian economy, including lifting the restrictions on Palestinian trade and market access (including in Area C, East Jerusalem and the Gaza Strip).

It is worth recalling the specific situation in Gaza where power supply shortages, reduced access to clean water, limitation of free movement of persons and goods (including to/from West Bank) due to a closure policy imposed by Israel are leading to a humanitarian and economic crisis which is first and foremost of a high level political nature.

The restrictions imposed by the Government of Israel are coupled with high costs and inadequate skills of labour force, which significantly reduced the competitiveness of Palestinian firms. A vision is needed from the PA to create an environment that enables the private sector to thrive and innovate within (and despite) existing constraints.

## **3.3 FOCAL SECTOR 3: Support to water and land development (6%)**

Water and sanitation has been a focal sector of the EUREP, with a total of EUR 66 million invested in the water, sanitation and solid waste management sectors from 2006 until 2012. EUR 42 million have been committed in 2011 and 2012, including EUR 20 million for the Gaza Strip (out of which EUR 10 million from the IfS for a desalination project). In addition under the Food Security Thematic

programme (FSTP) 2007-2013, EUR 40 million were invested in projects supporting the agriculture sector including major interventions in land and water development.

Given the close links between water, agriculture and socio-economic infrastructures, a shift from "water and sanitation" to "water and land development" will be operated and cover 2014-2015. The plan to embed water within a wider perspective of land development will address both water and sanitation issues, the necessary territorial contiguity for a two-state solution, and will support the agriculture growth and profitability by a comprehensive land and water development plan stemming from the *Palestinian Agriculture Sector Strategy and its Action Plan* and in line with the *Guidelines for Land and Water Development Interventions*.

Palestinians living in the West Bank have very limited access to water. Due to Israeli restrictions, they currently exploit 20% of the groundwater resources, while the remaining 80% are for exclusive Israeli use (including illegal settlements). Very few Palestinians are also connected to a sewerage collection network (70% of the West Bank population). Several environmental and human health risks emerge from this lack of wastewater treatment, combined with a high population growth (in the Gaza Strip, 90% of the water provided to the population is not suitable for drinking purposes because of high nitrate and chloride concentrations). Support in the water sector will address the lack of basic rights to access water (including drinking water), and will therefore not be limited to infrastructural projects but could target as well the restructuring of the water sector and water research (recycling and desalination). As water scarcity is exacerbated by the occupation (mostly demonstrated in the asymmetric functioning of the Israeli Palestinian Joint Water Committee), a stronger political support in water-related issues will be required, including the related energy supply needs.

At the same time land development will enhance access to and the use of land and water for agricultural purposes boosting the potentialities of the sustainable agro-business with clear effects on the country revenues and employment rates. In addition, the EU will ensure efforts to promote the further involvement of the PA and Palestinian local communities towards the further development of statutory Local Outline Plans – also referred to as Master Plans – in Area C in line with the recommendations of the EU FAC conclusions (05/2012) concerning the changing of zoning and planning in this area. The statutory Local Outline Plans will be complemented by new bottom-up regional planning and development initiatives. These initiatives will cover the economic hinterland for areas beyond the build-up areas and planning perimeters of the Local Outline Plans, with the view to protect high quality agricultural land and to identify and support new economic development opportunities.

In view of the phasing out of Food Security Thematic Programme (FSTP) the shift to "water and land development", will also ensure continuity in what was achieved by the FSTP-funded programmes addressing agriculture constraints. The future interventions in the sector will take stock of the main recommendations stemming from the ended and on-going projects and from the *Guidelines for Land and Water Development Interventions*.<sup>6</sup>

Finally, the capacity of the civil society in the sector needs to be strengthened and supported, so as to enhance the intervention capacity and accountability of the relevant PA institutions (Palestinian Water Authority, Ministry of Agriculture, Ministry of Local Government, Palestinian Energy Authority and the Ministry of Planning and Administrative Development).

### 3.3.1. The following overall and specific **objectives** will be pursued:

---

<sup>6</sup> These include:

- bridging emergency/rehabilitation-operations to long-term sustainable development interventions;
- ensuring an integrated approach (MoA – PWA) of all related capacity building projects integrate;
- reinforcing coordination and alignment of donors, with the *"National Agriculture Sector Strategy & its Action Plan"*;
- targeting associations/cooperatives of farmers and/or communities rather than individual producers.

The **overall objective** of EU support is to contribute to the improvement of the socio-economic situation of the vulnerable population in Palestine – with a particular focus on Area C – while bridging emergency to environmental sustainable development.

The **specific objectives** are to: (1) enhance the access to and the sustainable utilisation of land and water resources (including the treatment of wastewater and the re-use of the treated wastewater); (2) support Palestinian presence in Area C, protect Palestinian land from confiscation and ensure continuity of land.

**3.3.2. For each of the specific objectives the main expected results are:**

The **main expected results** are (1.1) the management, coordination capacities of the Palestinian Water Authority are developed, a separated regulation entity is supported and decentralised institutions are reinforced, (1.2) the provision of equitable, reliable and safe water supply and wastewater services to the Palestinian population and the development of water re-use schemes is enhanced, (1.3) an environment conducive to private investment is created, (1.4) capacities of all bodies related to land and water issues is enhance, (1.5) access to and the sustainable utilisation of land and water resources are enhanced, and (2.1) the planning process by Palestinian communities in Area C is supported.

**3.3.3. The main indicators for measuring the aforementioned results are contained in the sector intervention framework attached in Annex 1.**

**3.3.4. Donor coordination and policy dialogue:**

EU lead donor	<b>Germany</b>
Participating EU donors (focal sector)	EU, France, Germany (water and sanitation, Area C)
Other EU donors (non-focal sector)	<i>Water and sanitation:</i> Austria, Italy, Spain, Sweden, The Netherlands <i>Land and water development:</i> Spain, the Netherlands, France, (through the Agriculture Sector Working Group, and the Olive and Olive Oil Thematic Working Group) <i>Area C:</i> Belgium, Germany, Spain, Italy, Sweden, United Kingdom
Major non-EU donors	FAO (food security), UNICEF (water), Japan International Cooperation Agency (JICA) (water treatment), USAID (water and water treatment), World Bank (water and water treatment), Office of the Quartet Representative (OQR) (land reclamation) Canadian Government, Swiss Development cooperation, Brazil, Australia Aid

The current coordination mechanism of the PA in the water sector is organised mainly through the meetings of the *Water and Sanitation Sector Working Group* (co-chaired by the Palestinian Water Authority and Germany). The main coordination mechanism in the agriculture sector is the *Agricultural Sector Working Group* (co-chaired by the Ministry of Agriculture and Spain/AECID). The Food and Agriculture Organisation (FAO) acts as the technical advisor of all mentioned coordination bodies. As humanitarian interventions are significant in these sectors, harmonisation and coordination of development and humanitarian interventions needs more attention from the side of the donors and of the Palestinians.

Further to the EU Report on Area C elaborated and endorsed by the EU Heads of Mission in 2011 and to the Council conclusion of May 2012, the EU and Member States have increased their already significant support to Palestinian populations in Area C. An EU Interest Group meets regularly to discuss issues related to this sensitive area, notably control and movement, planning processes at village levels, and permit regimes. The EU also uses appropriate EU-Israeli mechanisms to address

these issues (notably with Israeli military authorities, such as the Coordinator of Government Activities in the Territories (COGAT)).

Palestinian development of the land and resources in Area C is also closely followed up by members of the Ad Hoc Liaison Committee and the Office of the Quartet Representative (OQR).

### 3.3.5. The Government's **financial and policy commitments** are:

In the sector of **water**, the PA and major donors have signed in 2012 a Memorandum of Understanding (MoU). The MoU and the subsequent Water Law (not yet adopted up to today, but ready for President's endorsement) mainly spell out directions for the Palestinian Water Authority (PWA) to: (i) separate its ministerial functions from its regulation functions; (ii) restructure the West Bank Water Department (main water bulk utility in the West Bank); and (iii) separate from its Projects Management Unit.

With regard to **Area C**, the PA has elaborated its strategy (*Moving beyond the status quo; safeguarding the two-state solution, AHLC 09/2012*) which has been further consolidated in in view of the AHLC of 09/2013. Owned by the Ministry of Local Government (MoLG), this strategy is supported by the EU and other donors and represents the PA strategy so far on Area C with a long-term perspective (horizon 2030). It constitutes a major effort towards a policy shift in Area C with the aim of transferring to the Palestinians the responsibility of planning in their own territory and for their own development. The EU and large part of the international community supports the changing of zoning and planning regime currently rules by Israeli authorities. Other areas of development interventions are land reclamation and support to agri-businesses which contribute to improved food security and sustainable livelihood of Palestinian communities in Area C. It also serves to prevent the expropriation of farm land for settlement expansion.

In the field of **agriculture**, the EU has supported the PA 'Agriculture Sector Strategy' 2011-2013, the mid-term review exercise carried out in mid-2012, and it is actively involved in the Strategy revision for 2014-2016. Once finalised, the *PNDP 2014-2016* will incorporate the new strategy including its budgeting.

The PA will contribute financially to these measures taking into account the budgetary and fiscal constraints to which it is subject.

### **3.3.6. Environmental assessment**

When needed, the appropriate type of **environmental assessment** (SEA or EIA) will be carried out: See *guidelines* (<http://capacity4dev.ec.europa.eu/public-environment-climate/documents>)

### 3.3.7. The overall **risk assessment** of the sector intervention:

Long term, large scale interventions in the Gaza Strip are subject to an overall political solution to the outstanding issues of energy supply, easier import of construction material and supplies needed for these investments. Without a negotiated relaxation of the restrictions of movements of people and goods any clear strategy in the sector is vowed to severe difficulties.

As far as EU interventions in the **Gaza Strip** are concerned, the water supply service provider (Coastal Municipalities Water Utility) has, in the past few years, managed to achieve some targets on service provision performance in terms of access to water, water supply disinfection, and the percentage of wastewater collected and treated. However, its ability to consolidate all municipal water departments in the Gaza Strip has been impaired by the internal political split. The ability to improve on cost recovery and increase collection has been severely restricted by a disabling political and security environment, as well as widespread poverty and unemployment. The fact that the utility is dependent to a large extent on donor aid to cover a large portion of its operational and running costs

and improving its financial viability is a major concern as well. The good control of the water developments in the Gaza Strip by the PWA has been weakening and this is likely to continue in the light of poor reconciliation perspectives.

The needs in **energy in the Gaza Strip** have also to be assessed with great care and should be supported by a strong political dialogue. Indeed, all water infrastructures in the area are at risk, as the power supply to the Gaza Strip is not fully covered for both population and industrial activity needs.

As far as EU interventions in the **West Bank** are concerned, the viability of water projects could also be impeded by the lack of implementation of tariff policies and unaccounted for water (network losses and water illegal connections).

Amongst the main risks of projects implementation is the worsening of the political context which could reduce access to agricultural areas. The institutional related risks are the one related to the increasing PA financial deficits as a result of shrinking resources/revenues which will affect the institutional planning, coordination and services capacities of the Ministry of Agriculture and other related bodies. As to the environmental risks, the increase of droughts periods will affect the benefits of the programme.

### **3.4 NON FOCAL SECTOR: East Jerusalem Programme (3.5%)**

The support to East Jerusalem will be given continuity over time. It is proposed to further shift from a "public services" support towards a "resilience of population" approach. This would allow the EU to maintain its multi-sector approach and continue investing in sectors such as health or education, while increasing the more strategic approach to sustain the presence of the Palestinian population and the Palestinian identity of the city, responding to the EU political commitment on the status of East Jerusalem and to ENP Action Plan (priority objective 8). Taking into account the results and recommendations of the evaluation of the East Jerusalem programme 2007-2011, the EU will maintain its flexible approach working across sectors and enhancing as much as possible work with Palestinian organisations and joint actions with other donors. Furthermore, taking into consideration the feedback from the civil society consultation on East Jerusalem, the programme will strengthen its capacity building component towards local organisations by systematically building-in such component within each of its action.

#### **3.4.1. The following overall and specific objectives will be pursued:**

The **overall objective** of EU support is to maintain the viability of the two-state solution with Jerusalem as the capital of two states.

The **specific objective** of EU support is to strengthen the resilience of Palestinian East Jerusalem residents and preserve the Palestinian character of the city.

#### **3.4.2. For each of the specific objectives the main expected results are:**

The **main expected results** are: (1) the delivery of public basic services to East Jerusalem residents; (2) the protection of the Palestinian population against harmful Israeli policies; (3) the development of the private sector and the job opportunities; (4) the secured growth and housing opportunities to Palestinian communities and decreased displacement pressures; and (5) the preservation of the Palestinian historical presence and buildings, as well as of a centre of life for its Palestinian people.

#### **3.4.3. The main indicators for measuring the aforementioned results are contained in the sector intervention framework attached in Annex 1.**

#### **3.4.4. Donor coordination and policy dialogue:**

EU lead donor	EU
Participating EU donors (focal and non-focal sector)	Belgium, Danmark, Finland, France, Germany, Spain, Sweden
Major non-EU donors	UNSCO, UNDP, IDB, Welfare Association

With regards to East Jerusalem, all PA institutions in Jerusalem have been closed by Israeli authorities, and thus, the Office of the President of the Palestinian Liberation Organisation (OoP of the PLO) remains the Palestinian counterpart under the present operation in East Jerusalem. Within the framework of the EU-Palestinian Joint Committee on East Jerusalem set up in May 2011, the EU ensures regular co-ordination and consultation with the Palestinian authorities. The Strategic Multi-Sector Development Plan (SMDP) 2011-2013 for East Jerusalem has been used as a basis to develop the priorities of the EU Programme, but its expiration and the extremely weak institutional setting covering East Jerusalem could call for supporting the Palestinian capacity to develop and follow up updated strategic plans. This support, which could take the form of technical assistance, would not only enhance the coordination and thus potential impact of East Jerusalem interventions, but also strengthen the crucial Palestinian presence and ownership in East Jerusalem.

Donor coordination in East Jerusalem remains a challenge despite the political will of major donors to engage in the city considering the lack of consideration of East Jerusalem within the Local Aid Coordination structure (LACS) and the limited capacity of the OoP of the PLO to play a proactive coordination role. The absence of Palestinian institutions in East Jerusalem and the lack of clear institutional framework guiding and monitoring the implementation of the Strategic Multi-Sectoral Development Plan (SMDP) make extremely difficult donor coordination at operational level.

At EU level, the EU initiated in 2012 an information sharing consultation with other donors and in 2013 an EU/UN regular consultation on East Jerusalem issues and approaches. In order to enhance EU coordination with current EU Member States investing in East Jerusalem, a matrix of ongoing interventions has also been developed in 2012 and 2013 and an operational Working Group on East Jerusalem has been set up in April 2013 (led by the EUREP). In parallel, EU consultation with civil society in East Jerusalem shall be more regular and structured, potentially involving our Palestinian counterparts, to respond to the dire feeling of isolation of civil society actors.

At UN family level, United Nations Special Coordinator for the Middle East Peace Process (UNSCO) is taking a leading role within the UN family to develop a joint unit with the OoP with the perspective of establishing an East Jerusalem Trust Fund. On the other side, the UNDP has recently signed a new Trust Fund mechanism (FER) with the Ministry of Planning and Administrative Development (MoPAD) and the Ministry of Local Governance (MoLG) to implement infrastructure projects in Area C and in East Jerusalem. Within this framework, UNDP will be the implementing partner on behalf of MoLG, which has no authority to intervene in East Jerusalem. The EUREP should closely follow-up on these UN initiatives.

#### **3.4.5. The Palestinian Authority's financial and policy commitments:**

The SMDP for East Jerusalem has become the East Jerusalem planning tool referred to in the *PNDP 2011-13* and therefore the basis of the EU Programme of Support to East Jerusalem.

The implementation of the SMDP and the sector strategies in East Jerusalem remain fragmented, although the OoP of the PLO has shown some efforts in developing a Palestinian structure that would be responsible over East Jerusalem affairs. The internal power struggles are still affecting the support for East Jerusalem as it prevents the adoption of a real Palestinian strategy and plan on East Jerusalem and the establishment of a clear Palestinian leadership and sector responsibilities. This fact is of major concern, as it makes the prioritisation of decisions difficult. The SMDP will also be outdated at the end of 2013, and the question of an updated strategic document is being raised.

The PA will contribute financially to these measures taking into account the budgetary and fiscal constraints to which it is subject.

#### 3.4.6. The overall **risk assessment** of the sector intervention:

There is evidence of an increasing donor-funded development activity in East Jerusalem as a result of the continuous deterioration of the socio-economic condition of the Palestinian residents due to the harsh Israeli policies in the area, the increasing settlement activity and the recognition of the continued importance of Jerusalem as capital of the future Palestinian state. The sector suffers of limited number of organisations capable to operate in the area, especially regarding highly sensible activities. Pressure from the anti-normalisation movement has been witnessed during 2012 and first half of 2013 and since then any new action has included a formal partnership.

The EU foresees to pursue the delivery of the assistance relying on partnerships between European/international organisations and local organisations. This method has proven to be suited to the singular context first by strengthening the declining civil society of East Jerusalem, and second by offering the local organisations a sheltered umbrella under which operate. The programme will continue to foster partnerships and work with new actors in order to strengthen the presence and the capacity of Palestinian civil society.

### **3.5 TEMPORARY SUPPORT MEASURES: PEGASE DFS / UNRWA (82.5%)**

Over the past years, the EU has been providing temporary financial support to the PA and UNRWA on a large scale to maintain the viability of the two-state solution and sustain the delivery of essential public services to the entire Palestinian population.

Through **PEGASE Direct Financial Support (DFS)**, the EU has contributed massively to the Palestinian National Budget recurrent expenditures (EUR 168 million in 2012<sup>7</sup>), with systematic, predictable and unconditional contributions to the payment of PA civil servant's salaries, pensions and of social allowances to the poorest and most vulnerable Palestinians. This **contributed substantially to State building** as well as to social cohesion, economic and security stabilisation. Consistently, the EU has been supporting the PA to implement policy reforms in public finance management, and on specific fiscal issues (*such as reduction of the net lending*), as well as to improve service delivery (*social protection and more recently civil service reform towards greater effectiveness and efficiency*). Through a **newly set up PEGASE window** (2013) for **East Jerusalem hospitals**, the EU is also able to provide crucial support to avoiding the collapse of those hospitals, which are amongst the few remaining Palestinian institutions in East Jerusalem and are providing key medical services to the Palestinian population, while reducing the PA fiscal deficit and the deduction by Israeli authorities from the transfer of Clearance Revenues for Palestinian referrals to Israeli hospitals. This window is linked to the support provided through the 2013 East Jerusalem Programme to the EJ Hospital Network for improving their management and governance, and it will be closely linked to EU/other development partners' policy dialogue and technical support to the health referrals reform of the Ministry of Health. This support will provide an additional leverage in advancing those reforms that are expected to be implemented during the coming 3 years, and which would render this window obsolete.

Since 1971, the EU has also massively contributed to **UNRWA's Regular Budget**<sup>8</sup>. UNRWA is unique in terms of its long-standing commitment to one group of refugees, and its contribution to the welfare and human development of four generations of Palestinian refugees. Originally envisaged as a temporary organisation, the Agency has gradually adjusted its programmes to meet the changing needs

---

<sup>7</sup> €155 million for DFS (CSP and VPF) and 13 for EJH referrals

<sup>8</sup> €80 million as baseline in 2011, 2012 and 2013 in line with the Joint Declaration 2011-2013 signed between the EU and UNRWA, thus ensuring predictability of EU support through joint management (signature of contribution agreements with UNRWA, in accordance with Article 53d of the Financial Regulations).

of the refugees and is currently delivering basic services to 4.7 million refugees across its five fields of operations (Gaza Strip, West Bank, Jordan, Lebanon and Syria). With a steadily growing budget of nearly US\$1 billion, its needs and financial gaps are ever increasing due to demographic pressure and ever emerging and long-lasting crisis situations. The EU has become the largest single donor to UNRWA and its funding is used primarily to cover the Agency's crucial core programme services in the areas of health, education, and social services.

3.5.1. The following overall and specific **objectives** will be pursued:

The **overall objective** of this temporary EU support is to maintain the viability of the two-state solution by avoiding the fiscal collapse of the PA and sustaining basic living conditions of the whole Palestinian population, including refugees and communities living in areas out the control of the PA.

The **specific objectives** are to: (1) support the PA and UNRWA to deliver to the Palestinian population (including the Palestinian refugee population) essential basic services; (2) to improve the economic opportunities of poor, vulnerable and isolated population; and (3) increase the PA's and UNWRA's transparency and accountability.

3.5.2. For each of the specific objectives the main expected **results** are:

The **main expected results** are: (1) improved access of Palestinians, including Palestinian refugee population in Gaza Strip, West Bank, Jordan, Syria, and Lebanon, to quality essential public services, with a specific focus on the most poor/vulnerable; (2) increased livelihood opportunities of poor, vulnerable and isolated population; (3) improvement of the PA's and UNRWA's responsiveness to respective citizens' and Palestine refugees' needs; and (4) sustain East Jerusalem's hospitals.

3.5.3. The main indicators for measuring the aforementioned results are contained in the sector intervention framework attached in Annex 1.

3.5.4. **Donor coordination and policy dialogue:**

**Direct Financial Assistance (PEGASE DFS, PRDP Trust Fund)**

EU lead donor	<b>EU, United-Kingdom</b>
Participating EU donors (focal and non-focal sector)	<i>PEGASE DFS:</i> Austria, Belgium, Denmark, Finland, Hungary, Ireland, Italy, Luxemburg, Malta, Slovakia, Spain, Sweden, the Netherlands <i>PRDP Trust Fund:</i> France, United Kingdom
Major non-EU donors	<i>PEGASE DFS:</i> Japan, Switzerland <i>PRDP Trust Fund:</i> Australia, Kuwait, Norway, World Bank (manager of the Fund) International Monetary Fund, USA

EU/Member States direct financial support channelled through the PEGASE DFS and the World Bank Trust Fund remain the most reliable and predictable source of assistance to the PA.

In the last years, important efforts to strengthen the policy dialogue (together with EU Member States) in the framework of PEGASE Direct Financial Support (DFS) have been made. Early 2013 the EUREP set up an EU Informal Group on PEGASE DFS, which meets every 6 weeks, and follows both the implementation of PEGASE DFS and related technical assistance and policy dialogue aspects (fiscal issues, policy reforms, service delivery). It also fosters synergies between PEGASE DFS and EU/EUMS focal areas of intervention.

Other relevant platforms include: (i) the *Fiscal Working Group* (co-Chaired by the Ministry of Finance and the International Monetary Fund); (ii) the *Public Administration and Civil Service Sector Working Group* (co-Chaired by the MoPAD and the UK/DFID); and (iii) the *Social Protection Sector Working Group* (co-Chaired by the Ministry of Social Affairs and the EUREP). Regarding net lending issues, in addition to the Fiscal Working Group, the EUREP is having quarterly meetings with the Palestinian Energy and Natural Resources Authority.

**UNRWA**

EU lead donor	<b>Sweden, United Kingdom</b>
Participating EU donors (focal and non-focal sector)	EU, Belgium, Denmark, Finland, France, Germany, Ireland, Italy, the Netherlands
Major non-EU donors	Australia, Canada, Norway, Switzerland, USA

The overall policy dialogue forum is the UNRWA Advisory Commission (AdCom) held twice a year. The AdCom is the main setting for guiding UNRWA, especially on significant issues related to the Agency's strategic direction and budget processes, as well as cultivating trust among all stakeholders (host countries, donors and the Agency itself). The EU continues to play a key role within this forum.

Late 2010, the EUREP initiated an EU Interest Group, which meets very regularly (tentatively on a monthly basis). It has allowed exchange of information and provides momentum on major points of concerns, such as UNRWA's consolidation of budget, reform processes and its Medium Term Strategy (MTS 2016-2021). The EUREP has been able to achieve good progress towards an agreed EU position with respect to UNRWA's challenges, in particular on budget management. It has also consolidated its role as a coordinating 'hub' for EU Delegations in countries hosting Palestinian refugees. These efforts have collectively allowed for stronger recommendations pledged at the AdCom and more aligned and consistent messaging across UNRWA's five fields of operations.

3.5.5. The Government's **financial and policy commitments**:

**Direct Financial Assistance (PEGASE DFS, PNDP WB Trust Fund)**

The PA's development efforts within its complex and difficult political context are being undermined by weak links between planning and budgeting. The Ministry of Planning and Administrative Development is elaborating and monitoring the framework for channelling donor support (PNDP), while the Ministry of Finance is formulating and monitoring the national budget without sufficient links between both processes. Nevertheless, it has to be highlighted that for the very first time in 2013, the PA is linking the *PNDP 2014-2016* preparation and the 2014 Budget preparation, and has started a 'Programme-Based-Approach' approach. There is no Medium Term Expenditure Framework (MTEF) per se, even if the Council of Ministers took the decision in late 2005 to integrate medium term planning and budgeting on MTEF concepts. There is no parliamentary oversight, which increases the need for inclusiveness and debate from national CSOs (including research institutions, some having established track-record in the area of policy analysis). The PA was recently able to achieve important positive results (only 1% of the wage bill in 2013) and is addressing courageously the revision of its fiscal revenue capacity. However, the decrease in direct financial support by donors is negatively impacting the PA's capacity to ensure salaries regularly and social turbulences may be expected in 2014.

**UNRWA**

The agency is preparing the 2014-2015 budget (likely be the 2013 budget + US\$25-30 million) and its draft **Mid Term Strategy (2016-2021)** will be endorsed by the AdCom in June 2014 (final adoption at AdCom June 2014).

3.5.6. The overall **risk assessment** of the sector intervention:

In terms of fiscal sustainability, the main risks are that the political environment does not improve (status quo) or deteriorates, with subsequent increased donors' fatigue. The temporary support measures are supposed to decrease and ultimately disappear when/if the crisis situation recesses and statehood is attained.

Without any political resolution to the refugee problem, while this population grows at a pace of approximately 4-6% per year, and with a downward trend of donors' contribution, UNRWA faces a huge challenge in terms of fiscal sustainability, and needs to cooperate closely with governmental authorities in the area of services delivery normally provided within the public sector – notably education, health and social protection, and maintains its regional quasi government operations via its 30,000 predominately Palestinian workforce. Furthermore, new crises in the region affecting the refugee population cannot be excluded thus further straining the Agency's capacity. This has led to the reduction of on-going programme activities and precluded certain actions which normally would be part of UNRWA's regular programme of work. The crucial issue remains labour and serving those most in need. Moreover, **at stake remains the capacity of the Agency to ensure sustainability in its core activities, by securing their funding through the General Fund and not through short term projects or Emergency Appeals.** Donor fatigue is evidently noticeable with UNRWA's traditional donors. This is occurring in an environment where host and donor countries are facing substantial domestic economic challenges making it more difficult for them to maintain existing levels of support. Given the above, the Agency's financing model seems to be unsustainable in the medium/long term. UNRWA has continued to diversify its donor base with contributions from Arab States and emerging donors, however these are still minor. The Agency needs to revise its so far adopted approach which focuses almost exclusively on fund raising (more needs = more funding) by exploring innovative ways to continue ensuring basic services to refugees (refocusing service delivery on the poorest refugees, reduction of redundant staff, containing wages increases, partnerships with other UN agencies such as WFP, UNICEF etc. enhancing political dialogue with Arab League Countries, major donors).

The Medium-Term Strategy 2016-2021 of UNRWA is expected to pave the way to substantial consolidation and savings of its expenditures by refocussing the Agency on its core business (primary health, basic education and social relief).

#### **4. Measures in favour of civil society**

A peculiar characteristic of Palestinian Civil Society Organisations (CSOs) is the fact that – unlike most civil societies and against the concept of civil society itself – most of them were created outside of an established “state framework”. In the last decade, a process of concentration of CSOs on service delivery activities became apparent, while their engagement in the policy arena was often marked by difficulties due both to the internal political situation and the restrictions of movements imposed by the Israeli policy. At the same time, the absence of a functioning PLC has increased the need of a proper watchdog function by the Palestinian civil society.

Support to and through civil society has been provided by the EU for a long time, both through regional and thematic programmes (Civil Society Facility, EIDHR, Non-State Actors, Food Security) and through cooperation initiatives, particularly under East Jerusalem Programme. A 2011 mapping study has recommended to focus the support to increase CSOs' engagement in local and national governance and policy dialogue activities as well as to supporting long-term programmes in order to decrease the concentration of Palestinian CSOs on service delivery – sometimes in competition with public authorities - and reverse the tendency to attribute to grassroots CSOs only the role of “beneficiaries”.

The current EU overall objective for supporting CSOs in Palestine is to strengthen the position of civil society in public/policy debate and in the elaboration, implementation and monitoring of development strategies, complementary with the Palestinian Authority's strategy and actions. This objective drives already the regular dialogue of the EU with the Civil Society within the frame of the ENP as well as

the elaboration and definition of the operational documents (i.e. guidelines for the Call for Proposals under thematic budget lines and bilateral cooperation).

An upgraded mapping study will be carried in the first semester 2014 and an EU roadmap will be elaborated to better engage with civil society in/through cooperation and policy dialogue. Actions in support of civil society will be mainstreamed under this strategy, using both bilateral cooperation and EIDHR and thematic civil society programme funds. Special attention will be paid to address the capacities of main civil society networks in order to consolidate the role of Palestinian civil society in development and structured policy dialogue.

## **5. Provision for technical assistance, audit and monitoring (1.5%)**

A window will be maintained in order to possibly cater for ad-hoc support (technical assistance) for activities related to the implementation of the ENP JAP. It could also target Palestinian participation in Union Programmes and Agencies, as well as possibly the travelling costs for PA officials to attend meeting in Brussels. This section should also cover EU operational support programmes specific for Palestine (such as the audit/IT/technical assistance supporting PEGASE DFS and potentially complementing it, in order, for example, to address fiscal issues (net lending, health referrals) and/or support key policy reforms, for example related to civil service reform, social protection, support to the Palestinian Central Bureau of Statistics (PCBS) or public finance management).

**Annex 1      Template for Sector of intervention framework**

The results, indicators and means of verification specified in the present annex may need to evolve to take into account changes intervening during the programming period.

Where missing, baselines referring to the indicators below will be introduced in Action documents at the latest.

<b>FOCAL SECTOR 1: <u>Support to Governance at local and national levels</u></b>		
The <b>overall objective</b> of EU support is to contribute to build a Palestinian state based on the Rule of Law and respect for human rights within a functioning deep democracy and with strong, effective accountable institutions at national and local levels.		
<b>Specific objective 1:</b> to improve access to Justice for all citizens and increase effective accountability and transparency in the broader RoL Sector.		
<b>Expected Results</b>	<b>Indicators</b>	<b>Means of verification</b>
1.1 Improved access to Justice and Justice delivered respecting internationally recognised fair trial standards, targeting in particular women and vulnerable groups, such as juveniles and elderly;	(a) Number of civil and criminal backlogs;  (b) Average processing time for court cases;  (c) Number of new Laws/Regulations targeting vulnerable groups (juveniles, disabled) and women victims of violence, enacted and implemented per year;  (d) Rate of follow-up of complaints against officials of public authorities by the competent authority on a yearly basis;	Annual reports produced by HJC and Public Prosecution + minutes of SSWG or JSWG + reports with and of pending cases EUPOL COPPS assessments  Records of trainings/Judicial Training Committee Reports  PA Official Publications  Guidelines to mainstream gender in Justice and Security  Reports of Civil Society Organisations monitoring the Justice Sector  Guidelines/Documents of international organisations on Security Sector reform  ENP annual reports
1.2 increased accountability and transparency of the Justice and Security institutions with enhanced civilian oversight	(a) Number of documents disclosed by public institutions of key policy/decisions/court orders per year;  (b) Number of actions undertaken with EU funding to enhance civilian oversight;  (c) Number of functioning formal mechanisms of control and monitoring established within and outside Ministries of Justice and Interior to ensure accountability in the area of security and justice (the	Brochures, press conferences, etc.; EUPOL COPPS assessments  Studies/Evaluations/CSOs can press to have rules changed and reparations paid; Media appearances & Public surveys.  EU Human Rights Strategy

	type of mechanisms will be further defined in the action documents).	
<b>Specific objective 2:</b> to promote democratic processes, culture, values and identity		
<b>Expected Results</b>	<b>Indicators</b>	<b>Means of verification</b>
2.1 Enhanced capacities of Palestinian independent institutions aiming at promoting democratic governance	(a) Number of voters in forthcoming Palestinian elections (national and local), (b) Number of women/youth candidates; seating in Parliament; holding senior Government position in Government; participating in decisional processes within Government; participating in local government councils.	Reports from local and international observers CEC and Civil society's statistics and results
(2.2) enhanced intercultural dialogue, Palestinian identity, heritage and reconciliation	(a) Number of actions/multi actors partnerships to promote national inclusiveness, diversity and tolerance. (b) number of actions/multi actors partnerships promoting Palestinian identity and cultural heritage	Civil society annual reports, media Projects data
<b>Specific objective 3:</b> to enhance the capacities of the local authorities for better service delivery and planning at local level		
<b>Expected Results</b>	<b>Indicators</b>	<b>Means of verification</b>
3.1 Increased and successful capital investment projects (at the level of municipalities)	(a) Percentage of capital investment projects financed under the Municipality Development Programme (MDP) that are operational and in adequate state of usability after one year of operation according to the technical audit.	MDLF reports Citizen surveys

<b>FOCAL SECTOR 2: Support to the private sector and economic development</b>		
The <b>overall objective</b> of EU support is to promote inclusive, sustainable, private sector- led, economic development in Palestine building the path towards a green economy.		
<b>Specific objective 1:</b> 1.1 Enhanced competitiveness of the Palestinian goods and services in an environmentally sustainable way		
<b>Expected Results</b>	<b>Indicators</b>	<b>Means of verification</b>
1.1 Enhanced competitiveness of the Palestinian goods and services with an environmental, pro-poor and human rights approach	(a) World Bank Doing Business ranking (baseline 2014: 143).  (b) Share of exports of Palestinian goods and services in the GDP.	World Bank Doing Business Report  PCBS data; IMF report to AHLC
<b>Specific objective 2:</b> contribute to skills development and sustainable job creation and decent employment conditions, ensuring specific actions when gender analysis shows a gap.		
<b>Expected Results</b>	<b>Indicators</b>	<b>Means of verification</b>
2.1 Workforce is better equipped to match labour market needs	(a) Employment rate – disaggregated by sector (private and public), sex (male and female) and people with disabilities  b) Rate of TVET graduates who find employment/self-employment within 1 year of graduation (target: 75%)  c) Rate of employers who are satisfied with TVET graduates skills and abilities (target: 70%)	PCBS labour force survey  PCBS labour force survey

<b>FOCAL SECTOR 3: Support to water and land development</b>		
The <b>overall objective</b> of EU support is to contribute to the improvement of the socio-economic situation of the vulnerable population in Palestine – with a particular focus on Area C – while bridging emergency to environmental sustainable development.		
<b>Specific objective 1:</b> to enhance the access to and the sustainable utilisation of land and water resources (including the treatment of wastewater and the re-use of the treated wastewater)		
<b>Expected Results</b>	<b>Indicators</b>	<b>Means of verification</b>
1.1 The management, coordination capacities of the Palestinian Water Authority are developed, a separated regulation entity is supported and decentralised institutions are enforced	(a) New Water Law approved and implementing Decrees issued during reference period of the SSF. (b) Number of pro-poor and progressive water and water related wastewater tariffs introduced by the PWA by 2016.	Reporting, studies, evaluation and monitoring from the major donors involved in the water sector.  Decree new set-up of PWA.
1.2 The provision of equitable, reliable and safe water supply and wastewater services to the Palestinian population and the development of water re-use scheme is enhanced	(a) Proportion of households connected to clean water supply by 2016 (baseline 96%; target: 97%) (b) Number of dunums that are irrigated through a water re-use scheme by the end of the reference period of this SSF (target: 4,000) (c) West Bank average of water losses from public network (baseline 27.7 %; target: decrease by 1% by 2016)	Reporting, studies, evaluation and monitoring from the major donors involved in the water sector
1.3 Capacities of all bodies related to land and water issues are enhanced	(a) Number of strategies and regulations promulgated to upscale the competence and effectiveness of the Minister of Agriculture	Base line survey and projects reports
1.4 Access to and sustainable utilisation of land and water resources is enhanced	(a) Amount of rain water harvested and used for agricultural purposes at country level per year..	Idem  MoA and other bodies reports
<b>Specific objective 2:</b> to support Palestinian presence in Area C, protect Palestinian land from confiscation and ensure continuity of land		
2.1 The planning process by Palestinian communities in Area C is supported	(a) Number of Palestinian village councils that submit their statutory outline plans to the Israeli authorities per year. (target: at least 10 by the end of the reference period of the SSF)	MoLG reports  OCHA reports

<b>NON FOCAL SECTOR: <u>Support to East Jerusalem</u></b>		
The <b>overall objective</b> is to maintain the viability of the two-state solution with Jerusalem as the capital of two states.		
The <b>specific objective</b> is to strengthen the resilience of Palestinian East Jerusalem residents and preserve the Palestinian character of the city.		
<b>Expected Results</b>	<b>Indicators</b>	<b>Means of verification</b>
<p>1.1 The delivery of public basic services to East Jerusalem residents</p> <p>1.2 The protection of the Palestinian population against harmful Israeli policies</p> <p>1.3 The development of the private sector and the job opportunities;</p> <p>1.4 The secured growth and housing opportunities to Palestinian communities and decreased displacement pressures;</p> <p>1.5 The preservation of the Palestinian historical presence and buildings, as well as of a centre of life for its Palestinian people</p>	<p>(a) number of basic services providers available in East Jerusalem communities (e.g. in sectors of education, health, elderly, social welfare);</p> <p>(b) percentage of population satisfied with quality of services provided in East Jerusalem (disaggregated by sex, age , sectors and geographical location);</p> <p>(c) number of population receiving legal counselling and/or legal assistance per year;</p> <p>(d) number of registered businesses</p> <p>(e) number of businesses having had access to investment;</p> <p>(f) number of rehabilitated/ restored/ operating touristic and cultural infrastructures;</p> <p>(g) number of demolitions and evicted population by the Israeli authorities per year;</p> <p>(h) number of cultural activities promoting Palestinian identity in East Jerusalem per year;</p> <p>(i) number of public revitalisation activities preserving the Palestinian heritage in East Jerusalem done per year.</p>	<p>Monitoring reports, beneficiaries surveys as well as baseline studies and needs analysis of civil society organisations (e.g. Mapping of services 11 East Jerusalem neighbourhoods done by Grassroots Jerusalem in 2013; Survey of Palestinian neighbourhoods in East Jerusalem done by Bimkom in 2013; Needs analysis of CBOs in East Jerusalem done by the Centre for Continuous Education in 2013; Market study of SMEs done by PWC for the Palestinian Investment Fund in 2014; etc...)</p>

<b>TEMPORARY SUPPORT MEASURES: <u>Support to PEGASE DFS and UNRWA</u></b>		
The <b>overall objective</b> is to maintain the viability of the two-state solution by avoiding the fiscal collapse of the PA and sustaining basic living conditions of the whole Palestinian population, including refugees and communities living in areas out the control of the PA.		
The <b>specific objectives</b> are to: (i) support the PA and UNRWA to deliver to the Palestinian population (including the Palestinian refugee population) essential basic services; (ii) improve the economic opportunities of poor, vulnerable and isolated population; and (iii) increase the PA's and UNRWA's transparency and accountability.		
<b>Expected Results</b>	<b>Indicators</b>	<b>Means of verification</b>
<p>1.1 Improved access of Palestinians, including Palestinian refugee population in Gaza Strip, West Bank, Jordan, Syria, and Lebanon, to quality essential public services, with a specific focus on the most poor/vulnerable</p> <p>1.2 Increased livelihoods opportunities of poor, vulnerable and isolated population</p> <p>1.3 Improvement of the PA's and UNRWA's responsiveness to respective citizens' and Palestine refugees' needs</p> <p>1.4 Sustained East-Jerusalem's hospitals</p>	<p>(a) Selected Quality of life indicators (life expectancy, maternal and infant mortality, literacy rates, unemployment, poverty levels) disaggregated by sex</p> <p>(b) Selected service delivery indicators on health, education and social protection disaggregated by sex</p> <p>(c) Measurement of entitlements, privileges and rights of refugees sustained and protected in line with relevant UN GA resolutions and universal Millennium Development Goals.</p>	<p>PCBS data</p> <p>Reporting, studies, evaluation and monitoring from the majors donors involved in Macro-Economy (mainly WB and IMF) and in Socio-Economy (mainly UN agencies)</p> <p>UNRWA Annual Reports to the UN General Assembly</p> <p>UNRWA Annual Harmonised Results Reports</p> <p>Reports, studies, evaluation and monitoring conducted by UNRWA and external stakeholders (Donors)</p> <p>UNRWA Advisory Commission documents</p>

\*Breakdown by year is useful for planning, but not required

**Annex 2: EU financial assistance to the Palestinian people (2014-2015)**

	<b>2014</b>	<b>2015</b>
<b><u>Focal Sectors</u></b> (two-year programming)	<b>€38 million</b>	<b>€ xx million</b>
<b>1. Support to Governance at local and national levels</b>	1. €9 million	
<b>2. Support to the private sector and economic development</b>	2. €10.5 million	
<b>3. Support to water and land development</b>	3. €18.5 million	
<b><u>Non Focal Sector</u></b> <b>Support to East Jerusalem</b> (annual programming)	<b>€10 million</b>	<b>€ xx million</b>
<b><u>Temporary Support Measures</u></b> (annual programming)	<b>1. Support to PEGASE DFS</b> <b>€168 million</b>	<b>€ xx million</b>
	<b>2. Support to UNRWA</b> <b>€80 million</b>	<b>€xx million</b>
<b><u>Provision for Technical Assistance, Audit and Monitoring</u></b>	<b>€4 million</b>	<b>€xx million</b>

To be noted that whereas the SSF is considered covering a two-year planning, in terms of budget allocations, the EP has adopted so far only the allocations for 2014. For 2015, at this stage, it can only be foreseen that the interventions will ensure the continuity with regards Temporary Support Measures, focal and non-focal sectors.